

ANNUAL REPORT

2019-20



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About this report

This annual report summarises performance of the commission for 2019–20 against our main goals, objectives and targets of our operational plan, and looks to the year ahead.

This report and earlier reports can be found on our website: esc.vic.gov.au

Responsible body's declaration

30 November 2020

The Hon. Danny Pearson MP
Assistant Treasurer
Level 5, 1 Macarthur Street,
East Melbourne VIC 3002

Dear Minister,

We are pleased to present the Essential Services Commission's annual report for the year ending 30 June 2020.

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

I would like to record my appreciation of commission staff for their commitment to delivering our regulatory, administrative and advisory program in 2019–20.

Yours sincerely,



Kate Symons
Commissioner and Chairperson

What we do

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

We promote consumer interests by regulating Victoria's energy, water and transport sectors.

Our work also includes administering the Victorian Energy Upgrades program, which aims to reduce greenhouse gases by making energy efficiency improvements more affordable for consumers.

Our work helps Victorian customers have more power over things they use every day. We've succeeded in encouraging water, electricity and gas companies to provide better family violence support for vulnerable customers, and published information that gives ratepayers a clearer picture of how well their local council is performing.

Our mission

We are an independent regulator that promotes the long term interests of Victorian consumers with respect to the price, quality and reliability of essential services.

We regulate Victoria's energy, water and transport sectors, and administer the rate-capping system for the local government sector. We also regulate the Victorian Energy Upgrades (VEU) program.



Our values

Integrity

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

Respect

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



Impartiality

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



Excellence

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



Collaboration

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

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Snapshot of the commission in 2019–20

Our work affects every Victorian – from households, small businesses, and large organisations. Here are some of the ways our work had an impact in 2019–20.



\$2,080,000

We issued \$2,080,000 in penalties to energy companies.



100%

All Victorian councils complied with the rate cap.



\$840 million

We reviewed \$840 million of revenue from three water businesses as part of their 2020 price reviews.



71 notices

We issued 71 section 37 notices to gather information from stakeholders.

6.9 million

6.9 million tonnes of greenhouse gas savings were delivered through our Victorian Energy Upgrades program.



250,000

Our social media posts received over 250,000 impressions.



4.2 million

4.2 million Victorians saw our 'It's your energy' campaign.



302,962

302,962 households and businesses benefitted from an energy efficiency upgrade under the Victorian Energy Upgrades program.



From the chairperson



In last year's report I expressed my confidence that the commission was well positioned to embrace future challenges. As I reflect on the past year, I'm sure most would agree that the challenges of 2019–2020 have indeed been extraordinary.

As we adapted by moving online to do our work, what became clear to us was that our role, promoting the long-term interests of Victorians in relation to the price, quality and reliability of essential services, has never been more important.

And despite the many challenges we've all faced, on a personal note I am very proud of what we've been able to achieve in my first year as chairperson of the commission.

The way in which the commission has embraced those challenges and pulled together to remain focused on achieving positive outcomes for Victorians has been richly rewarding.

We have been delivering in tangible ways that make a difference for Victorians. We are more connected to the community we serve and the industries we regulate. And we have boosted enforcement activity to maximise the effectiveness of our regulatory frameworks.

In 2019–20, we put a cap on what you could be charged if you were late with an energy bill and made rules requiring energy retailers to tell you if you're on their best deal for you. Increased protections for energy customers requiring life support equipment were introduced along with improved technical codes for distribution businesses.

We set a fair price for electricity for those who don't want to or can't engage in the market through the Victorian default offer and put an end to bait and switch energy deals.

Water bills in the regions were kept at or lower than inflation through our pricing decisions and we set a limit on how much taxis can charge you for using cards or other non-cash payment methods.

We are more connected than ever

We strengthened our relationships with other key bodies, including the Australian Energy Regulator, Consumer Affairs Victoria and the Energy and Water Ombudsman of Victoria to increase our ability to act together to promote consumer interests.

Virtual roundtables with consumer advocates and community service providers, as well as the businesses we regulate, helped us understand the impact of the coronavirus pandemic on households and small businesses, and tailor our responses accordingly.

Our response to the pandemic needed to be timely but well-informed, decisive and practical, so we also started collecting more timely data from energy and water businesses in April.

We responded by updating our energy rules so small businesses had access to hardship support and our water rules were aligned to the national standard.

Our commitment to transparency and openness

We published a range of reports to demonstrate our commitment to transparency and show the impact of our work.

Our reports showed all Victorian councils complied with the state's rate cap or a variation approved by us. We also reported on disconnections and energy prices falling, and surveys showing increasing satisfaction with water businesses.

Our annual Victorian Energy Upgrades report shows the biggest energy efficiency program in Australia continues to grow, passing 60 million tonnes of abatement after 11 years of helping Victorians lower their energy costs.

Another report confirmed victims of family violence are getting better support from water businesses after our work building capability and introducing new rules following the royal commission.

Enforcement penalties topped \$2 million

2019–20 was also the year we took a huge step in our enforcement capability with a second full-time commissioner, barrister and former ACCC commissioner Sitesh Bhojani joining us.

During the year, we took action against four energy retailers for various breaches of the energy rules resulting in penalties of over \$2 million being paid as well as another \$533,000 being returned to customers by energy businesses.

I was very pleased to welcome another female to the decision table with economist and policy specialist Rebecca Billings joining Simon Corden on our team.

This team brings an extraordinary diversity of professional and personal experience that I feel serves the people of Victoria well.

Thank you to my fellow commissioners for your invaluable perspectives and enduring dedication to reaching decisions as an independent economic regulator that promotes the long term interests of Victorian consumers.

I would also like to take this opportunity to acknowledge and thank the entire team at the commission. Led by John Hamill and his executive team, our staff have the highest standards of professionalism, resilience and an enduring commitment to make a real difference that is a joy to witness.

It has been an honour to lead the commission through this year and while we're going through challenging times, I'm looking forward to the next and the opportunities it presents.

I am confident we will continue to strive to deliver on our promise to promote the interests of all Victorians.



Kate Symons

Commissioner and chairperson

From the CEO



2019–20 has been an exceptional year. We have heard the expression ‘unprecedented times’ reverberate around the world as the biggest health crisis of our time encircled the globe.

The challenges posed by 2019–20 have not been experienced on this scale for a century. But the extraordinary response of commission staff, who continued to work to deliver support for all Victorians, was unparalleled – but also completely within character.

I would like to thank staff and commissioners, who stood firm in our purpose and continued to work hard for the benefit of all Victorians, in spite of the challenges.

Our response to the coronavirus pandemic focussed on three goals:

- ensuring that the essential services we regulate continued to deliver for consumers
- supporting the health and wellbeing of our staff
- ensuring we could continue to operate effectively from home.

The response of our staff was timely, it was meaningful, and it demonstrated that deep connection to our purpose that I believe characterises the commission. Our response to the pandemic required significant prioritisation of effort across our work program.

We made changes to our codes and guidance for water businesses to ensure protections are in place for customers and small businesses. We increased the frequency of our monitoring of these essential services to understand the impact on customers and businesses as events unfolded, and held regular online forums with businesses and consumer groups to ensure that we understood what

was happening on the ground. We also worked with accredited providers in the Victoria Energy Upgrade program to ensure the impacts of the pandemic were being managed appropriately.

Our business continuity responded well to the challenges. We moved to fully working from home in early March. We were fortunate to be able to build on existing flexible working strategies, including upgrades of our IT system, and significantly increased our focus on health and wellbeing of staff.

There was consequently no significant disruption of our work program – while some work needed to slow down – including some software development projects, we were able to continue to deliver on our core deliverables.

The 2020 water price reviews meant most Melbourne households will enjoy a drop in water bills in 2020–21, while bills in regional Victoria will mostly rise by less than inflation.

There continued to be significant workload delivered through the Victorian Energy Upgrades scheme, notwithstanding the year’s disruptions.

We set the first Victorian default offer for the first time under our own powers. The default offer now benefits around 124,000 residential and 40,000 small business customers with its pricing protections.

We continued to build our enforcement capabilities to ensure that there is effective accountability in the energy sector. We issued more than \$2 million in penalties to energy companies.

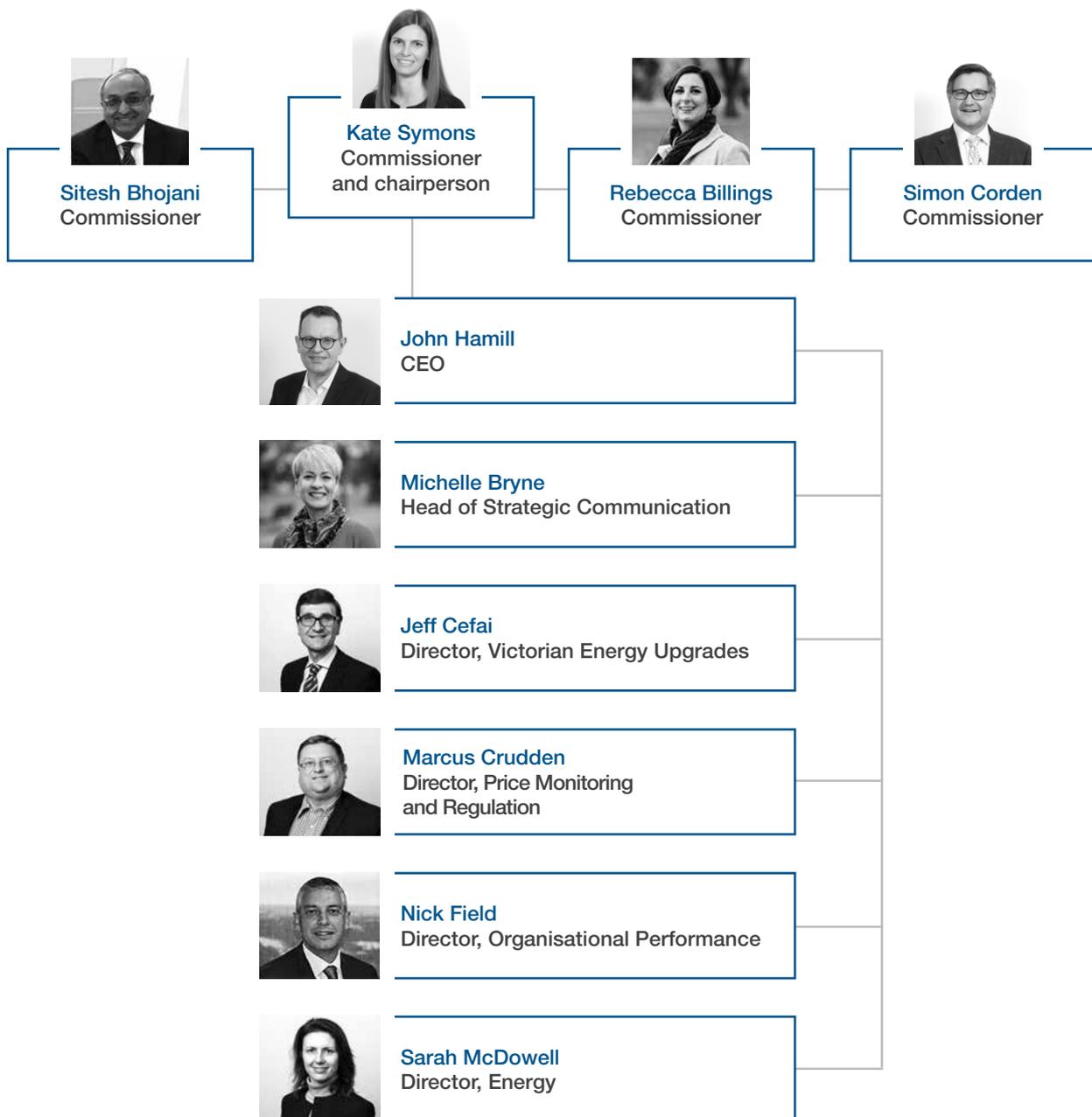
We also continued to grow as an organisation as we have continued to implement the government’s energy fairness plan. Staff numbers have now increased to 138 and we welcomed two new commissioners – Sitesh Bhojani and Rebecca Billings.

Our work has never been so vital and it was with great pride that I saw the hard work of everyone within the commission rising to meet the demands of this year. With the challenges of 2019–20 by no means over, we will continue to develop and adapt to support the changing needs of Victorians.

John Hamill
CEO

Our leadership team

Organisational chart at 30 June 2020



Our organisational structure

We are governed by a commission made up of four commissioners, supported by a chief executive officer and an executive team.

We are growing

In 2019–20 we welcomed two new commissioners: Sitesh Bhojani and Rebecca Billings. Sitesh started his role of commissioner in September 2019, while Rebecca commenced in February 2020. The organisation also increased in size with the addition of new responsibilities and increased expectations.

The information in this section reflects these changes.

Our leadership team



Kate Symons
Commissioner and chairperson

Kate was appointed full-time commissioner and chairperson in September 2019, after being a part-time commissioner since October 2016. As a lawyer with qualifications in public administration and corporate governance, Kate has experience across several sectors.

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

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

The executive team at 30 June 2020

Michelle Bryne Head of Strategic Communication

As head of strategic communication, Michelle oversees external and internal communication, digital and social media, media and issues management, reputation, branding, and stakeholder management.

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

Jeff Cefai Director, Victorian Energy Upgrades

As director, Victorian Energy Upgrades division, Jeff oversees all aspects of the program within the commission. These include assessing and registering certificates, approving products, and accrediting participants. He also oversees the management of project-based activities, monitoring and enforcement under the commission's audit and compliance functions, overall stakeholder engagement and collaboration with policy makers through our data-driven insights.

Jeff has a Bachelor of Engineering (Chemical Engineering) from RMIT and over 30 years of experience in the energy sector and 15 years in regulation.



Sitesh Bhojani
Commissioner

Sitesh commenced as a commissioner in September 2019. He is a barrister and is highly experienced in competition and consumer law.

Sitesh's previous roles include practicing law as a barrister with the Western Australian Bar Association, the New South Wales Bar Association and Victorian Bar. He was also a member and deputy chairman of the Competition and Consumer Committee of the Law Council of Australia.

Between 1995 to 2003 Sitesh was a commissioner at the Australian Competition and Consumer Commission.



Simon Corden
Commissioner

Simon was appointed part-time commissioner in April 2019. He is an expert in economics and social policy.

Simon's previous roles include senior executive positions in the Victorian Department of Premier and Cabinet, the Department of Treasury and Finance, the Victorian Competition and Efficiency Commission Secretariat and WorkSafe Victoria.

From 2011 to 2018 he was the Director, Policy, Programs and Evaluation, Management Consulting at KPMG Australia.



Rebecca Billings
Commissioner

Rebecca was appointed part-time commissioner in February 2020. Rebecca is an economist with over 18 years' experience providing economic and policy advice to government across a diverse range of regulatory systems.

Rebecca's consulting roles include being a director at PwC, NERA Economic Consulting and Deloitte Access Economics. She was previously a senior economist at the Department of Treasury and Finance, where she supported the implementation of the Reducing Regulatory Burden reforms.



John Hamill
Chief Executive Officer

John has been CEO of the Essential Services Commission since February 2016. He leads the commission and the executive team with responsibility for the overall operations of the commission.

Prior to working at the commission, he was general manager, regulation at the Commerce Commission in New Zealand and has extensive experience in regulatory reform, public sector governance, and governance.

Marcus Crudden
Director, Price Monitoring and Regulation

Marcus oversees projects including confidential advice to government on waste reviews, approving metropolitan and regional water businesses prices, administering local government rate caps, determining and setting maximum taxi fares, and the Port of Melbourne's possible exercise of power in relation to setting rent and lease terms and conditions at the port.

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

Nick Field
Director, Organisational Performance

Nick started his role at the commission in June 2020. As director, organisational performance, Nick oversees key internal functions, including IT, people and culture, finance, governance and risk.

Nick has a Bachelor of Arts (Social Science) from the University of Leicester, and qualifications in facilitation, training, project management and leadership. He has over 15 years' experience as a management consultant to the Victorian Public Sector and more recently as a Chief Operating Officer at Victorian Government Solicitor's Office.

Sarah McDowell
Director, Energy

As director, energy, Sarah oversees our energy program, including our licensing of energy companies, our compliance and audit program and enforcement action. She also oversees the development of energy codes and guidelines, and the release of market performance reports such as the Victorian Energy Market Report.

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

Our performance

We measure our performance against our operational goals, as outlined in our three-year strategy. Our goals help ensure we continuously measure and improve how we operate.

Here is a summary of our main achievements for 2019–20 and how we have promoted the long-term interests of Victorians.



OBJECTIVE 1

We will be a strong and fair regulator who is trusted to deliver what is in the best interests of consumers



OBJECTIVE 2

We will be an active and innovative regulator that solves real problems

- We issued more than 150 energy industry penalty notices, ensuring that energy companies work in the best interest of customers and uphold their rights.
- Life support customers will receive more comprehensive information about their rights and the new processes to help ensure they receive protections when they need it with our energy retail reforms.
- In November 2019, we made our first determination, to setting the Victorian default offer.
- We have begun work on our vulnerability strategy which will allow us to better reflect the voices of those experiencing vulnerability in our regulatory processes.
- From 1 July 2020, a suite of energy reforms came into place to ensure clear and fair contract periods, practices and variations are in effect.
- Our audit program focused on customer entitlements to ensure Victorians get fairer outcomes in the energy market.
- In 2019 we released our revised edition of the better practice guide for family violence which supports water and energy businesses to implement safe and effective responses to customers needing family violence assistance.
- We supported 36 businesses install more than 5 million LED lights, meaning households and businesses will save money and reduce their greenhouse gas emissions.
- We held 28 events online to ensure consumers and regulated industry could engage directly with us during the coronavirus pandemic.



OBJECTIVE 3

Regulated businesses deliver value for customers

- We've issued 12 new energy licences to ensure Victoria's demand for energy is met.
- The cost to customers of missing a bill has been capped since 1 July 2020 – meaning energy retailers were prevented from imposing excessive charges for missing a bill.
- In June 2020, we released our final pricing decisions on South Gippsland, Western and Goulburn Murray Water which will see customers benefitting from improved services and investment in areas they value most.
- We completed our annual tariff approvals for 17 water businesses to ensure businesses are transparent, accountable, and operating within the requirements of our codes and price determinations.
- We set the taxi non-cash payment surcharge at four per cent (down from five) meaning customers will benefit from cost efficiencies achieved by the industry.



OBJECTIVE 4

We will deliver regulatory services effectively and efficiently

- We have actively exercised our legislative powers to ensure compliance with the regulatory framework in the energy sector.
- In December 2019 we released our revised annual urban water performance report which compares businesses' performance on specific key indicators, such as billing and customer service matters.
- We released our first water outcomes report under our PREMO pricing framework.
- We published our annual compliance reports on local councils, showing that all councils complied with the state's rate cap or a variation approved by us.
- We checked over 30,000 activities in the Victorian Energy Upgrades program to ensure the integrity of the program.
- We hosted 28 events with more than 1,200 registered attendees to ensure all Victorians can have their say on our work.

Changing perspectives: our three-year strategy

Our three-year strategy was updated in 2020 to meet the demands of our changing world. Extended to 2023, the strategy describes our priorities and how we are transforming to reinforce our standing as a leading regulator.

The regulatory space is changing

We face several challenges and opportunities over the next three years.



Scepticism about the effectiveness of markets for essential services is driving more interventionist approaches to regulating these markets.



The **coronavirus pandemic** has had a direct impact on our operating environment, consumers and the businesses we regulate, and has dramatically changed the economic environment.



