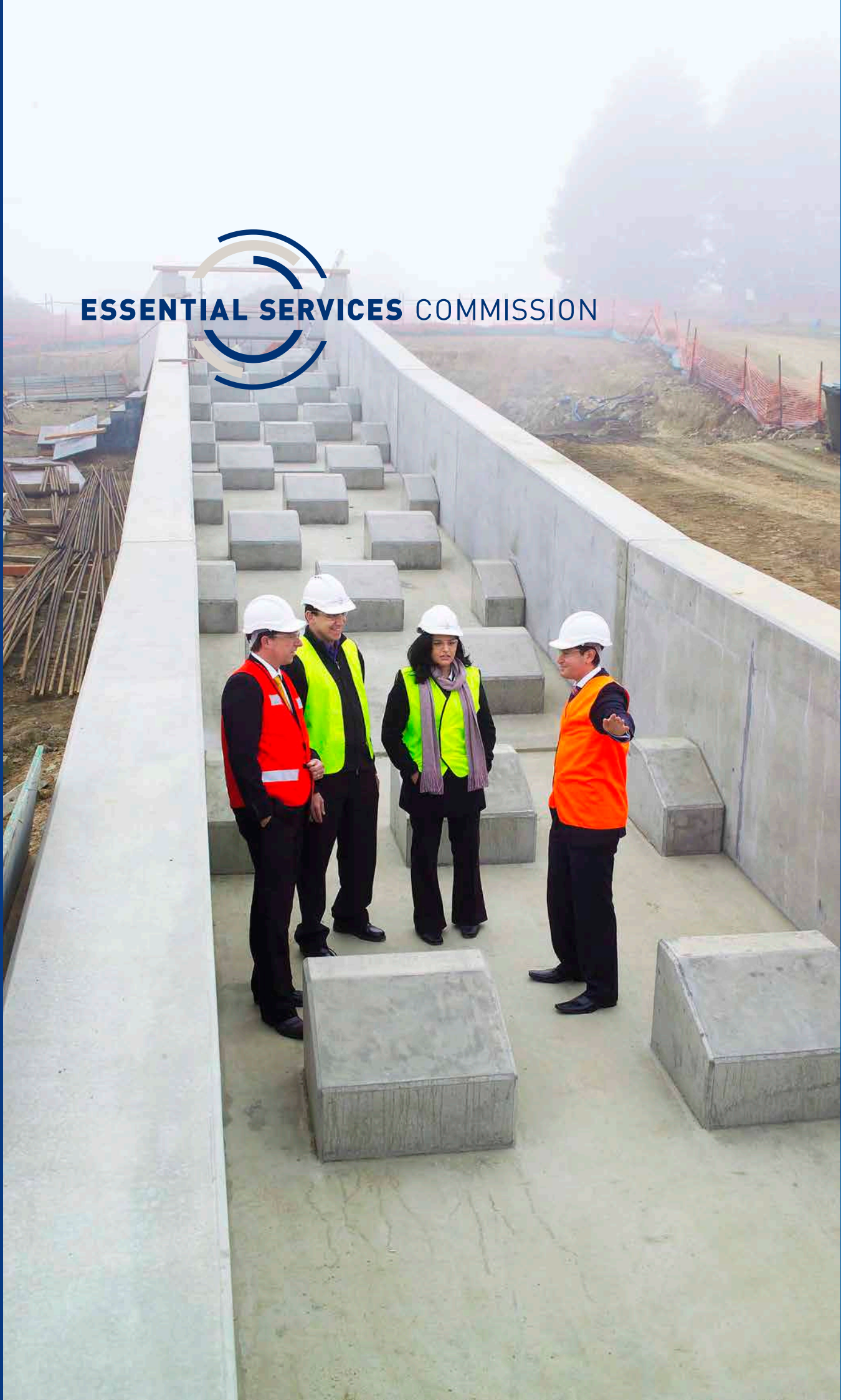




ESSENTIAL SERVICES COMMISSION



ANNUAL REPORT 2008/09

ANNUAL REPORT 2008/09



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BUSINESS HOURS

8.30am to 5.30pm
Monday to Friday

CHAIRPERSON

Dr Ron Ben-David

COMMISSIONERS

Mr Tony Darvall AM
Mr Dennis Cavagna

SENIOR STAFF*

Chief Executive Officer
– Paul Fearon

Director, Regulation
(Energy and Industry Reviews)
– Andrew Chow

Director, Regulation (Energy Targets)
– Ralph Griffiths

Director, Regulation (Water)
– Sean Crees

Director, Corporate and Strategic Projects
– Natalia Southern**

Chief Financial Officer
– Tony Mastroianni

Legal Counsel & Secretary
– John Henry

*As at 30 June 2009. ** Maternity Leave.

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23 September 2009

The Hon Tim Holding MP
Minister for Finance, WorkCover and
the Transport Accident Commission
121 Exhibition Street
Melbourne Vic 3000

Dear Minister

ESSENTIAL SERVICES COMMISSION ANNUAL REPORT 2008-09

We are pleased to present you the Essential Services Commission's Annual Report for 2008-09. 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 9 of the Essential Services Commission Regulations.

During 2008-09, the Commission completed a range of regulatory projects across the energy, water and transport industry sectors.

In June 2009, it handed down the final decision of its review of water prices for the Melbourne metropolitan area. The Commission also conducted a comprehensive public campaign to inform electricity and gas customers of their options in choosing an energy retailer in the competitive retail energy market.

It also reported to the Victorian Government on its reviews relating to taxi fares, the grain handling and storage access regime and the regulation of ports.

In addition, on 1 January 2009, the Commission formally assumed the administration of the Victorian Energy Efficiency Target (VEET) scheme.

We place on record our appreciation to the Commission's staff in delivering an extensive regulatory and administrative program throughout 2008-09.

Yours sincerely



DR RON BEN-DAVID
Chairperson



TONY DARVALL AM
Commissioner



DENNIS CAVAGNA
Commissioner

Completed a review of water prices for Melbourne metropolitan water customers, to take effect for the four years from 1 July 2009

Undertook a major public information campaign to assist electricity and gas customers in choosing an energy retailer

Completed a review of Victorian taxi fares

Commenced its administration of the Victorian Energy Efficiency Target scheme

Delivered a report to the Victorian Government on the performance of the State's domestic building insurance scheme

Completed reviews into the regulation of Victoria's commercial ports and of the access regime for grain handling and storage facilities

Commenced an inquiry into the access regime for water and sewerage infrastructure services

Reviewed the market conduct provisions for energy retailers servicing the Victorian market

Reviewed proposed pipeline tariffs for the Wimmera-Mallee pipeline

Conducted seven public hearings and received 174 written submissions on a range of reviews and inquiries

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ABOUT THE ESSENTIAL SERVICES COMMISSION



The Essential Services Commission was established on 1 January 2002 under the *Essential Services Commission Act 2001*.

The Act established the Commission as an economic regulator (for pricing, standards and monitoring of anti-competitive conduct), subsuming the former Office of the Regulator-General (the economic regulator of regulated utility industries in Victoria from 1994).

At 30 June 2009, the industries regulated by the Commission were electricity, gas, water, ports, rail and grain export facilities.

Why the Commission was established

The Commission was established to provide continued and expanded support to the Victorian Government's microeconomic reform program. This program was designed to improve the efficiency and competitiveness of the State's economy through the reform of the electricity, gas, water and other current and former government business enterprises. The Government perceived the establishment of an independent regulatory body as necessary to ensure that the benefits of industry restructuring were passed on to household, commercial and industrial customers.

Objectives of the Commission

For the 2008-09 year, the primary objective of the Commission was to 'promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services.'

This objective was central to the framework of economic regulation that facilitates efficiency and financial viability in regulated industries, encourages competition, prevents misuse of monopoly power and ensures that customers benefit from the gains from competition and efficiency.

Matters to which the Commission had regard in seeking to achieve its objective for the 2008-09 year were the:

- efficiency in the industry and incentives for long-term investment
- financial viability of the industry
- degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- relevant health, safety, environmental and social legislation applying to the industry
- benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable customers); and for regulated entities
- consistency in regulation between States and on a national basis (section 8, *Essential Services Commission Act 2001*).

Functions of the Commission

The functions of the Commission, as expressed in the Act for the 2008-09 year were:

- to perform such functions as are conferred on the Commission by the Act and the relevant legislation under which a regulated industry operates
- to advise the Minister for Finance on matters relating to economic regulation, including reliability issues

- when requested by the Minister to do so, to conduct an inquiry into any systemic reliability of supply issues related to a regulated industry or other essential service specified by the Minister in the request
- to conduct inquiries and report on matters relating to regulated industries
- to make recommendations to the Minister as to whether an industry that provides an essential service should become a regulated industry or whether a regulated industry should continue to be a regulated industry
- to conduct public education programs for the purpose of promoting its objectives under the Act and the relevant legislation and in relation to significant changes in the regulation of a regulated industry
- to advise the Minister on any other matter referred to the Commission by the Minister
- to administer the Act
- to perform the functions conferred on the Commission by or under Part VI of the *Transport Act 1983*
- to perform the functions conferred on the Commission by the *Victorian Renewable Energy Act 2006*
- to perform the functions conferred on the Commission by the *Victorian Energy Efficiency Target Act 2007*.

In addition to these objectives and functions, the Commission has objectives and functions conferred by industry-specific legislation. The industry-specific legislation includes: the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, the *Water Industry Act 1994*, the *Rail Corporations Act 1996*, the *Port Services Act 1995*, the *Grain Handling and Storage Act 1995*, the *Victorian Renewable Energy Act 2006*, and the *Victorian Energy Efficiency Target Act 2007*.

The Commission's particular industry objectives and functions are outlined below.

The Regulated Electricity Industry

- To promote a consistent regulatory approach between the electricity industry and the gas industry.
- To promote the development of full retail competition.

The Regulated Gas Industry

- To promote a consistent regulatory approach between the gas industry and the electricity industry.
- To promote the development of full retail competition.

The Regulated Water Industry

- Wherever possible, to ensure that the costs of regulation do not exceed the benefits.
- To ensure that regulatory decision-making and regulatory processes have regard to any differences between the operating environments of regulated entities.

- To ensure that regulatory decision-making has regard to the health, safety, environmental sustainability (including water conservation) and social obligations of regulated entities.

The Regulated Rail Industry

- To ensure that users have fair and reasonable access to declared rail transport services.
- To resolve intrastate rail track access disputes.
- To ensure that passenger services have priority over other regulated rail services.
- To promote competition in rail transport services to achieve an increase in the use of, and investment in, rail and track infrastructure.

The Regulated Grain Handling and Storage Industry

- To promote competitive storage and handling of export grain.
- To protect the interests of users by ensuring that charges are fair and reasonable.
- To ensure that users have fair and reasonable access to export facilities, while having regard to competition and efficiency.

The Regulated Ports Services

- To promote competition in regulated port services.
- To protect the interests of users, by ensuring that port charges and access to declared shipping channels are fair and reasonable, having regard to competition and efficiency.

Insurance References

- The objective of the Commission under section 8 of the *Essential Services Commission Act 2001* does not apply to the functions of the Commission in relation to the insurance industry, which are activated by relevant referrals from the responsible Minister.
- The Minister for WorkCover may request that the Commission provide advice in relation to a premium or charges order proposed by the Transport Accident Commission (TAC) or the Victorian WorkCover Authority (VWA).
- The Commission is required to advise the Minister for Finance (and any other Minister that the Minister specifies in writing) on any matter relating to the insurance industry that the Minister refers to the Commission for advice.

Transport References

- Under section 186 of the *Transport Act 1983*, the Minister for Transport may refer matters for investigation to the Commission relating to licence fees for hire car licences or special purpose vehicle licences; taxi-cab fares or hiring rates; or tow truck charges.

- Except to the extent that the Minister for Transport determines, the objectives of the Commission under section 8 of the *Essential Services Commission Act 2001*, do not apply to the functions of the Commission under section 186 of the *Transport Act 1983*.

Renewable Energy

Functions as defined by Section 76 of the *Victorian Renewable Energy Act 2006*:

- To register persons who may create renewable energy certificates.
- To accredit relevant power stations.
- To approve nominated persons.
- To monitor and administer the creation, registration, transfer and surrender of certificates.
- To enforce renewable energy shortfall penalties.
- To monitor compliance with the Act.

Energy Efficiency

Functions as defined by section 7 of the *Victorian Energy Efficiency Target Act 2007*:

- To accredit persons who may create certificates.
- To monitor and administer the creation, registration, transfer and surrender of certificates.
- To enforce the imposition of energy efficiency shortfall penalties.
- To undertake audits of the creation of certificates by accredited persons.
- To monitor compliance with the Act.

Performing the Commission's Functions

The Commission performs its functions via both formal and informal consultation processes and a formal decision-making process. Formal processes are adopted for each major regulatory decision and are usually applied in the same way for each regulated industry. The consultation processes can include Commission presentations and the opportunity for stakeholders to make submissions. The Commission usually publishes and circulates a draft decision. The responses to the draft decision are considered before a final decision is made.

The Commission adopts a formal decision-making process. It meets in a formal session, usually each week, to consider and direct its regulatory business. Commission decisions are informed by staff papers and formal oral briefings. When a Commission decision is made, a minute is created and approved. Where appropriate, the Commission decision is confirmed by an appropriately sealed document.

The ESC's Organisational Structure

The ESC is structured as a Commission comprising a Chairperson and two part-time Commissioners, supported by more than 60 staff led by a Chief Executive Officer.

The Chairperson:

Appointment and Qualification

R Ben-David B.Sc (Optometry), B.Comm (Hons) PhD (economics)

Dr Ron Ben-David joined the Victorian public service in 1998 as a policy officer in the Department of Treasury and Finance. He later moved to the Department of Premier and Cabinet and was appointed Deputy Secretary in 2004. He served as a project director for the Latrobe Valley Ministerial Taskforce (2001) and *Leading the Way: An economic action plan for Victoria (2004)*.

Dr Ben-David was responsible for establishing Victoria's Office of Climate Change in 2007 and in 2008 he led the joint secretariat for the Garnaut Climate Change Review. During this time he was seconded to the Commonwealth's Department of Climate Change. He took up the position of Chairperson of the Essential Services Commission in February 2009. Dr Ben-David is a Fellow of the Institute of Public Administration Australia (Vic.)

Commissioners

The Governor-in-Council may appoint persons as Commissioners who are qualified for appointment on the basis of their knowledge of, or experience in, industry, commerce, economics, law and/or public administration. Mr Tony Darvall was appointed to the Commission in October 2006 and Mr Dennis Cavagna was appointed to the Commission in November 2007; both have been appointed for five years.

D J (Dennis) Cavagna, B.Ec, FCA

Prior to his appointment to the Essential Services Commission in 2007, Mr Cavagna had more than 24 years' experience in the water sector. This included the position of Managing Director of the Melbourne metropolitan water retailer, South East Water, as well as executive positions with Melbourne Water and the former Mornington Peninsula and District Water Board and Victorian Department of Water Resources. A chartered accountant by profession, Mr Cavagna is also a former chairman of the Victorian Water Industry Association. He served as Acting Chairperson at the Commission between July 2008 and February 2009.

A W (Tony) Darvall AM, LL.B (Hons)

Mr Darvall was appointed a Commissioner in October 2006. An experienced commercial litigation lawyer,

Mr Darvall previously served as a partner of Corrs Chambers Westgarth from 1967 to 2003. He has held several board positions on major State Government authorities, including the Melbourne City Link Authority and the Werribee Park Advisory Board.

In addition, he is a former Chairman of the ESC Appeals Panel. Mr Darvall is the Chairman of VicUrban and the Chairman of the Linking Melbourne Authority (formerly Southern and Eastern Integrated Transport Authority).

In 2007, Mr Darvall was appointed a Member in the General Division of the Order of Australia (AM), for services to the legal profession and sustainable urban and transport infrastructure development.

Chief Executive Officer

P F (Paul) Fearon, BA, BBUS, MBA, FCPA, FAICD

Mr Fearon was appointed Chief Executive Officer of the Commission in 2003. His appointment followed 23 years with the electricity industry including holding senior executive roles in regulation and strategy, business development and commercial operations. He was involved in the reform of the Victorian energy sector, both as an adviser to Government and reform project manager; in 2003 he was awarded a Centenary Medal by the Australian Government for services to the industry through major structural reform. Mr Fearon holds degrees in public and business administration from the University of Melbourne.

