

## Responsible body's declaration

14 September 2018

The Hon Robin Scott MP  
Minister for Finance  
Level 5, 1 Macarthur Street  
East Melbourne VIC 3002

Dear Minister,

We are pleased to present the Essential Services Commission's annual report for the year ending 30 June 2018.

The annual report has been prepared in accordance with Part 7 of the Financial Management Act 1994 and as required by Section 31 of the Essential Services Commission Act 2001. It also satisfies the requirements of Regulation 10 of the Essential Services Commission Regulations.

I would like to record my appreciation of commission staff for their commitment to delivering our regulatory, administrative and advisory program in 2017–18.

Yours sincerely,



Dr Ron Ben-David  
Chairperson

## Essential Services Commission

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## Our mission

We aim to promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.

We regulate Victoria's energy, water and transport sectors, and administer the Fair Go Rates system. Our work also includes regulating the Victorian Energy Efficiency Target scheme, which aims to reduce greenhouse gases by making energy efficiency improvements more affordable for consumers.

## Our values

We achieve our mission by living our key values:

### Integrity

- Being transparent and consistent in making decisions.
- Clearly explaining the rationale behind decisions.
- Acting openly and honestly.

### Collaboration

- Sharing information and knowledge across the organisation.
- Adopting an open and constructive approach to addressing and resolving issues with stakeholders.
- Providing or taking opportunities across the organisation to jointly deliver influential outcomes.

### Impartiality

- Basing advice and decisions on merit, without bias, caprice, favouritism or self-interest.
- Acting fairly by objectively considering all relevant facts and fair criteria.

### Excellence

- Being rigorous in the assessment of data and information.
- Exhibiting clear, evidence-based decision-making.
- Challenging traditional approaches and exploring new ideas based on the latest economic and regulatory thinking.

### Respect

- Treating people fairly and objectively, with dignity.
- Considering the views of others to improve outcomes on an ongoing basis.

# Key highlights, 2017–18

## 84,258

With over 84,000 installations in 2017–18, more than 50,000 households and 19,500 businesses in Victoria benefited from energy efficiency upgrades under the VEET scheme, locking in lower energy consumption into the future. The energy efficiency team regulates participants of the scheme, which makes energy efficiency improvements more affordable for consumers.

## 2.4 million

Our water price review saw water bills for typical households across Victoria remain steady, or even fall, from 1 July 2018. This is a great outcome for the estimated 2.4 million Victorian households affected by our water pricing decisions.

## 87,000

In 2017, we established a new public register for private sellers and suppliers of electricity who are exempt from holding a retail licence. At 30 June 2018, over 87,000 customers (including small businesses operating in shopping centres, and residents of caravan parks, retirement homes and apartment complexes) had their electricity supplied by exempt providers who submitted their details for the register.





# 100 million

In June 2018, we released a draft report on our fare review for unbooked commercial passenger vehicle (taxi) services. We used data from more than 100 million taxi trips to assess whether taxi fares were at the right level for the industry and for consumers and aim to publish our final decision in September 2018.

# 76

Our December 2017 council monitoring report showed 76 councils complied with the average rate cap or higher rate cap. We published statements from the remaining three councils about their non-compliance.

# 5

We reviewed our charter of consultation and regulatory practice in 2017–18. Our five new principles for stakeholder engagement will help us build respectful and productive relationships with industry, identify emerging issues that affect those sectors, and inform our regulatory decision-making.





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## From the chairperson



This is my tenth annual report as chair of the Essential Services Commission. I have never been prouder of our achievements than in the past year. It was a year marked by nationally and internationally recognised initiatives that have changed the regulatory landscape in Victoria.

By June, we had completed price determinations for 17 water businesses across the state. These were the first determinations made under our new water pricing regulatory framework, PREMO. The results exceeded our expectations. We challenged the water businesses to step up, think big and deliver great outcomes for their customers. They accepted our challenge and Victorians will now benefit from better services and flat or falling prices over the next five years.

The past year also saw us putting the finishing touches on our new payment difficulties framework. This will see Victorian energy customers receive world-class assistance from their energy retailer when they're having trouble paying their bills. These new customer entitlements will commence from 1 January 2019.

This was also the year we worked in true partnership with the Victorian water industry to develop and implement policies that will see best-in-class support services provided across the state to customers facing the scourge of family violence.

This year, we put a strong focus on monitoring regulatory compliance and, where necessary, taking enforcement action against energy licensees and accredited persons in the VEET scheme. Our priority is the integrity of these markets and consumers' rights to fair and reasonable treatment.

We have also continued to work with the Port of Melbourne to embed the new regulatory framework, established by the government with the long-term leasing of the port. Likewise, we have continued to work with the local government sector to ensure the robustness of the Fair Go Rates system, a regulatory framework implemented by the government in 2015.

Our efforts and willingness to think creatively have been recognised around the country with staff and I invited to present our work. We have also hosted international delegations from as far afield as Namibia and Finland.

Even though I cannot do our scope of work justice in these few words, I recognise that none of our accomplishments would have been remotely possible without the extraordinary commitment of our staff. The people who work here do so because they want to make a difference. What a privilege and a pleasure it is to be surrounded by such a motivated team.

Our CEO, John Hamill, inspires me every day. He passionately believes in realising the full potential of the organisation and every individual in it. I am incredibly grateful for John's support and wise counsel.

Our wide agenda places demands on my fellow commissioners that they may not have expected when they signed up for the role. They have accepted these challenges thoughtfully and in good humour. The support they have provided me and staff over the past year has been invaluable.

No doubt, the year to come will present the commission with many challenges. As an organisation focused on great performance and thought leadership, it will rise to those challenges and remain unerringly focused on promoting the long term interests of Victorian consumers.

Dr Ron Ben-David  
**Chairperson**

# Our goals

## Setting goals to help us deliver on our purpose and vision

Our five performance goals have been designed as medium-term goals. They were updated in 2018.

### GOAL 1

**We will ensure our regulatory regimes are designed to promote outcomes that are in the interests of consumers.**

The interests of consumers are critical to the success of our regulatory regime in the context of changing and disrupted markets. If we are successful in achieving this goal, we would expect to see regulated businesses and other entities focused on delivering services in a way that fully takes into account the interests of consumers.

### GOAL 2

**We will create effective and efficient incentives for businesses to perform consistent with regulatory objectives.**

The price regulation we set will create effective incentives for regulated business and other entities (including local government) to demonstrate effective performance. Our monitoring of markets will increase understanding of the relative levels of performance of different organisations in different sectors, and the effectiveness of competitive markets.

### GOAL 3

**We will deliver high quality advice to government on issues related to economic regulation.**

Our reports and decisions are accessible, understandable, achievable, and defensible. We understand the needs of government and policy advisors in our advice.

### GOAL 4

**We will be an organisation that promotes thought leadership and diversity, and delivers great performance.**

We will seek to be innovative, original and willing to challenge conventional ways of doing things, saying things and framing things in pursuit of more efficient and more effective outcomes.

### GOAL 5

**We will be an organisation that creates and values effective and constructive relationships with stakeholders.**

We continue to build our understanding of the sectors and businesses we regulate, and understand the impact of what we do on the cost of doing business. Government, businesses and the public have an increased understanding of our roles, responsibilities and objectives as a regulator. Effective internal communication supports high levels of staff engagement and performance.



# Who we are

## Regulating key essential service sectors and an energy efficiency scheme

We regulate Victoria's energy, water and transport sectors, administer the rate-capping system for the local government sector and regulate the Victorian Energy Efficiency Target (VEET) scheme.

As part of our role, we consider:

- efficiency in regulated industries, and incentives for long-term investment
- the financial viability of the industry
- competition within the industry
- relevant health, safety, environmental and social legislation applying to the industry
- benefits and costs of regulation
- consistency in regulation between states and on a national basis.

The Minister for Finance is responsible for the commission.

### We have been operating since 2001

The commission was established by the Essential Services Commission Act 2001, which came into effect on 1 January 2002 in place of the Office of the Regulator-General.

The commission was established to provide support to the Victorian Government's broader economic program, which aimed to improve the efficiency and competitiveness of the state's economy while ensuring the long-term interests of consumers were promoted.

### Our Act helps define our functions

We perform specific functions required of us by the Essential Services Commission Act 2001. The Act requires us to:

- provide advice and recommendations to the Minister for Finance on matters relating to economic regulation and regulated industries

- conduct inquiries (at the request of the minister) into any systemic reliability of supply issues related to a regulated industry or other essential service
- conduct inquiries and report on matters relating to regulated industries
- conduct public education programs in relation to significant changes in the regulation of a regulated industry.

### We also operate through industry-specific legislation

We are required to perform functions given to us under various industry legislation. You can view the relevant legislation at appendix E.

### We use a formal process to exercise our statutory responsibilities

This involves developing reports on how markets operate, delivering price determinations, compliance assessments and audits, and taking enforcement action when required. We also run the Victorian Energy Efficiency Target scheme and provide recommendations on local government rate caps to the relevant minister.

We consult with our stakeholders on these items by conducting workshops, public forums and formal submission processes.

### We had 116 employees as of 30 June 2018

We also have a commission chair and two additional part-time commissioners. Our employees are led by a chief executive officer.



# Our organisational structure

We are led by our commissioners, who are responsible for approving our determinations, reviews and other materials that respond to our primary responsibilities as an economic regulator. Our chief executive officer ensures that we have a secure, efficient operational framework that helps promote the commission's work.



**Dr Ron Ben-David**  
Commissioner and Chairperson

Ron Ben-David has a broad interest in all aspects of the commission's role in promoting the long-term interests of Victorian consumers.

He has been a Deputy Secretary for the Department of Premier and Cabinet. He also established Victoria's Office of Climate Change in 2007 and headed the secretariat for the Garnaut Climate Change Review. Ron was appointed chairperson of the Essential Services Commission of Victoria in 2008.

He holds a Bachelor of Science (Optom), a Bachelor of Commerce (Hons) and a PhD (Economics). In 2005, Ron became a fellow of the Institute of Public Administration (Vic).



**Kate Symons**  
Commissioner

Kate Symons was appointed part-time Commissioner for the Essential Services Commission in October 2016. As a lawyer with qualifications in public administration and corporate governance, Kate has experience across a number of key sectors.

Kate has particular expertise in risk, compliance and governance issues. She acted as solicitor-assisting for the HIH Royal Commission, has held roles within the university sector and the Federal Court of Australia, and has worked in private practice both in Australia and overseas.

She holds a Bachelor of Laws (Hons) from the University of Adelaide and a Master of Public Administration from Flinders University.



**Richard Clarke**  
Commissioner

Richard Clarke was appointed a part-time Commissioner for the Essential Services Commission in March 2014.

Richard graduated with a Master of Economics from Monash University. He worked at Monash University's Centre of Policy Studies and spent more than five years as chief economist for Shell Australia. Richard has also worked at the Victorian Department of Treasury and Finance, the Australian, Queensland and New Zealand productivity commissions, the Better Regulation Executive (London), and the Victorian Competition and Efficiency Commission.



**John Hamill**  
Chief Executive Officer

John Hamill has a strong public sector background, gained primarily from roles in strategic micro-economic analysis, budget management, organisational performance and policy development. Most recently, he was the Manager of Input Methodologies, then General Manager, Regulation at the Commerce Commission of New Zealand.

John also held several roles at the New Zealand Ministry of Justice and has a PhD in English literature from Victoria University of Wellington.

## The executive team as at 30 June 2018

Our executive team is responsible for areas including energy, water, transport, local government, the Victorian Energy Efficiency Target, organisational performance and strategic communication.

### Marcus Crudden

As Director, Water, Marcus oversees all water projects, including assessing and approving water prices, developing water codes and guidelines, producing water performance reports, and conducting inquiries, studies and reviews on the water industry as required.

Marcus has a Master of Business Administration from the Australian Graduate School of Management at the University of New South Wales. He also has a Graduate Diploma of Water Engineering, Hydrology and Water Resources Science, and a Bachelor of Engineering, both from Monash University.

### Dominic L'Huillier

As Director, Transport, Dominic oversees all transport projects, including administering the Port of Melbourne pricing order and regulating commercial passenger vehicle prices, accident towing charges and rail access arrangements. He also oversees the production of resources such as rail access codes and guidelines, and accident towing and commercial passenger vehicle monitoring reports.

### Jeff Cefai

As Director, VEET, Jeff oversees all VEET projects, including assessing and registering certificates, approving products and accrediting participants. He also oversees the management of project-based activities, the scheme's audit and compliance functions, and mandatory safety training requirements.

Jeff has a Bachelor of Engineering (Chemical Engineering) from RMIT.

### Sarah McDowell

As Director, Energy, Sarah oversees projects including the regulation of energy licences, exemptions, tariffs and benchmarks. She also oversees the development of energy codes and guidelines, and the release of market performance reports such as the Victorian Energy Market Report.

Sarah has a Graduate Diploma in Law, a Bachelor of Commerce and a Bachelor of Arts, all from Monash University.

### Andrew Chow

As Director, Local Government, Andrew oversees all local government projects, including the administration of higher council rate caps, council monitoring reports and sector inquiries and reviews.

Andrew is a fellow with CPA Australia and a member of the Australian Institute of Company Directors.

### Alix Quirke

As Director, Organisational Performance, Alix oversees key internal functions including information technology, people and culture, and finance.

Alix has a Masters in Professional Accounting from Griffith University and a Bachelor of Commerce from Lincoln University.

She is a graduate of the Australian Institute of Company Directors and a member of the Australian Human Resources Institute.

### Jacinta Davenport

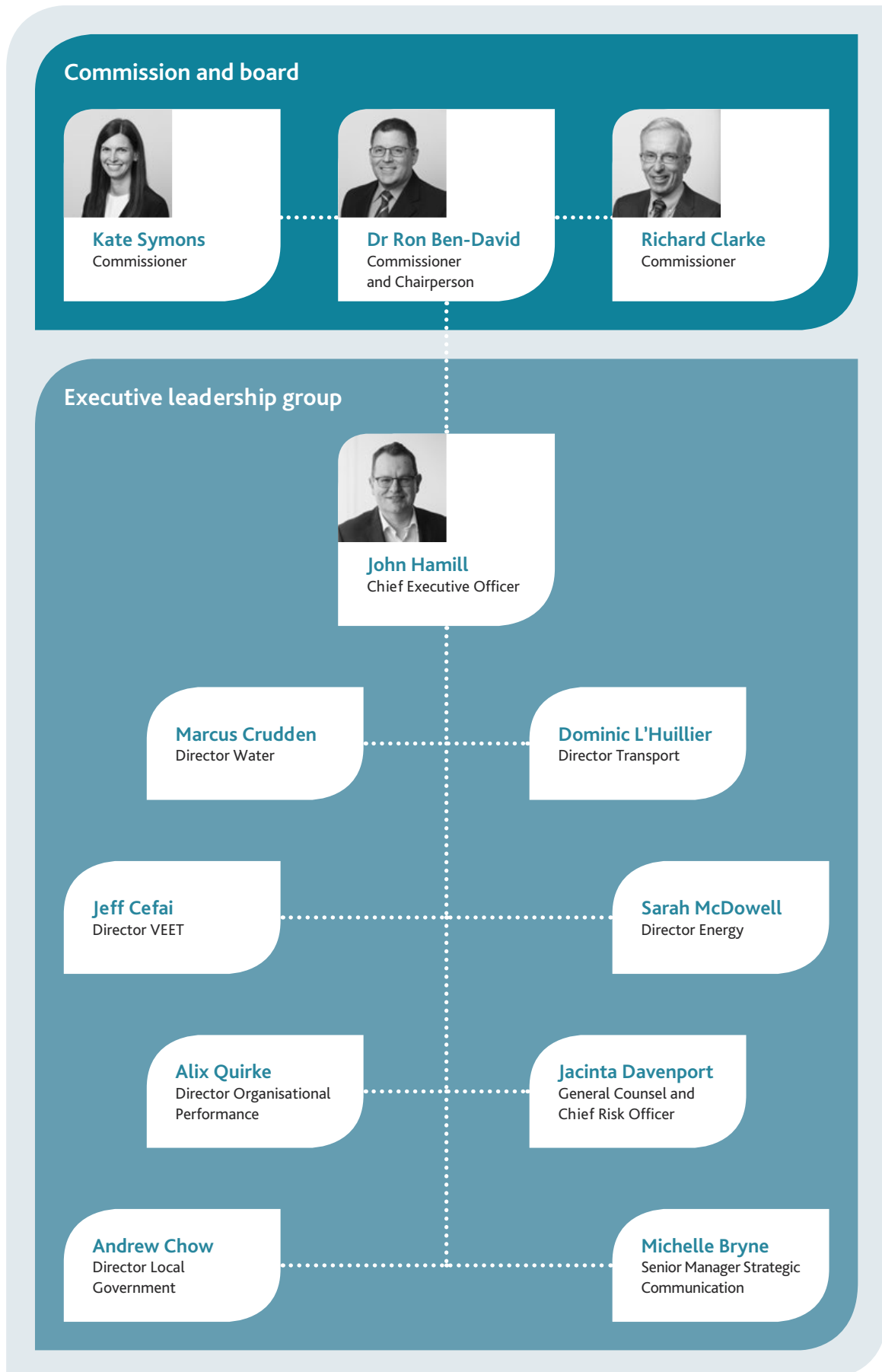
As General Counsel and Chief Risk Officer, Jacinta oversees the management of risk at the commission.

### Michelle Bryne

As Senior Manager, Strategic Communication, Michelle oversees external and internal communication, digital and social media, media and issues management, reputation and branding, and stakeholder engagement.

Michelle has a Master of Communications, Organisational Communication, and a Bachelor of Arts, both from Charles Sturt University.

## Our organisational chart as at 30 June 2018



# Corporate governance

We are committed to high standards of corporate governance in our decision-making and corporate activities

Our corporate governance framework is determined by the Essential Services Commission Act 2001 and various other legislation.

## Our corporate governance structure



### We use a formal decision-making process

We perform our functions through consultation processes and a formal decision-making process.

We usually publish a draft decision and allow time for stakeholder comments before a final decision is made.

When a commission decision is made, a minute is created and approved, and the decision is confirmed (where appropriate) by an appropriately sealed document.

Our charter of consultation, board of management and memorandums of understanding form the basis of our corporate governance framework.

### Our audit and risk committee helps us identify and manage risks

Our audit and risk committee is established in accordance with the requirements for audit committees under the standing directions of the Minister for Finance. The committee provides assurance to our responsible body that our risk management, internal financial control, and governance and compliance activities are efficient and effective.

The committee oversees financial management and performance, operation and implementation of the risk management framework, internal and external audit and accountability, internal controls, and compliance.

Our audit and risk committee had the following members at 30 June 2018:

- an external independent member, David Ashmore
- commissioner Kate Symons
- commissioner Richard Clarke, who is chair of the committee.



### **Our board covers organisational governance matters**

Our commissioners meet as a board to formally deal with organisational governance matters where a decision must be made in line with a certain instrument (such as a law or specific order).

### **Our memorandums of understanding help improve outcomes**

The Essential Services Commission Act 2001 requires us to enter into memorandums of understanding with various Victorian Government agencies. We also enter into memorandums with agencies who share an important working relationship with us.

