



ANNUAL REPORT 2012-13



ANNUAL REPORT 2012-13



CONTACT DETAILS

Essential Services Commission
Level 37
2 Lonsdale Street
Melbourne Victoria 3000
ABN: 71 165 498 668

Telephone: 61 3 9032 1300 or 1300 664 969
Facsimile 61 3 9032 1301
Email: reception@esc.vic.gov.au
Website: www.esc.vic.gov.au

BUSINESS HOURS

8.30am to 5.00pm
Monday to Friday

CHAIRPERSON

Dr Ron Ben-David

COMMISSIONERS

Mr Dennis Cavagna
Ms Mary Anne Hartley SC

SENIOR STAFF*

Chief Executive Officer
– David Heeps

Director, Water
– Andrew Chow

(Acting) Director, Water
– Marcus Crudden

Director, Energy
– Jeff Cefai

Director, Transport and Industry Sectors
– Steve Martin

Legal Counsel & Secretary
– John Henry

Chief Financial Officer
– Tony Mastroianni

*As at 30 June 2013

ISSN: 1447-6029 © 2013 Essential Services Commission

This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the *Copyright Act 1968* and the permission of the Essential Services Commission.

Designed by HSA Design, Melbourne.
Printed on recycled paper



18 September 2013

The Hon Robert Clark MP
Minister for Finance
121 Exhibition Street
Melbourne Vic 3000

Dear Minister

ESSENTIAL SERVICES COMMISSION ANNUAL REPORT 2012–13

We are pleased to present the Essential Services Commission's Annual Report for 2012–13.

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 2012–13, the Commission completed a range of regulatory projects across energy, water, transport and other industry sectors. Most notably, the Commission completed a review of Victoria's 19 water authorities pricing plans for 2013–18, as well as significant work in the areas of energy regulation, share-ride taxi fares, accident towing charges, ports and domestic building insurance.

In addition, it continued to invest in improving its administration of the Victorian Energy Efficiency Target.

We place on record our appreciation to the Commission's staff for their commitment to delivering our regulatory, administrative and advisory program throughout 2012–13.

Yours sincerely



DR RON BEN-DAVID
Chairperson



DENNIS CAVAGNA
Commissioner



MARY ANNE HARTLEY SC
Commissioner

HIGHLIGHTS 2012–13

- Completed a review of water prices to apply to 19 water businesses across metropolitan, regional and rural Victoria, to apply from 1 July 2013
- Investigated and addressed systemic energy retailer compliance issues, including back billing, incorrect billing wrongful disconnections and incorrect early termination fees
- Pursued a project to harmonise the Commission's regulations in its codes and guidelines with the National Energy Customer Framework
- Completed a review of unaccounted for gas benchmarks that led to amendments to the Gas Distribution System Code
- Introduced internet-based product application/approval and accreditation application systems to streamline the processing and approval of Victorian Energy Efficiency Target (VEET) scheme applications
- Developed technical and regulatory requirements for new commercial lighting activity with regard to VEET
- Provided advice to Government in relation to the fares and pricing structures to be adopted by two pilot late night, shared-ride taxi schemes – one covering the Melbourne metropolitan area; the other in Geelong and its surrounding areas
- Released reports into the annual performance of the water, retail electricity and gas and domestic building insurance sectors

CONTENTS

Letter to the Minister	3
About the Commission	7
The Year in Review – Chairperson	11
Organisation & Operations – CEO	13
Commission Outcomes 2012–13	
Energy	15
Water	23
Transport and Industry Sectors	29
Output Performance	33
Appendices	45
A Financial Statements	45
B Regulatory Framework	71
C Commission Publications	71
D Legislation	72
E Price Determinations	73
F Notices Issued by the Commission	73
G Disclosure by the Commission	73
H Office Based Environmental Impacts	74
I Consultancies	77
J Freedom of Information	78
K Compliance Index 2012–13	78
L Whistleblowers Protection Act 2001	81
M Appeals	82





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, subsuming the former Office of the Regulator-General (the economic regulator of regulated utility industries in Victoria from 1994).

At 30 June 2013, the industries regulated by the Commission were electricity, gas, water, ports and rail freight. In 2013–14, this list will expand to include taxis.

ABOUT THE ESSENTIAL SERVICES COMMISSION

WHY THE COMMISSION WAS ESTABLISHED

The Commission was established to provide 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. Since its establishment, the Commission has widened its program to include additional functions for Ministerial reviews and the administration of the Victorian Energy Efficiency Target scheme.

OBJECTIVES OF THE COMMISSION

The primary objective of the Commission is to 'promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services'.

Matters to which the Commission has regard in seeking to achieve its objectives in relation to each particular industry are 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

FUNCTIONS OF THE COMMISSION

The Act specifies the following functions of the Commission:

- 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 under specified legislation

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 *Accident Towing Services Act 2007*, the *Transport (Compliance & Miscellaneous) Act 1983* and the *Port Services Act 1995*.



PERFORMING THE COMMISSION'S FUNCTIONS

The Commission performs its functions via both formal and informal consultation 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. Consultation may 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.

GOALS

The Essential Services Commission's goals are to:

- Support productivity growth and Government reforms through innovative and practical solutions
- Establish robust networks within government and industries
- Promote incentive structures to minimise regulatory intervention
- Communicate clearly

THE ESC'S ORGANISATIONAL STRUCTURE

The ESC is structured as a Commission comprising a Chairperson and two part-time Commissioners, supported by 65 staff (as at 30 June) led by a Chief Executive Officer.

The Chairperson:

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

Dr Ron Ben-David joined the Victorian Department of Treasury and Finance in 1998. This was followed by a number of years in the Department of Premier and Cabinet, where he became a Deputy Secretary in 2004. In 2007, he established Victoria's Office of Climate

Change and then headed the Secretariat for the Garnaut Climate Change Review. He has served as Chairperson of the Essential Services Commission of Victoria since late 2008. Dr Ben-David has presented on a wide range of issues including: governance and regulation in the water industry, retail energy markets, climate change, sustainability, federalism, local government, taxi reform and economic philosophy.

In 2005, Dr Ben-David became a Fellow of the Institute of Public Administration Australia (Vic.) He is a member of numerous advisory councils.

Commissioners:

Mr Dennis Cavagna was re-appointed to the Commission for two years in November 2012 and Ms Mary Anne Hartley SC was appointed in October 2011.

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

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 is a member of the Risk and Audit Committee of the Victorian Department of Sustainability and Environment, and independent member of the VicRoads audit committee and a board member of Queensland Urban Utilities and Parks Victoria.

M A (Mary Anne) Hartley SC, BA (Hons) LL.B (Hons)

Mary Anne Hartley was appointed Commissioner in October 2011. Ms Hartley is a practising barrister, admitted to the legal profession in 1984 and appointed a Senior Counsel in 2009. She has served as a Director of Melbourne Water, the Victorian Channels Authority, Gascor Ltd, the Port of Melbourne Corporation and Monash Gallery of Art. Before joining the Victorian Bar, Ms Hartley was a partner in a national law firm, where she advised public hospitals and practised insurance and shipping law. She is an accredited mediator. Ms Hartley chairs the Risk Audit and Finance committee of the Victorian Responsible Gambling Foundation.

Chief Executive Officer

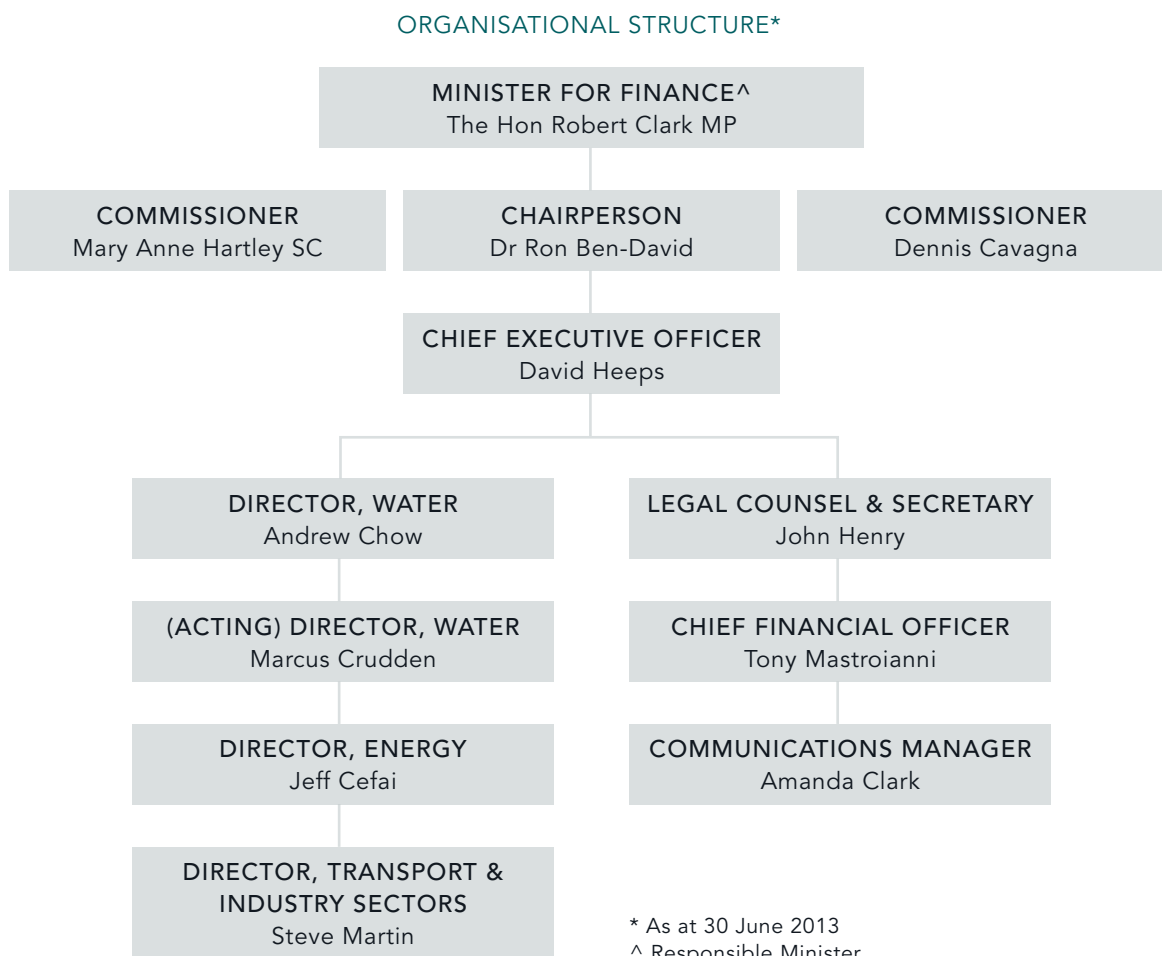
D P (David) Heeps, BE (Agric), MEngSci, GradDip Applied Corp Governance

Mr Heeps was appointed Chief Executive Officer in February 2010. His appointment followed 10 years at City West Water with roles in corporate planning, pricing, government liaison and regulatory compliance. Prior to City West Water he worked for six years in the Victorian Government on both federal and state-wide water resources issues, and later headed a group supporting the relevant Ministers in their role of over-viewing the performance of the

various water businesses in the State. He worked in various roles over 16 years in the Melbourne Metropolitan Board of Works and spent three years as a research fellow at Monash University. He has attained qualifications in corporate governance with the Australian Institute of Company Directors and Chartered Secretaries Australia.

Senior Administrative Structure

The Commission's organisational structure (as at 30 June 2013) and senior management team are set out in the following chart.



The Commission's regulatory and analytical staff are qualified in economics, accounting, law, 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 2011.



