

ANNUAL REPORT 2009-10



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2009-10



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*As at 30 June 2010

ISSN: 1447-6029

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Design & Production by HSA design, Melbourne.

Photography by Barry Gilbert, Visual Light & Magic Pty Ltd.

Printed on 100% recycled paper.



2 September 2010

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

Dear Minister

ESSENTIAL SERVICES COMMISSION ANNUAL REPORT 2009-10

We are pleased to present you the Essential Services Commission's Annual Report for 2009-10. The Annual Report has been prepared in accordance with Part 7 of the *Financial Management Act 1994* and as required by section 31 of the *Essential Services Commission Act 2001*. It also satisfies the requirements of regulation 9 of the Essential Services Commission Regulations.

During 2009-10, the Commission completed a range of regulatory projects across the energy, water and transport industry sectors.

In June 2010, it delivered to the Victorian Government its report on local government services, comprising proposed reporting indicators for local government in the State.

The Commission completed major reviews into the Victorian rail access regime and accident towing and storage charges and also implemented a new price monitoring determination to apply to Victoria's ports.

In November 2009, the Commission surpassed its calendar year target for the registration of 2.7 million Victorian energy efficiency certificates, and surpassed the same target within six months of 2010.

The Commission also conducted a range of regulatory projects in the Victorian water sector, including a review of revised prices by the regional water business, Coliban Water.

We place on record our appreciation to the Commission's staff in delivering a comprehensive regulatory, administrative and advisory program throughout 2009-10.

Yours sincerely

Handwritten signature of Dr Ron Ben-David.

DR RON BEN-DAVID
Chairperson

Handwritten signature of Tony Darvall AM.

TONY DARVALL AM
Commissioner

Handwritten signature of Dennis Cavagna.

DENNIS CAVAGNA
Commissioner

HIGHLIGHTS 2009-10

Developed and recommended to the Minister for Local Government a performance monitoring framework for local government in Victoria

Undertook a regulatory review to accommodate the implementation of advanced metering infrastructure (smart meters) for electricity customers in Victoria

Completed a review of Victorian accident towing and storage charges for advice to the Minister for Roads and Ports

As part of the administration of the Victorian Energy Efficiency Target scheme, achieved the calendar year targets for the creation of 2.7 million energy efficiency certificates in both 2009 and in 2010

Formally assumed a price monitoring role for the operation of the State's domestic building insurance scheme

Completed a review into the regulation of Victoria's commercial ports

Completed a review of revised water prices for the Coliban Region Water Authority under the 'uncertain or unforeseen provisions' of the 2008 Water Price Review

Delivered for the State Government's consideration a report of the review of the Victorian rail access regime

Completed a review of the retail energy wrongful disconnection payment for Victorian electricity and gas customers

Implemented a new price monitoring determination to apply to Victoria's ports for the five-year period from 1 July 2010.

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FUNCTIONS OF THE COMMISSION



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

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

At 30 June 2010, the industries regulated by the Commission were electricity, gas, water, ports and rail freight.

Why the Commission was established

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

Objectives of the Commission

For the 2009-10 year, the primary objective of the Commission was to 'promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services'. This objective was central to the framework of economic regulation that facilitates efficiency and financial viability in regulated industries, encourages competition, prevents misuse of monopoly power and ensures that

customers benefit from the gains from competition and efficiency (section 8, *Essential Services Commission Act 2001*).

Matters to which the Commission had regard in seeking to achieve its objectives for the 2009-10 year were the:

- Efficiency in the industry and incentives for long-term investment
- Financial viability of the industry
- Degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- Relevant health, safety, environmental and social legislation applying to the industry
- Benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable customers); and for regulated entities
- Consistency in regulation between States and on a national basis.

Functions of the Commission

The functions of the Commission, as expressed in the Act for the 2009-10 year were:

- to perform such functions conferred on the Commission by the Act and the relevant legislation under which a regulated industry operates
- to advise the Minister for Finance, WorkCover and the Transport Accident Commission (TAC) on matters relating to economic regulation, including reliability issues
- when requested by the Minister to do so, to conduct an inquiry into any systemic reliability of supply issues related to a regulated industry or other

essential service specified by the Minister in the request

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

In addition to these objectives and functions, the Commission has objectives and functions conferred by industry-specific legislation. The industry-specific legislation includes: the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, the *National Electricity (Victoria) Act 2005*, the *National Gas (Victoria) Act 2008*, the *Water Industry Act 1994*, the *Rail Corporations Act 1996* and the *Port Services Act 1995*.

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

The Regulated Electricity Industry

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

The Regulated Gas Industry

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

The Regulated Water Industry

- Wherever possible, to ensure that the costs of regulation do not exceed the benefits.
- To ensure that regulatory decision-making and regulatory processes have regard to any differences between the operating environments of regulated entities.
- To ensure that regulatory decision-making has regard to the health, safety, environmental sustainability (including water conservation) and social obligations of regulated entities.

The Regulated Rail Industry

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

The Regulated Ports Services

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

Insurance References

- The objective of the Commission under section 8 of the *Essential Services Commission Act 2001* does not apply to the functions of the Commission in relation to the insurance industry, which

are activated by relevant referrals from the responsible Minister.

- The Minister for Finance WorkCover and the TAC may request that the Commission provide advice in relation to a premium or charges order proposed by the Transport Accident Commission (TAC) or the Victorian WorkCover Authority (VWA).
- The Commission is required to advise the Minister for Finance, WorkCover and the TAC (and any other Minister that the Minister specifies in writing) on any matter relating to the insurance industry that the Minister refers to the Commission for advice.

Transport References

- Under section 186 of the *Transport Act 1983*, the Minister for Transport may refer matters for investigation to the Commission relating to licence fees for hire car licences or special purpose vehicle licences; taxi-cab fares or hiring rates; or tow truck charges.
- Except to the extent that the Minister for Transport determines, the objectives of the Commission under section 8 of the *Essential Services Commission Act 2001*, do not apply to the functions of the Commission under section 186 of the *Transport Act 1983*.

Renewable Energy

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

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

- To monitor compliance with the Act.

Energy Efficiency

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

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

Performing the Commission's Functions

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

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

The ESC's Organisational Structure

The ESC is structured as a Commission comprising a Chairperson and two part-time Commissioners, supported by about 70 staff led by a Chief Executive Officer.

The Chairperson: Appointment and Qualifications **R (Ron) Ben-David B.Sc (Optometry), B.Comm (Hons) PhD (Economics)**

Dr Ron Ben-David joined the Victorian public service in 1998 as a policy officer in the Department of Treasury and Finance. He later moved to the Department of Premier and Cabinet and was appointed Deputy Secretary in 2004. He served as a project director for the Latrobe Valley Ministerial Taskforce (2001) and *Leading the Way: An economic action plan for Victoria (2004)*. Dr Ben-David was responsible for establishing Victoria's Office of Climate Change in 2007 and in 2008 he led the joint secretariat for the Garnaut Climate Change Review. During this time he was seconded to the Commonwealth's Department of Climate Change. He took up the position of Chairperson of the Essential Services Commission in February 2009. Dr Ben-David is a Fellow of the Institute of Public Administration Australia (Vic.)

Commissioners

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

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

Prior to his appointment to the Essential Services Commission in 2007, Mr Cavagna had more than 24 years' experience in the water sector. This included the position of Managing Director of the Melbourne metropolitan water retailer, South East Water, as well as executive positions with Melbourne Water and the former Mornington Peninsula and District Water Board and Victorian Department of Water Resources. A chartered accountant by profession, Mr Cavagna is also a former chairman of the Victorian Water Industry Association. He is a member of the Risk and Audit Committee of the Victorian Department of Sustainability and Environment, the independent chair of the Stormwater and Urban Recycling Fund and board member of Queensland Urban Utilities.

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

Mr Darvall was appointed a Commissioner in October 2006. An experienced commercial litigation lawyer, Mr Darvall previously served as a partner of Corrs Chambers Westgarth from 1967 to 2003. He has held several board positions on major State Government authorities, including the Melbourne City Link Authority, VicUrban and the Werribee Park Advisory Board. In addition, he is a former Chairman of the ESC Appeals Panel. Mr Darvall is the Deputy Chairman of the Linking Melbourne Authority (formerly Southern and Eastern Integrated Transport Authority) and Chairman of the Audit Committee of VicRoads.

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

Mr Heeps was appointed Chief Executive Officer in February 2010. His appointment followed

10 years at City West Water with roles in corporate planning, pricing, government liaison and regulatory compliance. Prior to City West Water he worked for six years in the Victorian Government on both federal and state-wide water resources issues, and later headed a group supporting the relevant Ministers in their role of over-viewing the performance of the various water businesses in the State. He worked in various roles over 16 years in the Melbourne Metropolitan Board of Works and spent three years as a research fellow at Monash University. He has attained qualifications in corporate governance with the Australian Institute of Company Directors.

Senior Administrative Structure

The Commission's organisational structure (as at 30 June 2010) and senior management team are set out at right.

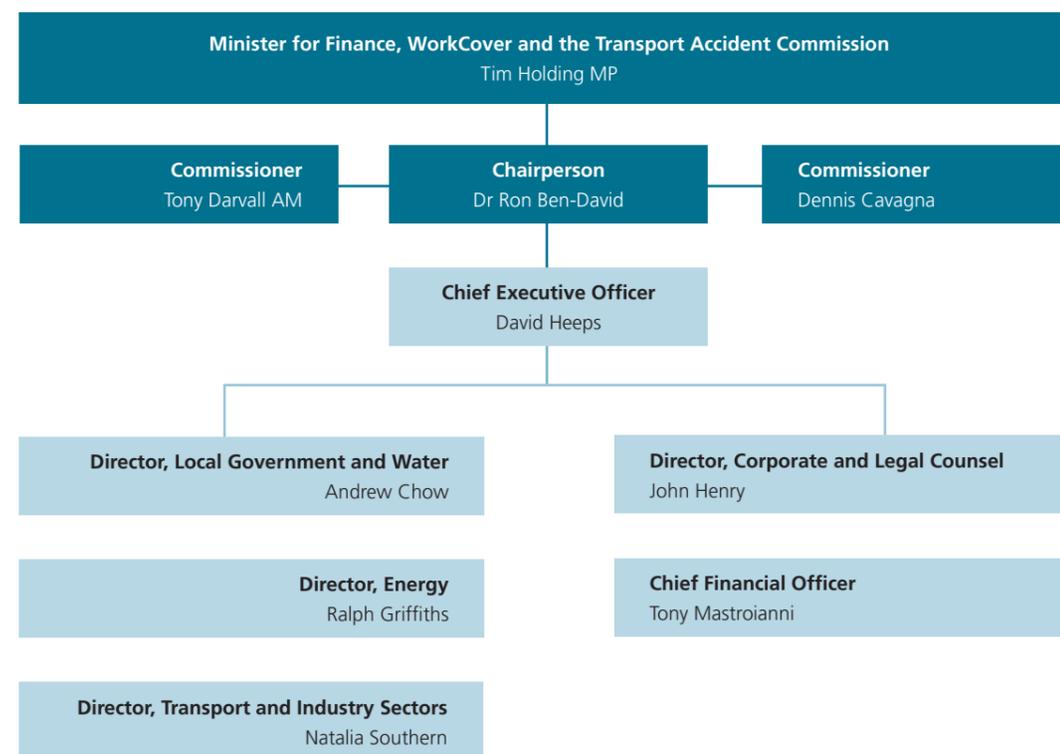
The Commission's regulatory and analytical staff are qualified in economics, accounting, engineering and other analytical disciplines.

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

Annual Report of the Essential Services Commission

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

Organisational Structure



* As at 30 June 2010.

THE YEAR IN
REVIEW
CHAIRPERSON





It is my pleasure to report on a year of new challenges and considerable achievement for the Essential Services Commission.

In addition to its usual regulatory or administrative tasks in retail electricity and gas, water, statutory insurance, transport and energy efficiency, the Commission in 2009-10 undertook for the first time a major inquiry in the area of local government.

In August 2009, the Premier announced that the Commission would be charged with developing a performance monitoring framework for local government in Victoria.

The Commission undertook a period of extensive consultation with the 79 municipal councils and the public across Victoria, involving public meetings, attendance at local government seminars and conferences and direct discussions with Mayors, councillors and council executive staff.