We use these memorandums as a way to make our outcomes more efficient. They help improve communication and regulatory processes, and reduce the duplication of work across agencies.

### **We held memorandums of understanding with 16 organisations**

In 2017–18, we held memorandums of understanding with the following organisations:

- Australian Competition and Consumer Commission\*
- Australian Energy Regulator\*
- The Clean Energy Regulator (Commonwealth)\*
- Commercial Passenger Vehicles Victoria\*
- Director of Consumer Affairs Victoria
- Department of Health and Human Services
- Energy Safe Victoria
- Energy and Water Ombudsman (Victoria) Limited (EWOV)\*
- Environment Protection Authority (EPA Victoria)
- Environment and Sustainable Development Directorate (ACT)\*
- Independent Pricing and Regulatory Tribunal New South Wales\*
- Marine Safety Victoria (Transport Safety Victoria)
- Port of Melbourne Corporation\*
- Sustainability Victoria
- Victorian Regional Channels Authority
- Victorian Workcover Authority\*.

\* An asterisk indicates that we have voluntarily entered into a memorandum with that organisation. All other memorandums are required under section 16 of the Essential Services Commission Act 2001.

### **Submissions in 2017–18**

- In 2017–18, we received 258 submissions on our projects. Many submissions related to our energy team’s work on the true value of distributed generation and the payment difficulties framework. View appendix O for a more detailed overview of submissions we received in 2017–18.

### **Essential Services Commission financial management compliance attestation statement**

I, Ron Ben-David, on behalf of the Responsible Body, certify that the Essential Services Commission has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.

Dr Ron Ben-David  
**Chairperson**



## From the CEO



This year, our work has been dominated by two themes: implementing regulation that puts customers at the centre of what we do, and developing our approach to stakeholder engagement and better regulatory practice.

A core part of delivering customer centred regulation has been completing our 2018 price reviews for Victorian water businesses. This process has delivered significant benefits for customers in terms of prices and improvements in the way that water corporations engage with customers.

In the energy sector, we have overseen significant reforms in the way energy companies are required to deal with people who have difficulty paying their bills. We have also begun a significant program of reform in the energy retail market.

In the transport sector, we continued to work with the Port of Melbourne to monitor compliance with regulatory requirements, and continued to see the evolution of price regulation in the commercial passenger vehicle industry (including taxis).

It has also been a very productive year for the Victorian Energy Efficiency Target scheme. Of particular note was the successful introduction of project-based activities into the scheme. We have accredited 10 companies to undertake this new methodology, with five project plans approved and one project creating energy efficiency certificates in June 2018.

The changing environment in which we operate means that we put an increased focus on how we improve our regulatory practice.

A core part of this work has been about reviewing our charter of consultation and regulatory practice. This project has highlighted the importance of taking a principles-based approach to regulation in the context of an increasingly complex environment.

It has also highlighted the importance of using a range of channels for engaging with stakeholders, including digital and social media.

This year, we redeveloped our website in response to research that showed our users were not able to easily find information on the site and were not confident the information was accurate and up to date. Our new site makes it easier to find and understand information because it features simplified language, improved search functionality and an easier-to-navigate structure.

We also stepped up our efforts on social media to reach out to individuals and groups who are interested in what we do. Using these platforms opens up opportunities for us to build understanding of what we do, explain why it matters and demonstrate our effectiveness. It's also a great way to introduce new people to our work and provide a platform for engagement on key issues and decisions.

We continue to deliver our work on time and under budget. Our year end result was a \$0.3 million surplus.

I continue to be grateful for the support of our commissioners and staff in achieving these outcomes.

Dr John Hamill  
Chief Executive Officer





# Our organisational outlook

We are developing a culture where we pursue more efficient and effective outcomes.

## Our regulatory environment

### Government expectations are changing

The government’s regulatory reform program aims to improve the efficiency and effectiveness of regulation and reduce the cost to businesses, not-for-profit organisations, government service providers and households.

Our statement of expectations from the Minister for Finance requires us to ‘apply robust economic reasoning, use best available evidence and demonstrate exemplary regulatory practice’. We have responded to these expectations in a variety of ways:

- Through our work implementing recommendations from an independent, bipartisan review of electricity and gas retail markets, we will be:
  - setting new standards for bills and marketing material to help customers navigate the energy market more effectively
  - developing and applying a framework for reporting on competitiveness and efficiency in the market.
- In June 2018, final decisions from our water price review saw water bills stay flat or fall for the vast majority of Victorian water customers, while encouraging water businesses to ensure customer needs are heard and addressed.
- Over the 2017–18 financial year, more than 50,000 Victorian households benefited from energy efficiency upgrades under our Victorian Energy Efficiency Target scheme.
- Our final decision on Monash City Council’s higher council rate cap applications considered the long-term financial impact of higher recycling costs on the council’s finances, as well as its impact on ratepayers. It resulted in a decision that spread the increase in recycling costs over 10 years.
- Our 2018 reputation survey results showed we have improved our stakeholder engagement processes, while our new framework aims to ensure stakeholders can contribute to our work in a meaningful way.







## We continue to see disruption in markets we regulate

Digital disruption continues to have a significant impact on what we are seeking to achieve as a regulator, just as it affects the markets and businesses we regulate.

Contemporary digital disruption is happening very quickly and it frequently gets ahead of the policy-making process. This creates tensions between the constraints we face in relation to the law and regulations we administer, and the market outcomes we are seeking to achieve.

We are responding to digital disruption in every area of our work:

- Taxi hail apps and booking apps have led to a shift in how we regulate taxis. We determine maximum fares for unbooked commercial passenger vehicles (including taxis), and we now determine the non-cash payment surcharge for these services.
- Online billing, social media, and electronic banking have changed customer expectations about how they can and should interact with suppliers of services, including essential services.

- Ongoing growth in solar photovoltaic and battery technologies are changing the traditional passive energy consumer into one that may have some ability to reduce their dependence on the traditional energy supply chain.

## Our independence remains important

We do not take our role as an independent regulator for granted. We value our ability to provide robust micro-economic analysis within a complex regulatory environment.

As an organisation, it's important for us to remain impartial but be constructive in our contribution to public debate. To this end, we remain focused on promoting long-term consumer outcomes for Victorians.

As part of this work, we've established a useful, informative, balanced presence on LinkedIn and Twitter. We have also comprehensively re-developed our website, ensuring that our content provides clear information around our processes and opportunities for stakeholder feedback.

## Our priorities for 2018–19

### Thought leadership remains a key focus

We aim to be thought leaders in the regulatory sector and produce high quality work that makes a difference to Victorian consumers. As part of this work, we aim to have a culture that:

- values diversity, because it will help us develop new conceptual frameworks and understand problems from different perspectives
- encourages flexibility in how we do our work, and how we allocate people
- empowers staff to put forward new ideas
- promotes open communication
- requires transparency about the risks we are managing
- provides room for reflection and review.

### We aim to continuously improve our performance results

As part of this culture of improvement, we aim to ensure that:

- staff are motivated and engaged
- there are high levels of communication about what is happening
- there are diverse views and skills
- people have a clear understanding of what success looks like.

We look forward to pursuing these priorities in 2018–19.



# Reputation survey

## Finding out what we do well and where we need to improve

In 2017, we conducted our largest ever stakeholder survey to find out how stakeholders thought we were performing.

The online survey of over 2000 stakeholders from across the sectors we work in provided feedback on measures including overall satisfaction, communication and engagement, and our processes, outcomes and decisions.

We used the results to develop a reputation strategy to address areas where we needed to improve.

### Our 2018 results showed significant improvements

We repeated the survey in 2018 and were pleased to see improvements across all key areas. In particular, there were improvements in areas where we implemented broad organisation-wide strategies to address issues highlighted by the survey. This included:

- communication (+7 per cent), where we employed a broad strategy that included training 80 per cent of staff in plain English to improve our written communication
- interactions with commission staff (+9 per cent), where we held workshops with staff to enhance awareness of the impact of day to day interactions with stakeholders
- stakeholder engagement (+7 per cent), where we embarked on a project to develop a new engagement framework and consultation charter and trained more than 60 staff in engagement essentials.

We will now set targets for 2019 which we will report against in next year's annual report.

Dimension	2017	2018	External benchmark
Overall satisfaction	58%	61%	67%
Communication to stakeholders	60%	67%	71%
Stakeholder consultation and engagement	68%	75%	69%
Providing information to the commission	58%	65%	61%
The commission's processes	55%	62%	62%
Interactions with commission staff	64%	73%	69%
Outcomes and decisions	53%	59%	55%

\* Blue highlight indicates that we exceeded the external benchmark.



# Communication and engagement

## Promoting effective and efficient communication in a capability-building environment

We build an understanding of what we do, highlight our value and demonstrate our effectiveness and thought leadership.

### Our year in review



#### Reputation survey

In 2017, we conducted our largest ever reputation survey to find out how stakeholders thought we were performing. Our 2018 results showed significant improvements and enabled us to develop a reputation strategy to continue improving our results.



#### Stakeholder engagement

We engaged with our stakeholders in a review of our Charter of Consultation and Regulatory Practice, resulting in a new stakeholder engagement framework underpinned by five key principles (pages 18 and 19).



#### Website redevelopment

We collected feedback from website users and analysed existing website data to redevelop our website and better meet the needs of all our users. Our new website presents information about our work in a clear, accessible format to suit a variety of stakeholder requirements.



#### Plain English culture

In 2017, we introduced 'plain English' as our standard way of writing. Through 2017–18, we continued to embed a plain English culture through in-depth staff training, developing essential staff writing resources, and providing support on all publications.

### Measuring our success in 2018–19

As part of our communication work with external stakeholders in 2018–19, we will focus on:

- further developing our media and social media strategies
- creating exciting new content including staff articles, videos and podcasts
- establishing a new digital communication system (e-newsletter platform) to help us communicate timely information and increase the accessibility of our digital content
- increasing the organisation's capacity and confidence to communicate clearly and engage effectively with stakeholders by providing strategic advice and support services.



# Stakeholder engagement framework

Engaging with stakeholders is essential to our work

As the state economic regulator of essential services, our work touches the lives of each Victorian every day. We value the knowledge and perspectives of stakeholders, so we've developed a new engagement framework to provide a range of ways for you to contribute to our work.

## Our new framework is a commitment to high standards

We updated our Charter of Consultation and Regulatory Practice, with extensive input from internal and external stakeholders:

- We incorporated the charter into a broader engagement framework.
- We included staff in an intensive deliberative process to involve them in the challenge of improving our engagement.
- We interviewed and surveyed external stakeholders and put a draft out for comment for 10 weeks.
- We updated the framework to respond to stakeholder input and new Victorian Government guidelines for regulators.
- We adopted the new framework and established an internal champions group.

## Stakeholder engagement is a cornerstone for better regulatory practice

Our decisions need to be well informed regardless of whether we are setting prices, enforcing consumer protections, reporting on service standards or market performance, or determining rate cap applications.

Good engagement is therefore a building block for better decisions.

Our new engagement framework reflects our ambition to be a leading regulator, including promoting innovation and flexibility to pursue more efficient and effective regulatory outcomes.

## Good engagement is part of our culture

Our new engagement framework is designed to support best practice. It's underpinned by:

- the Charter of Consultation and Regulatory Practice, including the principles we aspire to, guidelines for practice and indicative timeframes
- an internal engagement champions group to promote best practice
- ongoing evaluation of our engagement efforts to facilitate continuous improvement.

## Our new framework is based on key principles

Our new principles-based approach will allow staff to develop engagement strategies that are tailored to the complexity and potential impact of the issue being considered and the time available.

The principles are supported by guidelines that tell you what you can expect from us when we engage on a project or program of work.



## Our stakeholder engagement principles



1

### PRINCIPLE 1:

#### We are transparent and accountable

We are clear about what, when and how we consult. We publish information about how we make decisions and explain the decisions we have made.



2

### PRINCIPLE 2:

#### Our engagement is considered, planned and genuine

We develop plans with the aim of providing time for meaningful, fit for purpose engagement with people who are affected by or have an interest in our decisions.



3

### PRINCIPLE 3:

#### Our engagement is inclusive

Our decisions are well-informed by input from a range of groups and individuals who are affected by, or interested in our work.



4

### PRINCIPLE 4:

#### Our information is clear, accessible and simple to understand

We present information in plain language that clearly sets out what we are doing, how people are affected and how they can get involved.



5

### PRINCIPLE 5:

#### We listen and learn to improve our consultation and engagement

We evaluate and monitor our engagement and consultation, measuring ourselves against these principles.



# Energy

Ensuring customers receive appropriate support from retailers and distributors

We license Victorian gas and electricity businesses. We publish codes and guidelines that regulated businesses must follow, and conduct reviews and inquiries to promote the long-term interests of electricity and gas consumers. We also publish regular reports on the state of the energy market to keep the community informed.

## 🔍 Our year in review



### We released a framework to help customers facing payment difficulty

In October 2017, we finalised our new payment difficulty framework, which establishes new minimum standards for how energy companies treat customers who face payment difficulties. The framework aims to help customers avoid getting into debt with their retailer, ensure disconnection for non-payment remains a last resort, and make it easier for customers to manage their energy bills.

We developed guidance to help retailers comply with their obligations, and consulted with retailers and consumer advocacy groups about the framework.



### We established an electricity licensing exemptions register

In November 2017, the Victorian Government changed rules around electricity licensing and exemptions. These changes aim to provide consumer protections to the growing number of Victorians living in apartments, retirement villages and caravan parks.

In 2017–18, we established a register for exempt electricity sellers and suppliers, and approved the Energy and Water Ombudsman (Victoria) as a dispute resolution service for affected customers. We also started consultation to identify the specific obligations in the Energy Retail Code that will apply to exempt sellers.



### We prepared to implement new standards for the electricity and gas retail markets

In early 2018, the Victorian Government responded to an independent bipartisan review of electricity and gas retail markets.

The government has asked us to implement a number of the report's key recommendations, including changes to bills and marketing materials, a review of competitiveness in the energy sector, and a review of our related codes.

In 2017–18, we began planning for the project.

 **Progress report, 2017–18**Status key:  Complete  On track  Ongoing **OBJECTIVE 2017-18:****Improve protections for customers experiencing payment difficulty****What outputs did we produce?**

We released our final decision on a payment difficulty framework and a guidance note to support its implementation.

We also released draft performance indicators to help measure the impact of the framework.

**What outcomes did we achieve?**

- Customers have access to a fair and equitable set of entitlements to assistance in relation to their payment difficulty.
- Energy retailers have a clear understanding of how we will measure their compliance.

 **OBJECTIVE 2017-18:****Enhance the accessibility of our energy market reports****What outputs did we produce?**

We presented our 2016–17 Victorian Energy Market Report and three supporting quarterly updates in plain English.

**What outcomes did we achieve?**

The reports have been well received and are improving the way we communicate complex information to Victorian energy consumers.

We received widespread media coverage on the 2016–17 report including increased awareness of key issues such as confusing discount practices.

 **OBJECTIVE 2017-18:****Implement time varying solar feed-in tariffs for 2018–19****What outputs did we produce?**

We released our decision on the feed-in tariffs to apply from 1 July 2018.

**What outcomes did we achieve?**

From 1 July 2018, retailers could offer solar system owners a choice between a single rate or time-varying tariff, which pays customers a different rate depending on the time of day when they export power into the grid. Retailers must offer solar system owners at least the minimum tariff.

 **OBJECTIVE 2017-18:****Promote and enforce industry compliance with energy licences****What outputs did we produce?**

We introduced a new audit guideline along with the release of the 2018 audit program. In 2018, we issued eight decisions in relation to wrongful disconnections.

**What outcomes did we achieve?**

- Our audit guideline aligns with current auditing standards.
- We have promoted industry compliance through a well-targeted auditing program.



Ⓢ OBJECTIVE 2017-18:

**Establish a register of private electricity providers who are exempt from holding a licence**

**What outputs did we produce?**

We received details of over 1800 activities by 30 June 2018 from 958 exempt electricity suppliers and sellers.

**What outcomes did we achieve?**

Consumers can now search a public register to find out if their site has an embedded network and who to contact if they have an issue with their bills or supply of electricity.



Ⓢ OBJECTIVE 2017-18:

**Review the benchmarks for unaccounted for gas in Victoria**

**What outputs did we produce?**

We set new benchmarks for unaccounted-for gas from 2018 to 2022. The review calculated the benchmarks for the difference in the amount of gas entering the gas distribution network and the gas delivered to customers.

**What outcomes did we achieve?**

Gas distributors must make reasonable attempts to ensure their unaccounted for gas is less than their benchmark.



📈 **Measuring our success in 2018–19**

Ⓢ OBJECTIVE, 2018–19:

**Key focus: customer protections**

- Develop resources to help energy companies provide assistance to customers experiencing family violence.
- Establish consumer protections for customers living in exempt networks.
- Amend and modernise our codes to enhance the quality of information provided to customers.

**What outputs do we intend to produce?**

- Release resources for energy companies that promote support for customers experiencing family violence.
- Amend the Energy Retail Code identifying relevant obligations for exempt electricity sellers.
- Develop new requirements for retailers to provide clear, useful information on bills and marketing material.

**What outcomes do we intend to achieve?**

- Energy companies can confidently assist customers facing family violence.
- Exempt persons understand their obligations and customers receive their entitlements.
- Customers can more easily understand, compare and switch energy plans.



Ⓢ OBJECTIVE, 2018–19:

**Key focus: compliance reporting**

- Publish regular reports on the performance of energy companies.
- Develop compliance strategies and targeted audit programs to foster self-compliance.
- Use enforcement action to deter non-compliance.

**What outputs do we intend to produce?**

- Publish our Victorian Energy Market Report and updates on the compliance and performance of energy companies.
- Report on how each retailer and distributor performed in our audit program.
- Produce reports on our enforcement activities.

**What outcomes do we intend to achieve?**

- Consumers have easy access to performance information about their retailer and distributor, empowering them to make more informed choices about their electricity and gas provider.
- Energy companies compete to improve their performance against our reporting metrics.
- The energy industry designs processes and programs to ensure they can comply with key regulatory focus areas.





 **OBJECTIVE, 2018–19:****Key focus: regulatory frameworks**

- Define a framework for reporting on competitiveness and efficiency in the market.
- Commence our review into the competitiveness and efficiency of the retail energy market.

**What outputs do we intend to produce?**

Develop a fit for purpose competitiveness and efficiency assessment framework.

**What outcomes do we intend to achieve?**

- Stakeholders feel they have actively participated in the development of the framework.
- Our framework relies on common sense and economic principles.

 **OBJECTIVE, 2018–19:****Key focus: stakeholder engagement**

- Regularly engage with our regulatory community through forums, e-newsletters and site visits.
- Improve the diversity of stakeholders we engage with on our work program.

**What outputs do we intend to produce?**

- Establish and maintain monthly e-news letters for the sector.
- Include a representative sample of Victorian consumers (spanning age ranges and cultural backgrounds) in our behavioural insights testing to inform our work on changes to bills and marketing materials.