THE YEAR IN REVIEW

CHAIRPERSON



As Victoria's economic regulator, the Essential Services Commission completed a challenging and wide-ranging work program in 2012–13,

which included notable achievements in the water, retail energy and transport sectors. The Commission continued its administration of the Victorian Energy Efficiency Target (VEET) scheme, and responded to requests from the Victorian Government for advice on a range of economic and regulatory matters.

One of the most significant achievements in 2012–13 was the completion of the Water Price Review. In June 2013, the Commission released its final decisions on the prices that will apply for the 19 water businesses that provide urban and rural water and sewerage services to Victorian consumers from 1 July 2013. These decisions represented the culmination of a nine-month review process, involving the detailed analysis and scrutiny of the water plans submitted by the water businesses, and extensive stakeholder and public consultation across the State. Over 170 written submissions were made to the Commission to inform the review process.

As a result of the Commission's analysis and identification of cost savings, Victorian consumers will face water bills over the next few years that are lower than would have been the case under the original submissions of the water businesses.

In addition to the Water Price Review, the Commission provided greater transparency to Victorian water consumers about desalination payments which have been collected by metropolitan water businesses but were not required due to delays in commissioning the

desalination plant. The Commission monitored and reported on the return of these payments to customers by the water businesses.

The Commission's role in the regulation of the retail energy sector has continued following the Government's decision in June 2012 to delay Victoria's transition to the National Energy Retail Law. The Commission responded to the challenges created by this delay by refocusing its efforts on ensuring the compliance of retailers with regulatory requirements; minimising unacceptable behaviour by retailers; and helping customers to understand their rights (through our *Your Choice* website).

This Annual Report contains details of the range of regulatory compliance issues investigated and resolved by the Commission in 2012–13. Working closely with the Energy and Water Ombudsman (Victoria) and Consumer Affairs Victoria, the Commission examined door-to-door marketing practices by some energy retailers. In addition, it assessed numerous claims of wrongful disconnection referred to it during the financial year.

At the request of the Minister for Energy and Resources, the Commission began the harmonisation of Victoria's codes and guidelines with the National Energy Customer Framework. This involved extensive consultation with retailers and consumer groups.

Meanwhile, as the energy market continues to evolve and become more complex, the Commission continues to respond to requests for advice from the Government. In 2012–13, this involved a number of projects to facilitate the introduction of flexible pricing. Through changes to legislation, the Commission was also given the responsibility of determining minimum feed-in tariffs for small scale renewable energy embedded generation in Victoria (such as rooftop solar PV systems).



As part of its administration of the VEET scheme (also known as the 'Energy Saver Incentive'), the Commission introduced technical and regulatory requirements for the commercial lighting activity that is now included as part of the scheme. Over the course of 2012–13, almost 8 million energy efficiency certificates were created (with each certificate representing a deemed tonne of greenhouse gas abated). This brings to around 19 million the total number of certificates registered by the Commission since the start of the scheme in 2009. As of 30 June 2013, the number of firms accredited in the scheme was 139.

In line with this increased activity, the Commission maintained a rigorous audit and compliance program for VEET scheme participants. Meanwhile, the Commission attempted to reduce the administrative burden of operating in the scheme by streamlining the processing and approval of applications, while also continuing its efforts to align the administrative processes in Victorian and New South Wales schemes.

Turning to transport matters, the Commission conducted a periodic review of the charges that apply for regulated accident towing and storage services, and provided advice to the Government in relation to taxi fares for two pilot late-night, shared taxi schemes. The Commission also provided input to the independent Taxi Industry Inquiry. Following the Government's response to the final report of that Inquiry, new legislation is now in place that grants the Commission new determinative powers over taxi fares in Victoria. Further work in this area will continue

in 2013–14 as we move towards our first fare determination.

Outside its responsibilities in the utility and transport sectors, the Commission has an ongoing role in monitoring Victoria's domestic building insurance (DBI) scheme. In addition to its annual report on the performance of the DBI scheme, the Commission prepared a report validating the DBI premiums set by the Victorian Managed Insurance Authority, which is now the major provider of this form of insurance in Victoria.

In completing this wide ranging program of work, I would like to thank my fellow Commissioners, Dennis Cavagna and Mary Anne Hartley, who brought their experience and wisdom to the many and varied aspects of the Commission's agenda. I also thank and commend all staff members for their efforts, commitment and support, under the leadership of Chief Executive Officer, David Heeps.

Finally, I would like to express my appreciation to all those individuals, consumer groups and industry representatives that have participated in the wide variety of consultation processes undertaken by the Commission in 2012–13. The views received through these consultations have informed the Commission's findings as we pursued our primary objective of promoting the long-term interests of Victorian consumers.

Dr Ron Ben-David
Chairperson

REVIEW OF ORGANISATION & OPERATIONS CEO



During 2012–13 the Essential Services Commission (the Commission) spent \$16.7 million to achieve its forecast outputs. The increase on the previous year is mainly due to the Commission

undertaking the Water Price Review of 19 metropolitan, regional and rural water businesses, an exercise not previously undertaken during the same financial year.

Maintenance of effective corporate governance practices was achieved through 43 Commission meetings, 11 Board meetings and four meetings of the Audit and Risk Committee.

Internal audits were conducted of the Commission's IT data room, Financial Management Compliance Framework, payroll processes, records management and contract and contractor management, during the year.

Recommendations from the reviews were considered by the Audit and Risk Committee and referred to the Board for implementation throughout the organisation. The Audit and Risk Committee also directed a review of the corporate risk register, rationalising the multitude of risks into six key strategic risks.

The transition of the Commission's IT infrastructure to cloud-based servers was completed, as was management training for all senior staff with direct reports at VPS 5 level and above.

The Commission also developed, with staff, a set of values which exemplify the Commission's corporate culture. The values are:

Integrity

Collaboration

Impartiality

Excellence

Respect

The Commission appointed a Senior Regulatory Manager, Energy, in June. In addition, the Commission finalised two appointments for consumer representative on the board of the Energy and Water Ombudsman (Victoria), resulting in the extension of Carolyn Bond's term for another three years, and the appointment of Gavin Dufty to replace Mark O'Brien.

One occupational health and safety incident was reported during the year, and the circumstances were analysed to identify work environment and procedural improvements.

The Commission moved premises in December, from 35 Spring Street to 2 Lonsdale Street, and the team involved need to be acknowledged for the well-organised transition to a new operating environment.

Finally, I wish to thank all staff for their dedication and diligence in what was an especially demanding year.

David Heeps
Chief Executive Officer





COMMISSION OUTCOMES 2012–13 ENERGY DIVISION

The Essential Services Commission is responsible for the regulation and licensing of gas and electricity retail companies, as well as the licensing of companies in energy generation, transmission and distribution. Within the Commission, the Energy Division also oversees the administration of the Victorian Energy Efficiency Target (VEET) scheme.

ENERGY PROJECTS

The Commission managed a wide range of energy projects during the past 12 months. These included:

Flexible Pricing

The Energy Division undertook a number of important projects to facilitate the introduction of flexible pricing. These projects included an investigation of required regulatory updates to codes and guidelines. Changes to codes and guidelines will become effective later in 2013.

Harmonisation of Guidelines with National Framework

A major project resulted from a request by the Minister for Energy and Resources to harmonise our codes and guidelines with the National Energy Customer Framework (NECF). The Commission has consulted with industry and consumer groups extensively on this project, which is due for completion in October 2013.

Your Choice Website

The Commission also continued to play a major role in informing customers of the competitive market and how to exercise choice of their retailer. Through the 'Your Choice' initiative, the Commission provided advice and information to customers via the internet and through the Information Victoria call centre.

The Commission also commenced an advertising campaign to provide the community with information (located on the *Your Choice* website)

on their rights under the Energy Retail Code with regard to a range of billing issues, with the aim of empowering consumers to be better informed about their rights and responsibilities when liaising with their energy retailer.

Review of Audit Guideline & Licence Application Framework

During 2012–13 the Commission commenced reviews of its audit guideline and licence application framework to better reflect the changing regulatory requirements of the energy sector. Future audits will be conducted and licence applications assessed using the updated processes.

ENERGY SAVER INCENTIVE (VICTORIAN ENERGY EFFICIENCY TARGET — VEET)

During 2012–13, the Commission continued its administration of the Energy Saver Incentive, under the *Victorian Energy Efficiency Target Act 2007*. The Act requires large electricity and gas retailers to reduce greenhouse gas emissions through energy reduction improvements in homes and businesses. The Act and *Victorian Energy Efficiency Target Regulations 2008* set an annual target of abating 5.4 million tonnes of carbon dioxide equivalent greenhouse gases for calendar year 2012. The same annual target was set for calendar years 2013 and 2014. A tradeable certificate is created for each tonne of emissions deemed to have been abated.

By 30 June 2013, the Commission had registered around 19 million certificates in total, of which 7.9 million certificates were created during 2012–13.

Approximately 71 per cent of certificates registered during the year were for standby power controllers – a product that switches off electrical appliances after a period of inactivity. Lighting, weather sealing, water heating, shower head and space heating activities made up the majority of the remaining 29 per cent. Lighting and standby power controllers have been the



dominant activities over the lifetime of the scheme, accounting for around 80 per cent of all certificates (33 per cent for lighting and 47 per cent for standby power controllers).

During 2012–13, the Commission maintained a rigorous audit and compliance program, with systems and processes in place to support its assessment of firms applying for accreditation in the scheme and the validity of participants certificate claims. The Commission developed additional audit process focussing on higher risk participants. These processes led to several investigations during the financial year, resulting in over 100,000 VEET certificates being withdrawn by accredited businesses. As at 30 June 2013, 139 firms were accredited persons in the scheme.

Technical and regulatory requirements for the new commercial lighting activity were introduced successfully during the year. In

concert with the commencement of the commercial lighting activity, an independent testing regime was introduced to validate safety and performance of selected 'emerging technology' lighting products. In addition, new internet based product application/approval and accreditation application systems were installed to streamline the processing and approval of applications. In addition, arrangements to align the administrative processes of the NSW and Victorian energy efficiency schemes continued.

COST OF ENERGY INDUSTRY REGULATION

In 2012–13, the total cost of energy industry regulation was \$2.7 million and administration of the Victorian Energy Efficiency Target scheme, \$6.2 million.

Note: The costs include the direct costs incurred by the energy team, plus an allocation for overhead costs.



ENERGY REGULATORY COMPLIANCE

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). The Commission, however, continues to set rules for aspects of distribution businesses and therefore continues to work co-operatively and closely with the AER.

At the request of the Minister for Energy and Resources, the Commission began the harmonization of Victoria's codes and guidelines with the National Energy Customer Framework (NECF). This has involved extensive consultation with retailers and consumer groups. However, some retailers had already aligned their operations with the NECF requirements in anticipation of the change of regulator. As a result, the Commission assessed and monitored the actions these retailers took to comply once more with existing regulatory obligations.

Three retailers announced either changes of ownership or control of their operating divisions during the year. The Commission assessed these retailers' proposals to change their business processes and systems, and continued to monitor and enforce their compliance, as required.

The Commission assessed 14 licence applications over the year for grants, variations and revocations of certain licences. The Commission granted two new licences to sell to residential customers, four new licences to sell to business and large customers, and two new licences to generate electricity.

Other compliance matters on which the Commission took action during 2012–13 included:

Billing Issues

The Commission investigated significant errors and delays in billing by two retailers and monitored their remedial action. The Commission also investigated retailers' compliance with obligations related to changing electricity customers' billing cycles from quarterly to monthly, and printing smart meter information on bills.

Formal notice of Enforcement Order

The Commission gave notice to two energy retailers that it would issue an Enforcement Order if they failed to comply with requirements to provide certain information on smart meter bills. Both retailers have since reported that they do now comply and the Commission has withdrawn the notice.

