

Annual Report

2020-21





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About this report

This annual report summarises performance of the commission for 2020–21 against the goals, objectives and targets of our operational plan, and looks to the year ahead.

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

Responsible body's declaration

4 November 2021

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

Dear Assistant Treasurer,

We are pleased to present the Essential Services Commission's annual report for the year ending 30 June 2021.

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

I would like to record my appreciation of commission staff for their commitment to delivering our regulatory, administrative and advisory program in 2020–21.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kate Symons', with a long horizontal flourish extending to the right.

Kate Symons
Chairperson

Who we are

We promote consumer interests by regulating Victoria’s energy, water and transport sectors, and administering the Fair Go Rates system. We also administer the Victorian Energy Upgrades program, which aims to reduce greenhouse gases by making energy efficiency improvements more affordable for consumers. Our work helps Victorians have greater control over the services they use every day.

Our purpose

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

Our values



Integrity

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



Collaboration

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



Impartiality

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



Excellence

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



Respect

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



Commissioner Simon Corden, Commissioner and chairperson Kate Symons, Commissioner Rebecca Billings, Commissioner Sitesh Bhojani.

We had



154 employees



1 commission chair



3 commissioners
(1 full time, 2 part time)



1 chief executive
leading the organisation
supported by
6 executive team

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Snapshot 2020–21



240
penalty notices

Four energy companies were issued penalty notices totalling \$2.515 million for alleged breaches of the energy rules affecting more than 6131 Victorians. This included: failure to obtain explicit informed consent before switching customers, putting conditions on providing payment assistance, failing to adequately explain new charges and solar discrimination.



COVID
protections

We supported Victorian households and small businesses affected by restrictions by:

- increasing safeguards against disconnection and debt collection
- requiring energy companies to help customers applying for relief grants and concessions
- updating water customer codes to align with national principles.



44
events

We connected more than ever before with 44 online public and stakeholder events, hearing from regulated businesses, consumers and community workers.



414
megawatts of
energy generation

We issued 18 energy licences including four renewable generation licences for wind, solar and battery farms, supporting an increase in the state's energy generating capacity.



835,000
views

We promoted **It's your energy** rights to Victorians on radio (1.94 million listeners), newspapers (578,000 circulation), Facebook (308,000 users) and video on pay TV and online (835,000 views). Awareness of the 'best offer' message on your energy bills almost doubled between June 2019 and December 2020.



6 million+
certificates registered

More than 6 million certificates were registered in the 2020-21 financial year from over 380,000 Victorian Energy Upgrades undertaken in households and businesses across the state.



27
meetings held

The business continuity team met 27 times during 2020-21 to plan how to keep staff connected and focused on fulfilling our obligations to the community, and look after staff during the pandemic.



11
monthly reports

We published monthly reports on the impact of restrictions on energy and water debt in households and small businesses.



1
vulnerability
strategy

We developed a strategy designed to break down the barriers people experiencing vulnerability face in accessing essential services. The strategy aims to improve how essential services communicate with customers, empower consumers to make choices and seek help when they need it, and promote early identification of customers who need help.



250,000
customers on electricity
default offer

The Victorian default offer – a fair price for electricity – was reduced by 10 per cent for households and 14 per cent for small business in January 2021 mainly due to lower wholesale electricity costs.



\$33
drop in average
water bills

Water prices were set for 2021–22 with average Melbourne household bills set to drop by \$33, and \$7 in regional Victoria.



1 in 5
councils

Of the state's 79 councils, 16 held rates steady at 2019–20 and more stayed below the 2 per cent allowed rate increase. Our 2021 local government outcomes report showed average annual rate increases have dropped to zero per cent since the introduction of caps, compared to 3 per cent annually for the three years prior.

From the chairperson



Commissioner and chairperson
Kate Symons

When I look back over the past year and the hurdles the pandemic has presented, I'm incredibly proud at how we have adapted to continue to deliver positive outcomes for Victorians. Notwithstanding the uncertainty; the resilience, integrity and flexibility shown by staff has been extraordinary.

The commitment of our staff, executive and commissioners to protecting the long term interests of Victorian consumers remains unwavering.

We delivered many firsts this year. Our first inquiry into the setting of land rents at the Port of Melbourne. Our first strategy to improve access to essential services for people experiencing vulnerability. Our first enforcement matter where an energy business paid more than one million dollars after they placed conditions ahead of offering payment assistance to customers, contrary to the energy safety net.

At the same time, we continued to deliver for Victorians every day across our usual work program. Approving new energy generation and retail licences. Making pricing decisions to ensure Victorians have access to a fair price for electricity. And administering the biggest energy certificate program in Australia, giving households and businesses access to discounted products and services.

The impact of the pandemic

The pandemic continued to affect the way we work and had a major impact on the consumers we protect and the businesses we regulate.

To ensure we could respond quickly to emerging issues we monitored the impact of the pandemic on households and small businesses in relation to their essential services. We brought consumer advocates and industry leaders together at regular roundtables and we introduced new rules to protect those experiencing vulnerability.

We have a strategy to protect consumers experiencing vulnerability

In August, we published a strategy **Getting to fair** aimed at breaking down the barriers that block access for consumers experiencing vulnerability across the sectors we regulate.

For me, it really brought home what an important and privileged role we have to support and ensure accessibility and fairness for the community.

In developing the strategy, we heard directly from 37 Victorians through a community panel – to really understand the experiences of Victorians. This experience will undoubtedly be one of the key highlights in my term as chairperson.

The release of the strategy was a critical milestone of the past year. It represented the latest step in a journey we have been on for more than five years to put the experience of consumers at the heart of our decision making.

I'm incredibly proud of this work and look forward to working with the community, the advocacy and help services sector, the businesses we regulate and government to really make a difference for Victorians.

We continue to act where we see businesses not following the rules

This year we built on our compliance and enforcement capability – holding businesses to account where they don't follow the rules.

We issued penalty notices for alleged breaches of the energy rules, with total penalty notices of more than \$2.5 million being paid by four energy retailers. This included a case of one energy business being issued notices for placing unnecessary hurdles in the way of customers accessing support, contrary to the energy safety net rules.

We also required the surrender of certificates worth more than \$1.6 million from two accredited providers in the Victorian Energy Upgrades program after investigating alleged fraudulent conduct.

My thanks to Commissioner Sitesh Bhojani who continues to lead our enforcement work with an unwavering commitment to protecting the community. And to our staff for their efforts to achieve those positive outcomes.

We connected and listened

Maintaining an open and transparent dialogue with our stakeholders was again a key focus in 2020–21.

We held industry forums with the water, energy and energy efficiency sectors and six roundtables with the community sector. They helped us fully understand the impact of the pandemic, the concerns and challenges being felt in the community and the effect on our regulated sectors.

One interesting observation is that more people attended public forums to discuss our pricing decisions than ever before. The willingness of senior industry leaders – especially from the energy sector – who have joined us for online sessions has also been welcomed.

A team effort

It has been an absolute privilege to continue to lead the commission over the past year. My sincere appreciation to my fellow commissioners Sitesh Bhojani, Rebecca Billings and Simon Corden for their ongoing support and the valued perspectives they bring to our decision making. And to our chief executive officer, John Hamill, for your measured approach and your genuine support to our staff and their wellbeing throughout this challenging time.

None of this is possible however without the perseverance of every individual executive and staff member – my heartfelt appreciation for everyone's efforts to make a real difference for Victorians.



Kate Symons
Chairperson

From the CEO



CEO John Hamill

In 2020–21 the pandemic turned from being a sprint to a marathon. While we adapted to the emergence of the pandemic in early 2020 early signs of moving to a much-vaunted hybrid working environment evaporated when the Delta strain led to further extended periods of working from home.

While we transitioned from the pandemic being a business continuity challenge to a kind of new normal, the ongoing impact on staff and our stakeholders presented its own predicament. It required a remarkable amount of resilience and resolve we could only have imagined we were capable of before the pandemic.

I would like to take this opportunity to thank our staff and commissioners. The resilience you have shown over the last year has been remarkable as we continued to work hard for the benefit of all Victorians.

This time has only amplified the need to continue adapting our organisational strategy to become a truly modern regulator, focused on the key economic and environmental challenges of our time.

We continued to deliver a demanding work program, with particular highlights including launching a national first for a regulator in our vulnerability strategy and increasing monitoring to carefully keep watch on the impact of the pandemic on households on small business.

We acted to protect Victorians during lockdown by publishing guidance to limit disconnections and we also completed a Melbourne Water price review which will lead to lower average water bills over the next five years.