**What outcomes do we intend to achieve?**

We provide accessible engagement opportunities for new groups of stakeholders, including people from culturally and linguistically diverse (CALD) communities, the aged, and those with disabilities.

 **Environmental factors**

There are several environmental factors influencing our work, including:

- The energy market (and the policy framework supporting its operation) continues to evolve.
- New energy technologies and service models are being introduced, and we will need to consider the outcomes of government reviews into the energy sector, including the ACCC's inquiry into electricity prices and supply. There are also a number of relevant policy developments at a state and national level, including the Victorian Government's response to the independent review of electricity and gas retail markets, and the ongoing rule change program of the Australian Energy Market Commission.
- The recommendations arising from these reviews and policy updates are likely to affect how we regulate Victoria's energy market, including the retail and distribution sector. We will continue to respond to these recommendations and policy developments, as well as energy market changes, in a timely and effective way through our regulatory reform work program.

 **Cost of energy industry regulation**

In 2017–18, the total cost of the energy team was \$7.44 million. This includes the direct costs incurred by the team as well as an allocation for overhead costs.



# Water

## Promoting better outcomes for water customers

We conduct price reviews for all Victorian water businesses. We also monitor and report on the performance of the water sector, and specify standards and conditions of service that water businesses must meet.

### Our year in review



#### **We completed the 2018 water price review, the first under our new water pricing framework**

In May and June 2018 we released final pricing decisions for 17 water businesses. These decisions were the first made under our new water pricing framework, PREMO.

PREMO challenged water businesses to undertake better engagement to find the best ways to deliver real service improvements, and contain costs and prices.

In total, water businesses heard the views of over 150,000 customers on water services, prices and investment. The businesses learned what was important to their customers, which helped ensure their price submissions were more informed by customer views than ever before. Most businesses also committed to finding greater cost savings than in past reviews.

Under our final decisions, most Victorian water customers will benefit from flat or falling water prices and improved services from 1 July 2018.



#### **We helped roll out policies to assist those experiencing family violence**

In 2016–17, we updated our customer service codes and required water businesses to implement family violence policies by 30 June 2018. In 2017–18, our work shifted to providing guidance to water businesses who are developing family violence policies and training their staff to respond to people experiencing family violence.

We attended a number of water industry events and presented examples of better practice to water businesses. We also partnered with City West Water to hold an all-day event in March that was attended by Victorian water businesses.

In early 2018–19, we will check that water businesses have fully implemented family violence policies and continue reporting on best-practice approaches in the sector.

 **Progress report, 2017–18**Status key:  Complete  On track  Ongoing **OBJECTIVE, 2017–18:****Approve new prices for 17 water businesses, to take effect from 1 July 2018****What outputs did we produce?**

We produced the following documents for all 17 water businesses:

- draft decisions
- final decisions
- price determinations
- customer fact sheets.

**What outcomes did we achieve?**

Most Victorian water customers will benefit from flat or falling water prices and improved services from 1 July 2018.

 **OBJECTIVE, 2017–18:****Facilitate implementation of family violence policies by water businesses****What outputs did we produce?**

We presented at four industry events.

We also partnered with City West Water to deliver a workshop promoting information sharing and learning across the sector.

**What outcomes did we achieve?**

Victorian water customers who are experiencing family violence can access safe and secure services and referrals.

 **OBJECTIVE, 2017–18:****Trial a new survey measuring customer satisfaction with their water business****What outputs did we produce?**

We trialled four surveys and validated the results for continued implementation in 2018–19.

**What outcomes did we achieve?**

This project helped us refine our performance reporting in order to provide greater incentives for water businesses to deliver better value to customers.

 **OBJECTIVE, 2017–18:****Release the 2016–17 urban water performance report****What outputs did we produce?**

We produced a revised annual report, water business profiles, a major projects summary and a performance data set.

**What outcomes did we achieve?**

Shared water business performance with customers and stakeholders, covering:

- customer bills
- major projects
- customer service
- water quality
- network reliability
- environment.

 **OBJECTIVE, 2017–18:****Complete annual tariff approvals for Melbourne Water and Goulburn–Murray Water****What outputs did we produce?**

We approved 2018–19 prices for Melbourne Water and Goulburn Murray Water.

**What outcomes did we achieve?**

We ensured 2018–19 water prices are consistent with the requirements of our 2016 price determinations.

 **OBJECTIVE, 2017–18:****Review regulatory accounts submitted by water businesses for 2016–17****What outputs did we produce?**

We completed our annual review of all water businesses' regulatory accounts.

**What outcomes did we achieve?**

We ensured businesses were operating within the requirements of our price determinations.

## Measuring our success in 2018–19

 **OBJECTIVE, 2018–19:**

### Evaluate our new approach to water pricing and identify opportunities to improve it

#### What outputs do we intend to produce?

Report on the impact of the new approach and identify opportunities for improvement.

#### What outcomes do we intend to achieve?

Assess whether our new water pricing approach has improved value for water customers, and identify opportunities to deliver further improvements in value.



 **OBJECTIVE, 2018–19:**

### Prepare for price reviews for Western Water, South Gippsland Water, Goulburn–Murray Water and Melbourne Water

#### What outputs do we intend to produce?

Issue guidance to relevant water businesses.

#### What outcomes do we intend to achieve?

Our guidance sets out our requirements for businesses to prepare high quality price submissions.



 **OBJECTIVE, 2018–19:**

### Start reporting on survey of customer perceptions of water businesses

#### What outputs do we intend to produce?

Publicly report on survey results.

#### What outcomes do we intend to achieve?

Publishing results provides greater incentives for regulated water businesses to deliver better value to customers.



 **OBJECTIVE, 2018–19:**

### Undertake an audit to check that family violence policies have been implemented by water businesses

#### What outputs do we intend to produce?

Produce a report identifying each water business's progress on implementing family violence policies consistent with our code.

Produce a report identifying better practice family violence policies and responses in the water and other sectors.

#### What outcomes do we intend to achieve?

- Confirm that all water businesses have implemented family violence policies consistent with our code.
- Victorian water customers who are experiencing family violence can access safe and secure services and referrals.



 **OBJECTIVE, 2018–19:**

### Complete annual tariff approvals for all water businesses

#### What outputs do we intend to produce?

Approve 2019–20 prices for all regulated water businesses.

#### What outcomes do we intend to achieve?

Ensure 2019–20 water prices are consistent with the requirements of our price determinations.





© OBJECTIVE, 2018–19:

**Introduce new approaches to our performance reporting for the water sector**

**What outputs do we intend to produce?**

- Simplify our performance indicators and ensure we capture relevant data for sector comparisons.
- Develop a framework and monitoring regime for water businesses to report to their customers on their progress.
- Implement outcomes reporting under the new water pricing framework.

**What outcomes do we intend to achieve?**

Our approach to performance reporting provides greater incentives for water businesses to deliver better value to customers.

© OBJECTIVE, 2018–19:

**Review the payment difficulties framework as it applies to the water sector**

**What outputs do we intend to produce?**

We will update our customer service codes.

**What outcomes do we intend to achieve?**

Our approach continues to provide appropriate protection for customers experiencing payment difficulty.

## 🌿 Environmental factors

There are several environmental factors influencing our work, including:

- increased scrutiny regarding the costs and benefits of economic regulation
- a community focus on affordability and cost of living
- government policy in relation to responding to family violence, and government expectations for Victorian water businesses
- the expectation that we will continue to improve our approach to engagement through social media and communicating with remote water businesses
- support for low income and vulnerable customers.

## 💰 Cost of water industry regulation

In 2017–18, the total cost of the water team was \$4.10 million. This includes the direct costs incurred by the team as well as an allocation for overhead costs.



# Transport

## Administering regulatory regimes to promote outcomes in the interests of consumers

We monitor prices for prescribed services at the Port of Melbourne, advise the minister on accident towing prices, assess and approve rail freight access arrangements, and determine fares for unbooked taxis in the metropolitan and large regional zones. We also report annually on the performance of Victoria's domestic building insurance scheme.

### Our year in review



#### **We reviewed fares for unbooked taxis**

In June 2018, we proposed that maximum fares remain unchanged for unbooked taxis, hailed from the street or a taxi rank. Our draft decision covers metropolitan Melbourne, and urban and large regional zones.



#### **We started our review of accident towing and storage fees in Melbourne**

We conduct periodic reviews of fees for accident towing, storage and salvage services in Melbourne and make recommendations to the Minister for Roads.

We released our consultation paper for accident towing fees in April 2018, and plan to release our final report in late 2018.



#### **We delivered our annual domestic building insurance performance report**

In December 2017, we published our annual performance report on the domestic building insurance industry.



#### **We developed our guidance for the Port of Melbourne regulatory regime**

In 2017–18, we developed guidance on how we will administer the regulatory regime, including:

- an information paper setting out our new roles under the regulatory regime
- a consultation paper and a feedback paper on our consultation
- a statement of regulatory approach to the Port of Melbourne pricing order.

We released our first interim commentary in November 2017 on the Port of Melbourne's pricing submission.



#### **We approved applications to extend rail access arrangements**

In 2017–18, we approved and published four rail access decisions to extend access arrangements for three regulated rail businesses: V/Line, Metro Trains Melbourne and Pacific National.

## Progress report, 2017–18

Status key:  Complete  On track  Ongoing

### **OBJECTIVE, 2017–18:**

#### **Key focus: Port of Melbourne**

Develop regulatory guidance and publish our commentary on the Port of Melbourne’s 2017–18 tariff compliance statement. Finalise our statement of regulatory approach for the Port of Melbourne pricing order.

#### **What outputs did we produce?**

We published three papers as part of our research and consultation to develop our primary regulatory instrument – our statement of regulatory approach to administering the Port of Melbourne pricing order.

We also published our annual interim commentary on the Port of Melbourne’s 2017–18 annual tariff compliance statement.

#### **What outcomes did we achieve?**

We promoted a transparent approach to regulating the Port of Melbourne. Our guidance will help stakeholders remain aware of key issues ahead of our formal compliance inquiries.

### **OBJECTIVE, 2017–18:**

#### **Deliver our annual country and regional taxi fare monitoring report**

#### **What outputs did we produce?**

We released our annual monitoring report of fares in country and regional Victoria. The report analyses taxi fares between July 2016 and June 2017.

#### **What outcomes did we achieve?**

Our reports describe trends in fares and costs, to identify potential misuses of market power. This helps hold taxi services accountable to the communities they serve.

### **OBJECTIVE, 2017–18:**

#### **Deliver accident towing review recommendations**

This work involves recommending maximum prices for accident towing services in the greater Melbourne metropolitan area.

#### **What outputs did we produce?**

We released a consultation paper, asking stakeholders for their views on accident towing, storage and salvage fees. We will release a final report in late 2018.

#### **What outcomes did we achieve?**

We plan to provide the minister with a clear set of accident towing fee recommendations.

### **OBJECTIVE, 2017–18:**

#### **Review fares for unbooked commercial passenger vehicles (taxi) in Melbourne, Ballarat, Bendigo, and Geelong**

#### **What outputs did we produce?**

We released a consultation paper and draft decision on unbooked commercial passenger vehicle (taxi) fares for Melbourne, Ballarat, Bendigo, and Geelong.

#### **What outcomes did we achieve?**

The regulated fares we set allow consumers to hire unbooked commercial passenger vehicles (taxi) and be confident that maximum prices will be reasonable.





Ⓢ OBJECTIVE, 2017–18:

### Administer the Victorian rail access regime

#### What outputs did we produce?

We published four rail access decisions to extend access arrangements for three regulated rail businesses: V/Line, Metro Trains Melbourne and Pacific National.

#### What outcomes did we achieve?

We ensured access seekers have a fair and reasonable opportunity to be provided declared rail transport services.



Ⓢ OBJECTIVE, 2017–18:

### Monitor the domestic building insurance market

#### What outputs did we produce?

We published our annual performance monitoring report on the domestic building insurance industry.

#### What outcomes did we achieve?

We ensured industry stakeholders remained informed about insurers' provision of domestic building insurance.

## Measuring our success in 2018–19



Ⓢ OBJECTIVE, 2018–19:

### Ensure our regulatory regimes are administered to promote outcomes that are in the interests of consumers

#### What outputs do we intend to produce?

- Publish our annual commentary on the Port of Melbourne's 2018–19 tariff compliance statement.
- Publish our annual monitoring report for domestic building insurance.
- Determine regulated maximum fares for unbooked commercial passenger vehicle (taxi) services.
- Provide recommendations to the minister on appropriate fees for accident towing, storage and salvage services.

#### What outcomes do we intend to achieve?

- Our commentary on the Port of Melbourne's 2018 tariff compliance statement and our domestic building insurance report improve market transparency for stakeholders including governments and regulated entities.
- The maximum fares we determine for unbooked commercial passenger vehicle (taxi) services, and recommend for accident towing and storage services, reflect each industry's service delivery requirements.



Ⓢ OBJECTIVE, 2018–19:

### Create effective and efficient incentives for businesses to perform consistent with regulatory objectives

#### What outputs do we intend to produce?

- Determine maximum fares for the unbooked commercial passenger vehicle industry.
- Publish annual interim commentary on the Port of Melbourne's 2018–19 tariff compliance statement.

#### What outcomes do we intend to achieve?

- Operators of commercial passenger vehicles charge users in accordance with our determinations, including offering discounts where appropriate, while maintaining or improving service quality and reliability.
- The Port of Melbourne demonstrates an awareness of our compliance concerns by either modifying its behaviour or responding with evidence to justify its behaviour. This aids transparency and certainty, and minimises surprises for both parties during the formal five-year compliance assessment in 2021.



**OBJECTIVE, 2018–19:****Key focus: market performance**

Inform policy makers and consumers regarding market performance in relation to commercial passenger vehicles, accident towing and domestic building insurance.

**What outputs do we intend to produce?**

- Analyse the commercial passenger vehicle industry in our review of maximum fares for unbooked services.
- Analyse the accident towing industry and make recommendations to the minister on appropriate fees for accident towing, storage and salvage services.
- Publish our annual monitoring report for domestic building insurance.

**What outcomes do we intend to achieve?**

- The Victorian Government acknowledges and appropriately responds to our recommendations.
- Affected stakeholders indicate they have been consulted and our conclusions and recommendations reflect the evidence provided to us.

**OBJECTIVE, 2018–19:****Administer the Victorian rail access regime until the new rail access regime takes effect on 1 November 2018****What outputs do we intend to produce?**

Review and publish our decision on rail access arrangement applications.

**What outcomes do we intend to achieve?**

- Ensure access seekers have a fair and reasonable opportunity to access rail transport services.
- Ensure rail access providers have binding access arrangements when the new rail access regime takes effect on 1 November 2018.

**Environmental factors**

There are three main environmental factors affecting our work:

1. Regulation around commercial passenger vehicles has changed. The new Commercial Passenger Vehicle Industry Act 2017 covers regulatory requirements for taxis, hire cars and ride share services (collectively known as commercial passenger vehicles). Under the new legislation, all drivers of commercial passenger vehicles must be accredited and all vehicles used to provide this service must be registered. We regulate fares for rank and hail (unbooked) services, while fares for booked services are unregulated.
2. The Port of Melbourne has started consulting on strategic plans relating to port access and the associated costs of shipping goods in and out of the port.
3. We will no longer have a role in setting standards and approving rail access arrangements starting 1 November 2018. The Minister for Public Transport and Public Transport Victoria will be responsible for administering the new rail access regime. The Rail Management Act 1996 (Vic) has been amended to reflect these changes.

**Cost of transport industry regulation**

In 2017–18, the total cost of the transport team was \$2.35 million. This includes the direct costs incurred by the team as well as an allocation for overhead costs.



# Local government

## Promoting sustainable outcomes for councils and their communities

We administer higher rate caps for councils, produce council monitoring reports, and conduct inquiries and reviews.

### 🔍 Our year in review



#### We assessed Monash City Council's higher cap application

We assess and approve higher rate caps proposed by councils. In 2017–18, we received one application for a higher cap from Monash City Council, to help it deal with increased recycling costs. We partially approved the proposed higher cap, trimming the rate increase from 3.53 per cent to 2.57 per cent (0.32 per cent above the minister's rate cap of 2.25 per cent). This would help ease the impact on ratepayers by spreading the cost increase over 10 years.



#### We published our annual council compliance report

We monitor and report on each council's compliance with their rate cap. Based on data provided by councils for 2017–18, one council was materially non-compliant with the average rate cap. We were satisfied by the council's explanation that this was due to an administrative error and noted that the council will improve its internal processes to ensure it complies in future years. All other councils were compliant or immaterially non-compliant with the relevant rate cap.



#### We looked into how to promote efficiency in local councils

We provided advice to the Minister for Local Government on the best way to promote efficiency in the sector. As part of this work, we completed a review that focused on ways to create incentives for councils to operate efficiently, with cost savings shared between councils and ratepayers.

We used feedback on our productivity study and our draft proposal to help inform our advice to the minister on an efficiency adjustment for our rate cap formula.



## Progress report, 2017–18

Status key: Complete On track Ongoing

### OBJECTIVE, 2017–18:

#### Update our guidance to councils

##### What outputs did we produce?

We updated our guidance for councils on our rate cap regulatory framework, and provided resources to help councils better understand our community engagement expectations under the system.

##### What outcomes did we achieve?

Our guidance helped councils align with our regulatory framework and effectively engage with their communities.

### OBJECTIVE, 2017–18:

#### Publish the 2017–18 rating year compliance report

##### What outputs did we produce?

We published our second annual compliance report, assessing whether councils have complied with rate caps.

##### What outcomes did we achieve?

Our compliance report forms part of our ongoing monitoring of the rate cap framework. It helps ensure councils are complying with rate caps, and it keeps the minister informed on how well councils are meeting the requirements of the Fair Go Rates system.

### OBJECTIVE, 2017–18:

#### Undertake a community engagement conference

##### What outputs did we produce?

We held a community engagement forum in Bendigo in October 2017. Council staff from across Victoria came together for some insightful presentations and discussions on community engagement in the context of our rate cap regulatory framework.

##### What outcomes did we achieve?

The forum helped equip councils to better meet the community engagement expectations of our rate cap regulatory framework. It also enabled stakeholders to share knowledge and experiences in relation to community engagement.

### OBJECTIVE, 2017–18:

#### Share the lessons from our growth and productivity studies with the local government sector

##### What outputs did we produce?

We commissioned an independent growth study to better understand how population growth affects a council's bottom line.

We also undertook a study that looked at productivity trends in the sector and identified ways to estimate a rate cap efficiency factor.

The results of these studies were shared with the local government sector by publishing the findings and holding workshops with councils. We also consulted with local government stakeholders on our proposal for advising the minister on the required efficiency adjustment in the rate cap formula.

##### What outcomes did we achieve?

The findings of our growth study help us understand and assess higher cap applications that cite growth as a key reason for needing additional revenue above the minister's rate cap.

Our productivity study helped inform our advice to the minister on setting a local government efficiency factor.

### OBJECTIVE, 2017–18:

#### Advise the Minister for Local Government on the 2018–19 rate cap

##### What outputs did we produce?

We provided advice to the minister on setting the average rate cap for councils for 2018–19.