Senior Administrative Structure

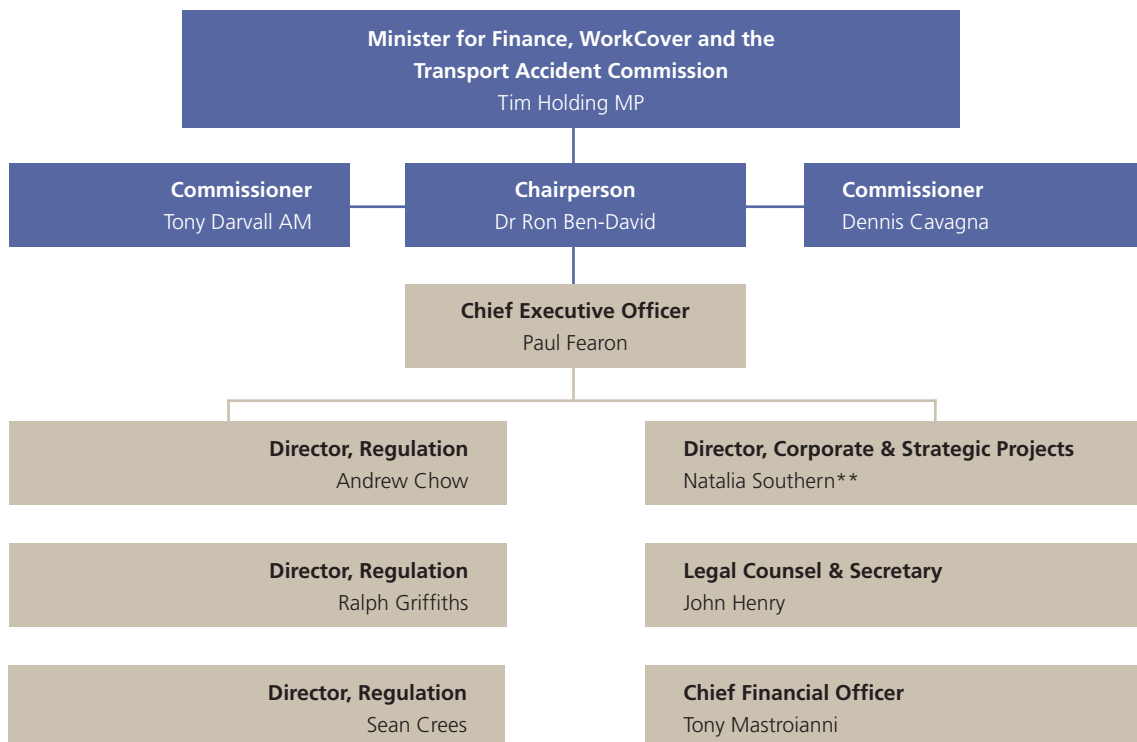
The Commission’s organisational structure (as at 30 June 2009) and senior management team are set out below.

The Commission’s regulatory and analytical staff are qualified in economics, accounting, engineering and other analytical disciplines.

In addition to its staff, specialist contractors and consultants experienced in providing analysis and advice on technical, economic and legal regulatory matters also support the Commission on an as-needs basis.

Annual Report of the Essential Services Commission

The Essential Services Commission is required to provide an annual report of its operations under Part 7 of the *Financial Management Act 1994*. The Commission is also required under section 31 of the *Essential Services Commission Act 2001* to include in the annual report information relating to its operation and performance as prescribed in the Essential Services Commission Regulations 2001.



* As at 30 June 2009. **On maternity leave.





THE YEAR IN REVIEW - CHAIRPERSON



I am pleased to present my first report as Chairperson of the Essential Services Commission.

In doing so, I wish to acknowledge the major contribution of my predecessor, Mr Greg Wilson, whom I replaced as Chairperson during 2008-09. Greg played a significant role in a number of key regulatory and price reviews conducted by the Commission during his three-year term, gaining the respect of both consumer and industry groups and the various arms of government.

In 2008-09, the Commission again completed a full program of price and regulatory reviews, while also supporting Government in other areas of administration and review.

As the statutory independent regulator of water in the State, the Commission played a pivotal role in the review of metropolitan Melbourne water prices to apply for the four-year period from 1 July 2009. The price review was conducted against the backdrop of continuing lower-than-average rainfall in Victoria and the development of major investment programs to augment water supplies.

In addition, the Commission reviewed the proposed tariff levels to apply for the Wimmera-Mallee pipeline and commenced its inquiry into the access regime for water and sewerage infrastructure services.

On 1 January 2009, formal responsibility for the economic regulation of the State's electricity and gas distribution networks passed to the Australian Energy Regulator (AER). Future reviews of prices for the energy distribution networks will now be conducted by the national regulator.

In 2008-09 the Commission saw through the successful conclusion of the last major gas price review in Victoria prior to the AER undertaking the regulatory function. The Essential Services Commission Appeal Panel found in the Commission's favour on the majority of the grounds of appeal by dismissing five of the seven appeals lodged by the three gas distribution businesses. In essence the Appeal Panel vindicated the Commission's earlier decision. This was a significant outcome for Victorian gas consumers who otherwise would have faced large increases to gas prices if the gas distribution businesses were successful in their appeals.

In addition, the Commission was also successful in a number of decisions in the Supreme Court of Victoria. The Court confirmed the validity of the gas and electricity regulatory accounting guidelines and the Commission's access to such information from related parties. The Court also confirmed the need for one of the major energy businesses to apply for a gas licence.

The Commission, on behalf of the Victorian Government, also conducted a major public communications campaign to better inform retail energy customers of their rights and options in the competitive energy market. This campaign coincided with

the removal of Government capping of retail energy prices from 1 January 2009, with prices now set by up to 14 energy retailers in a highly-competitive market.

As part of this campaign, the Commission stepped up its focus on market conduct, to promote a better understanding of customers' rights in dealing with retail energy offers.

Victoria's energy efficiency target scheme also officially came into operation on 1 January 2009, with the Commission involved as administrator of the scheme in accrediting parties to deliver energy-efficient technology to households and businesses. As at 30 June 2009, the Commission had received almost 100 applications from potential scheme participants.

The Commission also continued to administer the Victorian Renewable Energy Target scheme, supporting the State's commitment to increase renewable energy supply in Victoria. It has also been working with the Department of Primary Industries to identify suitable arrangements to provide for a potential transition to the Federally-based eRET scheme.

During 2008-09, the Commission substantially increased its role in reviews in sectors other than energy and water.

It conducted a review of the State's grain handling and storage access regime, taking into account the implications of the expansion of the Commonwealth's grain handling access regime. In addition, the Commission reported to the Victorian Government on its review of ports regulation, recommending a scaling-back of the regulatory framework for the State's commercial ports.

The Commission also concluded in August 2008 its major review of taxi fares, with the Victorian Government subsequently adopting the bulk of the review's recommendations.

Demonstrating its breadth of skills and wider industry knowledge, the Commission also undertook a review of the performance of the domestic building insurance scheme, for the Victorian Government.

This review exemplified the Commission's wider charter, as outlined in the amended *Essential Services Commission Act 2001*, to advise Government in new industry areas or services.

In conducting its reviews, inquiries and investigations, the Commission consulted widely with a broad range of stakeholders across Victoria. It received valuable input from the members of the Commission's standing Customer Consultative Committee, as well as from the wider consumer and industry sectors and from branches of state and local government.

I wish to thank my fellow commissioners, Tony Darvall and Dennis Cavagna, the latter who served as acting Chairperson between July 2008 and February 2009. Commissioners Darvall and Cavagna bring highly valued industry expertise and commercial acumen to the delivery of the Commission's regulatory agenda.

I also wish to express my gratitude to the staff of the Essential Services Commission, not only for their diligence, dedication and professionalism, but also for making my transition to the Commission such an easy one.

Victorians can remain assured that the Commission is strongly committed to working on their behalf to promote the long term interests of customers of essential services in the state.

Dr Ron Ben-David
Chairperson 2008-09





REVIEW OF ORGANISATION AND OPERATIONS - CEO



In 2008-09, the Essential Services Commission experienced a major shift in the type and scope of its regulatory and administrative functions.

During the year, the Commission's core expenditure of \$17.9 million was fully absorbed, in achieving the forecast economic outputs.

From 1 January 2009, the Commission transferred economic regulatory responsibility for electricity and gas distribution to the Australian Energy Regulator. This resulted in the transfer of people and skills to the national regulator and to other areas within the Commission and State Government agencies. A key project to be successfully transferred to the Australian Energy Regulator was the Advanced Metering Infrastructure project, which will apply to Victorian electricity customers.

The Commission also significantly expanded its operations when it formally assumed the administration of the Victorian Energy Efficiency Target scheme, which also came into operation on 1 January 2009. To prepare for this role, the Commission invested substantially in the upgrade of its information technology, risk management and business support systems to handle the level and scope of transactions required as part of the scheme's accreditation processes.

As foreshadowed in the 2008 review of the *Essential Services Commission Act 2001*, the Commission also expanded its role to include the provision of specialist advice to Government.

An example of the Commission's expanded responsibilities was its investigation and report to Government on the performance of Victoria's domestic building insurance scheme.

To equip the Commission for new tasks in potentially new industry sectors, there has been a strong focus on training and the development of new skills among existing and new staff.

In the Energy Targets area, for example, recruitment has focused on expertise in renewable energy and energy efficiency, to build the registration and accreditation capacity required under the scheme.

New administrative support arrangements were also implemented at a corporate level to cater for the Commission's changing workloads.

Corporate governance practices continued to be a high priority of the Commission, with seven internal audits conducted during the financial year.

Contracted internal auditors completed audits of the Commission's risk management practices, complaints/breach handling processes, legislative compliance, human resource management, knowledge and records management systems, business continuity and financial management compliance framework. Recommendations of the internal audit were progressively implemented through 2009.

During 2008-09, an external firm was engaged to survey principal external stakeholders and customers on attitudes to and recognition of the Commission. The survey results found that the Commission's consultation, governance and impartiality were well regarded by external stakeholders, while a public survey sample of 500 customers indicated rising awareness of the Commission and its roles.

The survey results found that external stakeholders, in their dealings with the Commission, valued quality of information, timeliness and recognition of the impact of regulatory decisions.

In information technology and communications, the Commission implemented an upgrade of its file management system, accompanied by staff training. The Commission's archival system was also finalised, with records disposed in accordance with the disposal schedule approved by the Public Records Office of Victoria.

In addition, the Commission continued to develop its plan for business continuity in the event of disaster, moving to establish an offsite disaster recovery centre.

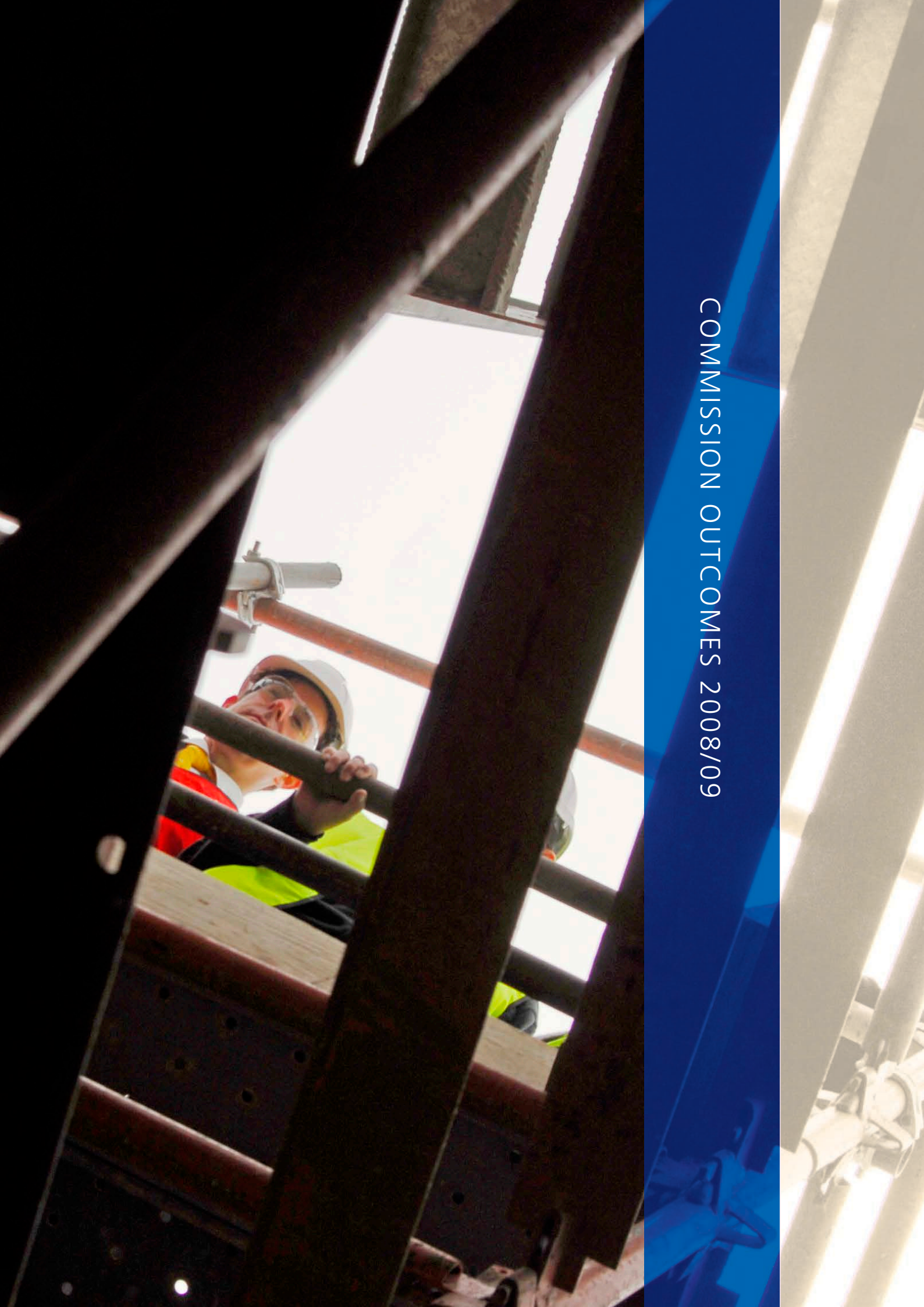
The Commission continues to be an employer of choice for graduates within the Victorian public sector. Each year the Commission conducts an internal climate survey, which in 2008-09 revealed that the four-year high ratings (an average 3.94 out of a possible score of 5.0) in staff engagement had been maintained. Quality of work produced, good management and teamwork were cited as signature strengths of the Commission.

Finally, it should also be noted that staff of the Commission contributed generously to the Victorian Bushfire Appeal, following the tragic fires of February 2009.

I thank all Commission staff for their commitment, especially at a time of change within the Commission and the regulatory landscape in general.

Paul Fearon
Chief Executive Officer





COMMISSION OUTCOMES 2008/09



Fiona McKenzie, Licensing Manager

“Before joining the Essential Services Commission in 2005, I had worked extensively in registration procedures in the private sector.

This gave me a practical background for my task of overseeing and administering the licensing regime of the Commission.

By law, all companies seeking to generate, transmit, distribute and sell electricity and gas in Victoria must be licensed. Or they must apply to the Commission to seek exemption from the licensing requirement.

Licence applications must be publicly advertised and formally approved by the Commission. Given the importance of energy to the Victorian consumer and the State’s economy generally, all licence applications must be assessed in an orderly and rigorous manner, with all licences subject to a regular compliance audit.”

ENERGY

The Essential Services Commission is responsible for the regulation and licensing of gas and electricity companies in the retail sector, as well as the licensing of companies in energy generation and distribution.

On 1 January 2009, responsibility for the economic regulation of the electricity and gas distribution sectors transferred to the national body, the Australian Energy Regulator (AER). Before and after this date, the Commission worked closely and co-operatively with the AER on the smooth transfer of regulatory practice, projects and human resources.

In the six months up to 1 January 2009, the Energy Division completed a number of important projects involving the distribution networks.

In December 2008, the Commission released a Framework and Approach Consultation Paper for the rollout of the Advanced Metering Infrastructure project; regulatory responsibility for this major project now lies with the Australian Energy Regulator. The Commission also released in December 2008 the report of its review into the distribution businesses’ response to major storm-related outages that occurred in April that year.

In 2008-09 the Commission concluded the last major gas price review in Victoria prior to the AER undertaking the price review function. The Essential Services Commission Appeal Panel found in the Commission’s favour on the majority of the grounds of appeal by dismissing five of the seven appeals lodged by the three gas distribution businesses, with the Appeal Panel essentially vindicating the Commission’s earlier decision.

In addition, the Commission was also successful in a number of decisions in the Supreme Court of Victoria. The Court confirmed the validity of the gas and electricity regulatory accounting guidelines and the Commission’s access to such information from related parties, as well as the need for one of the major energy businesses to apply for a gas licence.