Our business continuity team did a fantastic job supporting first the transition to remote work, then a return to the office then a return to working from home. They also had to make and remake COVID response plans as restrictions changed – and changed again – but always with a clear focus on the health and wellbeing of our people.

The year highlighted the importance and value of focusing on our purpose – delivering for Victorians alongside a commitment to the health and wellbeing of our people. I was very pleased to see ongoing positive results from our wellbeing and engagement surveys indicating our organisation is in good health.

As always, I would like to particularly thank Kate Symons, and the other commissioners for their support over this year.

John Hamill
CEO

Our leadership team

Organisational chart as of 30 June 2021



Rebecca Billings
Commissioner

Simon Corden
Commissioner

Kate Symons
Commissioner and
Chairperson

Sitesh Bhojani
Commissioner



Our organisational structure

Our chair and commissioners are responsible for approving our determinations, reviews, decisions and resources, and our chief executive officer ensures we have a secure and efficient structure to promote the commission's work.

Our commissioners



Kate Symons
Commissioner and Chairperson

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

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

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



Sitesh Bhojani
Commissioner

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

Sitesh's previous roles include practicing law as a barrister with the Western Australian Bar Association, the New South Wales Bar Association and Victorian Bar. He was also a member and deputy chairman of the Competition and Consumer Committee of the Law Council of Australia, and was a commissioner at the Australian Competition and Consumer Commission from 1995 to 2003.

Sitesh has a Bachelor of Science and a Bachelor of Laws from Monash University.



Rebecca Billings
Commissioner

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

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

Rebecca has a Bachelor of Commerce (Economics) and Bachelor of Arts (Politics) from Monash University.



Simon Corden
Commissioner

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

Simon's previous roles include senior executive positions in the Victorian Department of Premier and Cabinet, the Department of Treasury and Finance, the Victorian Competition and Efficiency Commission, WorkSafe Victoria and the Productivity Commission. From 2011 to 2018 he was Director, Policy, Programs and Evaluation, at KPMG Australia.

Simon has a Masters of Science (Economics) from the London School of Economics, a Bachelor of Economics (Honours) from Monash University, and Bachelor of Applied Science (Photography) from the Royal Melbourne Institute of Technology.

The executive team



John Hamill
Chief Executive Officer

John has been chief executive of the commission since February 2016. He leads the executive team and is responsible for the organisation's overall operations.

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

John has a Masters degree and PhD in English from Victoria University in Wellington, New Zealand.



Michelle Bryne
Head of Strategic Communication

Michelle oversees the commission's external and internal communication, digital and social media, media and issues management, reputation, branding, and stakeholder management.

Michelle has a Master of Arts Communication (Organisational Communication) and a Bachelor of Arts Communication (Broadcast Journalism) from Charles Sturt University.



Jeff Cefai
Director, Victorian Energy Upgrades

Jeff oversees the Victorian Energy Upgrades program including assessing and registering certificates, approving products and accrediting participants. He also oversees project-based activities and monitoring and enforcement of compliance with the program rules.

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



Marcus Crudden
Executive director, Price Monitoring and Regulation

Marcus oversees the price monitoring and regulation function including water price determinations, setting the Victorian default offer (a fair price for electricity), approving applications for higher local government rate caps, determining taxi fares and the Port of Melbourne pricing order.

Marcus has a Master of Business Administration from the University of New South Wales and a Graduate Diploma of Water Engineering, Hydrology and Water Resources Science and Bachelor of Engineering from Monash University.



Nick Field
Director, Organisational Performance

Starting in June 2020, Nick oversees the organisational performance division looking after IT, people and culture, finance, governance and risk.

Nick has a Bachelor of Arts (Social Science) from the University of Leicester and qualifications in facilitation, training, project management and leadership.



Sarah Sheppard
Executive director, Energy
(from 6 April 2021)

Sarah oversees our energy program including licensing of energy companies, compliance and enforcement, energy reform and market performance and reporting.

Sarah has degrees in law and arts from the University of Adelaide, and extensive experience in economic regulation and the energy sector including with the Victorian Government and the Australian Competition and Consumer Commission.

Sarah McDowell Executive director, Energy
Sarah was in the role from 1 July to to 31 December 2020.

Delivering for Victorians: our three-year strategy

Our strategy 2021–24: **Delivering for consumers** was updated in 2021 to reflect a changing world. It describes our priorities and how we are adapting in the face of these changes to reinforce our standing as a leading regulator.

Our changing environment

The regulatory space is changing, which will present us with several challenges and opportunities over the next three years.



Our powers and functions are proposed to undergo legislative reform over the coming years.



The coronavirus pandemic has affected our operating environment, consumers and the businesses we regulate, and dramatically changed the economic environment.



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



Regulators are increasingly being challenged to take effective and appropriate enforcement action.



The increasing use of data and knowledge is driving changes to technology requirements, privacy considerations and decision-making.



Understanding how our role affects customers experiencing vulnerability has become critical to our work in promoting the long-term interests of Victorians.

Delivering for Victorians

To achieve our purpose and respond to the changing environment, we will focus on four goals:

1 We will be a strong and fair regulator

To increase trust that we will deliver in the best interests of consumers, we will:

- hold regulated businesses to account and deter behaviour that is not consistent with the rules we administer
- promote behaviour that is in the best interests of consumers
- make use of all legislative powers available to us.

2 We will be an active regulator

To continue to respond effectively to the changing environment and solve real problems, we will:

- engage with the community and stakeholders to understand their needs and expectations
- use data sources and intelligence to assess what is happening in regulated sectors
- continuously improve our regulatory processes and reform our codes
- look for ways to proactively solve issues
- break down barriers to consumers accessing essential services.

3 We will create incentives for regulated businesses to provide value for customers

To ensure regulated businesses deliver value for customers, we will:

- ensure our regulatory frameworks and practices are designed to create effective relationships between those who deliver essential services and their customers
- create incentives for regulated businesses and markets to have strong governance, systems and culture
- promote transparency and accountability for and in regulated businesses
- hold events and campaigns to inform consumers about their rights.

4 We will deliver value to Victorian consumers

To enable us to deliver our services effectively and efficiently, we will:

- ensure resources are focused on areas providing the most value
- be innovative in our delivery of projects
- have a clear understanding of our effectiveness
- make quality and timely decisions.

Creating the right culture, systems and processes

Our business processes support us in achieving our goals by ensuring we have:

- effective processes for engaging with stakeholders
- effective data, evidence and information management
- people with the right mix of skills and knowledge
- a workplace that promotes diversity, inclusion and flexibility.

Responding to COVID-19

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

Our strategy 2021–24 Delivering for consumers – Our changing environment

Whether it was juggling work and home-schooling, trying to focus on the day’s tasks while keeping an eye on case numbers, or maintaining our mental health during a global pandemic, 2020–21 will long be remembered as a most demanding year.

The impact of the pandemic on Victorian households and small business brought our mission – to promote the long-term interests of consumers including people on low income or those experiencing vulnerability – sharply into focus.

Our divisions developed sector-based COVID response plans while the business continuity team ensured staff had the resources and support to continue working.

Below is a snapshot of some of our work focused on responding to the pandemic this year.



Energy

- Monitoring and reporting – we increased monitoring of key customer and industry data to track the impact of the pandemic on households and small businesses.
- Increased reporting of data - to government and the community to facilitate informed decisions and highlight the impact of the pandemic.
- Customers protected - disconnections for non-payment were limited during restrictions based on health and safety concerns.
- Increased protection for small businesses – protections added for small businesses facing payment difficulty due to restrictions.
- Energy industry roundtables helped identify emerging issues and facilitated a dialogue between industry and consumer advocates to keep households and small businesses connected.
- Facilitated cross sector dialogue (between retail energy, water and state government) to help eligible customers access government support.



Victorian Energy Upgrades

- Supporting program participants by:
 - streamlining validation of certificates to assist participants’ cash flow
 - working with government to clarify rules relating to restrictions
 - extending compliance and enforcement deadlines to provide flexibility around obligations.
- Going virtual with industry forums - seeking feedback on how we could help with recovery.
- Enabled flexibility during states of emergency such as bushfires, flood, or pandemics – we redesigned project-based activities, working with the Department of Environment, Land, Water and Planning.



Water

- Increased monitoring of the number of customers receiving support including payment plans, being in hardship programs or receiving payment assistance.
- Increased reporting of data – providing fortnightly reports to government and monthly community reports to highlight the impact of the pandemic on households and small business.
- Amended our customer service codes – to strengthen customer protections including banning restrictions of water supply and debt recovery for customers experiencing financial stress.
- Increased protection for small businesses – requiring additional support for small business customers.
- Partnered with industry and government to fast track the uptake of better practice to customer engagement on debt, payment and access to support, including for customers operating a small business.



