Essential Services Commission Annual Report

2019-20

# 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](http://www.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.

**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.

**Respect**

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

**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.

* We issued $2,080,000 in penalties to energy companies
* 100% All Victorian councils complied with the rate cap.
* We reviewed $840 million of revenue from three water businesses as part of their 2020 price reviews.
* We issued 71 section 37 notices to gather information from stakeholders.
* 6.9 million tonnes of greenhouse gas savings were delivered through our Victorian Energy Upgrades program.
* Our social media posts received over 250,000 impressions.
* 4.2 million Victorians saw our 'It's your energy' campaign.
* 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.

# Our leadership team

**Organisational chart at 30 June 2020**

**Organisational chart at 30 June 2020
Kate Symons – Commissioner and chairperson
Sitesh Bhojani – Commissioner
Rebecca Billings – Commissioner
Simon Corden – Commissioner
John Hamill – CEO
Michelle Bryne – Head of Strategic Communication
Jeff Cefai – Director, Victorian Energy Upgrades
Marcus Crudden – Director, Price Monitoring and Regulation
Nick Field – Director, Organisational Performance
Sarah McDowell – Director, Energy**

# 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.

#### 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.

#### 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.

#### 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.

#### 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.

#### 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.

#### 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

* 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.

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

* 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.

1. **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.

1. **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.

1. **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.

### 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.

## Business continuity team structure

Our business continuity team is made up of:
CEO, Business continuity manager, Business recovery coordinators, People coordinator
IT coordinator, Stakeholder communications coordinator and the Business continuity support team.

## 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 – Status: Delivered

Processed certificates quickly to assist accredited businesses through pandemic.

#### Project: Reprioritising of lighting product applications – Status: Delivered

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

#### Project: VEU stakeholder forum – Status: Delayed

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 – Status: Delayed

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 Murry Water’s prices – Status: Altered

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 – Status: Delayed

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

#### Project: 2020 audits of water businesses’ performance data – Status: Delayed

* 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 – Status: Delivered

* 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 – Status: Sped up

* 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 – Status: Altered

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

#### Project: Non-cash payment surcharge determination – Status: Delayed

* We amended the start date for new charging rates.
* We moved the introduced 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 – Status: Altered

* 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 – Status: Altered

* 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 – Status: Delayed

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 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.

## What have we achieved?

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

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

**Qualitative consumer reporting** – Initiation of year-long qualitative consumer reporting started with CRPC

**Initial project research** – Initiation of initial project research with University of Melbourne

**Family violence engagement framework** – Initiation of development of family violence engagement framework with Domestic Violence Victoria

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

## Strategy milestones

October 2019 – Reporting on customer experiences of the retail energy reforms

April 2020 – First community sector roundtable

June 2020 – Workshops held on providing information to support potential enforcement activities

September 2020 – Release of approach paper and public launch of the project and commencement of formal research and engagement program

November 2020 – First cross-sector workshop

February 2021 – Guidance and roadmap for safe and appropriate engagement (developed by University of Melbourne)

July 2021 – Strategy released

# 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:

**Built relationships to help gather evidence for enforcement action –** Created the opportunity to convene a sub-group of the roundtable on enforcement, to build relationships between community legal services and the commission in gathering evidence for enforcement action.

**Strengthened relationships** – Strengthened relationships between the commission and the community sector.

**Gave the community sector access to information** –Gave the community sector access to information gathered by the commission through updates on data reporting and other commission activities.

**Gave the commission insight into coronavirus experiences of consumers** – Gave the commission insights into the experiences of consumers during the coronavirus pandemic and informed our capacity to respond (for instance, utility relief grant scheme responses in energy reform).

**Developed an understanding of coronavirus experiences of consumers –** Helped us develop a contemporary understanding of the experiences of consumers and the community sector in the coronavirus environment.

# 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 – Status: Complete

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 – Status: On track

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 – Status: Complete

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.

### Objective: Distribution reform – Status: On track

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 – Status: Complete

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 – Status: Ongoing

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 – Status: Ongoing

* 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.

### Key highlights

* **4.2 million** Victorians saw our 'Its your energy' campaign in 2019–20
* **Over 800,000** people saw our campaign on Facebook
* 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.