##### What outcomes did we achieve?

Our advice provided valuable context for the minister when she set the rate cap for 2018–19.



🕒 **OBJECTIVE, 2017–18:**

### Undertake 2018–19 rating year higher cap assessments

#### What outputs did we produce?

We assessed and partially approved the higher cap application received from Monash City Council. We published our decision and a special order specifying the approved higher cap.

#### What outcomes did we achieve?

Our partial approval of the proposed higher cap allows Monash City Council to recover its increased recycling costs while spreading the impact to ratepayers over 10 years.



🕒 **OBJECTIVE, 2017–18:**

### Key focus: higher cap regulatory framework

Develop a set of measures for a report on the financial, service and infrastructure outcomes of our higher cap application framework.

#### What outputs did we produce?

We have established a framework for developing the measures that will be reported in our outcomes report, which we aim to release in early 2019.

#### What outcomes did we achieve?

We have a better understanding of existing data and reporting obligations, and potential measures that could be reported.

## 📈 Measuring our success in 2018–19



🕒 **OBJECTIVE, 2018–19:**

### Key focus: monitoring council compliance

- Undertake random audit activities and assess annual compliance with caps to minimise incentives for councils to circumvent the cap.
- Ensure the higher cap application process is clear and does not impose unnecessary burdens. Work with councils to ensure higher cap applications are made where appropriate.

#### What outputs do we intend to produce?

Publish our annual compliance report, including the results of any audit activities.

#### What outcomes do we intend to achieve?

- Annual compliance and random audits find no significant non-compliance with the appropriate rate cap.
- Councils do not report our processes as an unreasonable barrier to submitting higher cap applications.



🕒 **OBJECTIVE, 2018–19:**

### Key focus: monitoring the outcomes of our rate cap regulatory framework

Highlight potential impacts of rate capping in the outcomes report.

#### What outputs do we intend to produce?

Publish our outcomes report, including analysis of identified trends in relation to financial, service and infrastructure outcomes.

#### What outcomes do we intend to achieve?

Communities, councils and the Victorian Government are informed about councils' service, infrastructure and financial outcomes following the introduction of rate capping.

**OBJECTIVE, 2018–19:****Key focus: higher cap applications**

- Ensure our 2019–20 higher cap decisions are consistent with the long-term interests of ratepayers and the financial sustainability of councils.
- Provide relevant guidance to councils on what is required in a higher cap application.
- Promote best practice community engagement in the local government sector.

**What outputs do we intend to produce?**

- Publish updated guidance for councils on our rate cap regulatory framework.
- Publish decisions on higher cap applications received for 2019–20.
- Publish special orders of approved higher caps.

**What outcomes do we intend to achieve?**

- Higher cap applications outline all legislative matters and reflect councils' consideration of the long term interests of ratepayers and the community.
- Higher cap applications we receive from councils show they are improving their community engagement practices.

**OBJECTIVE, 2018–19:****Key focus: advising Victorian Government stakeholders**

- Provide timely and robust advice to the Minister for Local Government on rate caps, waste charges or any other requested topic.
- Liaise with Local Government Victoria on any changes to the framework as a result of the proposed new Local Government Act.
- Proactively identify emerging issues relating to the rate capping framework and engage with Local Government Victoria where appropriate.

**What outputs do we intend to produce?**

Provide advice to the minister, as requested, including advice on setting the average rate cap for 2019–20.

**What outcomes do we intend to achieve?**

- The Minister for Local Government receives relevant, timely and high quality advice.
- Local Government Victoria understands how the new Local Government Act and associated guidance might affect our role in rate cap regulation.

**Environmental factors**

The main environmental factors influencing our work are:

- The Victorian Government is currently reviewing the Local Government Act 1989, which makes up part of our local government regulatory framework. The proposed updates to the legislation have implications for how councils operate, although they don't seem to affect the regulatory framework that we use to assess higher cap applications.
- Changes in the quality of recycled material accepted by China have resulted in significant changes to Victoria's recycling market. The loss of China as a market for recycled material means that three local recycling companies have increased the fees they charge councils for collection of recycling.
- As part of its oversight of Local Government Victoria, the Environment and Planning Committee of the Parliament of Victoria reported every six months on the outcomes of our rate cap regulatory framework. The committee's terms of reference have been amended and it will produce a final report by September 2018.

**Cost of local government industry regulation**

In 2017–18, the total cost of the local government team was \$2.62 million. This includes the direct costs incurred by the team as well as an allocation for overhead costs.



# Victorian Energy Efficiency Target

## Regulating a larger and stronger energy efficiency market

We regulate the creation of certificates as part of the Victorian Energy Upgrades program. We do this under the Victorian Energy Efficiency Target (VEET) Act 2007. The VEET scheme aims to reduce greenhouse gases by making energy efficiency improvements more affordable for consumers, and reducing their long term energy consumption.

### Our year in review

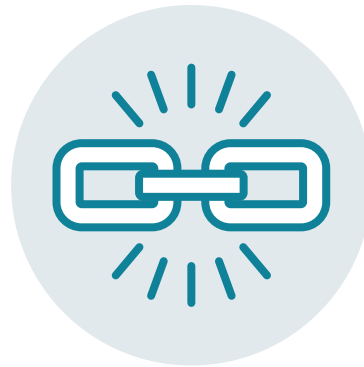


#### We managed the expansion of the scheme

We safeguard the integrity of the scheme, which gives participants confidence that they are on a level playing field and encourages new participants to join. During the 2017–18 financial year, we accredited 15 businesses, expanded the accreditation of 10 businesses, and approved 1,594 new products.

The VEET scheme has expanded with the addition of project-based activities, which allow businesses to claim energy efficiency certificates for a specific project. Since their introduction in June 2017, we have accredited 10 companies to undertake this new methodology, with five project plans approved and one project creating certificates in June 2018.

Accredited businesses undertook over 84,000 installations across residential and business premises in 2017–18, resulting in the creation of a record-breaking 7.6 million certificates during the year and a total of over 55 million certificates throughout the scheme's nine-year history.



#### We strengthened the scheme

We keep the scheme strong because we implement a risk-based approach to direct our regulatory activities, and regularly engage with stakeholders to discuss improvements. We increased our compliance activities, including 404 field audits (a 300 per cent increase compared to last financial year), 169 desktop audits and 287 phone audits. We also audited the energy efficiency certificate creators responsible for 56 per cent of certificates to identify opportunities to improve their systems and processes. The audit program works to ensure that their certificate creation claims are accurate.

During the financial year, our risk-based compliance activities identified 2,243 potential compliance issues that led to the withdrawal of 9 per cent of certificates created by participants. After further assessment, 65 per cent of those withdrawn certificates were registered as valid certificates (6 per cent of the total).

Our regulatory compliance activities have led to participants agreeing to surrender more than 25,000 certificates.



## Progress report, 2017–18

Status key:  Complete  On track  Ongoing

### OBJECTIVE, 2017–18:

#### Update systems and processes to administer all new regulatory amendments

##### What outputs did we produce?

We updated our operational and regulatory framework (IT systems, guidance documents and processes) to reflect:

- the introduction of project-based activities
- regulatory amendments relating to scheduled activity premises
- implementation of discount factors for schedule 34 lighting activities.

We also continued our work on the benchmark rating method for project-based activities.

##### What outcomes did we achieve?

New energy efficiency activities are available to consumers, including larger energy users.

### OBJECTIVE, 2017–18:

#### Key focus: stakeholder engagement

Engage with stakeholders and the Department of Environment, Land, Water and Planning to ensure we address future scheme developments and respond to emerging issues.

##### What outputs did we produce?

We engaged extensively with the department in providing advice throughout their process to write the new 2018 regulations. Our focus is to design a balanced, transparent and effective regulatory framework that preserves the integrity of the scheme while meeting the needs of scheme participants.

We responded to industry feedback on emerging issues, including:

- our position and process for claiming emerging products under schedule 34 activities
- our position on claiming for replacement of inoperable products.

In implementing the regulatory framework for project-based activities, we held 11 workshops with accredited businesses and four with verification experts to ensure they have a thorough understanding of their roles and requirements.

##### What outcomes did we achieve?

Improved regulatory settings that ensure government and the community's confidence in the integrity of the scheme and ability to achieve long term outcomes.

### OBJECTIVE, 2017–18:

#### Achieve operational performance targets

##### What outputs did we produce?

This year we:

- exceeded our target to register 90 per cent of created energy efficiency certificates within two days of the target timeframe
- assessed 100 per cent of accreditation applications within the required legislative timeframe
- received 3,673 stakeholder queries and responded to 90 per cent of them within our target response time
- approved applications for new project-based activities significantly under the legislated timeframes.

##### What outcomes did we achieve?

Efficient regulation of participants and consumers benefiting from timely access to certificates and information, promoting new participation in the scheme and ensuring ongoing participation by the accredited businesses.





Ⓞ OBJECTIVE, 2017–18:

**Key focus: VEET website**

Develop and implement solutions to ensure the Victorian Energy Efficiency Target website ([www.veet.vic.gov.au](http://www.veet.vic.gov.au)) continues to operate effectively, particularly as the scheme increases in size and complexity.

**What outputs did we produce?**

- We implemented more than 80 system changes to improve system performance and usability, streamline processes and adapt to changes in regulations.
- We reviewed our system requirements and developed options to meet our future needs. We obtained funding to upgrade our system.

**What outcomes did we achieve?**

More user friendly and flexible IT systems to support our online interactions with scheme participants.



Ⓞ OBJECTIVE, 2017–18:

**Scope, discuss, approve and implement improvements as required**

**What outputs did we produce?**

We delivered on the following initiatives to provide greater transparency and certainty to scheme participants:

- We published our VEET compliance and enforcement policy.
- We updated VEET guidelines.
- We published our list of space type determinations consistent with Building Code of Australia regulations.
- We updated our mandatory safety training framework.

We integrated our risk-based approach to other activities, resulting in a new dynamic risk rating for certificate creators based on their performance, and a 300 per cent increase in field audits.

**What outcomes did we achieve?**

Greater stakeholder understanding of the requirements and conditions, processes and criteria we use in our regulatory compliance activities.



Ⓞ OBJECTIVE, 2017–18:

**Consult with stakeholders before we implement changes**

**What outputs did we produce?**

- We held two forums with stakeholders in October and June to discuss the development of the framework for the 2018 regulations.
- We consulted with stakeholders in developing our compliance and enforcement policy, and when updating VEET guidelines and our mandatory safety training requirements.
- We conducted a stakeholder survey on the certificate registration process.

**What outcomes did we achieve?**

Greater stakeholder understanding of their regulatory obligations and more informed and robust regulatory decisions and processes, which balance scheme integrity with participant needs.





## Measuring our success in 2018–19

 **OBJECTIVE, 2018–19:**

### **Key focus: new regulations**

Deliver the framework to support the implementation of new principal regulations and new methods for project-based activities regulations.

#### **What outputs do we intend to produce?**

We will publish guidance to ensure scheme participants understand their regulatory obligations under the new 2018 principal regulations and amended project-based activities regulations.

We will deliver IT system changes to support the creation and registration of certificates under the regulations.

#### **What outcomes do we intend to achieve?**

An informed market and improved IT systems to support the implementation of regulations.



 **OBJECTIVE, 2018–19:**

### **Key focus: IT upgrades**

Progress the upgrade of the VEET IT system to meet business and stakeholder needs for the next phase of the scheme.

#### **What outputs do we intend to produce?**

Kick off the IT system upgrade project and identify business requirements for a modern and adaptable system that meets the long-term needs of the scheme.

#### **What outcomes do we intend to achieve?**

An IT system that meets the long-term needs of the scheme, the commission and other stakeholders.



 **OBJECTIVE, 2018–19:**

### **Key focus: our regulatory framework**

Continue to review and update our regulatory framework, in consultation with stakeholders, to ensure a balanced, transparent and efficient scheme for participants.

#### **What outputs do we intend to produce?**

Update our regulatory framework in response to emerging issues and implement process improvement initiatives.

#### **What outcomes do we intend to achieve?**

Positive feedback from stakeholders as we implement process and system upgrades, and timely and considered responses to stakeholder input.



 **OBJECTIVE, 2018–19:**

### **Key focus: risk management**

Use our dataset to more effectively inform, improve and expand our risk-based approach to all our regulatory activities.

#### **What outputs do we intend to produce?**

Expand our risk rating approach across the scheme. The approach is based on data and performance monitoring.

#### **What outcomes do we intend to achieve?**

- Resources are better targeted to deliver more effective compliance outcomes.
- Positive feedback from participants due to performance and risk-based incentives.





**Ⓢ OBJECTIVE, 2018–19:**

**Key focus: advising major stakeholders**

Continue to provide practical advice to government and industry about our experience in administering the VEET scheme.

**What outputs do we intend to produce?**

- Provide advice to the department on opportunities to maximise regulatory outcomes that align with policy outcomes.
- Provide advice to the department on risks associated with regulatory settings and industry performance trends.
- Liaise with industry on performance trends.
- Provide advice to the minister and industry on the regulatory approach and measures we adopt to safeguard the integrity of the scheme.

**What outcomes do we intend to achieve?**

- The government has a good understanding of our activities to safeguard the integrity of the system, emerging risks and opportunities for improvement.
- Industry understands we are monitoring their performance and improved compliance behaviours.



**Ⓢ OBJECTIVE, 2018–19:**

**Key focus: stakeholder engagement**

Expand our engagement with stakeholders to help ensure we minimise administrative risks and meet scheme objectives.

**What outputs do we intend to produce?**

- Organise forums and workshops with scheme participants to receive their feedback.
- Embed engagement opportunities in the continuous review and improvement of our operational framework.

**What outcomes do we intend to achieve?**

Business and the community help us safeguard the integrity of the scheme and their input is used to improve our operations.

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**Ⓢ Environmental factors**

The main environmental factors influencing our work are:

- the changes introduced by the 2018 regulations, including the inclusion of new types of activities
- changes in certificate values for activities across the scheme
- a proposed 'fresh start' for activities under the 2018 regulations.

We will review our operational and regulatory framework to reflect policy developments in Victoria. In doing this, we will seek to safeguard the integrity of the VEET scheme, ensuring energy consumers continue to benefit from energy efficiency upgrades through a balanced, transparent and efficient system.

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**Ⓢ Cost of VEET scheme regulation**

In 2017–18, the total cost of the Victorian Energy Efficiency Target team was \$7.52 million. This includes the direct costs incurred by the team as well as an allocation for overhead costs.



# Financial overview

## Financial performance

We recorded an operating surplus of \$0.3 million in 2017–18 compared to \$2.1 million in 2016–17. Our expenditure continues to increase as a direct result of additional initiatives and regulatory requirements of government.

A summary of our financial performance is outlined below and shows the movement in actual revenues, expenses, balance sheet items and net cash flow.

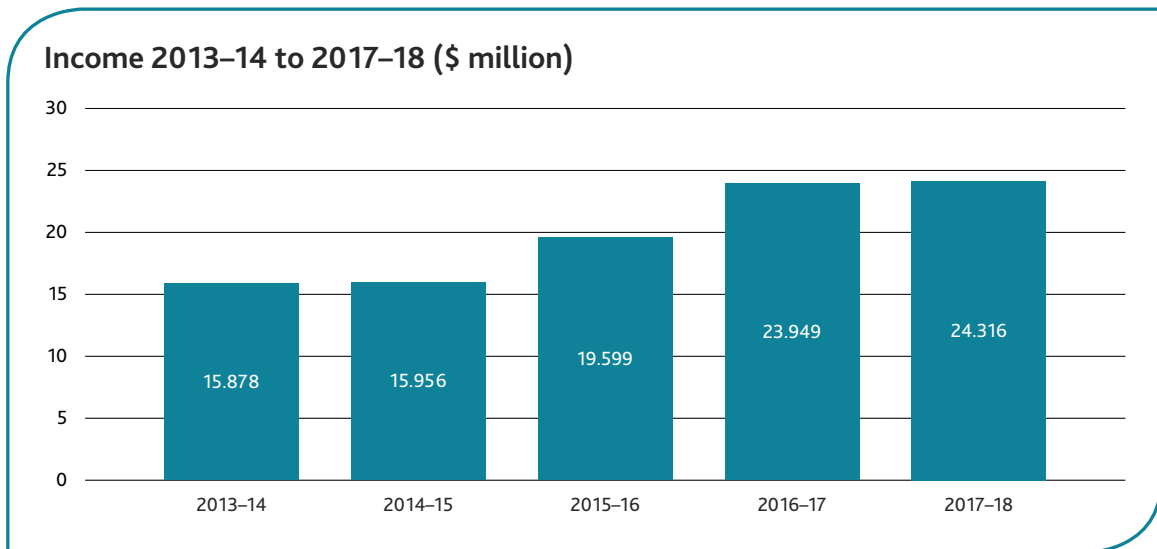
### Five-year financial summary: controlled activities

	2017–18	2016–17	2015–16	2014–15	2013–14
<b>Financial performance</b>					
<b>Comprehensive operating statement</b>					
Total income from transactions	24,316,269	23,948,697	19,599,126	15,956,224	15,878,000
Total expenses from transactions	24,029,804	21,769,240	18,351,057	15,536,460	15,374,808
Net result from transactions	286,465	2,179,457	1,248,069	419,764	503,192
Comprehensive result	290,004	2,113,707	1,186,283	407,506	503,677
<b>Financial position</b>					
<b>Balance sheet</b>					
Total assets	17,546,737	16,689,963	13,815,973	12,879,451	11,602,652
Total liabilities	5,376,203	4,809,434	4,049,151	4,298,912	3,496,315
Net assets	12,170,534	11,880,529	9,766,822	8,580,539	8,106,337
<b>Cash flow</b>					
Net cash flow from operating activities	33,565	13,271	14,047	24,101	35,450

## Income

We are funded through parliamentary appropriations through the Department of Treasury and Finance.

Our total revenue has increased over the past five years (53 per cent since 2013–14) as a result of an increase in regulatory functions (for example, the introduction of the Fair Go Rates system, and expanded customer protection responsibilities in energy) and expansion of the VEET program.



## 📄 Expenses

We incurred \$24.0 million in expenses from transactions for the 2017–18 financial year. The increase in expenditure of \$2.2 million is associated with new initiatives announced by the government, in particular the retail market review (an outcome of the independent review of the electricity and gas retail markets in Victoria), the register for exempt persons, and the five-yearly water price review.

## 📄 Financial position (balance sheet)

Our financial position remains strong with total assets of \$17.5 million, total liabilities of \$5.4 million and total net assets of \$12.1 million.

Our major asset is the receivable from the Victorian Government. This amount includes previously applied parliamentary appropriations that we have not yet drawn on. The balance represents the accumulated surplus, accrued employee entitlements, payables and accumulated depreciation. The amounts represent funding for all commitments incurred through the appropriations and are drawn from the consolidated fund as the commitments fall due.

Total liabilities increased from \$4.7 million to \$5.4 million. Our major liabilities are accounts payable and employee provisions.



# Performance against output measures

We have a number of performance measures that relate specifically to Budget Paper Number 3 Service Delivery (BP3) in accordance with the Department of Treasury and Finance financial reporting directions. The following table provides details of agreed performance measures and targets and our actual performance results over the full year ending 30 June 2018.