Transport

- Extended deadlines for taxi operators – we kept information requests to a minimum and extended deadlines to take the impact of the pandemic into account.
- We reset implementation deadlines – for the introduction of changes to taxis non-cash payment surcharge as restrictions delayed payment processors and taxis from updating terminals.
- Our engagement on key decisions went virtual – we improved our online forums and promoted them on social media to ensure the public could engage on key decisions.



Communication and Engagement

- Community roundtables – we convened special roundtables from April 2020 onward with leading advocates from the consumer and community help sectors to ensure we had a shared understanding of the impact of the pandemic on consumers. The roundtables informed our regulatory responses across energy and water and demonstrated our commitment to cross-sector dialogue.
- It's your energy 3.0 – plans to add a community outreach element to our third It's your energy information campaign had to be reconsidered when restrictions were imposed. Instead, we reshaped our creative approach and channel selection to target those most affected by restrictions namely people who lost income (e.g. hospitality workers and regional tourism operators).

Getting to fair: breaking down barriers to essential services

In August 2021, we released our ‘Getting to fair’ strategy, which aims to break down the barriers Victorians face when accessing essential services.

The journey towards ‘Getting to fair’

This strategy is part of the evolution of a consumer-centred approach to regulation. It started in 2016 with our inquiry into energy hardship which led to a new safety net for customers struggling to pay their energy bills.

Following the 2016 Royal Commission into Family Violence, we then updated our customer service codes for water and energy to better protect customers experiencing family violence.

And in December 2019, after addressing vulnerability was identified as a strategic priority, the need was further reinforced by the 2019–20 bushfires quickly followed by the coronavirus pandemic.

Breaking down barriers is the key

‘Getting to fair’ aims to break down the barriers consumers can face when accessing and engaging with essential services.

It is a three-year roadmap to improve the experience of consumers facing vulnerability when they access or engage with essential services.

To ensure the strategy was based on the experiences of Victorians we:

- held community sector roundtables with leading consumer advocates
- ran a community panel with 31 people from diverse backgrounds living across the state
- created a stakeholder reference group
- held workshops with the sectors we regulate
- reviewed 25 submissions on our first draft
- commissioned research including interviews with community workers and data on the impact of the coronavirus pandemic.

Listening to the voices of the community

The role of the community panel, which ran from October 2020 to February 2021, was to provide recommendations on ways to improve the experience of consumers facing vulnerability.

The panel focused on the experience of customers who have faced vulnerability and developed a definition of wellbeing.

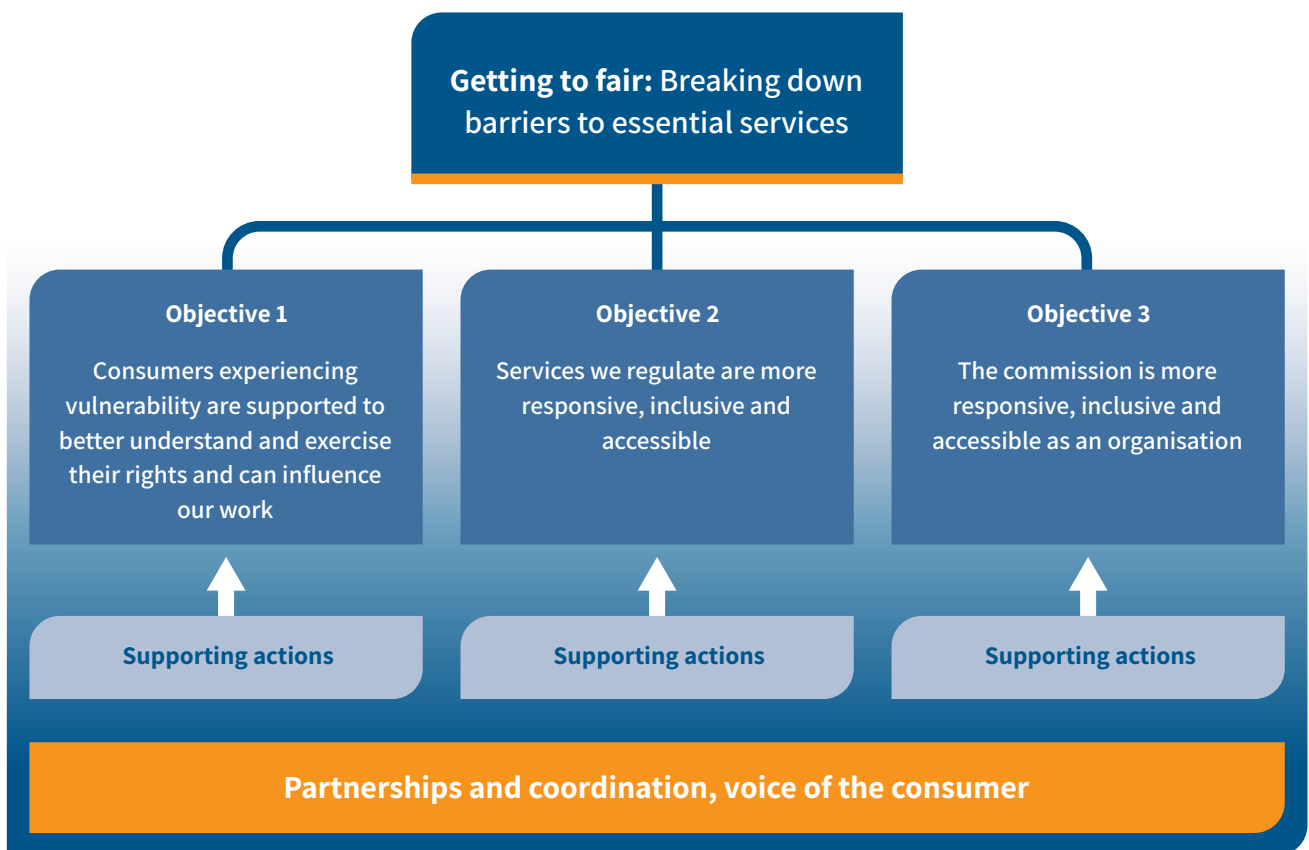
Our task was to translate their recommendations into workable initiatives to encourage regulated sectors to provide more responsive, inclusive and accessible services.

The final strategy

The final strategy has three key objectives with actions aimed at:

- improving how essential services communicate with customers so they understand their rights
- empowering consumers to make choices and seek help when they need it
- identifying consumers who need help early, and ensuring support is flexible and tailored.

We are now developing an evaluation framework to report on the implementation of the strategy.



Check out [Getting to fair: breaking down barriers to essential services](#) on our website.

Compliance and enforcement

“Through 2020 and 2021 the commission will be even more active in its compliance and enforcement endeavours to foster a competitive, transparent and trusted energy market in Victoria.”

Commissioner Sitesh Bhojani, 24 July 2020, Launch of 2020–21 compliance and enforcement priorities

Ensuring regulated businesses are operating within the rules set down for their industry, and taking enforcement action when they don't, is core business for a modern regulator.

In July 2020, commissioner Sitesh Bhojani launched our 2020–21 compliance and enforcement priorities which aim to foster a competitive, transparent and trusted energy market in Victoria.

To achieve our goal we committed to doing more in three areas:

- empowering customers (especially consumers and small businesses) by increasing awareness of their rights and entitlements
- providing information, education and guidance to the energy industry to promote voluntary compliance with obligations
- taking enforcement action to deter noncompliance.



Check out: [our energy compliance and enforcement priorities on our website.](#)



Empowering customers

In November and December 2020, we ran our third **It's your energy** information campaign to provide information to consumers about their rights to assistance under the state's energy rules.

We published **11 monthly reports** on the impact of the pandemic on households and small business, tracking energy debt, disconnections and calls for assistance.

We held five education sessions on our codes – the enforcement series – with 200 community legal service advisers and financial counsellors to support their work with clients.



Promoting compliance

We published **nine new guidelines** to assist retailers to better understand their obligations under the Energy Retail Code with a focus on the rules designed to protect customers who are facing payment difficulties.

We held three industry workshops including:

- debt collection workshop with the ACCC, Consumer Affairs Victoria and the Energy and Water Ombudsman of Victoria for more than 100 staff from 31 energy businesses
- embedded network guidance workshop with 102 participants
- mythbusting concessions and utility relief grants workshop with 41 participants.



Taking action

In 2020–21, four Victorian retailers paid penalty notices for alleged breaches of the Victorian Retail Code.