Late in March 2010, the Commission produced a draft report of its inquiry into a performance monitoring framework and in June delivered to the State Government its final report, *Establishing a Victorian Local Government Services Report*. It recommended reporting by councils on 17-18 service indicators and 17 to 20 supporting indicators for all councils in Victoria.

Another major piece of new responsibility accepted by the Commission was in the area of domestic building insurance.

In March 2010, the Minister for Finance, WorkCover and the TAC foreshadowed a future role for the Commission in reviewing the adequacy of domestic building insurance premiums set by the Victorian Managed Insurance Authority.

The new roles in local government and domestic building insurance reflect a change in the Commission's regulatory, administrative and advisory agenda.

In 2009-10, the Commission commenced the transfer of the Victorian Renewable Energy Target scheme to the Federal jurisdiction. It is also anticipated that regulatory oversight of the State's retail electricity and gas sectors, as well as the remaining regulatory instruments associated with the distribution businesses, will pass through to the Australian Energy Regulator from July 2011.

In addition, regulatory responsibility for the Victorian grain handling and storage industry was withdrawn by the Victorian Government in late 2009 following a Commission review, reflecting the increased competitiveness of that industry.

The Commission continued to have a major presence in the area of energy efficiency through its role as administrator of the Victorian Energy Efficiency Target scheme. In November 2009, the Commission completed a major milestone in processing and registering the targeted 2.7 million Victorian Energy Efficiency Certificates (VEECs) for the 2009 calendar year. By 30 June 2010, the Commission had exceeded the target of registering 2.7 million certificates set for calendar year 2010. In the retail energy area, the

Commission continued to fulfil its regulatory responsibility for the sale of retail electricity and gas. It executed ongoing media advertising and information campaigns to promote its *Your Choice* website for customers choosing an energy retailer. In late 2009, the Commission conducted a review of the State's wrongful disconnection arrangements.

Significantly, the Commission plays a regulatory role in the Victorian rollout of smart meters by the electricity distribution businesses. In March 2009, the Commission commenced a review of the customer protection and technical regulations that will be affected directly by the implementation of smart meter technology.

For the first time in almost three years, the Commission was not involved in the conduct of a scheduled price review for at least one part of the water sector. In March 2010, however, the Commission received an application from Coliban Water for a revision of its prices set in 2008. Coliban Water sought to revise its prices for the three-year period from 1 July 2010. Coliban Water's application was made under the 'uncertain or unforeseen circumstances' provision following prolonged drought conditions.

In addition, the Commission completed in September 2009 its inquiry into the access regime for water and sewerage infrastructure services.

Transport-related reviews continued to form a major component of the Commission's regulatory and advisory agenda. In February 2010, the Commission completed a review of the Victorian rail access regime, and in June 2010 it delivered a report to the Victorian Government on its review into accident towing and

storage charges. The Commission made a new price monitoring determination for Victoria's ports in May 2010.

In conducting its regulatory, administrative and advisory tasks in 2009-10, the Commission consulted widely with its diverse stakeholder groups, including consumer and industry representatives, licensed businesses and State and local government.

I wish to record my appreciation to members of the Commission's standing Customer Consultative Committee for their constructive and positive contributions.

In addition, I thank the Mayors, councillors, council staff and industry representatives who contributed to the consultation for the Commission's local government inquiry.

My fellow commissioners, Tony Darvall and Dennis Cavagna, again brought the full bearing of their experience and wisdom to the many and varied aspects of the Commission's agenda. I also wish to acknowledge the contributions of the Commission's outgoing chief executive officer, Paul Fearon, and his successor, David Heeps.

Most particularly, I thank and commend all staff members of the Commission for their diligence, professionalism and application during a year of substantial change for the Commission.

Dr Ron Ben-David
Chairperson 2009-10

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REVIEW OF ORGANISATION AND OPERATIONS **CEO**





It is a pleasure to present my first report as Chief Executive Officer of the Essential Services Commission.

I thank and acknowledge my predecessor, Paul Fearon, for the level of professionalism and organisation that he brought to the Commission before his appointment as Director of Energy Safe Victoria in November 2009. In addition, I thank Sean Crees for his role as the Commission's Acting CEO for five months during 2009-10, before he took up a senior regulatory role with City West Water.

During 2009-10, the Commission expanded its staff numbers to meet the demands of a range of new and varied projects, including local government and domestic building insurance, as well as activity levels greater than forecast for the Victorian Energy Efficiency Target scheme.

Total core expenditure was \$13.5 million to achieve the forecast outputs.

Maintaining effective corporate governance practices continues to be a major priority for the Commission. There were 43 Commission meetings and 12 Board meetings during the financial year.

In 2009-10, seven internal audits were conducted of the Commission's operations.

The internal audits related to financial management compliance framework, procurement and contract management, legislative compliance, implementation of prior internal audit findings, Victorian Energy Efficiency Target scheme compliance, general computer controls and project management.

Recommendations of the internal audits were considered by the Commission's Audit and Risk Committee and referred to the Board for implementation throughout the organisation. The Commission continued to update its record management practices in 2009-10, completing the conversion of all archived publications to a paperless format. It also established an off-site disaster recovery centre to ensure that operations could be maintained in the event of emergency or evacuation. The Business Continuity Plan was reviewed and updated.

There were two occupational health and safety incidents reported during the year, with any potential risks being analysed for work environment and procedural improvements. Staff health checks were also offered, including influenza vaccinations.

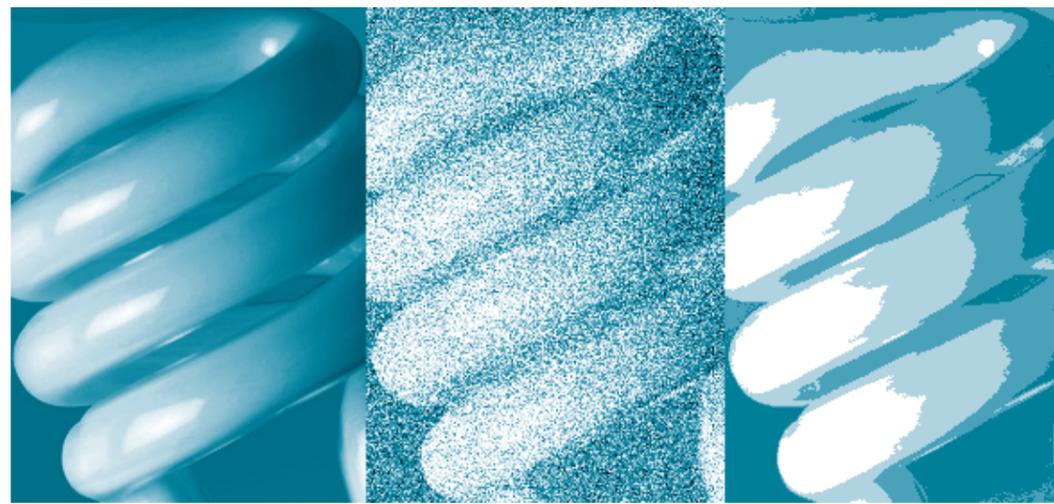
I thank all staff for their dedication in meeting the regulatory and administrative challenges during the year.

David Heeps
Chief Executive Officer



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COMMISSION
OUTCOMES
ENERGY



Energy Regulation

The Essential Services Commission is responsible for the regulation and licensing of gas and electricity companies, as well as the licensing of companies in energy generation and distribution. Within the Commission, the Energy Division oversees energy regulation and the administration of the Victorian Renewable Energy Target and Victorian Energy Efficiency Target schemes.

On 1 January 2009, responsibility for the economic regulation of the electricity and gas distribution sectors transferred to the national body, the Australian Energy Regulator (AER). The Commission, however, continues to set the non-economic rules for the distribution businesses and therefore continues to work co-operatively and closely with the AER.

In 2009-10, the Energy Division completed a number of important projects involving the distribution networks, including a review for the Minister for Energy and Resources on the performance of the distributors' communications during the 2009 bushfires and other widespread supply events. This review resulted in some amendments to the Distribution Code to improve the co-ordination of this communication with customers and key agencies.

In the energy retail area, the Commission continues to play a major role in informing customers of the competitive market and how to exercise choice of their retailer. It implemented a major campaign, *Your Choice* to advise and inform customers, incorporating advertising and assistance services offered via the internet and through a dedicated call centre. Linked to this campaign was the Commission's increased focus on market conduct in the energy retail sector, to ensure customers better

understood their rights in the marketing of retail energy offers.

A key initiative during 2009-10 was the review of the retail regulation overseen by the Commission to ensure that it could support the operations of the Victorian Government's smart meter program. By the end of 2013, all customers will have a smart meter installed in their home or business premises. The customer protection regulations did not need a major overhaul, but the review will facilitate customers being provided with timely, transparent and useful information through the regulations to help them benefit from the smart meter technology.

The Commission also completed a review of the wrongful disconnection compensation statutory provisions and reported to the Minister for Energy and Resources in February 2010. In addition, the Commission implemented its retailer of last resort procedures in December 2009 so that customers who were impacted by the exit of Jackgreen from the energy market were neither disadvantaged nor lost access to supply.

Energy Targets

Victorian Renewable Energy Target Scheme

During 2009-10, the Commission administered the *Victorian Renewable Energy Act 2006*. The Government's legislated target for 2009 was 573,152 Megawatt hours (MWh) of renewable energy generation. This target was exceeded, with 574,797 MWh generated through the Victorian Renewable Energy Target (VRET) scheme under that Act. During the year, the Australian Government passed legislation to allow expansion of its MRET (Mandatory Renewable Energy Target) scheme to become the

expanded Renewable Energy Target (eRET) scheme. In light of this, and in keeping with its election commitment, the Victorian Government moved to transition the Victorian scheme into the federal eRET scheme. Participants in the state VRET scheme were able to convert their certificates to the federal scheme on a one-for-one basis, through liaison between the Commission and the Federal Office of the Renewable Energy Regulator.

From 1 January 2007 to 30 January 2010, the VRET scheme fostered 730,819 MWh of renewable energy generation. The Commission will attend to minor residual administrative matters in 2010-11, as the VRET scheme is concluded.

Energy Saver Incentive (Victorian Energy Efficiency Target scheme)

During 2009-10, the Commission administered the first operating cycle of the Energy Saver Incentive, under the *Victorian Energy Efficiency Target Act 2007*. The Act requires large electricity and gas retailers to reduce greenhouse gas emissions through energy reduction improvements in homes. The Act sets an annual target of abating 2.7 million tonnes of carbon dioxide equivalent of greenhouse gases. A tradable certificate is created for each deemed tonne of emissions abated.

The target for first calendar year was reached ahead of schedule, in November 2009. The environmental and financial benefits of the scheme were further embraced by industry and the community in 2010. By 30 June, the Commission had registered 5,427,702 certificates overall.

Approximately 80 percent of certificates were for energy efficient lighting and 15 percent for various water heating activities. The Commission has processes in place to assess firms applying for accreditation in the scheme, and maintains a rigorous audit and compliance program.

Audited firms accounted for more than 95 percent of certificates. The Commission also completed an investigation during the financial year which led to the suspension of a firm's accreditation. As at 30 June 2010, there were 73 accredited persons in the scheme.

Cost

The estimated cost of the Energy Division, including energy regulation and energy targets, in 2009-10 was \$6.026 million.

Major Projects Completed and Benefits Generated in 2009-10 Energy Regulation

General Regulation

Project	Output/Results	Benefits/Impact
Review of regulatory instruments	Publication of an Issues Paper and Draft Decision on the Regulatory Review - Smart Meters	Removal of unnecessary regulation and regulation that duplicated other regulatory instruments.
Wrongful Disconnection Compensation Statutory Review	Provision of a Draft and Final Report to the Minister for Energy and Resources on the review of the wrongful disconnection compensation statutory provisions	Advice to the Government on what incentives should be placed on retailers to avoid wrongful disconnections, and how customers could be appropriately compensated.
Review of Tariff Assignments with Interval Meters	Publication of a special Compliance Review of distributors' and retailers' tariff assignment to customers with interval meters	Compensation to customers who lost their off-peak tariffs through wrong tariff reassignments by the distributors and retailers.
Assessment of electricity feed-in tariffs	Provision of advice to the Minister for Energy and Resources in relation to feed-in tariffs offered by electricity retailers	Advice to government on fair and reasonable contractual terms for customers on general and premium feed-in tariff terms and conditions.
Small scale licensing framework	Provision of information and staff support to the Australian Energy Regulator (AER) in its early planning for a registration scheme for exempt distributors and retailers	Ensured AER readiness for the transfer of functions to the national regulator.
Retailer of last resort (RoLR) scheme	Managed the retailer of last resort event when Jackgreen exited the retail market in December 2009	Ensured that the 3000 customers impacted in Victoria were transferred to their retailers of last resort in an orderly way and maintained continuity of supply.
National regulatory framework	Provision of advice to the Department of Primary Industries and other stakeholders on the national framework for regulatory energy non-price distribution and retail services to customers	Assisted with the understanding of the Victorian regulation during the transition to the national framework.