In the energy retail area, the Commission played a major role in the campaign to inform customers of changes to the pricing of retail energy, following the removal of government price controls. All retail electricity and gas pricing is now set by the competitive market, with up to 14 energy retailers operating in Victoria.

The Commission implemented a major campaign, 'Your Choice' to advise and inform customers, incorporating direct mail, advertising and assistance services offered via the internet and through a dedicated call centre. Linked to this campaign was the Commission's increased focus on market conduct in the energy retail sector, to ensure customers better understood their rights in the marketing of retail energy offers.

A major project undertaken was the Respecting Customers paper, which outlined the Commission's program for regulating market conduct by the retail energy businesses. To assist in the compilation of the paper, a special research report was commissioned to assess the level and conduct of retail energy marketing among the African migrant communities of Melbourne's western suburbs.

In addition, the Commission finalised its retailer of last resort procedures in the event of a failure of a second-tier retailer in the gas and electricity markets. Other key energy projects completed in 2008-09 included:

- continuing the Total Factor Productivity trend measurement process
- resolving customer complaints about retail services and wrongful disconnection complaints
- finalising the review of electricity and gas regulatory instruments in the retail sector
- releasing comparative performance reports of the energy distribution and retail sectors
- publishing a special report on the use of estimated meter readings by retail energy companies.

Cost

The estimated cost of the Energy Division, including that of the Gas Access Arrangements Review, in 2008-09 was \$7.07 million.

αταναλωτές ενέργειας της Βικτώριας μπορούν τον λιανικό προμηθευτή τους ηλεκτρικού ή αερίου. Ο καθένας από αυτούς προσφέρει διαφορετικά σχέδια, διαφορετικές υπηρεσίες και τιμές. Μπορείτε να επιλέξετε αυτόν που σας βολεύει περισσότερο.

Τό ποιόν λιανικό προμηθευτή επιλέξετε, μερικά στοιχεία παραμένουν τα ίδια:

Διευθετήσεις πληρωμών – αν επιλέξετε Choice ως προμηθευτή του λογαριασμού σας, επικοινωνήστε με τον λιανικό προμηθευτή σας για να ρωτήσετε για τη διαθεσιμότητα ευέλικτων μεθόδων πληρωμών και πολιτικές για δυσκολίες πληρωμής.

Κόστος του ηλεκτρισμού – η τιμή που πληρώνετε για τον ηλεκτρισμό σας εξαρτάται από τον προμηθευτή που επιλέξετε. Η τιμή που πληρώνετε μπορεί να είναι διαφορετική από αυτή που πληρώνετε με τον προμηθευτή σας. Η τιμή που πληρώνετε μπορεί να είναι διαφορετική από αυτή που πληρώνετε με τον προμηθευτή σας. Η τιμή που πληρώνετε μπορεί να είναι διαφορετική από αυτή που πληρώνετε με τον προμηθευτή σας.

Κόστος του αερίου – η τιμή που πληρώνετε για το αέριο εξαρτάται από τον προμηθευτή που επιλέξετε. Η τιμή που πληρώνετε μπορεί να είναι διαφορετική από αυτή που πληρώνετε με τον προμηθευτή σας. Η τιμή που πληρώνετε μπορεί να είναι διαφορετική από αυτή που πληρώνετε με τον προμηθευτή σας. Η τιμή που πληρώνετε μπορεί να είναι διαφορετική από αυτή που πληρώνετε με τον προμηθευτή σας.

Περισσότερες πληροφορίες είναι διαθέσιμες στο www.yourchoice.vic.gov.au ή στο 1300 134 500.

Cicli di fatturazione – dovreste ricevere fatture regolari dal vostro fornitore di gas ed elettricità. Se un fornitore non vi manda la fattura, il mese successivo dovreste pagare sono gli ultimi nove mesi di elettricità non fatturato e potete richiedere un pagamento flessibili.

Lamentele – se avete problemi con il vostro fornitore di elettricità o acqua, chiamatelo. Se non siete soddisfatti dell'assistenza ottenute, potete contattare l'Ombudsman per l'elettricità e l'acqua (Victoria).

Per ulteriori informazioni visitate il sito www.yourchoice.vic.gov.au oppure chiamate il numero 1300 134 500.

的能源使用費，而且你可以要求靈活的付款方法。如果你對零售商不滿意，請給他們投訴。如果你仍然不滿意，可以隨後聯絡維州水電申訴專員【Energy and Water Ombudsman (Victoria)】。

Major Projects Completed and Benefits Generated in 2008-09

Energy

Price Review

Project	Output/Results	Benefits/Impact
Gas Access Arrangements Review (GAAR) appeals	Defence of the 2008 GAAR Decision before the Appeals Panel	Provided for lower network prices for Victorian gas customers.

General Regulation

Project	Output/Results	Benefits/Impact
Review of regulatory instruments	Finalisation of the review of electricity and gas regulatory instruments in the retail sector, repeal of guidelines and placement of all necessary regulation in the Energy Retail Code and Marketing Code of Conduct	Removal of unnecessary regulation and regulation that duplicated other regulatory instruments.
Evaluating approaches to regulation for the future	Update of the Victorian Total Factor Productivity (TFP) trend and report on gas distributors' TFP performance	Demonstrated that a national TFP trend could be estimated using a minimum set of data requirements and identified where information collection needed to improve for the estimation of a robust national TFP trend.
Small scale licensing framework	Provision of information and staff support to the Australian Energy Regulator (AER) in its early planning for a registration scheme for exempt distributors and retailers	Ensured AER readiness for the transfer of functions to the national regulator.
Energy retail compliance and enforcement	Monitoring and enforcement of compliance by energy retailers in accordance with the compliance framework. Production and release of two annual compliance reports	Provided information to customers and key parties on actual compliance of the retailers, as reported by the retailers and detected through monitoring by the Energy and Water Ombudsman (Victoria) and the Essential Services Commission.
Retailer of last resort (RoLR) scheme	Finalisation of RoLR procedures in case of a second tier retailer failure in gas and electricity markets	Provided market readiness in a RoLR event so that customers of a failed retailer have continued access to supply.
National regulatory framework	Provision of advice to the Department of Primary Industries and other stakeholders on the national framework for regulatory energy non-price distribution and retail services to customers	Assisted with the understanding of the Victorian regulation during the transition to the national framework.
Estimated meter readings	Publication of a special report outlining the trends and statistics of energy retail billing based on estimated meter readings	Provided updated information on estimated readings and reinforced the appropriate regulations in the Retail Energy Code.

Facilitating Competition

Project	Output/Results	Benefits/Impact
Customer education and information	Implementation of the Victorian Government's communications program. Letter and information material on legislative changes sent to Victorian households, accompanied by widespread public advertising program. A dedicated website, 'Your Choice' established to publish standing and market offers	Helped to ensure that small customers were sufficiently informed to effectively access the competitive energy retail market.
Energy Retail Market Conduct	Production of the <i>Respecting Customers</i> paper that outlined the Commission's oversight of market conduct by energy retailers	Provided guidance to customers and retailers on the rights and obligations within the competitive retail energy market.

Company Approvals and Reviews

Project	Output/Results	Benefits/Impact
Energy retail audit	Undertook independent audits of retailers AGL and Simply Energy in accordance with a cross-jurisdictional audit strategy	Ensured retailers were compliant with regulatory obligations to maintain consumers' confidence in the competitive market.
Energy Performance Reporting	2007-08 Financial Year Energy Retail Businesses Comparative Performance Report. 2007 Electricity Distribution Businesses Comparative Performance Report. 2007 Gas Distribution Businesses Comparative Performance Report	Provided information to customers and key parties on the comparative performance of 14 retailers and five distributors servicing Victoria.
Advanced metering infrastructure price review	Completion of the Framework and Approach Consultation Paper, prior to project being transferred to the Australian Energy Regulator	Provided guidance to the national regulator and electricity distributors on pricing and rollout of the AMI project.
Review of electricity distribution businesses' response to storm event	Release of report into the response of electricity distribution businesses to storm-related outages of April 2008	Determined the level of performance of distributors' call centres and identified areas for further research to set or prescribe appropriate service standards.
Approval of annual network tariffs	Approval of electricity distribution network tariffs for 2009	Approved a set of distribution tariffs that complied with the price controls.



Lisa Horsburgh, Project Analyst

“A rush of applications for accounts and accreditation accompanied the official start of the Victorian Energy Efficiency Target scheme in January 2009.

I was already familiar with the Commission’s regulatory and administrative practices, having worked on the review of gas distribution prices in 2006-2008. I joined the Energy Targets team in the year leading up to the VEET scheme’s commencement and helped to establish procedures for the registration, approval and accreditation of participants in the VEET scheme. One of my more enjoyable challenges was my involvement in the Energy Targets support desk project, which is now operational and provides support to scheme participants.

Interest in the scheme has been immense, and the Commission is legally required to process applications for accreditation in 20 business days. Conducting the accreditation process rigorously within a tight time frame has been a major challenge for the Commission, but it’s a challenge that has been enthusiastically embraced by our rapidly-growing and skilled team.”

ENERGY TARGETS

Victorian Renewable Energy Target Scheme

The Essential Services Commission is responsible for administering the Victorian Renewable Energy Target (VRET) scheme. During 2008-09 the Commission reviewed and approved applications for registration and accreditation of eligible renewable energy power stations in the scheme and facilitated Victorian renewable energy certificate (VREC) transactions.

As at 30 June 2009, 44 people had opened an account in VRET since the scheme’s establishment in January 2007. The Commission had approved 21 accounts for registered person status, and 10 for agent status. The Commission had also accredited five renewable energy power stations. More than 264,000 VRECs had been registered by the Commission up to 30 June 2009, of which 125,000 were accepted for surrender against 2008 compliance obligations.

The Commission maintained on its website the following public registers in respect of the operation of the VRET scheme:

- register of registered persons
- register of accredited power stations
- register of applications for accredited power stations
- register of Victorian renewable energy certificates, and
- register of agents.

The Commission is responsible for ensuring compliance with the scheme. This involved overseeing and reviewing the creation of Victorian renewable energy certificates, annual electricity generation returns provided by accredited power stations, and annual acquisition statements provided by relevant entities. In total the Commission issued \$2.95 million in penalties for non-compliance against 2008 calendar year obligations.

Victorian Energy Efficiency Target scheme

The Commission is responsible for administering the Victorian Energy Efficiency Target (VEET) scheme, which commenced on schedule on 1 January 2009. The scheme is marketed to the community as the Energy Saver Incentive.

The VEET legislation sets a target for greenhouse gas abatement achieved through energy savings, both electricity and natural gas, which result from uptake of energy efficient products and services, initially in the residential sector. Larger energy retailers are required to meet these targets by purchasing, and surrendering to the Commission, energy efficiency certificates created as a result of energy efficiency activities.

As at 30 June 2009, the Commission had received a total of 93 applications from potential scheme participants (including 10 energy retailers), of which 60 were for full accreditation to create energy-efficiency certificates. At this date the Commission had also registered more than 703,000 certificates, mainly for energy efficient lighting activities in households.

The Commission also compiled and maintained extensive registers of energy efficient products allowed under the scheme, which is intended to last until 2030.

The Commission maintained on its website the following public registers in respect of the operation of the VEET scheme:

- register of accredited persons
- register of products, and
- register of Victorian energy efficiency certificates.

In addition, the Commission introduced a comprehensive compliance and enforcement regime designed to ensure the integrity of the VEET scheme.

Cost

The estimated cost of the Energy Targets group in 2008-09 was \$4.82 million.

Major Projects Completed and Benefits Generated in 2008-09

Energy Targets		
Project	Output/Results	Benefits/Impact
Victorian Renewable Energy Target (VRET) scheme	Administration of the Victorian Renewable Energy Target (VRET) scheme	Facilitated the development and investment of renewable energy generation and regional development in Victoria.
	Victorian Renewable Energy Target Scheme Annual Report 2008	Reported on scheme operation and compliance requirements for 2008 calendar year.
Victorian Energy Efficiency Target (VEET) scheme	Development and implementation of the Victorian Energy Efficiency Target (VEET) scheme	Reduced greenhouse gas emissions by promoting more energy efficient use of electricity and gas, initially in the residential sector.
	Development of VEET scheme guidelines and eligible product registers	Provided clarity and certainty in the operation of the VEET scheme to accredited persons and retailers.
	Development of an electronic registry system	Provided for the creation, acquisition and surrender of energy efficiency certificates.



INDUSTRY SECTORS AND SPECIAL REFERENCES

The Industry Sectors and Special References Group is responsible for regulation and reviews in the ports, grain, rail, statutory insurance and transport sectors. In 2008-09, the regulatory program involved a range of activities associated with Ministerial-referenced reviews and administering existing regulatory frameworks.

On 19 September 2007, the Minister for Public Transport directed the Commission under section 186(1) of the *Transport Act 1983* to undertake an independent review of taxi-cab fares in Victoria. The review was completed in the 2008-09 financial year with the submission of the Final Report to the Minister on 18 August 2008.

In November 2008 the Commission commenced an inquiry into the Victorian Grain Handling and Storage Access Regime, following consultation with the Minister for Finance. The inquiry involved public consultation and hearings in Melbourne and Horsham in January and February 2009. The Final Report was issued to the Minister in May 2009.

The five-yearly review of the ports regulation framework under the *Ports Services Act 1995* (PSA) commenced in January 2009, and the Minister for Finance also issued terms of reference for additional matters to be considered as part of the review, including the shipping channel access regime. The review involved public consultation including a hearing in Melbourne in March 2009, and the Final Report was issued to the Minister in June 2009.

In March 2009 VicTrack, V/Line and Asciano each submitted a proposed access arrangement for renewal of their existing access arrangements for the Dynon Intermodal Terminal (VicTrack), the provision of access to freight and passenger train operators on the regional network (V/Line), and for the South Dynon Terminal (Asciano). The approval process for these proposed access arrangements involved public consultation and draft decisions specifying the amendments required for approval. The Commission's final decisions to approve the new access arrangements were made in May and June 2009 – within the 90-day period provided under the *Rail Corporations Act 1996*.

The Commission also released an updated Rail Access Pricing Guideline Version 2.0 in June 2009, and made a submission to the Victorian Parliamentary Inquiry into Rail Skills Shortages.

The administration of existing regulatory frameworks included the ongoing monitoring of port prices and service quality, with the release of the Ports Monitoring Report in January 2009, the investigation into certain complaints, and ensuring regulatory compliance with information provision obligations and other requirements.

The Industry Sectors and Special References section also undertakes Ministerial advisory tasks pursuant to section 10(g) of the *Essential Services Commission Act 2001*, and carried out such tasks in 2008-09.

The Commission did not receive any references to review premiums for the statutory insurance schemes administered by the Transport Accident Commission (TAC) and the Victorian WorkCover Authority (VWA). On request from the Minister for Finance, the Commission prepared a performance report on Victoria's domestic building insurance scheme.

Key reports and determinations completed in 2008-09 included:

Victorian Rail Access Regime

– Access Arrangement Renewals

- V/Line Access Arrangement Renewal
 - Issues Paper
 - Draft Decision
 - Final Decision
- VicTrack Access Arrangement Renewal
 - Issues Paper
 - Draft Decision
 - Final Decision
- Asciano Access Arrangement Renewal
 - Issues Paper
 - Draft Decision
 - Final Decision
- Rail Access Dispute Resolution Guideline
- Submission to Parliamentary Inquiry into Rail Skills Shortages

Ports Regulation Review

- Issues Paper
- Draft Report
- Final Report

Ports Monitoring

- Ports Monitoring Report 2006-07 & 2007-08

Transport – Taxi Fare Review

- Final Report

Grain Regulation Review

- Issues Paper
- Draft Report
- Open Letter
- Final Report

Cost

The estimated costs of the Commission's Regulatory Operations in 2008-09 in relation to Industry Sectors and Special References in the grain, rail and ports regulated industries and to special references in transport and insurance were:

Industry	Estimated Cost
Grain Handling and Storage	\$0.536 million
Rail Industry	\$0.666 million
Ports Services Industry	\$0.905 million
Insurance References	\$0.294 million
Transport Act References	\$0.218 million

Major Projects Completed and Benefits Generated in 2008-09

Industry Sectors & Special References

Project	Output/Results	Benefits/Impact
Rail Access Arrangement Renewals	Renewed access arrangements for V/Line, VicTrack and Asciano	Provided for statutory compliance and certainty as to the terms and conditions of access for parties seeking access to railway track and Dynon rail terminal services.
Rail Access Regime	Rail Access Pricing Guideline Version 2.0 setting out principles governing rail access pricing	Provided clear guidance to access providers on principles for setting prices, and how the Commission will carry out its role of approving access arrangements.
	Submission to Victorian Parliamentary Inquiry into Rail Skills Shortages providing views on matters relevant to the efficiency and sustainability of the rail freight industry	Provided relevant information to the inquiry consistent with the Commission's statutory objectives in relation to the efficiency of the rail industry.
Port Regulation Review	Report to the Minister for Finance on whether regulation continued to be needed for the Victorian commercial ports and if so, the appropriate form of regulation	Satisfied the general competition policy requirements to regularly review the ongoing need for regulation, and met a Victorian Government commitment under Council of Australian Governments (COAG) to undertake a review of the need for the channel access regime, and its compliance with the requirements of an effective state-based access regime.
Grain Regulation Review	Report to the Minister for Finance on whether regulation continued to be needed for the Victorian export grain handling terminals and if so, the appropriate form of regulation	Satisfied the general competition policy requirements to regularly review the ongoing need for regulation, and met a Victorian Government commitment under Council of Australian Governments (COAG) to undertake a review of the need for the grain handling access regime, and its compliance with the requirements of an effective state-based access regime.
Reference from the Minister for Public Transport on taxi fares	Final Report to the Minister on taxi fare levels and the structure of fares, and the formula to adjust taxi fares over the next three to five years, as well as options to improve driver remuneration in the taxi industry and to improve information gathering and reporting	Provided final recommendations on the review of taxi fares.
Ports Monitoring	Monitoring report for 2006-07 & 2007-8	Provided ongoing price monitoring to ensure transparency of prices and industry conduct and performance to port users.
Report on performance of Domestic Building Insurance (DBI) Scheme	Report to the Minister for Finance on the performance of Victoria's DBI Scheme	Provided the Government with independent information on the performance of DBI for the first time since the scheme's commencement. The report will form the basis for an ongoing performance monitoring framework.