Administrative Undertakings

The Commission sought and obtained formal Administrative Undertakings from three retailers to comply with smart meter billing requirements. One of the retailers has now discharged its Undertaking, relating to accounts established with the previous part of its organisation. The Undertakings given by the two outstanding retailers are not yet due for completion.

Incorrect Early Termination Fees

The Commission investigated whether retailers were complying with their Early Termination Fee obligations and started enforcement action, as required.

Wrongful Disconnection

Twenty cases were referred to the Commission by the Energy and Water Ombudsman (Victoria) Limited (EWOV) or retailers throughout the year, for advice or a formal decision on whether a customer had been disconnected in breach of the Energy Retail Code and was therefore entitled to compensation.

The Commission also started to investigate possible wrongful disconnection of significant numbers of customers by two retailers through systemic errors. This investigation will continue into the next financial year.

Other matters referred

Throughout the year, the Commission assessed, investigated and responded to reports of systemic issues and significant non-compliance with licence and code obligations, as reported by the retailers themselves, their customers, advocacy groups and EWOV.

Auditing

To strengthen its ability to detect and respond to compliance breaches, the Commission started a review of Guideline 22 on independent regulatory audits, with a view to extending coverage to licenced energy distribution businesses. The Commission continued to monitor corrective action taken by three energy retailers, following audits conducted in 2011–12. The Commission also assessed the reports of independent audits commissioned by Energy Assured Limited, into retailers' compliance with its code of conduct for door-to-door marketing.

VEET REGULATORY COMPLIANCE INVESTIGATIONS

The Commission undertook five formal investigations of accredited persons during 2012–13. While these investigations were in progress, the Commission ceased assessment of the relevant Accredited Persons' certificate claims. The Commission also undertook 10 formal audits. As a result of these investigations and audits, the Commission required over 100,000 Victorian Energy Efficiency Certificates to be withdrawn or surrendered by the Accredited Persons as a result of their creation without appropriate regard to legislative requirements.



MAJOR PROJECTS COMMENCED AND BENEFITS GENERATED IN 2012–13

ENERGY REGULATION

Project	Output/Results	Benefits/Impact
Harmonisation of regulatory instruments	Commenced review to align Commission's codes and guidelines with national framework.	Lowered the regulatory burden on retailers.
Unaccounted for gas review	Assessed and amended the unaccounted for gas benchmarks in the Gas Distribution System Code.	Gave gas distributors and gas retailers the benchmarks to apply to 31 December 2017.
Review of audit guideline 22	Commenced a review to streamline energy business licence audits.	Provided clearer guidance on audit expectations and timings.
Feed-in tariff Price Review	Commenced a review to set the minimum feed-in tariff for 2014.	Supported the generation of renewable energy at local level.
Flexible pricing	Commenced a review of Commission's codes and guidelines to facilitate flexible pricing.	Ensured adequate customer protections in place to support flexible pricing.

FACILITATING COMPETITION

Project	Output/Results	Benefits/Impact
Customer Liaison	Responded to energy customers' queries on a range of topics throughout the year, including prices, maintenance responsibilities, and information provision on customer bills.	Provided customers with greater understanding of their rights and obligations in the retail energy sector.
Smart Meter Privacy Impact Assessment	Completed project to identify privacy issues with commencement of flexible pricing.	Highlighted key privacy issues for retailers that the Commission will monitor into the future.

COMPANY APPROVALS AND REVIEWS

Project	Output/Results	Benefits/Impact
Energy Retail Audit	Finalised audit program of all active retailers and required undertakings to rectify non-compliance.	Ensured retailers were compliant with regulatory obligations to maintain consumers' confidence in the competitive market.
Energy Performance Reporting	Released 2011–12 Energy Retail Businesses Comparative Performance Report, including customer service and pricing in the competitive market.	Provided information to customers and key parties on the comparative performance of 13 retailers servicing Victoria.

MAJOR PROJECTS COMMENCED AND BENEFITS GENERATED IN 2012–13

ENERGY TARGETS

Project	Output/Results	Benefits/Impact
Victorian Energy Efficiency Target (VEET) scheme	Maintained ongoing administration of the VEET scheme.	Reduced greenhouse gas emissions by promoting more energy efficient use of electricity and gas, initially in the residential sector.
	Implemented new VEET scheme prescribed activities – including those associated with the expansion to the business sector – and amendments to VEET guidelines and eligible product registers.	Provided clarity and certainty in the operation of the VEET scheme to accredited persons and retailers.
	Upgraded product application and approvals system.	Increased scheme integrity through improved automated data assessment and reduced the regulatory burden via streamlined approval processes for industry.
	Released Victorian Energy Efficiency Target scheme Performance Report 2012.	Maintained public accountability for the scheme.





COMMISSION OUTCOMES 2012–13 WATER DIVISION

The main focus of the Water Division's work program in 2012–13 was the completion of the 2013 Water Price Review. The review covered the 19 State-owned water businesses that provide urban and rural water and sewerage services to customers. The Commission released its final decision on the prices that will apply for the 19 businesses in June 2013. *Box B: Water Price Review – Our single biggest challenge in 2013*, provides more detail on our price review process and the main outcomes.

The Water Division also played a key role in monitoring the return of unrequired desalination funds by the metropolitan water businesses to customers (as requested by the Minister for Water). A major focus was to provide a transparent explanation to customers on how the over-recovery of desalination funds emerged (see the Commission's report *Monitoring the return of the unrequired desalination payments, July 2012*). The Commission also promoted transparency by providing regular updates on how funds were being returned, and the amount returned, by the businesses.

Reflecting changes to legislation, revised Customer Service Codes were released following consultation with businesses, customers, and their representatives. The updated Codes were required as a result of the *Water Amendment Act 2012*, which led to changes to the debt management powers of the water businesses, and established the Commission as the body to approve an annual rate of interest to apply to unpaid customer bills.

The Commission completed a new customer contributions framework, relating to payments by developers for new water connections, which was developed in consultation with water businesses and the property development industry. The new framework commences on 1 July 2013.

In December 2012, the Commission released its *Water Performance Report* for 2011–12. The Report provides a basis for interested parties to compare the performance of urban water businesses in areas such as household bills, dealing with customer financial hardship, service reliability, approach to customer hardship, and customer service. The Commission also finalised its review of performance indicators.

COST OF WATER INDUSTRY REGULATION

In 2012–13, the total cost of regulation of the Victorian water industry was \$5.1 million. This is higher than last year, due to additional resources required to undertake the 2013–18 Water Price Review.



WATER PRICE REVIEW: OUR SINGLE BIGGEST PROJECT IN 2012–13

In June 2013, the Commission released its final decision on prices that will apply from 1 July 2013 for water and sewerage services delivered by Victoria's 19 State-owned water businesses. The final decision was the culmination of a review process that involved extensive public consultation and analysis by the Commission.

The review began with the submission of Water Plans by the water businesses in October and November 2012. The Plans set out the expected costs involved in delivering water and sewerage services, planned capital work programs, the forecast volumes of water to be delivered and the level of services promised to customers. Each business also proposed prices to raise revenue to recover expected costs.

The main objective of the Commission's review was to ensure that prices are fair and reasonable; that is, as low as possible but still sufficient to recover the businesses' efficient costs of providing services. The Commission's process included:

- The release of draft decisions in March (for regional and rural water businesses) and April 2012 (for metropolitan businesses).
- Conducting public meetings across the State in November and December 2012, and in April and May 2013 to obtain feedback from stakeholders.
- Reviewing more than 100 submissions received from customers, their representatives and other interested parties.
- Scrutinising the claims of the water business in relation to their expenditure and demand forecasts, assisted by the input of expert consultants.

The Commission's review identified around \$1.2 billion of savings, mainly reflecting lower finance, energy and labour costs, and reduced or deferred capital programs. Table 1 shows the revenue sought by each of the 16 businesses that provide retail services to urban water customers, compared with the amount allowed in our final decision. These savings are reflected in lower customer prices and bills compared with the businesses' Water Plan proposals.

The Commission visited every rural and regional area affected at the draft and final decision stages to promote public input. Public meetings were also held at both stages for Melbourne customers.

Table 1: Total Revenue Requirement (\$m 2013–14) over next 5 years

WATER BUSINESS	PROPOSED BY BUSINESSES	FINAL DECISION	DIFFERENCE
	(\$ Mil)	(\$ Mil)	(%)
Barwon Water	942.9	894.1	-5.2
Central Highlands Water	424.6	400.6	-5.6
Coliban Water	533.2	478.7	-10.2
City West Water	3 236.2	2 990.5	-7.6
East Gippsland Water	157.4	152.8	-2.9
Gippsland Water	584.1	558.7	-4.3
Goulburn Valley Water	356.9	332.6	-6.8
GWMWater	303.1	287.5	-5.1
Lower Murray Water - urban	166.4	162.9	-2.1
North East Water	282.6	268.1	-5.1
South East Water	4 674.6	4 315.5	-7.7
South Gippsland Water	139.1	129.8	-6.7
Wannon Water	336.9	326.7	-3.0
Western Water	415.2	377.6	-9.1
Westernport Water	105.0	97.9	-6.7
Yarra Valley Water	5 060.1	4 684.1	-7.4
Total	17 718.4	16 458.1	-7.1

For customers of metropolitan Melbourne, the Commission approved relatively large price increases—of around 20-25 per cent across the range of services delivered by the water businesses—mainly as a result of the Victorian desalination plant.

These are significant increases and the decision to approve them weighed heavily on the Commission. Many submissions to the Commission were concerned with the impact of any further price increases on low income and vulnerable customers. Our final decision provided additional funds to the metropolitan businesses to help them assist customers to manage the impact of price increases through financial hardship programs.

For regional customers, approved price changes were considerably lower, with some businesses facing real price declines over the five years from 1 July 2013.



BOX B CONT.

Table 2 illustrates the impact of the prices approved in the final decision. It shows estimated annual bills for a representative household in 2013–14 and 2017–18 (the first and final years of the regulatory period), as well as annual bills in 2012–13 for each water business. The table also compares the bills implied under the businesses’ proposals with the final decision.

Customers can expect service levels to at least be maintained, with some improvements. Our water quality is amongst the best in the world. Investments in water infrastructure over the last few years mean that the likelihood of water-use restrictions is lower. Further, customer protection has been enhanced. For the first time, all businesses will have a guaranteed service level scheme in place. Under the scheme customers receiving relatively poor service may be eligible for a rebate on their bill (the rebate applying to certain pre-defined events).

Having approved maximum prices, the Commission will annually review the performance of the water businesses in meeting their end of the deal; namely, providing their customers with reliable and high quality services. We will report our findings publicly through our annual Water Performance Report so that customers can assess whether they are getting value for their money.