Facilitating Competition

Project	Output/Results	Benefits/Impact
Customer education and information	Implementation of an advertising campaign to advise Victorian consumers on how to exercise choice in the competitive energy market. Improvements to the dedicated website, <i>Your Choice</i> , established to publish standing and market offers	Helped to ensure that small customers were sufficiently informed to effectively access the competitive energy retail market.
Energy Retail Market Conduct	Conducted workshop meetings in Footscray and Shepparton to identify and respond to issues raised by members of the community. Reviewed retailers' processes for marketing to vulnerable customers and for handling complaints	Provided guidance to customers and retailers on the rights and obligations within the competitive retail energy market.

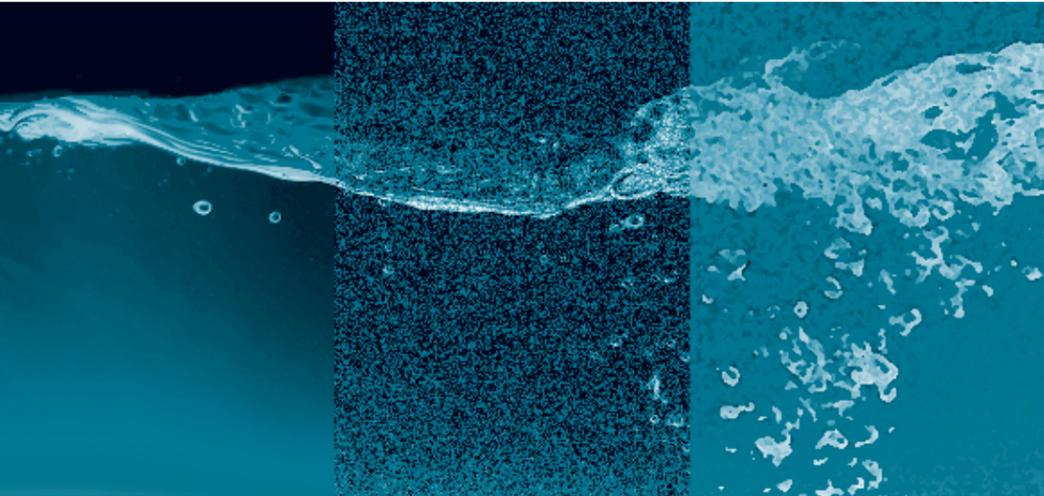
Company Approvals and Reviews

Project	Output/Results	Benefits/Impact
Energy retail audit	Undertook independent audits of retailers AGL and Simply Energy in accordance with a cross-jurisdictional audit strategy	Ensured retailers were compliant with regulatory obligations to maintain consumers' confidence in the competitive market.
Energy Performance Reporting	Published 2008-09 Financial Year Energy Retail Businesses Comparative Performance Report, including customer service and pricing in the competitive market	Provided information to customers and key parties on the comparative performance of 13 retailers servicing Victoria.
Review of distributors' performance in widespread supply events	Provision of a Draft and Final Report to the Minister of Energy and Resources on electricity distributors' communications in the bushfires and summer supply events	Regulatory amendments to improve co-ordination and communication between the distributors, other agencies and customers.
Review of Tariff Assignments with Interval Meters	Publication of a special Compliance Review of distributors' and retailers' tariff assignment to customers with Interval meters	Compensation to customers who lost their off-peak tariffs through wrong tariff reassignments by the distributors and retailers.

Major Projects Completed and Benefits Generated in 2009-10

Energy Targets

Project	Output/Results	Benefits/Impact
Victorian Renewable Energy Target (VRET) scheme	Administration of the Victorian Renewable Energy Target (VRET) scheme	Facilitated the development and investment of renewable energy generation and regional development in Victoria.
	Victorian Renewable Energy Target Scheme Annual Report 2008	Reported on scheme operation and compliance requirements for the 2008 calendar year.
	Transition to Federal expanded Renewable Energy Target (eRET) scheme	Greater environmental outcomes at national level.
Victorian Energy Efficiency Target (VEET) scheme	Implementation of the Victorian Energy Efficiency Target (VEET) scheme	Reduced greenhouse gas emissions by promoting more energy-efficient use of electricity and gas, initially in the residential sector.
	Implementation of VEET scheme guidelines and eligible product registers	Provided clarity and certainty in the operation of the VEET scheme to accredited persons and retailers.
	Improvement of registry system	Streamlined approval processes for industry.



COMMISSION
OUTCOMES
LOCAL
GOVERNMENT
AND WATER

The Essential Services Commission has had a long-standing role in the water sector and is responsible for the economic regulation of 19 Victorian water businesses that service metropolitan Melbourne and regional urban customers as well as rural (irrigation) customers. The Commission's key areas of responsibility include regulation of prices, service standards, performance reporting and auditing. In 2009-10 the Commission formed a Local Government and Water division when it received Terms of Reference from the Minister for Finance, WorkCover and the TAC in October 2009 to develop and implement a state-wide performance monitoring framework for local government service delivery. The Commission's key area of responsibility in this regard was to develop a set of performance indicators that provide unbiased information about service delivery from the perspective of service recipients.

Local Government

From October 2009 to June 2010, the Commission commenced its most extensive consultation process. This included the release of an Issues Paper in October 2009 to which 52 written submissions from Councils, Victorian Government departments, community groups and individuals were received in response. The Commission then released a Draft Report in March 2010 with five accompanying background papers, which received 73 written submissions from Councils, Victorian Government departments, community groups and individuals.

In conjunction with the release of the Issues Paper and the Draft Report, the Commission conducted a program of public forums, Councillor seminars, council road-testing forums, meetings

with relevant Victorian government departments and other stakeholders and published regular newsletters. The Commission also formed a Consultative Committee and working groups to ensure industry knowledge and expertise were used in the development of the Local Government services reporting framework on Local Government in Victoria.

This work culminated in the completion of the Commission's Final Report, *Establishing a Victorian Local Government Services Report* and the submission of this report to the Minister for Finance, WorkCover and the TAC and the Minister for Local Government at the end of June 2010.

Water

Conduct of water price reviews is a major plank of the Commission's activity. In 2009-10 the Commission considered an application from Coliban Water for an adjustment to its prices based on uncertain or unforeseen events. The Commission released its decision on the application in June 2010. During the year, the Commission also considered an application from GWMWater (Grampians Wimmera Mallee Water) for a restructuring of its tariffs and released a decision on the application in June 2010.

Following from the findings of the 2009 metropolitan water price review, the Commission worked with stakeholders to develop an issues paper relating to the development of a hardship related guaranteed service level measure (GSL). Stakeholder consultations on the nature and scope of the GSL will continue in 2010-11.

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

- Release of the fifth statewide performance report for the metropolitan and regional urban

water businesses

- Recommendations to the Victorian Government on establishing a third party access regime
- Annual (CPI linked) tariff approvals for all water businesses
- Completion of regulatory audits for all water businesses.

Cost

The estimated cost of the Commission's inquiry work in multiple sectors, including local government, was \$1.27 million.

Regulation costs of the Victorian water industry in 2009-10 was \$2.327 million.

Major Projects Completed and Benefits Generated in 2009-10

Local Government and Water

Project	Output/Results	Benefits/Impact
Local Government performance monitoring review	Completion of an Issues Paper, Draft Report and Final Report. Consultation process involving formal submissions, the Consultative Committee and working groups and face-to-face discussions with councils and other stakeholders	Enhanced accountability and transparency of information on local government service delivery. Provided consistent basis for identifying sector-wide trends in service delivery (each year and across time); supported councils in setting and assessing their own service delivery priorities and strategies; assisted councils and their communities to review the way in which services are delivered; improved the level of community understanding about the role of local government in delivering services; stimulated greater engagement between communities and their councils.
Coliban Water application for price adjustment	Determination released in June 2010. Price adjustments were approved for the period from 1 July 2010 to 30 June 2013	Assisted Coliban Water's ability to deliver water related services to its customers by stabilising its financial position.
GWMWater application for tariff restructuring	Decision released in June 2010. Changes to urban tariffs approved from 1 July 2010. Rejected application for introduction of inclining block tariff linked to stock and domestic water supplied via Wimmera-Mallee pipeline	Ongoing rebalancing of GWMWater prices to better reflect cost of service delivery. Promoted certainty by rejecting the GWMWater application for the introduction of inclining block tariff linked to stock and domestic water trading – based on ongoing uncertainty regarding trading rules.
Development of a hardship related guaranteed service level (GSL) measure	Issues Paper released in June 2010	Progress made towards the implementation of a hardship related GSL by the end of 2010. Will ultimately seek to provide an additional incentive for water businesses to provide assistance to customers in hardship.
Annual tariff approvals	Tariff proposals for 19 water businesses approved when assessed against price determinations	Prices consistent with pre-determined outcomes of price determination.
Regulatory audits	Audit of urban and rural water businesses for compliance with reporting requirements	Demonstrated high level of compliance with customer service obligations. Demonstrated accuracy of reporting performance data.
Performance monitoring and reporting	Release of performance report for metropolitan and regional urban water businesses	Enhanced accountability and transparency of information on water industry performance. Provided consistent basis for assessing performance across businesses. Encouraged competition by comparison or performance over time to benefit customers.
Water access regime	Recommendations to Government on establishing a third party access regime for water.	Improved efficiency of water services.

COMMISSION
OUTCOMES
TRANSPORT
AND INDUSTRY
SECTORS



The Transport and Industry Sectors Division is responsible for administering the Commission's regulatory functions in the ports, grain and rail sectors, as well as undertaking reviews for various Ministers on these and other issues.

There were a number of significant developments in the regulation of ports, rail and grain over the 2009-10 financial year:

- Grain - The regulatory framework previously applying to export grain handling terminals at the ports of Geelong, Melbourne and Portland ceased to apply from 1 October 2009. This followed the Victorian Government's decision that those facilities were no longer 'significant infrastructure facilities', following a Commission review that recommended the withdrawal. An undertaking approved by the ACCC now applies to the Geelong and Portland export grain terminals.
- Ports - The Minister for Roads and Ports confirmed that the wharves that service dry bulk, liquid bulk and most break bulk cargoes would no longer be regulated, following the Commission's review of port regulation. From 1 July 2010 the Port of Melbourne Corporation is the only port operator to be regulated with respect to its shipping channels and the wharves that serve containerised and motor vehicle cargoes. Regulation will be extended to the Port of Hastings if that port is subsequently used by vessels carrying container or motor vehicle cargoes.
- Rail access - In February 2010, the Commission completed its review of the Victorian Rail Access Regime. The Commission

recommended that the access regime should be retained for rail infrastructure services and for the South Dynon rail terminal, but should be scaled back to a lighter-handed regime with a negotiate/arbitrate framework and voluntary access undertakings.

The administration of existing regulatory frameworks has included the ongoing monitoring of port prices and service quality, with the release of the Ports Monitoring Report in March 2010, the investigation of certain complaints and ensuring regulatory compliance with information provision obligations and other requirements. In April 2010, the Commission made the Price Monitoring Determination for Victorian Ports 2010 to give effect to the Government's decision related to ports.

In November 2009, the Commission approved proposed amendments to recognise Metro Trains Melbourne (MTM) as the new metropolitan rail operator of the metropolitan rail infrastructure. It subsequently approved MTM's application to vary its Metropolitan Train Operating Protocol contained in its binding access arrangement.

In October 2009, the Commission released a performance report on Victoria's Domestic Building Insurance (DBI) Scheme, Victoria's compulsory home warranty insurance scheme. The report presents data on policies and claims collected from insurers operating in the DBI market. The Minister for Finance, WorkCover and the TAC subsequently announced changes to the DBI Scheme and indicated that the Commission would continue to monitor the performance of DBI insurers and also undertake a review of VMIA's premium set-up.