Climate change and increased frequency and intensity of extreme weather is driving demand for greater energy efficiency and innovation and putting greater demands on infrastructure.



Regulators are increasingly being challenged to take more effective and proportionate **enforcement action**.



Technology and innovation will continue to disrupt markets and supply chains in ways that hinder the effectiveness of our current regulatory tools.



Understanding **vulnerability** and how our role impacts marginalised customers has become critical to our work in promoting the long term interests of Victorians.

Our goals

1 We will be a strong and fair regulator who is trusted to deliver what is in the best interests of consumers

We will ensure we are meeting the government and public expectations as a strong but fair regulator across all our functions. We will hold regulated businesses to account, promote behaviour in the best interests of consumers, and deter behaviour that is not consistent with the rules we administer.

2 We will be an active and innovative regulator that solves real problems

We will engage actively with the community about their expectations of us and their experience of regulated sectors.

3 Regulated businesses deliver value for customers

We will continue to ensure our regulatory systems and requirements are designed to create effective relationships between those who deliver essential services and their customers.

4 We will deliver regulatory services effectively and efficiently

We will prioritise effectively to ensure resources are focused on the areas that deliver the most value. We will be innovative in our delivery of projects and effectively use all the skills we have.

Coronavirus and the commission

Coronavirus has had an unprecedented impact on people and businesses around the world. To make sure we continued to promote the interests of Victorians, we adapted quickly to our changing landscape.

Supporting our people

Central to our response to the coronavirus pandemic was making sure our staff were safe, supported and kept up to date with changes.

The business continuity team

Following the emergence of coronavirus in Australia, our business continuity team met and enacted our business continuity plan in early March. Used as a blueprint for our ongoing operations through the stages of the pandemic, it helped us to limit disruption, ensure employee safety and maintain our business operations.

Meeting regularly, the team addressed issues like reducing the risk to our staff, addressing impacts to our work program, increasing our IT system capability to provide effective flexible working, and ensuring wellbeing support was available.

Communicate early and often

We established a 'communicate early and often' approach to ensure staff and key stakeholders were kept informed. This included establishing daily staff updates, a dedicated intranet page and priority email for staff questions.

We promoted virtual team catch ups to help us stay connected while working remotely, and encouraged staff to look after themselves.

Moving to a remote world

Managed by the business continuity team, some teams trialled working from home the week earlier and all teams began working remotely on 24 March 2020. As we already had IT equipment and systems that allowed for flexible and remote working, the initial transition was quick.

Focus was directed to ensuring staff could work effectively from home and had the equipment they would need. Managers arranged regular team meetings and projects were reviewed to make sure timelines and expectations were feasible.

Business continuity team structure

Our business continuity team is made up of:



Giving staff tools to succeed remotely

Our organisational performance division worked to ensure a smooth transition to remote working and focus on the health and wellbeing of all commission employees.

- All training, inductions and internal events were redesigned to be delivered virtually, using recording options and transcripts to ensure all meetings and events were accessible.
- We ran regular wellbeing sessions to support staff through stress and anxiety.
- We conducted regular 'pulse check' surveys of staff and information we gained from the survey was used to develop staff wellbeing initiatives through the pandemic, and gain insights into how remote working was going for them.
- All forms were digitised to make sure authorisation for procurement, projects and recruitment could continue efficiently.
- Recruitment and onboarding were redesigned to be done virtually – which received overwhelmingly positive feedback.
- We monitored the safety of employees working from home, offering virtual ergonomic assessments and reimbursements for essential equipment.
- New virtual private network system was rolled out to increase our capacity to connect to our network.
- Wellbeing and social events were arranged for staff to mimic the social life of our offices.

Supporting our sectors

During 2020, all of our divisions worked hard to reprioritise projects and pieces of work to make sure the interests of Victorians continued to be promoted.

The Victorian Energy Upgrades program supported Victorian businesses



Project: Streamlining validation assessment times

Processed certificates quickly to assist accredited businesses through pandemic.



Project: Reprioritising of lighting product applications

Due to higher volumes of lighting product applications we gave preference to products that are currently used in the program.



Project: VEU stakeholder forum

Moved from May to June 2020, the forum focused on understanding the impact of the coronavirus pandemic on energy upgrades providers and collecting feedback on how we could help with recovery.



Project: VEU fee review and setting new fees

Project rescheduled to 1 July 2020 due to coronavirus.

Helping Victoria's water businesses deliver for customers



Project: Online public forum for stakeholder feedback on our draft decision for Goulburn Murray Water's prices

Instead of a face-to-face public forum, we held a digital event. This allowed us to hear from stakeholders who will be directly affected by our decision on Goulburn Murray Water's prices and take their views into account before making our final price determination.



Project: Review of the water customer service code

Further industry consultation and our final decision will continue in late 2020.



Project: 2020 audits of water businesses' performance data

- The data reported on in our 2019–20 performance report will not be audited.
- We have given water businesses extra time to allow them to carefully verify their data before reporting it to us.

Ensuring vulnerable Victorians have consistent access to their energy



Project: Energy industry roundtables

- The roundtables were established to help us understand the impact coronavirus has had on their businesses and their customers.
- Hosted by our chairperson, Kate Symons, the roundtables included energy industry representatives as well as the industry's peak bodies and government departments.



Project: Targeted reforms for residential and small business customers

- New reforms to establish consistent protections for residential and business customers experiencing financial difficulties managing their energy bills.
- We are consulting on the changes and seek to implement by 1 September 2020.

Simplified transport projects to ensure delivery



Project: Taxi fare reviews

- Reduced stakeholder data requests.
- We simplified our approach to changing taxi meter tariffs.



Project: Non-cash payment surcharge determination

- We amended the start date for new charging rates.
- We moved the introduction of new charges to 1 October 2020 (from July 2020) so payment processors had more time to adjust their IT and payment systems to the changes while minimising any cash flow implications during the pandemic.



Project: Port of Melbourne market rent inquiry

- Our original publication date for the interim report was pushed back due to coronavirus. Our inquiry findings and recommendations to the Assistant Treasurer were held over to the new financial year.

Continuing our work in local government



Project: To assess the financial impact of coronavirus on councils across Victoria, we have been analysing the draft budgets and four-year plans of local councils.

- We perform similar analyses every year, on the financial status of individual councils that tell us they may or will seek a higher cap.
- Our analysis now may give early warning of long-term impacts of the pandemic on councils and their ratepayers.
- We will continue to monitor councils' adoption of the published draft budgets and any revisions.



Project: Assessing rate cap compliance, for the 2020–21 rating year

The 2020–21 rate cap compliance report is now expected to be released in November 2020.

Listening to the voices of Victorians: overview of the vulnerability framework

We are developing a whole-of-commission vulnerability framework to hear the voices of Victorian consumers experiencing vulnerability, and to reflect those voices in our regulatory processes.

The framework will use existing and emerging evidence to develop a contemporary definition of vulnerability. It will also develop strategic operational priorities, building internal capability to equip us to respond appropriately to new and existing consumers in the changing economic environment.

Why is a vulnerability framework needed?

Following the 2020 bushfires and subsequent coronavirus pandemic, the importance of hearing, understanding, and incorporating the perspectives of consumers experiencing vulnerability has taken on increased importance.

Our vulnerability strategy will identify priority work areas and other actions across our regulatory functions to help ensure consumers have equitable access to essential services.



What have we achieved?

Emergency community sector roundtable at the start of work-from-home which led to monthly roundtables in 2020

Project plan, stakeholder engagement strategy, project governance and budget developed for vulnerability strategy

Initiation of year-long qualitative consumer reporting started with CRPC



What will the framework cover?

This project will deliver a strategy to bring the voices of consumers experiencing vulnerability to our regulatory processes and ensure consumers have equitable access to essential services. This will include:

- A shared definition of vulnerability across the commission – ensuring staff understand and can apply this definition to regulatory work.
- Identified outcomes across our functions related to consumer vulnerability (developed in collaboration with managers and staff).
- Identified delivery timeframe for our Reconciliation Action Plan.
- Strategies for building staff capability in policy and process design, engagement and monitoring and evaluation (including tools, resources, and training programs).

- Research reports, publications and external engagement activities that establish the commission as a contributor to thought leadership on consumer vulnerability.
- Contribution to internal reporting to support the commission’s insights into business service quality and performance in relation to the experiences of consumers experiencing vulnerability in our regulated sectors.
- A plan for ongoing implementation, monitoring and evaluation, and review of the strategy.

Strategy milestones



Initiation of initial project research with University of Melbourne

Initiation of development of family violence engagement framework with Domestic Violence Victoria

Industry and community sector webinar on business responses to family violence in the coronavirus environment

Moving quickly: vulnerability framework in 2020

The coronavirus pandemic has caused social and economic upheaval at an unprecedented level. We sped up parts of the vulnerability framework as a response.

Supporting Victorians through the pandemic

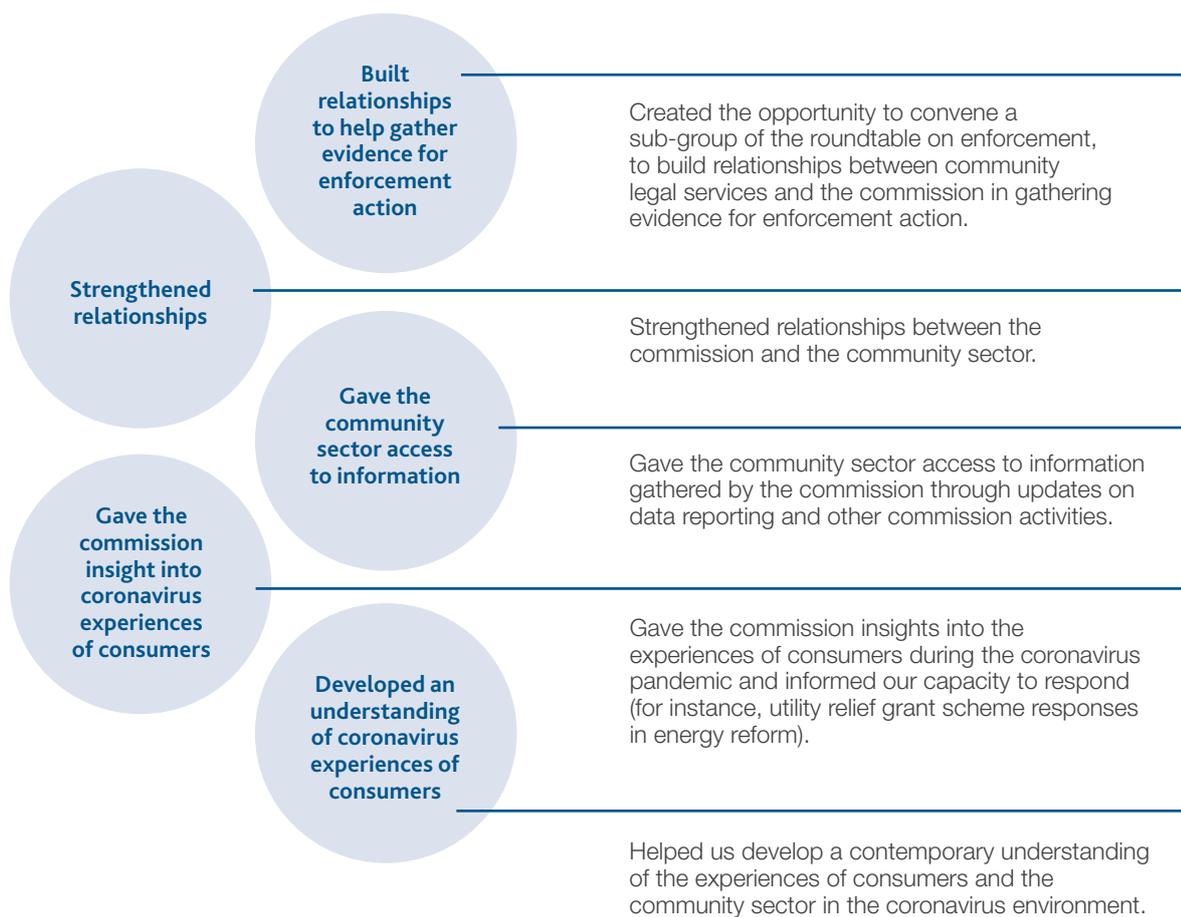
February 2020 saw the initial cases of coronavirus in Australia. We responded quickly to the growing pandemic, developing a contemporary understanding of what was happening on the ground for Victorian consumers.

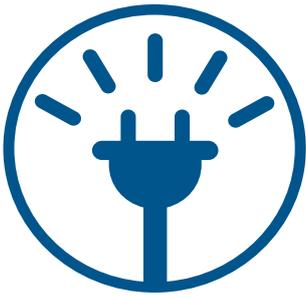
Engaging with the community

We held our first emergency roundtable with key community sector and consumer representative stakeholders to meet with our commissioners and senior staff in March. We continued these roundtables monthly, making sure we were continuing to support Victorians.



Our roundtables have:





ENERGY

We license Victorian gas and electricity businesses.

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

Our year in review

We've implemented reforms to make contracts clearer and fairer and updated the electricity distribution code

We are implementing a range of reforms to the retail and distribution rules to improve outcomes for customers.

From 1 July 2020, a suite of reforms came into place to ensure clear and fair contract periods, practices and variations are in effect. These changes include limiting price increases to once a year, capping pay-on-time discounts on new contracts so customers who miss a bill payment will not face a large increase in costs, and ensuring that benefits offered on new contracts last the entire duration of a contract.

From 1 September 2020, all households and most business customers in embedded networks will benefit from a new maximum price, equal to the 2020 Victorian default offer prices. From 1 January 2021, the amount of time a customer can be back-billed for when they are not at fault will reduce from nine to four months.

We have also strengthened protections for Victorian customers who require life support equipment and modernised technical standards applying to electricity distributors. We also progressed reforms to improve how electricity distributors communicate with customers about planned outages and how customers are recognised for low reliability.

We've taken more enforcement action than ever before

We actively exercise our legislative powers to ensure compliance with the regulatory framework in the energy sector.

This includes using compulsory information gathering powers to complete detailed investigations, which may in turn lead to enforcement action. The commission has established its Enforcement Committee to oversee the quality and conduct of its investigative and enforcement functions.

We publish our compliance and enforcement priorities each year. In 2019–20, these priorities included overcharging, failure to obtain the explicit informed consent of consumers and wrongful disconnections.

This year, we issued more than 150 energy industry penalty notices relating to misconduct by energy retailers in relation to these priority areas.

We're supporting Victoria's growing need for energy by issuing new energy licences

Between 1 July 2019 to 30 June 2020, we issued 12 new energy licences. These included:

- six electricity generation licences
- two electricity retail licences
- two gas retail licences
- one electricity wholesale licence
- one electricity transmission licence.

These additional licences mean in the future, Victorians will have access to an extra 690.1 MW of electricity capacity, and an increased choice of energy retailers.

We're also supporting Victoria's diversifying electricity production. Most of our licences this year were for renewable-based electricity production, including:

- The Kiamal solar farm, which is the first major solar farm in Australia with a synchronous condenser to be licensed. It is a large and complex piece of machinery that will play a crucial role in strengthening and stabilising Victoria's electricity grid.
- Dundonnell wind farm, one of the largest in Victoria at a total capacity of 336 MW, was licensed in 2020. When it is fully operational, it will deliver clean energy to approximately 245,000 homes.
- Two generation projects that will assist in achieving the Victorian Renewable Energy Target were licensed in 2019–20.

Progress report, 2019–20



Objective: Retail reform

- > Promote customer engagement and trust in our market by creating new consumer entitlements in our energy codes.

Outputs

- Implementing recommendation on fairer contracts.
- Strengthening our life support rules.

Outcomes

- The cost to customers of missing a bill has been capped since 1 July 2020 – meaning energy retailers are prevented from imposing excessive charges for missing a bill.
- Life support customers will receive more comprehensive information about their rights and the new processes to help ensure they receive protections when they need it.
- More support will be available to some of Victoria’s most vulnerable customers.



Objective: Compliance and enforcement capability

- > Improve the quality, timeliness and impact of our enforcement response.

Outputs

- Recruitment - engage skilled staff to support enforcement capability.
- Investigations training provided to staff.
- Existing compliance processes reviewed.
- Compliance and enforcement committee created to improve the overall impact and response of the commission’s enforcement.

Outcomes

- We engaged five new starters to support the enforcement capability.
- We issued \$2,080,000 in penalties in 2019–20, ensuring that energy companies work in the best interest of customers and uphold their rights.



Objective: Systems capability

- > Routinely make operational decisions based on data about customer experience and market performance.

Outputs

- We have scoped ways to improve our systems to support our compliance, enforcement and monitoring activities.
- We have updated our Memorandum of Understanding with Energy and Water Ombudsman (Victoria).

Outcomes

- Improved ways to monitor licensees and the information provided to us to inform our actions.



Progress report, 2019–20 (cont.)



Objective: Distribution reform

- > Help customers benefit from new energy technologies and innovative service models by changing our distribution rules.

Outputs

- New technical standards as part of the Electricity Distribution Code.
- We are consulting on proposed changes to improve customer service standards when it comes to the distribution of electricity.

Outcomes

- The technical standards of the energy distribution code reflected past technologies, by updating the technical standards, we are enabling new technologies as choices for customers (like solar generators and batteries) as they connect with the network.
- Our audit program focused on customer entitlements to ensure Victorians get fairer outcomes in the energy market.



Objective: Licensing process reform – financial viability panel

- > Improve efficiency and quality of our application process by establishing a financial viability panel.

Outputs

- Reviewed our licensing process.
- Revised and documented processes by August 2020.

Outcomes

- New processes make licensing more streamlined and easier to understand.



Objective: Monitoring and reporting of the energy market

- > Regularly report on the performance of the market to support improved industry performance, better customer decisions, and informed government policy.

Outputs

- We published three Victorian energy market updates (November and March 2019 and June 2020) and one Victorian Energy Market Report (October 2019).
- We updated the compliance and performance reporting guideline.
- We completed the final approach paper for the 2021 competitiveness review.

Outcomes

- Provide consumers with easy access to performance information about their retailer and distributor – empowering them to make more informed choices about their electricity and gas providers.
- Ensure the energy industry designs processes and programs that comply with key regulatory focus areas.



Objective: Embedded networks – outreach and independent review

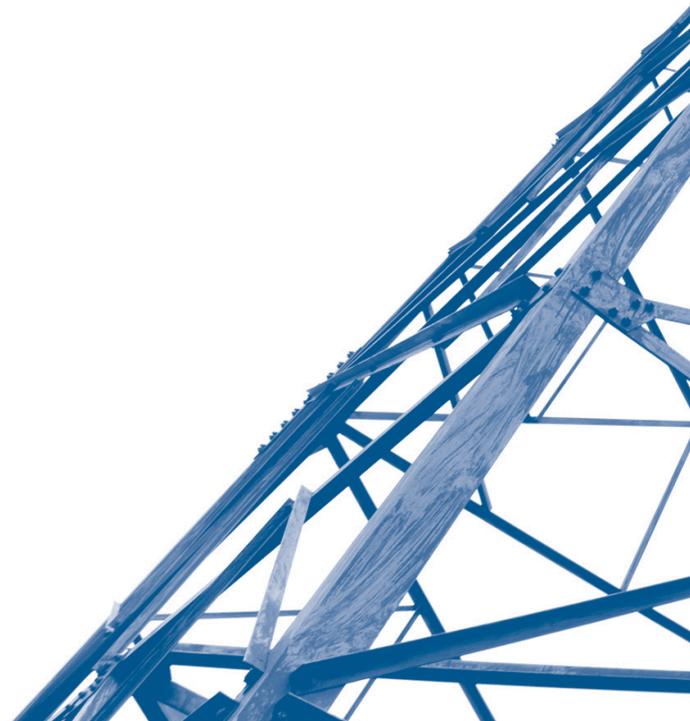
- > Help exempt sellers to understand their obligations to better serve their customers.
- > Identify risks and solutions with government to strengthen the regulation of embedded networks.