Table 2: Indicative Annual Residential Owner-Occupier Bills (\$2013–14) in real terms, not including future inflation

WATER BUSINESS	BILLS BASED ON BUSINESSES’ PROPOSALS			BILLS BASED ON FINAL DECISION	
	2012–13	2013–14	2017–18	2013–14	2017–18
	(\$)	(\$)	(\$)	(\$)	(\$)
Barwon Water	1 075	1 076	1 081	1 058	991
Central Highlands Water	1 176	1 276	1 276	1 189	1 189
Coliban Water	1 028	1 181	1 330	1 181	1 227
City West Water	870	1 118	1 118	1 016	1 016
East Gippsland Water	1 129	1 151	1 155	1 091	1 107
Gippsland Water	1 267	1 280	1 331	1 227	1 227
Goulburn Valley Water	839	860	949	833	825
GWMWater	1 197	1 234	1 356	1 223	1 223
Lower Murray Water - urban	793	829	903	826	886
North East Water	857	876	959	848	826
South East Water	885	1 196	1 196	1 085	1 085
South Gippsland Water	980	994	1 094	949	949
Wannon Water	1 192	1 160	1 160	1 132	1 132
Western Water	1 000	1 061	1 363	1 022	1 120
Westernport Water	1 055	1 071	1 244	1 050	1 050
Yarra Valley Water	973	1 304	1 304	1 171	1 171

All submissions, consultant reports and decision papers supporting the Price Review are available on the Commission’s website: www.esc.vic.gov.au/water

MAJOR PROJECTS COMPLETED AND BENEFITS GENERATED IN 2012–13

WATER TARGETS

Project	Output/Results	Benefits/Impact
2013 Water Price Review	<p>Completed fifth independent review of prices for Victoria's 19 State-owned water businesses.</p> <p>Maximum prices were approved for the period commencing 1 July 2013.</p>	<p>Approved prices which are as low as possible, but sufficient to provide businesses with revenue to deliver valued services.</p>
Monitoring the return of unrequired desalination funds to customers	<p>Commenced monitoring the return of unrequired desalination funds to customers by the metropolitan water businesses (including Western Water) and released several reports.</p> <p>Released quarterly updates on return of funds.</p>	<p>Promoted transparency and facilitated the return of funds to customers. Commission also ensured that businesses have a process to resolve any customer disputes.</p>
Customer Service Code	<p>Completed amendments to Customer service Codes to regulate the use of debt management powers by the water businesses.</p>	<p>Commission provided certainty to the water industry by amending the Customer Service Codes to reflect changes brought about by The <i>Water Amendment (Governance and Other Reforms) Act 2012</i> which changed Victorian water businesses' debt management powers.</p>
New Customer Contributions (NCC) Framework	<p>Completed the development of a principles based new customers contributions (NSS) framework.</p>	<p>New framework promotes cost reflectivity and transparency, and facilitates negotiation in relation to non-standard NCC charges.</p>
Regulatory audits	<p>Audit of urban and rural water businesses for compliance with reporting requirements.</p>	<p>Demonstrated high level of compliance with customer service obligations. Demonstrated accuracy of reporting performance data.</p>
Review of water performance monitoring indicators	<p>Finalised a revised set of performance indicators for metropolitan and regional urban water businesses.</p>	<p>Ensured that the performance report remained relevant, meaningful and accurate for water customers and businesses.</p>
2011–12 Water Performance Report	<p>Released a performance report for metropolitan and regional urban water businesses.</p>	<p>Enhanced accountability and transparency of information on water industry performance. Provided consistent basis for assessing performance across businesses. Encouraged competition by comparison or performance over time to benefit customers.</p>





COMMISSION OUTCOMES 2012–13 TRANSPORT & INDUSTRY SECTORS DIVISION

The Transport and Industry Sectors division is responsible for administering the Commission's regulatory functions in the accident towing, taxi, ports and rail freight sectors, as well as undertaking reviews for Ministers on issues referred, such as statutory insurance matters.

ACCIDENT TOWING

The Commission's role in relation to the accident towing services industry is to advise the Minister for Roads on the pricing of regulated accident towing and storage services within the Greater Melbourne metropolitan area.

In February 2013, the Commission commenced a periodic review of accident towing and storage charges. After a public consultation process, the Commission released its Draft Report in May 2013, which made draft recommendations about the fees to be charged for regulated accident towing and storage services; the productivity factor used in the annual adjustment mechanism that applies to fees; and fees which might apply for basic salvage operations (which are currently unregulated). Note: the Final Report was released on the Commission's website in August 2013.

TAXIS

In 2012–13, the Commission was asked by the Minister for Public Transport to provide advice in relation to the fares and pricing structures to be adopted by two pilot late night, shared-ride taxi schemes – one covering the Melbourne metropolitan area; the other in Geelong and its surrounding areas (including the Bellarine Peninsula).

In both cases, the Commission prepared issues papers, sought public submissions, and undertook targeted consultations in the process of making its recommendations.

Meanwhile, the Commission made a submission in response to the independent Taxi Industry Inquiry's draft report, which was released in July 2012.

The Final Report of the Inquiry was submitted to the Government in September 2012 and, following further consultation, the Government released its response in May 2013, and gave effect to the first wave of reforms through new legislation.

These reforms include major changes to the Commission's legislative role with respect to taxis. Instead of an advisory role, the Commission will have determinative powers in relation to taxi fares. Under the new legislation, the Commission is required to determine maximum charges for:

- services provided by taxi cabs (i.e. taxi services); and
- taxi non-cash payment surcharges (i.e. the surcharges that apply when fares are paid using a debit, credit or charge card.)

The new legislation includes the manner in which the Commission may regulate taxi fares. This allows the establishment of a new fare methodology that can determine different fares according to a number of factors, such as the time of day or day of the week that the taxi service is provided, and where the journey begins or ends.

PORTS

The Commission continued its ongoing monitoring of the Port of Melbourne Corporation (PoMC), which includes analysing the financial and business information that the PoMC is required to submit to the Commission on an annual basis, and responding to any issues raised by port users.



DOMESTIC BUILDING INSURANCE

The Commission is responsible for conducting two reports for the Minister for Finance on Victoria's domestic building insurance (DBI) scheme.

In December 2012, the Commission released its annual report on the performance of Victoria's DBI scheme. This report examined trends in the number of eligible builders; the number of project certificates (policies); premium levels; and the number and amount of claims made under the DBI scheme.

In May 2013, the Commission released its report into the adequacy and validity of the DBI premiums charged by the Victorian Managed Insurance Authority, which is now responsible for providing the large majority of the DBI market in Victoria.

OTHER STATUTORY INSURANCE

In June 2013, the Victorian Government released its response to a review undertaken by the Commission on the efficiency of the Transport Accident Commission and the Victorian WorkCover Authority. The Government supported the vast majority of the Commission's 20 recommendations, which covered improvements to the efficiency of decision making by these two statutory insurers, their organisational structure, their operating efficiency, and the efficient pricing of their premiums.

COST OF TRANSPORT AND INDUSTRY SECTORS REGULATION

The total costs of the Transport and Industry Sectors division in 2012-13 was:

Industry	Estimated cost
Port services industry	\$85,000
Other transport industries	\$1.1 million
Other references and advice	\$1.4 million

Note: The costs include the direct costs incurred by the Transport and Industry Sectors division, plus an allocation for overhead costs.

MAJOR PROJECTS COMPLETED AND BENEFITS GENERATED IN 2012–13

TRANSPORT AND INDUSTRY SECTOR TARGETS

Project	Output/Results	Benefits/Impact
Periodic review of accident towing and storage fees	Draft Report publicly released in May 2013.	Provided draft recommendations on appropriate fees that protect the interests of accident tow truck users, while ensuring the industry is financially viable. Report also highlighted other matters requiring further consideration to improve outcomes.
Taxi Industry Inquiry	Provided a submission in response to the Inquiry's draft report in July 2012.	Provided feedback on the overall direction of reform proposed by the Inquiry as well as responding to specific recommendations where the Commission has gained insight through its previous work on taxis.
Fare advice for late night share-ride taxi pilot in Melbourne	Report submitted to Minister for Public Transport November 2012 and publicly released in January 2013.	Recommended a fare structure that balanced both operator and passenger incentives, while ensuring that objectives about simplicity were met.
Fare advice for late night share-ride taxi pilot in Geelong and surrounding areas	Released Issues Paper in May 2013 and conducted targeted consultations.	Provided opportunity for industry and community input into the Commission's analysis of an appropriate fare structure.
Performance of domestic building insurance (DBI) scheme	Report publicly released in December 2012 covering the 2011–12 financial year.	Informed the public on the performance of DBI scheme, providing information about scheme eligibility, premiums and claims performance from 2002 to June 2012.
DBI premium validation review	Report on the validity of the DBI premiums set by the Victorian Managed Insurance Authority (VMIA) publicly released in May 2013.	Provided assurance to the Government, builders and consumers that DBI premiums were set at appropriate levels and conformed to commercial underwriting standards.
Efficiency review of the Transport Accident Commission and the Victorian WorkCover Authority	Summary Report of main findings and list of 20 recommendations publicly released publicly in June 2013.	The Government supported almost all of the Commission's recommendations to improve the organisational and premium efficiency of these statutory insurers.

The Commission budget for 2012–13 was prepared on an output budgeting basis in accordance with Victorian Government standards.





OUTPUT PERFORMANCE

The output targets set for 2012–13 and actual results are:

MAJOR OUTPUTS/DELIVERABLES PERFORMANCE MEASURES			
	Unit of measure	2012–13 Target	2012–13 Actual
QUANTITY			
Performance reviews and compliance audits of regulated businesses	Number	119	121
New or revised regulatory instruments issued ¹	Number	0	2
Performance reports for regulated businesses or industries	Number	4	4
Price approvals of regulated businesses	Number	19	19
Reviews, investigations or advisory projects	Number	2	5
Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target Scheme	Number	500	1 951
QUALITY			
Decisions upheld where subject to review, appeal or disallowance	Per cent	100	100
TIMELINES			
Deadlines met for major milestones	Per cent	100	100
COST			
Total output cost	\$ million[#]	\$16.9	\$16.7

1. The nil 2012–13 target reflects the expectation that no instruments were required in 2012–13 due to the legislative schedule.

Excludes DTF overheads.



OUTPUT TARGETS 2013–14

MAJOR OUTPUTS/DELIVERABLES PERFORMANCE MEASURES		
Economic Regulatory Service	Unit of measure	2013–14 Target
QUANTITY		
Performance reviews and compliance audits of regulated businesses	Number	105
New or revised regulatory instruments issued ^a	Number	8
Performance reports for regulated businesses or industries	Number	4
Price approvals of regulated businesses	Number	19
Reviews, investigations or advisory projects	Number	5
Registration and accreditation decisions/approvals	Number	1 000
QUALITY		
Decisions upheld where subject to review, appeal or disallowance	Per cent	100
TIMELINES		
Deadlines met for major milestones	Per cent	100
COST		
Total output cost	\$ million#	\$17.5*

^a The increased 2013–14 target reflects expectations of increased activity resulting from legislative changes including the Commission's increased role in Energy Regulation and the requirement to harmonise Victorian Retail arrangements with the National Energy Customer Framework.

* Includes an estimated \$1.7 million of receipts from the expanded VEET scheme that will be available for expenditure.

Includes DTF overheads.