The output provides economic regulation of utilities and other specified markets in Victoria consistent with our legislative objective to promote the long-term interests of Victoria consumers with regard to price, quality and reliability of essential services.

## Output: Economic regulatory services

Performance measures	Unit of measure	2017-18 actual	2017-18 target	Performance variation (%)
<b>Quantity</b>				
New or revised regulatory instruments issued	number	7	6	17
<i>The 2017-18 outcome is higher than the 2017-18 target due to a higher number of new regulatory instruments being issued than originally anticipated.</i>				
Performance reports for regulated businesses or industries	number	7	7	-
Performance reviews and compliance audits of regulated businesses	number	144	144	-
Price approvals of regulated businesses	number	24	39	(38)
<i>The 2017-18 outcome is lower than the 2017-18 target due to a lesser requirement to perform price approvals of regulated businesses than originally anticipated.</i>				
Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target scheme	number	4,167	6,000	(31)
<i>The 2017-18 outcome is lower than the 2017-18 target as the forecast assumed activities at a higher number of smaller business and residential sites, whereas activities in the year to date are increasingly being completed at fewer larger and more complex business sites.</i>				
Reviews, investigations or advisory projects	number	2	1	100
<i>The 2017-18 outcome is higher than the 2017-18 target due to a higher number of advisory projects being undertaken than originally anticipated.</i>				
Compliance and enforcement activities (energy)	number	15	15	-
<b>Quality</b>				
Decisions upheld where subject to review, appeal or disallowance	per cent	100	100	-
<b>Timeliness</b>				
Delivery of major milestones with agreed timelines	per cent	100	100	-
<b>Cost</b>				
Total output cost	\$ million	24.4	22.8	7
<i>The 2017-18 outcome is higher than the 2016-17 target mainly due the 2017-18 the retail market review, the register for exempt persons and the five yearly water price review (this cost includes Department of Treasury and Finance overheads).</i>				



# Licence fee revenue

The following table shows licence fees by type. We are responsible for notifying licensees of the charges determined by the Minister for Finance.

Type of licence	Total revenue 2017-18 (\$)	Total revenue 2016-17 (\$)
<b>Electricity industry</b>		
Electricity generation	214,500	188,094
Electricity transmission	49,500	40,538
Electricity distribution	673,215	666,215
Electricity trader	0	811
Retail (electricity and gas)	2,626,866	2,631,362
<b>Gas industry</b>		
Distribution	396,009	391,891
<b>Ports industry</b>		
Port of Melbourne Corporation	0	0
<b>Water industry</b>		
Water and sewerage	4,004,502	3,195,298

# Our people

## Promoting flexible work options, health and wellbeing initiatives, and graduate opportunities

Our people initiatives are structured around three areas: learning and development, capability and performance and workforce planning.

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### Learning and development

#### **Mentoring program**

For the past two years, we have participated in a combined mentoring program with the Department of Premier and Cabinet and the Department of Treasury and Finance. This combined program allows for a greater breadth of mentors and mentees, and encourages collaboration and knowledge sharing between the three organisations.

Participation in the program was strong again in 2018, with 10 mentors and 19 mentees signing up to participate. Mentors and mentees are being matched and the mentoring program will start in July.

#### **Leadership and management development**

We have engaged with the Victorian Public Sector Commission on their executive leadership approach. We will be implementing manager skill sessions for all people managers and interested employees.

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### Capability and performance

#### **Performance and development system**

We updated the way we record and measure performance goals in August 2017. We educated our employees on the new approach, which includes progression criteria and an overall rating.

We have also opted into a whole of Victorian Government contract with SAP SuccessFactors to implement a new performance development system, allowing us to use best practice methodology for employees performance planning. It enables managers to have continuous performance conversations in their regular employee one on one catch-ups.

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### Workforce planning

#### **Recruitment**

Our people and culture team supported 28 externally advertised recruitments in 2017–18. The team is currently reviewing our recruitment practices and policies and will continue developing knowledge and skills for recruiting in the VPS in manager skills sessions. In 2018–19, the team also updated our recruitment forms to make them more intuitive for hiring managers, and revised our position descriptions and advertising to encourage more diverse applicant pools.



## Graduate program and internships

We recruited two economic graduates for 2018. We support internships through work integrated learning in universities and in partnership with the Department of Treasury and Finance for summer interns. In 2017–18, we employed six interns through our various programs.

The people and culture team has formalised our graduate program by providing a structured induction process and ongoing support to graduates. This includes monthly catch-ups between the graduate coordinators and graduates, and a ‘meet and greet’ session with the CEO and Chairperson when graduates start.

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## Health and safety

### Health and wellbeing committee

Our health and wellbeing committee is led by an executive sponsor and consists of divisional representatives and people and culture. The committee has rolled out a number of initiatives with the aim to keep our employees healthy and well. Some of the initiatives include mindfulness sessions, a lunch time seminar with a life coach, a six-week stepping challenge, flu shots and promotion of our ‘employee assist’ program, which offers counselling, career and skill development services.

### Reducing sedentary risk

We are committed to reducing sedentary risk in our workplace. As part of this commitment, we installed 12 tabletop standing desks in 2017–18 and thirteen electronic rising desks.

### OHS committee

Our occupational health and safety committee met four times during 2017–18. Attendees include health and safety and organisational representatives, members of our people and culture team, and a representative from the Action OHS organisation.

We held an election for a new health and safety representative and deputy health and safety representative in 2017, helping to ensure our committee considers new ideas and perspectives.

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## Diversity and inclusion

### Flexible work

We support and promote flexible work practices to help employees balance work and life. In April 2018, our people and culture team launched our ‘flexible work toolkit’, which is designed to provide guidance and knowledge on why working flexibly can be important. It also outlines flexible work options available to employees to ensure they apply for working arrangements tailored to their individual needs.

Since the launch of the toolkit, eight employees applied for and successfully received approval to work flexibly. Of these employees, the type of flexible work requested varied and included working from home, flexible start and finish times, compressed hours, and part time.



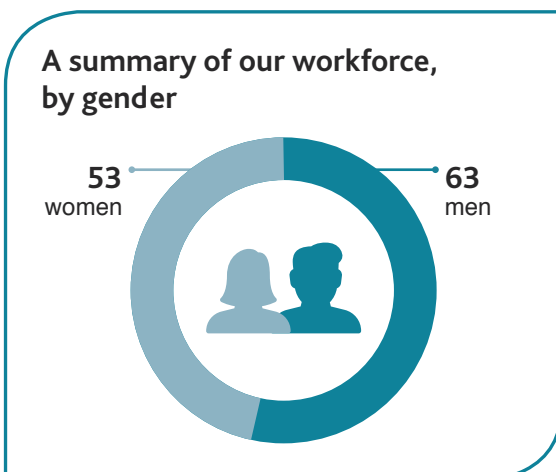
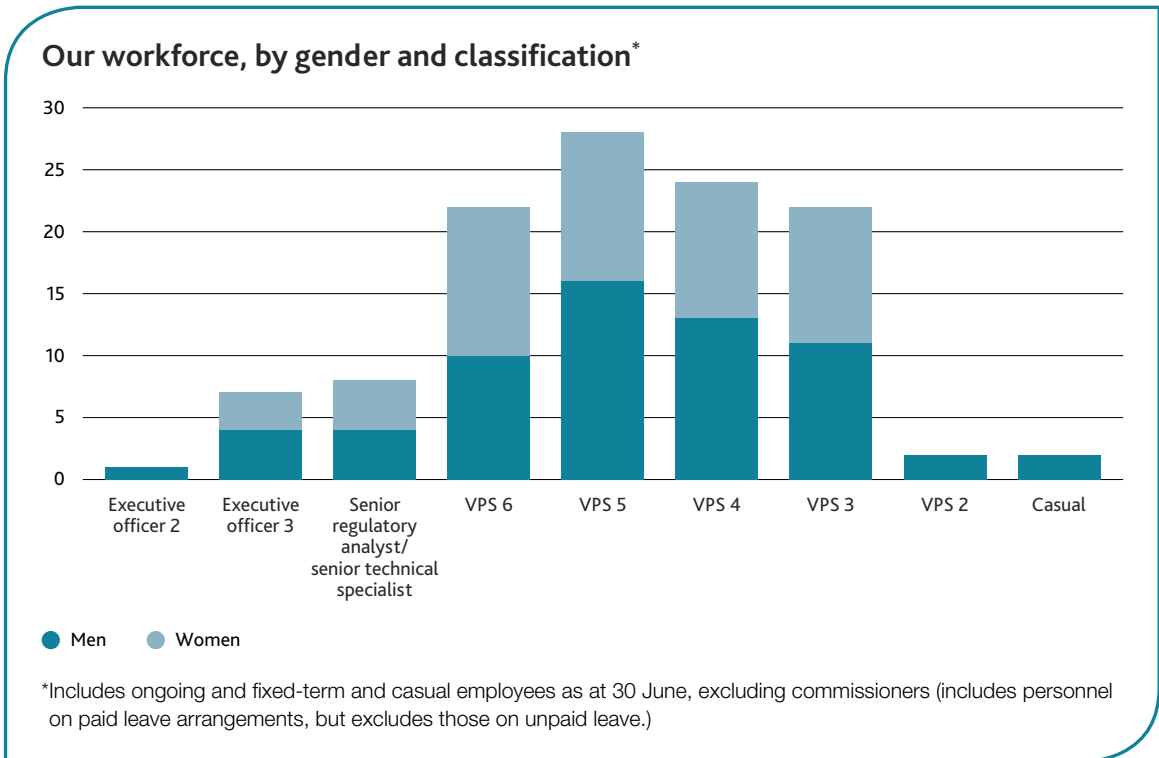
## Empowered Women's Network

The Empowered Women's Network formed in November 2017 after employees attended the Empowering Women for the Future Summit. The network aims to create a safe and supportive environment to empower everyone to discuss gender-related issues and develop solutions. The network has an open membership with members contributing to and developing initiatives that are meaningful to them and the organisation. The largest workshop was attended by approximately 40 people and developed the key streams of flexibility, unconscious bias, professional development and support from colleagues.

For its launch event, the network hosted a panel discussion on International Women's Day. It also hosted a 'health week' morning tea and supported the launch of the flexible work toolkit.

## Pride network

Our pride network also launched in 2018. The network aims to promote workplace inclusion of lesbian, gay, bisexual, transgender, queer and intersex (LGBTQI) employees, provide a space for our employees to come together and raise important workplace issues, and to provide a formal avenue to connect with the broader Victorian Public Service pride network.





# Financial statements

for the year ended 30 June 2018

## Contents

### Declaration in the financial statements

The attached financial statements for the Essential Services Commission have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister of Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and the financial position of the commission as at 30 June 2018.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 14 September 2018.

Anne Hodder  
**Chief Financial Officer**

Melbourne  
12 September 2018

Dr John Hamill  
**Chief Executive Officer**

Melbourne  
12 September 2018

Dr Ron Ben-David  
**Chair**

Melbourne  
12 September 2018



## Independent Auditor's Report

### *To the Chairperson and Commissioners of the Essential Services Commission*

<b>Opinion</b>	<p>I have audited the financial report of the Essential Services Commission (the Commission) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• Declaration in the Financial Statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Chairperson and Commissioners' responsibilities for the financial report</b>	<p>The Chairperson and Commissioners are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Chairperson and Commissioners determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Chairperson and Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chairperson and Commissioners.
- conclude on the appropriateness of the Chairperson and Commissioners' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chairperson and Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
12 September 2018



Timothy Maxfield  
*as delegate for the Auditor-General of Victoria*

## Comprehensive operating statement

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Income from transactions</b>			
Grants	2	24,056,688	23,948,697
Resources received free of charge		259,581	-
<b>Total income from transactions</b>			
		24,316,269	23,948,697
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	15,323,564	13,052,561
Depreciation and amortisation	5.1.1	187,836	302,926
Finance lease interest		2,421	1,946
Capital asset charge		2,053	6,528
Supplies and services	3.2	8,513,930	8,405,279
<b>Total expenses from transactions</b>			
		24,029,804	21,769,240
<b>Net result from transactions</b>			
		286,465	2,179,457
<b>Other economic flows included in net result</b>			
Net gain/(loss) on disposal of non-financial assets		-	(116,628)
Net gain/(loss) from revaluation of leave liabilities		3,539	50,878
<b>Total other economic flows included in net result</b>			
		3,539	(65,750)
<b>Net result</b>			
		290,004	2,113,707
<b>Comprehensive result</b>			
		290,004	2,113,707

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

## Balance sheet

As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Assets</b>			
<b>Financial assets</b>			
Receivables	6.1	16,868,993	15,925,037
<b>Total financial assets</b>		<b>16,868,993</b>	15,925,037
<b>Non-financial assets</b>			
Prepayments		527,411	497,197
Property, plant and equipment	5.1	150,333	128,592
Intangible assets	5.2	-	139,137
<b>Total non-financial assets</b>		<b>677,744</b>	764,926
<b>Total assets</b>		<b>17,546,737</b>	16,689,963
<b>Liabilities</b>			
Payables	6.2	1,440,255	1,629,744
Employee related provisions	3.1.2	3,770,767	3,051,384
Other provisions		106,470	49,089
Finance lease liabilities		58,711	79,217
<b>Total liabilities</b>		<b>5,376,203</b>	4,809,434
<b>Net assets</b>		<b>12,170,534</b>	11,880,529
<b>Equity</b>			
Contributed capital		873,921	873,921
Accumulated surplus		11,296,613	11,006,608
<b>Total equity</b>		<b>12,170,534</b>	11,880,529

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

## Cash flow statement

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from Government		23,835,168	21,861,123
Payments to suppliers and employees		(23,797,129)	(21,839,378)
Capital asset charge paid		(2,053)	(6,528)
Interest paid		(2,421)	(1,946)
<b>Net cash flows from operating activities</b>	7.2	<b>33,565</b>	13,271
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(13,059)	-
Proceeds from sale of property, plant and equipment		-	22,637
<b>Net cash flows from/(used in) investing activities</b>		<b>(13,059)</b>	22,637
<b>Cash flows from financing activities</b>			
Repayment of finance leases		(20,506)	(36,408)
<b>Net cash flows (used in) financing activities</b>		<b>(20,506)</b>	(36,408)
<b>Net decrease in cash and cash equivalents</b>		-	(500)
Cash and cash equivalents at the start of the year		-	500
<b>Cash and cash equivalents at the end of the year</b>		-	-

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





## Statement of changes in equity

For the year ended 30 June 2018

	Contributed capital \$	Accumulated surplus \$	Total \$
Balance at 1 July 2016	873,921	8,892,901	9,766,822
Net result for the year		2,113,707	2,113,707
Balance at 30 June 2017	873,921	11,006,608	11,880,529
<b>Revaluation increment</b>			
<b>Net result for the year</b>		<b>290,004</b>	<b>290,004</b>
<b>Balance at 30 June 2018</b>	<b>873,921</b>	<b>11,296,613</b>	<b>12,170,534</b>

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

## Note 1: About this report

The Essential Services Commission (the commission) is a government commission of the State of Victoria, established under the Essential Services Commission Act 2001.

Its principal address is: Essential Services Commission  
Level 37  
2 Lonsdale Street  
Melbourne VIC 3000

A description of the nature of its operations and its principal activities is included in the “**Report of operations**” which does not form part of these financial statements.

### ***Basis of preparation***

The financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention, except where noted. Historical cost is based on the fair values of the consideration given in exchange for assets.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgments derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

These financial statements cover the commission as an individual reporting entity and include all the controlled activities of the commission.

### ***Compliance***

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 and applicable Australian Accounting Standards (AASs) including Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where relevant, those paragraphs of the AASs applicable to not-for-profit entities have been applied. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## Note 2: Funding delivery of our services

### Introduction

The objective of the commission is to promote the long term interests of Victorian consumers having regard to the price, quality and reliability of essential services. The commission operates under the Essential Services Commission Act 2001 ("the Act"). The Act designates the commission as an economic regulator and lays a foundation for the commission to perform its functions and exercise its powers in respect of regulated entities providing an essential service operating under relevant legislation and as conferred by or under other specified legislation identified in the Act.

At 30 June 2018 the regulated industries included electricity, gas, water and sewerage, ports, taxis and rail freight. Functions conferred under other legislation related to energy industry compliance and enforcement, energy efficiency, accident towing and local government.

The commission is predominantly funded by accrual based Parliamentary appropriations for the provision of outputs. These appropriations are received by the Department of Treasury and Finance and on forwarded to the commission in the form of grants.

	2018 \$	2017 \$
<b>Income from transactions</b>		
Grants from Department of Treasury and Finance	24,056,688	23,948,697
Resources received free of charge	259,581	-
<b>Total income from transactions</b>	<b>24,316,269</b>	23,948,697

Income is recognised to the extent it is probable the economic benefits will flow to the commission and the income can be reliably measured. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the commission does not have control are disclosed as administered income (see Note 4).

The Department of Treasury and Finance (DTF) provides certain administrative services to support the operations of the commission. In 2018, the commission in conjunction with DTF has quantified and recognised the services provided as Resources received free of charge above. The corresponding expense is included as Other expenses in note 3.2. These services have been provided in previous years but have not been quantified.

## Note 3: The cost of delivering services

This section provides an account of the expenses incurred by the commission in delivering services.

- **3.1.** Employee expenses
  - **3.1.1.** Employee expenses in the comprehensive operating statement
  - **3.1.2.** Employee benefits in the balance sheet
- **3.2.** Supplies and services

### Expenses incurred in delivery of services

	Notes	2018 \$	2017 \$
Employee expenses	3.1.1	15,323,564	13,052,561
Depreciation and amortisation	5.1.1	187,836	302,926
Finance lease interest		2,421	1,946
Capital asset charge		2,053	6,528
Supplies and services	3.2	8,513,930	8,405,279
Total expenses incurred in delivery of services		24,029,804	21,769,240

### 3.1.1. Employee expenses in the comprehensive operating statement

	2018 \$	2017 \$
Salaries and wages	11,942,828	10,028,044
Superannuation		
• Defined contribution plans	1,154,263	990,894
• Defined benefits expense	14,473	15,622
Annual and long service leave expense	1,514,443	1,392,539
On-costs	697,557	625,462
<b>Total employee expenses</b>	<b>15,323,564</b>	<b>13,052,561</b>

Employee expenses comprise all costs related to employment including wages and salaries, superannuation, leave entitlements, redundancy payments, fringe benefits tax, and WorkCover premiums.

Superannuation expenses represent the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

DTF centrally recognises, on behalf of the State as the sponsoring employer, the net defined benefit cost and the defined benefit liability or surplus related to the members of these plans as administered items. Refer to DTF's annual financial statements for more detailed disclosures in relation to these plans.

Employees of the commission are entitled to receive superannuation benefits and the commission contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary. The basis for contributions are determined by the various schemes.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the commission.

The commission made contributions to the following major employee superannuation funds during the year:

- Defined contribution funds      VicSuper

The commission does not have any contributions outstanding to the above funds and there have been no loans made from the funds.