Outputs

- We had an independent review to provide relevant and timely information into review of embedded networks.
- Provided advice to government on proposed options to reform embedded seller's framework.
- Developed a mailout to reach embedded network customers.
- This work will continue into 2020–21.

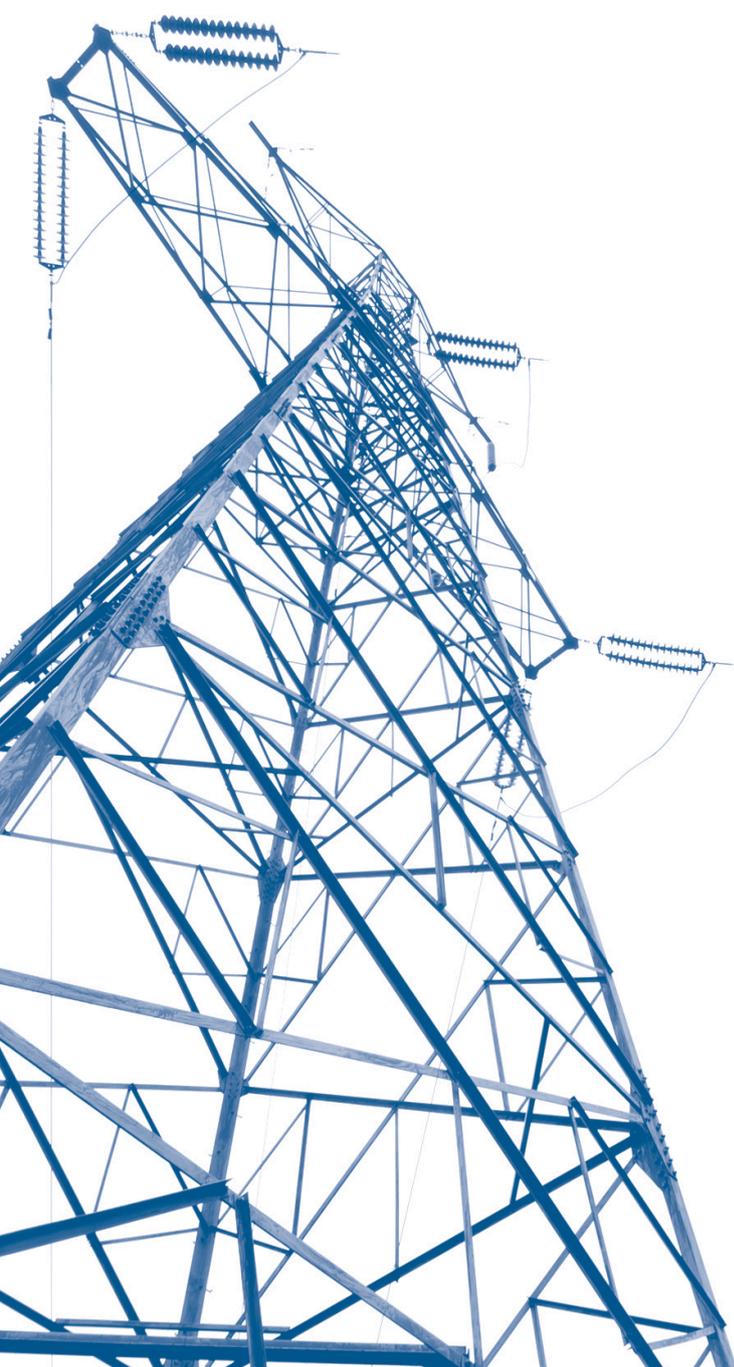
Outcomes

- Work will continue into 2020–21, with our embedded networks campaign that will aim to inform consumers of their rights and remind operators of their obligations.



Measuring our success in 2020–21

Strategy Objective	Objective	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Objective 1	Upgrade our supporting systems	To deliver enhancements for our case management system (known as CRISP) and improve our data handling capability.	To provide organisational and user benefits for our compliance, enforcement, licensing, communications and our intelligence functions.



Environmental factors

The main environmental factors influencing our work are:

- **Victorian Government policy and budget.** The government's energy fairness plan has had a significant impact on our work by providing us with new powers, responsibilities and funding to deliver significant reforms and enforcement activity.
- **Financial services royal commission.** The findings and recommendations of the royal commission have increased expectations on regulators to be active in enforcement, and to litigate where appropriate.
- **New energy technologies.** The introduction of new energy technologies into our market is reshaping how energy is generated, supplied and sold to consumers.



Cost of our energy industry activities

In 2019–20, the total cost of the energy team was \$11.99 million. The cost includes the direct costs incurred by the team plus an allocation for overhead costs.

Improving Victorian's understanding of their energy rights

We're helping more Victorians than ever before understand and take control of their energy with our 'It's your energy' campaign.

Now in its second year, our integrated communication campaign has seen great success in raising awareness and increasing understanding in Victorian consumers of their energy rights. 2019–20 gave us the opportunity to build on our work of 2018–19, designing a campaign with three clearly separated messages.

Focused on simple, informative and concise information, we used our website, social media, print media, outdoor advertising and radio to reach the community.

Our campaign focus

Divided into three distinct streams, we focused on increasing consumer's understanding of the energy market and gave clear actions to take if they wanted to engage with their retailer.

Core campaign topics:

- best offer deal
- payment difficulty framework
- Victorian default offer.

Focusing on younger and older Victorians as well as consumers who may experience vulnerability or financial difficulty, we made sure our information could be easily accessed. Education was key to our campaign. Giving Victorians options that they can explore to suit their needs.

4.2 million

4.2 million Victorians saw our 'Its your energy' campaign in 2019–20

800,000

over 800,000 people saw our campaign on Facebook

70,000

Our 'Its your energy' website received more than 70,000 page views in 2019–20



Best offer

Purpose

- This phase informed consumers that a statement of the best offer must be given at least once every four months and the offer must use the energy consumption of that customer of the last year to create an individual 'best offer' deal for them.

Result

- 37 per cent of those surveyed sought more information about best offer deals because of information from our campaign.
- Awareness of the best offer increased by 32 per cent.
- 58 per cent took action by contacting their retailer.
- 18-34-year-old people had the greatest gains in awareness of the best offer, with an 82 per cent increase and instances of this group taking action and contacting their retailer increased by 183 per cent.



Payment difficulties framework

Purpose

- With the summer bushfires followed by coronavirus, support for customers facing payment difficulties became more important than ever before.
- The March campaign focused on how customers can get on top of their energy bills. Aimed at vulnerable customers particularly, the campaign gave easy to understand and actionable ideas.
- It looked at: how to stay on top of energy bills, what to do if you miss a bill, what to do if you can't afford ongoing energy use, and who to speak to if you need help.

Result

- 80 per cent increase in awareness of the payment difficulties framework was found.
- Five per cent increase in older Victorians being aware of the payment difficulties framework.



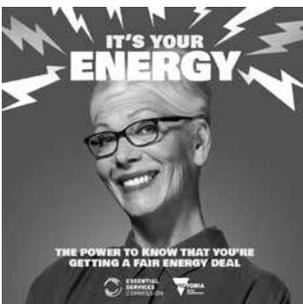
Victorian default offer

Purpose

- This phase sought to increase understanding of the default offer in key stakeholder groups.
- Most Victorian households and businesses can ask for a default offer or use it to compare their current costs to check they are on the best deal for them.
- This phase led into our July embedded networks campaign, which helped to inform those living in apartments, retirement homes and caravan parks of their rights and their supplier's obligations.

Result

- We saw a 30 per cent increase in awareness and understanding of the Victorian default offer.
- We had an engagement rate of 7.9 per cent for this phase - far higher than the previous stages and well above the government average of 0.5 per cent.



What's next

With this year's campaign successfully completed in June-July 2020, we have already started work on delivering a third campaign. Focusing on empowering Victorians to use their awareness and understanding to act and achieve better financial outcomes, the next wave of the campaign will consider the impact of the coronavirus pandemic and recession on household finances.

Providing simple, trusted and reasonably priced electricity

The Victorian default offer provides a simple, trusted and reasonably priced electricity option for consumers. We set the default offer each year after assessing the efficient costs of providing retail electricity services to Victorians.

Performance milestones



In November 2019, we took a major step by making our first determination to set Victorian default offer prices for 2020.



From 1 January 2020, the default offer saw households paying \$200-300 less and businesses saving \$1,000-1,600 than they were before the offer was introduced.



Around 124,000 residential and 40,000 small business customers are now benefiting from the pricing protections offered under the Victorian default offer.



We have proposed that the default offer prices should be the maximum that embedded network customers can be charged. This extends the benefits of the Victorian default offer to a large set of Victorian customers who find it difficult to engage in the competitive market.

By reviewing the default offer prices, we make sure it continues to provide Victorians access to a fair electricity deal – even if they are unable or unwilling to engage in the retail market.

The default offer applies to all standing offers, which are usually in place where a customer has not taken up a market offer by negotiating a discount or switching providers.

In early 2020 we developed an approach for embedded networks to have the default offer set as their maximum electricity price.



Apartment building



Caravan park



Retirement village

Building on existing consumer protections

2019 – our first price determination

In 2019 we completed our first determination of the default offer prices. It built on the existing protections in the default offer by extending them to all consumers on standing offers. Before this the default offer only applied to consumers on standing offers with flat tariffs.

Reaching out to our stakeholders

Before making our final decision, we hosted a public forum and published a consultation paper and draft decision to give stakeholders an opportunity to share their views. To get better information on the cost of providing electricity, we also collected data from all electricity retailers licensed in Victoria.

Future of the framework

We set the default offer each year after assessing the efficient costs retailers need to recover to provide electricity to Victorian customers.

We will make our determination by 25 November 2020 for the default prices applied from 1 January 2021. Before we make our determination, we will complete another review and consultation process on default offer prices.

By reviewing the default offer prices we will make sure it continues to provide Victorian consumers access to a fair electricity deal even if they are unable or unwilling to engage in the retail market.

The default offer and embedded networks

We have determined that the Victorian default offer be the new maximum price for electricity supplied to customers in embedded networks (such as apartment buildings and retirement villages).

This is the first time these prices will be set by a regulator and embedded network customers could see significant savings by lowering the current maximum to the Victorian default offer. Our final decision was made in July 2020.

Our year in review

Last year we started our first review of the maximum prices customers in embedded networks can be charged (including apartment buildings, retirement villages and caravan parks). These customers can rarely access competitive electricity deals, and sellers can charge up to the maximum – which is currently set by expensive historical standing offer prices set by retailers. We asked Victorian consumers and businesses whether the Victorian default offer would be an appropriate maximum price for embedded network customers in a consultation paper and draft decision. There was broad support from customers and electricity providers for our proposal.



WATER

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

Our year in review

Customers are our priority: the PREMO framework and price reviews

The performance, risk, engagement, management, and outcomes (PREMO) pricing framework keeps us focused on supporting Victorian customers. Our 2020 price reviews helped water businesses achieve better outcomes for customers and the business.

In June 2020, we released our final pricing decisions on South Gippsland, Western and Goulburn Murray Water. These decisions have led to customers benefitting from improved services and investment in areas they value most.

Our work in reviewing water pricing is vital to continuing to provide Victorians with high quality water service at prices that are affordable.

Our pricing framework was recognised for excellence and innovation, coming runner up for the 2019 Innovative Regulation Award at the Institute of Public Administration's Leadership in the Public Sector Awards.

We supported businesses to assist those affected by family violence

In 2018–19, we released a review on the changes to the customer service code to help address family violence. In 2019 we released our revised edition of the better practice guide for family violence. The guide supports water and energy businesses to implement safe and effective responses to customers needing family violence assistance.

Late 2019 saw us holding workshops on our revised better practice guides, focusing on new and emerging practices. These workshops gave businesses the opportunity to:

- consolidate their understanding of safe and effective family violence assistance
- collaborate with industry partners and experts
- work through policy implementation issues.

We reported on the water sector's performance in new and improved ways

In November 2019 we released our first outcomes report. This reporting reviews businesses' performance against their own set targets, includes businesses' self-assessment and our commentary on their assessments. As a requirement under our pricing framework, each business developed with their customers a set of outcome commitments, measures and targets. This report helps to keep water businesses directly accountable to their customers for the commitments they have made.

In December 2019 we released our revised annual urban water performance report which compares businesses' performance on specific key indicators, such as billing and customer service matters. The data included in this report is independently audited and informs customers about the performance of their business relative to the water sector and overtime.

Our new and improved lines of reporting:

- keep water businesses accountable to their customers
- promotes competition between businesses and leads to improved service standards
- supports businesses and customers to engage in meaningful conversations about their water and sewerage services.

Progress report, 2019–20



Objective:
Approve new prices for Western Water, South Gippsland Water and Goulburn-Murray Water, to take effect from 1 July 2020

Outputs

- Released our draft and final decision paper, price determination and customer fact sheet for Goulburn Murray Water, South Gippsland Water and Western Water price reviews.
- Held an online public forum on Goulburn Murray Water's price review and virtual forums through Engage Vic for South Gippsland Water and Western Water price reviews.

Outcomes

Customers have benefited from improved services, investment in areas they value most and extra support for customers facing financial hardship.



Objective:
Review regulatory accounts submitted by water businesses for 2018–19

Outputs

Reviewed and approved all businesses regulatory accounts.

Outcomes

Ensured businesses were operating within the requirements of our price determinations.



Objective:
Complete annual tariff approvals for 17 water businesses

Outputs

- Approved 2020–21 prices for urban water businesses and Melbourne Water.

Outcomes

Ensure 2020–21 prices are consistent with our price determinations for each business.

This will make sure that businesses are:

- transparent and accountable for future price submissions
- operating within the requirements of our regulatory codes
- consistent with the requirements of our price determinations.



Objective:
Prepare price review for Melbourne Water

Outputs

Issued our guidance paper for Melbourne Water's 2021 water price review.

Outcomes

Clearly set out our requirements and provided support for Melbourne Water to prepare a high-quality price submission.



Objective:
Release the 2018–19 urban water performance results

Outputs

Released our 2018–19 annual performance report, water business profiles and performance data.

Outcomes

Ensured water businesses are directly accountable to their customers for the services they provide and allowed customers to compare their water business's performance relative to the whole sector.



Objective:
Monitor and report on how customers rate their water business

Outputs

Published quarterly reports on how customers rate their water business on four key areas: value for money, reputation in the community, level of trust and overall satisfaction.



Status key: ✓ Complete → On track +++ Ongoing || On hold

Progress report, 2018–19 (cont.)



Objective:
Release the first outcomes report

Outputs

Released the first outcomes report which includes water businesses self-assessment of their performance against their own outcomes and our commentary on our perception of how businesses performed.

Outcomes

Ensured water businesses are directly accountable to their customers for their performance against their own set of targets.



Objective:
Evaluate the effectiveness of our family violence work program.

Outputs

Released a report on the outcomes of the code family violence code changes.

Outcomes

Confirmed our code changes are supporting customers affected by family violence as intended and identified areas for improvement.



Objective:
Release family violence better practice guideline.

Outputs

Released our revised addition of the better practice guide.

Outcomes

Supported water businesses (and energy businesses) to implement safe and effective family violence responses.



Environmental factors

There are several environmental factors influencing our work, including:

- a community focus on affordability and cost of living
- the community expectation that we will support low income and vulnerable customers especially given the impacts of coronavirus and the last bushfire season
- compliance with state and federal government regulations for preventing the spread of coronavirus and ensuring community safety
- government policy in relation to responding to vulnerable customers (including customers affected by family violence), and government expectations for Victorian water businesses
- the expectation we will continue to improve our approach to engagement through social media and communicating with remote water businesses
- technology change and disruption.



Cost of our water industry activities

In 2019–20, the total cost of the water team was \$3.86 million. The cost includes the direct costs incurred by the team plus an allocation for overhead costs.

Measuring our success in 2020–21

Strategy objective	Objective	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Objective 1	Approve new prices for Melbourne Water, to take effect from 1 July 2021.	<ul style="list-style-type: none"> Produce the following documents: <ul style="list-style-type: none"> - draft decision - final decision - price determination - customer fact sheet. These documents form the 2021 price review for Melbourne water. 	<p>To establish fair water prices and service standards for consumers.</p> <p>Prices that reflect customer engagement and outcomes and reflect prudent and efficient costs.</p>
Objective 2	Complete annual tariff approvals and review regulatory accounts submitted by water businesses.	<ul style="list-style-type: none"> Approve 2021–22 prices for 18 regulated water businesses to ensure they do not exceed maximums set in our price determination Review and approve all water businesses' regulatory accounts. 	<p>Businesses are:</p> <ul style="list-style-type: none"> transparent and accountable for future price submissions operating within the requirements of our regulatory codes consistent with our requirements of our price determinations.
Objective 4	Monitor and report on how customers rate their water business.	We will publish quarterly reports on how customers rate their water business on four key areas: value for money, reputation in the community, level of trust and overall satisfaction.	Water businesses continue to ensure customers' views are always front and centre in decision making.
Objective 4	Publish water performance report, outcome report and customer perception reports.	Produce an annual report, water business profiles and performance data.	<p>Customers and stakeholders are informed on water business performance, covering customer bills, customer service, network reliability, water quality and environment.</p> <p>To inform Victorian consumers of the services they are receiving.</p> <p>Publish the results of customer perception reporting in a rolling report of customer perception.</p>
Objective 3	Publish our water outcomes report.	We will publish water businesses' self-report on their performance against their own outcomes along with our perspective on how businesses are performing.	Water businesses are directly accountable to their customers for the services they provide and their actual performance against their own targets.
Objective 4	Review and revise the water customer codes.	<p>Updated codes issued on 18 August 2020 to reflect the national principles for utilities and hardship.</p> <p>Draft Code March 2021</p> <p>Final code June 2021</p>	<p>Low income and vulnerable customers are protected</p> <p>To ensure the terms and conditions of service and supply outlined in the code remain relevant.</p>
Objective 2	Effective processes for engaging with stakeholders.	<ul style="list-style-type: none"> establish engagement plans for water, and local government increase engagement approaches during consultations and to announce decisions for example webinars, podcasts. 	<ul style="list-style-type: none"> We have a clear focus for our communications strategy linked to influencing key stakeholders. Government, water corporations, local councils and the public have an increased understanding of our roles, responsibilities and objectives as a regulator.

Family violence reforms recognised for innovative approach

Our work in family violence reforms won the Innovative Regulation Award at the Institute of Public Administration's Leadership in the Public Sector Awards.

These reforms provide Victorian water and energy customers with greater support and opportunities for involvement in price setting.

A family violence support framework for water and energy businesses

Our family violence support framework aims to ensure water and energy customers affected by family violence have access to safe and flexible support. Through this work we intend to affirm a key message from the Royal Commission's report: everyone has a role to play in ending family violence.

The 2016 report from Victorian Royal Commission into Family Violence found that financial abuse was a common tactic in family violence. Perpetrators of family violence can restrict access to essential services, deliberately collect debt in the victim's name and use business systems to find a victim's new location.

The Royal Commission recommended we update the Energy Retail Code and water customer service codes to support victims of family violence.

While some energy and water businesses had family violence responses in place, many were new to this area. Working with family violence organisations and industry representatives, we developed an innovative approach to help businesses create change.