- 3 August 2020 – **AGL** paid \$450,000 after a billing error led to 6,000 customers being sent inflated bills without explanation after accidentally undercharging them the year before.
- 4 February 2021 – **Alinta Energy** paid \$1,125,000 for allegedly putting conditions on providing help to distressed customers despite the requirements of the energy rules.
- 20 April 2021 – **Powershop (Kogan)** paid \$300,000 for allegedly discriminating against Victorian households with rooftop solar.
- 18 June 2021 – **AGL/Click** paid \$640,000 after an external sales agent allegedly faked customer details to sign them up without their consent.

Providing simple, trusted and fair priced electricity

While electricity and gas prices are deregulated in Victoria, we have a limited price-setting role under legislation. This includes setting the Victorian default offer which applies to electricity and the renewable energy (solar) feed-in tariff.

The Victorian Default Offer – a fair price for electricity

We set the Victorian default offer each year after assessing the efficient costs retailers need to recover to provide electricity to customers. The default offer reflects a fair price for electricity retail services and is available to households and small businesses.

The default offer also acts as a price cap for electricity supplied to customers in embedded networks. Around 200,000 households (7 per cent) and 50,000 small businesses (16 per cent) are on the default offer.

In November 2020, the 2021 Victorian Default Offer price was set leading to a lower price from 1 January 2021 compared to the 2020 price. The reduction of around 10 per cent for households and 14 per cent for small business customers was mainly due to lower forecasts for wholesale electricity costs.

In May 2021 we started consultation on how changes in network tariffs which came into effect on 1 July 2021 should be reflected in the default offer. This led to a small increase in the default offer from September to December 31, 2021.

For more information about the default offer that applies in your area, go to [Victorian Default Offer](#) on our website.

Figure 1: Estimated annual bill for residential Victorian default offer customers (average across 5 distribution zones).

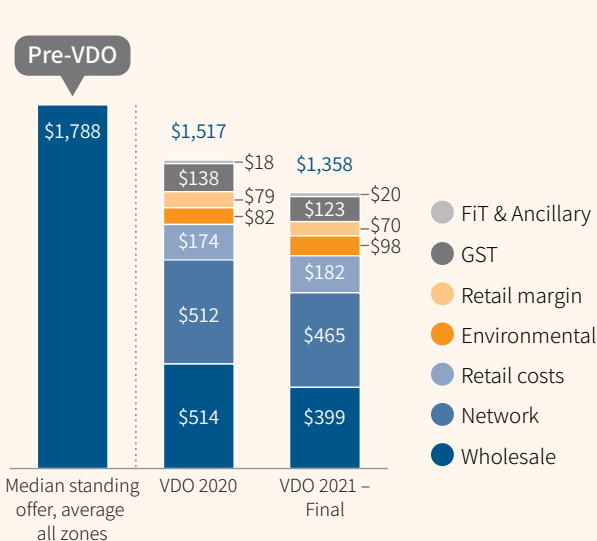
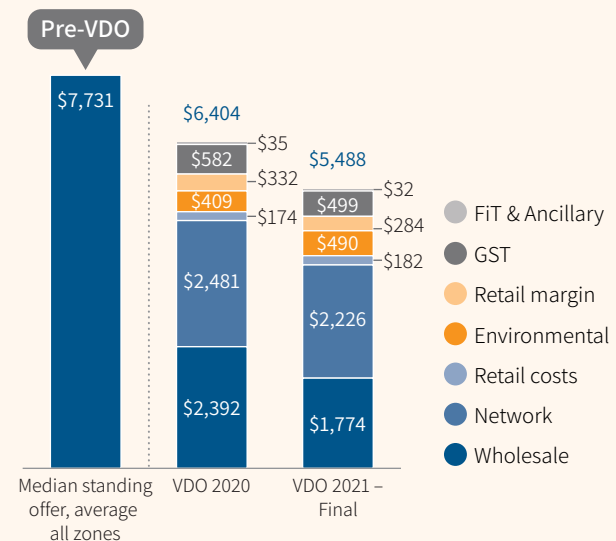


Figure 2: Estimated annual bill for small business Victorian default offer customers (average across 5 distribution zones).





Setting the minimum feed-in tariff

In Victoria, retailers are required to pay solar households who feed excess electricity back into the grid a minimum renewable energy feed-in tariff.

The formula for setting the feed-in tariff is largely set by legislation. Annual changes in the tariff largely reflect movements in forecast wholesale electricity prices, which account for 60 to 70 per cent of the costs covered by the tariff (see figure 3 below).

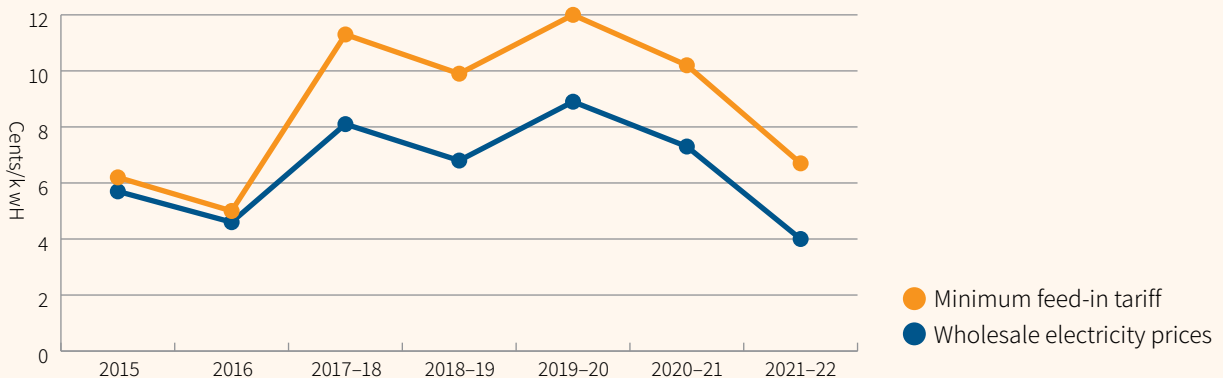
In recent years, government grants of up to \$1,400 per household (at October 2021) for new solar systems have become more important than the feed-in tariff in promoting renewable energy.

In February 2021, the minimum feed-in tariff for 2021–22 was set at 6.7 cents per kilowatt hour after accounting for falls in wholesale electricity prices. Where available, customers on a time varying tariff can earn 10.9 cents per kilowatt hour during peak periods.

We also introduced a requirement for retailers to inform customers of any feed-in tariff price changes at least five business days before the changes take effect.

For more information about the solar feed-in tariff go to our website [minimum feed-in tariff](#).

Figure 3: Minimum flat feed-in tariff rates (cents per kWh) 2015 to 2021–2022.



It's your energy Victoria



The past three years has coincided with the biggest reforms to Victoria's energy market in a decade. This has included the introduction of:

- the strongest consumer protection rules for energy consumers anywhere in Australia – the **payment difficulty framework**
- the **best offer** rule – which requires energy companies to tell you if you are on their best deal for you (three times a year for gas, four for electricity)
- the **Victorian default offer** – a simple and fair price for electricity based on the efficient costs retailers need to recover to provide electricity to Victorian customers.
- **new rules for energy contracts** which require retailers to limit price increases to once a year, put an end to bait-and-switch discounting and capping penalties if you don't pay on time

To empower consumers to be aware of these reforms, we ran public information campaigns over 2019–2021 entitled It's your energy.

The campaigns used a mix of traditional and new media advertising with the aim of empowering and educating Victorians to make informed decisions about their energy.

Responding to the pandemic

We had to rethink our approach to the 2020–21 campaign due to the coronavirus pandemic. We originally planned an extensive community roadshow across the state but this was not possible due to restrictions. Instead, we revised our creative approach to target information to groups hardest hit by the first and second waves.

This included hospitality and retail workers, small business and regional tourism operators, and people working from home leading to bigger home energy bills.

It's your energy 3 ran from 8 November to 26 December 2020 on radio (1.94 million listeners), in newspapers across Victoria (578,265 readers), and online. It also reached 308,000 Facebook users. The campaign video was played more than 835,000 times on pay TV and online marketing platforms.

Phone surveys of Victorians after each campaign showed a steady increase in awareness of energy rights like the best offer (22 to 40 per cent) and consumers calling their retailers after seeing the ads (53 to 58 per cent).