Chris Baxter, Regulatory Analyst

"Utilising an academic background in economics and previous roles in the public and private sectors, my work at the Commission has been in industry sectors and special references of grain handling, ports and transport. In particular, I contributed to the Taxi Fare Review 2007–08, which provided a raft of recommendations in relation to fares, driver incomes, performance measurement and taxi users.

Perhaps the most interesting insight of the taxi fare review was to observe how similar taxi drivers were to economists, in the breadth and diversity of the opinions they may hold. In terms of regulation, I'd also like to think that our sense of direction is just as keen as that of taxi drivers.

I am looking forward to building on the insights and experience gained in the Taxi Fare Review for the Commission's transport work in the future."





Stuart Christie, Regulatory Analyst

"I joined the Essential Services Commission in 2007 with a background in civil engineering and with working experience at Goulburn-Murray Water and at Barwon Water, and in consulting to the water sector.

Previous work in the areas of water system planning, system operation and infrastructure risk gave me a practical perspective in analysing water businesses' expenditure plans for the Melbourne metropolitan water price review conducted by the Commission in 2008-09. In addition, I oversaw the annual Comparative Performance Report of Victoria's water businesses for 2007-08. This report tracks a range of price, consumption and service indicators for urban water businesses in Melbourne and regional Victoria."

WATER

The Water group is responsible for the economic regulation of 19 Victorian water businesses that service metropolitan Melbourne and regional urban customers as well as rural (irrigation) customers. The Commission's key areas of responsibility include regulation of prices, service standards, performance reporting and auditing.

Conduct of water price reviews is a major plank of the Commission's activity. A review of the prices to apply from 2009 to 2013 was undertaken for Melbourne Water and the three retail water businesses that provide services to metropolitan Melbourne. This review was undertaken after consulting extensively with water businesses, customers and other stakeholders.

In addition, the Commission approved prices for the regional urban and rural water businesses for 2009-10 in accordance with their respective price determinations that resulted from the price review conducted in 2007-08.

The Commission also released an issues paper and draft report as part of an inquiry into a state-based access regime for water and sewerage infrastructure services, conducted for the Minister for Finance.

Other areas under focus in the Commission's work program included:

- review of regulatory accounts for all Victorian water businesses
- release of the fourth statewide performance report for the metropolitan and regional urban water businesses
- completion of regulatory audits for all Victorian water businesses.

Cost

The estimated cost of the Commission's regulation of the Victorian water industry in 2008-09 was \$3.42 million.

Major Projects Completed and Benefits Generated in 2008-09

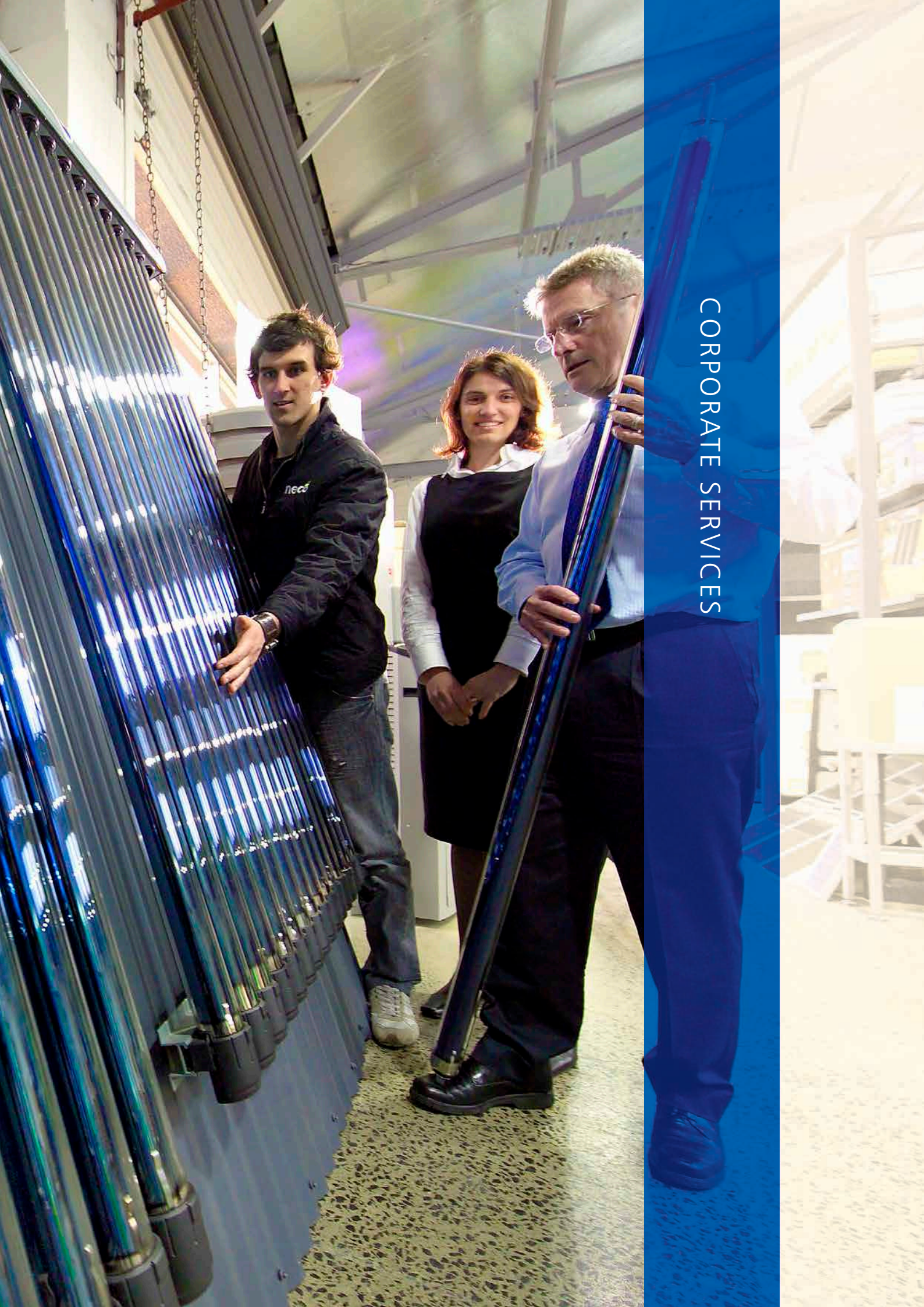
Water

Project	Output/Results	Benefits/Impact
Metropolitan Melbourne water price review	Completion of the second independent review of water prices, including detailed assessment of service standards, expenditure and demand forecasts for Melbourne Water and the three retail water businesses – City West Water, South East Water and Yarra Valley Water. Prices were set for the four-year period commencing 1 July 2009	Provided greater clarity for all stakeholders about the Commission's process and approach. Provided water businesses, through prices, with the ability to deliver a challenging work program over the forthcoming four years. Provided transparent identification of service standards, capital projects and other deliverables.
Annual tariff approvals	Tariff proposals for 15 water businesses approved when assessed against price determinations	Prices consistent with pre-determined outcomes of price determination.
Regulatory audits	Audit of urban and rural water businesses for compliance with reporting requirements	Demonstrated high level of compliance with customer service obligations. Demonstrated accuracy of reporting performance data.
Performance monitoring and reporting	Release of performance report for metropolitan and regional urban water businesses	Enhanced accountability and transparency of information on water industry performance. Provided consistent basis for assessing performance across businesses. Encouraged competition by comparison of performance over time to benefit customers.

Additional projects undertaken not included in 2008-09 work program

State-based access regime for water and sewerage infrastructure inquiry	Completion of a draft report that provided advice on the development of a state-based access regime for water and sewerage infrastructure services	Set out the preferred approach to implementing the access regime, that complemented other water industry reforms.
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CORPORATE SERVICES

ECONOMIC REGULATORY SERVICES

Key Government Outcomes

To act as the economic regulator of regulated industries, to promote competitive conduct, prevent misuse of market power, facilitate market power, facilitate market entry and industry efficiency and ensure that users and consumers benefit from competition and efficiency.

Description of the Output Group

Regulation of utilities in Victoria.

Output Performance 2008-09

The Commission budget for 2008-09 was prepared on an output budgeting basis in accordance with Victorian Government standards. The following is a brief report on output targets set for 2008-09:

Major Outputs/Deliverables Performance Measures			
	Unit of measure	2008-09 Target	2008-09 Actual
Quantity			
Regular services			
Company, Performance Reviews and Audits	Number	30	30
New or revised regulatory guidelines	Number	2	2
Industry Performance Reports	Number	6	7
Price approvals/Reviews	Number	26	27
Price Determinations	Number	0	2
Reviews, investigations or advisory projects	Number	4	6
Registrations, accreditations, decisions/approvals	Number	50	81
Quality			
Regulatory decisions upheld	Per cent	100	100
Timelines			
Statutory deadlines met for major projects	Per cent	100	100
Cost			
Total output cost*	\$million	\$18.2	\$17.9

*Refer Department of Treasury and Finance, 2009-2010 Budget Paper No. 3.

Output Targets 2009-10

For 2009-10 output targets are as follows:

Description of the Output Group

Regulatory Services – regulation of utilities and other regulated markets in Victoria.

These outputs regulate utilities and other regulated markets in Victoria and provide advice on ways the Government can improve the business environment. These outputs contribute to the key Government outcome of sound financial management by informing Government on ways to create a competitive business environment and by efficiently regulating utilities and other specified markets to protect the long-term interests of Victorian consumers with regard to price, quality and reliability of essential services.

Major Outputs/Deliverables Performance Measures		
Economic Regulatory Service	Unit of measure	2009-10 Target
Quantity		
Regular services		
Company Performance Reviews and Audits	Number	76
New or revised regulatory instruments	Number	2
Industry Performance Reports	Number	4
Price approvals	Number	19
Reviews, investigations or advisory projects	Number	1
Registration and accreditation decisions/approvals	Number	300
Quality		
Decisions upheld where subject to review, appeal or sidallowance	Per cent	100
Timelines		
Deadlines met for major milestones	Per cent	100
Cost		
Total output cost	\$million	\$14.3

Workforce Data by Division

Total Employment[^] as at 30 June 2009 (By Division):

Gas Access and Industry Reviews	11
Energy	18
Water	12
Organisation and Operations*	15
Total	56

* Excluding the Commissioners, outsourced services and contractors.

[^] Includes personnel on paid leave arrangements, but excluding those on unpaid leave.

Staffing Trends

Year at 30 June	Head Count	FTE
2004	58	55.3
2005	63	61.4
2006	62	61
2007	71	69
2008	66	65.6
2009	56	53.76

Workforce Data Disclosure

	Ongoing Employees			Fixed term & Casual	
	Employee Headcount	Full time Headcount	Part time Headcount	FTE	FTE
Jun 09	56	50	6	53.76	3.38
Jun 08	60	55	5	58.81	5.61

	June 09		June 08			
	Ongoing	Fixed term & Casual	Ongoing	Fixed term & Casual		
	Employee Headcount	FTE	FTE	Employee Headcount		FTE
Gender						
Female	23	20.76	2.38	24	22.81	2.61
Male	33	33	1	36	36	3
Age						
Under 25	8	7.6	0	2	2	0
25-34	15	13.72	0.8	18	17.6	1.9
35-44	16	15.6	2	20	19.8	1.43
45-54	11	10.84	0.58	11	10.61	0
55-64	5	5	0	9	8.8	2.28
Over 64	1	1	0	0	0	0
Classification						
VPS1	0	0	0	0	0	0
VPS2	6	6	0	5	4.9	2
VPS3	7	6.6	0	7	7	0
VPS4	10	9.12	0.8	10	9.6	1.9
VPS5	16	15.2	1	14	14	0
VPS6	8	7.84	0	13	12.51	0
STS	2	2	0	2	2	0
SRM	1	1	2	2	1.8	2
Executives	5	5	0	5	5	0
Other	0	0	1.58	0	0	1.71

Executive Officer disclosures

Table 1: Number of executive officers classified into 'Ongoing' and 'Special Projects'

Class	All		Ongoing		Special Projects	
	No.	Var	No.	Var	No.	Var
EO-1	0	0	0	0	0	0
EO-2	1	0	1	0	0	0
EO-3	4	0	4	0	0	0
Total	5	0	5	0	0	0

Table 2: Breakdown of executive officers into gender for 'Ongoing' and 'Special Projects'

Class	Ongoing					Special Projects					
	Male		Female		Vacancies	Male		Female		Vacancies	
	No.	Var	No.	Var	No.	Var	No.	Var	No.	Var	
EO-1	0	0	0	0	0	0	0	0	0	0	0
EO-2	1	0	0	0	0	0	0	0	0	0	0
EO-3	3	0	1	0	0	0	0	0	0	0	0
Total	4	0	1	0	0	0	0	0	0	0	0

Table 3: Reconciliation of executive numbers

		2008	2009
Executives with remuneration over \$100,000 (Refer to note 11)		5	5
<i>Add</i>	Vacancies (table 2)	0	0
Executives employed with total remuneration below \$100,000		0	0
Accountable Officer* (Secretary)		1	1
<i>Less</i>	Separations	0	0
Total executive numbers at June 30 2009		5	5

* The ESC's Accountable Officer is a statutory appointee and is not included in the executive numbers.

Merit and Equity

The Commission is an equal opportunity employer and is committed to ensuring merit and equity principles are applied to all human resources policies and work practices.

Reporting Under Directions of the Commissioner for Public Employment*

Commissioner's Direction	Performance Indicator	2008-09 Response
Selecting on Merit. Decisions made to exempt vacancies from advertisement	Number of decisions	0
Reviewing Personal Grievances. Finalisation of individual grievance reviews	Number of grievances finalised	0
Managing and Valuing Diversity Outcomes of diversity and EEO initiatives	Barriers to employment and enhancement in productivity removed	No barriers to employment and enhancement in productivity identified.
Upholding Public Sector Conduct Implementation and expansion of Code of Conduct	Measures taken to uphold principles of public sector conduct	Victorian Public Service Code of Conduct is applied.

* Provision served under clause 6 (3) of Schedule 2 to the *Public Administration Act 2004*

Occupational Health and Safety

The Commission has continued to promote occupational health and safety through a range of measures. The Commission has a health and safety representative.

strategic planning, management of resources, monitoring of project activity and overseeing compliance with corporate governance. The board meets monthly, and met 12 times during 2008-09.

Private Interest Declarations

Declarations of private interests were completed by all relevant officers. New staff were required to complete a declaration.

The Commission also operates under its own Corporate Governance Statement, which is posted on the Commission's external website. This statement also outlines the role of the Commission's Audit and Risk Management Committee, which in 2008-09 comprised the two-part-time Commissioners (Mr Tony Darvall and Mr Dennis Cavagna) and one external appointment, an accountant (Mr Ian Cuthbertson). Internal and external auditors also attended the meetings as required.

WorkCover

WorkCover statistics	2007-08	2008-09
Claims during the year	1	2

Employee Relations

No employee time was lost in 2008-09 due to industrial disputes.