Providing a framework and promoting better practice

We developed a family violence framework for water and energy businesses that:

- includes enforceable codes (with minimum standards)
- states the role of utility providers in supporting the physical and financial security of customers affected by family violence
- enshrines a right to assistance addressing the long-term consequences of family violence, which is available for every Victorian consumer
- highlights high performance, according to the principles of better practice.

To further promote good and innovative practices we:

- Created an online hub with resources for businesses to use and share.
- Developed a better practice guide providing innovative and fit-for-purpose case studies.

Outcomes of our family violence reforms

Customer research we conducted showed a positive response to the reforms:



“They’re actually looking at the individual and their circumstances and there’s more respect now for clients and a lot of empathy. I think they’ve re-educated their customer support workers and telephone staff.”

Financial counsellor on the changes to the code.



We administer higher council rate caps, produce council compliance reports and conduct inquiries and reviews that promote sustainable outcomes for councils and the community.

LOCAL GOVERNMENT

Our year in review

We published our annual council compliance report

We monitor councils' compliance with rate caps, based on data they provide each year.

We reported in 2019–20 that all 79 councils had complied with the cap set for them. 75 councils complied with the cap of 2.5 per cent, limiting the increase for the average ratepayer. These included four councils who set their rates below the cap this year, to correct for setting rates above that the cap the year before.

A further four councils showed they complied with individual higher caps that were approved in previous years.

We reviewed options to strengthen compliance reporting

We reviewed supporting data councils provided with their compliance submissions in past years and identified possible improvements. We considered findings that auditors had made in recent years on councils' IT and accounting controls.

We reviewed legal advice on compliance questions, and guidance we had given councils. We discussed relevant points with staff of the Victorian Auditor-General's Office and the Valuer-General Victoria.

We then invited all councils to participate in an online survey and visited 12 of them, to learn about the processes and systems they use for budgeting and reporting compliance.

We are finalising a report on steps we can take to ensure that councils' processes – and our own – are reliable enough to support our published reports of their compliance.

We outlined options for improved waste management

In October 2019, at the government's request, we provided initial, confidential, advice on regulating the waste and recycling sector to ensure competition, service quality and transparency. The government then asked for more detailed advice, on legislative options and governance arrangements.

We are now undertaking targeted consultation with stakeholders, to provide this advice by August 2020.

Progress report, 2019–20



Objective: Higher cap applications

- > Ensure our 2020–21 higher cap decisions are consistent with the long-term interests of ratepayers and the financial sustainability of councils.
- > Provide relevant guidance to councils on what is required in a higher cap application.
- > Promote best practice community engagement in the local government sector.

Outputs

- Program of workshops and webinars for councils considering higher caps.
- Updated our higher cap guidance.
- Met with councils to explain the higher cap process.

Outcomes

- No councils applied for higher caps.

Objective: Monitoring council compliance

- > Undertake random audit activities and assess annual compliance with caps to minimise incentives for councils to circumvent the cap.

Outputs

Council Rate Cap Compliance 2019–20: Compliance Report November 2019.



Outcomes

Based on data the councils provided, we confirmed all had complied with the average rate cap or previously approved higher cap.

- > Ensure the higher cap application process is clear and does not impose unnecessary burdens.

Outputs

Updated compliance guidance and template.



Reporting compliance.

Outcomes

Clearer directions to councils on documenting their compliance submissions.

Outputs

Survey (66 responses) of all councils' processes for budgeting.



Outcomes

Clearer processes for commission staff validating councils' compliance.

Outputs

Workshop review of 12 councils' systems and IT controls for compliance reports.



Outcomes

Recommendations to councils for improved processing and controls for compliance.



Progress report, 2019–20 (cont.)

Objective: advising Victorian Government stakeholders

- > Provide timely and robust advice to the Minister for Local Government on rate caps, waste charges or any other requested topic.

Outputs

Advice to the minister as requested, including advice on setting the average rate cap for 2020–21, and confidential advice on the waste and resource recovery sector.



Outcomes

Provided the Minister for Local Government with relevant, timely and high-quality advice.

- > Liaise with Local Government Victoria on any changes to the framework as a result of the proposed new *Local Government Act*.

Outputs

Meetings continue as needed.

Outcomes

While amendments to the Local Government Act are pending, we continue to liaise with Local Government Victoria on any changes to the framework.



- > Proactively identify emerging issues relating to the rate capping framework and engage with Local Government Victoria where appropriate.

Outputs

Matters arising out of review of compliance process.



Environmental factors

The main environmental factors influencing our work are:

- The Victorian Government has amended the *Local Government Act 1989*, which makes up part of our local government regulatory framework and introduced the *Local Government Act 2020* (delivery of Act to be completed in July 2021). The updates to the legislation have implications for how councils operate, although they don't affect the regulatory framework that we use to assess higher cap applications.
- The Government has commenced an inquiry into the local government rating system to identify changes that will improve its fairness and equity. The Minister for Local Government has appointed a panel to lead the Victorian Local Government Rating System Review. The expert panel has provided its report to government.



Cost of our local government activities

In 2019–20, the total cost of the local government team was \$1.91 million. The cost includes the direct costs incurred by the team plus an allocation for overhead costs.

Measuring our success in 2020–21

Strategy objective	Objective	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Objective 1	<p>Higher cap applications</p> <ul style="list-style-type: none"> Ensure our 2021–22 higher cap decisions are consistent with the long-term interests of ratepayers and the financial sustainability of councils Provide relevant guidance to councils on what is required in a higher cap application. 	<ul style="list-style-type: none"> Publish updated guidance for councils on our rate cap regulatory framework Publish decisions on higher cap applications received for 2021–22 Publish special orders of approved higher caps. 	<ul style="list-style-type: none"> Higher cap applications outline all legislative matters and reflect councils' consideration of the long-term interests of ratepayers and the community Higher cap applications we receive from councils show they are improving their community engagement practices.
Objective 1	Monitoring the outcomes of the rate capping framework	<ul style="list-style-type: none"> Publish our second outcomes report, including analysis of trends in financial position, services, and infrastructure asset renewal and maintenance in the first two years of rate capping. 	<ul style="list-style-type: none"> Communities, councils and the Victorian Government are informed about the impacts of the rate capping framework on councils and communities.
Objective 2	<p>Advising Victorian Government stakeholders</p> <ul style="list-style-type: none"> Provide timely and robust advice to the Minister for Local Government on rate caps and any other requested topic Provide advice to the Assistant Treasurer and the Minister for Energy, Environment and Climate Change on waste issues Liaise with Local Government Victoria on any changes to the framework resulting from the review into the local government rating system Identify emerging issues relating to the rate capping framework and engage with Local Government Victoria where appropriate. 	<ul style="list-style-type: none"> Provide advice to the minister, as requested, including advice on setting the average rate cap for 2021–22 Provide advice on legislative options and governance for waste and resource recovery sector. 	<ul style="list-style-type: none"> Minister receives relevant, timely and high-quality advice Local Government Victoria is made aware of emerging issues and their impact on rate cap regulation Local Government Victoria understands how any changes arising from the review into the local government rating system might affect our role in rate cap regulation.



TRANSPORT

Promoting consumers interests through effective regulation and oversight.

We monitor Port of Melbourne wharfage services charges, undertake inquiries into access to land and rents at the Port of Melbourne, advise government on accident towing prices, and determine fares for unbooked taxi trips in metropolitan Melbourne and large regional zones.

2020 also marked the end of our decade-long reporting on the performance of Victoria's domestic building insurance scheme.

Our year in review

We set the taxi non-cash payment surcharge

In March 2020 we reduced the maximum surcharge that can be imposed for using common credit cards or other cashless means.

It means customers will pay a four per cent surcharge (down from five per cent) for paying using debit, charge or credit cards.

Inquiry into Port of Melbourne's power in setting land rental rates

We commenced the first-ever inquiry into the processes, means and methods by which the Port of Melbourne sets rents and provides access to the land it controls.

We used our compulsory information gathering powers to compel commercial-in-confidence information and tested claims against third party provided data and intelligence, including from port tenants. Our confidential and public findings was provided to the Assistant Treasurer.

Updated feed-in tariff rates

In February 2020, the minimum feed-in tariff was updated, with retailers to commence paying customers from 1 July either a fixed rate of 10.2 cents per kilowatt hour or a tariff that varies with the time of day. The tariffs were set by taking account of financial markets' expectations for a fall in Victoria's wholesale electricity prices across 2020–21.

Progress report, 2019–20



Objective:
Publish information on the Port of Melbourne's 2019 tariff compliance

- > Published relevant information and considered views in our annual commentary on the Port of Melbourne's 2019 tariff compliance statement and in our annual monitoring report for domestic building insurance.

Outputs

- Clarification of charging regime Persuaded Port of Melbourne to publish improved, simplified charging model.
- Delivered final ever insurance monitoring report to government, handing over functions to Department of Treasury.

Outcomes

- More clarity on charges.
- Users better understand how regulatory regime operates and when and how port charges relate to them.
- Domestic building financial insurance management is sound and can meet expected claims. Government has confidence that consumers are protected from builder insolvency.



Objective:
Review Port of Melbourne rent process

- > Undertook inaugural review of the process by which the Port of Melbourne sets rents, to assess whether it has misused power in setting or reviewing rents payable by tenants under lease agreements.

Outputs

- Published consultation paper, and interim report on early findings. Provisional findings outlined to the Port of Melbourne to ensure issues understood and had all reasonable opportunities to be heard.

Outcomes

- Users understand how rents are set. Port of Melbourne looked at its rent setting behaviour through new lens.



Objective:
Enhance stakeholder relationships

- > Enhanced effective and constructive stakeholder relationships.

Outputs

- Held first ever online forums, adhering to coronavirus social distancing commitments.

Outcomes

- Industry is heard. Customers have a voice and can freely express views. Many port tenants engaged with commission for the first time.





Environmental factors

Environmental factors affecting our work included:

- Amendments to the Port of Melbourne Pricing Order, which incorporated changes that permit the port operator to recoup the costs of further rail investments via a new wharfage charge on imported containers. This now forms part of our compliance assessment for annual tariffs associated with moving goods through the port.
- Since early 2020 we no longer undertake assessment of domestic building insurance premiums. This is on account of the Government ceasing the applicable terms of reference following a decade of reports from us into the financial performance of the Victorian Managed Insurance Authority, government's insurer, and risk adviser, which supplies domestic builders' insurance.



Cost of our transport activities

In 2019–20, the total cost of the transport team was \$2.36 million. The cost includes the direct costs incurred by the team plus an allocation for overhead costs.



Measuring our success in 2020–21

Strategy objective	Objective	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Objective 3	Taxi fares review	Final decision September 2020	Set efficient maximum unbooked taxi fares in metro, urban and Ballarat, Bendigo and Geelong regions.
Objective 1	Port market rent review	Final Report August 2020	<p>To assess if port's approach to setting rents is in consumers' long term interests, including whether the port has power in setting rents and has exercised power in a way that causes material detriment to consumers. Make recommendations to government that support a more robust and efficient rent setting process.</p> <p>Port tenants can have confidence in process for reviewing market rents.</p>
Objective 1	Port annual compliance statement	December 2020	Undertake an evaluation of the port's tariff compliance statement, including assessment of its building block components such as cost of capital, depreciation, capital expenditure and indexation of the asset base.





VICTORIAN ENERGY UPGRADES

We regulate the creation of certificates as part of the Victorian Energy Upgrades (VEU) program. We do this under the *Victorian Energy Efficiency Target (VEET) Act 2007*.

The VEU program aims to reduce greenhouse gases by making energy efficiency improvements more affordable for consumers and reducing their long-term energy consumption, facilitating the development of an energy efficiency industry.

Our year in review

LED the way in 2019–20

The replacement of compact fluorescent lightbulbs with LED lights became the main source of certificates from June 2019.

36 accredited businesses supported by more than 900 electricians installed over 5 million LED lights in more than 280,000 households (over 10 per cent of Victorian households).

These contributed 3.1 million certificates to the total 6.9 million registered during the financial year and the total of over 60 million registered between the beginning of the program and 30 June 2020.

The benefits are real

We safeguard the integrity of the program. We continued to implement a risk-based approach to our regulatory activities enhanced by updated data analytics capabilities.

During the financial year, we checked over 30,000 installations and identified more than 3,500 high-potential non-compliance issues. At the end of the financial year, over 340 thousand certificates remained withdrawn.

Our compliance activities included 348 field audits, 191 desktop audits and 48 phone audits. Our compliance regime led to participants agreeing to voluntarily surrender 33,024 certificates.

This financial year also saw us issuing a formal warning to Cyanergy Pty Ltd (including placing independent auditor conditions on their accreditation) and required them to surrender around 20,000 certificates.

We helped resolve issues for consumers

We received consumer complaints equivalent to 0.12 per cent of installations. As part of our focus on supporting consumers, we resolved 90 per cent of these complaints. Most related to residential lighting installations and product issues, communications with accredited businesses and installers' behaviour.

We actively worked with the accredited businesses to resolve these issues for the consumer. To protect customers from aggressive marketing practices under the program, we expanded our collaboration with Consumers Affairs Victoria.

We also engaged with participants to understand how they were adapting to the coronavirus pandemic and our role in supporting them through the coronavirus pandemic.

Progress report, 2019–20



Objective: An upgraded and modern VEU registry system

- > Upgraded IT system project

Outputs

- Nine out of 13 workstreams completed.



Objective: Effective processes for engaging with stakeholders

- > Improved stakeholder engagement processes

Outputs

- Published our stakeholder engagement plan.
- Worked with industry to identify barriers for project-based activities projects.
- Collaboration with other government agencies to facilitate uptake of gas efficiency activities.
- Kicked off release of our first quarterly newsletter in January 2020.

Outcomes

- Greater awareness of the VEU program and opportunities available across industry.
- Greater understanding of our functions, focus and reasons for regulatory requirements.
- Advanced data analysis to inform operational decisions, reports for policy makers and publication of web-based program data.



Objective: Developed data analytics and intelligence capabilities

- > Developed the division's data analytics and business intelligence capabilities

Outputs

- Published a program data dashboard on our website showing program performance data.
- Development of internal data dashboards to streamline internal processes.
- Development of Power BI governance framework to ensure privacy and confidentiality of program data.

Outcomes

- Updated monitoring capabilities, enhanced targeted effective audits, improved collaboration on policy development and better-informed consumers and participants.



Objective: Integrated risk-based compliance focus

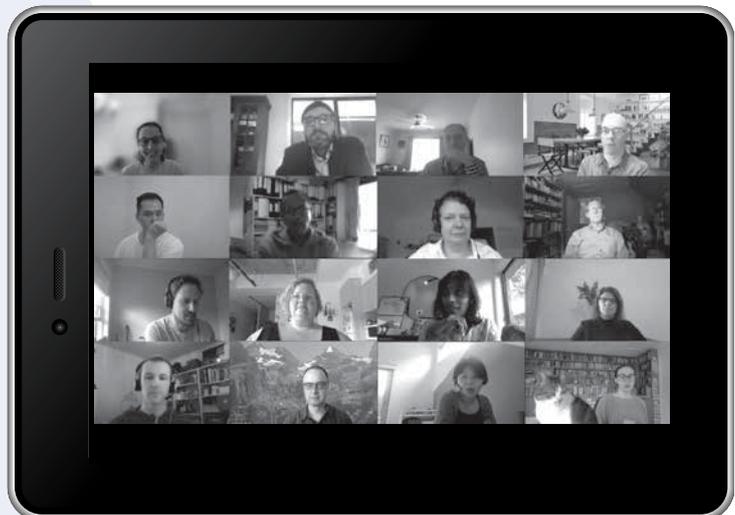
- > Improved risk-based compliance functions and interventions pre-and post-registration

Outputs

- Introduced automated requests for further information for high risk installations.
- Incorporated baseline intelligence in determining risk profile for residential lighting.

Outcomes

- Improved coverage of pre-registration checks
- Streamlined and more consistent pre-registration validation processes.



Measuring our success in 2020–21

Strategy objective	Objective	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Objective 1	Upgrade our IT system	<ul style="list-style-type: none"> Deploy new IT system by April 2021. 	<ul style="list-style-type: none"> A new VEU registry system that is fast, secure, intuitive, versatile and future ready. A system that improves processing times and focuses our assessment capabilities based on risk
Objective 2	Improve stakeholder engagement processes	<ul style="list-style-type: none"> Work proactively and collaboratively with Department of Environment, Land, Water and Planning in reviewing the Victorian Energy Efficiency Target Act, drafting new regulations or specifications, and resolving policy gaps to improve regulatory outcomes. 	<ul style="list-style-type: none"> A modern legislative framework that provides us with the tools and powers to regulate participants under the program and protect consumers.
Objective 3	Develop the division's data analytics and business intelligence capabilities	<ul style="list-style-type: none"> Protocols to monitor implementation of audit recommendations by accredited persons. Dynamic, balanced and risk-based assessment processes. 	<ul style="list-style-type: none"> Improved compliance of accredited persons who have been subject to a previous audit or investigation. Minimum 10 audit or investigations of accredited persons. 90 per cent of regular batches processed within two days of target timeframe. 90 per cent of accreditation and additional activity applications assessed within processing timeframes 100 per cent of all project-based activities approvals within legislated timeframes Project-based activities certificates registered within a reasonable time after impact report received
Objective 4	Improved risk-based compliance functions and interventions	<ul style="list-style-type: none"> Timely release of website updates, program updates and updated guidance documents. Two forums every year. Focused stakeholder workshops. 	<ul style="list-style-type: none"> Improved understanding by stakeholders of obligations. Informed consultation in decisions. Improved understanding of operational realities of accredited persons and installers.



Environmental factors

The main environmental factors influencing our work are:

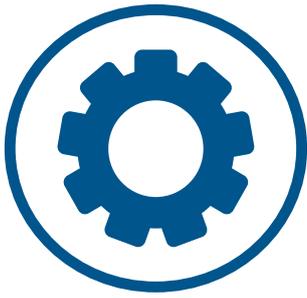
- increased expectations on regulators requires an increase in resources for timely validation, audit checks and enforcement activities
- the uptake by regulated businesses of residential lighting upgrades required more resources to validate and audit due to the large number of installations
- uncertainty surrounding future targets and uptake of new prescribed activities
- speed of technological change and increased technological complexity of products installed require higher expertise to ensure their timely registration and ongoing compliance
- the co-existence of high-volume low-cost activities (such as lighting) with more complex and low volume activities (such as project-based)
- the onset of the coronavirus pandemic and potential impacts on economy.

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



Cost of our VEU activities

In 2019–20, the total cost of the Victorian Energy Upgrades team was \$7.37 million. The cost includes the direct costs incurred by the team plus an allocation for overhead costs.



We promote clear, efficient, and effective communication to support and celebrate our work.

Our strategic communication team provides expert advice on communication and engagement matters to support the delivery of our work program.

COMMUNICATION AND ENGAGEMENT

Our year in review

We supported more engagement with our stakeholders than ever before

We released our stakeholder engagement framework as part of our commitment to effective stakeholder engagement.

Designed to provide stakeholders and the community with a range of ways to contribute to our work, the framework is built on five principles:

- we will be transparent and accountable
- our engagement will be inclusive
- our information is clear, accessible and simple to understand
- we will listen and learn to improve our engagement.
- Our engagement is considered, planned and genuine.

With the challenges posed by the coronavirus pandemic to face-to-face engagement, we moved all of our stakeholder events online. Hosting digital events ensured we remained accessible to Victorians.

In 2019–20, our commitment to engagement saw the commission host 28 events, with more than 1,200 registered attendees.