Reachtel phone surveys conducted 2019 and 2020

Reachtel survey	Jun-19 %	Nov-19 %	Apr-19 %	Jun-20 %	Dec-20 %
Are you aware of whether energy companies tell you if you're on the best deal for you?	22	32	33	34	40
If you were having difficulty paying your bill, would you contact your retailer for assistance?	73	76	79	80	79
Do you think you could get a better deal from your energy retailer by ringing up and asking?	62	61	57	59	60
Do you know where to go to get more information about your rights related to your energy retailer?	28	31	31	30	34
Have you heard about Victorian energy reforms recently, for example the (proposed) Victorian Default Offer?	31	28	25	29	29
Have you taken action as a result of hearing about these reforms, such as seeking more information either online or from friends and family?	32	37	34	35	34
As a result of hearing about these reforms, have you contacted your energy retailer?	53	58	57	54	58

*Bold indicate highest result achieved over five survey periods.

While the campaign was effective in raising awareness and prompting action in the general population, they were not as effective in reaching customers who struggle to pay their bills. Many of these customers remain less likely to reach out for help, or to know where to go for more information.

We conducted further research to explore which messages and channels would be more effective with these groups. We will build the research findings into future public information campaigns.

Building trust in energy rights

Achieving our long-term goal of building trust in the energy market will require a longer-term commitment to evidence-based and targeted public information campaigns. In 2021–22 we are continuing to explore ways to achieve this.

Check out [esc.gov.au/its your energy](https://esc.gov.au/its-your-energy) to find:

- a cheaper energy deal
- the power to know you're getting a fair energy deal
- make sure you're on the best deal for you
- get help staying on top of your energy bills.

Forging stronger connections

Increasing our engagement throughout the coronavirus pandemic demonstrated our commitment to genuine dialogue with our community.

Even while apart, we worked hard to connect with stakeholders

We held regular roundtables with energy industry leaders and the community help sector. These roundtables promoted open information sharing about the impact of the pandemic to ensure our regulatory activities were appropriate for the time.

- Our online engagement was at its highest level ever during this period: We created 12 project pages on the Engage Victoria website, attracting 8,967 visitors and making it easier for more Victorians to provide us with feedback.

- We held 44 virtual events with 3,239 registered participants, providing opportunities for Victorians from across the state to contribute to our decisions. Holding events online enabled Victorians based outside metropolitan Melbourne to attend our forums and workshops.
- We provided a private online portal for a community panel involved in developing our first vulnerability strategy **Getting to fair: Breaking down the barriers to essential services** (see p. 18). It was the first time the commission has used this engagement method to develop a major strategy.

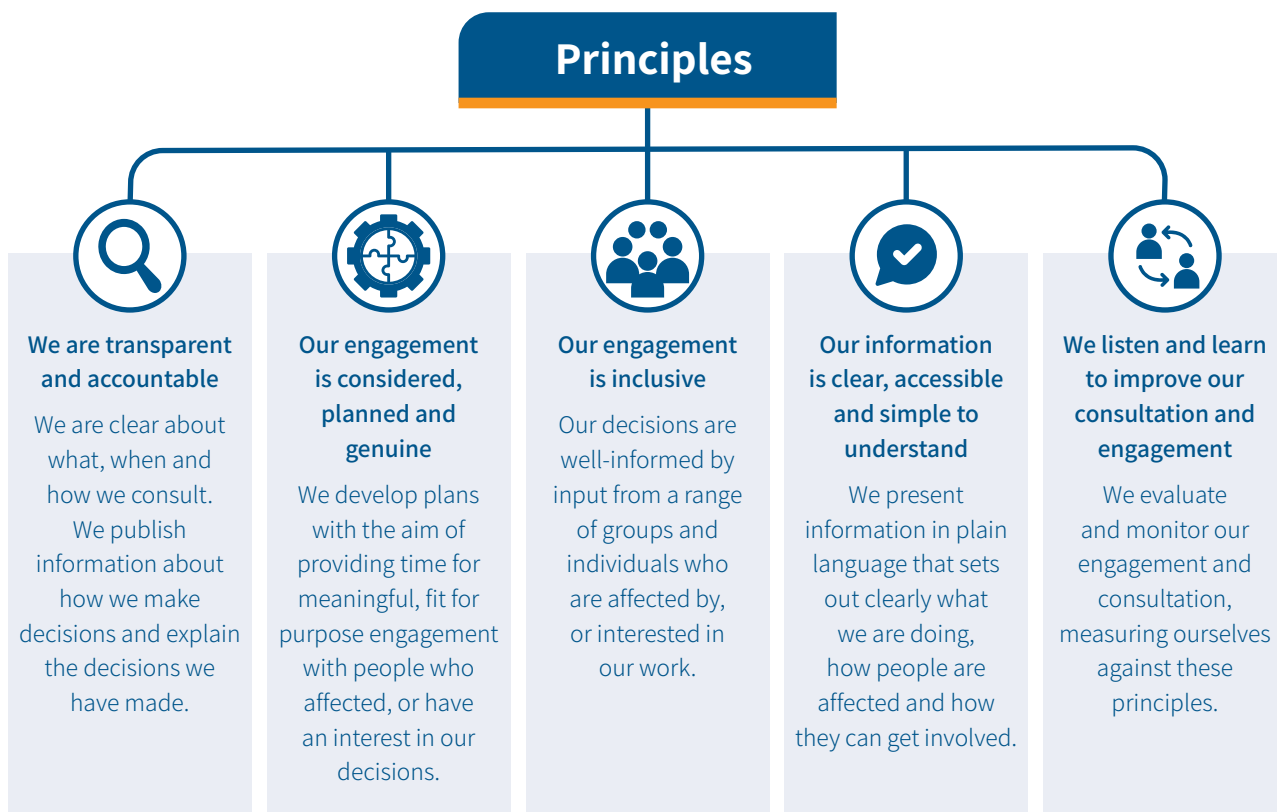
Check out: [our stakeholder engagement framework](#) on our website.



Community roundtable 2020 features key stakeholders from community service organisations and consumer advocates.

Our engagement principles at work

Developed in 2017–18, our stakeholder engagement framework incorporates a charter of consultation and regulatory practice based on five principles.



In 2020–21 we achieved our objectives by:

- Transparency and accountability - publishing engagement summaries demonstrating how engagement contributed to major decisions and provided feedback to engagement participants.
- Considered, planned and genuine engagement - involving affected stakeholders in engagement planning for all major projects using a range of methods, and improving our engagement planning process.
- Inclusive engagement - creating opportunities for a diverse range of stakeholders to provide input into our decisions.
- Clear, accessible and simple information - presenting information in plain language, with a focus on explaining how stakeholders could contribute to our decisions.
- Listen and learn to improve our consultation and engagement - conducting engagement and event debriefs to promote continuous improvement, and providing engagement training for 93 staff.

In 2021–22 we will:

- review our engagement performance against our principles
- consider ways to incorporate **Getting to fair** into our engagement practice (consumers experiencing vulnerability are supported to better understand and exercise their rights and can influence our work)
- continue to support and train staff to uphold the principles of our stakeholder engagement framework.

Our performance

Our strategic goals help ensure we continuously measure and improve how we operate.

Here is a summary of our main achievements for 2020–21 and how we have promoted the long-term interests of Victorians.



Goal 1: We will be a strong and fair regulator

- We actively exercised our legislative powers to ensure compliance with the regulatory framework in the energy sector.
- We published our annual compliance reports on local councils, showing most councils complied with the state’s rate cap or a variation approved by us.
- We checked over 42,000 activities in the Victorian Energy Upgrades program to ensure the integrity of the program.
- We issued more than 240 energy industry penalty notices, ensuring energy companies work in the best interest of customers and uphold their rights.
- Our August 2020 final report found that the Port of Melbourne’s approach to setting rents was not in consumers’ long-term interests, and we made recommendations to government supporting a more robust and transparent process.
- In June 2021 we commenced an inquiry into the Port of Melbourne’s compliance with the pricing order for prescribed services.
- We reviewed water businesses’ performance and found that most businesses continued to meet their commitments to customers.



Goal 2: We will be an active regulator

- From 1 July 2020, a suite of energy reforms came into place to ensure clear and fair contract periods, practices and variations are in effect.
- Our audit program focused on customer entitlements to ensure Victorians get fairer outcomes in the energy market.
- We supported businesses installing over 380,000 upgrades under the Victorian Energy Upgrades program, meaning households and businesses will save money and reduce their greenhouse gas emissions.
- We held 44 events online with over 3,000 registered participants to ensure consumers and regulated industry could engage directly with us during the coronavirus pandemic.
- A revised distribution code was published that provides incentives to deliver reliable and quality electricity supply to customers
- We developed measures that promoted timely connections for greenfield sites
- We established protections to support customers, including small business, during the pandemic
- In September 2020 we provided advice to government about building an enduring and resilient waste and recycling sector.
- We developed **Getting to fair**, a strategy that aims to break down the barriers consumers can face when accessing and engaging essential services.