In June 2010, the Commission presented its report to the Minister for Roads and Ports on accident towing and storage fees. The Commission recommended an increase in accident towing and storage fees, and an annual process for escalating fees in line with the Consumer Price Index. It also recommended the regulation of salvage fees and suggested a further review of fees be undertaken in four years.

Cost

The estimated costs of the Commission's Regulatory Operations in 2009-10 in relation to the Transport and Industry Sectors Division were:

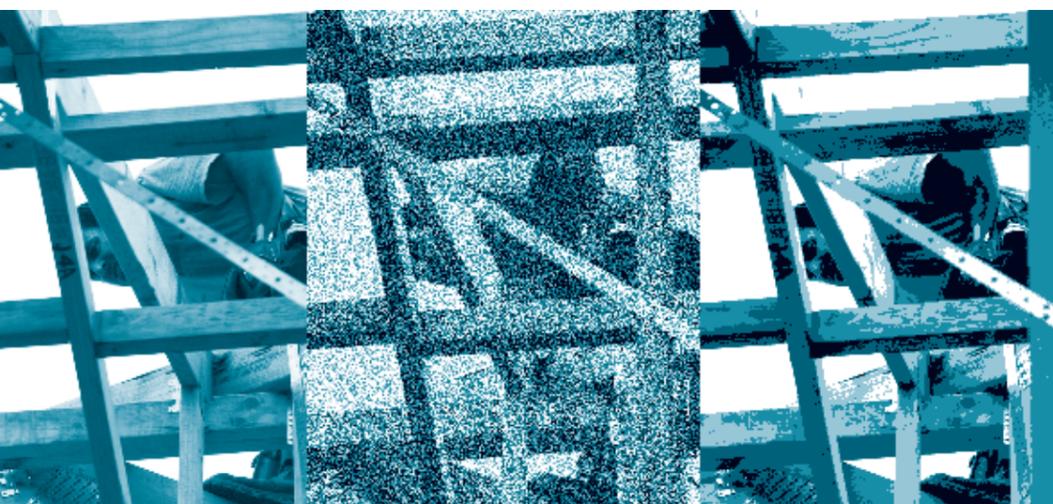
Industry	Estimated Cost
Rail Industry	\$0.864 million
Ports Services Industry	\$0.561 million
Other references and advice	\$2.439 million

Major Projects Completed and Benefits Generated in 2009-10

Transport and Industry Sectors

Project	Output/Results	Benefits/Impact
Victorian Rail Access Regime Review	Report to the Minister for Finance, WorkCover and the TAC on whether a Victorian rail access regime was still required given the current and likely future structure of the industry, and if so, in what form	Recommended a lighter-handed form of regulation for the Victorian rail industry.
Port Regulation Review	Response from the Victorian Government supporting all but one of the Commission's recommendations from its Ports Regulation Review	Scaled back the scope of regulation of the ports industry, and moved towards a more light-handed framework.
Grain Regulation Review	Determination by the Minister for Finance, WorkCover and the Transport Accident Commission that the facilities used for grain bulk handling in the ports of Geelong, Melbourne and Portland were no longer 'significant infrastructure facilities'	Removed regulation of export grain handling terminals no longer required, in line with the Competition and Infrastructure Reform Agreement and the Commonwealth Wheat <i>Export Marketing Act 2008</i> .
Rail Access Arrangements	Approved the substitution of Metro Trains Melbourne (MTM) to the binding access arrangement applying to the Melbourne metropolitan rail infrastructure, and the variation of MTM's Metropolitan Train Operating Protocol	Provided for statutory compliance and certainty as to the terms and conditions of access for parties seeking access to metropolitan rail infrastructure services.
Ports Monitoring	Published Ports monitoring report for 2008-09 Investigation of complaints from port users	Provided information to port users about prices and industry conduct and performance. Clarified the application of regulation and provided assistance in resolving disputes relating to prices and terms and conditions of access.
	Ports Monitoring Determination for the 2010-15 regulatory period	Gave effect to the new price monitoring framework that would apply to the Victorian ports over the five year period from 1 July 2010 to 30 June 2015.
Domestic Building Insurance	Reported on the performance of Victoria's domestic building insurance scheme	Provided information about prices and industry conduct and performance from 2002 to 2008.
Accident Towing and Storage Fees Review	Delivered report to the Minister for Roads and Ports on accident towing and storage fees	Recommended fee increases to ensure ongoing viability of towing industry, while introducing regulation of salvage fees to protect vehicle owners and insurers.

COMMISSION
OUTCOMES
CORPORATE
SERVICES



ECONOMIC REGULATORY SERVICES

Key Government Outcomes

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

Description of the Output Group

Regulation of utilities in Victoria.

Output Performance 2009-10

The Commission budget for 2009-10 was prepared on an output budgeting basis in accordance with Victorian Government standards. The following is a brief report on output targets set for 2009-10:

Major Outputs/Deliverables Performance Measures			
	Unit of measure	2009-10 Target	2009-10 Actual
Quantity			
Company, Performance Reviews and Audits	Number	76	108
New or revised regulatory guidelines	Number	2	2
Industry Performance Reports	Number	4	5
Price approvals/Reviews	Number	19	19
Price Determinations	Number	0	1
Reviews, investigations or advisory projects	Number	1	12
Registrations, accreditations, decisions/approvals	Number	300	857
Quality			
Regulatory decisions upheld	Per cent	100	100
Timelines			
Statutory deadlines met for major projects	Per cent	100	100
Cost			
Total output cost*	\$million	\$14.3	\$13.5

*Refer Department of Treasury and Finance, 2010-2011 *Budget Paper No. 3*.

Output Targets 2010-11

For 2010-11 output targets are as follows:

Description of the Output Group

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

These outputs regulate utilities and other regulated markets in Victoria and provide advice on ways the Government can improve the business environment.

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

Major Outputs/Deliverables Performance Measures

Economic Regulatory Service	Unit of measure	2010-11 Target
Quantity		
Company Performance Reviews and Audits	Number	108
New or revised regulatory instruments	Number	2
Industry Performance Reports	Number	4
Price approvals	Number	19
Reviews, investigations or advisory projects	Number	2
Registration and accreditation decisions/approvals	Number	300
Quality		
Decisions upheld where subject to review, appeal or disallowance	Per cent	100
Timelines		
Deadlines met for major milestones	Per cent	100
Cost		
Total output cost	\$million	\$15.3

Workforce Data by Division

Total Employment [^] as at 30 June 2010 (By Division):		
	Ongoing	Fixed term & casual
Transport and Industry Sectors Division	16	0
Energy Division	26	3
Local Government and Water Division	18	0
Corporate and Operations*	10	4
Total	70	7

* Excluding outsourced services, contractors, Commissioners and Chairperson.

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

Workforce Data Disclosure

	Ongoing Employees*			Fixed term & Casual	
	Employee Headcount	Full time Headcount	Part time Headcount	FTE	FTE
Jun 09	56	50	6	53.76	3.38
Jun 10	70	66	4	68.84	5.4

* Excludes fixed-term and casual employees.

	June 09		June 10		Fixed term & Casual	FTE
	Ongoing	Fixed term & Casual	Ongoing	Fixed term & Casual		
	Employee Headcount	FTE	FTE	Employee Headcount	FTE	FTE
Gender						
Female	23	20.76	2.38	34	32.84	4.39
Male	33	33	1	36	36	1
Age						
Under 25	8	7.6	0	8	8	0.1
25-34	15	13.72	0.8	21	20.84	1.8
35-44	16	15.6	2	23	22	1
45-54	11	10.84	0.58	12	12	1.49
55-64	5	5	0	4	4	1.0
Over 64	1	1	0	2	2	0
Classification						
VPS1	0	0	0	0	0	0
VPS2	6	6	0	4	4	1.0
VPS3	7	6.6	0	13	13	0
VPS4	10	9.12	0.8	18	18	0.8
VPS5	16	15.2	1	15	14.24	0
VPS6	8	7.84	0	11	10.6	0
STS	2	2	0	2	2	0
SRM ¹	1	1	2	3	3	0
Executives	5	5	0	4	4	0
Other ²	0	0	2	0	0	3.59

1. SRM = Senior Regulatory Manager. 2. 'Other' refers to casual employees.

Executive Officer disclosures

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

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

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

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

Table 3: Reconciliation of executive numbers

		2010	2009
Executives with remuneration over \$100,000 (Refer to note 11)		4	5
<i>Add</i>	Vacancies (table 2)	1	0
Executives employed with total remuneration below \$100,000		0	0
Accountable Officer* (Secretary)		1	1
<i>Less</i>	Separations	1	0
Total executive numbers at 30 June		4	5

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

Merit and Equity

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

Reporting Under Directions of the Commissioner for Public Employment*

Commissioner's Direction	Performance Indicator	2009-10 Response
Selecting on Merit. Decisions made to exempt vacancies from advertisement	Number of decisions	0
Reviewing Personal Grievances. Finalisation of individual grievance reviews	Number of grievances finalised	0
Managing and Valuing Diversity Outcomes of diversity and EEO initiatives	Barriers to employment and enhancement in productivity removed	No barriers to employment and enhancement in productivity identified.
Upholding Public Sector Conduct Implementation and expansion of Code of Conduct	Measures taken to uphold principles of public sector conduct	Victorian Public Service Code of Conduct is applied.

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

Occupational Health and Safety

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

Private Interest Declarations

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

WorkCover

WorkCover statistics	2009-10	2008-09
Claims during the year	0	2

Employee Relations

No employee time was lost in 2009-10 due to industrial disputes.

Corporate Governance

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

Commissioners also comprise a board of management, which is responsible for the oversight of the organisation supporting the Commission through participation in strategic planning, management of resources, monitoring of project activity and overseeing compliance with corporate governance. The board meets monthly, and met 12 times during 2009-10.

The Commission also operates under its own Corporate Governance Statement, which is posted on the Commission's external website. This statement also outlines the role of the Commission's Audit and Risk Management Committee, which in 2009-10 comprised the two-part-time Commissioners (Mr Tony Darvall and Mr Dennis Cavagna) and one external appointment, an accountant (Mr Ian Cuthbertson). Internal and external auditors also attended the meetings as required. The role of the committee is to assist the Commission in fulfilling its responsibilities in relation to the identification of areas of significant business risks and the monitoring of:

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

The committee reviews and provides recommendations to the Commission on the adequacy of the processes for identifying and managing significant risks. It also provides a direct link between the

Commission and the internal and external auditors, and enables any concerns of the auditors to be conveyed to the Commission independently of management.

In 2009-10 the committee met four times.

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

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



Ron Ben-David
Chairperson
Essential Services Commission

Memoranda of Understanding

The *Essential Services Commission Act 2001* (section 16) requires the Commission to enter into Memoranda of Understanding with a range of State Government agencies. In addition, the Commission has entered into Memoranda of Understanding with agencies with which it shares important working relationships. The objective of the memoranda is to improve communications, encourage input into regulatory processes and avoid overlap with the other agencies.

Since the first memoranda were signed in 2003, the Commission has widened its regulatory objectives and diversified its consultative base. In addition, some of the agencies have undergone a change of identity and personnel. All memoranda were reviewed in 2009-10.

Memoranda of Understanding are held with the following organisations:

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

Note: * This is a voluntary Memorandum of Understanding entered into by the Commission and is not required under section 16 of the *Essential Services Commission Act 2001*.

Information Technology

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

During the year a number of key projects enhanced capability to provide efficient communications and services to stakeholders. The projects included disaster recovery site establishment, upgrade of server platform, network rationalisation and network redundancy.

An Information Communication Technology (ICT) governance model was also established during 2009-10 to enable strategies and risks to be managed at appropriate levels, while providing a peak group for

optimising cross-project issues and management of significant risks/ issues.

Sponsored Committees

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

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

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

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

The Committee's role is to provide a forum in which information relevant to the achievement of the Committee's objectives may be disseminated and in which consumer representatives may exchange views on customer entitlements, issues and needs;

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

In June 2010, the Committee held its quarterly meeting in Ballarat, with the other three quarterly meetings held at the Commission's offices in Melbourne.

During 2009-10, membership of the Committee comprised representatives of the following organisations:

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

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

Payment of sitting fees to organisations represented on the Customer Consultative Committee totalled \$8,743 in 2009-10.

Charter of Consultation and Regulatory Practice

The *Essential Services Commission Act 2001* requires the Commission to develop and publish a Charter of Consultation and Regulatory Practice. First published in 2003, the Charter was revised in 2006 and 2009.