The role of the committee is to assist the Commission in fulfilling its responsibilities in relation to the identification of areas of significant business risks and the monitoring of:

Corporate Governance

The Essential Services Commission is committed to high standards of corporate governance in its decision-making and corporate activities.

- effective management of financial and other business risks
- reliable management reporting
- compliance with laws and regulations in respect of financial activity and reporting, and
- external and internal audits.

Commissioners also comprise a board of management, which is responsible for the oversight of the organisation supporting the Commission through participation in

The Audit and Risk Management Committee reviews and provides recommendations to the Commission on the adequacy of the processes for identifying and managing significant risks. It also provides a direct link between the Commission and the internal and external auditors, and enables any concerns of the auditors to be conveyed to the Commission independently of management.

In 2008-09 the committee met four times, with meetings attended by all committee members.

Attestation on compliance with the Australian/ New Zealand Risk Management Standard

I, Ron Ben-David, certify that the Essential Services Commission has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (AS/NZS 4360:2004) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Essential Services Commission verifies this assurance and that the risk profile of the Essential Services Commission has been critically reviewed within the last 12 months.



Ron Ben-David
Chairperson
Essential Services Commission

Memoranda of Understanding

The *Essential Services Commission Act 2001* (section 16) requires the Commission to enter into Memoranda of Understanding with a range of State Government agencies. In addition, the Commission has entered into Memoranda of Understanding with agencies with which it shares important working relationships.

The objective of the memoranda is to improve communications, encourage input into regulatory processes and avoid overlap with the other agencies.

Since the first memoranda were signed in 2003, the Commission has widened its regulatory objectives and diversified its consultative base. In addition, some of the agencies have undergone a change of identity and personnel.

Memoranda of Understanding are held with the following organisations:

- Department of Human Services
- Emergency Services Commissioner
- Energy and Water Ombudsman (Victoria) Limited (EWOV)*
- Environment Protection Authority (EPA Victoria)
- Marine Safety Victoria
- Energy Safe Victoria
- Port of Melbourne Corporation*
- Victorian Regional Channels Authority
- Victorian Energy Networks Corporation (VENCorp)
- Victorian WorkCover Authority
- Consumer Affairs Victoria
- Sustainability Victoria

Note: *These are voluntary Memoranda of Understanding entered into by the Commission and are not required under section 16 of the *Essential Services Commission Act 2001*.

Information Technology

Information technology facilitates the delivery of Commission services to its stakeholders and the wider community.

During the year a number of key projects enhanced capability to provide efficient communications and services to stakeholders. The projects included implementation of a standard operating environment, communication links redundancy and a review of security levels.

Sponsored Committees

The Essential Services Commission's Customer Consultative Committee has been in operation since 1995. It meets quarterly and assists the Commission in carrying out its regulatory agenda.

The terms of reference of the Customer Consultative Committee provide that it assists the Essential Services Commission to perform its functions and exercise its powers under the *Essential Services Commission Act 2001* in relation to customer issues generally and, in particular, to meet its objectives under that Act, other relevant legislation and statements of government policy.

Areas for specific attention by the Customer Consultative Committee in pursuing its objectives include measures that seek to ensure that:

- present and future utility services consumers benefit from competition in contestable markets or from benchmark competition and the efficiencies flowing from such competition
- the interests of consumers are protected in relation to the price, reliability, quality and safety of regulated services and by having access to balanced contracts and accurate market information
- consumers of essential utility services have access to effective complaint handling, escalation and resolution processes.

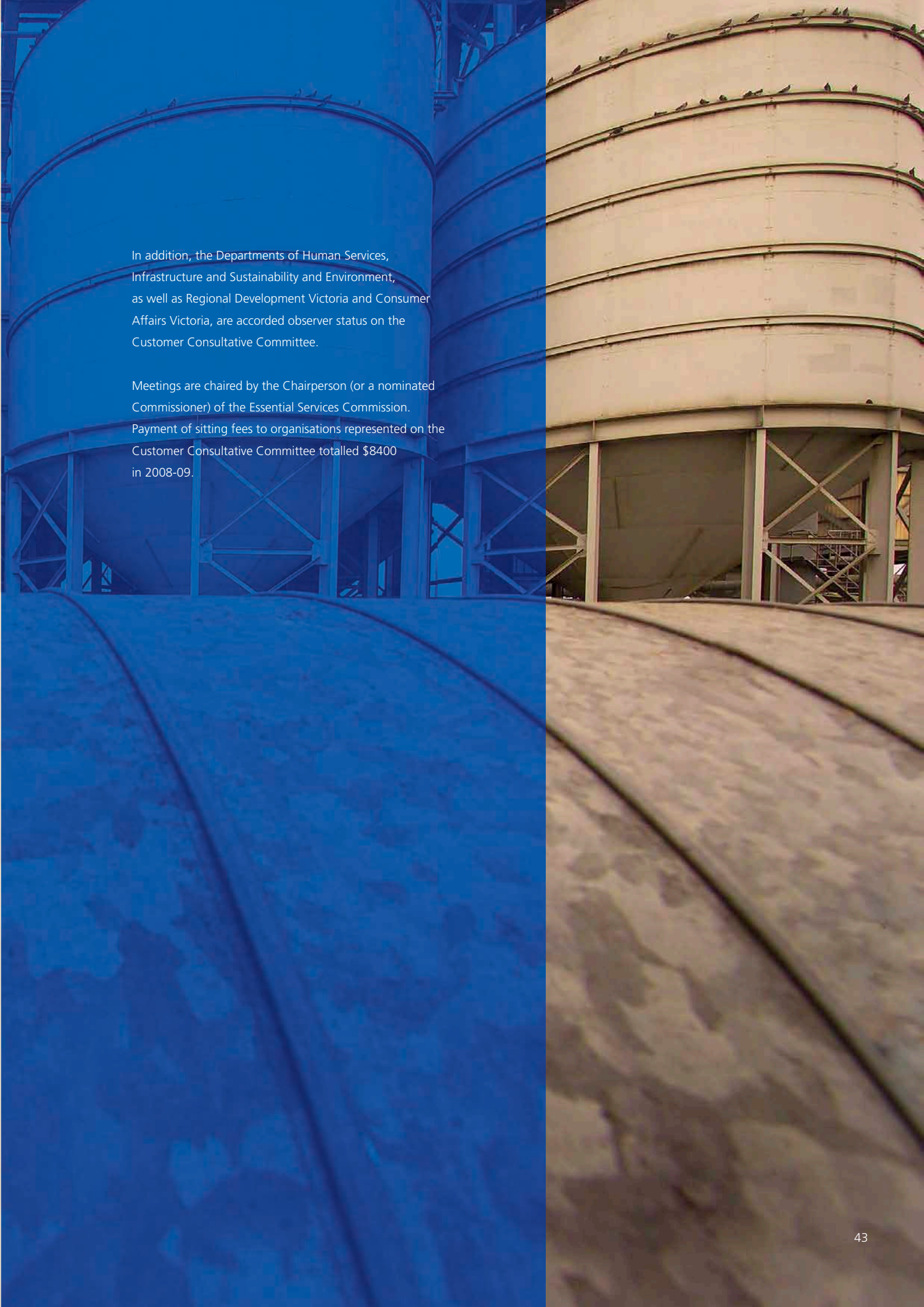
The Committee's role is to provide a forum in which information relevant to the achievement of the Committee's objectives may be disseminated and in which consumer representatives may exchange views on customer entitlements, issues and needs; these views can then be conveyed by the Commission to the regulated industries and other interested parties. The Committee's role is also to advise the Commission on customer issues and provide advice on the needs of industrial, commercial and residential customers generally. In particular, members of the committee play a leading role in stakeholder consultation during price and regulatory reviews.

Membership of the Committee represents the interests of business and household consumers of utility services across the full range of the Commission's regulatory functions, including energy, water, ports, statutory insurance, grain and transport industries. The Commission recognises that customer issues differ between industry sectors and across regional areas. For this reason, the Commission has sought to include representatives from across the broader Victorian community; that is, representatives of metropolitan, regional and rural consumers, and industrial, small business and household customers, including low income and vulnerable customers.

In June 2009, the Committee held its quarterly meeting in Bendigo, with the other three quarterly meetings held at the Commission's offices in Melbourne. A special members' briefing was also held in May 2009 to outline the Advanced Metering Infrastructure project rollout for electricity customers.

During 2008-09, membership of the Committee comprised representatives of the following organisations:

- Australian Industry Group
- Bendigo Bank
- Community Connections
- Consumer Action Law Centre
- Consumer Utilities Advocacy Centre
- Energy and Water Ombudsman (Victoria)
- Energy Users' Association of Australia
- Financial and Consumer Rights Council
- Kildonan UnitingCare
- Municipal Association of Victoria
- Southern Health
- St Lukes Anglicare
- Tenants Union of Victoria
- Victorian Council of Social Services
- Victorian Employers' Chamber of Commerce and Industry
- Victorian Farmers Federation.



In addition, the Departments of Human Services, Infrastructure and Sustainability and Environment, as well as Regional Development Victoria and Consumer Affairs Victoria, are accorded observer status on the Customer Consultative Committee.

Meetings are chaired by the Chairperson (or a nominated Commissioner) of the Essential Services Commission. Payment of sitting fees to organisations represented on the Customer Consultative Committee totalled \$8400 in 2008-09.



Charter of Consultation and Regulatory Practice

The *Essential Services Commission Act 2001* requires the Commission to develop and publish a Charter of Consultation and Regulatory Practice. First published in 2003, the Charter was revised in 2006.

The purpose of the Charter is to provide guidance on the Commission's processes for making determinations and conducting inquiries. It outlines the Commission's principles of consultation and outlines how external audiences are notified of inquiries, decisions and determinations.

Staff of the Commission refer to the Charter when planning price and regulatory reviews and other activities, and are guided by it in conducting public consultation and seeking comment from stakeholders. The Charter was being reviewed in 2009.

Consultation processes

The Essential Services Commission encourages stakeholder participation in its regulatory inquiries, investigations and reviews, through attendance at public forums and receipt of submissions.

Public forums

In 2008-09, the Commission held the following public forums:

Review of GWMWater's proposed pipeline tariffs

Horsham; November 2008

Review of the grain handling and storage access regime

Melbourne; January 2009

Horsham; February 2009

Victorian ports regulation review

Melbourne; March 2009

Review of Melbourne metropolitan water prices

Melbourne; March 2009

Melbourne; May 2009

Inquiry into the access regime for water and sewerage infrastructure services

Melbourne; April 2009

Submissions

Numbers of submissions to major pricing and other regulatory reviews and activities received during 2008-09 were:

Energy

Energy price and product disclosure:
draft guideline No.19 – 6 submissions

Applications for exclusion from financial incentives arising out of supply interruptions in the 2 April 2008 storms:
draft decision –13

CitiPower's capital contribution charge for marginal cost of network reinforcement – 10

Advanced Metering Infrastructure:
revised framework and approach – 4

Review of energy efficient public lighting charges – 11

VENCorp application – retailer of last resort provisions – 2

Geographic boundaries for gas retailer of last resort – 3

Amendments to gas distribution system code – 5

Victorian Energy Efficiency Target (VEET) scheme guidelines:
draft decision – 6

Water

Grampians Wimmera Mallee Water's rural pipeline tariff:
consultation paper – 13

Review of Melbourne metropolitan water prices 2009-13:
issues paper – 15

Review of Melbourne metropolitan water prices 2009-13:
draft decision – 26

State-based access regime for water and sewerage infrastructure services: issues paper – 15

Ports

Victorian ports regulation review: issues paper – 8

Victorian ports regulation review: draft report – 5

Rail

V Line access arrangement – 1

Grain

Grain handling and storage access regime review:
issues paper – 4

Grain handling and storage access regime review:
draft report – 1

Grain handling and storage access regime review:
open letter – 4

Taxis

Taxi fare review: draft report – 22

In addition, the Commission's consultation processes included:

- quarterly meetings of the Commission's Customer Consultative Committee
- issue of draft decisions and issues papers for public comment
- consultation with prescribed agencies, under the Commission's Memoranda of Understanding
- inputs from working parties and workshops attended by representatives of community-based groups and industry sectors
- stakeholder input and comment on the draft version of the Commission's Work Program 2009-10.

Input to the Commission's work from external consultation is highly valued. Participation by stakeholders in the Commission's processes enhances the relevance and effectiveness of the Commission's decisions.

Communications and Publications

The Commission is committed to communicating effectively with stakeholders and the general community.

Numerous publications on various matters pertaining to the regulated industries were published and made available publicly in both hard copies and via the Commission's website (refer to Appendix C of this Report).

Media liaison continued at a comprehensive level to assist in the communication of Commission information to the general community. A total of 13 media releases were issued by the Commission in 2008-09.

Two of the Commission's comparative performance reports – for electricity distribution and for urban water – were released in regional areas (Gippsland and Ballarat) for the specific information of regional-based media.

In addition, the Commission promoted two of its key initiatives, the information campaign for retail energy customers and the review of metropolitan Melbourne water prices, in the major non-English language newspapers circulating in Victoria.

The Commission's website continues to be an effective means of providing information to the community. The website address is <http://www.esc.vic.gov.au>. In 2008-09, the Commission also established a dedicated website, www.yourchoice.vic.gov.au, to inform and assist customers in accessing the competitive retail energy market.

National Competition Policy

The Commission promotes, and complies with, the National Competition Policy.

Shares

No shares are held by any officer as nominee or held beneficially in a statutory authority or subsidiary.

Research and Development

No major research and development activities were undertaken by the Commission in 2008-09.

Building Works

The Commission does not have any buildings under its direct control and did not enter into works that required compliance under the *Building Act 1993*.

Environmental management

The Essential Services Commission has made a commitment to reduce the environmental impact of the office-based aspects of its operations, by adopting an Environmental Policy and Action Plan.

Figures on total waste generation and water consumption for the 2008-09 year were yet to be confirmed for this Annual Report, but the Commission's actions undertaken during the financial year included:

Energy

- Purchase of green energy increased to a minimum level of 20 percent
- All relevant office equipment operating with energy-efficiency star settings.

Paper

- Paper usage reduced by 44 percent since 2006-07, from 2514 to 1430 reams
- Increased to 72 percent the proportion of A4 paper containing a minimum 80 percent recycling content
- All printers set to double-sided printing and used paper installed into facsimile machines.

Transport

- Promotion of public transport for work travel and plans for the installation of additional bicycle racks
- Annual flight kilometres reduced by 880 km per full-time employee, saving 15.85 tonnes of CO₂ emissions.



Waste

- Installation of special purpose bins that are used to recycle paper, glass and co-mingled streams
- Most staff issued with their own personal recycled paper boxes.

Procurement

- Establishment of a brief stationery purchasing guide, with a preference towards Australian-made and items made from recycled content.

For 2009-10, the Commission's targets include further reduction in energy consumption and paper usage, and the development of a system for quarterly recording of building water consumption.

In addition, an audit will be commissioned to determine individual waste levels and a purchasing policy will be developed to take energy and water efficiency into account in the purchase of new whitegoods, information technology and other appliances.

Comparative Financial Data

Excluding DTF overhead	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Operating Budget	12.8*	15.2	15.7	12.8	14.6	18.2
Actual Operating Expenditure	12.9	15.2	15.2	13.7	15.4	17.9

* Provision served under clause 6 (3) of Schedule 2 to the *Public Administration Act 2004*

Fees

The following table shows licence fees by type.

The Commission's role with regard to licences is to notify the licensees of the charges determined by the Minister.

Type of Licence	2007-08* \$
Electricity Industry	
Generation < 200MW	4244
Generation 200-999 MW	12,733
Generation > 1000 MW	21,221
Trader	2208
Transmission - State-wide	32,997
Transmission - Interconnector	16,499
Distribution	2,917,375
Retail Contestable (≤1000 customers)	7200
Retail Contestable (> 1000 ≤ 50,000 customers)	9701
Retail Contestable (>50,000 ≤75,000 customers)	23,932
Retail Contestable (> 75,001 ≤ 100,000 customers)	24,286
Retail Contestable (> 100,001 ≤ 150,000 customers)	34,241
Retail Contestable (> 150,000 customers)	120,044

Type of Licence

Type of Licence	2007-08* \$
Gas Industry	
Distribution - Standard	3,581,164
Distribution - New Area	504
Retailer - (≤1000 customers)	7200
Retailer - (>1000 ≤50,000 customers)	9701
Retailer - (>50,000 ≤75,000 customers)	23,932
Retailer - (>75,000 ≤100,000 customers)	24,286
Retailer - (>100,001 ≤150,000 customers)	34,241
Retailer - (>150,000 customers)	120,044
Ports Industry	
Port - Category 1	13,286
Port - Category 2	2046
Port - Category 3	315
Port - Category 4	399
Water Industry	
Water and Sewerage	3,464,201

Note:

* Licence fees are accrued on the basis of estimates, with final determination to be made by the Minister for Finance in consultation with the relevant industry Minister. Figures for Water and Sewerage based on total costs recovered from licence fees.