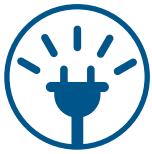
Goal 3: We will create incentives for regulated businesses to provide value to customers

- We issued 18 new energy licences to ensure Victoria's demand for energy is met and there is more choice of retailers.
- The cost to customers of missing an energy bill was capped from 1 July 2020 – meaning energy retailers were prevented from imposing excessive charges for missing a bill.
- In June 2021 we published our final pricing decision on Melbourne Water that immediately resulted in reduced bills across metropolitan Melbourne.
- We set the Victorian default offer that reflects a fair price for electricity. The price we set for 2021 was 10 per cent lower for households and 14 per cent lower for small business customers than in 2020.
- We ran an information campaign, It's your energy, to empower Victorians to make decisions about their choice of energy provider. A post-campaign survey showed 58 per cent of people who saw the campaign contacted their retailer to discuss a better deal.



Goal 4: We will deliver value to Victorian consumers

- We updated our framework to speed up the processing of energy licence applications for new generation and retail licences, to increase transparency, clarity and certainty for interested applicants.
- We enhanced our energy case management system to improve data handling for market monitoring and compliance and enforcement matters.
- We improved our energy correspondence and complaints handling to speed up responses and identify emerging issues early.
- We commissioned new research to better understand the evolving nature of consumer vulnerability in the coronavirus economy. This aims to ensure our regulatory decisions take account of the needs of customers experiencing vulnerability.
- We improved our coordination and planning of engagement events, developing guidelines to help staff running virtual events that connected with all stakeholders.



Energy

We are Victoria's energy regulator.

We licence new energy retailers, distributors, transmission companies and generators and make rules to protect customers. We monitor their compliance and take enforcement action when energy companies don't follow the energy rules.

We conduct reviews and inquiries to promote the interests of Victorian households and small business electricity and gas users. We also publish regular reports on the energy market's performance to keep the community informed and up to date.

Our year in review

Our approach to compliance and enforcement

We exercise our legislative powers to ensure compliance with the energy sector's regulatory framework.

We receive information from licensees, the Energy and Water Ombudsman Victoria, consumer groups and others. All reports of potential breaches are treated seriously.

Our compliance and enforcement teams have increased the scope of their work throughout 2020–21. This includes using compulsory information gathering powers to complete detailed investigations, which may lead to enforcement action.

We publish our compliance and enforcement priorities each year. In 2020–21, these priorities included:

- the payment difficulty framework
- family violence protections
- wrongful disconnections of customers
- planned interruptions, especially affecting customers with life support equipment
- the transfer of customers without explicit informed consent
- overcharging of vulnerable customers, especially affecting those on concession entitlements or in payment difficulty
- embedded networks.

We issued more than 240 energy industry penalty notices in 2020–21 relating to alleged contraventions by energy retailers. We issued a further 30 energy industry penalty notices in relation to alleged solar discrimination.

We issued 18 new energy licences

Between 1 July 2020 and 30 June 2021, we issued 18 new energy licences. These included:

- four electricity generation and sale licences
- 11 electricity retail licences
- two gas retail licences
- one electricity transmission licence.

These new licences will help create an extra 414 megawatts of electricity capacity in the system to power Victorian homes and businesses, and extra power in reserve with a grid-scale battery storage system near Geelong. Victorian customers will also have more choice of energy retailers to shop around for a better deal.

In November, we completed a review of our licensing procedure with the aim of improving the speed and efficiency of our application process.

We are supporting Victoria's diversifying energy production. Three licences this year were for renewable-based energy production, and we also licensed one of the largest battery storage systems in the world:



- The 300 megawatt Victorian Big Battery is the largest of its type in Australia and has an electricity storage capacity of 450 megawatt hours - enough to power over a million Victorian homes for 30 minutes. The battery will help store surplus renewable energy generation for use at other times (such as at night or during peak demand periods over summer) and will support the operation of the grid.
- Berrybank wind farm is a large wind farm with a generating capacity of 180 megawatts. It will produce approximately 650 gigawatt hours of renewable electricity each year – enough to power 138,000 Victorian households.
- Glenrowan solar farm comprises over 373,000 solar panels and has a generating capacity of 149 megawatts. This will produce enough electricity to power the equivalent of approximately 41,000 Victorian homes, and prevent around 315,000 tonnes of CO² emissions annually.
- Winton solar farm is an 85 megawatt generator that will produce approximately 210 gigawatt hours of electricity each year – enough to supply 52,000 Victorian homes – and will prevent around 150,000 tonnes of CO² emissions each year.

These electricity generation projects will assist in achieving the Victorian Renewable Energy Target.

We required energy companies to increase support for their consumers during the pandemic





As the coronavirus pandemic developed in 2020–21, we closely monitored its effect on levels of debt and assistance for energy consumers.

We published monthly data reports, consumer surveys and our annual and quarterly Victorian energy market reports. Our analysis helped inform the decisions of policy makers as well as our own pandemic support measures, introduced in response to the health and economic effects faced by energy consumers.

We increased safeguards for disconnection and debt collection practices during stay-at-home government restrictions. As a result, there were only 10 disconnections of residential customers for non-payment of energy bills between April and November 2020. Disconnections resumed in February but were lower than pre-pandemic averages.

We made permanent changes to the energy rules, requiring retailers to assist residential customers in completing utility relief grant applications to help pay off energy arrears. We also introduced temporary measures requiring retailers to conduct tariff checks for any residential customer receiving tailored assistance, and to offer reasonable payment assistance to small businesses experiencing financial stress.

We required distributors to develop new customer service standards for Victorian electricity distributors to ensure faster and more transparent electricity connections in new housing developments. These new standards aim to address previously long connection wait times which will be important to support the economic recovery from the pandemic.

Status key:  Complete  On track  Ongoing  On hold

Progress report, 2020–21

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
Transform our enforcement capability		<ul style="list-style-type: none"> Updated our compliance and enforcement policy. Issued 278 penalty notices. Established enforcement committee procedures and templates. 	Greater awareness among key stakeholders and the public about the obligations of energy businesses to protect consumers.
Reform our market monitoring processes		<ul style="list-style-type: none"> Upgraded our case management system (CRISP) to efficiently record and conduct investigations. Upgraded monitoring and analysis of the energy market with a focus on the impact of the coronavirus pandemic on customers. 	<ul style="list-style-type: none"> Supported Victorian energy consumers during the coronavirus pandemic, including issuing statements of expectations regarding temporary extra supports for energy customers Improved quality and accessibility of data to support timely decisions. Increased reporting raised public awareness of issues affecting customers.
Reform our energy framework to promote the interests of Victorian energy consumers		<ul style="list-style-type: none"> Completed four energy reforms, including new rules to back-billing, customer service standards for distributors, new connection service standards for greenfield sites, and extra support for energy customers (including requirement for retailers to assist consumers with utility relief grant applications). 	Consumer protections for Victorian energy consumers are stronger than ever before.
Upgrade our supporting systems		<ul style="list-style-type: none"> Enhanced our case management system (known as CRISP) to record and conduct compliance and enforcement matters more efficiently and effectively. Upgraded our data handling capability in line with the additional monitoring and analysis we have been conducting of the energy market. 	With the upgrades being completed at the end of the financial year, this provides timely support in line with the increased compliance and enforcement action we have undertaken this year.

Measuring our success in 2021–22

Objective, 2021–22	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Review of the Payment Difficulty Framework	Publish review findings and support industry to implement better practice.	Stakeholders reporting better implementation of the payment difficulties framework. Improved consumer experience.
Develop guidelines for new enforcement options and investigative powers in our new legislation	Publish guidelines by July 2022	Guidance material for industry about how the commission will exercise its proposed new enforcement options and investigative powers.
Develop Energy Retail Code of Practice	Publish Energy Retail Code of Practice	Publish Energy Retail Code of Practice Remaking our key energy code to align with government legislative amendments.
Implementation of regulatory project trials for innovative energy products and services (sandbox trials)	Develop a guideline to support the framework. Develop governance arrangements. Develop processes for regulating trial waiver projects.	Publishing guidelines by July 2022 designed to assist applicants interested in entering project trials and applying for trial waiver from the requirement to hold a licence in Victoria.

Environmental factors

The main environmental factors influencing our work are:

Victorian Government policy and budget. The government’s energy fairness plan has had a significant impact on our work, providing us with new powers, responsibilities and funding to deliver significant reforms and enforcement activity.

Financial services royal commission. The findings and recommendations of the royal commission have increased expectations on regulators to be active in enforcement, and to litigate where appropriate.

New energy technologies. The introduction of new energy technologies into our market is reshaping how energy is generated, supplied and sold to consumers.