### 3.1.2. Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

Provisions	2018 \$	2017 \$
<b>Current:</b>		
• Annual leave		
Unconditional and expected to settle within 12 months	<b>855,633</b>	782,896
Unconditional and expected to settle after 12 months	<b>249,765</b>	160,806
• Long service leave		
Unconditional and expected to settle within 12 months	<b>300,165</b>	272,119
Unconditional and expected to settle after 12 months	<b>1,756,203</b>	1,451,856
• Termination entitlements	<b>303,893</b>	78,945
• Performance bonus	-	9,240
<b>Total current provisions for employee benefits</b>	<b>3,465,659</b>	2,755,862
<b>Non-current:</b>		
• Long service leave	<b>305,108</b>	295,522
<b>Total provisions for employee benefits</b>	<b>3,770,767</b>	3,051,384

Provisions made in respect of employee benefits expected to be wholly settled within 12 months are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the commission in respect of services provided by employees up to reporting date. The liability is classified as a current liability where the commission does not have an unconditional right to defer settlement for at least 12 months after the reporting date. The long service leave liability is classified as non-current where the commission has an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

Termination entitlements are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination entitlements are recognised when the commission is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination entitlements as a result of an offer made to encourage voluntary redundancy.

### 3.2. Supplies and services

Rentals and outgoings	<b>1,013,760</b>	966,699
Purchases of services	<b>5,779,097</b>	5,866,817
Other	<b>1,721,073</b>	1,571,763
<b>Total supplies and services</b>	<b>8,513,930</b>	8,405,279

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Rental payments are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

The fee for the audit of the 2017-18 annual financial statements by the Victorian Auditor-General's Office amounts to \$17,000 (2016-17 - \$16,600). No other services are being provided by the Victorian Auditor-General's Office.

### Note 4: Administered items

In addition to the specific controlled operations which are included in the balance sheet, comprehensive operating statement, statement of equity and cash flow statement, the commission administers or manages activities on behalf of the State. The transactions relating to these State activities are reported as administered in this note. Administered transactions give rise to income, expenses, assets and liabilities and are determined on an accrual basis. Administered income consists principally of licence fees. Administered assets include licence fee income earned but yet to be collected. Licence fees are accrued on the basis of a determination made by the Minister for Finance.

The commission acts on behalf of the Victorian Government in collecting licence fees administered by the commission under the Electricity Industry Act 2000, the Gas Industry Act 2001, the Water Industry Act 1994 and penalties issued under the Essential Services Commission Act 2001. These and certain other administered revenues are collected by the commission but not controlled by it, and are not recognised as revenues/receivables within the body of the financial statements, but are reported as administered revenues/receivables. Such amounts are required to be paid to the Consolidated Fund.

	2018 \$	2017 \$
<b>Administered income from transactions</b>		
Licence and other fees	15,759,000	15,059,925
Other income	-	130,000
<b>Total administered income from transactions</b>	<b>15,759,000</b>	<b>15,189,925</b>
<b>Administered expenses from transactions</b>		
Payments into the Consolidated Fund	14,685,350	14,276,566
<b>Total administered expenses from transactions</b>	<b>14,685,350</b>	<b>14,276,566</b>
<b>Administered net result</b>	<b>1,073,650</b>	<b>913,359</b>
<b>Administered assets</b>		
<b>Financial assets</b>		
Debtors	369,516	146,250
Accrued income	7,964,592	7,114,208
<b>Total administered assets</b>	<b>8,334,108</b>	<b>7,260,458</b>
<b>Administered net assets</b>	<b>8,334,108</b>	<b>7,260,458</b>

## Note 5: Key assets available to support delivery of services

The commission controls property plant and equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the commission to be utilised for delivery of services.

- **5.1.** Property, plant and equipment:
  - **5.1.1.** Depreciation and amortisation
  - **5.1.2.** Reconciliation of movements in carrying values of property, plant and equipment
- **5.2.** Intangible assets





## 5.1. Property, plant and equipment

	Public Administration Purpose Group					
	Gross carrying amount		Accumulated Depreciation		Net carrying amount	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Leasehold improvements	106,470	49,089	(28,393)	(3,273)	78,077	45,816
Office and computer equipment at fair value	36,199	64,228	(22,308)	(60,068)	13,891	4,160
Motor vehicle under finance lease	101,506	101,506	(43,141)	(22,890)	58,365	78,616
<b>Net carrying amount</b>	<b>244,175</b>	<b>214,823</b>	<b>(93,842)</b>	<b>(86,231)</b>	<b>150,333</b>	<b>128,592</b>

### Initial recognition

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

### Subsequent measurement

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

### Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

#### 5.1.1. Depreciation and amortisation

Charge for the period	2018 \$	2017 \$
Leasehold improvements	25,120	18,930
Office and computer equipment	3,328	5,517
Motor vehicles under finance lease	20,251	20,935
Intangible assets	139,137	257,544
<b>Total depreciation and amortisation</b>	<b>187,836</b>	<b>302,926</b>



All plant and equipment and intangible produced assets that have finite useful lives are depreciated. Depreciation is calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value, over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a straight line basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Typical estimated useful lives applicable for the years ended 30 June 2018 and 30 June 2017 are as follows:

- Leasehold improvements 4-10 years
- Office and computer equipment 3-10 years
- Motor vehicles under finance lease 2-3 years
- Capitalised software development 3-7 years

The estimated useful lives, residual values and depreciation method are reviewed at least annually.

### ***Impairment of non-financial assets***

All non-financial physical assets and intangible assets, except non-financial physical assets held for sale, are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off to other economic flows except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

## 5.1.2. Reconciliation of movements in carrying values of property, plant and equipment

	Public Administration Purpose Group			
	Leasehold improvements	Office and computer equipment	Motor vehicles under finance lease	Total
	\$	\$	\$	\$
<b>2018</b>				
Carrying amount at start of year	45,816	4,160	78,616	128,592
Additions	57,381	13,059	-	70,440
Disposals	-	-	-	-
Depreciation expense	(25,120)	(3,328)	(20,251)	(48,699)
<b>Carrying amount at end of year</b>	<b>78,077</b>	<b>13,891</b>	<b>58,365</b>	<b>150,333</b>
<b>2017</b>				
Carrying amount at start of year	97,792	11,915	41,250	150,957
Additions	49,089	-	74,065	123,154
Disposals	(82,135)	(2,238)	(15,764)	(100,137)
Depreciation expense	(18,930)	(5,517)	(20,935)	(45,382)
<b>Carrying amount at end of year</b>	<b>45,816</b>	<b>4,160</b>	<b>78,616</b>	<b>128,592</b>

## 5.2. Intangible assets

	2018	2017
	\$	\$
<b>Intangible assets</b>		
Capitalised software development	1,251,572	1,251,572
Less: accumulated depreciation	(1,251,572)	(1,112,435)
<b>Total intangible assets</b>	<b>-</b>	<b>139,137</b>
<b>Reconciliation of carrying amount</b>		
Carrying value at start of year	139,137	435,807
Additions	-	(39,126)
Depreciation expense	(139,137)	(257,544)
<b>Carrying value at end of year</b>	<b>-</b>	<b>139,137</b>

### Initial recognition

Intangible assets represent identifiable non-monetary assets without physical substance. Purchased intangible assets are initially recognised at cost. Subsequently, purchased intangible assets with finite useful lives are carried at cost less accumulated depreciation and impairment. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The commission's internally generated produced assets comprise capitalised software development.

The intangible assets with finite useful life are tested for impairment whenever an indication of impairment is identified. The policy in connection with testing the impairment is outlined in the section 5.1.1.

## Note 6: Other assets and liabilities

This section sets out those assets and liabilities that arose from the commission's controlled operations.

- 6.1. Receivables
- 6.2. Payables

### 6.1. Receivables

	2018 \$	2017 \$
<b>Current:</b>		
<b>Contractual</b>		
Debtors	-	71,515
	-	71,515
<b>Statutory</b>		
Amounts receivable from government departments	<b>16,462,227</b>	15,439,808
GST recoverable	<b>101,658</b>	118,193
	<b>16,563,885</b>	15,558,001
Total current receivables	<b>16,563,885</b>	15,629,516
<b>Non-current:</b>		
<b>Statutory</b>		
Amounts receivable from government departments	<b>305,108</b>	295,521
Total non-current receivables	<b>305,108</b>	295,521
<b>Total receivables</b>	<b>16,868,993</b>	15,925,037

Receivables consist of:

- contractual receivables, which include mainly debtors in relation to goods and services; and
- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Statutory receivables are recognised and measured on the same basis as contractual receivables (except for impairment) but are not classified as financial instruments as they do not arise from a contract.

Collectability of debtors is reviewed on an ongoing basis. A provision for doubtful debts is raised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

## 6.2. Payables

	2018 \$	2017 \$
<b>Current:</b>		
<b>Contractual</b>		
Creditors and accruals	1,440,255	1,629,744
<b>Total payables</b>	<b>1,440,255</b>	<b>1,629,744</b>

Payables consist of:

- contractual payables represent liabilities for goods and services provided to the commission that are unpaid at the end of the financial year, and arise when the commission becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefit tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost.

## Note 7: Financing our operations

This section provides information on the sources of finance utilised by the commission during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the commission.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances).

- **7.1.** Reconciliation of net result to cash flow from operating activities
- **7.2.** Commitments for expenditure

## 7.1. Reconciliation of net result to cash flow from operating activities

	2018 \$	2017 \$
Net result	290,004	2,113,707
<b>Non-cash movements</b>		
Depreciation	187,836	302,926
Gain on disposal of property, plant and equipment	-	116,628
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	(943,956)	(2,851,743)
(Increase)/decrease in prepayments	(30,214)	(341,782)
Increase/(decrease) in payables	(189,488)	277,814
Increase/(decrease) in provisions	719,383	395,721
<b>Net cash flows from operating activities</b>	<b>33,565</b>	<b>13,271</b>

## 7.2. Commitments for expenditure

	2018 \$	2017 \$
<b>Outsourcing commitments</b>		
Information technology services, payable:		
Within one year	824,328	824,328
Later than one year but not later than five years	480,858	1,305,186
Total commitments (inclusive of GST)	1,305,186	2,129,514
Less GST recoverable	118,653	193,592
<b>Total outsourcing commitments (exclusive of GST)</b>	<b>1,186,533</b>	<b>1,935,922</b>
<b>Operating lease commitments</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	876,767	822,360
Later than one year but not later than five years	2,338,046	3,353,605
<b>Total operating lease commitments</b>	<b>3,214,813</b>	<b>4,175,965</b>

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and inclusive of GST payable except for operating lease commitments. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

## Note 8: Risks, contingencies and valuation judgements

The commission is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the commission related mainly to fair value determination.

- **8.1.** Financial instruments specific disclosures
  - **8.1.1.** Categorisation of financial instruments
  - **8.1.2.** Net holding gain/(loss) on financial instruments by category
  - **8.1.3.** Financial risk management objectives and policies
- **8.2.** Contingent assets and contingent liabilities

### 8.1. Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the commission's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising do not meet the definition of financial instruments as they do not arise under contract.

#### *Categories of non-derivative financial instruments*

##### **Loans and receivables**

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits, trade receivables and loans, but not statutory receivables.

##### **Financial liabilities at amortised cost**

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the commission's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

##### **Offsetting financial instruments**

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the commission concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.



### 8.1.1. Categorisation of financial instruments

Financial assets	Note	Category	Carrying amount	
			2018 \$	2017 \$
Cash on hand		Cash	-	-
Receivables*	6.1	Loans and receivables	-	71,515
			-	71,515
<b>Financial liabilities</b>				
Payables	6.2	Financial liabilities at amortised cost	<b>1,440,255</b>	1,629,744
Borrowings		Financial liabilities at amortised cost	<b>58,711</b>	79,217
			<b>1,498,966</b>	1,708,961

### 8.1.2. Net holding gain/(loss) on financial instruments by category

Financial assets	Note	Category	Carrying amount	
			2018 \$	2017 \$
Cash on hand		Cash	-	-
Receivables*		Loans and receivables	-	-
			-	-
<b>Financial liabilities</b>				
Payables		Financial liabilities at amortised cost	-	-
Borrowings		Financial liabilities at amortised cost	<b>(2,421)</b>	<b>(1,946)</b>
			<b>(2,421)</b>	<b>(1,946)</b>

\* Receivables disclosed here exclude statutory receivables (i.e. amounts receivable from government departments and GST recoverable).

The net holding gains or losses disclosed above are determined as follows:

- For cash and receivables, the net gain or loss is calculated by taking the interest revenue, minus any impairment recognised in the net result; and
- For financial liabilities measured at amortised cost, the net gain or loss is the related interest expense.

### 8.1.3. Financial risk management objectives and policies

#### ***Financial instruments: Credit risk***

Credit risk arises from the financial assets of the commission, which comprise cash, and trade and other receivables. The commission's exposure to credit risk arises from the potential default of counterparties on their contractual obligations resulting in financial loss to the commission. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the commission's financial assets is insignificant because the main debtor is the Victorian Government. For debtors other than government, it is the commission's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. The commission does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### ***Financial instruments: Liquidity risk***

Liquidity risk arises when the commission is unable to meet its financial obligations as they fall due. The commission operates under the Victorian Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The commission's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities. The commission manages its liquidity risk by maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations.

#### ***Financial Instruments: Market risk***

The commission has no exposure to interest rate, foreign currency or other price risks. Interest rates on the commission's finance lease liabilities are fixed.

### 8.2. Contingent assets and contingent liabilities

The commission had no contingent assets or contingent liabilities at 30 June 2018 (30 June 2017: Nil).

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## Note 9: Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

- **9.1.** Other economic flows included in net result
- **9.2.** Responsible persons
- **9.3.** Remuneration of executives
- **9.4.** Related parties
- **9.5.** Other accounting policies
- **9.6.** Australian Accounting Standards issued that are not yet effective
- **9.7.** Glossary of terms

## 9.1. Other economic flows included in net result

Other economic flows measure the change in volume or value of asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

### Disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

### Other gains and losses from other economic flows

Other gains and losses from other economic flows include the transfer of amounts from reserves and/or accumulated surplus to net result due to disposal, derecognition, or reclassification and the revaluation of the present value of leave liabilities due to changes in bond interest rates.

## 9.2. Responsible persons

The persons who held the positions of Minister and Accountable Officer in the commission (from 1 July 2017 to 30 June 2018 unless otherwise stated) were:

Responsible Minister	The Hon. Robin Scott, MP, Minister for Finance
Accountable Officer	Dr John Hamill, Chief Executive Officer

Tim Pallas MP acted for the Minister for Finance in the absence of the Hon. Robin Scott MP.

Marcus Crudden acted as Chief Executive Officer in the absence of Dr John Hamill.

Total remuneration received or receivable by the Accountable Officer in connection with the management of the commission during the reporting period was in the range: \$300,000 – \$309,999 (\$310,000 – \$319,999 in 2016-17).

## 9.3. Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.



<i>Remuneration of executive officers</i>	Total remuneration	
	2018 \$	2017 <sup>(a)</sup> \$
Short-term employee benefits	1,526,613	1,237,662
Post-employment benefits	166,166	133,979
Other long-term benefits	47,754	63,748
Termination benefits	77,146	-
<b>Total remuneration<sup>(a)</sup></b>	<b>1,817,679</b>	<b>1,435,390</b>
<b>Total number of executives</b>	<b>8</b>	<b>8</b>
<b>Total annualised employee equivalents<sup>(b)</sup></b>	<b>7.7</b>	<b>5.9</b>

Notes:

(a) *The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.4).*

(b) *Annualised employee equivalent is based on the time fraction worked over the reporting period.*

#### 9.4. Related parties

The commission is a wholly owned and controlled entity of the State of Victoria. Related parties of the commission include:

- All key management personnel and their close family members;
- All cabinet ministers and their close family members; and
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

#### ***Significant transactions with government-related entities***

Significant transactions entered into by the commission during 2017-18 are disclosed in relevant notes as detailed below:

- The commission received grant funding from DTF which is disclosed in Note 2; and
- The commission on behalf of the Victorian Government collected licence fees from Victorian water businesses and Port of Melbourne Corporation. This is disclosed in Note 4.

Key management personnel (KMP) of the commission include the Portfolio Minister, the Hon. Robin Scott MP, and the commissioners and Chief Executive Officer, which includes:

- Chair, Dr Ron Ben-David;
- Commissioner, Richard Clarke;
- Commissioner, Kate Symons; and
- Chief Executive Officer, Dr John Hamill

The compensation detailed below excludes the salary and benefit the Portfolio Minister receives. The Minister's remuneration and allowance, set by the Parliamentary Salaries and Superannuation Act 1968, are reported within the Department of Parliamentary Services' Financial Report.

<i>Compensation of KMPs</i>	<b>2018</b> \$	<b>2017</b> \$
Short-term employee benefits	905,992	788,731
Post-employment benefits	63,761	71,511
Other long-term benefits	22,044	14,460
Termination benefits	-	-
<b>Total<sup>(a)</sup></b>	<b>991,797</b>	<b>874,702</b>

Notes:

(a) Note that KMPs, who are also executive officers, are reported in the disclosure of remuneration of executive officers (Note 9.3).

## 9.5. Other accounting policies

### Contributions by owners

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the commission.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions are also designated as contributed capital. Transfers of net assets or liabilities arising from administrative restructurings are treated as distributions to or contributions by owners.

## 9.6. Australian Accounting Standards issued that are not yet effective

As at 30 June 2018, the following standards and interpretations, applicable to the commission, had been issued but were not mandatory for the 30 June 2018 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the commission of their applicability and early adoption where applicable.

AASB 9 Financial Instruments, applicable for reporting periods commencing 1 January 2018. The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. While the commission's assessment has not identified any material impact arising from AASB 9, there will be changes to the way financial instruments are disclosed.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), applicable for reporting periods commencing 1 January 2018. The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- the change in fair value attributable to changes in credit risk is presented in other comprehensive income; and
- other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

The assessment has indicated that there will be no significant impact for the commission.

AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments], applicable for reporting periods commencing 1 January 2018. Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9, applicable for reporting periods commencing 1 January 2018. Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. The assessment has indicated that there will be no significant impact for the commission.

AASB 15 Revenue from Contracts with Customers, applicable for reporting periods commencing 1 January 2018. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. The assessment has indicated that there will be no significant impact for the commission.

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, applicable for reporting periods commencing 1 January 2018. This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15, applicable for reporting periods commencing 1 January 2018. This Standard amends AASB 15 to clarify the requirement on identifying performance obligations, as follows:

- A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;
- For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and
- For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).

The assessment has indicated that there will be no significant impact for the commission.

AASB 16 Leases, applicable for reporting periods commencing 1 January 2019. The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.