APPENDICES

APPENDIX A

Financial Statements For the Year Ended 30 June 2009

Comprehensive Operating Statement for the year ended 30 June 2009			
	Notes	2009 \$	2008 \$
Income from Transactions			
Grants	2	17,960,480	15,436,270
Resources Received Free of Charge		1,348	-
Total Income from Transactions		17,961,828	15,436,270
Expenses from Transactions			
Employee Benefits	3	7,094,112	7,008,687
Depreciation	3	467,504	216,930
Interest Expense	3	9,457	14,866
Capital Asset Charge	1(d)	80,428	82,248
Supplies and Services		10,264,620	8,089,955
Total Expenses from Transactions		17,916,121	15,412,686
Net Result from Transactions		45,707	23,584
Other Economic Flows included in Net Result			
Net Gain/(Loss) on Non-Financial Assets	4	(19,335)	(26,477)
Other Gains/(Losses) from Other Economic Flows	4	(25,100)	3,301
Total Other Economic Flows included in Net Result		(44,435)	(23,176)
Net Result		1,272	408
Other Economic Flows – Other Non-Owner Changes in Equity		-	-
Comprehensive Result		1,272	408

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

Balance Sheet as at 30 June 2009

	Notes	2009 \$	2008 \$
Financial Assets			
Cash on Hand		500	500
Receivables	5	10,557,855	9,317,562
Total Financial Assets		10,558,355	9,318,062
Non-Financial Assets			
Property, Plant and Equipment	6	1,089,717	1,226,168
Intangible Assets	7	50,562	-
Total Non-Financial Assets		1,140,279	1,226,168
Total Assets		11,698,634	10,544,230
Liabilities			
Creditors and Accruals		2,113,323	1,756,891
Interest Bearing Liabilities	8	100,875	177,598
Provisions	9	1,986,631	1,599,428
Unearned Income		3,838,949	3,352,729
Total Liabilities		8,039,778	6,886,646
Net Assets		3,658,856	3,657,584
Equity			
Contributed Capital		873,921	873,921
Accumulated Surplus		2,784,935	2,783,663
Total Equity		3,658,856	3,657,584

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

Statement of Changes in Equity for the year ended 30 June 2009

	Notes	Equity at 1 July	Comprehensive Result \$	Transactions with Owners in their capacity as Owners \$	Equity at 30 June \$
2009					
Contributed Capital		873,921			873,921
Accumulated Surplus		2,783,663	1,272		2,784,935
		3,657,584	1,272		3,658,856
2008					
Contributed Capital		873,921			873,921
Accumulated Surplus		2,783,255	408		2,783,663
		3,657,176	408		3,657,584

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement for the year ended 30 June 2009

	Notes	2009 \$	2008 \$
Cash Flows from Operating Activities			
Receipts from Government		17,261,133	15,948,610
Payments to Suppliers and Employees		(16,900,390)	(15,208,779)
Capital Asset Charge		(80,428)	(82,248)
Finance Costs		(9,457)	(14,866)
Net Cash Flows from Operating Activities	17	270,858	642,717
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(178,547)	(578,783)
Proceeds from Sale of Property, Plant and Equipment		22,454	119,864
Payments for Intangible Assets		(50,562)	-
Net Cash Flows used in Investing Activities		(206,655)	(458,919)
Cash Flows from Financing Activities			
Repayment of Finance Leases		(64,203)	(183,798)
Net Cash Flows used in Financing Activities		(64,203)	(183,798)
Net Increase In Cash Held			
		—	—
Cash at the Start of the Year		500	500
Cash at the End of the Year		500	500
Non-Cash Financing and Investing Activities			
	18		

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2009

Note 1. Summary of Significant Accounting Policies

Statement of Compliance

This general purpose financial report has been prepared on an accrual basis in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) and Interpretations. AASs include Australian equivalents to International Financial Reporting Standards. In complying with AASs, the Commission has, where relevant, applied those paragraphs applicable to not-for-profit entities.

The financial report also complies with relevant Financial Reporting Directions issued by the Department of Treasury and Finance, and relevant Standing Directions authorised by the Minister for Finance.

Basis of Preparation

The Financial Statements have been prepared on the basis of historical cost, except where noted. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of the accounting policies set out below, Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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.

The accounting policies set out below have been applied in preparing these Financial Statements.

Scope and Presentation of

Financial Statements

Early adoption of *AASB 101 Presentation of Financial Statements* (September 2007)

As a result of a state wide policy to improve consistency in public sector reporting, the Commission has revised the presentation of its Financial Statements to align with the *AASB 1049 Whole of Government and General Government Sector Financial Reporting* presentation format, used in the Financial Report for the State and the general government sector. In addition, the Commission has also early adopted the September 2007 version of *AASB 101*.

In keeping with *AASB 101* (September 2007) these Financial Statements include the following changes:

(a) the notion of:

- 'a complete set of financial statements' rather than using 'financial report';
- 'changes in equity' rather than 'movements in equity'; and
- 'transactions with owners in their capacity as owners' rather than 'transactions with owners as owners'.

(b) references to equity holders as owner.

Some of the changes applied to the Financial Statements and notes as a result of alignment to *AASB 1049* that are allowable under *AASB 101* (September 2007) include the following:

- extended Operating Statement incorporating non-owner changes in equity, which is now referred to as Comprehensive Operating Statement;
- items being presented by liquidity order in the Balance Sheet;

- the inclusion of a limited number of Government Finance Statistics (GFS) classifications, such as income or expenses from transactions, and other economic flows; and
- a glossary of terms included in the notes explaining certain terms, including GFS terms adopted.

Comprehensive Operating Statement

The Comprehensive Operating Statement includes items previously included in the Statement of Recognised Income and Expense. Income and expenses in the Comprehensive Operating Statement are separated into either 'transactions' or 'other economic flows'.

Balance Sheet

Items of assets and liabilities in the Balance Sheet are:

- ranked in liquidity order;
- aggregated into financial and non-financial assets;
- classified according to GFS terminology, but retain measurement and disclosure rules under existing accounting standards applicable to the Commission; and
- current versus non-current assets and liabilities are disclosed in the notes where relevant.

Statement of Changes in Equity

The Statement of Changes in Equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

Cash Flow Statement

The Cash Flow Statement classifies flows by operating, investing and financing activities in accordance with *AASB 107 Cash Flow Statements*. There were no significant changes due to alignment of the Commission's Financial Statements presentation formats to *AASB 1049*.

(a) Reporting Entity

The Financial Statements include all the controlled activities of the Essential Services Commission.

Administered Resources

The Commission acts on behalf of the Victorian Government in collecting licence fees under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, the *Grain Handling and Storage Act 1995*, the *Water Industry Act 1994* and the *Port Services Act 1995*, that are administered by the Commission. 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 (see note 19). Such amounts are required to be paid to the Consolidated Fund.

(b) Objectives and Funding

The Essential Services Commission operates under the *Essential Services Commission Act 2001* ("the Act").

The Act designates the Commission as an economic regulator (pricing, standards and monitoring for anti-competitive conduct) and lays a foundation for the Commission to perform its functions and exercise its powers in respect of regulated industries operating under relevant legislation.

At 30 June 2009 the regulated industries included electricity, gas, water, ports, rail and grain export facilities.

The Commission is predominantly funded by accrual based Parliamentary appropriations for the provision of outputs. These funds are received in the form of grants from the Department of Treasury and Finance.

(c) Income from transactions

All income received by the Commission is generally required to be paid into the Consolidated Fund. Income becomes controlled by the Commission when it is appropriated (to the Department of Treasury and Finance) from the Consolidated Fund by the Victorian Parliament and applied to the purposes defined under the relevant appropriations Act.

Income from the outputs the Commission provides to Government is recognised when those outputs have been delivered and the relevant Minister has certified delivery of those outputs in accordance with specified performance criteria.

Resources Received Free of Charge

Contributions of resources free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(d) Expenses from Transactions

Employee Benefits

Expenses for employee benefits are recognised when incurred, except for contributions in respect of defined benefit plans. The gain or loss following revaluation of the present value of the long service leave liability due to changes in bond interest rates is recognised as an "other economic flow".

Superannuation – Defined Benefit Plans

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the Commission to the superannuation plan in respect to the current services of current Commission staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Department of Treasury and Finance centrally recognises the defined benefit liability or surplus of most Victorian government employees in such funds.

Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the Commission to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. Estimates of remaining useful lives, residual values and depreciation method for all such assets are reviewed annually. The expected useful lives applicable for the reporting periods ended 30 June 2009 and 30 June 2008 are as follows:

Computer Equipment	4 years
Office Equipment	4 years
Furniture and Fittings	10 years
Leasehold Improvements	10 years

Interest Expense

Interest expenses are recognised as expenses in the period in which they are incurred. Interest expenses include finance lease charges.

Capital Asset Charge

The capital asset charge is imposed by the Department of Treasury and Finance and represents the opportunity cost of capital invested in the non-current physical assets used in the provision of outputs. The charge is calculated on the budgeted carrying amount of applicable non-current physical assets.

Resources Provided Free of Charge

Resources provided free of charge or for nominal consideration are recognised at their fair value.

(e) Other Economic Flows Included in Net Result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net Gain/(Loss) on Non-Financial Assets

Net gain/(loss) on non-financial assets includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

Disposal of Non-Financial Assets

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

Impairment of Non-Financial Assets

All non-current physical assets and intangible assets 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 as an other economic flow except to the extent that the write-down can be debited to an Asset Revaluation Reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

Net Gain/(Loss) on Financial Instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held for trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

Impairment of Financial Assets

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as other economic flows.

Other Gains/(Losses) from Other Economic Flows

Other gains/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present value of the long service leave liability due to changes in bond interest rates.

(f) Financial Assets

The Commission classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

The Commission assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Cash

Cash comprises cash on hand and cash at bank, deposits at call and short term deposits that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Loans and Receivables

Trade receivables, loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment.

Trade debtors are due for settlement at no more than 30 days from the date of recognition. 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. Debts which are known to be uncollectable are written off.

(g) Non-Financial Assets

Property, Plant and Equipment

Property, plant and equipment are recognised initially at cost and subsequently measured at fair value less accumulated depreciation.

Revaluation of Non-Current Physical Assets

Non-current physical assets measured at fair value are revalued in accordance with Financial Reporting Directions issued by the Minister for Finance. This revaluation process normally occurs every five years, based on the asset's Government Purpose Classification. In the intervening period, annual assessments are made, with the aid of appropriate indices, as to whether the fair value of a class of assets may differ materially from its carrying amount. Assets are revalued if there are indicators of a material change in fair value.

Revaluation increments are credited directly to the Asset Revaluation Reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, the increment is recognised immediately as income in determining the net result.

Revaluation decrements are recognised immediately as expenses, except that, to the extent that a credit balance exists in the Asset Revaluation Reserve in respect of the same class of assets, they are debited directly to the Asset Revaluation Reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

(h) Liabilities

Payables

Payables represent liabilities for goods and services provided to the Commission that are unpaid at the end of the financial year. Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

Interest Bearing Liabilities

Interest bearing liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, interest bearing liabilities 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.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be 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 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.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Commission at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

The lease asset is depreciated on a straight line basis over the term of the lease, or where it is likely that the Commission will obtain ownership of the asset, the expected useful life of the asset to the Commission.

Operating lease payments are charged to the Comprehensive Operating Statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(j) Goods and Services Tax (GST)

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

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

Commitments and contingent assets and liabilities are presented on a gross basis.

(k) Contributed Capital

Consistent with *UIG Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*, grants received for additions to net assets are designated as contributed capital. Other transfers that are in the nature of contributions or distributions are also designated as contributed capital.

(l) Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is the Commission's functional and presentation currency.

(m) New Accounting Standards and Interpretations

As at 30 June 2009, the following standards and interpretations (applicable to the Commission) had been issued but were not mandatory for the 30 June 2009 reporting period. The Commission has not adopted, and does not intend to adopt, these standards early.

AASB 123 Borrowing Costs. Option to expense borrowing cost related to a qualifying asset had been removed. Entities are now required to capitalise borrowing costs relevant to qualifying assets. Applicable for annual reporting periods beginning 1 January 2009. The Commission continues to expense borrowing costs.

AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]. An accompanying amending standard also introduced consequential amendments into other Standards. Applicable for annual reporting periods beginning 1 January 2009. Standard will have no impact on not-for-profit public sector as Victorian Government agencies have an exemption from capitalising borrowing costs.

AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101. This Amending Standard changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements'. Applicable for annual reporting periods beginning 1 January 2009. Impact is insignificant.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs5, 7 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]. Some amendments result in accounting changes for presentation, recognition and measurement purposes, while some other amendments that relate to terminology and editorial changes are expected to have no or minimal effect on the Commission's accounting. Applicable for annual reporting periods beginning 1 January 2009. Impact is being evaluated.

AASB 2008-7 Amendments to Australian Accounting Standards Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]. Changes mainly relate to treatment of dividends from subsidiaries, associates and jointly controlled entities. Applicable for annual reporting periods beginning 1 January 2009. Impact is being evaluated.

Interpretation 15 –Agreements for the Construction of Real Estate [AASB 118]. This Interpretation addresses two issues: (i) Is the agreement within the scope of *AASB 111 Construction Contracts* or *AASB 118 Revenue*? and (ii) When should revenue from the construction of real estate be recognised? Applicable for annual reporting periods beginning 1 January 2009. Impact is being evaluated.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101. Amendments to *AASB 1049* for consistency with *AASB 101* (September 2007) version. Applicable for annual reporting periods beginning 1 January 2009. Not applicable to public sector entities except for certain presentation formats.

AASB 2009-1 Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]. The amendments arise from the AASB's review of the requirement in *AASB 123* to capitalise borrowing costs. In February 2009, the AASB decided that not-for-profit public sector entities could continue to expense borrowing costs attributable to qualifying assets pending the outcome of various IPSASB/AASB projects.

Operative for periods beginning on or after 1 January 2009 that end on or after 30 April 2009. The Commission continues to expense borrowing costs.

AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]. These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments require enhanced disclosures about fair value measurements and liquidity risk. Operative for periods beginning on or after 1 January 2009 that end on or after 30 April 2009. Impact is being evaluated.

AASB 2009-6 Amendments to Australian Accounting Standards. This standard makes numerous editorial amendments as a consequence of the issuance in September 2007 of a revised *AASB 101*. For example, the term 'revaluation reserve' is changed to "revaluation surplus". Operative for periods beginning on or after 1 January 2009 that end on or after 30 June 2009. Impact is expected to be insignificant.

AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 & AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]. This Standard gives effect to consequential editorial changes to other Australian Accounting Standards arising from revised *AASB 3* and amended *AASB 127*. Applicable for annual reporting periods beginning 1 July 2009. Impact is being evaluated.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements project [AASB 1 & AASB 5]. The amendments require all the assets and liabilities of a for-sale subsidiary to be classified as held-for-sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. Applicable for annual reporting periods beginning 1 July 2009. Impact is being evaluated.

AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]. The amendments to *AASB 139* clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations. Applicable for annual reporting periods beginning 1 July 2009. Impact is expected to be insignificant.

AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]. Some of the amendments are in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. Applicable for annual reporting periods beginning 1 July 2009. Impact is being evaluated.

AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]. Various consequential amendments to existing standards as a result of IASB's Annual Improvements project. . Applicable for annual reporting periods beginning 1 July 2009. Impact is expected to be insignificant.

AASB 2009-7 Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]. A suite of amendments as a result of editorial corrections by the AASB and by the IASB, some of which relate to correcting errors made in *AASB 2008-12*. Applicable for annual reporting periods beginning 1 July 2009. Impact is being evaluated.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]. Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes. Applicable for annual reporting periods beginning 1 January 2010. Impact is being evaluated.