Cost of our energy industry activities

In 2020–21, the total cost of the energy team was \$14.30 million. The cost includes the direct costs incurred by the team, plus an allocation for overhead costs.



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

Our year in review

Lower water prices for customers

In June we released our final pricing decision for Melbourne Water following a year-long review. Our decision resulted in bill reductions across metropolitan Melbourne from 1 July 2021. It also provided for new investments by Melbourne Water to maintain and improve its water, sewerage, drainage, and waterways services, and to reduce its environmental footprint.

We also updated prices for the state's other water businesses, including those serving regional Victoria. This also led to price reductions on average across the state from 1 July 2021.

Our work reviewing water pricing enables us to continue ensuring Victorians enjoy high quality water services at good value prices.

We strengthened protections for customers during the coronavirus pandemic

In August, we amended our customer service codes to strengthen customer protections during the coronavirus pandemic. These changes required water businesses to provide additional support to their small business customers, and placed bans on water supply restrictions and debt recovery for customers experiencing financial stress.

To monitor the impact of the pandemic on water businesses and their customers, we also started collecting and reporting on the number of water customers who:

- are on payment instalment plans
- are in hardship programs
- have received a water business hardship grant
- have applied for the utility relief grant
- have their water supply restricted.

The findings continue to inform our approach to the water customer protection framework and our codes.

Reports summarising key findings were made available on our [website](#).

We held water businesses accountable for their service performance





In October we released our outcomes report which reviewed businesses' performance against their own set targets. The report also included these businesses' self-assessment as well as our own commentary on their assessments.

The report showed businesses continued to meet most of their commitments to customers despite interruptions from the summer bushfires and the pandemic.








We continued to survey water customers quarterly to get their views on the performance of their water business. In December we released our annual urban water performance report, which compares businesses' performance on specific key indicators such as billing and customer service matters.

The report aims to inform customers about the performance of their business compared to the water sector and over time. We continue to refine our reporting approach to:

- keep water businesses accountable to their customers
- promote competition between businesses leading to improved service standards
- support businesses and customers to engage in meaningful conversations about their water and sewerage services.

Status key:  Complete  On track  Ongoing  On hold

Progress report, 2020–21

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
Approve new prices for Melbourne Water, to take effect from 1 July 2021		We produced the following documents: <ul style="list-style-type: none"> • draft decision • final decision • price determination. 	Established fair water prices and service standards for consumers.
Complete annual tariff approvals and review regulatory accounts submitted by water businesses		We approved 2021–22 prices for 18 regulated water businesses to ensure they do not exceed maximums set in our price determination We reviewed and approved all water businesses' regulatory accounts.	Businesses are: <ul style="list-style-type: none"> • transparent and accountable for future price submissions • charging customers consistent with the requirements of our price determinations.
Monitor and report on how customers rate their water business		We published quarterly reports on how customers rate their water business in four key areas: <ul style="list-style-type: none"> • value for money • reputation in the community • level of trust • overall satisfaction. 	Customers are informed of performance of their water business.
Publish water performance report		We produced an annual water performance report, water business profiles and performance data.	Customers and stakeholders are informed on water business performance, including customer service standards, water and sewerage service and supply reliability, water quality, and environmental outcomes. Typical annual bills are also provided so customers can compare prices.
Publish our water outcomes report		We published water businesses' self-reports on their performance against their own outcomes, along with our perspective on how businesses are performing.	Water businesses are accountable to their customers for the services they provide, as well as their performance against their targets.
Review and revise water customer codes		We updated codes issued on 18 August 2020 to reflect the national principles for utilities and hardship.	The interests of customers, including low income and vulnerable customers, are protected.
Provide effective processes for engaging with stakeholders		We adjusted our engagement approach to ensure we could still effectively consult with stakeholders during the pandemic.	We have a clear focus for our communication strategy linked to influencing key stakeholders. Government, water corporations, local councils and the community have an increased understanding of our roles, responsibilities and objectives as a regulator.

Measuring our success in 2021–22

Objective, 2021–22	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Revise our pricing framework (PREMO for performance, risk, engagement, management and outcomes) for next water price review	Updated guidance incorporating revised framework, to be released in October 2021.	The pricing framework provides incentives for water businesses to deliver value to customers.
Publish water performance report, monitoring reports, outcomes report and customer perceptions report	<ul style="list-style-type: none"> Annual water performance report, to be released in February 2022. Quarterly customer perception survey results report, to be released in an ongoing capacity. Outcomes report, to be released in November 2021. 	<ul style="list-style-type: none"> Customers are informed about the level of services they receive. We are aware of trends in customer support and perceptions.
Review and revise water customer codes, including best practice approaches to family violence	New codes to be issued by October 2022.	The interests of customers, including low income and vulnerable customers, are protected.
Annual water tariff approvals	To be approved by June 2022.	Prices are approved in accordance with our price determinations.
North East Water mid-period review	To be decided by November 2021.	We check in on business performance during the extended eight-year regulatory period, ensuring customer interests are promoted.



Environmental factors

Two main environmental factors are influencing our work:

- The coronavirus pandemic has had a major impact on regulated sectors and the broader economy. We will consider its effect on the prices we set for consumers, as well as monitor how regulated industries are responding to the pandemic and changed economy.
- Climate change is influencing the frequency and severity of events such as bushfires, storms and floods, which in turn affects network infrastructure. We need to ensure our framework provides for resilient infrastructure and service delivery, as well as providing assistance to customers when needed.

Cost of our water industry activities

In 2020–21, the total cost of the water team was \$3.64 million. The cost includes the direct costs incurred by the team, plus an allocation for overhead costs.



Local government

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

Our year in review

We published our annual council compliance report

We monitor councils' compliance with rate caps based on data they provide each year. We reported in 2020–21 that 76 out of 79 councils complied with the cap set for them.

This included:

- 73 councils complied with two per cent cap
- 3 councils complied with rate caps approved by the commission
- 3 councils took steps to address non-compliance involving small amounts.

16 councils set rate increases at zero.

We published our outcomes report

Every two years, we report on the impact of rate capping in Victoria with a focus on identifying trends emerging across the local government sector. In 2020–21 we released our second report (covering 2016–20), providing information about councils' services, infrastructure and financial outcomes since the introduction of rate capping.

The report was accompanied by fact sheets and an interactive data dashboard to give councils and communities insight into the effect of rate capping on each council.




We outlined options for improved waste management

In September 2020, at the government's request, we provided advice on building an enduring and resilient waste and resource recovery sector for Victoria. This built on previous advice provided in 2019 regarding regulating the waste and recycling sector to ensure competition, service quality and transparency.



Status key:  Complete  On track  Ongoing  On hold

Progress report, 2020–21

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
<p>Higher cap applications</p> <ul style="list-style-type: none"> Ensure our 2021–22 higher cap decisions are consistent with the long-term interests of ratepayers and the financial sustainability of councils. Provide relevant guidance to councils on what is required in a higher cap application. 		<ul style="list-style-type: none"> No applications were received. Published updated guidance for councils on our rate cap regulatory framework. 	<ul style="list-style-type: none"> Higher cap applications, outlining all legislative matters and reflecting councils’ consideration of the long-term interests of ratepayers and the community. Higher cap applications we received from councils showed that they are improving their community engagement practices.
<p>Monitor outcomes of the rate capping framework</p>		<ul style="list-style-type: none"> Published our second outcomes report, including analysis of trends in financial position, services, and infrastructure asset renewal and maintenance in the first four years of rate capping. 	<ul style="list-style-type: none"> Communities, councils, and the Victorian Government are informed about the impacts of the rate capping framework on councils and communities.
<p>Advise Victorian Government stakeholders</p> <ul style="list-style-type: none"> Provide timely and robust advice to the Minister for Local Government on rate caps and any other requested topic. Provide advice to the Assistant Treasurer and the Minister for Energy, Environment and Climate Change on waste issues. Liaise with Local Government Victoria on any changes to the framework resulting from a review into the local government rating system. Identify emerging issues relating to the rate capping framework, and engage with Local Government Victoria where appropriate. 		<ul style="list-style-type: none"> Provided advice to the minister as requested, including advice on setting the average rate cap for 2021–22. Provided advice on legislative options and governance for waste and resource recovery sector. 	<ul style="list-style-type: none"> The minister received relevant, timely and high-quality advice. Local Government Victoria was made aware of emerging issues and their impact on rate cap regulation.