WORKFORCE DATA BY DIVISION

Total Employment* as at 30 June 2013 (by division)

Transport and Industry Sectors	12
Energy Division	25
Water Division	18
Corporate and Operations	10
Total	65

* Includes ongoing and fixed term and casual employees as at 30 June, excluding Commissioners (includes personnel on paid leave arrangements, but excludes those on unpaid leave)

WORKFORCE DATA STAFFING TRENDS

As at 30 June, 2013	Headcount	FTE
2004	58	55
2005	63	61
2006	62	61
2007	71	69
2008	66	66
2009	56	54
2010	74	72
2011	71	69
2012	70	68
2013	65*	61

* Includes ongoing and fixed term and casual employees as at 30 June, excluding Commissioners (includes personnel on paid leave arrangements, but excludes those on unpaid leave)



	ONGOING EMPLOYEES			FIXED TERM & CASUAL	
	employee headcount	full-time headcount	part-time headcount	FTE	FTE
Jun-12	69	61	8	66.84	1
Jun-13	58	51	7	55.96	5.30

	2011-12			2012-13		
	Ongoing	Fixed term & Casual		Ongoing	Fixed term & Casual	
	employee headcount	FTE	FTE	employee headcount	FTE	FTE
GENDER						
Female	30	28.04	0.00	30	28.35	2.80
Male	39	38.80	1.00	28	27.36	2.50
AGE						
Under 25	2	2.00	0.00	2	2.00	1.07
25-34	25	24.04	0.00	19	18.24	3.63
35-44	28	26.08	1.00	23	22.12	0.60
45-54	10	10.00	0.00	9	8.60	0.00
55-64	3	3.00	0.00	3	3.00	0.00
Over 64	1	1.00	0.00	2	2.00	0.00
Total	69	66.84	1.00	58	55.96	5.30
	employee headcount	FTE	FTE	employee headcount	FTE	FTE
CLASSIFICATION						
VPS1	0.00	0.00	0.00	0.00	0.00	0.00
VPS2	1.00	1.00	0.00	0.00	0.00	0.00
VPS3	15.00	15.00	0.00	15.00	14.72	2.00
VPS4	17.00	16.00	0.60	11.00	10.40	0.63
VPS5	14.00	13.24	0.00	11.00	9.84	0.60
VPS6	13.00	12.60	0.00	12.00	12.00	0.00
STS	2.00	2.00	0.00	2.00	2.00	0.00
SRM	3.00	3.00	1.00	3.00	3.00	1.00
Executive	4.00	4.00	0.00	4.00	4.00	0.00
Casual	0.00	0.00	0.00	0.00	0.00	2.07
Total	69.00	66.84	1.00	58.00	55.96	5.30

Note: Excludes 1.8 FTE Commissioners

EXECUTIVE OFFICER DISCLOSURES AS AT 30 JUNE 2013

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	3	0	3	0	0	0
Total	4	0	4	0	0	0

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
EO-2	1	0	0	0	0	0	0	0	0	0
EO-3	3	0	0	0	0	0	0	0	0	0
Total	4	0	0	0	0	0	0	0	0	0

RECONCILIATION OF EXECUTIVE NUMBERS

	2011-2012	2012-2013
Executives with remuneration over \$100,000	4	4
ADD Vacancies (table 2)	0	0
Executives employed with total remuneration below \$100,000	0	0
Accountable Officer* (Secretary)	1	1
LESS separations	0	0
Total executive numbers at 30 June	4	4

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

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 and an OH&S Committee, which meets quarterly.

PRIVATE INTEREST DECLARATIONS

Declarations of private interests were completed by relevant officers. New staff were required to complete declarations.

WORKCOVER

WorkCover statistics	2011-12	2012-13
Claims during the year	0	1

EMPLOYEE RELATIONS

No employee time was lost in 2012-13 due to industrial disputes.



CORPORATE GOVERNANCE

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

Commissioners also comprise a board of management, which is responsible for the oversight of the organisation supporting the Commission through participation in strategic planning, management of resources, monitoring of project activity and overseeing compliance with corporate governance. The board meets monthly, and met 11 times during 2012–13.

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 2012–13 comprised two part-time Commissioners (Mr Dennis Cavagna and Ms Mary Anne Hartley) and one external appointment, an accountant (Mr Ian Cuthbertson). Internal and external auditors also attended the meetings as required.

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:

- 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.

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 2012–13, the Audit and Risk Management Committee met four times, with all 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



ATTESTATION FOR COMPLIANCE WITH THE MINISTERIAL STANDING DIRECTION 4.5.5.1 – INSURANCE

I, Dr Ron Ben-David certify that the Essential Services Commission has complied with Ministerial Direction 4.5.5.1 – Insurance, except for only partial compliance in item (b) of the standing direction. This relates to not having a register of indemnities (there are none). A register of indemnities will be maintained for 2013 – 14.



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.

In 2011–12, Memoranda of Understanding were held with the following organisations:

- Department of Human Services
- Department of Health
- Energy and Water Ombudsman (Victoria) Limited (EWOV)*
- Environment Protection Authority (EPA Victoria)
- Marine Safety Victoria (Department of Transport Safety)
- Energy Safe Victoria
- Port of Melbourne Corporation*
- Victorian Regional Channels Authority
- Consumer Affairs Victoria
- Sustainability Victoria
- IPART*
- VCEC*
- Victorian Workcover Authority*
- Australian Energy Market Commission*

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*.

CONSULTATIVE COMMITTEES

During 2012 – 13, the Essential Services Commission decided to restructure its Customer Consultative Committee (in operation since 1995) into customer reference groups or panels along project or industry lines. A reference group was

established to assist the Commission's review of water prices and the harmonisation of the Commission's codes and guidelines with the National Energy Customer Framework.

This change reflects the Commission's evolving regulatory scope and new activities under review.

During 2012–13, membership of these customer reference groups comprised representatives of the following organisations:

- Australian Industry Group
- Community Connections
- Consumer Action Law Centre
- Consumer Utilities Advocacy Centre
- Energy and Water Ombudsman (Victoria)
- Financial and Consumer Rights Council
- Kildonan Uniting Care
- Municipal Association of Victoria
- Southern Health
- Tenants Union of Victoria
- Victorian Council of Social Service
- Victorian Farmers Federation.

The water team consulted with the water reference group regarding the Water Price Review on six formal occasions during 2012–13 and the reference group for the energy Harmonisation Project were consulted on three occasions.

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, an updated version of the Charter was released in July 2012.

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.

CONSULTATION PROCESSES

The Commission encourages stakeholder participation in its regulatory, advisory and administrative activities. This is achieved through the Commission's public forums, the ability to respond by providing a written submission to publicly advertised projects and reviews.

PUBLIC FORUMS

In total, the Commission held 56 public hearings, forums and workshops during 2012–13 as part of its work program. The majority of these related to the state-wide public, industry and community group consultations for the Water Price Review prior to release of both the Draft Decision and Final Decision.

Three information sessions were held with industry for the Victorian Energy Efficiency Target scheme, and separate retailer and consumer group workshops were held for the project to harmonise the Commission's codes and guidelines with the National Energy Customer Framework. A retailer workshop was also held to provide feedback for the review of energy retail performance indicators.

SUBMISSIONS

The ESC received over 200 submissions across a wide range of projects during the year. The number of submissions to major pricing and other regulatory reviews and activities received during 2012–13 included the following:

Energy

- Review of Unaccounted for Gas Benchmarks: Call for Submissions (Dec 12) – 8 submissions
- Review of Unaccounted for Gas Benchmarks: Draft Decision (April 2013) – 7 submissions
- Guideline 22 – Regulatory audits of Energy Businesses – Draft Decision (March 2013) – 9 submissions
- Review of Energy retail performance indicators – Staff Consultation Paper (Dec 12) – 7 submissions
- Harmonisation of Energy Retail Codes and Guidelines with National Energy Customer Framework – Consultation Paper (Dec 12) – 12 submissions
- Proposed changes to regulatory instruments relating to flexible pricing of electricity – Draft Decision (June 2013) – 6 submissions

Water

- Water Price Review – total of 173 submissions for Draft and Final decisions
 - Regional Water Price Review – Draft Decision (March 2013) & Final Decision (June 2013)
 - Rural Water Price Review – Draft Decision Volume 1 (March 2013) & Final Decision (June 2013)
 - Greater Metropolitan Water Price Review – Draft Decision (April 2013) & Final Decision (June 2013)
- Monitoring the return on unrequired desalination payments (July 2012) – 3 submissions

Transport and Industry Sectors

- Late night share-ride taxis – A pilot Program – Issues Paper (Oct 2012) – 4 submissions
- Periodic review of Accident Towing and Storage Fees – Issues Paper (Feb 2013) – 4 submissions
- Periodic Review of Accident Towing & Storage Fees (May 2013) – 6 submissions

In addition, the Commission's consultation processes included:

- Regular meetings with customer panels and ongoing liaison with members
- Draft decisions and issues papers for public comment
- Consultation with prescribed agencies, under the Commission's Memoranda of Understanding
- Input from working parties and workshops of community-based groups and industry sectors.

OTHER DECLARATIONS

National Competition Policy

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

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*.



FIVE-YEAR FINANCIAL SUMMARY: CONTROLLED ACTIVITIES

Excluding DTF overhead	2008-09 (\$)	2009-10 (\$)	2010-11 (\$)	2011-12 (\$)	2012-13 (\$)
Income from Government	18 446 700	13 501 800	12 641 789	15 439 162	17 023 361
Total Income from Transaction	18 448 048	13 501 800	12 641 789	15 439 162	17 023 361
Total expenses from transactions	17 916 121	13 257 872	14 187 002	14 342 970	17 132 168
Net result from transactions	533 927	243 928	-1 545 213	1 096 192	-108 807
Net result	487 492	246 142	-1 539 294	1 041 127	330 226
Net cash flow from operating activities	270 858	642 769	327 596	789 850	476 603
Total assets	10 544 230	11 698 634	9 944 028	11 130 876	11 037 075
Total liabilities	4 200 829	3 848 123	3 739 375	3 885 096	3 461 069

Note: * In 2010-11, the Commission reviewed the way it accounts for funding grants received from the Victoria government departments to better align with AASB 1004 Contributions. Prior year figures have been adjusted accordingly.

LICENCE FEE REVENUE

The following table shows licence fee revenue by type. The Commission's role with regard to licences is to notify the licensees of the charges determined by the Minister for Finance.

Type of licence	Total Revenue 2012–13* (\$)
ELECTRICITY INDUSTRY	
Generation	174 000
Trader	750
Transmission	22 500
Distribution	161 696
Retail	1 136 553
GAS INDUSTRY	
Distribution	69 298
Retail	745 145
PORTS INDUSTRY	
Port of Melbourne Corporation	84 938
WATER INDUSTRY	
Water and sewerage	3 970 469

* Licence fees are accrued on the basis of a determination made by the Minister for Finance.



APPENDICES



ESSENTIAL SERVICES COMMISSION

Financial Statements

For the Year Ended 30 June 2013

Essential Services Commission

Comprehensive operating statement For the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Income from transactions			
Grants	2	<u>17,023,361</u>	<u>15,439,162</u>
Total income from transactions		<u>17,023,361</u>	<u>15,439,162</u>
Expenses from transactions			
Employee benefits	3	9,629,350	8,502,147
Depreciation	3	383,976	449,479
Finance lease interest		2,222	3,233
Capital asset charge	1(f)	34,716	77,388
Supplies and services		<u>7,081,904</u>	<u>5,310,723</u>
Total expenses from transactions		<u>17,132,168</u>	<u>14,342,970</u>
Net result from transactions		<u>(108,807)</u>	<u>1,096,192</u>
Other economic flows included in net result			
Net gain/(loss) on disposal of property, plant and equipment		545	256
Net gain/(loss) arising from revaluation of long service leave liability		12,364	(55,321)
Net gain/(loss) arising from revaluation of restoration costs provision		<u>426,124</u>	<u>-</u>
Total other economic flows included in net result		<u>439,033</u>	<u>(55,065)</u>
Net result		330,226	1,041,127
Other economic flows – other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive result		<u>330,226</u>	<u>1,041,127</u>

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

Essential Services Commission

Balance sheet *As at 30 June 2013*

	Notes	2013 \$	2012 \$
Financial assets			
Cash on hand		500	500
Receivables	4	<u>9,569,708</u>	<u>9,782,690</u>
Total financial assets		<u>9,570,208</u>	<u>9,783,190</u>
Non-financial assets			
Prepayments		2,741	2,412
Property, plant and equipment	5	581,669	222,560
Intangible assets	6	<u>882,457</u>	<u>1,122,714</u>
Total non-financial assets		<u>1,466,867</u>	<u>1,347,686</u>
Total assets		<u>11,037,075</u>	<u>11,130,876</u>
Liabilities			
Creditors and accruals		1,179,797	1,044,684
Provisions	7	2,195,041	2,779,861
Borrowings	8	<u>86,231</u>	<u>60,551</u>
Total liabilities		<u>3,461,069</u>	<u>3,885,096</u>
Net assets		<u>7,576,006</u>	<u>7,245,780</u>
Equity			
Contributed capital		873,921	873,921
Accumulated surplus		<u>6,702,085</u>	<u>6,371,859</u>
Total equity		<u>7,576,006</u>	<u>7,245,780</u>