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

Staff of the Commission refer to the Charter when planning price and regulatory reviews and other activities, and are guided by it in conducting public consultation and seeking comment from stakeholders. An updated edition of the Charter was published and released in December 2009.

Consultation processes

Public forums

The Commission encourages stakeholder participation in its regulatory activities and in 2009-10 held several public meetings for a range of price and regulatory reviews.

In total, the Commission held eight public meetings during 2009-10:

Inquiry into Access Regime for Water and Sewerage Infrastructure

Melbourne; July 2009

Review of the Victorian Rail Access Regime

Melbourne; September 2009

Shepparton; September 2009

Inquiry into a Performance Monitoring Framework for Local Government

Melbourne; April 2010

Shepparton; May 2010

Regulatory Review - Smart Meters

Melbourne; May 2010

Review of Coliban Water prices

Bendigo; May 2010

Echuca; May 2010

Submissions

Numbers of submissions to major pricing and other regulatory reviews and activities received during 2009-10 were:

Energy

Electricity retailer of last resort (local retailer failure) – 5 submissions

Amendments to the Energy Retail Code – 9

Amendments to the Electricity Customer Transfer Code – 8

Review of the Wrongful Disconnection Payment: Open Letter – 10

Review of the Wrongful Disconnection Payment: Draft Decision – 12

Communications by Electricity Distributors in Extreme Events: Issues Paper – 14

Communications by Electricity Distributors in Extreme Events: Draft Decision – 8

Communications by Electricity Distributors in Extreme Events: Draft Code – 14

Energy Retailers Financial Hardship Guideline: Open Letter – 9

Smart Meters Regulatory Review: Open Letter – 17

Smart Meters Regulatory Review: Issues Paper – 34

Water

Inquiry into an Access Regime for Water and Sewerage Infrastructure Services: Draft Report – 13

New Customer Contributions Guideline: Issues Paper – 11

Coliban Water application for tariff adjustment – 3

Ports

Implementation of the new ports price monitoring regime: Draft Decision – 2

Rail

Review of the Victorian Rail Access Regime: Issues Paper – 12

Review of the Victorian Rail Access

Regime: Draft Report – 10

MTM application form variation of a binding access arrangement – 1

MTM application form variation of a binding access arrangement: Draft Decision – 1

Tow trucks

Review of Accident Towing and Storage Fees: Issues Paper – 7

Review of Accident Towing and Storage Fees: Draft Report – 5

Local Government

Local Government Performance Monitoring Framework: Issues Paper – 53

Local Government Performance Monitoring Framework: Draft Report – 67

In addition, the Commission's consultation processes included:

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

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

Communications and Publications

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

Numerous publications on various matters pertaining to the regulated industries were published and made available publicly in

both hard copies and via the Commission's website (refer to Appendix C of this Report).

Media liaison continued at a comprehensive level to assist in the communication of Commission information to the general community. A total of six media releases were issued by the Commission in 2009-10.

In addition, the Commission again promoted one of its key initiatives, the information campaign for retail energy customers, in the metropolitan daily, suburban, regional, rural and major non-English language newspapers circulating in Victoria.

The Commission's website continues to be an effective means of providing information to the community. The website address is <http://www.esc.vic.gov.au>. In 2009-10, the Commission also maintained and upgraded a dedicated website, www.yourchoice.vic.gov.au, to inform and assist customers in accessing the competitive retail energy market.

Research Papers

During 2009-10 the Chairperson of the Essential Services Commission, Dr Ron Ben-David, presented the following papers:

- Maintaining the policy balance for successful water reform, 27 July 2009, Committee for Economic Development of Australia: Water Series Part 3
- Can economic regulators save federalism in Australia?, October 2010, Australian Competition and Consumer Commission 'Network' publication
- Local Government Performance Monitoring Framework, 23 October 2009, LGPro Local Government Chief Executive Officers Forum

- The enduring relevance of rationality, 25 March 2010, Australia New Zealand School of Government/State Services Authority
- Implementing a performance monitoring framework for Local Government in Victoria, 22 April 2010, Local Government Ministerial Forum.

National Competition Policy

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

Shares

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

Research and Development

No major research and development activities were undertaken by the Commission in 2009-10.

Building Works

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

Five-year financial summary: Controlled activities

Excluding DTF overhead	2009-10 \$m	2008-09* \$m	2007-08 \$m	2006-07 \$m	2005-06 \$m
Income from Government	13,517,796	17,960,480	15,436,270	13,686,000	15,197,467
Total income from transactions	13,517,796	17,961,828	15,436,270	13,686,000	15,197,467
Total expenses from transactions	13,257,872	17,916,121	15,412,686	13,687,445	15,205,752
New result from transactions	259,924	47,707	23,584		
Net Result	262,138	1,272	408	(1445)	(8,285)
Net cash flow from operating activities	642,769	270,858	642,717	108,702	160,904
Total assets	11,592,070	11,698,634	10,544,230	7,406,540	6,771,882
Total liabilities	7,671,076	8,039,778	6,886,646	3,749,364	3,113,261

Note: * In 2008-09, the Essential Services Commission changed the format of its financial statements with the adoption of the AASB101 Presentation of Financial Statements. Other economic flows include gains/(losses) from the disposal of non-current assets and from the revaluation of long service leave liabilities due to changes in discount rates. The rates prior to 2007-08 have not been adjusted for this change in presentation.

Fees

The following table shows licence fees by type. The Commission's role with regard to licences is to notify the licensees of the charges determined by the Minister for Finance, WorkCover and the Transport Accident Commission.

Type of Licence	2008-09* \$	Type of Licence	2008-09* \$
Electricity Industry		Ports Industry	
Generation ≤ 200MW	3487	Port - Category 1	47,066
Generation 200-999 MW	10,462	Port - Category 2	8733
Generation > 1000 MW	17,436	Port - Category 3	6922
Trader	923	Port - Category 4	2120
Transmission - State-wide	28,543	Port - Category 5	1952
Transmission - Interconnector	14,271	Water	
Distribution	1,061,328	Water and Sewerage	3,353,524
Restricted Retail and Retail Contestable (≤ 1000 customers)	7,200	Note: * Licence fees are accrued on the basis of estimates, with final determination to be made by the Minister for Finance, WorkCover and the TAC in consultation with the relevant industry Minister. Figures for Water and Sewerage based on total costs recovered from licence fees.	
Retail Contestable (>1000 ≤ 50,000 customers)	13,471		
Retail Contestable (>50,001 ≤ 75,000)	31,626		
Retail Contestable (>75,001 ≤ 100,000 customers)	0		
Retail Contestable (>100,001 ≤ 150,000 customers)	49,692		
Retail Contestable (>150,000 customers)	160,570		
Gas Industry			
Distribution - Standard	1,784,584		
Distribution - New Area	0		
Retailer - (≤ 1000 customers)	7200		
Retailer - (>1000 ≤ 50,000 customers)	13,471		
Retailer - (>50,000 ≤ 75,000 customers)	31,626		
Retailer - (>75,000 ≤ 100,000 customers)	0		
Retailer - (>100,001 ≤ 150,000 customers)	49,692		
Retailer - (>150,000 customers)	160,570		



APPENDICES 49

APPENDIX A

Financial Statements for the year ended 30 June 2010

Comprehensive operating statement for the year ended 30 June 2010

	Notes	2010 \$	2009 \$
Income from transactions			
Grants	2	13,517,796	17,960,480
Resources received free of charge		-	1,348
Total income from transactions		13,517,796	17,961,828
Expenses from transactions			
Employee benefits	3	7,721,683	7,094,112
Depreciation and amortisation	3	466,690	467,504
Interest expense	3	7,795	9,457
Capital asset charge	1(f)	78,576	80,428
Supplies and services		4,983,128	10,264,620
Total expenses from transactions		13,257,872	17,916,121
Net result from transactions		259,924	45,707
Other Economic Flows included in Net Result			
Net gain/(loss) on disposal of property, plant and equipment		7,604	(19,335)
Net gain/(loss) arising from revaluation of long service leave liability		(5,390)	(25,100)
Total other economic flows included in net result		2,214	(44,435)
Net result		262,138	1,272
Other Economic Flows – Other Non-Owner Changes in Equity		-	-
Comprehensive result		262,138	1,272

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

Balance sheet as at 30 June 2010

	Notes	2010 \$	2009 \$
Financial Assets			
Cash on Hand		500	500
Receivables	4	10,264,543	10,557,855
Total Financial Assets		10,265,043	10,558,355
Non-Financial Assets			
Property, Plant and Equipment	5	1,049,693	1,089,717
Intangible Assets	6	277,334	50,562
Total Non-Financial Assets		1,327,027	1,140,279
Total Assets		11,592,070	11,698,634
Liabilities			
Creditors and accruals		1,477,273	2,113,323
Provisions	7	2,266,911	1,986,631
Unearned income		3,822,953	3,838,949
Borrowings	8	103,939	100,875
Total liabilities		7,671,076	8,039,778
Net Assets		3,920,994	3,658,856
Equity			
Contributed Capital		873,921	873,921
Accumulated Surplus		3,047,073	2,784,935
Total Equity		3,920,994	3,658,856

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

Statement of changes in equity for the year ended 30 June 2010

Notes	Equity at 1 July	Comprehensive Result \$	Transactions with Owners in their capacity as Owners \$	Equity at 30 June \$
2010				
Contributed Capital	873,921			873,921
Accumulated Surplus	2,784,935	262,138		3,047,073
	3,658,856	262,138		3,920,994
2009				
Contributed Capital	873,921			873,921
Accumulated Surplus	2,783,663	1,272		2,784,935
	3,657,584	1,272		3,658,856

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

Cash flow statement for the year ended 30 June 2010

Notes	2010 \$	2009 \$
Cash Flows from Operating Activities		
Receipts from Government	13,753,605	17,261,133
Payments to Suppliers and Employees	(13,024,465)	(16,900,390)
Capital Asset Charge Paid	(78,576)	(80,428)
Interest and other finance costs paid	(7,795)	(9,457)
Net Cash Flows from Operating Activities	16 642,769	270,858
Cash Flows from Investing Activities		
Payments for Property, Plant and Equipment	(380,336)	(178,547)
Proceeds from Sale of Property, Plant and Equipment	117,091	22,454
Payments for Intangible Assets	(239,092)	(50,562)
Net Cash Flows used in Investing Activities	(502,337)	(206,655)
Cash Flows from Financing Activities		
Repayment of Finance Leases	(140,432)	(64,203)
Net Cash Flows used in Financing Activities	(140,432)	(64,203)
Net Increase In Cash Held		
Cash at the Start of the Year	500	500
Cash at the End of the Year	500	500
Non-Cash Financing and Investing Activities	17	

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards including Interpretations (AASs). AASs include Australian equivalents to International Financial Reporting Standards. Where relevant, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

The financial statements also comply with relevant Financial Reporting Directions and relevant Standing Directions issued by the Minister for Finance, WorkCover and the Transport Accident Commission.

(b) Basis of preparation

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

These financial statements are presented in Australian dollars, the functional and presentation currency of the Commission.

In the application of AASs and the accounting policies set out below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results

may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements, with a risk of material adjustments in the next year, are disclosed in the notes to the financial statements.

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

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

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

(c) Reporting entity

The financial statements include all the controlled activities of the Essential Services Commission. The Commission was established under the *Essential Services Commission Act 2001*. Its principal address is: Level 2, 35 Spring Street, Melbourne Victoria 3000.

Administered resources

The Commission acts on behalf of the Victorian Government in collecting licence fees under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, the *Water Industry Act 1994* and the *Port Services Act*

1995, which are administered by the Commission. These and certain other administered revenues are collected by the Commission but not controlled by it, and are not recognised as revenues/receivables within the body of the financial statements, but are reported as administered revenues/receivables (see note 18). Such amounts are required to be paid to the Consolidated Fund.

Objectives and funding

The Essential Services Commission operates under the *Essential Services Commission Act 2001* ("the Act"). The Act designates the Commission as an economic regulator (pricing, standards and monitoring for anti-competitive conduct) and lays a foundation for the Commission to perform its functions and exercise its powers in respect of regulated industries operating under relevant legislation.

At 30 June 2010 the regulated industries included electricity, gas, water, ports, and rail facilities.

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

(d) Scope and presentation of financial statements

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

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial

assets. Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non owner changes in equity.