## 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 – Status: Complete

#### 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– Status: Complete

#### 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– Status: Complete

#### 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– Status: On track

#### 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 – Status: Complete

#### 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 – Status: On hold

#### 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.

### Objective: Release the first outcomes report – Status: Complete

#### 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 – Status: Complete

#### 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 – Status: Complete

#### 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. | * Produce the following documents: * draft decision * final decision * price determination * customer fact sheet. * These documents form the 2021 price review for Melbourne water. | To establish fair water prices and service standards for consumers.  Prices that reflect customer engagement and outcomes and reflect prudent and efficient costs. |
| **Objective 2** | Complete annual tariff approvals and review regulatory accounts submitted by water businesses. | * 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. | Businesses are:   * 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. | Customers and stakeholders are informed on water business performance, covering customer bills, customer service, network reliability, water quality and environment.  To inform Victorian consumers of the services they are receiving.  Publish the results of customer perception reporting in a rolling report of customer perception. |
| **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. | Updated codes issued on 18 August 2020 to reflect the national principles for utilities and hardship.  Draft Code March 2021  Final code June 2021 | Low income and vulnerable customers are protected  To ensure the terms and conditions of service and supply outlined in the code remain relevant. |
| **Objective 2** | Effective processes for engaging with stakeholders. | * establish engagement plans for water, and local government * increase engagement approaches during consultations and to announce decisions for example webinars, podcasts. | * 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 minimums 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:

**Clients feel believed –** Financial counsellors say their clients feel believed by their water business.

**Customer service staff showing more empathy –** Customer service staff are showing more empathy towards requests for assistance.

**Better outcomes for customers –** Assistance available is creating better outcomes for customers affected by family violence.

“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.

# Local Government

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

## 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 – Status: Ongoing

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 – Status: Complete

* 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 – Status: Complete

* Clearer directions to councils on documenting their compliance submissions.

#### Outputs

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

#### Outcomes – Status: On track

* Clearer processes for commission staff validating councils’ compliance.

#### Outputs

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

#### Outcomes – Status: On track

* Recommendations to councils for improved processing and controls for compliance.

### 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 – Status: Ongoing

* 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 – Status: Ongoing

* 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 – Status: Ongoing

* Matters arising out of review of compliance process.

## 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** | Higher cap applications   * 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. | * 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. | * 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 | * 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. | * Communities, councils and the Victorian Government are informed about the impacts of the rate capping framework on councils and communities. |
| **Objective 2** | Advising Victorian Government stakeholders   * 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. | * 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. | * 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 | 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.  Port tenants can have confidence in process for reviewing market rents. |
| **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 – Status: Ongoing

Upgraded IT system project

#### Outputs

* Nine out of 13 workstreams completed.

### Objective: Effective processes for engaging with stakeholders– Status: Ongoing

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 – Status: Ongoing

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 – Status: Ongoing

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 | * Deploy new IT system by April 2021. | * 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 | * 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. | * 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 | * Protocols to monitor implementation of audit recommendations by accredited persons. * Dynamic, balanced and risk-based assessment processes. | * 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 | * Timely release of website updates, program updates and updated guidance documents. * Two forums every year. * Focused stakeholder workshops. | * 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.

# Communication and engagement

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.

## 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 – Status: On track

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 – Status: On track

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 – Status: On track

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

#### Outputs

* We published out 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 – Status: On track

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 – Status: On track

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** | **Digital strategy implementation:**  Implement year-one of the digital strategy roadmap with a focus on improving the accessibility, usefulness and relevance of our content. | 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. | The project has three key elements:  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** | **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. | Identify barriers to consumer engagement with energy market and implement/consider policy and communications initiatives to reduce them. | 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. |
| **Objective 1** | **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. | * 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: * develop digital engagement skills across the organisation * introduction to engagement for all new staff within their first two months. | * 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** | **Media strategy:**  Implement year one of our media strategy | * 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. | * 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 lead 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](http://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.

## Our work

Diagram of our work
Setting or monitoring prices
• Formal consultations
• Consumer insights
• Expert advice
• Research and analysis
Ongoing stakeholder engagement
Setting and reporting on service standards and market conduct
Monitoring and enforcing consumer protections
Ensuring compliance and enforcement of regulatory obligations
Ensuring compliance and enforcement of regulatory obligations
Conducting inquiries
Advice to government

## 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.

## 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.

## 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.

Bar chart of number of people who viewed our pages on Engage Victoria
Quarter 1 – 835
Quarter 2 – 1545
Quarter 3 – 1715
Quarter 4 – 1776

Pie chart of event attendees
July to October 2019 – 13%
November 2019 to February 2020 – 63%
March to June 2020 – 24%


# 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.

### 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.

## Who we are – As of 30 June 2020

* 51:49 gender split – We had 70 women and 68 men working at the commission.
* We had 138 people working at the commission.
* Our organisation grew by 13 per cent in 2019–20, reflecting our increasing role supporting Victorian consumers.