Our energy rights campaign continued to support Victorians in making informed choices

Now in its second year, our 'It's your energy' campaign (pages 38 and 39) has helped consumers find information on best offer deals, how to access support for payment difficulties and the Victorian default offer.

Using digital, social, print, outdoor advertising and radio, the campaign built on our work from 2018–19, reinforcing messaging and branding.

More than 40,000 Victorians visited our energy rights campaign webpage in 2019–20 to access simple and concise information on their energy.

On a survey of 1,000 Victorians, we found:

- consumer awareness of 'best offer' deals increased by 32 per cent
- 37 per cent of respondents sought more information about best offer deals
- 58 per cent took action by contacting their retailer.

We're working on improving our digital presence

We completed an audit of our digital platforms in 2019, and developed our three-year digital strategy which will be implemented from July 2020.

The new strategy will achieve a coherent, efficient and effective approach to digital platforms, and will ensure our stakeholders can use our digital tools to easily gain the information they need. The strategy will help us increase brand awareness and engagement.

In 2019–20, our website saw more than 380,000 visits and our social media gathered more than 350,000 impressions. The digital strategy will help us to grow our presence online and meet the needs of all our audiences.

Progress report, 2019–20



Objective: Manage external communication

- > Manage external communication (media, web and social) to promote the trust in the regulator by ensuring it is accurate, relevant, audience-cantered, and current

Outputs

- We published over 70 media releases and more than 300 social media posts (LinkedIn and Twitter)

Outcomes

- Subscribers and stakeholders to our social media channels receive more information-rich, extensive, clear-to-understand and relevant information directly.
- Our tweets received more than 302,000 impressions, while our LinkedIn posts collected more than 58,000 impressions organically.



Objective: Supporting the commission

- > Support the divisions to communicate and engage effectively with industry and sector stakeholders

Outputs

- Each division has a communications business partner to support their work and ensure best communication practices are met.
- All divisions have developed engagement plans.
- All internal training is provided online to ensure all members of the commission can access it.

Outcomes

- We have continued to improve the publications and communication divisions have with their stakeholders.



Objective: Stakeholder engagement

- > Promote stakeholder engagement activities to a wider audience to promote transparency and the legitimacy of our outcomes

Outputs

- We published our stakeholder engagement framework.
- More than 1,200 people registered for our 28 events in 2019–20.
- In response to disruptions created by the coronavirus pandemic, we moved all our engagement activities to online.

Outcomes

- More events in a more accessible way improved our ability to communicate with stakeholders and has helped us increase engagement.
- Stakeholders can engage more easily with us – with communication no longer being one-way, but a two-way conversation.



Objective: Developing our digital strategy

- > Develop a three-year digital strategy to achieve a coherent, efficient and effective approach to digital platforms and tools.

Outputs

- We completed an audit of our web and social media channels.
- A digital strategy for 2020–22 has been developed, with implementation to begin in 2020–21.

Outcomes

- We have a better understanding of how stakeholders use our channels and access our information.
- We have improved our digital channels, making them easier to use and effective in promoting our work.



Objective: Promoting the work of the commission

- > Promote the work of the commission, building our reputation via earned and owned media channels

Outputs

- We sent seven Essential News monthly newsletters and 54 Essential Express email alerts to our more than 1,200 subscribers, with unique open rates between 34 and 43 per cent.
- Our social media following continued to meet the needs of stakeholders shown by the growth of our following across all platforms – more than 1,000 new subscribers.

Outcomes

- Stakeholders have a better understanding of our work and the important decisions we make that can affect them.
- Our Essential News and Express saw engagement well above the 31 per cent industry benchmark, indicating our notifications are useful for our audiences.
- Our reputation as a source of accessible and relevant information has been strengthened.

Measuring our success in 2020–21

Strategy objective	Objective	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Objective 2	<p>Digital strategy implementation: Implement year-one of the digital strategy roadmap with a focus on improving the accessibility, usefulness and relevance of our content.</p>	<ul style="list-style-type: none"> • Implement 2020 content audit outcomes. • Redevelop ‘for consumers’ section. • Implement ‘how useful was this content’ feedback mechanism. • Conduct usability testing. • Establish reporting dashboards for key content areas. 	<p>The project has three key elements:</p> <ul style="list-style-type: none"> • Increasing the team’s capacity to deliver key components of the roadmap • capability building for the team • development of guidelines and key artefacts (content calendars and channel strategies) to improve quality and consistency of digital and social content and management of digital channels.
Objective 3	<p>Customer research insights program: Build a deeper understanding of the customer experience through coordinating targeted consumer insights research and improving our customer information systems through the development of a complaints and correspondence framework.</p>	<ul style="list-style-type: none"> • Identify barriers to consumer engagement with energy market and implement/consider policy and communications initiatives to reduce them. 	<p>Run integrated communication campaigns focused on energy rights, promoting our engagement activities and increasing the ‘findability’ of our content for new audiences including culturally and linguistically diverse and First Nations audiences.</p>
Objective 1	<p>Enhancing our visibility: Develop and support a range of events designed to enhance our community connectedness, reach new diverse audiences, and increase our social media footprint.</p>	<ul style="list-style-type: none"> • Conduct review of 2019–20 engagement activities to identify opportunities for improvement • Develop an engagement measurement and evaluation framework • Implement ongoing capacity building to deliver high quality engagement including: <ul style="list-style-type: none"> - develop digital engagement skills across the organisation - introduction to engagement for all new staff within their first two months. 	<ul style="list-style-type: none"> • All projects have an approved engagement plan that upholds the principles of the stakeholder engagement framework • Post engagement reviews are conducted within one month of the end of a project • All new staff attend engagement training (inhouse) within two months of commencing with the commission.
Objective 2	<p>Media strategy: Implement year one of our media strategy</p>	<ul style="list-style-type: none"> • Create and implement a 12-month themed media calendar • Develop divisional communication and engagement plans • Develop a key targets strategy to increase diversity of coverage. 	<ul style="list-style-type: none"> • 10 per cent increase in annual share of voice • 10 per cent increase in coverage and variety of coverage.



Environmental factors

The main environmental factors affecting our work are:

- The scale and pace of energy reforms means our work in this area has a higher profile and attracts more media attention than some of our other work. We must ensure our work in all sectors is promoted as it is all just as important to the community. We need to effectively forward-plan to make sure we don't miss opportunities to inform and engage stakeholders with our work.
- The commission has grown quickly – as has our workload and responsibilities. We need to ensure our priorities include relevant and effective digital communications and that we have a clear strategic focus.
- The pandemic meant we had to shift quickly to engaging online which led to a significant increase in the number of participants to our forums. Maintaining the quality of virtual engagement will be an ongoing challenge for the team.



Publications and submissions for 2019–20

You can view a complete list of all releases we published and all submissions received during 2019–20 at www.esc.vic.gov.au/annual-reports



Continuous engagement improvement

Never before have we had to engage as closely with our stakeholders as we did in 2019–20.

Our engagement renewal began in 2017–18 with a new stakeholder engagement framework.

Designed to provide all our stakeholders with a range of ways to contribute to our work, the framework uses multiple methods to support our work program.

Encompassing our charter of consultation and regulatory practice, required by our primary legislation, the framework aims to promote consistency of practice and excellence across the commission.

- Ongoing stakeholder engagement
- Formal consultations
- Consumer insights
- Expert advice
- Research and analysis

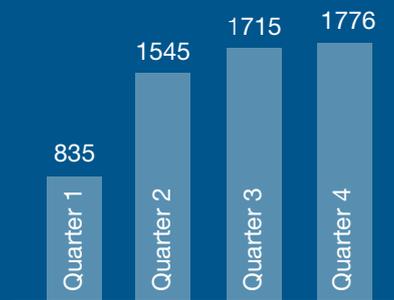


2019–20: the framework in practice

2019–20 saw us build on the framework. We introduced an internal ‘engagement hub’ on our intranet to support our staff in their engagement work and began using Engage Victoria for our public engagement efforts, including for receiving submissions, as a matter of course.

Engage Victoria

Using Engage Victoria gives Victorians easier access to understanding and responding to our work. Throughout the year we received more than 260 responses or feedback to our work.



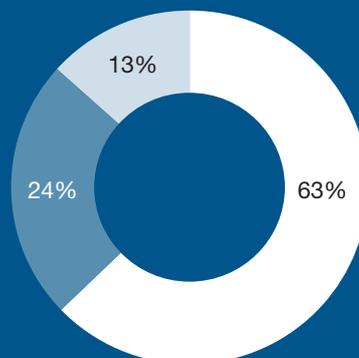
Number of people who viewed our pages on Engage Victoria

Engaging during coronavirus – adaption and growth

As coronavirus hit Victoria, we moved to adapt all our engagement activities, events and training to virtual and online platforms. This included hosting webinars, online meetings and workshops and exploring other ways to use our Engage Victoria pages.

Between March and June, we held 28 events with more than 1,200 people registering to attend.

We wanted to understand the impact of coronavirus on our sectors and Victorians and worked extensively on bringing useful, accessible and relevant engagement events to an online world.



Event attendees

- July - October 2019
- November 2019 - February 2020
- March - June 2020

Beyond 2020

To continue to improve our engagement performance, we will be looking at:

- monitoring and evaluating our engagement consistently
- maintaining our agility and adaptability of our engagement practices.

Our people

People strategy 2020+

We commenced the development of our next people strategy in 2020. We are undertaking a human-centred design approach to create a dynamic strategy that will grow and change as we do.

We started with the discovery stage, engaging our leaders and staff focus groups in understanding the current state of the organisation. We will be including all staff in the creation of the strategy and look forward to launching it later in the year.

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

Learning and development

Mentoring program

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

Participation in the program was strong again in 2019, with seven mentors and 12 mentees.



Who we are

As of 30 June 2020

We had 70 women and 68 men working at the commission.

51:49
GENDER SPLIT

138
PEOPLE

We had 138 people working at the commission.

13%
INCREASE

Our organisation grew by 13 per cent in 2019–20, reflecting our increasing role supporting Victorian consumers.

Training and leadership development

We made a strong commitment to learning and development this year. Our executive team completed the Potential Life program, which focused on self-awareness and leveraging individual strengths when leading teams.

We designed and launched the leadership essentials program, a leadership program to define and accelerate leadership at the commission, building skills in self-awareness, leading teams, and taking accountability for organisational culture.

Our most senior people leaders (senior regulatory analyst and senior technical specialist) completed the program first and then supported the next group of VPS 6 leaders through their program.

We increased our in-house training, focusing on resilience, effective performance conversations and mental health and wellbeing. We also partnered with Black Dog to deliver training to support the implementation of the VPS mental health and wellbeing charter.

We successfully switched to virtual delivery of all training during the remote working period and offered regular sessions on mindfulness to support employees.

Capability and performance

Performance and development system

We continued to improve our performance and development system in 2019, encouraging employees and managers to have regular discussions about goals and learning and development aspirations.

Workforce planning

Recruitment

Our people and culture team supported 61 advertised recruitments in 2019–20 with 20 of these externally advertised.

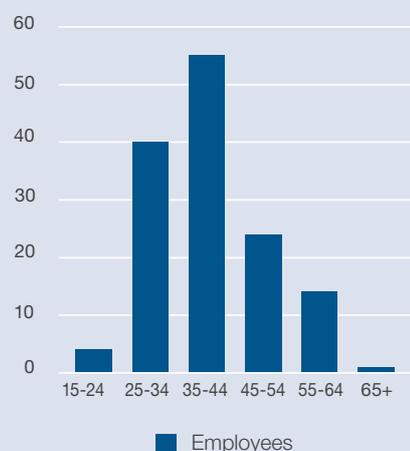
With the introduction of the Jobs and Skills Exchange recruitment policy in October 2019, 41 recruitment cycles went exclusively to the platform to attract internal VPS candidates. Of these cycles, 18 were re-advertised externally due to low candidate applications or candidates who lacked the core skills for the role.

The team continually reviews our recruitment practices and have simplified our recruitment forms and processes as well as consulting with hiring managers to develop their knowledge and skills.

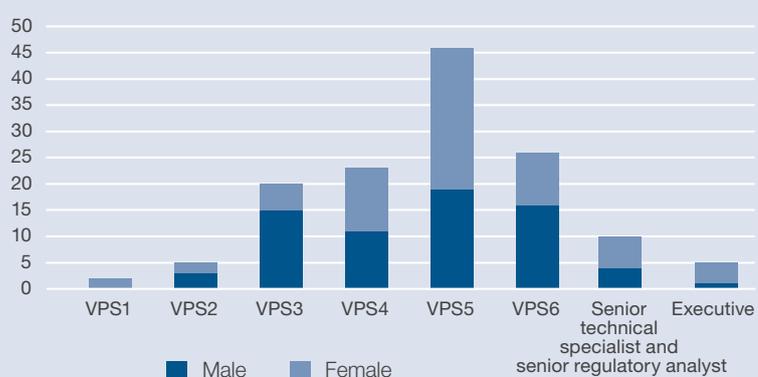
Graduate program and internships

We recruited three graduates for 2020. We support internships through work integrated learning in universities and in partnership with the Department of Treasury and Finance for summer interns. In 2019–20, we employed three interns through our various programs.

Our employees, by age group



Our employees, by classification



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.)

Health and safety

Health and wellbeing committee

Our health and wellbeing committee is led by an executive sponsor and consists of divisional representatives and people and culture. The committee has rolled out several initiatives with the aim to keep our employees connected, healthy and well.

Reducing sedentary risk

We are committed to reducing sedentary risk in our workplace. As part of this commitment, we encourage staff to take regular breaks and alternate their working hours.

OHS committee

Our occupational health and safety committee met four times during 2019–20. Attendees include health and safety and organisational representatives, members of our people and culture team, and a representative from Action OHS.

Our health and safety representative and deputy health and safety representative, undertake a pivotal role in ensuring our workplace is safe and hazard free. They also help to ensure our committee considers new ideas and perspectives.

Diversity and inclusion

Flexible work

We support and promote flexible work practices to help employees balance work and life. There are various flexible working arrangements available to employees to ensure their working arrangements are tailored to their individual needs.

We were able to quickly transition the entire workforce to working from home during the pandemic and have received feedback that many employees would like to continue to work more flexibly moving forward.

Empowered Women's Network

The Empowered Women's Network is a staff led initiative that aims to promote, empower and recognise the women who are part of the commission workplace.

This year the network hosted an International Women's Day event, with a panel comprising of Minister for Energy, Environment and Climate Change and for Solar Homes, the Hon. Lily D'Ambrosio, Victoria's Energy and Water Ombudsman Cynthia Gebert and our chairperson Kate Symons. The panel spoke of their experiences in seeking to realise gender equality. Following this, the network hosted an International Women's Day quiz night and a masterclass with Kate Reader and Morag Bond from ACCC on flexible work.

Pride network

Our pride network aims to promote workplace inclusion of LGBTIQ (lesbian, gay, bisexual, transgender, intersex, queer) employees, to provide a space for the commission's LGBTIQ people to come together and raise issues of importance to them in the workplace and to provide a formal avenue to connect with the broader Victorian Public Service pride network.

This year the network celebrated Midsumma through 'Trivi-yaasss'. This quiz tested the teams LGBTIQ+ knowledge and raised \$54.50 for Switchboard Victoria, a community-based not for profit that provides peer-led, volunteer run support services and suicide prevention initiatives for LGBTIQ+ people, their friends, families and allies.

Executive numbers

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

Income band (salary)	Executives	Senior Technical Specialist	Principal Scientist	Senior Medical Adviser	Senior Regulatory Analyst	Other
\$<160,000	-	-	-	-	-	-
160,000 – 179,000	-	1	-	-	3	-
180,000 – 199,000	-	3	-	-	3	-
200,000 – 219,000	4	-	-	-	-	-
220,000 – 239,000	-	-	-	-	-	-
240,000 – 259,000	-	-	-	-	-	-
260,000 – 279,000	-	-	-	-	-	-
280,000 – 299,000	-	-	-	-	-	-
300,000 – 319,000	-	-	-	-	-	-
320,000 – 339,000	1	-	-	-	-	-
340,000 – 359,000	-	-	-	-	-	-
360,000 – 379,000	-	-	-	-	-	-
380,000 – 399,000	-	-	-	-	-	-
400,000 – 419,000	-	-	-	-	-	-
420,000 – 439,000	-	-	-	-	-	-
440,000 – 459,000	-	-	-	-	-	-
460,000 – 479,000	-	-	-	-	-	-
480,000 – 499,000	-	-	-	-	-	-
TOTAL	5	4	0	0	6	0

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

Workforce data

June 2020							
All employees			Ongoing			Fixed Term and casual	
	Number (Headcount)	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Women	70	67.7	51	9	58	10	9.7
Men	68	67.1	55	4	58.3	9	8.8
Self-described	n	n	n	n	n	n	n
Age							
15-24	4	4	1	0	1	3	3
25-34	40	39.7	33	2	34.7	5	5
35-44	55	52.9	38	8	44.4	9	8.5
45-54	24	23.4	20	2	21.4	2	2
55-64	14	13.8	13	1	13.8	0	0
65+	1	1	1	0	1	0	0
VPS** 1–6 Grade	123	11.98	92	13	102.3	18	17.5
VPS 1	2	1.8	0	0	0	2	1.8
VPS 2	5	5	3	0	3	2	2
VPS 3	20	19.3	15	2	16.6	3	2.7
VPS 4	24	23.8	22	1	22.8	1	1
VPS 5	46	45.6	37	2	38.6	7	7
VPS 6	26	24.3	15	8	21.3	3	3
Senior employees	15	15	14	0	14	1	1
STS***	4	4	3	0	3	1	1
SRA****	6	6	6	0	6	0	0
Executives	5	5	5	0	5	0	0
Other	0	0	0	0	0	0	0
Total Employees	138	134.8	106	13	116.3	19	18.5

* FTE = full-time equivalent

** VPS = Victorian Public Service

***STS = Senior technical specialist

****SRA = Senior regulatory analyst

This data excludes our commissioners and chair.

June 2019

All employees		Ongoing			Fixed Term and casual	
Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
59	54.9	36	9	42.4	14	12.5
60	59	50	4	53.4	6	5.6
n	n	n	n	n	n	n
7	5.1	2	1	2.8	4	2.3
34	33.8	27	1	27.8	6	6
43	41.2	33	7	38.2	3	3
25	24.4	21	2	22.4	2	2
9	5.6	5	3	3.6	1	2
1	1	1	0	1	0	0
104	100.2	76	14	85.6	14	14.6
0	0	0	0	0	0	0
2	1.6	1	0	1	1	0.6
24	23.2	19	3	21.2	2	2
24	23.6	19	1	19.6	4	4
32	31.4	23	4	26.4	5	5
22	20.4	14	6	17.4	2	3
13	13	13	0	13	0	0
3	3	3	0	3	0	0
5	5	5	0	5	0	0
5	5	5	0	5	0	0
2	0.7	0	0	0	2	0.7
119	13.9	89	14	98.6	16	15.3

Corporate governance

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

46

Number of times the commission met in 2019–20

5

Number of times the board met in 2019–20

4

Number of times our audit and risk committee met in 2019–20

We have been operating since 2001

The commission was established to perform its regulatory and advisory functions in ways that promote the long-term interests of consumers.

The Assistant Treasurer is responsible for the commission. We are required to perform functions under various industry legislation (see appendix A for the full disclosures index).