Cash flow statement

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

(e) Income from transactions

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

Grants

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

Resources received free of charge

Contributions of resources free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at carrying

value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(f) Expenses from transactions

Employee benefits

Employee benefits include superannuation expenses relating to employees who are members of either defined benefit or defined contribution plans. In relation to defined contribution (accumulation) superannuation plans, the associated expense represents the employer contributions that are paid or payable in respect of employees who are members of these plans during the year.

The amount recognised in the comprehensive operating statement in relation to members of defined benefit superannuation plans represents the employer contributions that are paid or payable to these plans during the year. The level of contributions varies depending upon the relevant rules of each plan, and is based upon actuarial advice.

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

Depreciation of property, plant and equipment

All plant and equipment and other non-current physical assets (excluding items under operating leases and assets held-for-sale) that have a limited useful life are depreciated. Depreciation is generally calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value, over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method are reviewed at least annually. Typical estimated useful lives applicable for the years ended 30 June 2010 and 30 June 2009 are as follows:

Leasehold improvements	10 years
Office and computer equipment	4-10 years
Motor Vehicles under finance lease	2-3 years

Interest expense

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

Capital asset charge

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

Resources provided free of charge

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

(g) Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed

to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of non-financial assets

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

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

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

Impairment of financial assets

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

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual

consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as other economic flows.

Other gains/(losses) from other economic flows

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

(h) Financial assets

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

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

Receivables

Receivables consist predominantly of amounts owing from the Victorian Government and GST input tax credits recoverable. Amounts owing from the Victorian Government and other statutory receivables are not classified as financial instruments.

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

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

(i) Non-financial assets

Property, plant and equipment

Property, plant and equipment are recognised initially at cost and

subsequently measured at fair value less accumulated depreciation and impairment.

Revaluation of non-current physical assets

Non-current physical assets are measured at fair value in accordance with Financial Reporting Directions issued by the Minister for Finance, WorkCover and the Transport Accident Commission. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations as determined in accordance with the requirements of the Financial Reporting Directions.

Revaluation increments are recognised in other comprehensive income as an increase in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised in determining the net result.

Revaluation decrements are recognised immediately as expenses (other economic flows) in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are recognised in other comprehensive income as a decrease in the asset revaluation reserve.

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

(j) Liabilities

Creditors and accruals

Creditors and accruals represent

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

Provisions

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

Employee benefits

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

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

employee has completed the requisite years of service.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowings using the effective interest rate method. Fair value is determined in the manner described in note 9(f).

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

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

(l) Goods and Services Tax (GST)

Income, expenses and assets are

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

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

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

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

(m) Contributions by owners

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

(n) Commitments

Commitments are disclosed at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

(o) Contingent assets and contingent liabilities

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

(p) New Accounting Standards and Interpretations

As at 30 June 2010, the following standards and interpretations (applicable to the Commission) had been issued but were not mandatory for the 30 June 2010 reporting period. The Commission has not adopted, and does not intend to adopt, these standards early.

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

Erratum General Terminology changes - Editorial amendments to a range of Australian Accounting Standards and Interpretations. Applicable for annual reporting periods beginning on 1 January 2010. Terminology and editorial changes and impact are minor.

AASB 124 *Related party disclosures* (Dec 2009). Government related entities have been granted partial exemption with certain disclosure requirements. Applicable for annual reporting periods beginning on 1 January 2011. Preliminary assessment suggests that impact is insignificant. However, the Commission is still assessing the detailed impact and whether to early adopt.

AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a minimum funding requirement* [AASB Interpretation 14]. Amendment to Interpretation 14 arising from the issuance of Prepayments of a minimum funding requirement. Applicable for annual reporting periods beginning on 1 January 2011. Expected to have no significant impact.

AASB 9 *Financial instruments*. This standard simplifies requirements for the classification and measurement of

financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: recognition and measurement* (AASB 139 *Financial Instruments: recognition and measurement*). Applicable for annual reporting periods beginning on 1 January 2013. Detail of impact is still being assessed.

AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]. This gives effect to consequential changes arising from the issuance of AASB 9. Applicable for annual reporting periods beginning on 1 January 2013. Detail of impact is still being assessed.

AASB 1053 *Application of Different Tiers of Australian Accounting Standards*. This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. Applicable for annual reporting periods beginning on 1 July 2013. This Standard may affect disclosures in the financial reports of certain types of entities [public sector entities (except whole of government and general government sector)] where reduced disclosure requirements may apply. The Standard does not affect the operating result or financial position.

AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*. This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities. Applicable for annual reporting periods beginning on 1 July 2013. The Standard does not affect financial measurement or recognition, so is not expected to have any impact on the operating result or financial position, but may reduce some note disclosures in the financial statements.

Note 2. Income from transactions

	2010 \$	2009 \$
Income from transactions include:		
Grants from the Department of Treasury and Finance (Note 1(c))	11,732,799	14,546,700
Grants from Other Departments	1,784,997	3,413,780
Total Income	13,517,796	17,960,480

Note 3. Expenses from transactions

	2010 \$	2009 \$
Employee Benefits <small>benefits</small>		
Salaries and Wages	5,990,781	5,685,498
Superannuation		
- Defined Contribution Plans	557,474	485,593
- Defined Benefit Plans	18,007	15,595
Annual and Long Service Leave Expense	769,904	534,275
Other On-Costs	385,517	373,151
Total Employee Benefits	7,721,683	7,094,112
Depreciation and amortisation		
Leasehold Improvements	289,788	276,605
Office and Computer Equipment	133,962	158,585
Motor Vehicles under Finance Lease	30,620	32,314
Intangible assets	12,320	
Total Depreciation	466,690	467,504
Interest Expense		
Finance Lease Interest	7,795	9,457
Total Interest Expense	7,795	9,457
Rental Expense Relating to Operating Leases		
Minimum Lease Payments	855,259	652,347

Note 4. Receivables

	2010 \$	2009 \$
Statutory Current:		
Amounts receivable from government departments	9,890,886	10,066,369
GST recoverable	105,986	147,491
Total current receivables	9,996,872	10,213,860
Statutory Non-current:		
Amounts receivable from government departments	267,671	343,995
Total non-current receivables	267,671	343,995
Total receivables	10,264,543	10,557,855

Note 5. Property, plant and equipment

	2010 \$	2009 \$
Leasehold improvements - at cost	1,922,198	1,764,119
Less: accumulated depreciation	(1,520,065)	(1,230,277)
	402,133	533,842
Office and computer equipment - at cost	1,303,205	1,117,975
Less: accumulated depreciation	(758,751)	(661,817)
	544,454	456,158
Motor vehicles under finance lease - at cost	134,861	168,885
Less: accumulated depreciation	(31,755)	(69,168)
	103,106	99,717
Total property, plant and equipment	1,049,693	1,089,717

Reconciliation of carrying amounts

Leasehold improvements

Carrying amount at start of the year	533,842	279,415
Additions	158,079	522,332
Transfers between asset classes	-	8,700
Depreciation expense (Note 3)	(289,788)	(276,605)
Carrying amount at end of the year	402,133	533,842

Office and computer equipment

Carrying amount at start of the year	456,158	771,633
Additions	222,258	93,263
Disposals	-	(11,219)
Reclassification of costs	-	(231,413)
Transfers between asset classes	-	(8,700)
Net transfers free of charge	-	1,179
Depreciation expense (Note 3)	(133,962)	(158,585)
Carrying amount at end of the year	544,454	456,158

Motor vehicles under finance lease

Carrying amount at start of the year	99,717	175,120
Additions	143,495	-
Disposals	(109,486)	(43,258)
Net transfers free of charge	-	169
Depreciation expense (Note 3)	(30,620)	(32,314)
Carrying amount at end of the year	103,106	99,717

Note 6. Intangible assets

	2010 \$	2009 \$
Capitalised software development - at cost	289,654	50,562
Less: accumulated amortisation	(12,320)	-
Total intangible assets	277,334	50,562

Reconciliation of carrying amounts

Carrying amount at the start of the year	50,562	-
Additions	239,092	50,562
Amortisation expense (Note 3)	(12,320)	-
Carrying amount at the end of the year	277,334	50,562

Amortisation expense is included in the item 'Depreciation and amortisation' in the Comprehensive Operating Statement.

Note 7. Provisions

	2010 \$	2009 \$
Current:		
Employee benefits		
- Annual leave	541,764	515,900
- Long service leave		
Expected to be paid within 12 months	88,961	90,768
Expected to be paid after 12 months	814,071	397,532
- Performance bonus	117,564	201,556
Restoration costs	436,880	436,880
	1,999,240	1,642,636
Non-Current:		
Employee benefits		
- Long service leave	267,671	343,995
Total Provisions	2,266,911	1,986,631

Note 8. Borrowings

	2010 \$	2009 \$
Secured Current:		
Finance lease liabilities	36,109	100,875
Non-Current:		
Finance lease liabilities	67,830	-
Total borrowings	103,939	100,875
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.		
Assets pledged as security		
The carrying amounts of non-current assets pledged as security are:		
Motor vehicles under finance lease	103,106	99,717
Note 9 discloses the maturity analysis of borrowings and the nature and extent of risks arising from borrowings.		

Note 9. Financial instruments

(a) Significant accounting policies

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

(b) Categorisation of financial instruments

		Carrying Amount	
	Note	2010 \$	2009 \$
Financial assets			
Cash on hand	—	500	500
Receivables*	4	—	—
		500	500
Financial liabilities			
Creditors and accruals		1,477,273	2,113,323
Borrowings	8	103,939	100,875
		1,581,212	2,214,198
Net Holding Gain/(Loss) on Financial Instruments by Category			
Financial assets			
Cash on hand		—	—
Receivables *		—	—
Financial liabilities			
Creditors and accruals		—	—
Borrowings		(7,795)	(9,457)
		(7,795)	(9,457)

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

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

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

(c) Credit risk

Credit risk arises from the financial assets of the Commission, which comprise cash on hand and receivables. The Commission's exposure to credit

risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to the Commission. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Commission's financial assets is Nil because the main debtor is the Victorian Government. For debtors other than government, it is the Commission's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. The Commission does not have any

significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets that are either past due or impaired

Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

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

(d) Liquidity risk

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

The Commission's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

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

	Carrying amount	Nominal amount	Maturity dates *			
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years
	\$	\$	\$	\$	\$	\$
2010						
Creditors and accruals	1,477,273	1,477,273	1,477,273			
Finance lease liabilities	103,939	113,188	15,813	4,646	20,905	71,824
2009						
Creditors and accruals	2,113,323	2,113,323	2,113,323			
Finance lease liabilities	100,875	105,158	15,983	22,422	66,753	
		2,214,198	2,218,481	22,422	66,753	

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

(e) Market risk

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

Interest rate risk

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

	Weighted average interest rate	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
	%	\$	\$	\$	\$
2010					
Creditors and accruals	-	1,477,273			1,477,273
Finance lease liabilities	6.8	103,939	103,939		
		1,581,212	103,939		1,477,273
2009					
Creditors and accruals	-	2,113,323			2,113,323
Finance lease liabilities	7.3	100,875	100,875		
		2,214,198	100,875		2,113,323

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Commission believes movements in the range of +1.0 per cent and -1.0 per cent in market interest rates (AUD) from year-end rates are reasonably possible over the next 12 months (Base rates are sourced from Treasury Corporation of Victoria):

The impact on net operating result and equity for each category of financial

instrument held by the Commission at year-end as presented to key management personnel, if the above movements were to occur, is Nil (2009 - Nil).

(f) Fair value

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

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

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

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

Note 10. Commitments for expenditure

	2010 \$	2009 \$
Capital Commitments		
Plant and equipment, payable:		
Within one year	-	180,000
Outsourcing Commitments		
Information technology services, payable:		
Within one year	402,000	168,380
Later than one year but not later than five years	201,000	-
	603,000	168,380
Operating Lease Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	64,387	792,923
Later than one year but not later than five years	-	60,991
	64,387	853,914
Finance Lease Commitments		
Within one year	41,364	105,158
Later than one year but not later than five years	71,824	-
Minimum lease payments	113,188	105,158
Less: Future finance charges	(9,249)	(4,283)
Total lease liabilities	103,939	100,875
Shown in the financial statements (Note 8) as:		
Current	36,109	100,875
Non-current	67,830	-
	103,939	100,875

Note 11. Contingent liabilities and contingent assets

The Essential Services Commission has no contingent liabilities or contingent assets at 30 June 2010 (2009 - Nil).