## 9.7. Glossary of terms

Term	Definition
<b>Administered item</b>	Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the department's objectives and to deny or regulate the access of others to that benefit.
<b>Annualised employee equivalent</b>	Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.
<b>Capital asset charge</b>	A charge levied on the written-down value of controlled non-current physical assets in the commission's balance sheet which aims to: attribute to the opportunity cost of capital used in service delivery; and provide incentives to the commission to identify and dispose of underutilised or surplus assets in a timely manner.
<b>Commitments</b>	Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.
<b>Comprehensive result</b>	The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.
<b>Controlled item</b>	Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the department's objectives and to deny or regulate the access of others to that benefit.
<b>Depreciation</b>	Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a transaction and so reduces the net result from transactions.
<b>Employee benefits expenses</b>	Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and superannuation contributions.
<b>Financial asset</b>	A financial asset is any asset that is: <ul style="list-style-type: none"> <li>a) cash;</li> <li>b) an equity instrument of another entity;</li> <li>c) a contractual right: <ul style="list-style-type: none"> <li>– to receive cash or another financial asset from another entity; or</li> <li>– to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or</li> </ul> </li> <li>d) a contract that will or may be settled in the entity's own equity instruments and is: <ul style="list-style-type: none"> <li>– a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or</li> <li>– a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.</li> </ul> </li> </ul>
<b>Financial instrument</b>	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Term	Definition
<b>Financial liability</b>	<p>A financial liability is any liability that is:</p> <ul style="list-style-type: none"> <li>a) a contractual obligation: <ul style="list-style-type: none"> <li>– to deliver cash or another financial asset to another entity; or</li> <li>– to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or</li> </ul> </li> <li>b) a contract that will or may be settled in the entity's own equity instruments and is: <ul style="list-style-type: none"> <li>– a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or</li> <li>– a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.</li> </ul> </li> </ul>
<b>Financial statements</b>	<p>A complete set of financial statements comprises:</p> <ul style="list-style-type: none"> <li>a) a comprehensive operating statement for the period;</li> <li>b) a balance sheet as at the end of the period;</li> <li>c) a statement of changes in equity for the period;</li> <li>d) a cash flow statement for the period;</li> <li>e) notes, comprising a summary of significant accounting policies and other explanatory information;</li> <li>f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and</li> <li>g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.</li> </ul>
<b>Grants</b>	<p>Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.</p> <p>Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.</p>



Term	Definition
<b>Interest expense</b>	Costs incurred in connection with the borrowing of funds. Interest expense includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.
<b>Net result</b>	Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.
<b>Net result from transactions</b>	Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.
<b>Non-financial assets</b>	Non-financial assets are all assets that are not 'financial assets'.
<b>Other economic flows included in net result</b>	Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposal, revaluation and impairment of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans and fair value changes of financial instruments. In simple terms, they are changes arising from market re-measurements.
<b>Other economic flows – other comprehensive income</b>	Other economic flows - other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result. The components of 'other economic flows - other comprehensive income' include changes in physical asset revaluation surplus.
<b>Payables</b>	Includes short and long term trade debt and accounts payable, grants and interest payable.
<b>Receivables</b>	Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.
<b>Supplies and services</b>	Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the entity.
<b>Transactions</b>	Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

# Appendix A:

## Workforce data

June 2018

	All employees		Ongoing			Fixed term and casual	
	Number (Headcount)	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Male	63	61.02	51	2	52.76	10	8.26
Female	53	50.90	39	8	45.10	6	5.80
Self- described							
<b>Age</b>							
15-24	5	4.16	4	0	4.00	1	0.16
25-34	41	39.90	33	1	33.80	7	6.10
35-44	41	39.10	28	7	33.30	6	5.80
45-54	21	21.00	19	0	19.00	2	2.00
55-64	7	6.76	5	2	6.76	0	0.00
65+	1	1.00	1	0	1.00	0	0.00
<b>VPS** grades 1 to 6</b>	<b>98</b>	<b>95.66</b>	<b>75</b>	<b>10</b>	<b>82.86</b>	<b>13</b>	<b>12.8</b>
VPS 1	0	0.00	0	0	0.00	0	0.00
VPS 2	2	2.00	2	0	2.00		
VPS 3	22	21.40	15	2	16.40	5	5.00
VPS 4	24	23.80	22	1	22.80	1	1.00
VPS 5	28	27.56	22	3	24.56	3	3.00
VPS 6	22	20.90	14	4	17.10	4	3.80
<b>Senior employees</b>	<b>16</b>	<b>16</b>	<b>15</b>		<b>15</b>	<b>1</b>	<b>1</b>
Senior technical specialist	3	3.00	3	0	3.00	0	0.00
Senior regulatory analyst	5	5.00	4	0	4.00	1	1.00
Executives	8	8.00	8	0	8.00	0	0.00
<b>Other</b>	<b>2</b>	<b>0.26</b>				<b>2</b>	<b>0.26</b>
<b>Total employees</b>	<b>116</b>	<b>111.92</b>	<b>90</b>	<b>10</b>	<b>97.86</b>	<b>16</b>	<b>14.06</b>

\* FTE = full-time equivalent

\*\* VPS = Victorian Public Service

This data excludes our commissioners and chair.

## June 2017

	All employees		Ongoing			Fixed term and casual	
	Number (Headcount)	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Male	56	55.30	43	3	45.40	10	9.90
Female	52	48.39	37	9	43.35	6	5.04
Self-described							
<b>Age</b>							
15-24	6	5.04	3	0	3.00	3	2.04
25-34	41	40.20	34	3	36.20	4	4.00
35-44	35	32.95	21	7	25.95	7	7.00
45-54	21	20.90	19	0	19.00	2	1.90
55-64	4	3.60	2	2	3.60	0	0.00
65+	1	1.00	1	0	1.00	0	0.00
<b>VPS** grades 1 to 6</b>	<b>90</b>	<b>86.75</b>	<b>66</b>	<b>12</b>	<b>74.75</b>	<b>12</b>	<b>12.00</b>
VPS 1	0	0.00	0	0	0.00	0	0.00
VPS 2	4	4.00	4	0	4.00	0	0.00
VPS 3	20	19.35	14	2	15.35	4	4.00
VPS 4	22	21.20	15	3	17.20	4	4.00
VPS 5	23	22.60	21	2	22.60	0	0.00
VPS 6	21	19.60	12	5	15.60	4	4.00
<b>Senior employees</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>0</b>	<b>14.00</b>	<b>1</b>	<b>1.00</b>
Senior technical specialist	2	2.00	2	0	2.00	0	0.00
Senior regulatory analyst	5	5.00	4	0	4.00	1	1.00
Executives	8	8.00	8	0	8.00	0	0.00
<b>Other</b>	<b>3</b>	<b>1.94</b>				<b>3</b>	<b>1.94</b>
<b>Total employees</b>	<b>108</b>	<b>103.69</b>	<b>80</b>	<b>12</b>	<b>88.75</b>	<b>16</b>	<b>14.94</b>

\* FTE = full-time equivalent

\*\* VPS = Victorian Public Service

This data excludes our commissioners and chair.

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## Appendix B:

### Disclosures

#### ***Advertising expenditure***

We had no advertising campaigns with a media spend of \$100,000 or greater.

#### ***Building works***

We do not have any buildings under our direct control and did not enter into works that required compliance under the Building Act 1993.

#### ***Consultancies over \$10,000***

We engaged 21 consultancies at a total expenditure of \$1,039,988 (excluding GST). View details of individual consultancies at [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

#### ***Consultancies under \$10,000***

We engaged two consultancies at a total expenditure of \$14,420 (excluding GST).

#### ***Diversity and inclusion***

We strive to create an environment that supports a diverse, inclusive and flexible workforce. We reviewed our recruitment materials on a number of occasions throughout the 2017–18 year to encourage a more diverse applicant pool.

We also celebrated the diversity of our employees with recognition or events held for NAIDOC Week, IDAHoBIT day, Harmony Day and Wear It Purple day (to name a few).

Two new networks were formed by employees during the year: our Empowered Women's Network and our pride network, which both work with the organisation to ensure our practices are inclusive.

In 2017–18, we had two staff members (1.7 per cent of employees) who self-identified as Aboriginal or Torres Strait Islander.

#### ***Employee relations***

We are committed to ensuring that employee relations matters are treated fairly and promptly, and that employees are aware of our grievance processes, which are supported by our extensive range of policies including grievance resolution, sexual harassment and bullying and managing performance.

No employee time was lost in 2017–18 due to industrial disputes and no formal grievances were lodged.

#### ***Employment and conduct principles***

We are committed to applying merit and equity principles when we appoint employees. Our selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities.

We have correctly classified our employees in workforce data collections.

#### ***Ex-gratia payments***

There were no ex-gratia payments in 2017–18.

### ***Major contracts***

We awarded no major contracts greater than \$10 million during 2017–18.

### ***National Competition Policy***

We are compliant with the National Competition Policy, including compliance with the requirements of the Department of Treasury and Finance’s Competition Neutrality Policy.

### ***Occupational health and safety***

We continued to promote occupational health and safety through a range of measures in 2017–18, including our occupational health and safety policy, health and safety representative and an OH&S committee, which meets quarterly. We had one workcover claim in 2017–18.

<b>Workcover statistics</b>	<b>2016–17</b>	<b>2017–18</b>
Claims during 2017–18	0	1

### ***Private interest declarations***

Declarations of private interests were completed by relevant officers in 2017–18. New employees were required to complete declarations prior to commencement.

### ***Victorian Industry Participation Policy Act 2003***

The Victorian Industry Participation Policy must be applied in all procurement activities valued at \$3 million or more in metropolitan Melbourne and for state-wide projects, or \$1 million or more in regional Victoria. We did not commence or complete any such procurement activities in 2017–18.

# Appendix C:

## Executive numbers

Annualised total salary for senior employees of the commission, by \$20,000 bands\*

Income band (salary)	Executives	STS	PS	SMA	SRA	Other
\$<160,000		1				
160,000 – 179,000	1	2			3	
180,000 – 199,000					2	
200,000 – 219,000	6					
220,000 – 239,000						
240,000 – 259,000						
260,000 – 279,000						
280,000 – 299,000	1					
300,000 – 319,000						
320,000 – 339,000						
340,000 – 359,000						
360,000 – 379,000						
380,000 – 399,000						
400,000 – 419,000						
420,000 – 439,000						
440,000 – 459,000						
460,000 – 479,000						
480,000 – 499,000						
<b>TOTAL</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>

\*The salaries reported above are for the full financial year, at a one-full-time-equivalent rate, and exclude superannuation.

## Appendix D: ICT expenditure

For the 2017–18 reporting period, we had a total information and communication technology (ICT) expenditure of \$1,315,168, with the details shown below.

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business as usual (BAU) ICT expenditure	Non-business as usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = operational expenditure and capital expenditure)		
1,112,171	202,997	189,938	13,059

ICT expenditure refers to our costs in providing business enabling ICT services within the current reporting period. It comprises BAU ICT expenditure and non-BAU ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

## Appendix E: Legislation

Our main piece of legislation is the Essential Services Commission Act 2001.

Other legislation related to our work includes:

- Accident Towing Services Act 2007
- Commercial Passenger Vehicle Industry Act 2017
- Commercial Passenger Vehicle Industry Amendment (Further Reforms) Act 2017
- Electricity Industry Act 2000
- Gas Industry Act 2001
- Grain Handling and Storage Act 1995
- Local Government Act 1989
- National Electricity (Victoria) Act 2005
- National Gas (Victoria) Act 2008
- Port Management Act 1995
- Rail Management Act 1996
- Victorian Energy Efficiency Target Act 2007
- Transport (Compliance and Miscellaneous) Act 1983
- Water Act 1989
- Water Industry Act 1994.

## Appendix F:

### Office-based environmental impact

We have continued to monitor key indicators of our environmental impact in 2017–18. Since 2016–17, some indicators have increased while others have decreased. Our full-time equivalent (FTE) count has also increased over this period, and when this is taken into account all indicators, including carbon emissions, show a decrease in our environmental impact per FTE.

#### Overview of performance, 2017–18

Category	Quantity used	Quantity per employee	Greenhouse gas emissions (tonnes CO <sub>2</sub> -e)
Energy consumption (MJ)	488,784	4,073	171
Waste management (tonne)	9,023	75.19	17
Paper procurement (reams)	864	7.20	3
Transport use: car (litres of petrol)	1,037	8.64	3
Transport use: aeroplane (km)	96,523	804	20
Water consumption	N/A	N/A	N/A
<b>Total greenhouse gas emissions</b>			<b>213.19</b>

#### Energy

Energy consumption data is taken from our energy retailer billing information. In 2017–18, energy use for one of the two floors we occupied was estimated assuming our staff made up 85 per cent of total staff on that floor. In 2016–17, we assumed our staff made up around 53 per cent of total staff on that floor.

Usage per employee is based on an annual employee average for the whole year. In financial year 2017–18, our energy usage increased, but our usage per FTE decreased.

This table uses estimated data only.

Indicator	2017–18	2016–17
Total energy use segmented by primary source (MJ)	488,784	447,737
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO <sub>2</sub> -e)	171	157
Percentage of electricity purchased as Green Power	0	0
Units of energy used per FTE (MJ/FTE)	4,073	4,664
Units of energy used per unit of office area (MJ/m <sup>2</sup> )	220	321



## Waste

We conduct a single waste audit each year. As the audit only measures waste production for one day, this day may not be representative of average waste production. To account for this potential inaccuracy, the figures displayed in the following table represent the average for all waste audits up to and including the year in question. Relative to 2016–17, our waste production increased in 2017–18, but our waste production per FTE decreased.

This table uses estimated data only.

Indicators (estimates)		2017–18 (tonnes/year)	2016–17 (tonnes/year)	Difference compared to previous year (%)
General waste/ landfill	Total units of waste disposed per year by destination	2.29	2.13	8
	Units of office waste disposed per full-time equivalent	0.02	0.02	-14
Co-mingled recycling	Total units of waste disposed per year by destination	0.90	0.96	-7
	Units of office waste disposed per FTE	0.01	0.01	-25
Organic recycling	Total units of waste disposed per year by destination	0.74	0.61	20
	Units of office waste disposed per FTE	0.01	0.01	-4
Paper and cardboard recycling	Total units of waste disposed per year by destination	5.10	4.69	9
	Units of office waste disposed per FTE	0.04	0.05	-13

## Paper

The paper data is based on supplier billing information and paper storage auditing. In 2017–18, our use of recycled paper remained high but our overall and per-employee consumption of paper decreased.

Indicator	2017–18	2016–17	Difference compared to previous year (%)
Total units of copy paper used (reams)	864	923	-6
Units of copy paper used per FTE (reams/FTE)	7.2	9.6	-25
Percentage of 75–100 per cent recycled content copy paper purchased	99.4%	99.6%	0
Percentage of 0–50 per cent recycled content copy paper purchased	0.6%	0.4%	34
Greenhouse gas emissions associated with paper use, segmented by primary source and offsets (t CO <sub>2</sub> -e)	3.3	3.4	-4

## Water

Water consumption for the commission is not available. Water consumption is measured for the entire building and not specifically for the floors that we occupy. Building management is not able to provide individual water consumption data to occupants. The building, however, has a black water treatment plant with onsite sewage processing and high efficiency water fixtures and fittings. The building has been awarded a 3.5 NABERS water certification.

## Transport

Transport data was collected from VicFleet logs and our air travel records. We use the Victorian Government vehicle pool for all our operational car travel. Use of hybrid fuel vehicles by staff is encouraged. The amount of travel by car and plane for the commission decreased in 2017–18.

Transport type	Indicator	2017–18	2016–17	Difference (%)
Car (ULP)	Total travel associated with entity operations (km)	13,571	15,461	-12
	Greenhouse gas emissions from fleet (t CO <sub>2</sub> -e)	2.53	2.87	-12
	Greenhouse gas emissions from fleet per 1000 km travelled (t CO <sub>2</sub> -e)	0.19	0.19	0
Aeroplane	Total distance travelled (km)	96,523	96,871	-0.4
	Greenhouse gas emissions (t CO <sub>2</sub> -e)	19.63	19.71	-0.4
Sustainable transport	Percentage of employees using public transport, cycling walking or car pooling to get to and from work	N/A	N/A	N/A

## Summary of greenhouse gas emissions

Emission source	CO <sub>2</sub> emissions (t CO <sub>2</sub> -e)			
	2017–18	2016–17	Difference (%)	
Direct emissions	Vehicle hire	2.5	2.9	-12
Indirect emissions	Electricity	171.1	156.7	9
Optional emissions	Office paper	3.3	3.4	-4
	Waste	16.7	15.3	9
	Flights	19.6	19.7	0
Total		213.2	198.0	8
<b>Total per FTE</b>		<b>1.8</b>	<b>2.1</b>	<b>-14</b>

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## Appendix G:

### Appeals lodged under the Essential Services Commission Act 2001

Three appeals were lodged under Section 55 of the Essential Services Commission Act 2001 during the 2017–18 financial year. Two appeals were heard by the appeal panel. One was withdrawn by the applicant.

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## Appendix H:

### Disclosures issued under the Essential Services Commission Act 2001

Section 38 of the Essential Services Commission Act 2001 allows us to disclose, under specified circumstances, information or the content of a document given to us under the Act. No disclosures were made by the commission under section 38 during 2017–18.

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## Appendix I:

### Notices issued under the Essential Services Commission Act 2001

Section 37 of the Essential Services Commission Act 2001 empowers us to obtain information or documents that may assist in the performance of our functions. No notices were issued under section 37 during 2017–18.

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## Appendix J:

### Disclosures under the Protected Disclosures Act 2012

We are a public body required to make certain disclosures pursuant to section 70 of the Protected Disclosures Act 2012. We have developed procedures to satisfy our obligations under Part 9 of the Act. Those procedures are extensive and may be obtained by contacting us.

No disclosures were notified to the Independent Broad-Based Anti-Corruption Commission by the commission under Section 21 (2) of the Act during 2017–18.

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## Appendix K:

### Inquiries conducted under the Essential Services Commission Act 2001

Part 5 of the Essential Services Commission Regulations 2011 requires us to report on the outcomes of any public inquiries we conducted after consultation with the minister responsible for the commission.

We did not conduct any public inquiries in 2017–18.

## Appendix L:

### Third party access regime determinations under the Essential Services Commission Act 2001

Section 33 of the Essential Services Commission Regulations 2011 requires us to report on the outcomes of third-party access regime determinations we make under part 3A of the Essential Services Commission Act 2001.

We did not publish any third-party access regime determinations in 2017–18.

## Appendix M:

### Compliance with the Protected Disclosures Act 2012

The Protected Disclosure Act 2012 encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

We do not tolerate improper conduct, nor the taking of reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in its administrative and management practices and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

We will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

#### **Reporting procedures**

Disclosures of improper conduct or detrimental action by us or any of our employees may be made to the Independent Broad-Based Anti-Corruption Commission (IBAC):

Level 1, North Tower, 459 Collins Street

Melbourne, VIC 3000

Phone: 1300 735 135

Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Email: see the IBAC website for their secure email disclosure process, which also provides for anonymous disclosures.

#### **Further information**

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by us or any of our employees and/or officers, are available on request.

#### **Recent disclosures under the Protected Disclosure Act 2012**

Assessable disclosures	2017–18	2016–17
The number of disclosures made by an individual to the commission and notified to the Independent Broad-Based Anti-Corruption Commission	2	0

# Appendix N:

## Freedom of information

The Freedom of Information Act 1982 allows the public a right of access to documents held by the commission. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, ministers and other bodies, such as the commission, who are subject to the Act.