Note 2. Income from Transactions

	2009 \$	2008 \$
Income from Transactions include:		
Grants from the Department of Treasury and Finance (note 1(b))	14,546,700	14,589,000
Grants from Other Departments	3,413,780	847,270
Total Income	17,960,480	15,436,270

Note 3. Expenses from Transactions

	2009 \$	2008 \$
Employee Benefits		
Salaries and Wages	5,685,498	5,576,021
Superannuation		
- Defined Contribution Plans	485,593	521,722
- Defined Benefit Plans	15,595	17,263
Annual and Long Service Leave Expense	534,275	525,757
Other On-Costs	373,151	367,924
Total Employee Benefits	7,094,112	7,008,687
Depreciation		
Leasehold Improvements	276,605	69,705
Office and Computer Equipment	158,585	107,994
Motor Vehicles under Finance Lease	32,314	39,231
Total Depreciation	467,504	216,930
Interest Expense		
Interest Expense from Financial Liabilities not at Fair Value through Profit or Loss		
Finance Lease Interest	9,457	14,866
Total Interest Expense	9,457	14,866
Rental Expense Relating to Operating Leases		
Minimum Lease Payments	652,347	660,741

Note 4. Other Economic Flows included in Net Result

	2009 \$	2008 \$
Net Gain/(Loss) on Non-Financial Assets		
Net Gain/(Loss) on Disposal of Property, Plant and Equipment	(19,335)	(26,477)
Total Net Gain/(Loss) on Non-Financial Assets	(19,335)	(26,477)
Other Gains/(Losses) from Other Economic Flows		
Net Gain/(Loss) arising from Revaluation of Long Service Leave Liability	(25,100)	3,301
Total Other Gains/(Losses) from Other Economic Flows	(25,100)	3,301
Total Other Economic Flows included in Net Result	(44,435)	(23,176)

Note 5. Receivables

	2009 \$	2008 \$
Current: Statutory		
Amounts Receivable from Government Departments	10,066,369	9,042,555
GST Recoverable	147,491	92,764
Total Current Receivables	10,213,860	9,135,319
Other Gains/(Losses) from Other Economic Flows		
Amounts Receivable from Government Departments	343,995	182,243
Total Non-Current Receivables	343,995	182,243
Total Receivables	10,557,855	9,317,562

Note 6. Property, Plant and Equipment

	2009 \$	2008 \$
Leasehold Improvements	1,764,119	1,233,087
Less: Accumulated Depreciation	(1,230,277)	(953,672)
	533,842	279,415
Office and Computer Equipment	1,117,975	1,692,393
Less: Accumulated Depreciation	(661,817)	(920,760)
	456,158	771,633
Motor Vehicles under Finance Lease	168,885	213,512
Less: Accumulated Depreciation	(69,168)	(38,392)
	99,717	175,120
Total Property, Plant and Equipment	1,089,717	1,226,168

Reconciliation of Movements

Leasehold Improvements

Carrying Amount at Start of the Year	279,415	340,032
Additions	522,332	9,088
Transfers between Asset Classes	8,700	-
Depreciation Expense (note 3)	(276,605)	(69,705)
Carrying Amount at End of the Year	533,842	279,415

Office and Computer Equipment

Carrying Amount at Start of the Year	771,633	309,939
Additions	93,263	569,694
Disposals	(11,219)	(6)
Reclassification of Costs	(231,413)	-
Transfers between Asset Classes	(8,700)	-
Net Transfers Free of Charge	1,179	-
Depreciation Expense (note 3)	(158,585)	(107,994)
Carrying Amount at End of the Year	456,158	771,633

Reconciliation of Movements Continued

Motor Vehicles under Finance Lease

Carrying Amount at Start of the Year	175,120	249,088
Disposals	(43,258)	(34,737)
Net Transfers Free of Charge	169	-
Depreciation Expense (note 3)	(32,314)	(39,231)
Carrying Amount at End of the Year	99,717	175,120

Note 7. Intangible Assets

	2009 \$	2008 \$
Work in Progress - Capitalised Software Development - at Cost	50,562	-
Total Intangible Assets	50,562	-

Reconciliation of Movements

Carrying Amount at the Start of the Year	-	-
Additions	50,562	-
Carrying Amount at the End of the Year	50,562	-

Note 8. Interest Bearing Liabilities

	2009 \$	2008 \$
Current: Secured		
Lease Liabilities	100,875	53,668
Non-Current: Secured		
Lease Liabilities	-	123,930
Total Interest Bearing Liabilities	100,875	177,598

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets Pledged as Security

The carrying amounts of non-current assets pledged as security are:

Motor Vehicles under Finance Lease	99,717	175,120
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Note 10 discloses the maturity analysis of interest bearing liabilities and the nature and extent of risks arising from interest bearing liabilities.

Note 9. Provisions

	2009 \$	2008 \$
Current:		
Employee Benefits		
- Annual Leave	515,900	599,535
- Long Service Leave		
Expected to be paid within 12 months	90,768	82,000
Expected to be paid after 12 months	397,532	626,446
- Performance Bonus	201,556	109,204
Restoration Costs	436,880	-
	1,642,636	1,417,185
Non-Current:		
Employee Benefits		
- Long Service Leave	343,995	182,243
Total Provisions	1,986,631	1,599,428
Movement in Provisions other than Employee Benefits		
Carrying Amount at Start of the Year	-	
Provision Recognised	436,880	
Carrying Amount at End of the Year	436,880	

Note 10. Financial Instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the Financial Statements.

(b) Categorisation of financial instruments

	Note	Category	Carrying Amount	
			2009 \$	2008 \$
Financial assets				
Cash	—	Cash	500	500
Receivables*	5	Loans and receivables at amortised cost	—	—
Financial liabilities				
Payables		Financial liabilities at amortised cost	2,113,323	1,756,891
Interest bearing liabilities	7	Financial liabilities at amortised cost	100,875	177,598

Net Holding Gain/(Loss) on Financial Instruments by Category

Financial assets				
Cash		Cash	—	—
Receivables*		Loans and receivables at amortised cost	—	—
Financial liabilities				
Payables		Financial liabilities at amortised cost	—	—
Interest bearing liabilities		Financial liabilities at amortised cost	(9,457)	(14,866)

* Receivables disclosed here exclude statutory receivables (i.e. Amounts owing from Government Departments and GST recoverable).

The net holding gains or losses disclosed in the previous table are determined as follows:

- For cash and cash equivalents, loans or receivables and available for sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result; and
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of the financial liabilities.

(c) 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 counter parties 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 minimal 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 assets that are either past due or impaired
Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. There are no financial assets that are past due but not impaired.

(d) 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 interest rate exposure and maturity analysis of financial liabilities are set out in Table 1 on the following page.

(e) Market risk

The Commission's exposure to market risk is primarily through interest rate risk. The Commission has no exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the following paragraphs.

Interest rate risk

Exposure to interest rate risk is insignificant and might arise primarily through the Commission's interest bearing liabilities. The only interest bearing assets or liabilities are the motor vehicle lease liabilities, with respect to which the interest rate is fixed for the term of the lease.

The Commission's exposure to interest rate risk is set out in Table 2 on the following page.

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Commission believes the following movements are reasonably possible over the next 12 months (Base rates are sourced from Treasury Corporation of Victoria):

- A parallel shift of +0.5 per cent and -0.5 per cent in market interest rates (AUD) from year-end rates.

The impact on net operating result and equity for each category of financial instrument held by the Commission at year-end as presented to key management personnel, if the above movements were to occur, is \$Nil (2008 - \$Nil).

(f) Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Table 1

The interest rate exposure and maturity analysis of financial liabilities are:

	Carrying amount	Nominal amount	Maturity dates *			
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years
	\$	\$	\$	\$	\$	\$
2009						
Payables	2,113,323	2,113,323	2,113,323			
Finance lease liabilities	100,875	105,158	15,983	22,422	66,753	
2008						
Payables	1,756,891	1,756,891	1,756,891			
Finance lease liabilities	177,598	197,732	4,443	8,885	52,072	132,332

Table 2

The Commission's exposure to interest rate risk is set out below:

	Weighted average interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
	%	\$	\$	\$	\$
2009					
Payables	-	2,113,323			2,113,323
Finance lease liabilities	7.3	100,875	100,875		
2008					
Payables	-	1,756,891			1,756,891
Finance lease liabilities	6.8	177,598	177,598		

Note 11. Commitments for Expenditure

	2009 \$	2008 \$
Capital Commitments		
Plant and Equipment, payable:		
Within one year	180,000	872,000
Later than one year but not later than five years	-	545,000
Later than five years	-	-
	180,000	1,417,000
Outstanding Commitments		
Information Technology Services, payable:		
Within one year	168,380	19,200
Later than one year but not later than five years	-	380,000
Later than five years	-	-
	168,380	399,200
Operating Lease Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	792,923	667,080
Later than 1 year but not later than five years	60,991	723,736
Later than five years	-	-
	853,914	1,390,816
Finance Lease Commitments		
Commitments in relation to finance leases are payable as follows:		
Within one year	105,158	65,400
Later than one year but not later than five years	-	132,332
Later than five years	-	-
Minimum Lease Payments	105,158	197,732
Less: Future finance charges	(4,283)	(20,134)
Total Lease Liabilities	100,875	177,598
Shown in the Financial Statements as:		
Current (note 8)	100,875	53,668
Non-Current (note 8)	-	123,930
	100,875	177,598

Note 12. Contingent Liabilities and Contingent Assets

The Essential Services Commission has no contingent liabilities or contingent assets at 30 June 2009. A contingent liability of \$3,500,000 at 30 June 2008 related to various court actions brought against the Commission in relation to licensing requirements and the applicability of certain regulatory requirements of the Commission to the other parties to these actions. The Commission was successful in defending these actions.

Note 13. Responsible Persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Minister and Accountable Officer in the Commission during the financial year were as follows:

Responsible Minister

The Hon Tim Holding, MP, Minister for Finance, WorkCover and the Transport Accident Commission

Accountable Officer

Greg Wilson, Chairperson to 21 July 2008

Dr Ron Ben-David, Chairperson from
15 December 2008

Dennis Cavagna acted in the office of Chairperson from 21 July 2008 to 15 December 2008

Remuneration

Remuneration received or receivable by the Accountable Officer, in connection with the management of the Commission during the reporting period, was in the range:
\$160,000-\$169,999 (\$270,000 - \$279,999 in 2008)

Amounts relating to Ministers are reported in the Financial Statements of the Department of Premier and Cabinet. Amounts relating to acting Accountable Officers are reported in "Remuneration of Executives" (Note 14).

Other Transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

Note 14. Remuneration of Executives

The number of executive Officers, other than the Accountable Officer, whose total remuneration exceeded \$100,000 during the reporting period, are shown in their relevant income bands in the first two columns of the table below.

The base remuneration of these executive Officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income Band	Total Remuneration		Base Remuneration	
	2009 No.	2008 No.	2009 No.	2008 No.
\$130,000 - \$139,999	-	1	-	1
\$140,000 - \$149,999			1	-
\$150,000 - \$159,999	1	-		
\$160,000 - \$169,999			-	1
\$170,000 - \$179,999	-	1	3	2
\$180,000 - \$189,999	2	2		
\$190,000 - \$199,999	1	-		
\$210,000 - \$219,999			1	1
\$230,000 - \$239,999	1	1		
Total Numbers	5	5	5	5
Total Amount (\$)	957,447	913,287	884,475	858,222

Note 15. Remuneration of Auditors

	2009 \$	2008 \$
Audit Fees paid or payable to the Victorian Auditor-General's Office		
Auditing the Annual Financial Statements	13,860	12,000
No other services were provided by the Victorian Auditor-General's Office.		

Note 16. Superannuation

No liability is recognised in the Balance Sheet for the Commission's share of the State's unfunded superannuation liability. The State's unfunded superannuation liability has been reflected in the Financial Statements of the Department of Treasury and Finance.

However, superannuation contributions for the reporting period are included as part of salaries and associated costs in the Operating Statement of the Commission.

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

Defined Benefit Funds

Emergency Services and State Super
- New Scheme

Accumulation Funds

VicSuper

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

The bases for contributions are determined by the various schemes.

Note 17. Reconciliation of Net Result to Net Cash Flows from Operating Activities

	2009 \$	2008 \$
Net Result for the Reporting Period	1,272	408
Depreciation	467,504	216,930
Loss on Disposal of Property, Plant and Equipment	19,335	26,477
Net Transfers Free of Charge	(1,348)	-
Change in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(1,240,293)	(2,810,581)
Increase/(Decrease) in Payables	150,965	(124,795)
Increase/(Decrease) in Provisions	387,203	(18,451)
Increase/(Decrease) in Other Operating Liabilities	486,220	3,352,729
Net Cash Flows from Operating Activities	270,858	642,717

Note 18. Non-Cash Financing and Investing Activities

During the period, net assets amounting to \$1,348 (2008 Nil) were transferred to the Commission from the Department of Treasury and Finance and accounted for as resources received free of charge in the Comprehensive Operating Statement.

Note 19. Administered Items

In addition to the specific controlled operations which are included in the Balance Sheet, Comprehensive Operating Statement 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 estimates, with final determination to be made by the Minister for Finance, WorkCover and the Transport Accident Commission.

	2009 \$	2008 \$
Administered Income from transactions		
Licence and other Fees	9,823,018	11,527,770
Other Income	300,000	1,536,036
Payments to Consolidated Fund	(13,436,115)	(11,259,144)
	(3,313,097)	1,804,662
Administered Expenses from transactions		
	—	—
Administered Net Result	(3,313,097)	1,804,662
Administered Assets		
Debtors	18,547	330,000
Accrued Income	8,179,917	11,431,561
	8,198,464	11,761,561
Administered Liabilities		
Unearned Income	50,000	300,000
	50,000	300,000
Administered Net Assets	8,148,464	11,461,561

Note 20. Glossary of Terms

Comprehensive result

Comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Capital asset charge

The capital asset charge represents the opportunity cost of capital invested in the non-current physical assets used in the provision of outputs.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - 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
 - 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.

Financial Statements

Depending on the context of the sentence where the term 'Financial Statements' is used, it may include only the main Statements (i.e. Comprehensive Operating Statement, Balance Sheet, Cash Flow Statement, and Statement of Changes in Equity); or it may also be used to include the main Statements and the Notes.

Grants and other transfers

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.

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.

Interest expense

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.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

Net result from transactions

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.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Other economic flows

Other economic flows 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.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.

Supplies and services

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 Office.


Transactions

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.

Accountable Officer's and Chief Financial Officer's Declaration

We certify that the attached Financial Statements for the Essential Services Commission have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Recognised Income and Expense, Cash Flow Statement and Notes to the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2008 and financial position of the Commission as at 30 June 2008. We are not aware of any circumstance, which would render any particulars included in the Financial Statements to be misleading or inaccurate.



Peter Goddard
Chief Financial Officer
Department of Treasury
and Finance

Melbourne
9 September 2009



Ron Ben-David
Chairperson
Essential Services Commission

Melbourne
9 September 2009

INDEPENDENT AUDITOR'S REPORT

To the Commission Members, Essential Services Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of the Essential Services Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief financial officer's declaration has been audited.

The Commission Members' Responsibility for the Financial Report

The Commission Members are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the Financial Management Act 1994. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Commission Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Essential Services Commission for the year ended 30 June 2009. The Commission Members are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Essential Services Commission website.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Essential Services Commission as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
10 September 2009



D D R Pearson
Auditor-General

APPENDIX B

Regulatory Framework

Regulated Industries and Relevant Legislation

At 30 June 2009, the following industries were regulated industries within the ambit of the Commission by virtue of the relevant legislation specified below:

- the electricity industry – retailing and distribution (licensing and non-economic rule-making), under the *Electricity Industry Act 2000*
- the gas industry – retailing and distribution (licensing and non-economic rule-making), under the *Gas Industry Act 2001*
- the water industry – prices, service standards and conditions of service for the Victorian water industry including Melbourne Water and three metropolitan retailers under the *Water Industry Act 1994* and 15 regional and rural businesses under the *Water Act 1989*
- the industry of facilitating the export shipping of grain from 1 July 1995, under the *Grain Handling and Storage Act 1995*
- the port industry in the ports of Melbourne, Geelong, Portland and Hastings from 1 January 1996, under the *Port Services Act 1995*
- the rail (including trams) industry from 29 April 1999, access only, under the *Rail Corporations Act 1996*.

In addition, the Commission is responsible for the administration of the Victorian renewable energy scheme and the Victorian energy efficiency target scheme through the following legislation:

- the renewable energy industry from 1 January 2007, under the *Victorian Renewable Energy Act 2006*
- energy efficiency under the *Victorian Energy Efficiency Target Act 2007* (from 1 January 2009).

APPENDIX C

Essential Services Commission Publications 2008-09

The majority of the Commission's publications can be obtained from the website at <http://www.esc.vic.gov.au>. Publications are also available from Information Victoria, 505 Little Collins Street, Melbourne 3000 and the Commission's reception at Level 2, 35 Spring Street, Melbourne 3000.