Note 12. Responsible persons

Names

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

Responsible Minister

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

Accountable Officer

Dr Ron Ben-David, Chairperson

Remuneration

Remuneration received or receivable by the Accountable Officer, in connection with the management of the Commission during the reporting period, was in the range:
\$290,000-\$299,999 (\$160,000-\$169,999 in 2009)

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

Other transactions

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

Note 13. Remuneration of executives

The number of executive officers, other than the Accountable Officer, whose total remuneration exceeded \$100,000 during the reporting period, is shown in their relevant income bands in the first two columns of the table below. The base remuneration of these executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Note 13. Remuneration of executives

Income Band	Total Remuneration		Base Remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.
\$90,000 - \$99,999			1	-
\$100,000 - \$109,999	1	-		
\$120,000 - \$129,999			1	-
\$130,000 - \$139,999	1	-		
\$140,000 - \$149,999			-	1
\$150,000 - \$159,999	-	1		
\$160,000 - \$169,999			1	-
\$170,000 - \$179,999			-	3
\$180,000 - \$189,999	2	2	2	-
\$190,000 - \$199,999	1	1		
\$210,000 - \$219,999			-	1
\$230,000 - \$239,999	-	1		
Total numbers	5	5	5	5
Total amount (\$)	816,524	957,447	746,235	884,475

Note 14. Remuneration of auditors

	2010 \$	2009 \$
Audit Fees paid or payable to the Victorian Auditor-General's Office		
Auditing the Annual Financial Statements	13,860	13,860
No other services were provided by the Victorian Auditor-General's Office.		

Note 15. Superannuation

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

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

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

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

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

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

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

	2010 \$	2009 \$
Net Result for the Reporting Period	262,138	1,272
Depreciation	466,690	467,504
Loss/(Gain) on disposal of property, plant and equipment	(7,604)	19,335
Net transfers free of charge	-	(1,348)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	293,311	(1,240,293)
Increase/(decrease) in creditors and accruals	(636,050)	150,965
Increase/(decrease) in provisions	280,280	387,203
Increase/(decrease) in other operating liabilities	(15,996)	486,220
Net Cash Flows from Operating Activities	642,769	270,858

Note 17. Non-cash financing and investing activities

During the year, net assets amounting to Nil (2009 \$1,348) were transferred to the Commission from the Department of Treasury and Finance and accounted for as resources received free of charge in the comprehensive operating statement.

During the year motor vehicles with a fair value of \$143,495 (2009 - Nil) were acquired by means of finance leases.

Note 18. Administered items

In addition to the specific controlled operations which are included in the balance sheet, comprehensive operating statement and cash flow statement, the Commission administers or manages activities on behalf of the State. The transactions relating to these State activities are reported as administered in this note. Administered transactions give rise to income, expenses, assets and liabilities and are determined on an

accrual basis. Administered income consists principally of licence fees. Administered assets include licence fee income earned but yet to be collected. Licence fees are accrued on the basis of estimates, with final determination to be made by the Minister for Finance, WorkCover and the Transport Accident Commission.

Note 19. Glossary of terms

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

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

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

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

Financial asset
A financial asset is any asset that is:
(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right: to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
(d) a contract that will or may be settled in the entity's own equity instruments and is: a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of

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

Financial liability
A financial liability is any liability that is a contractual obligation:
(a) to deliver cash or another financial asset to another entity; or
(b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements
Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main statements (i.e. comprehensive operating statement, balance sheet, cash flow statement, and statement of changes in equity); or it may also be used to include the main statements and the notes.

Grants
Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be

paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Interest expense
Costs incurred in connection with the borrowing of funds. Interest expense includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

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

Net result from transactions
Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

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

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

	2010 \$	2009 \$
Administered Income from transactions		
Licence and other fees	12,119,076	9,823,018
Other income	—	300,000
Payments to Consolidated Fund	(14,903,806)	(13,436,115)
	(2,784,730)	(3,313,097)
Administered Expenses from transactions	—	—
Administered Net Result	(2,784,730)	(3,313,097)
Administered Assets		
Financial assets		
Debtors	113,844	18,547
Accrued income	5,349,890	8,179,917
	5,463,734	8,198,464
Administered Liabilities		
Unearned Income	100,000	50,000
	100,000	50,000
Administered Net Assets	5,363,734	8,148,464

Payables

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

Receivables

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

Sales of goods and services

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

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the entity.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Accountable Officer's and Chief Financial Officer's declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position of the Commission as at 30 June 2010.

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

We authorise the attached financial statements for issue on 1 September 2010.



Peter Goddard
Chief Financial Officer
Department of Treasury and Finance
Melbourne
1 September 2010



Ron Ben-David
Chairperson
Essential Services Commission
Melbourne
1 September 2010

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT**To the Commission Members,*****The Financial Report***

The accompanying financial report for the year ended 30 June 2010 of the Essential Services Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief financial officer's declaration has been audited.

The Commission Members' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Commission Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Essential Services Commission for the year ended 30 June 2010. The Commission Members of the Essential Services Commission are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Essential Services Commission's web site.

Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Essential Services Commission as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
2 September 2010



D D R Pearson
Auditor-General

APPENDIX B

Regulatory Framework

Regulated Industries and Relevant Legislation

At 30 June 2010, the following industries were regulated industries within the ambit of the Commission by virtue of the relevant legislation specified below:

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

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

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

APPENDIX C

Essential Services Commission Publications 2009-10

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

Corporate

Work Program 2009-10 (July 2009)
Annual Report 2008-09 (Oct. 2009)
Charter of Consultation and Regulatory Practice, 3rd edition (Dec. 2009)

Energy Industry – Electricity and Gas Industry Guidelines

Electricity Industry Guideline No. 13 – Greenhouse Gas Disclosure on Electricity Customers' Bills (March 2009)
Electricity and Gas Industries Guideline No. 22 – Regulatory Audits of Retail Energy Businesses (March 2009)
Electricity and Gas Industry Guideline No. 22 – Regulatory Audits of Retail Energy Businesses. Electricity and Gas Industries (Sept. 2009)

Outcomes Report. Guideline No. 19 – Providing Information for Customers (Dec. 2009)
Greenhouse Gas Coefficient 2010. (February 2010)

Electricity Industry Guideline No. 3. – Regulatory Information Requirements. Issue No. 7 (May 2010)

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

Industry Codes

Draft Code – Proposed amendments to the electricity distribution code (July 2009)

Electricity Distribution Code (Aug. 2009)

Electricity Distribution Code – Version 4 (Feb. 2010)

Draft decision – Amendments to the Energy Retail Code (Sept. 2009)

Final Decision – Amendments to the Energy Retail Code (Oct. 2009)

Final Amendments to the Electricity Distribution Code and the Energy Retail Code (Oct. 2009)

Draft Decision – Amendments to the Electricity Customer Transfer Code. (Oct. 2009)

Draft Energy Retail Code (Dec. 2009)

Energy Retail Code – Version 7 (Feb. 2010)

Draft Electricity Distribution Code (Dec. 2009)

Final Decision – Amendments to the Electricity Customer Transfer Code (Dec. 2009)

Electricity Customer Transfer Code (Dec. 2009)

Comparative Performance Reports
Comparative Victorian Energy Utility Call Centre Performance Report 2008-09 (Aug. 2009)

Report – Market Research. Energy Retail Market Price Monitoring (Oct. 2009)

Energy Retailers – Comparative Performance Report – Customer Service 2008-09 (Dec. 2009)

Energy Retailers – Comparative Performance Report – Pricing and the Competitive Market 2008-09 (Dec. 2009)

Energy Retailers – Comparative Performance Report 2008-09 – Summary Report (Dec. 2009)

2008-09 Compliance Report – For Energy Retail Businesses (Feb. 2010)

General

Report – Review of early termination fees compliance (Aug. 2009)

Draft Decision – Electricity retailers of last resort (Local retailer failure) (Aug. 2009)

Report – Early Termination Fees Compliance Review. (Sept. 2009)

Issues Paper – Electricity Distributors' Communications in Extreme Supply Events (Sept. 2009)

Discussion Paper – Proposed Amendments to Use of System Agreements Arising from the Premium Solar Feed-In Tariff Scheme (Sept. 2009)

Final Decision – Electricity Retailers of Last Resort (local Retailer Failure) (Oct. 2009)

Open Letter – Review of Victoria's Wrongful Disconnection Payment. Call for Submissions (Oct.2009)

Draft Decision – Electricity distributors' communication in extreme supply events (Nov. 2009)

Summary Report – Regulatory Audit of Simply Energy (Nov. 2009)

Final Decision – Electricity distributors' communication in extreme supply events (Dec. 2009)

Final Report – Review of Wrongful Disconnection Payment (Jan. 2010)

Draft Report – Victoria's wrongful disconnection payment review (Dec. 2009)

Status Report – Respecting Customers. Regulating Marketing Conduct – Energy Retail Businesses (Dec. 2009)

Caravan Park Tariffs 2010 (Jan. 2010)

Final Report – Review of Wrongful Disconnection Payment (Jan. 2010)

Compliance Policy Statement for Victorian Energy Businesses (Feb. 2010)

Audit Report – Respecting Customers. Energy Retailers' Marketing to Vulnerable Customers (March 2010)

Audit Report – Respecting Customers. Energy Retailers' Complaint Handling Procedure (March 2010)

Issues Paper – Regulatory Review of Smart Meters (April 2010)

Final Compliance Report - Regulatory Assessment of Tariff Reassignment due to Installation of Interval Metering (May 2010)

Energy Targets

Discussion Paper – Victorian Energy Efficiency Target Scheme – Review of methodology to determine residential acquisitions (Aug. 2009)

Draft Report – Victorian Energy Efficiency Target Scheme – Review of methodology to determine residential acquisitions (Sept. 2009)

Final Decision – Victorian Energy Efficiency Target Scheme – Review of methodology to determine residential acquisitions (Oct. 2009)

Annual Report – Victorian Renewable Energy Target Scheme (Aug. 2009)

Draft Decision - Victorian Energy Efficiency Target Guidelines – Proposed Amendments (May 2010)

Water industry

Determinations

Final Decision – Grampians Wimmera Mallee Water (GWMWater) application for tariff adjustment 2010-11 (May 2010)

Final Decision – Coliban Water Application for Tariff Adjustment (June 2010)

Final Decision – Melbourne Water Special Drainage Areas for 2010-11 (June 2010)

Consultation Papers

Issues Paper – New Customer Contributions (Sept. 2009)

Final Report – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services – Vol 1 – Findings and recommendations (Oct. 2009)

Final Report – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services – Vol 2 – Analysis and discussion of issues (Oct. 2009)

Final Report – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services – Vol 3 – Supplementary material (Oct. 2009)

Issues Paper – Developing a hardship-related Guaranteed Service Level measure (June 2010)

Performance Reports

Water Performance Report – Performance of urban water and sewerage businesses 2008-09 (April 2010)

Codes and guidelines

Customer Service Code – Metropolitan retail and regional water businesses – Issue No.6 (July 2009)

Current code – Water industry regulatory accounting code (Oct. 2009)

Review of Water Regulatory Accounting Code and Templates – Final Code and Template Amendments Paper (Oct. 2009)

General

Report – Functional separation in the Victorian Water Industry (September 2009)

Final Report – Inquiry into an Access Regime for Water and Sewerage Infrastructure Services (Sept. 2009)

Ports services

Final Report – Review of Victorian Ports Regulation (July 2009)

General

Ports Monitoring Report 2008-09 (March 2010)

Final Decision – Price Monitoring Determination for the Victorian Ports 2010 (May 2010)

Final Determination – Price Monitoring Determination for the Victorian Ports 2010 (May 2010)

Rail

Access Arrangements

Issues Paper – Review of the Victorian rail access regime (July 2009)

Draft Report – Review of the Victorian rail access regime (Nov. 2009)

Decision and determination – Substitution of a binding access arrangement to Metro Trains Melbourne Pty Ltd (Nov. 2009)

Final Report – Review of the Victorian rail access regime (Feb. 2010)

Final Decision - Metro Trains Melbourne proposed access arrangement variation (March 2010)

Transport

Issues Paper – Review of accident towing and storage fees (Oct. 2009)

Draft Report – Review of accident towing and storage fees (March 2010)

Final Report - Review of accident towing and storage fees (June 2010)

Local Government

Issues Paper – Local Government Performance Monitoring Framework (Oct. 2009)

Draft Report – Local Government Performance Monitoring Framework (March 2009)

Final Report – Local Government Services Report (June 2010)

Insurance References

Report on the performance of Victoria's domestic building insurance scheme (Oct. 2009)

APPENDIX D

Legislation and Amendments

The following is a list of legislation applying to the Commission's responsibilities in relation to regulated industries as at 30 June 2010. Also listed is legislation that amended the principal Acts in 2009-10.