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

Essential Services Commission

Statement of changes in equity For the year ended 30 June 2013

	Contributed capital	Accumulated surplus	Total
	\$	\$	\$
Balance at 1 July 2011	873,921	5,330,732	6,204,653
Net result for the year		1,041,127	1,041,127
Balance at 30 June 2012	873,921	6,371,859	7,245,780
Net result for the year		330,226	330,226
Balance at 30 June 2013	873,921	6,702,085	7,576,006

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

Essential Services Commission

Cash flow statement *For the year ended 30 June 2013*

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from government		17,245,695	14,551,474
Payments to suppliers and employees		(16,732,154)	(13,681,003)
Capital asset charge paid		(34,716)	(77,388)
Interest and other finance costs paid		(2,222)	(3,233)
Net cash flows from operating activities	16	<u>476,603</u>	<u>789,850</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(462,763)	(34,011)
Proceeds from sale of property, plant and equipment		36,273	43,091
Payments for intangible assets		-	(732,067)
Net cash flows used in investing activities		<u>(426,490)</u>	<u>(722,987)</u>
Cash flows from financing activities			
Repayment of finance leases		(50,113)	(66,863)
Net cash flows used in financing activities		<u>(50,113)</u>	<u>(66,863)</u>
Net increase in cash held		-	-
Cash at the start of the year		<u>500</u>	<u>500</u>
Cash at the end of the year		<u>500</u>	<u>500</u>
Non-cash financing and investing activities	17		

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

Note 1. Summary of significant accounting policies

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards including Interpretations (AASs), issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where relevant, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(b) Basis of preparation

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

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

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

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

The accounting policies set out below have been applied in preparing these financial statements.

(c) Reporting entity

The financial statements include all the controlled activities of the Essential Services Commission. The Commission was established under the *Essential Services Commission Act 2001*. Its principal address is:
Level 37, 2 Lonsdale Street
Melbourne Victoria 3000

Administered resources

The Commission acts on behalf of the Victorian Government in collecting licence fees administered by the Commission under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, the *Water Industry Act 1994* and the *Port Services Act 1995*. 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 18). Such amounts are required to be paid to the Consolidated Fund.

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 2013 the regulated industries included electricity, gas, water, ports and rail facilities.

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

(d) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant. Non-current assets or liabilities are those expected to be recovered or settled more than 12 months after the reporting period.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the year to the closing balance at the end of the year. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other economic flows—other movements in equity related transactions with the owner in its capacity as owner.

Cash flow statement

Cash flows are classified according to whether they arise from operating, investing, or financing activities. This classification is consistent with requirements of AASB 107 *Statement of Cash Flows*.

(e) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the Commission and the income can be reliably measured.

Grants

Income from grants (other than contributions by owners) is recognised when the Commission obtains control over the contribution. Where grants are reciprocal (i.e. equal value is given by the Commission to the provider), the Commission is deemed to have assumed control when it has satisfied its performance obligations under the terms of the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Resources received free of charge

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. 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 received as a donation.

(f) Expenses from transactions

Employee benefits

Employee benefits comprise all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and Work Cover premiums. Superannuation expenses represent the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance centrally recognises, on behalf of the State as the sponsoring employer, the defined benefit liability of most Victorian government employees in such funds.

Depreciation

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

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

Typical estimated useful lives applicable for the years ended 30 June 2013 and 30 June 2012 are as follows:

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

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

Finance lease interest

Finance lease interest charges are recognised as expenses in the period in which they are incurred.

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.

(g) 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. They include net gain and loss on financial and non-financial assets and liabilities and other gains and losses from other economic flows.

Net gains and losses on non-financial assets include realised and unrealised gains and losses from impairments, and disposals of all physical assets and intangible assets. Net gains and losses on financial instruments include impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets. Other gains and losses from other economic flows include the transfer of amounts from reserves and/or accumulated surplus to net result due to reclassification, and from the revaluation of the present value of the long service leave liability due to changes in bond interest rates.

Disposal of non-financial assets

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

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 another 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.

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. 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.

Impairment of financial assets

The Commission assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

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.

(h) Financial assets

The financial assets held by the Commission include cash and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Receivables

Receivables consist of:

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

Receivables that are contractual are classified as financial instruments. Statutory receivables are recognised and measured on the same basis as contractual receivables (except for impairment) but are not classified as financial instruments as they do not arise from a contract.

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

(i) Non-financial assets

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Property, plant and equipment

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

The initial cost for non-financial physical assets under a finance lease (refer note 1(k)) is measured at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The fair value of plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are measured at cost less accumulated depreciation and impairment. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Commission.

(j) Liabilities

Creditors and accruals

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

Provisions

Provisions are recognised when the Commission has a present obligation where the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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. The long service leave liability is classified as non-current where the Commission has an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

(k) 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.

Finance leases are recognised as assets and liabilities of the Commission at amounts equal to the fair value of the lease property or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between reduction of the lease liability and periodic finance charges which are calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

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

(l) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of GST, unless the GST incurred is not recoverable from the Australian Taxation Authority (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which was recovered from, or paid to, the ATO is classified as operating cash flows.

(m) Contributions by owners

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

(n) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed in note 10 at their nominal value and inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(o) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(p) New Accounting Standards and Interpretations

As at 30 June 2013, the following standards and interpretations (applicable to the Commission) had been issued but were not mandatory for the 30 June 2013 reporting period. The Commission has not adopted, and does not intend to adopt, these standards early.

AASB 9 Financial Instruments. This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*). Applicable for annual reporting periods beginning on 1 January 2015. Impacts will be assessed subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairment and hedge accounting.

AASB 10 Consolidated Financial Statements. This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an exposure draft ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors. Applicable for annual reporting periods beginning on 1 January 2014. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, the department will re-assess the nature of its relationships with other entities, including those that are currently not consolidated.

AASB 11 Joint Arrangements. This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Applicable for annual reporting periods beginning on 1 January 2014. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB's final deliberations and any modifications made to AASB 11 for not-for-profit entities, the department will assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.

AASB 12 Disclosure of Interests in Other Entities. This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 *Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective. Applicable for annual reporting periods beginning on 1 January 2014. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 *Investments in Associates and Joint Ventures*.

AASB 13 Fair Value Measurement. This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs. Applicable for annual reporting periods beginning on 1 January 2013. Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required for assets measured using depreciated replacement cost.

AASB 127 Separate Financial Statements. This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Applicable for annual reporting periods beginning on 1 January 2014. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.

AASB 128 Investments in Associates and Joint Ventures. This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Applicable for annual reporting periods beginning on 1 January 2014. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.

AASB 1053 Application of Tiers of Australian Accounting Standards. This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. Applicable for annual reporting periods beginning on 1 July 2013. The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

	2013	2012
	\$	\$
Note 2. Income from transactions		
Income from transactions includes:		
Grants		
Grants from Department of Treasury and Finance (note 1(c))	<u>17,023,361</u>	<u>15,439,162</u>
Total grants	<u>17,023,361</u>	<u>15,439,162</u>

Note 3. Expenses from transactions

Expenses from transactions includes:

Employee benefits		
Salaries and wages	7,878,590	6,720,702
Superannuation		
- Defined contribution plans	590,049	577,947
- Defined benefit plans	17,038	22,480
Annual and long service leave expense	711,341	761,153
On-costs	<u>432,332</u>	<u>419,865</u>
Total employee benefits	<u>9,629,350</u>	<u>8,502,147</u>
Depreciation		
Leasehold improvements	44,528	143,777
Office and computer equipment	75,410	157,993
Motor vehicles under finance lease	23,781	23,249
Intangible assets	<u>240,257</u>	<u>124,460</u>
Total depreciation	<u>383,976</u>	<u>449,479</u>

Notes to the financial statements
30 June 2013

	2013	2012
	\$	\$
Note 4. Receivables		
Statutory		
Current		
Amounts receivable from government departments	9,247,020	9,447,059
GST recoverable	<u>100,024</u>	<u>90,670</u>
Total current receivables	<u>9,347,044</u>	<u>9,537,729</u>
Non-current		
Amounts receivable from government departments	<u>222,664</u>	<u>244,961</u>
Total non-current receivables	<u>222,664</u>	<u>244,961</u>
Total receivables	<u>9,569,708</u>	<u>9,782,690</u>
Note 5. Property, plant and equipment		
Leasehold improvements – at fair value	462,762	1,928,599
Less: accumulated depreciation	<u>(42,169)</u>	<u>(1,926,241)</u>
	<u>420,593</u>	<u>2,358</u>
Office and computer equipment – at fair value	299,188	1,049,622
Less: accumulated depreciation	<u>(223,581)</u>	<u>(889,160)</u>
	<u>75,607</u>	<u>160,462</u>
Motor vehicles under finance lease – at cost	108,132	104,815
Less: accumulated depreciation	<u>(22,663)</u>	<u>(45,075)</u>
	<u>85,469</u>	<u>59,740</u>
Total property, plant and equipment	<u>581,669</u>	<u>222,560</u>
Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at start of the year	2,358	139,735
Additions	462,763	-
Recognition of restoration obligation	-	6,400
Depreciation expense (note 3)	<u>(44,528)</u>	<u>(143,777)</u>
Carrying amount at end of the year	<u>420,593</u>	<u>2,358</u>
<i>Office and computer equipment</i>		
Carrying amount at start of the year	160,462	284,443
Additions	-	34,012
Disposals	(9,445)	-
Depreciation expense (note 3)	<u>(75,410)</u>	<u>(157,993)</u>
Carrying amount at end of the year	<u>75,607</u>	<u>160,462</u>
<i>Motor vehicles under finance lease</i>		
Carrying amount at start of the year	59,740	93,484
Additions	75,792	32,339
Disposals	(26,282)	(42,834)
Depreciation expense (note 3)	<u>(23,781)</u>	<u>(23,249)</u>
Carrying amount at end of the year	<u>85,469</u>	<u>59,740</u>

Notes to the financial statements
30 June 2013

	2013 \$	2012 \$
Note 6. Intangible assets		
Capitalised software development - at fair value	1,383,037	1,383,037
Less: accumulated depreciation	<u>(500,580)</u>	<u>(260,323)</u>
Total intangible assets	<u><u>882,457</u></u>	<u><u>1,122,714</u></u>
Reconciliation of carrying amounts		
Carrying amount at the start of the year	1,122,714	515,107
Additions	-	732,067
Depreciation expense (note 3)	<u>(240,257)</u>	<u>(124,460)</u>
Carrying amount at the end of the year	<u><u>882,457</u></u>	<u><u>1,122,714</u></u>
 Note 7. Provisions		
Current:		
Employee benefits		
- Annual leave	622,721	660,135
- Long service leave		
Expected to be paid within 12 months	81,709	81,793
Expected to be paid after 12 months	1,172,538	1,229,933
- Performance bonus	95,409	119,759
Restoration costs	-	443,280
	<u>1,972,377</u>	<u>2,534,900</u>
Non-current:		
Employee benefits		
- Long service leave	<u>222,664</u>	<u>244,961</u>
Total provisions	<u><u>2,195,041</u></u>	<u><u>2,779,861</u></u>
 Movements in provisions other than employee benefits		
	2013	
Restoration costs	\$	
Carrying amount at start of year	443,280	
Payments	(17,156)	
Provision no longer required	<u>(426,124)</u>	
Carrying amount at end of year	<u>-</u>	
 Note 8. Borrowings		
Secured		
Current:		
Finance lease liabilities	31,310	43,758
Non-Current:		
Finance lease liabilities	<u>54,921</u>	<u>16,793</u>
Total borrowings	<u><u>86,231</u></u>	<u><u>60,551</u></u>

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	85,469	59,740
------------------------------------	--------	--------

Note 9 discloses the maturity analysis of borrowings and the nature and extent of risks arising from borrowings.

