



# **2015-16 Work Program**

# Introduction

The Essential Services Commission (the Commission) is Victoria's statutory **independent economic regulator**, operating under the *Essential Services Commission Act 2001*.

Our **Mission** is to promote the long-term interests of Victorian consumers.

The Commission has three primary functions:

- **Regulatory:** The regulation of 'essential services' supplied by the energy, water, taxis, ports and rail freight industries, together with roles in local government, domestic building insurance and tow trucks
- **Advisory:** The provision of advice to the Victorian Government on a range of regulatory and other matters
- **Energy Efficiency:** The administration of the Victorian Energy Efficiency Target (VEET) scheme.

We bring to the regulatory and economic framework:

- Specialist expertise in economic and regulatory matters (such as pricing, cost and efficiency assessment, benchmarking and design of incentive frameworks)
- Well-developed processes for engaging stakeholders and public consultation
- Ability to gather and critically evaluate information and
- Recognised impartiality and independence.

The Commission maintains relationships with similar regulators operating federally and at State level, including the Australian Energy Regulator and the Australian Competition and Consumer Commission.

At a Victorian level, we work closely with other State-based agencies that also operate in industry sectors under our review. These agencies include the Environment Protection Authority, Consumer Affairs Victoria and Energy Safe Victoria.

The Commission is funded through the Victorian Department of Treasury and Finance, and reports to the Minister for Finance. In the energy, ports and water sectors we recommend licence fees to the Minister for Finance, and we apply a registration fee for each energy efficiency certificate created. All revenue is collected by Government.

# Work Program by Industry Sector

## Energy

During 2015-16, the Commission will continue to review and modernise the regulatory framework governing the energy industry. We will continue our licensing, compliance and performance reporting roles with energy businesses and will expand our enforcement capabilities, as recently announced by Government.

Project	Description	Commencement/ completion
Customer education and information	Provide advice and information to consumers through the website, call centre services and associated communications.	Ongoing
Energy and Water Ombudsman (Victoria)	Liaise with the Energy and Water Ombudsman (Victoria) on energy issues, as outlined in the joint Memorandum of Understanding.	Ongoing
Issue Licences	Assess new licence applications.	Ongoing
Licensing Framework	Complete the review of the energy licensing framework.	Q1-Q3
Review of distribution regulatory instruments	Undertake a review of distribution regulatory instruments to identify and remove areas of duplication with AER.	Q1-Q4
Wrongful Disconnection Payment Assessments	Review Wrongful Disconnection Payment referrals from the Energy and Water Ombudsman (Victoria).	Ongoing
Energy retail price monitoring and reporting	Release price monitoring report on retail competitive offers.	Q2
Customer service performance reporting	Release Customer Service Performance Report.	Q3
Energy retail compliance and enforcement	Release annual report on retailers' compliance with regulatory obligations.	Q3
Enforcement	Develop an implementation framework for the Energy Legislation Amendment (Consumer Protection) Act 2015.	Q2-Q4
Energy Hardship Inquiry	Complete Energy Hardship Inquiry and begin implementation preparation.	Q1-Q4

# Energy Targets

The Commission will continue to administer the Victorian Energy Efficiency Target (VEET) scheme and implement all Act and regulatory amendments made to strengthen the scheme, as recently announced by Government.

<b>Project</b>	<b>Description</b>	<b>Commencement/ completion</b>
Operations	Accredit participants, register certificates, publish electronic registers; auditing and compliance.	Ongoing
Annual Performance Report	Compile annual report on the operation and administration of the VEET scheme.	Q1
Project Based Assessments	Establish administration functions to assess new activities, including Project Based Assessments.	Q2–Q4

# Water

The Water Division will continue to explore new approaches to water pricing. We will also complete price reviews for two of Victoria's largest water businesses—Goulburn-Murray Water and Melbourne Water—on the prices to apply for both businesses from 1 July 2016. Other ongoing activities include reporting on the performance of water businesses, and releasing a report into the use of additional hardship funds made available to the greater metropolitan water businesses in our 2013 Water Price Review.

<b>Project</b>	<b>Description</b>	<b>Commencement/ completion</b>
Review of water pricing approach	The project considers the Commission's pricing approach for Victoria's water industry and how any changes to our current approach will be implemented. Our consultation process will include the release of papers, a conference in November, and a series of workshops.	Q1-Q4
Goulburn-Murray Water price review	Receive and assess Goulburn-Murray Water's price submission, conduct community consultation and hand down draft and final decisions that authorise maximum water prices for the period from 1 July 2016 to 30 June 2020.	Q1-Q4
Melbourne Water price review	Receive and assess Melbourne Water's price submission, conduct community consultation and hand down draft and final decisions that authorise maximum water prices for the period from 1 July 2016.	Q1-Q4
Annual compliance audits and urban water performance reporting	Report on the annual performance of all metropolitan and regional urban water businesses, using reported data from our performance reporting framework. Contribute data to national reports.	Q2
Additional hardship expenditure – broader metropolitan area	Release report on additional hardship assistance provided by the metropolitan water businesses	Q2
Review of regulatory accounts	Undertake a review of the regulatory accounts for all water businesses.	Q2-Q3
Annual tariff approvals	Approve prices for 2016-17.	Q4

# Transport

In 2015-16, the focus of our transport work is on taxis, accident towing, rail freight access arrangements and potential new arrangements following completion of the Port of Melbourne lease transaction. We also will continue our role in monitoring Victoria's domestic building insurance scheme.

Project	Description	Commencement/ completion
Taxi Price Review – Metropolitan and Urban and Larger Regional Taxi Zones	Release of Issues Paper.	Q2
	Release of Draft Report.	Q3
	Release of Final Report.	Q4
Taxi Monitoring	Release of <i>'Monitoring Report for the Regional and Country Taxi Zones'</i> .	Q2
Review of the Economic Regulation of Accident Towing	Release of Draft Report.	Q1
	Release of Final Report.	Q2
Freight Rail Access Arrangements	Consultation and decision to extend or issue new freight rail access arrangements for V/Line and Metro.	Q3 – Q4
Port regulation	Preparatory work for new economic regulatory framework to apply to lessee.	Q3 - Q4
Domestic Building Insurance	Release of annual Performance Monitoring Report.	Q2

## Local Government

In January 2015, the Commission received terms of reference from the Minister for Finance (in consultation with the Minister for Local Government). The Commission was asked to inquire into and advise the Ministers on options and a recommended approach for a rates capping framework for implementation from the 2016-17 financial year.

Following the implementation of the framework, the Commission will be responsible for providing advice to the Minister for Local Government on the rate cap to apply to councils and assessing application from councils for a higher rate cap (variation). The Commission will also provide guidance to councils on the implementation of the framework.

Project	Description	Commencement/ completion
Rate capping and variation review.	Complete a review into the design of a rate capping and variation framework for Victoria's local government sector.  Release of draft and final reports.	Q1
Guidance on the rate capping and variation framework	Develop guidance on the rate capping and variation framework to facilitate the implementation of the framework.	Q2
Provide advice on rate cap	Provide advice to the Minister for Local Government on the rate cap to apply for the 2016-17 rating year.	Q2
Assessment of variation applications	Assess council applications for rate variations above the cap for the 2016-17 rating year.	Q3-Q4