The Essential Services Commission Act 2001 requires us to:

- perform functions as required by legislation
 - provide advice and recommendations to the Assistant Treasurer on matters relating to economic regulation and regulated industries
 - conduct inquiries (at the request of the Assistant Treasurer) into any systemic reliability of supply issues related to a regulated industry or other essential service
 - conduct inquiries and report on matters relating to regulated industries
 - conduct public education programs for the purposes of promoting its objectives and in relation to significant changes in the regulation of a regulated industry.
-

As part of our role, we consider:

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

We use a formal process to exercise our statutory responsibilities

This involves developing reports on how markets operate, delivering price determinations, compliance assessments and audits, and taking enforcement action when required. We also run the Victorian Energy Upgrades program and consider higher cap applications from councils.

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

Our board oversees organisational governance matters

Our commissioners meet as a board to formally deal with organisational governance matters. The board's focus is to:

- set and monitor the overall strategic direction of the commission
- oversee delivery of services, achievement of objectives and overall performance
- monitor financial performance and financial governance arrangements
- ensure compliance with statutory frameworks and integrity requirements.

Our audit and risk committee helps us identify and manage risks

Our audit and risk committee provides assurance to our board in accordance with the requirements of audit committees outlined in the Standing Directions under the *Financial Management Act 1994*.

The main responsibilities of the committee are to:

- oversee the effectiveness of the internal control environment, including operations, financial reporting and compliance with applicable laws and regulations
- determine the scope of the internal audit function, and maintain effective communication with external auditors
- consider findings and recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- oversee the effective operation of the risk management framework
- review and monitor compliance with the Standing Directions and *Financial Management Act 1994*, including remedial actions to ensure compliance.

Our audit and risk committee had the following members at 30 June 2019:

- external member and chair of the committee, David Ashmore
- commissioner Rebecca Billings
- commissioner Simon Corden.

Our internal audit services were provided by Pitcher Partners.

Our memorandums of understanding help improve outcomes

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

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

Memorandums of understanding with 16 organisations

In 2019–20, we held memorandums of understanding with the following organisations:

1. Australian Competition and Consumer Commission*
2. Australian Energy Regulator*
3. The Clean Energy Regulator (Commonwealth)*
4. Commercial Passenger Vehicles Victoria*
5. Director of Consumer Affairs Victoria
6. Department of Health and Human Services
7. Energy Safe Victoria
8. Energy and Water Ombudsman (Victoria) Limited (EWOV)*
9. Environment Protection Authority (EPA Victoria)
10. Environment and Sustainable Development Directorate (ACT)*
11. Independent Pricing and Regulatory Tribunal New South Wales*
12. Marine Safety Victoria (Transport Safety Victoria)
13. Port of Melbourne Corporation*
14. Sustainability Victoria
15. Victorian Regional Channels Authority
16. Victorian Workcover Authority*.

View all memorandums of understanding at <https://www.esc.vic.gov.au/about-us/memorandums-understanding>

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

Essential services commission financial management compliance attestation statement

I, Kate Symons, on behalf of the Responsible Body, certify that the Essential Services Commission has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Kate Symons
Commissioner and Chairperson

Our finances

Current year financial review

Our primary fiscal objective is to minimise our costs to government and our fee-paying industries while maintaining our effectiveness and quality of services.

In 2019–20, we achieved an operating surplus of \$0.149 million, \$1.511 million lower than in 2018–19. A summary of our financial performance is outlined below and shows the movements in actual income, expenses, balance sheet items and net cash flow.

Our finances in 2019–20



\$23.30
million in assets

\$14.151
million in net assets

\$9.15
million in liabilities

Our financial position remains strong with total assets of \$23.301 million, total liabilities of \$9.150 million and total net assets of \$14.151 million.

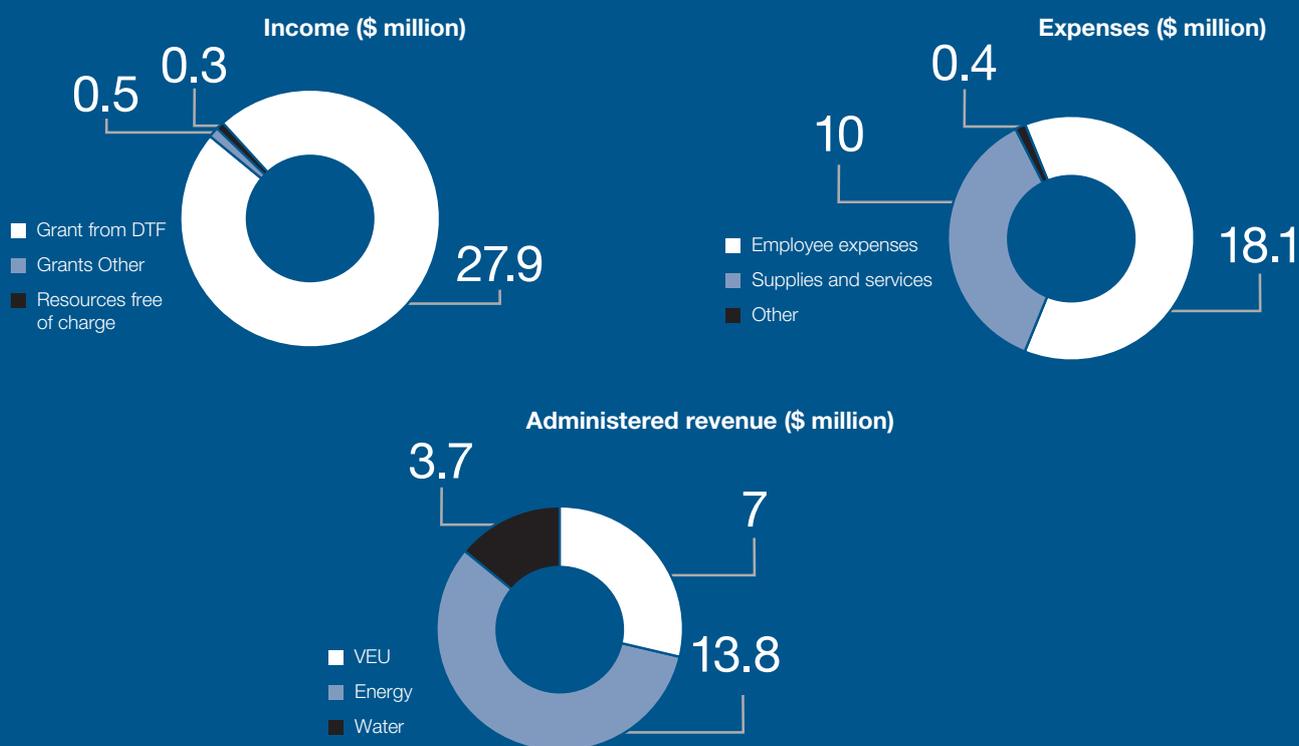


\$0.149
million surplus

We recorded an operating surplus of \$0.149 million in 2019–20 compared to \$1.660 million in 2018-19.

Financial summary 2019–20 and previous 4 years

Comprehensive operating statement	2019–20	2018–19	2017–18	2016–17	2015–16
Total income from transactions	28,728,156	25,349,539	24,316,269	23,948,697	19,599,126
Total expenses from transactions	28,539,801	23,554,425	24,029,804	21,769,240	18,351,057
Net result from transactions	188,355	1,795,113	286,465	2,179,457	1,248,069
Comprehensive result	149,263	1,660,295	290,004	2,113,707	1,186,283
Balance sheet					
Total assets	23,301,400	19,211,562	17,546,737	16,689,963	13,815,973
Total liabilities	9,150,481	5,380,733	5,376,203	4,809,434	4,049,151
Net assets	14,150,919	13,830,829	12,170,534	11,880,529	9,766,822
Cash flow					
Net cash flow from operating activities	1,505,481	180,329	33,565	13,271	14,047



Surplus/deficit

We operate in a fiscally responsible and sustainable manner, managing to the funding provided by government with a surplus each year, at an average of five per cent per year, to increase reserves to fund future projects.

Any application to prior years surpluses are subject to approval by the Treasurer.

Income

We are funded through parliamentary appropriations on-passed as a grant through the Department of Treasury and Finance.

Our total revenue has increased over the past five years (47 per cent since 2015–16) as a result of an increase in regulatory functions (for example, expanded customer protection responsibilities in energy in the government's Energy Fairness Plan) and the expansion of the Victorian Energy Upgrades program.

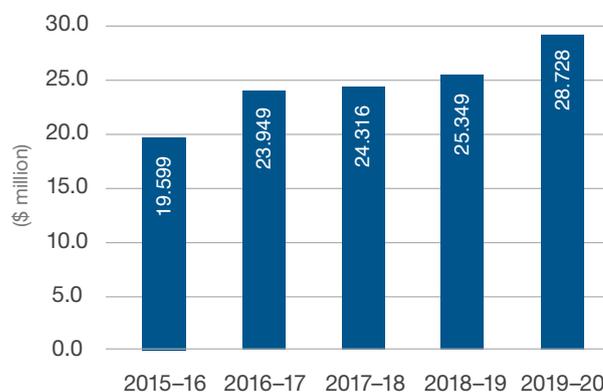
Expenses

We incurred \$28.5 million in expenses from transactions for the reported financial year. There was an increase in expenditure this year which was largely related to delivery of the government's Energy Fairness Plan.

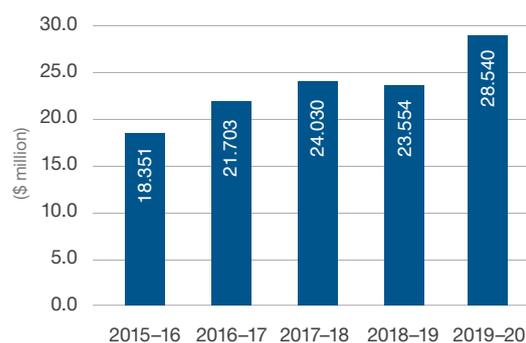
Our expenditure has increased over the last five years in line with our income as a direct result of additional initiatives and increased regulatory requirements imposed by government.

In March 2020, all commission staff moved from working in the office to working from home due to coronavirus pandemic. This and other effects of the pandemic on our suppliers and contractors has caused some delays in the delivery of IT projects and the move to new office accommodation. We have carried over \$1.988 million appropriation funding from 2019–20 to 2020–21 to deliver these projects.

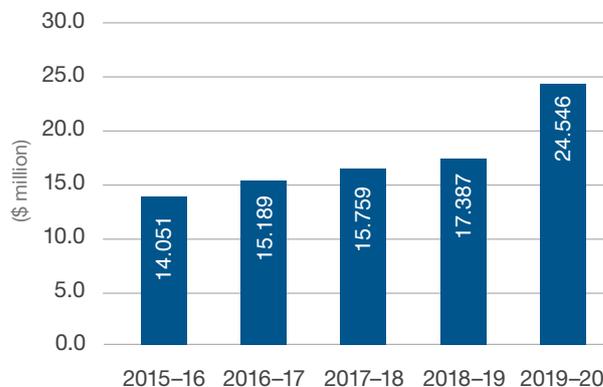
Our income, 2015–16 to 2019–2020



Our expenses, 2015–16 to 2019–2020



Administered revenue, 2015–16 to 2019–2020



Assets and liabilities

Our financial position remains strong with total assets of \$23.3 million, total liabilities of \$9.2 million and net assets of \$14.2 million. Significantly, our working capital is sufficient to fund our operations over the forward estimates period.

Net assets as a percentage of total assets

	2019–20	2018–19	2017–18	2016–17	2015–16
Net assets	60.73%	71.99%	69.36%	71.60%	70.69%

Our major asset is the receivable from the Victorian Government. This amount includes previously applied parliamentary appropriations that we have not yet drawn on. The balance represents the accumulated surplus (which can only be drawn down on after the approval of the Treasurer), accrued employee entitlements, payables and accumulated depreciation.

The balance, net of the accumulated surplus, represent funding for commitments incurred through the appropriations and are drawn from the consolidated fund as the commitments fall due. Total liabilities increased to \$9.15 million. Our major liabilities are accounts payable and employee provisions.

Administered revenue

We also collect administered revenue on behalf of the State of Victoria that is paid into government's consolidated revenue. The revenue includes licence fees and penalties for the regulation of the energy and water industries. It also includes fees for the Victorian Energy Upgrades program as well as any penalties relating to that program. We collected \$25.46 million administered revenue in 2019–20 compared to \$17.387 million in 2017–18.

The year ahead

We were allocated \$27.3 million over four years in the 2019–20 State Budget. This funding is allowing us to deliver on the government's Energy Fairness Plan through reforms to pricing and marketing practices, and the strengthening of the commission's enforcement powers. This has included the implementation of the Victorian Default Offer, and new requirements for energy retailers in billing, marketing and contract terms and conditions. In addition, our enforcement and investigative powers are further strengthened to improve the effectiveness of our monitoring of energy markets and retailers.

For 2020–21 this will mean an increase in appropriation funding to \$31.44 million from \$27.878 million in 2019–20 and \$24.972 million in 2018–19. Appropriation funding this year includes carryover funding of \$1.400 million output appropriation and \$0.588 million capital funds from 2019–20 to 2020–21.

Performance against output measures

Our output measures and targets align with our objective to promote the long term interests of Victorian consumers with regard to price, quality and reliability of essential services.

Each year, we report on our performance against several measures that relate to Budget Paper Number 3 Service Delivery (BP3).

The table below summarises our performance for all output measures in 2019–20

- ✓ performance target achieve
- performance target not achieved - within five per cent variance.
- performance target not achieved: exceeds five per cent variance.

Performance measures	Unit of measure	2019–20 annual target (BP3)	Full-year 2019–20 actual	Performance variation (%)	Result
Quantity					
New or revised regulatory instruments issued	number	7	6	-14%	●
<i>The 2019–20 actual is less than target because the Victorian Energy Upgrade guidelines were delayed due to coronavirus-related reprioritisation of activities by the Department of Environment, Land, Water and Planning.</i>					
Performance reports for regulated businesses or industries	number	7	11	57%	✓
<i>The higher 2019–20 actual reflects the introduction of new quarterly water customer perception surveys during this year.</i>					
Performance reviews and compliance audits of regulated businesses	number	144	140	-2.8%	○
Price approvals of regulated businesses	number	22	21	-4.5%	○
Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target Scheme (now called the Victorian Energy Upgrades program)	number	5000	5240	4.8%	✓
Reviews, investigations or advisory projects	number	2	4	100%	✓
<i>The higher 2019–20 actual is the result of the reviews undertaken by the commission on the waste resource and recovery sector and Port of Melbourne market rent inquiry.</i>					
Compliance and enforcement activities – energy	number	30	154	413%	✓
<i>The higher 2019–20 actual reflects an increase in penalty notices issued as a result of additional funding received to increase compliance and enforcement activities related to regulated energy businesses.</i>					
Setting of regulated price and tariffs	number	1	13	1200%	✓
<i>The higher 2019–20 actual and 2021–21 target is due to the Victorian default offer for electricity being separate determinations rather than the 1 tariff originally envisaged.</i>					
Quality					
Decisions upheld where subject to review, appeal or disallowance	per cent	100%	100%	0%	✓
Timelines					
Delivery of major milestones within agreed timelines	per cent	100%	100%	0%	✓
Cost					
Total output cost	\$ million	30.7	29	-5.4%	✓
<i>The lower 2019–20 actual is primarily due to delays in projects including the relocation of our premises impacted by the disruption on business caused by coronavirus.</i>					

Licence fee revenue

The following table shows licence fees by type. The charges are determined by the Assistant Treasurer and are paid into consolidated revenue.

Type of licence	Total revenue 2019–20	Total revenue 2018–19
	(\$)	(\$)
Energy		
Electricity		
Electricity generation	297,299	254,141
Electricity transmission	59,802	50,159
Electricity distribution	1,977,432	1,128,923
Electricity wholesale	23,921	-
Retail electricity	4,988,076	2,817,020
Gas industry		
Gas distribution	814,237	464,850
Retail gas	3,471,185	1,925,627
All energy sectors	11,631,951	6,640,721
Water		
Melbourne Water and Metro	2,860,829	1,928,197
Regional	724,387	480,383
Rural	120,329	72,773
All water sectors	3,705,544	2,481,353

Financial statements

For the Year Ended 30 June 2020

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Declaration in the financial statements

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of the commission at 30 June 2020.

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

We authorise the attached financial statements for issue on 29 October 2020.



Anne Hodder
Chief Financial Officer

Melbourne
29 October 2020



Dr John Hamill
Chief Executive Officer

Melbourne
29 October 2020



Kate Symons
Chairperson and Commissioner

Melbourne
29 October 2020

Independent Auditor's Report

To the Commissioner of the Essential Services Commission

Opinion I have audited the financial report of the Essential Services Commission (the Commission) which comprises the:

- balance sheet as at 30 June 2020
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration in the financial statements.

In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Commissioner's responsibilities for the financial report The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioner is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
30 October 2020



Timothy Maxfield
as delegate for the Auditor-General of Victoria

Comprehensive operating statement
For the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Income from transactions			
Grants	2	28,434,667	24,972,374
Resources received free of charge	2	293,489	377,165
Total income from transactions		28,728,156	25,349,539
Expenses from transactions			
Employee expenses	3.1.1	18,135,730	14,722,716
Depreciation and amortisation	5.1.1	316,512	35,374
Lease interest (2019: finance lease interest)		32,220	439
Capital asset charge		84,067	84,067
Supplies and services	3.2	9,971,272	8,711,830
Total expenses from transactions		28,539,801	23,554,426
Net result from transactions		188,355	1,795,113
Other economic flows included in net result			
Net gain/(loss) on disposal of non-financial assets	9.1	12,558	(2,104)
Net gain/(loss) from revaluation of leave liabilities	9.1	(51,650)	(132,714)
Total other economic flows included in net result		(39,092)	(134,818)
Net result		149,263	1,660,295
Comprehensive result		149,263	1,660,295

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

Balance sheet

As at 30 June 2020

		2020	2019
	Notes	\$	\$
Assets			
Financial assets			
Receivables	6.1	20,974,979	18,484,210
Total financial assets		20,974,979	18,484,210
Non-financial assets			
Non-Current assets held for sale		-	27,082
Prepayments		610,112	449,882
Property, plant and equipment	5.1	333,564	250,388
Intangible assets	5.2	1,382,745	-
Total non-financial assets		2,326,421	727,352
Total assets		23,301,400	19,211,562
Liabilities			
Payables	6.2	3,601,684	1,864,051
Employee related provisions	3.1.2	4,489,971	3,367,217
Make good provisions	6.3	131,061	106,470
Lease liabilities (2019: finance lease liabilities)		84,889	42,995
Unearned income	6.4	842,876	-
Total liabilities		9,150,481	5,380,733
Net assets		14,150,919	13,830,829
Equity			
Contributed capital		1,044,748	873,921
Accumulated surplus ^(a)		13,106,171	12,956,908
Total equity		14,150,919	13,830,829

(a) The accumulated surplus can only be accessed upon approval of the Treasurer.