Essential Services Commission Act 2001

Electricity Industry Act 2000

Gas Industry Act 2001

Water Industry Act 1994

Water Act 1989

Port Services Act 1995

Rail Corporations Act 1996

National Electricity (Victoria) Act 2005

National Gas (Victoria) Act 2008

Victorian Renewable Energy Act 2006

Victorian Energy Efficiency Target Act 2007

Victorian Renewable Energy Amendment Act 2009

Energy and Resources Legislation Amendment Act 2009

Electricity Industry Amendment (Premium Solar Feed-in Tariff) Act 2009

Transport Integration Act 2010

APPENDIX E

Section 33 Report

Price determinations made under section 33 of the *Essential Services Commission Act 2001* in the 2009-10 financial year – 1 determination relating to water pricing.

APPENDIX F

Section 37 Report

Section 37 of the *Essential Services Commission Act 2001* empowers the Commission to obtain information or documents that may assist in the performance of its functions. Notices issued under section 37 during 2009-10 – nil.

APPENDIX G

Section 38 Report

Section 38 of the *Essential Services Commission Act 2001* allows the Commission to disclose, under specified circumstances, information or the contents of a document given to the Commission under the Act. Disclosure by the Commission under section 38 during 2009-10 – nil.

APPENDIX H

Office based Environmental Impacts

The Essential Services Commission is committed to improving the environmental performance of its office-based activities. To ensure the achievement of its outcomes, the Commission has identified a series of actions aimed at achieving the following strategic objectives:

- Reducing the energy, paper and water intensity of office-based operations
- Reducing the environmental impact of the waste produced
- Reducing the greenhouse gas emissions associated with transport use
- Increasing sustainable procurement of office goods and services
- Integrating environmental considerations in business and operational planning.

New targets and action plans are developed on an annual basis with a view to progressive achievement of these strategic objectives, with a payback period of less than three years.

The Commission seeks to comply with all relevant environmental legislation and Victorian Government environmental policy commitments.

Office-based environmental impacts

Overview of progress – 2009-10

Data	Quantity	Measure	Greenhouse gas emissions (tonnes CO ₂)	Comments
Energy consumption	259,145 kWh	3,981.94 kWh per FTE	318.75 tonnes	Green Power: 22% Total: 57,385 kWh
Paper purchased	957 reams	14.70 reams per FTE	4.541 tonnes	Recycled content 0-10% 37 80-100% 920
Waste Management	6.23 tonnes total · 4.3t recycled · 1.93t to landfill	95.78kg/FTE	1.74 tonnes	Saving of 3.89t CO ₂ through recycling initiatives. Recycling rate · 49% by volume · 68% by weight
Total greenhouse gas emissions			325.031 tonnes (estimate)	

Waste

During 2009-10, the Essential Services Commission commenced detailed waste auditing. Detailed auditing has enabled the Commission to gain a clear insight into the areas which require the most attention, as well as enabling more directed strategic planning around waste reduction actions. While the Commission's overall volume of waste increased during 2009-10, the amount in kilograms per average full-time equivalent employees was reduced from 2008-09 levels, indicating an overall success in waste reduction.

Recycling by weight 2009-2010

Waste Stream	Average kg/day	kg/year	Tonnes/year	Emission factor to CO ₂	CO ₂ /year in tonnes
Paper	14.13	3730.32	3.73	2.50	9.33
Cardboard	1.26	332.64	0.33	2.50	0.83
Co-mingled	0.91	240.24	0.24	0.90	0.22
Organic Waste	0.00	0.00	0.00	0.90	0.00
av. Total Recycled/day	16.30	4303.20	4.30		
av. Waste to landfill/day	7.31	1930.50	1.93	0.90	1.74
Total	23.61	6233.70	6.23		

Paper

% Recycled content	Reams of A4	Reams/ FTE	Assumptions
0	15	0.23	All paper attributed to virgin
10%	22	0.34	10% paper attributed to virgin, 90% attributed to 100% recycled
50%			50% paper attributed to virgin, 50% attributed to 100% recycled
80%	920	14.14	20% paper attributed to virgin, 80% attributed to 100% recycled
100%			All paper attributed to 100% recycled
Total	957	14.70	
CO₂/year	4.541 tonnes		

Water

The Commission is still in the process of developing a method of ascertaining its individual water consumption per year for its occupancy at 35 Spring Street Melbourne, as opposed to relying on an extrapolation of data from building-wide totals.

2009-2011 ResourceSmart Targets

The Essential Services Commission has established a range of environmental targets to be met over the two year period from 1 July 2009. Targets include:

Energy: Reduce energy consumption per floor and establish quarterly reporting and recording regime with building landlord.

Paper: Expand recording of paper data to include other paper-based procurement items, reduce reams of paper used per employee and increase the percentage of recycled content purchases.

Water: Develop system for quarterly recording and monitoring of building water consumption and reduce water consumption from 2009 levels.

Waste: Participate in the Waste Wise program, increase diversion of recyclables from landfill, increase re-use and recycling of office equipment and expand waste system to include organics.

Procurement: Develop and implement purchasing policy for meeting or exceeding minimum energy and water efficiency standards when purchasing appliances and develop policy to consider buying recycled products.

Transport: Develop system for quarterly reporting and recording of travel data for flights and car fleet use and increase number of staff using public transport and participating in the Commission's bicycle users group.

Recycling by volume 2009-2010

Waste Stream	Average % recycled	Average % to waste	Average % total	Average vol (m ³) recycled/year	Average vol (m ³) to waste/year	Total vol (m ³)/year
Paper	91.50%	8.50%	36.88%	81.642	12.738	94.644
Cardboard	87.00%	13.00%	9.63%	18.876	8.184	26.73
Co-mingled	33.75%	66.25%	14.00%	29.964	25.344	55.044
Organic Waste	0.00%	100.00%	5.00%	0	14.124	14.322
Other	0.00%	100.00%	34.25%	0	74.382	74.58
Total volume				130.482	134.772	265.32
%Total volume				49%	51%	

Energy

The Commission's energy use comes from its internal office based activities including lighting, IT equipment and the hosting of a server for IT purposes. An interval analysis of energy used at different points throughout the day indicates that around one-third of all energy use results from the server. As such, while energy consumption from printers, whitegoods and general IT equipment is set to reduce by the targeted five percent before 2011 due to the increase of equipment efficiency, the Commission's overall energy usage has increased marginally since 2008-2009 due to increases in the server size and capacity.

	2009-2010	2008-2009
Total Usage (kWh)	259,145	250,217
GreenPower (kWh)	57,385	43,467
Non-GreenPower Usage (kWh)	201,760	206,750
GreenPower %	22%	17%
Average monthly FTE	65.08	59
kWh per FTE	3981.94	4240.97
kWh per m ²	118.66	114.57
Tonnes CO ₂	318.75	330.29

Paper

During 2009-2010 the Commission undertook the following actions to reduce paper usage:

- Implemented behaviour change program to increase staff awareness of excess paper use and the ways in which this can be reduced.
- Decommissioned existing printers in favour of fewer, more efficient printers which make double sided printing more accessible.

The Commission achieved a reduction of 9.3 reams per FTE. In addition, the Commission has committed to purchasing only paper from sources which contain 80 percent or more recycled materials.

APPENDIX I

(a) Details of consultancies' contracts over \$100,000*

Paper						
Consultant	Purpose of consultancy	State date	End date	Total approved fee (ex GST)	Expenditure 2009-10 (ex GST)	Future expenditure (ex GST)
Australian Project & Consulting Services	Project management services to support the VEET scheme	15/11/2009	25/09/2010	\$178,181.82	\$173,391.07	\$3,008.92

(b) Details of consultancies' contracts under \$100,000

In 2009-10, the total for the 73 consultancies engaged during the year, where the total fees payable to the consultants was less than \$100,000, was \$1.23 million. All figures are excluding GST.

*Prior year information showed consultancies per project.

APPENDIX J

Freedom of Information

Details of Requests Received during 2009-10

Details of Requests Received during 2009-10	2009-10	2008-09
Requests received	2	2
Requests granted in full	1	0
Requests granted in part	0	0
Requests denied	0	0
Requests transferred	0	0
Requests withdrawn	0	0
No document in existence	1	2
Requests pending as at 30 June 2010	0	0

Nominated Contact Person

Requests for access to documents should be addressed to:
Mr John Henry
Legal Counsel
Essential Services Commission
2nd Floor, 35 Spring Street
Melbourne Vic 3000

Further information

Further information concerning the Freedom of Information Act may be obtained from:
Freedom of Information Act 1982
Freedom of Information (Access Charges) Regulation 2004
Freedom of Information Regulations 1998
www.foi.vic.gov.au

Reports, Publications and Informal Requests

Details of reports and publications produced by the Commission can generally be obtained from the

Commission's website: www.esc.vic.gov.au. Otherwise, requests may be directed to:
Essential Services Commission
Level 2, 35 Spring Street
Melbourne, Vic 3000
Telephone: (03) 9651 0222
or 1300 664 969
publications@esc.vic.gov.au

APPENDIX K

Compliance Index 2009-10

Compliance Index Disclosure Requirements

The Annual Report of the Essential Services Commission is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance. This index page facilitates the identification of compliance with the Directions of the Minister for Finance,

WorkCover and the Transport Accident Commission by listing references to disclosures in this financial report.

Information Available on Request

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

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

Financial Reporting Directions - Report of Operation

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FRD 22B	Manner of establishment and relevant Ministers	8
FRD 22B	Objectives, functions, powers and duties	8, 9
FRD 22B	Nature and range of services provided	8, 9
Management Structure		
FRD 22B	Organisational structure	10, 11

Financial reporting directions - report of operation

Legislation	Requirement	Page
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FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	36
FRD 22B	Statement of workforce data, merit and equity	38-40
FRD 22B	Occupational health and safety	41
FRD 15B	Executive officer disclosures	40
FRD 22B	Summary of the financial results for the year	46
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22B	Major changes or factors affecting performance	N/A
FRD 22B	Subsequent events	N/A
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	80, 81
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	45
FRD 22B, FRD 29	Workforce Data Disclosures	39
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FRD 25	Victorian Industry Participation Policy disclosures	N/A
FRD 22	Statement on National Competition Policy	45
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	84
FRD 22B	Details of consultancies over \$100,000	80
FRD 22B	Details of consultancies under \$100,000	80
FRD 12A	Disclosure of major contracts	N/A
FRD 24C	Reporting of office-based environmental impacts	75-79
FRD 22B	Statement of availability of other information	81
FRD 10	Disclosure Index	81
FRD 8A	Budget portfolio outcomes	N/A

Financial reporting directions - report of operation

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SD 4.2 (d)	Rounding of amounts	N/A
SD 4.5.5	Risk management attestation	42
Other Disclosures in Notes to the Financial Statements		
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9A	Departmental disclosure of administered assets and liabilities	68
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Legislation

Freedom of Information Act 1982

Building Act 1983

Financial Management Act 1994

Audit Act 1994

Whistleblowers Protection Act 2001

Victorian Industry Participation Policy Act 2003

APPENDIX L

Whistleblowers Protection Act 2001

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

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

Information required pursuant to *Whistleblowers Protection Act 2001*:

Statistics for 2009-10	
Number and types of disclosures made to the Commission	0
Number of disclosures referred by the Commission to the Ombudsman for determination as to whether they are public interest disclosures	0
Number and types of disclosed matters referred to the Commission by the Ombudsman	0
Number and types of disclosed matters referred by the Commission to the Ombudsman	0
Number and types of investigations of disclosed matters taken over by the Ombudsman from the Commission	0
Number of requests made under section 74 of the <i>Whistleblowers Protection Act</i> to the Ombudsman to investigate disclosed matters	0
Number and types of disclosed matters that the Commission declined to investigate	0
Number and types of disclosed matters that were substantiated on investigation and the action taken on completion of the investigation	0
Recommendations of the Ombudsman under the <i>Whistleblowers Protection Act</i> that relate to the Commission	0

APPENDIX M

Section 55 Report

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