Corporate

Work Program 2008-09 (July 2008)

Response to the independent report identifying the costs associated with the administrative burden (Aug. 2008)

Annual Report 2007-08 (Oct. 2008)

Stakeholder climate survey and consumer awareness research 2008 (Dec. 2008)

Energy Industry – Electricity and Gas

Industry Guidelines

Electricity Customer Metering Code – Issue No. 5 (Oct. 2008)

Draft Decision – Revisions to Guideline No. 3 – Regulatory Accounting Information Requirements (Dec. 2008)

Electricity Industry Guideline No. 13 – Greenhouse Gas Disclosure on Electricity Customers' Bills (March 2009)

Electricity and Gas Industries Guideline No. 22 – Regulatory Audits of Retail Energy Businesses (March 2009)

Guideline No. 19 – Energy Price and Product Disclosure – Issue 3 (June 2009)

Industry Codes

Consultation Paper – Review of Regulatory Accounting Code and Templates (Oct. 2008)

Gas Distribution System Code (Version 9.0 – effective from 1 January 2009) (Dec. 2008)

Energy Retail Code (Version 5) (Jan. 2009)

Code of Conduct for Marketing Retail Energy in Victoria – Issue No. 3 (Jan. 2009)

Electricity Customer Metering Code (June 2009)

Comparative Performance Reports

2007-08 Compliance Report – For Victorian Energy Retail businesses (Oct. 2008)

Electricity Distribution Businesses – Comparative Performance Report 2007 (Oct. 2008)

Electricity Distribution Businesses – Comparative Performance Report 2007 – Feeder Performance 2005-07 for Powercor (Oct. 2008)

Electricity Distribution Businesses – Comparative Performance Report 2007 – Feeder Performance 2005-07 for Alinta AE (Oct. 2008)

Electricity Distribution Businesses – Comparative Performance Report 2007 – Feeder Performance 2005-07 for SP AusNet (Oct. 2008)

Electricity Distribution Businesses – Comparative Performance Report 2007 – Feeder Performance 2005-07 for CitiPower (Oct. 2008)

Electricity Distribution Businesses – Comparative Performance Report 2007 – Feeder Performance 2005-07 for United Energy (Oct. 2008)

Gas Distribution Businesses – Comparative Performance Report 2007 (Oct. 2008)

Energy Retailers – Comparative Performance Report – Customer Service 2007-08 (Dec. 2008)

Energy Retailers – Comparative Performance Report – Pricing and the Competitive Market 2007-08 (Dec. 2008)

Electricity Distribution Price Review 2006-10

Final Decision Volume 2 Price Determination – October 2005 Determination as amended in accordance with: A decision of the Appeal Panel dated 17 February 2006; and an Order in Council under section 15A and 46D of the *Electricity Industry Act 2000* (28 August 2007) as amended on 25 November 2008 (Dec. 2008)

General

Draft Decision – Applications for Exclusion from the Financial Incentives for Supply Reliability – Supply Interruptions due to the 2 April 2008 Wind Storm (Aug. 2008)

Draft Decision – Geographic Boundaries for Gas Retailers of Last Resort (Aug. 2008)

Draft Decision – Review of Regulatory Instruments – Stage 1 (Aug. 2008)

Draft Decision – Energy Efficient Public Lighting Charges (Nov. 2008)

Special Report – Use of Estimated Accounts by Energy Retail Businesses (Dec. 2008)

Regulatory Compliance Status Report for Energy Distribution Businesses – Summary Report for the 2007-08 Financial Year (Dec. 2008)

Draft Decision – Application for Exclusion from the Financial Incentives for Supply Reliability – Supply Interruptions Due to the 22 February 2008 Wide-Scale Supply Interruption Event and Transmission Network Incidents February-September 2008 (Dec. 2008)

Review Findings Report – Electricity Distribution Businesses' Responses to the Storm Events of 2 April 2008 (Dec. 2008)

Final Decision – Applications for Exclusion from the Financial Incentives for Supply Reliability – Supply Interruptions Due to the 2 April 2008 Wind Storm (Dec. 2008)

Consultation Paper – Gas Retailers of Last Resort for the Non-Principal Transmission System Areas (Dec. 2008)

Final Decision – Amendments to the Retail Gas Market Rules (Dec. 2008)

Compliance Policy Statement for Victorian Energy Businesses (Jan. 2009)

Draft Decision – Gas Retailers of Last Resort for the Non-Principal Transmission System Areas (Feb. 2009)

Supplementary Draft Decision – Gas Retailers of Last Resort for Non-Principal Transmission System Areas – South Gippsland (March 2009)

Final Decision – Energy Price and Product Disclosure (May 2009)

Supplemental Submission to the AEMC Review into the use of Total Factor Productivity for the Determination of Prices and Revenues – ESC Response to Submissions to the Framework and Issues Paper (May 2009)

Working with Communities – A report on Workshops with Members of the African Community, Financial Counsellors and Energy Retailers (June 2009)

Respecting Customers – Regulating Marketing Conduct 2009-10, Victorian Retail Energy Businesses (June 2009)

Second Supplemental Submission to the AEMC Review into the Use of Total Factor Productivity for the Determination of Prices and Revenues – ESC Response to Submissions to the Framework and Issues Paper (June 2009)

Final Decision – Gas Retailers of Last Resort for the Non-Principal Transmission System Areas (June 2009)

Summary Audit Report – Regulatory Audit of Simply Energy (June 2009)

Energy Targets

Draft Decision Paper – Victorian Energy Efficiency Target Scheme Guidelines (Aug. 2008)
Final Decision Paper – Victorian Energy Efficiency Target Scheme Guidelines (Nov. 2008)

Water industry

Consultation Papers

Issues Paper – Rural Performance Reporting Framework (Sept. 2008)

Consultation Paper – 2008 Rural Tariff Review – GWMWater's Rural Pipeline Tariff (Oct. 2008)

Final Decision – 2008 Rural Tariff Review – GWMWater – Final Decision on 2008-09 Rural Pipeline Tariff and Guidance on Tariffs for 2009-10 to 2012-13 (Nov. 2008)

Final Decision – Rural Performance Reporting Framework (Dec. 2008)

Issues Paper – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services (Feb. 2009)

Draft Report – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services (June 2009)

2008-09 Melbourne Metropolitan Water Price Review

Issues Paper – Water Plans - Metropolitan Melbourne Water Price Review 2008-09 (Dec. 2008)

Draft Decision – Volume I – Metropolitan Melbourne Water Price Review (April 2009)

Draft Decision Volume II – Melbourne Water – 2009 Water Price Review (April 2009)

Draft Decision Volume II – City West Water – 2009 Water Price Review (April 2009)

Draft Decision Volume II – South East Water – 2009 Water Price Review (April 2009)

Draft Decision Volume II – Yarra Valley Water – 2009 Water Price Review (April 2009)

Final Decision – Metropolitan Melbourne Water Price Review 2009 (June 2009)

Performance Reports

Water Performance Report – Performance of urban water and sewerage businesses 2007-08 (March 2009)

Grain handling

General

Issues Paper – Review of Victorian Grain Handling and Storage Access Regime (Nov. 2008)

Draft Report – Review of Victorian Grain Handling and Storage Access Regime (Feb. 2009)

Final Report – Review of Victorian Grain Handling and Storage Access Regime (May 2009)

Ports services

Ports Review of Ports Regulation

Issues Paper – Review of Victorian Ports Regulation (Jan. 2009)

Draft Report – Review of Victorian Ports Regulation (May 2009)

General

Ports Monitoring Reports 2006-07 & 2007-08 (Feb. 2009)

Rail

Industry Guidelines

Draft – Rail Access Pricing Guideline – Version 2.0 (April 2009)

Draft – Rail Access Pricing Guideline – Version 2.0 (April 2009)

Access Arrangements

Issues Paper – Pacific National Rail Access Arrangement Renewal (March 2009)

Access Arrangement made by Essential Services Commission in respect of V/Line Passenger Pty Limited (March 2009)

Draft Decision – V/Line Proposed Access Arrangement (May 2009)

Final Decision – V/Line Proposed Access Arrangement (June 2009)

Transport

Taxi Fare Review

Final Report – Taxi Fare Review 2007-08 (Sept 2008)

APPENDIX D

Legislation and Amendments

The following is a list of legislation applying to the Commission's responsibilities in relation to regulated industries as at 30 June 2009. Also listed is legislation that amended the principal Acts in 2008-09.

Essential Services Commission Act 2001

Electricity Industry Act 2000

Gas Industry Act 2001

Water Industry Act 1994

Water Act 1989

Grain Handling and Storage Act 1995

Port Services Act 1995

Rail Corporations Act 1996

National Electricity (Victoria) Act 2005

Energy Legislation Amendment (Australian

Energy Market Operator) 2009

Gas Pipelines Access (Victoria) Act 1998

Victorian Renewable Energy Act 2006

Victorian Energy Efficiency Target Act 2007

APPENDIX E

Section 33 Report

Price determinations made under section 33 of the *Essential Services Commission Act 2001* in the 2008-09 financial year – 4 determinations relating to water pricing.

APPENDIX F

Section 37 Report

Section 37 of the *Essential Services Commission Act 2001* empowers the Commission to obtain information or documents that may assist in the performance of its functions.

Notices issued under section 37 during 2008-09 – nil.

APPENDIX G

Section 38 Report

Section 38 of the *Essential Services Commission Act 2001* allows the Commission to disclose, under specified circumstances, information or the contents of a document given to the Commission under the Act.

Disclosure by the Commission under section 38 during 2008-09 – nil.

APPENDIX H

Consultancies			
Consultant	Nature of work	Actual Fees 2008-09 \$	Future Fees \$
(a) Consultancies in excess of \$100,000			
Australian Project & Consulting Services P/L	Advice on the design of registry processes and systems; project management services and analysis of process performance	726,133	nil
Deloitte Touche Tohmatsu	Professional advice on the review of expenditure forecasts relating to the Melbourne metropolitan water price review	182,177	nil
Deloitte Touche Tohmatsu	Provision of risk services for the Victorian Energy Efficiency Target scheme, including drafting of an audit guideline	133,707	nil
Deloitte Touche Tohmatsu	Professional economic advice on the advanced metering infrastructure review	100,890	nil
Fenton Communications	Professional communications advice on the 'Your Choice' information campaign for Victorian retail energy customers	141,389	nil
Gilbert & Tobin	Legal advice to successfully defend the Commission in a Supreme Court proceeding initiated by Alinta Asset Management (AAM). This included further advice in relation to the subsequent appeal by AAM of a Supreme Court decision in favour of the Commission	431,156	nil
Gilbert & Tobin	Legal advice and representation to successfully defend the Commission in two Supreme Court proceedings initiated by United Energy and Multinet in relation to the validity of the electricity and gas regulatory accounting guidelines	199,587	nil
Gilbert & Tobin	Legal advice related to the gas distribution price review and representation to defend the Commission's decision against five out of seven grounds of appeal by the gas distribution businesses	1,190,845	nil
Halcrow Pacific Pty Ltd	Professional advice on the review of expenditure forecasts related to the Melbourne metropolitan water price review	248,580	nil
Pacific Economics Group	Specialist econometric modelling advice in the estimation of the Victorian total factor productivity for energy distributors	109,559	nil
Pricewaterhouse Coopers	Professional advice on the review of demand forecasts related to the Melbourne metropolitan water price review	113,366	nil
SMS Management & Technology	Specialist information technology advice on the advanced metering infrastructure review	100,000	nil
Total		3,677,389	nil
(b) Number of consultancies less than \$100,000			
Number of Consultancies	67		
Total incurred Expenditure	\$6,043,908		

APPENDIX I

Freedom of Information

Details of Requests Received during 2008-09

Requests	2008-09	2007-08
Requests received	2	1
Requests granted in full	0	0
Requests granted in part	0	1
Requests denied	0	0
Requests transferred	0	0
Requests withdrawn	0	0
No document in existence	2	0
Requests pending as at 30 June 2009	0	0

Nominated Contact Person

Requests for access to documents should be addressed to:

Mr John Henry
Legal Counsel
Essential Services Commission
2nd Floor, 35 Spring Street
Melbourne Vic 3000

Further information

Further information concerning the *Freedom of Information Act* may be obtained from:

Freedom of Information Act 1982
Freedom of Information (Access Charges)
Regulation 2004
Freedom of Information Regulations 1998
www.foi.vic.gov.au

Reports, Publications and Informal Requests

Details of reports and publications produced by the Commission can generally be obtained from the Commission's website: www.esc.vic.gov.au.

Otherwise, requests may be directed to:

Essential Services Commission
Level 2, 35 Spring Street
Melbourne, Vic 3000
Telephone: (03) 9651 0222
or 1300 664 969
publications@esc.vic.gov.au

APPENDIX J

Compliance Index 2008-09

Compliance Index Disclosure Requirements

The Annual Report of the Essential Services Commission is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance.

This index page facilitates the identification of compliance with the Directions of the Minister for Finance by listing references to disclosures in this financial report.

Information Available on Request

The Financial Management Act 1994 determines the nature of information that must be included in a department's annual report. Under Financial Reporting Directions 22, certain additional information is required to be held by the department and made available, within the limitations of the *Freedom of Information Act 1982*.

Some of the additional data are included within this report. Requests for further information may be made in writing to the Freedom of Information Officer.

Financial Reporting Directions - Report of Operation

Legislation	Requirement	Page
Charter and purpose		
FRD 22B	Manner of establishment and relevant Ministers	8
FRD 22B	Objectives, functions, powers and duties	8,9,10
FRD 22B	Nature and range of services provided	8,9,10
Management and Structure		
FRD 22B	Organisational structure	10, 11
Financial and other information		
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	36
FRD 22B	Statement of workforce data, merit and equity	37, 39
FRD 22B	Occupational health and safety	40
FRD 15B	Executive officer disclosures	39
FRD 22B	Summary of the financial results for the year	48
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22B	Major changes or factors affecting performance	N/A
FRD 22B	Subsequent events	N/A
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	84
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	46
FRD 29	Workforce Data Disclosures	38
Financial and other information		
FRD 25	Victorian Industry Participation Policy disclosures	N/A
FRD 22B	Statement on National Competition Policy	46
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	88
FRD 22B	Details of consultancies over \$100,000	83
FRD 22B	Details of consultancies under \$100,000	83
FRD 12A	Disclosure of major contracts	N/A
FRD 24C	Reporting of office-based environmental impacts	46
FRD 22B	Statement of availability of other information	85
FRD 10	Disclosure Index	86
FRD 8B	Budget portfolio outcomes	N/A

Financial Reporting Directions - Report of Operation

Legislation	Requirement	Page
Financial Statements		
Financial Statements required under Part 7 of the FMA		
SD 4.2 (b)	Operating Statement	50
SD 4.2 (b)	Balance Sheet	51
SD 4.2 (a)	Statement of Changes in Equity	52
SD 4.2 (b)	Cash Flow Statement	53
SD 4.2 (c)	Accountable officer's declaration	76
SD 4.2 (c)	Compliance with Ministerial Directions	54-60
SD 4.2 (d)	Rounding of amounts	N/A
SD 4.5.5	Risk management attestation	41
Other Disclosures in Notes to the Financial Statements		
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9A	Departmental disclosure of administered assets and liabilities	74
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21A	Responsible persons and executive officer disclosures	71
FRD 112B	Defined benefit superannuation obligations	73

Legislation

Freedom of Information Act 1982

Building Act 1983

Financial Management Act 1994

Audit Act 1994

Whistleblowers Protection Act 2001

Victorian Industry Participation Policy Act 2003

APPENDIX K

Whistleblowers Protection Act 2001

The Essential Services Commission is a public body required to produce annual reports of operations, in accord with Part 7 of the *Financial Management Act 1994*. The Commission is accordingly obliged to make certain disclosures pursuant to section 104 (a-j) of the *Whistleblowers Protection Act 2001*. These are set out below.

The Commission has developed procedures to satisfy its obligations under part 6 of the *Whistleblowers Protection Act 2001*. Those procedures are extensive and may be obtained by contacting the Commission.

Information required pursuant to *Whistleblowers Protection Act 2001*:

Statistics for 2008-09	
Number and types of disclosures made to the Commission	0
Number of disclosures referred by the Commission to the Ombudsman for determination as to whether they are public interest disclosures	0
Number and types of disclosed matters referred to the Commission by the Ombudsman	0
Number and types of disclosed matters referred by the Commission to the Ombudsman	0
Number and types of investigations of disclosed matters taken over by the Ombudsman from the Commission	0
Number of requests made under section 74 of the Whistleblowers Protection Act to the Ombudsman to investigate disclosed matters	0
Number and types of disclosed matters that the Commission declined to investigate	0
Number and types of disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	0
Recommendations of the Ombudsman under the Whistleblowers Protection Act that relate to the Commission	0

APPENDIX L

Section 55 Report

Number of appeals lodged under section 55 of the *Essential Services Commission Act 2001* - nil.



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