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

Cash flow statement

For the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Cash flows from operating activities			
Receipts from government		27,795,161	24,096,364
Receipts from other entities		2,383	36,260
Payments to suppliers and employees		(26,175,776)	(23,867,789)
Capital asset charge paid		(84,067)	(84,067)
Interest paid		(32,220)	(439)
Net cash flows from operating activities	7.1	1,505,481	180,329
Cash flows from investing activities			
Payments for property, plant and equipment		(13,168)	(164,559)
Proceeds from sale of property, plant and equipment		53,182	29,545
Payments for intangible assets		(1,382,745)	-
Net cash flows from/(used in) investing activities		(1,342,731)	(135,014)
Cash flows from financing activities			
Repayment of leases (2019: finance leases) ^(a)		(162,750)	(45,316)
Net cash flows (used in) financing activities		(162,750)	(45,316)
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the start of the year		-	-
Cash and cash equivalents at the end of the year		-	-

(a) The commission has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

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

Statement of changes in equity
For the year ended 30 June 2020

	Contributed capital	Accumulated surplus	Total
	\$	\$	\$
Balance at 1 July 2018	873,921	11,296,613	12,170,534
Net result for the year	-	1,660,295	1,660,295
Balance at 30 June 2019	873,921	12,956,908	13,830,829
Equity transfers to other government entities	170,827	-	170,827
Net result for the year	-	149,263	149,263
Balance at 30 June 2020	1,044,748	13,106,171	14,150,919

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

Note 1. About this report

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

Its principal address is:

Essential Services Commission
Level 37
2 Lonsdale Street
Melbourne VIC 3000

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

Basis of preparation

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

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

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

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

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

All amounts in the financial statements have been rounded to the nearest dollar.

Compliance

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

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

Note 2. Funding delivery of our services

Introduction

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

At 30 June 2020 the regulated industries included electricity, gas, water and sewerage, ports, taxis and rail freight. Functions conferred under other legislation related to energy industry compliance and enforcement, energy efficiency, accident towing and local government.

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

	2020	2019
	\$	\$
Income from transactions		
Grants from Department of Treasury and Finance	27,877,544	24,972,374
Grants from other government departments	557,123	-
Resources received free of charge	293,489	377,165
Total income from transactions	28,728,156	25,349,539

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

Grants

The impact of initially applying AASB 1058 on the commission's grant revenue from DTF is described in Note 9.2.3. Due to the modified retrospective transition method chosen in applying AASB 1058, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on comprehensive operating statement and the cash flow statement for the financial year.

Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers is recognised when the commission satisfies the performance obligation. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the commission receives the cash.

The commission has determined grant revenue from other government departments to be enforceable and with sufficiently specific performance obligations to be accounted for as revenue from contracts with customers in accordance with AASB 15.

Resources received free of charge

DTF provides certain administrative services to support the operations of the commission which is recognised as services provided as resources received free of charge. The corresponding expense is included as other expenses in Note 3.2.

Note 3. The cost of delivering services

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

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

Expenses incurred in delivery of services

		2020	2019
	Notes	\$	\$
Employee expenses	3.1.1	18,135,730	14,722,716
Depreciation and amortisation	5.1.1	316,512	35,374
Lease interest (2019: finance lease interest)		32,220	439
Capital asset charge		84,067	84,067
Supplies and services	3.2	9,971,272	8,711,830
Total expenses incurred in delivery of services		28,539,801	23,554,426

3.1 Employee expenses

3.1.1. Employee expenses in the comprehensive operating statement

Salaries and wages	13,668,518	11,298,880
Superannuation		
- Defined contribution plans	1,327,571	1,149,346
- Defined benefits expense	14,300	14,876
Annual and long service leave expense	2,262,400	1,519,204
On-costs	862,941	740,410
Total employee expenses	18,135,730	14,722,716

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

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

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

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

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

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

3.1.2. Employee related provisions in the balance sheet

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

	2020	2019
Provisions	\$	\$
Current:		
Annual leave		
- Unconditional and expected to settle within 12 months	1,204,422	777,768
- Unconditional and expected to settle after 12 months	331,373	184,083
Long service leave		
- Unconditional and expected to settle within 12 months	332,894	279,644
- Unconditional and expected to settle after 12 months	2,131,729	1,758,885
Performance bonus	-	36,500
Total current employee related provisions	4,000,418	3,036,880
Non-current:		
Long service leave	489,553	330,337
Total non-current employee related provisions	489,553	330,337
Total provisions for employee benefits	4,489,971	3,367,217

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

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

3.2. Supplies and services

	2020	2019
	\$	\$
Supplies and services		
Rentals and outgoings	809,908	1,062,367
Purchases of services	6,462,881	5,303,006
Other	2,698,483	2,346,457
Total supplies and services	9,971,272	8,711,830

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

Rental payments up until 30 June 2019 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.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Low-value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date) are recognised in the period in which the event or condition that triggers those payments occur.

Other include mainly sundry expenses such as software maintenance and licences, advertising and promotions and other office related expenses.

Note 4. Administered items

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

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*, and the *Water Industry Act 1994*, and Victorian Energy Efficiency certificates issued under the *Victorian Energy Efficiency Target Act 2007*, and penalties issued under these acts and the *Essential Services Commission Act 2001*.

These and certain other administered revenues are collected by the commission but not controlled by it, and are not recognised as revenues/receivables within the body of the financial statements, but are reported as administered revenues/receivables. Such amounts are required to be paid to the Consolidated Fund.

	2020	2019
	\$	\$
Administered income from transactions		
Licence and other fees	24,546,424	17,387,249
Total administered income from transactions	24,546,424	17,387,249
Administered expenses from transactions		
Payments into the Consolidated Fund	18,251,456	16,535,487
Total administered expenses from transactions	18,251,456	16,535,487
Administered net result	6,294,968	851,762
Administered assets		
Debtors	143,343	63,796
Amounts receivable from government departments	65,976	-
Accrued income	15,337,495	9,122,074
Total administered assets	15,546,814	9,185,870
Administered liabilities		
GST payable	65,976	-
Total administered liabilities	65,976	-
Administered net assets	15,480,838	9,185,870

The impact of initially applying AASB 1058 on the commission's licence and other fees is described in Note 9.2.3. Due to the modified retrospective transition method chosen in applying AASB 1058, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on comprehensive operating statement and the cash flow statement for the financial year.

Note 5. Key assets available to support delivery of services

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

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

5.1. Property, plant and equipment ^(a)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Leasehold improvements	131,061	106,470	(70,980)	(49,686)	60,081	56,784
Office and computer equipment at fair value	36,308	23,140	(24,896)	(23,140)	11,412	-
Motor vehicle under lease (2019: finance lease)	105,367	37,865	(20,914)	(21,879)	84,453	15,986
Construction in Progress – Building	139,716	139,716	-	-	139,716	139,716
Construction in Progress – Plant & Equipment	37,902	37,902	-	-	37,902	37,902
Net carrying amount	450,354	345,093	(116,790)	(94,705)	333,564	250,388

(a) AASB 16 Leases has been applied for the first time from 1 July 2019. From 1 November 2019, lease payments on the commission's accommodation are recognised in DTF's Administered items, following the implementation of the Centralised Accommodation Management strategy across the whole of government. The Centralised Accommodation Management strategy is described in Note 9.2.1.

Initial recognition

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

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

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

Subsequent measurement

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

5.1.1. Depreciation and amortisation

	2020	2019
Charge for the period ^(a)	\$	\$
Buildings ^(b)	284,290	-
Leasehold improvements	21,293	21,294
Office and computer equipment	1,756	832
Motor vehicles under lease (2019: finance lease)	9,173	13,248
Total depreciation and amortisation	316,512	35,374

(a) The table incorporates depreciation of right-of-use assets as AASB 16 Leases has been applied for the first time from 1 July 2019.

(b) From 1 November 2019, lease payments on the commission's accommodation are recognised in DTF's Administered items, following the implementation of the Centralised Accommodation Management strategy across the whole of government. The Centralised Accommodation Management strategy is described in Note 9.2.1.

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 2020 and 30 June 2019 are as follows:

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

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

Impairment of non-financial assets

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

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

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

	Buildings	Leasehold improvements	Office and computer equipment	Motor vehicles under lease (2019: finance lease)	Construction in Progress – Building	Construction in Progress – Plant & Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
2020							
Carrying amount at start of year ^(a)	-	56,784	-	15,986	139,716	37,902	250,388
Recognition of right-of-use assets on initial application of AASB 16 ^(b)	4,834,480	-	-	-	-	-	4,834,480
Additions	-	24,590	13,168	118,264	-	-	156,022
Disposals	-	-	-	(40,624)	-	-	(40,624)
Depreciation expense	(284,290)	(21,293)	(1,756)	(9,173)	-	-	(316,512)
Transfers to held for sale	-	-	-	-	-	-	-
Transfers to DTF – Centralised Accommodation Strategy ^(c)	(4,550,190)	-	-	-	-	-	(4,550,190)
Carrying amount at end of year	-	60,081	11,412	84,453	139,716	37,902	333,564
2019							
Carrying amount at start of year	-	78,077	832	58,365	-	13,059	150,333
Additions	-	-	-	29,601	139,716	24,843	194,160
Disposals	-	-	-	(31,650)	-	-	(31,650)
Depreciation expense	-	(21,293)	(832)	(13,248)	-	-	(35,373)
Transfers to held for sale	-	-	-	(27,082)	-	-	(27,082)
Carrying amount at end of year	-	56,784	-	15,986	139,716	37,902	250,388

(a) The opening balance also includes amounts transferred from finance lease assets (recognised under AASB 117 at 30 June 2019) to right-of-use assets (recognised under AASB 16 at 1 July 2019).

(b) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 relating to operating leases.

(c) From 1 November 2019, lease payments on the commission's accommodation are recognised in DTF's Administered items, following the implementation of the Centralised Accommodation Management strategy across the whole of government. The Centralised Accommodation Management strategy is described in Note 9.2.1.

5.2. Intangible assets

	2020	2019
	\$	\$
Intangible assets under development	1,382,745	-
Reconciliation of carrying amounts		
Carrying amount at start of year	-	-
Additions	1,382,745	-
Depreciation expense	-	-
Carrying amount at end of year	1,382,745	-

Initial recognition

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

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

Note 6. Other assets and liabilities

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

- 6.1. Receivables
- 6.2. Payables
- 6.3. Make Good provision
- 6.4. Unearned income

6.1. Receivables

	2020	2019
	\$	\$
Current:		
Contractual		
Debtors	2,710	3,740
	2,710	3,740
Statutory		
Amounts receivable from government departments	20,142,077	18,020,655
GST recoverable	340,639	129,478
	20,482,716	18,150,133
Total current receivables	20,485,426	18,153,873
Non-current:		
Statutory		
Amounts receivable from government departments	489,553	330,337
Total non-current receivables	489,553	330,337
Total receivables	20,974,979	18,484,210

Receivables consist of:

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

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

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

6.2. Payables

	2020	2019
	\$	\$
Current:		
Contractual		
Creditors and accruals	3,601,684	1,864,051
Total payables	3,601,684	1,864,051

Payables consist of:

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

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

6.3. Make Good Provision

	2020	2019
	\$	\$
Current:		
Make Good Provision	131,061	106,470
	131,061	106,470

The make good provision is recognised in accordance with the agreement over the leased premise. The commission is required to remove any leasehold improvements from the lease premise and restore the premise to its original condition at the end of the lease term.

6.4. Unearned income

	2020	2019
	\$	\$
Current:		
Grants received in advance	842,876	-
	842,876	-

Unearned income relates mainly to grants received in advance by the commission.

Note 7. Financing our operations

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

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

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

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

	2020	2019
	\$	\$
Net result	149,263	1,660,295
Non-cash movements		
Depreciation	316,512	35,374
(Gain)/Loss on disposal of property, plant and equipment	(12,558)	2,104
Movements in assets and liabilities		
(Increase)/decrease in receivables	(2,490,769)	(1,615,217)
(Increase)/decrease in prepayments	(160,230)	77,529
Increase/(decrease) in payables	1,737,633	423,796
Increase/(decrease) in provisions	1,122,754	(403,552)
Increase/(decrease) in accrued income	842,876	-
Net cash flows from operating activities	1,505,481	180,329

7.2. Commitments for expenditure

	2020	2019
	\$	\$
Capital commitments		
Intangible assets, payable:		
Within one year	878,985	-
Later than one year but not later than five years	-	-
Total commitments (inclusive of GST)	878,985	-
Less GST recoverable	79,908	-
Total capital commitments (exclusive of GST)	799,077	-
Outsourcing commitments		
Information technology services, payable:		
Within one year	454,245	480,858
Later than one year but not later than five years	-	-
Total commitments (inclusive of GST)	454,245	480,858
Less GST recoverable	41,295	43,714
Total outsourcing commitments (exclusive of GST)	412,950	437,144
Property management services, payable:		
Within one year	1,062,544	-
Later than one year but not later than five years	729,463	-
Total commitments (inclusive of GST)	1,792,007	-
Less GST recoverable	162,910	-
Total outsourcing commitments (exclusive of GST)	1,629,097	-
Operating lease commitments ^(a)		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	-	921,338
Later than one year but not later than five years	-	1,608,881
Total operating lease commitments exclusive of GST	-	2,530,219

(a) Operating lease commitments for 2019 financial year mainly relate to an accommodation lease contract. This contract does not allow for the commission to purchase the property at the expiry of the tenancy. Following the implementation of the CAM strategy, this arrangement is recorded in DTF's administered balance sheet as lease liabilities at 30 June 2020 as described in Note 9.2.1.

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

Note 8. Risks, contingencies and valuation judgements

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

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

8.1. Financial instruments specific disclosures

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

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the commission to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The commission recognises the following assets in this category:

- debtors.

Categories of financial liabilities

Financial liabilities at amortised cost

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

The commission recognises the following liabilities in this category:

- creditors and accruals.

Offsetting financial instruments

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

8.1.1. Categorisation of financial instruments

			Carrying amount	
			2020	2019
Financial assets	Note	Category	\$	\$
Receivables*	6.1	Financial assets at amortised cost	2,710	3,740
			2,710	3,740
Financial liabilities				
Payables	6.2	Financial liabilities at amortised cost	3,601,684	1,864,051
Finance lease liability		Financial liabilities at amortised cost	84,889	42,995
			3,686,573	1,907,046

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

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

Financial liabilities				
Finance lease liability		Financial liabilities at amortised cost	(32,220)	(439)

The net holding gains or losses disclosed relate to interest expense and are measured at amortised cost.

8.1.3. Financial risk management objectives and policies

Financial instruments: Credit risk

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

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

Financial instruments: Liquidity risk

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

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

Financial Instruments: Market risk

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

8.2. Contingent assets and contingent liabilities

The commission had no contingent assets or contingent liabilities at 30 June 2020 (30 June 2019: Nil).

Note 9. Other disclosures

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

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

9.1. Other economic flows included in net result

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

Disposal of non-financial assets

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

Other gains and losses from other economic flows

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

9.2. Change in accounting policies

9.2.1. Leases

This note explains the impact of the adoption of AASB 16 on the commission's financial statements.

The commission has applied AASB 16 with a date of initial application of 1 July 2019. The commission has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the commission determined at contract inception whether an arrangement is or contains a lease under AASB 117 *Leases* and Interpretation 4 *Determining whether an arrangement contains a Lease*. Under AASB 16, the commission assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 7.1.

On transition to AASB 16, the commission has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

As a lessee, the commission previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the commission. Under AASB 16, the commission recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

On adoption of AASB 16, the commission recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the commission's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The commission has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- applied a single discount rate to a portfolio of leases with similar characteristics
- adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Impacts on financial statements

On transition to AASB 16, the commission recognised \$4.8 million of right-of-use assets and \$4.8 million of lease liabilities.

When measuring lease liabilities, the commission discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.32%.

	1 July 2019
	\$
Total operating lease commitments disclosed at 30 June 2019	2,530,219
Discounted using the incremental borrowing rate at 1 July 2019	2,431,986
Discounted options to be exercised using the incremental borrowing rate at 1 July 2019	2,402,494
Finance lease liabilities as at 30 June 2019	-
Recognition exemption for:	
Short-term leases	-
Leases of low-value assets	-
Lease liabilities recognised at 1 July 2019	4,834,480

Centralised Accommodation Management

In April 2019, the Expenditure Review Committee approved the Centralised Accommodation Management (CAM) savings initiative to leverage off DTF Shared Service Provider's (SSP) property function. CAM has been established to derive efficiencies and cost savings through the provision of a consistent whole of government shared accommodation service.

In October 2019, SSP commenced a phased transition of the CAM model to ensure its operational readiness. As part of the implementation of CAM, SSP managed the whole of government's accommodation related service payments. Accordingly, the whole of government departments' and portfolio agencies' right-of-use lease accommodation assets and associated liabilities were transferred to DTF. These accommodation leases and corresponding liabilities were recognised on 1 November 2019 as contributions by owners - transfer of net assets. No income or expense has been recognised by the commission in respect of the net assets transferred.

The initial transition of the CAM model in October 2019 covers only the commission's accommodation lease payments. The related leasehold improvements and make good provision on the accommodation will be transferred to SSP in the next phase and remain in the commission's financial statements as at 30 June 2020.

9.2.2. Revenue from Contracts with Customers

In accordance with FRD 121 *Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers*, the commission has applied the transitional provisions of AASB 15, retrospectively with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the commission applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application.

Comparative information has not been restated. The adoption of AASB 15 did not have an impact for the 2020 financial year.

9.2.3. Income of Not-for-Profit Entities

In accordance with FRD 122 *Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities*, the commission has applied the transitional provision of AASB 1058, retrospectively with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the commission applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated. The adoption of AASB 1058 did not have an impact for the 2020 financial year.

9.2.4. Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 16 *Leases*
- AASB 15 *Revenue from Contracts with Customers*; and
- AASB 1058 *Income of Not-for-Profit Entities*.

Impact on the balance sheet due to the adoption of AASB 16, AASB 15 and AASB 1058 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

		Before new accounting standards Opening 1 July 2019	Impact of new accounting standards - AASB 16	After new accounting standards Opening 1 July 2019
Balance Sheet	Notes	\$'000	\$'000	\$'000
Total financial assets		18,484,210	-	18,484,210
Total non-financial assets ^(a)	9.2.1	727,352	4,834,480	5,561,832
Total assets		19,211,562	4,834,480	24,046,042
Payables		1,864,051	-	1,864,051
Employee related provisions		3,367,217	-	3,367,217
Make good provision		106,470	-	106,470
Lease liabilities ^(a)	9.2.1	42,995	4,834,480	4,877,475
Total liabilities		5,380,733	4,834,480	10,215,213
Contributed capital		873,921	-	873,921
Accumulated surplus		12,956,908	-	12,956,908
Total equity		13,830,829	-	13,830,829

(a) The commission's right-of-use accommodation leases and the associated lease liabilities were transferred to DTF's administered balance sheet under CAM on 1 November 2019, along with the whole of government's right-of-use accommodation leases and lease liabilities. CAM is further described in Note 9.2.1.

9.3. Responsible persons

The persons who held the positions of Minister and Accountable Officer in the commission (from 1 July 2019 to 30 June 2020 unless otherwise stated) were:

Responsible Minister	The Hon. Robin Scott, MP, Assistant Treasurer (until 15 June 2020) Mr Danny Pearson, MP, Assistant Treasurer (from 22 June 2020)
Accountable Officer	Dr John Hamill, Chief Executive Officer

Tim Pallas MP and the Hon. Daniel Andrews MP acted for the Assistant Treasurer in the absences of the Hon. Robin Scott MP.

Total remuneration received or receivable by the Accountable Officer in connection with the management of the commission during the reporting period was in the range: \$340,000 - \$349,999 (\$300,000 – \$309,999 in 2018-19).

Amounts relating to ministers are reported in the annual statements of the Department of Parliamentary Services.

9.4. Remuneration of executives

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

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

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

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

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

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

Remuneration of executive officers	Total remuneration	
	2020	2019
	\$	\$
Short-term employee benefits	817,979	871,843
Post-employment benefits	78,675	94,961
Other long-term benefits	60,339	47,882
Termination benefits	40,132	214,735
Total remuneration	997,125	1,229,422
Total number of executives	5	7
Total annualised employee equivalents^(a)	3.65	4.42

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

9.5. Related parties

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

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

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

Significant transactions with government-related entities

Significant transactions entered into by the commission during 2019–20 are disclosed in relevant notes as detailed below:

- the commission received grant funding from DTF which is disclosed in Note 2; and
- the commission on behalf of the Victorian Government collected licence fees from Victorian water businesses \$3,705,544 (2018–19 - \$2,481,353). This is included as part of the total administered income balance disclosed in Note 4.