Note 9. 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

			Carrying amount	
			2013	2012
			\$	\$
Financial assets	Note	Category		
Cash on hand		Cash	500	500
Receivables *	4	Loans and receivables	-	-
			500	500
Financial liabilities				
Creditors and accruals		Financial liabilities at amortised cost	1,179,787	1,044,684
Borrowings	8	Financial liabilities at amortised cost	86,231	60,551
			1,266,028	1,105,235
Net holding gain/(loss) on financial instruments by category:				
Financial assets		Category		
Cash on hand		Cash	-	-
Receivables *		Loans and receivables	-	-
			-	-
Financial liabilities				
Creditors and accruals		Financial liabilities at amortised cost	-	-
Borrowings		Financial liabilities at amortised cost	(2,222)	(3,233)
			(2,222)	(3,233)

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

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

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

(c) Credit risk

Credit risk arises from the financial assets of the Commission, which comprise cash and cash equivalents, 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 nil 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

There are no material financial assets which are individually determined to be 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 was 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:

	Carrying amount \$	Nominal amount \$	Maturity			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2013						
Creditors and accruals	1,179,797	1,179,797	1,179,797			
Borrowings	86,231	95,206	2,433	4,866	28,586	59,321
	1,266,028	1,275,003	1,182,230	4,866	28,586	59,321
2012						
Creditors and accruals	1,044,684	1,044,684	1,044,684			
Borrowings	60,551	63,249	2,396	19,386	24,262	17,205
	1,105,235	1,107,933	1,047,080	19,386	24,262	17,205

* The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(e) Market risk

The Commission has no exposure to interest rate, foreign currency or other price risks.

(f) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values because of the short term nature of the financial instruments and the expectation that they will be paid in full.

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

	2013	2012
	\$	\$
Note 10. Commitments for expenditure		
Outsourcing commitments		
Information technology services, payable:		
Within one year	699,051	699,051
Later than one year but not later than five years	407,780	1,106,831
	<u>1,106,831</u>	<u>1,805,882</u>
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	832,435	887,153
Later than one year but not later than five years	2,391,185	535,249
	<u>3,223,620</u>	<u>1,422,402</u>
Finance lease liabilities		
	2013	2012
	\$	\$
Liabilities in relation to finance leases are payable as follows:		
Within one year	35,884	46,044
Later than one year but not later than five years	59,322	17,205
Minimum lease payments	95,206	63,249
Less: Future finance charges	(8,975)	(2,698)
Total lease liabilities	<u>86,231</u>	<u>60,551</u>
Shown in the financial statements (note 8) as:		
Current	31,310	43,758
Non-current	54,921	16,793
	<u>86,231</u>	<u>60,551</u>

Note 11. Contingent liabilities and contingent assets

The Commission had no contingent liabilities or contingent assets at 30 June 2013 or 30 June 2012.

Note 12. Responsible persons

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. Robert Clark, MP, Minister for Finance
Accountable Officer	Dr Ron Ben-David, Chairperson

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:

\$320,000 - \$329,999 (2012: \$300,000 - \$309,999)

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

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 13. 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	
	2013 No.	2012 No.	2013 No.	2012 No.
\$160,000 - \$169,999			-	1
\$180,000 - \$189,999	-	1	-	1
\$190,000 - \$199,999	-	1	3	1
\$200,000 - \$209,999	1	1		
\$210,000 - \$219,999	2	-		
\$250,000 - \$259,999			1	1
\$260,000 - \$269,999	1	-		
\$270,000 - \$279,999	-	1		
Total numbers	4	4	4	4
Total amount (\$)	905,372	860,647	847,061	797,077
Total annualised employee equivalent	4	4	4	4

Note 14. Remuneration of auditors

	2013 \$	2012 \$
Audit fees paid or payable to the Victorian Auditor-General's Office		
Audit of the annual financial statements	<u>15,000</u>	<u>14,700</u>

No other services were provided by the Victorian Auditor-General's Office.

Note 15. Superannuation

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

The Commission does not recognise any defined benefit liability in respect of the plans because the Commission has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities as an administered item in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Commission.

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

Defined benefit funds	Emergency Services and State Super-New Scheme
Defined contribution funds	VicSuper

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

Note 16. Reconciliation of net result to net cash flows from operating activities

	2013	2012
	\$	\$
Net result for the period	330,226	1,041,127
Depreciation	383,976	449,479
Gain on disposal of property, plant and equipment	(545)	(256)
Reversal of restoration costs provision	(426,124)	-
Change in operating assets and liabilities		
(Increase)/decrease in receivables	212,982	(907,869)
(Increase)/decrease in prepayments	(329)	33,525
Increase/(decrease) in creditors and accruals	135,113	414
Increase/(decrease) in provisions	(158,696)	173,430
Net cash flows from operating activities	476,603	789,850

Note 17. Non-cash financing and investing activities

During the year motor vehicles with a fair value of \$75,792 (2012 - \$32,339) were acquired by means of finance leases.

Note 18. 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 a determination made by the Minister for Finance.

	2013	2012
	\$	\$
Administered income from transactions		
Licence and other fees	14,430,331	10,267,779
Other income	25	176,551
	14,430,356	10,444,330
Administered expenses from transactions		
Payments to Consolidated Fund	13,341,671	10,360,082
	13,341,671	10,360,082
Administered net result	1,088,685	84,248
Administered assets		
Financial assets		
Debtors	219,331	70,052
Accrued income	6,365,356	5,425,950
	6,584,687	5,496,002
Administered liabilities		
Unearned income	50,000	50,000
	50,000	50,000
Administered net assets	6,534,687	5,446,002

Note 19. Glossary of terms

Annualised employee equivalent

Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.

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.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a transaction and so reduces the net result from transactions.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, 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 instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) 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 deliver 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. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

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

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 entity.

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.

ESSENTIAL SERVICES COMMISSION

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, including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of the Commission as at 30 June 2013.

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

We authorise the attached financial statements for issue on 11 September 2013.



Joe Bonnici
Chief Financial Officer
Department of Treasury and Finance

Melbourne
11 September 2013



Ron Ben-David
Chairperson
Essential Services Commission

Melbourne
11 September 2013

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Commissioners', Essential Services Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Essential Services Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Accountable Officer's and Chief Financial Officer's declaration has been audited.

The Chairperson and Commissioners' Responsibility for the Financial Report

The Chairperson and Commissioners of the Essential Services Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Chairperson and Commissioners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 management, 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)

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.

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 2013 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Essential Services Commission for the year ended 30 June 2013 included both in the Essential Services Commission's annual report and on the website. The Chairperson and Commissioners of the Essential Services Commission are responsible for the integrity of the Essential Services Commission's website. I have not been engaged to report on the integrity of the Essential Services Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
12 September 2013


for John Doyle
Auditor-General

APPENDIX B

Regulatory Framework

Regulated Industries and Relevant Legislation

At 30 June 2013, 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 under the *Water Act 1989*
- The port industry in the Port of Melbourne from 1 January 1996, under the *Port Management Act 1995*
- The rail (including trams) industry from 29 April 1999, access only, under the *Rail Management Act 1996*.

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

- Energy efficiency under the *Victorian Energy Efficiency Target Act 2007* (from 1 January 2009).

APPENDIX C

Essential Services Commission Publications 2012–13

The Commission's publications are available at www.esc.vic.gov.au. Following is a list of the main publications released during 2012-13.

Corporate

- Work Program 2012–13 (Aug 2012)
- Annual Report 2011–12 (Sept 2012)

Energy Industry Industry Guidelines

- Review of Unaccounted for Gas Benchmarks: Call for Submissions (Dec 12)
- Review of Unaccounted for Gas Benchmarks: Draft Decision (April 2013)
- Electricity Industry Guidance 13 – Greenhouse Gas Disclosure on Electricity Customer Bills (Jan 13)
- Guideline 22 – Regulatory audits of Energy Businesses – Draft Decision (March 2013)
- Guideline 22 – Regulatory audits of Energy Businesses – Revisions to Draft Decision (Mar 2013)
- Review of Energy Retail Performance Indicators – Final Decision (May 2013)
- Energy Retail Performance Indicators – Effective 2013–14 (June 2013)

Energy Industry Performance Reports

- Review of Energy retail performance indicators – Staff Consultation Paper (Dec 12)
- Energy Retailers Comparative Performance Report – Pricing 2011–12 (Sept 12)
- Energy Retail Businesses – 2011–12 Compliance Report (Dec 2012)
- Energy Retailers Comparison Performance Report – Customer Service 2011–12 (Dec 12)

Industry Codes

- Draft Energy Retail Code – Version 11 (Dec 2012)
- Gas Distribution System Code – Review of unaccounted for gas benchmarks – Final Decision (June 2013)
- Gas Distribution System Code – Version 10 (June 2013)
- Harmonisation of Energy Retail Codes and Guidelines with National Energy Customer Framework – Consultation Paper (Dec 12)
- Proposed changes to regulatory instruments relating to flexible pricing of electricity – Draft Decision (June 2013)



Victorian Energy Efficiency Target scheme (VEET)

- Victorian Energy Efficiency Target scheme (VEET) – Performance Report 2011 (Aug 2012)

Water Industry Industry Codes

- Water Customer Service Codes Review 2012 – Regulation of Debt Management powers: Consultation Paper (Sept 2012)
- Customer Service Code Urban Water Businesses – Draft Codes – (Nov 12)
- New Customer Contributions (NCC) Guidance Paper – Framework for next regulatory period (Aug 2012)

Water Price Review 2013

- Water Plans for Regional Water Businesses – Summary Paper (Nov 2012)
- Water Plans for Rural Water Businesses – Summary Paper (Nov 2012)
- Summary of Metro Water Businesses Water Plans (for Water Price Review 2013-18) (Nov 12)
- Regional Water Price Review – Draft Decision Volume II (March 2013)
- Rural Water Price Review – Draft Decision Volume 1 (March 2013)
- Greater Metropolitan Water Price Review – Draft Decision Volume 1 & 2 (April 2013)
- Water Price Review 2013–18: Regional Urban Water Businesses – Final Decision (June 2013)
- Water Price Review 2013–18: Rural Water Businesses – Final Decision (June 2013)
- Water Price Review 2013–18: Greater Metropolitan Water Businesses – Final Decision (June 2013)

Other Water Industry Reports

- Monitoring the return on unrequired desalination payments (July 2012)
- 2nd quarterly Progress Report – Return of unrequired desalination payments to customers (Feb 2013)
- 3rd quarterly Progress Report – Return of unrequired desalination payments to customers (May 2013)

Transport

- Submission to Victorian Taxi Industry Inquiry (July 2012)
- Late night share-ride taxis – A Pilot Program – Issues Paper (Oct 2012)
- Late Night share ride taxi – A Pilot Program – Report to Minister for Public Transport (Nov 12)
- Periodic review of Accident Towing and Storage Fees – Issues Paper (Feb 2013)
- Periodic Review of Accident Towing & Storage Fees Draft Report (May 2013)
- Efficiency Review of the T AC & the VWA – Summary (Jan 2013 or online June 2013)

Domestic Building Insurance

- Performance of Victoria's Domestic Building Insurance Scheme 2011–12 (Nov 12)
- Domestic Building Insurance – Premium Validation Review (May 2013)

APPENDIX D

Legislation

The following is a list of legislation applying to the Commission's responsibilities in relation to regulated industries as at 30 June 2013.