An applicant has a right to apply for access to documents held by the commission. This comprises documents both created by the commission or supplied to the commission by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by the commission includes:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
  - consultants/contractors engaged
  - services provided
- expenditure committed to for each engagement.

The Act allows the commission to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to the commission in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FoI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by the commission, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

### ***Making a request***

An application fee may apply. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to:

John Henry,  
Principal Solicitor, VEET scheme  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne Vic 3000

When making an FoI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

### ***Freedom of information statistics and timeliness***

During 2017–18, the commission received nine applications. All requests came from the general public.

The commission made seven FoI decisions during the 12 months ended 30 June 2018.

Sixty decisions were made within the statutory 30 day time period. Two decisions were deferred pending agreement on the scope of the request. One decision was not required to be made in the financial year 2017–18.

The average time taken to finalise requests in 2017–18 was 30 days.

During 2017–18, one request was subject to an internal review by Office of the Victorian Information Commissioner. One request made in 2016–17 progressed to review at Victorian Civil and Administrative Tribunal in 2017–18.

### ***Further information***

Further information regarding the operation and scope of FoI can be obtained from the Act, regulations made under the Act, and [foi.vic.gov.au](http://foi.vic.gov.au).

Further information may be obtained from:

- Freedom of Information Act 1982
- Freedom of Information (Access Charges) Regulation 2014
- Freedom of Information Regulations 2009
- [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

### ***Reports, publications and informal requests***

Find details about our reports and publications on our website: [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

### ***Requests may also be directed to:***

Essential Services Commission, Level 37, 2 Lonsdale Street, Melbourne, Vic 3000  
Telephone: (03) 9032 1300 or 1300 664 969 [publications@esc.vic.gov.au](mailto:publications@esc.vic.gov.au).

# Appendix O:

## Submissions we received in 2017–18

### *In 2017–18, we received 258 submissions on our projects*

Many submissions related to our water price review, our unbooked commercial passenger vehicle (taxi) fare review, our minimum feed-in tariff decision and our work in the local government efficiency factor.

Release	Submissions
<b>Accident towing</b>	
Accident Towing and Storage Fees Review 2018: Consultation Paper	2
<b>Commercial passenger vehicles (taxis)</b>	
Unbooked Commercial Passenger Vehicle Fare Review 2018: Draft Decision	37
<b>Corporate</b>	
Charter of Consultation and Regulatory Practice: Consultation Paper	21
<b>Energy</b>	
Approval of a Customer Dispute Resolution Scheme for the Purposes of the General Exemption Order	3
Audit Guideline for Energy Businesses: Draft Guideline	9
Developing a Reference Price Methodology for Victoria's Energy Market: Consultation Paper	13
Fixed Benefit Periods – Notification Obligations for Energy Retailers: Draft Decision	11
Minimum Electricity Feed-in Tariffs to Apply From 1 July 2018: Final Decision	27
Register of Non-Licensed Electricity Providers: Registration Guideline (Information for Registration and Public Register): Draft Decision	7
Review of Unaccounted for Gas Benchmarks: Draft Decision – Calculation	6
Review of Unaccounted for Gas Benchmarks: Final Decision -Methodology	5
<b>Local government</b>	
Arup's Growth Study Report	3
Measuring Productivity in the Local Government Sector: Consultation Paper	21
Setting a Local Government Efficiency Factor: Draft Proposal	15
<b>Port of Melbourne</b>	
Regulatory Approach to the Pricing Order: Consultation Paper	1
<b>Victorian Energy Efficiency Target (VEET)</b>	
VEET Mandatory Safety Training Requirements: Consultation Paper	2
<b>Water</b>	
Water price review 2018:	
• Submissions relating to our price submissions: 29	
• Submissions relating to our draft decisions: 46	
<b>Total submissions for 2017–18</b>	<b>258</b>

# Appendix P:

## Our publications, 2017–18

### June 2018

<b>Commercial passenger vehicles</b>	<ul style="list-style-type: none"> <li>• Unbooked Commercial Passenger Vehicle Fare Review 2018: Draft Decision</li> </ul>
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Stakeholder Engagement Framework: Charter of Consultation and Regulatory Practice</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• Retail markets review implementation 2018 stakeholder reference group minutes (June)</li> <li>• Information fact sheets for customers living in caravan parks and similar sites, apartment buildings and retirement villages, and shopping centre tenants</li> <li>• Information fact sheet for solar system owners on the minimum electricity feed-in tariff</li> <li>• Foresight Solar Australia Pty Ltd electricity generation licence</li> <li>• Victorian Energy Market Update: January to March 2018</li> <li>• Wrongful disconnection payment decisions for:             <ul style="list-style-type: none"> <li>– Lumo Energy and Customer O</li> <li>– AGL Sales and Customer A</li> <li>– EnergyAustralia and Customer N.</li> </ul> </li> </ul>
<b>Rail access</b>	<ul style="list-style-type: none"> <li>• Metro Trains Melbourne Access Arrangement Extension</li> <li>• Metro Trains Melbourne Access Arrangement Extension: Final Decision</li> <li>• Pacific National Access Arrangement Extension</li> <li>• Pacific National Access Arrangement Extension: Final Decision</li> </ul>
<b>VEET</b>	<ul style="list-style-type: none"> <li>• Victorian Energy Efficiency Target Guidelines (version 7)</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>• We produced the following documents for all 17 regulated water businesses during the 2018 water price review:             <ul style="list-style-type: none"> <li>– a determination outlining the approved maximum prices or revenue for the water business</li> <li>– a final decision</li> <li>– a paper outlining our consideration of legal requirements in relation to the final decision</li> <li>– a customer fact sheet.</li> </ul> </li> <li>• Water performance indicator definitions</li> </ul>



## May 2018

**Commercial passenger vehicles** • Update to the Maximum Taxi Fare Schedule for Commercial Passenger Vehicle Service Levy

**Energy**

- Registration Guideline for Exempt Persons (embedded networks)
- Electricity Distribution Code – Review of Voltage Standard for Bushfire Mitigation: Draft Decision
- Wrongful disconnection payment decisions for:
  - EnergyAustralia and Customer P
  - EnergyAustralia and Customer W
  - EnergyAustralia and Customer I
  - EnergyAustralia and Customer T.
- Retail markets review implementation 2018:
  - stakeholder reference group minutes (May)
  - slides from bills and marketing workshop
  - bills and marketing pre-workshop material
  - overview recommendation 3A-H
  - presentation on reference price methodology.

## April 2018

**Accident towing** • Review of Accident Towing and Storage Fees: Consultation Paper

**Energy**

- Mt Gellibrand Wind Farm Pty Ltd electricity generation licence
- Wrongful disconnection payment decision for ‘AGL and Customer J’
- Retail markets review implementation 2018:
  - stakeholder reference group minutes (April)
  - technical workshop slides.

**Local government**

- Monash City Council's 2018 higher cap application:
  - Deloitte Access Economics: Assistance with Review of 2018–19 Rate Cap Application, City of Monash
  - a special order
  - Decision on Application for a Higher Cap, 2018–19.

**Water**

- We produced the following documents for Western Water and South Gippsland Water during the 2018 water price review:
  - a draft decision
  - a paper outlining our consideration of legal requirements in relation to the draft decision
  - a customer fact sheet
  - a demand report and expenditure report for South Gippsland Water.

## March 2018

<b>Energy</b>	<ul style="list-style-type: none"> <li>• Gannawarra Solar Farm Pty Ltd electricity generation licence</li> <li>• Sunset Power International Pty Ltd (trading as Delta Electricity) electricity retail licence</li> <li>• Audit Guideline for Energy Businesses</li> <li>• Audit Guideline for Energy Businesses: Final Decision</li> <li>• Victorian Energy Market Update: July to December 2017</li> <li>• Retail markets review implementation 2018 project launch presentation</li> <li>• Retail markets review implementation 2018 stakeholder reference groups terms of reference</li> <li>• Consultation Paper: Developing a Reference Price Methodology for Victoria's Energy Market</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>• We produced the following documents for Barwon Water, Central Highlands Water, City West Water, Coliban Water, Gippsland Water, Goulburn Valley Water, GWMWater, Lower Murray Water (rural and urban), North East Water, Southern Rural Water and Wannon Water during the 2018 water price review:                     <ul style="list-style-type: none"> <li>– a draft decision</li> <li>– a paper outlining our consideration of legal requirements in relation to the draft decision</li> <li>– a customer fact sheet</li> <li>– an expenditure review, commissioned through Deloitte (except for Southern Rural Water).</li> </ul> </li> <li>• Price submission fact sheet for Western Water</li> <li>• Water Performance Report 2016–17 and supporting resources including:                     <ul style="list-style-type: none"> <li>– water business profiles</li> <li>– data summary</li> <li>– status of major projects</li> <li>– water performance indicator definitions.</li> </ul> </li> </ul>

## February 2018

<b>Commercial passenger vehicles</b>	<ul style="list-style-type: none"> <li>• Fare Review for Unbooked Commercial Passenger Vehicle Services: Consultation Paper</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• Salt Creek Wind Farm Pty Ltd electricity generation licence</li> <li>• Energy Retail Code (version 11a)</li> <li>• Review of Voltage Standard for Bushfire Mitigation: Project Scope</li> <li>• Minimum Electricity Feed-In Tariffs to Apply from 1 July 2018: Final Decision</li> </ul>

## January 2018

<b>Energy</b>	<ul style="list-style-type: none"> <li>• Register of Non-Licensed Electricity Providers Guideline: Draft Decision</li> <li>• Gas Distribution System Code (Version 12)</li> <li>• Caravan park tariffs 2018</li> </ul>
<b>Local government</b>	<ul style="list-style-type: none"> <li>• Annual compliance information template 2018–19</li> <li>• Examples of engagement tools and techniques</li> <li>• Key considerations when developing an engagement plan in the context of the Fair Go Rates system</li> <li>• Higher cap application engagement narrative map</li> <li>• Engagement tips for council</li> <li>• Engagement case studies</li> <li>• Deliberation at scale: principles and practical ideas for small rural councils</li> </ul>
<b>Port of Melbourne</b>	<ul style="list-style-type: none"> <li>• Statement of Regulatory Approach: Port of Melbourne Pricing Order</li> </ul>
<b>VEET</b>	<ul style="list-style-type: none"> <li>• VEET Mandatory Safety Training Requirements: Consultation Paper</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>• Guidance paper for Western Water</li> </ul>

## December 2017

<b>Commercial passenger vehicles</b>	<ul style="list-style-type: none"> <li>• Taxi Fare Monitoring Annual Report 2016–17</li> </ul>
<b>Domestic building insurance (DBI)</b>	<ul style="list-style-type: none"> <li>• Victoria's Domestic Building Insurance Scheme: Performance Report 2016–17</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• Weston Energy Pty Ltd gas retail licence</li> <li>• Energy Compliance and Enforcement Policy: Guidance Note on Payment Difficulty and Disconnections</li> <li>• Energy Compliance and Enforcement Policy</li> <li>• Fixed Benefit Periods: Final Decision</li> <li>• Minimum Electricity Feed-In Tariffs to Apply from 1 July 2018: Draft Decision</li> <li>• Unaccounted for Gas Benchmarks Review 2017: Final Decision – Calculation</li> </ul>
<b>Local government</b>	<ul style="list-style-type: none"> <li>• Letter to the Minister for Local Government – Advice on the average rate cap for 2018–19</li> <li>• Council Compliance with Rate Caps for 2017–18</li> <li>• Setting a local government efficiency factor: compilation of stakeholder feedback with our draft responses</li> <li>• Setting a Local Government Efficiency Factor: Draft Proposal</li> <li>• Growth Study: Examining How Growth Affects Councils – Summary of Stakeholder Feedback</li> </ul>
<b>Port of Melbourne</b>	<ul style="list-style-type: none"> <li>• Feedback on Consultation and Other Matters: Statement of Regulatory Approach Version 1.0: Port of Melbourne Pricing Order</li> </ul>
<b>Rail access</b>	<ul style="list-style-type: none"> <li>• V/Line Arrangement Extension</li> <li>• V/Line Access Arrangement Extension: Final Decision</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>• We produced the following documents for East Gippsland Water, South East Water, Westernport Water and Yarra Valley Water that were fast tracked during the 2018 water price review:             <ul style="list-style-type: none"> <li>– a draft decision</li> <li>– a paper outlining our consideration of legal requirements in relation to the draft decision</li> <li>– a customer fact sheet.</li> </ul> </li> </ul>

## November 2017

<b>Energy</b>	<ul style="list-style-type: none"> <li>• Draft Decision: Fixed Benefit Periods Notification Obligations for Energy Retailers</li> <li>• Victorian Energy Market Report 2016–17</li> <li>• Victorian Energy Market Report 2016–17 – Retailer Profiles</li> <li>• Victorian Energy Market Report 2016–17 – Appendix: Energy Retail Products and Price</li> <li>• Victorian Energy Market Report 2016–17 – Appendix: Performance of Energy Companies</li> <li>• Dr Ron Ben-David’s presentation notes on the release of the Victorian Energy Market Report 2016–17</li> </ul>
<b>Port of Melbourne</b>	<ul style="list-style-type: none"> <li>• Port of Melbourne Tariff Compliance Statement 2017–18: Interim Commentary</li> </ul>
<b>Rail access</b>	<ul style="list-style-type: none"> <li>• Metro Trains Access Arrangement Extension: Final Decision</li> </ul>
<b>VEET</b>	<ul style="list-style-type: none"> <li>• VEET Scheme Compliance and Enforcement Policy: Final Decision</li> <li>• VEET Scheme Compliance and Enforcement Policy</li> </ul>

## October 2017

<b>Energy</b>	<ul style="list-style-type: none"> <li>• AusNet Gas Services Pty Ltd gas distribution licence</li> <li>• WINconnect Pty Ltd electricity retail licence</li> <li>• EnergyAustralia Yallourn electricity retail licence</li> <li>• Lumo Energy Australia Pty Ltd electricity retail licence</li> <li>• International Power (Retail) Pty Ltd electricity retail licence</li> <li>• Red Energy Pty Ltd electricity retail licence</li> <li>• Momentum Energy Pty Ltd electricity retail licence</li> <li>• AusNet Electricity Services Pty Ltd electricity retail licence</li> <li>• Origin Energy Electricity Limited electricity retail licence</li> <li>• Simply Energy Pty Ltd electricity retail licence</li> <li>• Sun Retail Pty Ltd electricity retail licence</li> <li>• Go Energy Pty Ltd electricity retail licence</li> <li>• Powerdirect Australia electricity retail licence</li> <li>• AGL Sales Pty Ltd electricity retail licence</li> <li>• AGL Sales (Queensland Electricity) electricity retail licence</li> <li>• Energy Australia Pty Ltd gas retail licence</li> <li>• Lumo Energy Australia Pty Ltd gas retail licence</li> <li>• Origin Energy Retail Limited gas retail licence</li> <li>• Origin Energy (Vic) Pty Ltd gas retail licence</li> <li>• Simply Energy gas retail licence</li> <li>• AGL Sales Pty Ltd gas retail licence</li> <li>• AGL Sales (Queensland) Pty Ltd gas retail licence</li> <li>• Consultant Report: Distributed Generation Inquiry – Network Benefits Report</li> <li>• Staff Paper: Distributed Generation Inquiry Stage 2 – Valuation Methods and Considerations</li> <li>• Distributed Generation Inquiry Stage 2 Final Report – Network Value</li> <li>• Review of Unaccounted for Gas Benchmarks: Draft Decision – Calculation</li> </ul>
<hr/>	
<b>Water</b>	<ul style="list-style-type: none"> <li>• Price submission fact sheets for 16 water businesses</li> </ul>

## September 2017

<b>Energy</b>	<ul style="list-style-type: none"> <li>• Pacific Hydro Yaloak South Pty Ltd electricity generation licence</li> <li>• Audit fact sheets for all regulated energy businesses (retail and distribution)</li> </ul>
<hr/>	
<b>Local government</b>	<ul style="list-style-type: none"> <li>• Measuring Productivity in the Local Government Sector: Fact Sheet</li> <li>• Measuring Productivity in the Local Government Sector: Consultation Paper</li> <li>• Release of Arup's Growth Study Report: Overview</li> <li>• Growth Study: Fact Sheet</li> </ul>

### August 2017

- Energy**
- Australian Gas Networks (Vic) Pty Ltd gas distribution licences
  - Compliance and performance indicator templates for our Compliance and Performance Reporting Guideline

### July 2017

- Energy**
- Energy Retail Code (version 11B)
  - Kiata Wind Farm Pty Ltd electricity generation licence
  - Review of Unaccounted for Gas Benchmarks: Final Decision – Methodology
  - Tariff schedules for all 17 regulated water businesses

- Local government**
- Resources for all council applications for higher rate caps in 2017, including:
    - a paper on assistance with review of 2017–18 higher rate cap application (prepared by MosaicLab)
    - a paper on assistance with review of 2017–18 higher rate cap application (prepared by KJA)
    - a paper on assistance with review of 2017–18 higher rate cap application (prepared by Deloitte)
    - community forum papers
    - budget baseline information
    - a response to request for further information
    - a special order
    - a final decision.

- Water**
- 2017–18 tariff schedules for 19 water businesses

## Appendix Q:

### Price determinations

Price determinations made under section 33 of the Essential Services Commission Act 2001 in the 2017–18 financial year included 17 price determinations for urban and rural water corporations under the water price review 2018.

# Appendix R:

## Disclosure index

Our annual report is prepared in accordance with all relevant Victorian legislations and pronouncements. This index page facilitates the identification of the commission's compliance with statutory disclosure requirements, including financial reporting directions (FRD) and standing directions (SD).

Legislation	Requirement	Page number
<b>Charter and purpose</b>		
FRD 22H	Manner of establishment and relevant ministers	7
FRD 22H	Purpose, functions, powers and duties	1, 7, 11, 12
FRD 8D	Objectives, indicators and outputs	14–40
FRD 22H	Key initiatives and projects	14–40
FRD 22H	Nature and range of services provided	1, 7, 11, 12
<b>Management and structure</b>		
FRD 22H	Organisational structure	8–10
<b>Financial and other information</b>		
FRD 22H	Performance against output performance measures	43
FRD 10A	Disclosure index	99–100
FRD 22H	Employment and conduct principles	79
FRD 22H	Occupational health and safety policy	80
FRD 15D	Executive officer disclosures	70–71, 81
FRD 22H	Summary of the financial results for the year	41–42
FRD 22H	Significant changes in financial position during the year	41–42
FRD 22H	Major changes or factors affecting performance	41–42
FRD 22H	Subsequent events	N/A
FRD 22H	Application and operation of Freedom of Information Act 1982	88–89
FRD 22H	Compliance with building and maintenance provisions of Building Act 1993	79
FRD 22H	Statement on National Competition Policy	80
FRD 22H	Application and operation of the Protected Disclosures Act 2012	86–87
FRD 22H	Application and operation of the Carers Recognition Act 2012	N/A
FRD 22H	Details of consultancies over \$10,000	79
FRD 22H	Details of consultancies under \$10,000	79
FRD 22H	Disclosure of advertising expenditure	79
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