Key Management Personnel

Key management personnel (KMP) of the commission include the Portfolio Minister, the Hon. Robin Scott MP (until 15 June 2020) and Mr Danny Pearson, MP (from 22 June 2020), and the Commissioners and Chief Executive Officer, which includes:

- Chairperson and Commissioner Kate Symons
- Commissioner Simon Corden
- Commissioner (17 September 2019 to 30 June 2020) Sitesh Bhojani
- Commissioner (10 March 2020 to 30 June 2020) Rebecca Billings; and
- Chief Executive Officer, Dr John Hamill.

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

Compensation of KMPs	2020	2019
	\$	\$
Short-term employee benefits	1,235,431	855,774
Post-employment benefits	80,622	70,888
Other long-term benefits	34,539	12,381
Termination benefits	-	-
Total	1,350,592	939,043

9.6. Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2019–20 reporting period. These accounting standards have not been applied to the commission's financial statements. The commission is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

- *AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material*

This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The commission has not earlier adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The commission is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* with the intention to defer the application by 1 year to periods beginning on or after 1 January 2023. The commission will not early adopt the Standard. The commission is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on the commission's reporting.

- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*
- *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform; and*
- *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.*

9.7. Events after reporting date

There were no subsequent events that had the potential to significantly affect the ongoing operations and financial activities of the commission.

9.8. Remuneration of auditors

The fee for the audit of the 2019–20 annual financial statements by the Victorian Auditor-General's Office amounts to \$19,800 (2018–19 - \$17,500). No other services are being provided by the Victorian Auditor-General's Office.

9.9. Glossary of terms

Administered item

Administered item generally refers to a commission lacking the capacity to benefit from that item in the pursuit of the commission's objectives and to deny or regulate the access of others to that benefit.

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.

Capital asset charge

A charge levied on the written-down value of controlled non-current physical assets in the commission's balance sheet which aims to: attribute to the opportunity cost of capital used in service delivery; and provide incentives to the commission to identify and dispose of underutilised or surplus assets in a timely manner.

Commitments

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Controlled item

Controlled item generally refers to the capacity of a commission to benefit from that item in the pursuit of the commission's objectives and to deny or regulate the access of others to that benefit.

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.

Finance lease

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

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

A complete set of financial statements comprises:

- a) a comprehensive operating statement for the period
- b) a balance sheet as at the end of the period
- c) a statement of changes in equity for the period
- d) a cash flow statement for the period
- e) notes, comprising a summary of significant accounting policies and other explanatory information
- f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

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.

Leases

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

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 included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposal, revaluation and impairment of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans and fair value changes of financial instruments. In simple terms, they are changes arising from market re-measurements.

Other economic flows - other comprehensive income

Other economic flows - other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result. The components of 'other economic flows - other comprehensive income' include changes in physical asset revaluation surplus.

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.

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.

Appendix A: Disclosures index

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

Legislation	Requirement	Page number
Charter and purpose		
FRD 22H	Manner of establishment and relevant ministers	64, 99, 120
FRD 22H	Purpose, functions, powers and duties	14-15, 64
FRD 8D	Objectives, indicators and outputs	14-15, 26-56, 64-65, 70
FRD 22H	Key initiatives and projects	30-31, 32-33, 38-39, 56-57
FRD 22H	Nature and range of services provided	2, 6-7, 64-65
Management and structure		
FRD 22H	Organisational structure	12-13
Financial and other information		
FRD 22H	Performance against output performance measures	70
FRD 10A	Disclosure index	105-107
FRD 22H	Disclosure of major contracts	107
FRD 22H	Executive officer disclosures	61, 99
FRD 15D	Employment and conduct principles	108
FRD 22H	Occupational health and safety policy	108
FRD 22H	Summary of the financial results for the year	66-69
FRD 22H	Significant changes in financial position during the year	66-69

Legislation	Requirement	Page number
FRD 22H	Major changes or factors affecting performance	66-69
FRD 22H	Subsequent events	N/A
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	113
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	108
FRD 22H	Statement on National Competition Policy	109
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	111
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	N/A
FRD 22H	Details of consultancies over \$10,000	108
FRD 22H	Details of consultancies under \$10,000	108
FRD 22H	Disclosure of advertising expenditure	108
FRD 22H	Disclosure of ICT expenditure	115
FRD 24C	Statement of availability of other information	114
FRD 25C	Reporting of office-based environmental impacts	109
FRD 29B	Local Jobs First	109
SD 5.2	Workforce data disclosures	62-63
SD 5.2	Specific requirements under standing direction 5.2	64-65
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with ministerial standing direction	65
SD 5.2.3	Declaration in report of operations	1
Financial statements declaration		
SD 5.2.2	Declaration in financial statements	73

Legislation	Requirement	Page number
Other requirements under standing direction 5.2		
SD 5.2.1 (a)	Compliance with Australian accounting standards and other authoritative pronouncements	73, 82
SD 5.2.1 (a)	Compliance with ministerial directions	73
SD 5.2.1 (b)	Compliance with model financial report	73
Other disclosures as required by financial reporting directions in notes to the financial statements		
FRD 9B	Department disclosure of administered assets and liabilities by activity	85
FRD 11A	Disclosure of ex-gratia expenses	109
FRD 13	Disclosure of parliamentary appropriations	81
FRD 21C	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	99-100
FRD 103G	Non-financial physical assets	86-89
FRD 110A	Cash flow statements	78
FRD 112D	Defined benefit superannuation obligations	82
Legislation		
	<i>Freedom of Information Act 1982</i>	113
	<i>Building Act 1993</i>	108
	<i>Public Interest Disclosure Act 2012</i>	111
	<i>Carers Recognition Act 2012</i>	N/A
	<i>Victorian Industry Participation Policy Act 2003</i>	109
	<i>Financial Management Act 1994</i>	1, 64-65, 73, 80
	All other legislation	112

Appendix B: Disclosures

Advertising expenditure

Government advertising expenditure

In 2019–20, there was one government advertising campaign with total media spend of \$100,000 or greater (exclusive of GST). The details are outlined below.

Details of government advertising expenditure:

Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure (\$ ex GST)	Creative and campaign development (\$)	Research and evaluation expenditure (\$)	Print and collateral expenditure (\$)	Other campaign expenditure (\$)	Total (\$)
It's your energy, Victoria	A campaign to empower and educate Victorians to make informed decisions with their current energy provider	October 2019 - June 2020	558,959	57,879	36,200	3,593	14,762	671,393

Building works

We did not have any buildings under our director control and are exempt from notifying our compliance with the building and maintenance provisions of the *Building Act 1993*.

Consultancies over \$10,000

We engaged 25 consultancies at a total expenditure of \$1,036,128 (excluding GST). View details of individual consultancies at www.esc.vic.gov.au.

Consultancies under \$10,000

We engaged four consultancies at a total expenditure of \$26,527 (excluding GST).

Diversity and inclusion

We strive to create an environment that supports a diverse, inclusive and flexible workforce. We reviewed our recruitment materials and communication to ensure reasonable adjustments were considered early in the process and candidates feel comfortable negotiating flexible working arrangements.

We celebrated the diversity of our employees with recognition for National Reconciliation Week, International Day Against Homophobia, Transphobia and Biphobia day, and Wear It Purple Day (to name a few).

Our Empowered Women's Network and our pride network continue to grow and work with the organisation to ensure our practices are inclusive.

In 2019–20, we had two staff members (1.4 per cent of employees) who self-identified as Aboriginal or Torres Strait Islander.

Employee relations

We are committed to ensuring employee relations matters are treated fairly and promptly, and employees are aware of our grievance processes. No employee time was lost in 2019–20 due to industrial disputes, and no formal grievances were lodged.

Informal disputes are handled promptly and with discretion, and external mediators are engaged where appropriate.

Employment and conduct principles

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

We have correctly classified our employees in workforce data collections.

Ex-gratia payments

There were no ex-gratia payments in 2019–20.

Local Jobs First Act 2003

The *Local Jobs First Act 2003*, introduced in August 2018, brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG), policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Job First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria.

We did not commence or complete any such procurements in 2019–20.

Major contracts

We awarded no major contracts greater than \$10 million during 2019–20.

National competition policy

We complied with the National Competition Policy, including compliance with the requirements of the policy statement Competitive Neutrality Policy Victoria and any subsequent reforms.

Occupational health and safety

We continued to promote occupational health and safety through a range of measures in 2019–20, including our occupational health and safety policy, health and safety representative.

Workcover statistics	2018–19	2019–20
Claims	0	0

Office-based environment impact

With the impact of the coronavirus pandemic, the commission was unable to collect the required office-based environmental impact data.

The commission will be moving to new premises in 2020–21.

Our new premises, 570 Bourke Street, carries an overall 4.5 star NABERS environmental impact rating (5 in energy and 4 in water), higher than the 4 stars at 2 Lonsdale at the point in which we stopped paying rent there on 30 June.

Private interest declarations

Declarations of private interests were completed by relevant officers in 2019–20. All new employees were required to complete declarations prior to commencement.

Appendix C: Appeals, notices and determinations in 2019–20

Appeals lodged under the *Essential Services Commission Act 2001*

No appeal or application for a review of a requirement, decision or determination of the commission was lodged under section 55 of the *Essential Services Commission Act 2001* (amended on 6 December 2019) during the 2019–20 financial year.

Disclosures issued under the *Essential Services Commission Act 2001*

Section 38 of the *Essential Services Commission Act 2001* allows us to disclose, under specified circumstances, information or the content of a document given to us under the Act. No disclosures were made by the commission under section 38 during 2019–20.

Inquiries conducted under the *Essential Services Commission Act 2001*

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

We did not conduct any public inquiries in 2019–20.

We were required to conduct a rent inquiry into the Port of Melbourne under section 53 of the *Port Management Act 1995* (Vic). The *Port Management Act 1995* stated that the inquiry must be conducted in accordance with part 5 of the *Essential Services Commission Act 2001*. The inquiry commenced in September 2019. The commission's final report will be delivered to the Minister early in July 2020.

Notices issued under the *Essential Services Commission Act 2001*

Section 37 of the *Essential Services Commission Act 2001* empowers us to obtain information or documents that may assist in the performance of our functions. 71 notices were issued under section 37 during 2019–20.

Price determinations issued under the *Essential Services Commission Act 2001*

Price determinations made under section 33 of the *Essential Services Commission Act 2001* in the 2019–20 financial year included five price determinations for Goulburn Murray Water, South Gippsland Water, Western Water, non cash payment surcharge and the Victorian default offer.

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

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

We did not publish any third-party access regime determinations in 2019–20.

Appendix D:

Our compliance with the *Public Interest and Disclosure Act 2012*

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

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

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

Reporting procedures

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

**Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135**

Internet: www.ibac.vic.gov.au

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

More information

You can request our protected disclosure procedures for the protection of persons from detrimental action by us or any of our employees and/or officers.

Appendix E: Legislation and freedom of information

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

Other legislation related to our work includes:

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

Appeals/reviews lodged under the *Essential Services Commission Act 2001*

No appeal or application for a review of a requirement, decision or determination of the commission was lodged under section 55 of the *Essential Services Commission Act 2001* (amended on 6 December 2019) during the 2019–20 financial year.

Disclosures issued under the *Essential Services Commission Act 2001*

Section 38 of the *Essential Services Commission Act 2001* allows us to disclose, under specified circumstances, information or the content of a document given to us under the Act. No disclosures were made by the commission under section 38 during 2019–20.

Inquiries conducted under the *Essential Services Commission Act 2001*

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

We did not conduct any public inquiries in 2019–20.

We were required to conduct a rent inquiry into the Port of Melbourne under section 53 of the *Port Management Act 1995* (Vic). The *Port Management Act 1995* stated that the inquiry must be conducted in accordance with part 5 of the ESC Act. The inquiry commenced in September 2019. The commission's final report will be delivered to the Minister early in July 2020.

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

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

We did not publish any third-party access regime determinations in 2019–20.

Notices issued under the *Essential Services Commission Act 2001*

Section 37 of the *Essential Services Commission Act 2001* empowers us to obtain information or documents that may assist in the performance of our functions. 71 notices were issued under section 37 during 2019–20.

Reporting procedures

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

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000

Phone: 1300 735 135

Internet: www.ibac.vic.gov.au

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

More information

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

Freedom of information

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

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the commission, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the commission
- details of any major external reviews carried out on the commission
- details of major research and development activities undertaken by the commission
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the commission to develop community awareness of the entity and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees

- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
- expenditure committed to for each engagement.

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

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

Making a request

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

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

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

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

Freedom of information statistics and timeliness

During 2019–20, the commission received three applications.

The commission made two FoI decisions during the 12 months ended 30 June 2020.

One decision was made within the statutory 30-day time period, one FoI application was decided within an extended period of time after a change in the scope of the application. One FoI application was withdrawn.

The average time taken to finalise requests in 2019–20 was 60 days.

During 2019–20, one request was subject to an ongoing internal review by Office of the Victorian Information Commissioner.

More information

Further information regarding the operation and scope of FoI can be obtained from the Act, regulations made under the Act, and foi.vic.gov.au.

Further information may be obtained from:

- *Freedom of Information Act 1982*
- Freedom of Information (Access Charges) Regulation 2014
- Freedom of Information Regulations 2009.

www.foi.vic.gov.au

Reports, publications and informal requests

Find details about our reports and publications on our website: www.esc.vic.gov.au

Requests may also be directed to:

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

Telephone: **(03) 9032 1300**

or **1300 664 969**

or email publications@esc.vic.gov.au

Appendix F: ICT expenditure

For the 2019–20 reporting period, we had a total ICT expenditure of \$1,804,425 with the details shown below.

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities			
	Business as usual (BAU) ICT expenditure	Non business as usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)		(Total = operational expenditure and capital expenditure)		
1,804,425	2,159,317	787,822	1,371,495	

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

Appendix G: Ministerial statement of expectations

We receive a statement of expectations from the Assistant Treasurer. The statement sets out the Assistant Treasurer's expectations of our contribution to the Victorian Government's regulatory reform program.

The Assistant Treasurer supplied a statement of expectations spanning 2018–2020. The following table reports on our progress against these expectations for the 2019–20 year.

Key area	Improvement expected by the Assistant Treasurer	Target by 30 June 2020	Progress as at 30 June 2020
Stakeholder consultation and engagement	Implement the stakeholder engagement framework.	Maintain stakeholder satisfaction over 75 per cent.	Our 2019 reputation survey showed satisfaction with consultation and engagement at 73 per cent. *
Timeliness (processes/ systems in place)	Increased online capability as part of the Victorian Energy Efficiency Target digital portal upgrade.	A 10 per cent increase in capacity to handle Victorian Energy Upgrades business forms measured by a 10 per cent overall reduction in time to approve applications.	Nine out of 13 workstreams completed. User acceptance testing completed on several streams and feedback incorporated into final development.
Incentive-based regulation	Review the new water pricing framework.	Evidence that water businesses have pursued cost efficiencies and/or delivered better services.	An independent review of our water pricing framework found it provided incentives for water businesses to deliver better value for money to customers, either through lower prices or better services.
Risk-based strategies	Apply a risk-based and targeted approach to enforcement in the energy sector.	Target to be developed in 2018–19.	In 2018–19, the commission applied a risk-based approach to prioritising and targeting its enforcement activity in the Victorian energy market. This resulted in the commission issuing 150 penalty notices against licensed power companies in this financial year.
Compliance related assistance and advice	Conduct user testing to confirm website redevelopment has led to improvements for users.	User testing indicates the website is easy to use 63 per cent of the time.	Our 2019 reputation survey showed the usefulness of our website was rated at 66 per cent.*

* The reputation survey was not conducted in 2019–20, these numbers refer to the 2018–19 survey.

Glossary

Term	Definition
'best offer'	A type of energy reform that enables Victorians to see whether they're on the energy retailer's most suitable plan. From 1 July 2019, your energy retailer must put 'best offer' information on your electricity and gas bills at least once every four months.
CALD	An acronym that stands for 'culturally and linguistically diverse'. People within the CALD community may speak a foreign language, organise specific cultural activities or have spiritual needs.
CPV	Commercial passenger vehicle. A term that includes taxis and unbooked ride-share services.
domestic building insurance	A type of insurance taken out by builders and covers homeowners for defects if their builder dies, disappears or goes out of business.
electricity distributor	Electricity businesses that own and manage the power poles and wires that deliver power to your home or business. These businesses are generally separate to energy retailers (who sell you electricity and gas).
Energy Fairness Plan	A Victorian Government initiative that aims to implement reforms within the energy sector.
Energy Retail Code	A code that sets out the rules electricity and gas retailers must follow when selling energy to Victorian customers. The commission maintains the code.
Engage Victoria	A Victorian Government website that enables citizens and businesses to make submissions on key projects run by government bodies.
Essential Services Commission	We are an independent regulator that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. We regulate Victoria's energy, water and transport sectors, administer the rate-capping system for the local government sector and regulate the Victorian Energy Upgrades (VEU) program.
Fair Go Rates system	A local council rate-capping system. It establishes rate caps to limit the amount by which Victorian councils can increase rates in a year without seeking additional approval.
FarrierSwier	An advisory and management consulting service.
higher cap application	An application where a local council asks for a rate increase above the cap set by the Minister for Local Government. Councils submit their applications to us, and we then assess and accept or reject the applications.
LED	Light-emitting diode. A form of energy efficient lighting.

Term	Definition
Local Government Victoria	A Victorian Government body that provides policy advice, oversees legislation and works with councils to support responsive and accountable local government services.
non-cash payment surcharge	A surcharge that applies when a taxi passenger pays for a fare using non-cash payment transaction options, including credit, debit and charge card. We are reviewing the maximum surcharge.
PREMO	A water pricing framework we implemented for water prices that apply from 1 July 2018 onwards. The framework aims to put customers at the centre of a water business's decision making through incentives focused on five elements: performance, risk, engagement, management and outcomes. These elements form the 'PREMO' acronym.
Royal Commission into Family Violence	A commission focused on investigating how to eliminate family violence within Australia. The commission concluded its work in May 2016.
simple standing offer	A type of electricity pricing offer. You may be able to check your bill to determine if you're on a simple standing offer.
tariff	A list or table showing the costs (prices) of a service or item. Tariffs we regulate include water tariffs and the minimum feed-in tariff that your energy company pays you for power you export to the grid (via sources including solar panels).
VEEC	Victorian energy efficiency certificate. Large energy retailers are required to acquire and surrender these certificates in order to participate in the Victorian Energy Upgrades program.
VEET Act	<i>The Victorian Energy Efficiency Target Act 2007</i> . Our Victorian Energy Upgrades Program operates under the VEET Act.
VEU	The Victorian Energy Upgrades program. An energy efficiency initiative that helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient product and services.
Victorian default offer	A type of energy reform that applied in Victoria from 1 July 2019. The offer is an independent, 'fair', priced electricity offer that you can switch to, or use to check if you're getting value for money on your electricity.
Victorian Energy Market Report	A guide on how the electricity and gas markets are performing. The report aims to help customers piece together how the energy retail market works, and what they need to do to get the best out of it.
Victorian Managed Insurance Authority	The authority provides risk and insurance services to protect Victoria's assets and minimise losses from adverse events.

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