- *Essential Services Commission Act 2001*
- *Electricity Industry Act 2000*
- *Gas Industry Act 2001*
- *Water Industry Act 1994*
- *Water Act 1989*
- *Port Management Act 1995*
- *Rail Management Act 1996*
- *National Electricity (Victoria) Act 2005*
- *National Gas (Victoria) Act 2008*
- *Victorian Energy Efficiency Target Act 2007*
- *Accident Towing Services Act 2007*
- *Transport (Compliance & Miscellaneous) Act 1983*
- *Fire Services Property Levy Act 2013*
- *Fire Services Levy Monitor Act 2013*
- *Grain Handling & Storage Act 1995*

APPENDIX E

Price Determinations

Price determinations made under section 33 of the *Essential Services Commission Act 2001* in the 2012–13 financial year – 19 determinations relating to water pricing.

APPENDIX F

Notices Issued by the Commission

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 2012–13 – nil.

APPENDIX G

Disclosures by the Commission

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.

Disclosures by the Commission under section 38 during 2012–13 – nil.



APPENDIX H

Office based Environmental Impacts

The Essential Services Commission has identified a series of actions aimed at:

- Reducing energy, paper, water and transport intensity within its operations
- Reducing the environmental impact of the waste produced
- Increasing sustainable procurement of office goods and services

- Integrating environmental considerations into business and operational planning

The Commission has developed action plans and targets for the period 2012-14, with a view to progressive improvement.

The Commission complies with relevant environmental legislation and Victorian Government environmental policy

OVERVIEW OF PROGRESS 2012–13

Data	Quantity used	Quantity per employee	Greenhouse gas emissions (tonnes CO ₂)	Quantity used compared to 2011–12
Energy consumption	670 619 MJ	10 993 MJ per FTE	218 tonnes	reduction of 36%
Waste management	N/A	N/A	N/A	new systems to be developed for new premises
Paper procurement	674 reams	9.5 reams per FTE	3.2 tonnes	reduction of 21%
Transport Utilisation:	8 595 km	121 km/FTE	1.4 tonnes	reduction of 55%
Car	545 L fuel	7.7 L/FTE		
Aeroplane	40 815 km	669 km/FTE	13.4 tonnes	increase of 8%
Water Consumption	N/A	N/A	N/A	data impractical to collect
Total greenhouse gas emissions			236 tonnes	

Waste

There is no reliable waste data for 2012–13. The Commission is establishing reporting systems for 2013–14. At Casselden Place there are three waste streams: landfill, recycling and organics. This is an improvement on the single waste stream that existed at 35 Spring Street.

Water

Previous attempts to measure water consumption (at 35 Spring Street) in a multi-tenanted building proved impractical.

The Commission is yet to investigate the practicalities at Casselden Place. Note also there is a sewage recycling facility in the building.

Energy

Data was collected from energy retailer billing information. The Commission relocated from 35 Spring Street to a smaller office in Casselden Place, 2 Lonsdale Street in December 2012. Energy consumption has reduced as a result of smaller office space, a more efficient building

and lighting and the change from on-site IT servers to cloud computing.

The full impact on energy saving is yet to be reflected in the data as the Commission consumed energy at both sites for the reporting period.

OVERVIEW OF PROGRESS 2012–13

	Electricity	Green power	Total	Electricity	Green power	Total
Total energy usage segmented by primary source (MJ)	670 619*		670 619*	1 050 458		1 050 458
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO ₂ -e)	218*		218*	341**		341**
Percentage of electricity purchased as Green Power	0		0	0		0
Units of energy used per FTE (MJ/FTE)	10 994*		10 994*	15 093		15 093
Units of energy used per unit of office area (MJ/m ²)	195*		195*	481		481

* Estimated because data for June 2013 was not available at the time of reporting.

** Figure reported in the 2011–12 annual report was incorrect.



Paper

The data on the right is derived from paper supplier billing information and paper storage auditing.

The Commission's overall consumption of paper has decreased. Usage per full-time equivalent employee has also reduced and 95% of all paper purchased had 75-100% recycled content.

Indicator	2011-12	2012-13
Total units of copy paper used (reams)	853	674
Units of copy paper used per FTE (reams/FTE)	12.0	9.5
Percentage of 75–100 recycled content copy paper purchased	95	97
Percentage of 50–75 recycled content copy paper purchased	0	0
Percentage of 0–50 recycled content copy paper purchased	5	3
Optional indicator		
Greenhouse gas emissions associated with paper use, segmented by primary source and offsets (t CO ₂ -e)	4.1	3.2

Transport

The data presented below is derived from VicFleet logs, and Commission air travel records. The Commission uses the State Government Vehicle Pool for all its operational car travel, resulting in decreased net greenhouse gas emissions compared to operating its own smaller, less well utilised pool. Further reductions to greenhouse gas emissions will depend on the fuel efficiency of the future Vehicle Pool fleet.

Indicator	2011-12			2012-13		
	ULP	LPG	Total	ULP	LPG	Total
Total energy consumption by vehicles (MJ)	41 655					
Total vehicle travel associated with entity operations (km)	19 291			8 379	216	8 595
Total greenhouse gas emissions from vehicle fleet (t CO ₂ -e)	3.1			1.3	0.1	1.4
Greenhouse gas emission from vehicle fleet per 1000km travelled (t CO ₂ -e)	0.2			0.2	0.1	0.3
	2011-12			2012-13		
Total distance travelled by aeroplane (km)			37 830			40 815

Summary of Greenhouse Gas Emissions

Indicator	2011-12	2012-13
Total greenhouse gas emissions associated with energy use (t CO ₂ -e)	341**	218
Total greenhouse gas emissions associated with vehicle fleet (t CO ₂ -e)	3.1	1.4
Total greenhouse gas emissions associated with air travel (t CO ₂ -e)	12.3	13.4
Total greenhouse gas emissions associated with waste production (t CO ₂ -e)	2.5	N/A
Greenhouse gas emissions offsets purchased (t CO ₂ -e)	0	0
Optional indicators		
Any other known greenhouse gas emissions associated with other activities (t CO ₂ -e)*	4.1	3.2
Total greenhouse gas emissions(t CO₂-e)	363**	236

* Emissions associated with paper production and use

** Figure reported in 2011-12 annual report was incorrect

APPENDIX I

DETAILS OF CONSULTANCIES OVER \$10,000

Consultant	Purpose of consultancy	State date	End date	Total approved project fee (ex GST)	Expenditure 2012-13 (ex GST)	Future expenditure (ex GST)
				(\$)	(\$)	(\$)
NERA	Accident Towing Fare Review	25/02/2013	30/06/2013	50 000.00	37 909.00	12 091.00
Indec Consulting	Ports Regulation Review	20/05/2013	30/06/2013	22 272.73	24 499.20	nil
Indec Consulting	Ports Regulation Review	30/05/2012	30/07/2013	44 000.00	44 000.00	nil
Deloitte Touch Tohmatsu	Water Price Review 2013-18	01/09/2012	30/06/2013	326 287.27	321 796.57	4 490.70
Price Waterhouse Coopers	Water Price Review 2013-18	01/09/2012	30/06/2013	462 000.00	462 000.00	nil
Cardno	Water Price Review 2013-18	01/09/2012	30/09/2013	133 617.27	133 617.27	nil
Frontier Economics	Water Price Review preparation	01/10/2012	30/04/2013	189 636.36	185 618.18	4 018.18
Indec Consulting	Water Price Review 2013-18	11/04/2012	30/04/2013	19 000.00	19 000.00	nil
Total				\$1 246 813.64	\$1 228 440.22	\$20 559.88

Note: All expenditure on consultancies of over \$100k was as a result of the Water Price Review of 19 water authorities across Victoria, an exercise not previously undertaken in the same financial year.



APPENDIX J

Freedom of Information

DETAILS OF REQUESTS RECEIVED

Requests	2011–12	2012–13
Requests received	1	1
Requests granted in full	0	2
Requests granted in part	0	0
Requests denied	0	0
Requests transferred	0	0
Requests withdrawn	0	0
No document in existence	0	0
Requests pending as at 30 June	1	0

Nominated Contact Person

Requests for access to documents should be addressed to:

Mr John Henry
Legal Counsel

Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne Vic 3000

Further information

Further information 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 37, 2 Lonsdale Street
Melbourne, Vic 3000
Telephone: (03) 9032 1300
or 1300 664 969
reception@esc.vic.gov.au

APPENDIX K

Compliance Index 2012–13

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 22C	Manner of establishment and relevant Ministers	7
FRD 22C	Objectives, functions, powers and duties	7
FRD 22C	Nature and range of services provided	7
MANAGEMENT AND STRUCTURE		
FRD 22C	Organisational structure	8–9
FINANCIAL AND OTHER INFORMATION		
FRD 22C, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	33
FRD 22C	Employment and conduct principles	35
FRD 22C	Occupational health and safety policy	37
FRD 15B	Executive officer disclosures	37
FRD 22C	Summary of the financial results for the year	42
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22C	Major changes or factors affecting performance	N/A
FRD 22C	Subsequent events	N/A
FRD 22C	Application and operation of <i>Freedom of Information Act 1982</i>	78
FRD 22C	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	41
FRD 29	Workforce Data Disclosures	35
FRD 25A	Victorian Industry Participation Policy disclosures	N/A
FRD 22C	Statement on National Competition Policy	41
FRD 22C	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	81
FRD 22C	Details of consultancies over \$10,000	77
FRD 12A	Disclosure of major contracts	77
FRD 24C	Reporting of office-based environmental impacts	74
FRD 22C	Statement of availability of other information	78
FRD 10	Disclosure Index	78
FRD 8B	Budget portfolio outcomes	N/A
SD 4.5.5	Risk management compliance attestation	39
SD 4.5.5.1	Insurance compliance attestation	39
SD 4.2 (g)	Specific information requirements	9
SD 4.2 (j)	Sign-off requirements	3
FINANCIAL STATEMENTS		
Financial Statements required under Part 7 of the FMA		
SD 4.2 (b)	Operating Statement	47
SD 4.2 (b)	Balance Sheet	48
SD 4.2 (a)	Statement of changes in equity	49



FINANCIAL REPORTING DIRECTIONS – REPORT OF OPERATION

Legislation	Requirement	Page
SD 4.2 (b)	Cash Flow Statement	50
Other requirements under Standing Directions 4.2		
SD 4.2 (c)	Accountable officer's declaration	68
SD 4.2 (c)	Compliance with Ministerial Directions	51
SD 4.2 (d)	Rounding of amounts	N/A
SD 4.2 (c)	Compliance with Australian accounting standards and other authoritative pronouncements	51
Other Disclosures as required by FRDS in Notes to the Financial Statements		
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9A	Departmental disclosure of administered assets and liabilities	65
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21B	Responsible persons and executive officer disclosures	63
FRD 23	Superannuation liabilities and disclosure	64

APPENDIX L

Whistleblowers Protection Act 2001

The Essential Services Commission is a public body required to produce annual reports of operations, in accordance 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 2012–13

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 <i>Whistleblowers Protection Act</i> 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 <i>Whistleblowers Protection Act</i> that relate to the Commission	0

Protected Disclosures Act 2012

The *Whistleblowers Protection Act 2001* was repealed on 10 February 2013 and replaced by the *Protected Disclosures Act 2012*.

The Essential Services Commission is a public body required to make certain disclosures pursuant to section 70 of the *Protected Disclosures Act 2012*.

The Commission has developed procedures to satisfy its obligations under Part 9 of the *Protected Disclosures Act 2012*. Those procedures are extensive and may be obtained by contacting the Commission.

Number and type of disclosure made to the Commission – nil.



APPENDIX M

Appeals

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



Level 37, 2 Lonsdale Street
Melbourne Victoria 3000
Australia

Telephone +61 3 9032 1300
Facsimile +61 3 9032 1301
www.esc.vic.gov.au