Bar chart of employees, by age group

Bar chart of employees, by classification

## 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 compromising 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 | | | | | | | June 2019 | | | | | | |
| **All employees** | | **Ongoing** | | | **Fixed Term and casual** | | **All employees** | | **Ongoing** | | | **Fixed Term and casual** | |
| **Number (Headcount)** | **FTE\*** | **Full-time (Headcount)** | **Part-time (Headcount)** | **FTE** | **Number (Headcount)** | **FTE** | **Number (Headcount)** | **FTE** | **Full-time (Headcount)** | **Part-time (Headcount)** | **FTE** | **Number (Headcount)** | **FTE** |
| **Gender** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Women | 70 | 67.7 | 51 | 9 | 58 | 10 | 9.7 | 59 | 54.9 | 36 | 9 | 42.4 | 14 | 12.5 |
| Men | 68 | 67.1 | 55 | 4 | 58.3 | 9 | 8.8 | 60 | 59 | 50 | 4 | 53.4 | 6 | 5.6 |
| Self-described | n | n | n | n | n | n | n | n | n | n | n | n | n | n |
| **Age** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15-24 | 4 | 4 | 1 | 0 | 1 | 3 | 3 | 7 | 5.1 | 2 | 1 | 2.8 | 4 | 2.3 |
| 25-34 | 40 | 39.7 | 33 | 2 | 34.7 | 5 | 5 | 34 | 33.8 | 27 | 1 | 27.8 | 6 | 6 |
| 35-44 | 55 | 52.9 | 38 | 8 | 44.4 | 9 | 8.5 | 43 | 41.2 | 33 | 7 | 38.2 | 3 | 3 |
| 45-54 | 24 | 23.4 | 20 | 2 | 21.4 | 2 | 2 | 25 | 24.4 | 21 | 2 | 22.4 | 2 | 2 |
| 55-64 | 14 | 13.8 | 13 | 1 | 13.8 | 0 | 0 | 9 | 5.6 | 5 | 3 | 3.6 | 1 | 2 |
| 65+ | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 0 | 0 |
| VPS\*\* 1–6 Grade | 123 | 11.98 | 92 | 13 | 102.3 | 18 | 17.5 | 104 | 100.2 | 76 | 14 | 85.6 | 14 | 14.6 |
| VPS 1 | 2 | 1.8 | 0 | 0 | 0 | 2 | 1.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VPS 2 | 5 | 5 | 3 | 0 | 3 | 2 | 2 | 2 | 1.6 | 1 | 0 | 1 | 1 | 0.6 |
| VPS 3 | 20 | 19.3 | 15 | 2 | 16.6 | 3 | 2.7 | 24 | 23.2 | 19 | 3 | 21.2 | 2 | 2 |
| VPS 4 | 24 | 23.8 | 22 | 1 | 22.8 | 1 | 1 | 24 | 23.6 | 19 | 1 | 19.6 | 4 | 4 |
| VPS 5 | 46 | 45.6 | 37 | 2 | 38.6 | 7 | 7 | 32 | 31.4 | 23 | 4 | 26.4 | 5 | 5 |
| VPS 6 | 26 | 24.3 | 15 | 8 | 21.3 | 3 | 3 | 22 | 20.4 | 14 | 6 | 17.4 | 2 | 3 |
| Senior employees | 15 | 15 | 14 | 0 | 14 | 1 | 1 | 13 | 13 | 13 | 0 | 13 | 0 | 0 |
| STS\*\*\* | 4 | 4 | 3 | 0 | 3 | 1 | 1 | 3 | 3 | 3 | 0 | 3 | 0 | 0 |
| SRA\*\*\*\* | 6 | 6 | 6 | 0 | 6 | 0 | 0 | 5 | 5 | 5 | 0 | 5 | 0 | 0 |
| Executives | 5 | 5 | 5 | 0 | 5 | 0 | 0 | 5 | 5 | 5 | 0 | 5 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0.7 | 0 | 0 | 0 | 2 | 0.7 |
| Total Employees | 138 | 134.8 | 106 | 13 | 116.3 | 19 | 18.5 | 119 | 13.9 | 89 | 14 | 98.6 | 16 | 15.3 |

\* FTE = full-time equivalent

\*\* VPS = Victorian Public Service  
\*\*\*STS = Senior technical specialist  
\*\*\*\*SRA = Senior regulatory analyst

This data excludes our commissioners and chair

# 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.

## 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.

#### Key highlights

* 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 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