Measuring our success in 2021–22

Objective, 2021–22	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Report on compliance with the 2021–22 rate cap.	Publish the 2021–22 rate cap compliance report.	To ensure the community has confidence that the rate cap is being met.
Provide advice on 2022–23 rate cap.	Provide advice to the minister for local government on setting the average rate cap for 2022–23.	To provide the Minister for Local Government with relevant, timely and high-quality advice.
Assess council rate cap applications.	Publish updated guidance for councils on applying for a higher cap regulatory framework. Publish decisions on higher cap applications received.	That higher cap applications outline all legislative matters and reflect councils' consideration of the long-term interests of ratepayers and the community.

Environmental factors

Several environmental factors are influencing our work:

- The Victorian Government has amended the Local Government Act 1989, which makes up part of our local government regulatory framework and introduced the Local Government Act 2020. These legislative updates have implications for how councils operate, although they do not affect the regulatory framework we use to assess higher cap applications.
- Under the Local Government Act 1989, the rate capping framework must be reviewed by the end of 2021, five years since its introduction. The review is required to consider whether the mechanism for setting the rate cap is appropriate, and whether the framework is effective or requires amendment.

Cost of our local government activities

In 2020–21, the total cost of the local government team was \$1.12 million. The cost includes the direct costs incurred by the team, plus an allocation for overhead costs.

We have a range of functions relating to the Port of Melbourne, accident towing and commercial passenger vehicles (taxis).

We monitor Port of Melbourne wharfage services charges by conducting inquiries into its compliance with the regulatory framework and assess rents charged on tenant leases.

We also recommend accident towing charges to government and determine unbooked taxi trip fares in metropolitan Melbourne and regional areas.

Our year in review

Port of Melbourne market rent inquiry

In August 2020 we handed our report to the Assistant Treasurer setting out that the Port of Melbourne used its power to set rents on land it leased to tenants in a manner that caused detriment to those tenants and Victorian consumers, through rents being above economically efficient levels and further inflated via port imposed processes that were not reasonable

We recommended an enhanced negotiate-mediate-arbitrate framework with independent oversight be implemented to mitigate the Port of Melbourne's ability to exercise its power and to give tenants more say in how their rents are set.

Inquiry into Port of Melbourne's compliance with the pricing order

In June 2021 we commenced an inquiry into the Port of Melbourne Operations compliance with the pricing order regulatory framework between 1 July 2016 and 30 June 2021.

We are required by legislation to conduct an inquiry every five years to verify that the port operator is providing wharfage and other port services at prices that meet the objectives in the pricing order and the Port Management Act 1995.

Our role is to report to the Assistant Treasurer if the port operator has complied, and if not, whether any non-compliance was significant and sustained. This inquiry, the first under the 2016 pricing order, will report to the government by the end of 2021.

Unbooked taxi fares remain unchanged





In September 2020, we released our final decision on maximum unbooked taxi fares to apply from 1 October 2020. This left maximum fares for unbooked commercial passenger vehicles at 2018 levels, as supply continues to outstrip demand for taxi services.

Considering the coronavirus pandemic's impact on taxi operators' ability to provide us with data on how the market might have changed in recent years, we kept our information requests at a minimum to ensure operators could participate in the review at this time.




We set taxi non-cash payment surcharges

In March 2020 we set new surcharges for paying taxi fares via cashless means, making trips cheaper for customers. The coronavirus pandemic however made it harder for payment processors (the businesses providing the card machines that process payments) so the date to implement this decision was delayed.

In September 2020 we reset the start date due to the impact of the pandemic to 1 February 2021 to give payment processors and taxi operators more time to update their terminals. Significantly fewer taxi trips made during the pandemic meant the delay did not substantially affect taxi customer fares.

Status key:  Complete  On track  Ongoing  On hold

Progress report, 2020–21

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
Taxi fares review		Final decision published in September 2020.	Maximum unbooked taxi fares in metro, urban and Ballarat, Bendigo and Geelong regions reflect supply and demand.
Port market rent review		Final report released in August 2020.	<p>Established that the Port of Melbourne's approach to setting rents was not in consumers' long-term interests.</p> <p>Finding the port had power in setting rents and has exercised power in a way that caused material detriment to consumers.</p> <p>Made recommendations to government supporting a more robust and transparent rent setting process.</p> <p>Port tenants can have confidence in process for reviewing market rents.</p>
Port annual compliance statement		Report published in December 2020.	Undertook an evaluation of the Port of Melbourne's tariff compliance statement, explaining the reasons why the Port of Melbourne's cost of capital during 2020–21 was projected to decline.

Measuring our success in 2021–22

Objective, 2021–22	What outputs do we intend to produce?	What outcomes do we intend to achieve?
To review Port of Melbourne’s compliance with the pricing order.	Providing final advice to the Assistant Treasurer in December 2021.	That port users have confidence in the services they pay for and can invest with certainty.
To conduct a review of accident towing and storage fees.	A final report to the Minister for Roads recommending appropriate towing charges.	That fees are cost-reflective and transparent, and set to achieve safe, efficient and timely provision of towing services.
To start our next review of unbooked taxi fares.	A consultation paper and draft decision on the efficient level and structure for unbooked taxi fares.	That maximum unbooked taxi fares in metro, urban and Ballarat, Bendigo and Geelong regions reflect supply and demand.
To complete a review of minimum feed-in tariffs.	A draft decision and final decision on the minimum feed-in tariffs.	That minimum feed-in tariffs reflect the economic value of exports from small-scale generators.

Environmental factors

Environmental factors affecting our work included:

- the coronavirus pandemic having a significant impact, requiring us to be responsive to changing circumstances at both an industry and consumer level
- the changing dynamic within the Port of Melbourne necessitated by the coronavirus pandemic
- supply chain disruptions and more proactive and engaged port users, creating a sharper focus on how the port operator is meeting its regulatory obligations.

Cost of our transport activities

In 2020–21, the total cost of the transport team was \$3.11 million. The cost includes the direct costs incurred by the team, plus an allocation for overhead costs.



Victorian Energy Upgrades

Victorian energy efficiency certificates are electronic certificates created when energy efficient products and services are made available to homes and businesses under the Victorian Energy Upgrades program. Each certificate represents one tonne of greenhouse gas emissions reduction (CO²-e).

Certificates are sold to energy retailers who have a liability based on the level of greenhouse gas emissions generated by their sale of electricity or gas.

We regulate the creation of certificates as part of the program which aims to cut energy bills and reduce greenhouse gases.

Certificate supply remains steady over pandemic

More than 6 million certificates were registered in the 2020–21 financial year from over 380,000 upgrades undertaken in households and business premises. This brings the total of certificates registered to over 66.7 million from the start of the program to 30 June 2021.

Upgrades undertaken during the year are expected to generate over 5.494 terawatt-hours of electricity savings and over 3.8 terajoules of gas savings over the assumed lifetime of the upgrades.

The program showed its resilience by bouncing back after the coronavirus lockdowns. Residential lighting installations escalated rapidly in October 2020 following the second lockdown. Certificate numbers then peaked in March 2021 after the third lockdown, with around 1 million certificates created from upgrades.

The main source of certificates created during the year were from business lighting upgrades (59 per cent) as installers focused on businesses during coronavirus lockdown periods.

Responding to the coronavirus pandemic

We adapted to the challenges of the year, supporting participants in registering over 6 million certificates while changing the way we worked. The program achieved this by:

- reprioritising work activities to support program participants through the coronavirus pandemic, including streamlining validation of certificates to assist participants' cash flow
- working with other government agencies, and engaging with program participants to clarify the rules relating to coronavirus restrictions
- extending compliance or enforcement deadlines and giving participants more flexibility in meeting their obligations
- delivering public forums remotely, and seeking feedback on how we could help with recovery
- working with the Department of Environment, Land, Water and Planning to redesign our project-based activities requirements, enabling flexibility during states of emergency such as bushfires, flood, or pandemics.

Safeguarding the integrity of the program

During the year, we maintained our focus on resolving issues for consumers and ensuring certificates created under the program comply with the rules.

As part of our risk-based approach to identify potential compliance issues we assessed over 42,000 upgrades, with 3,300 being flagged for further investigation. As a result, over 489,000 certificates were withdrawn.

We completed


-  **69** field audits
-  **396** desktop audits
-  **118** phone audits
-  **7** audits of project-based activities

We also undertook


-  **26** investigations
-  **31** accreditation-related audits

Participants surrendered 62,903 certificates as a result of our compliance activities. We conducted one of our largest regional investigations, resulting in our issuing a formal warning to two accredited providers and requiring them to surrender over 28,000 certificates valued at \$1.6 million.

We received 373 consumer complaints, equivalent to 0.10 per cent of upgrades undertaken. We worked with consumers and accredited providers to resolve 93 per cent of complaints.

Status key:  Complete  On track  Ongoing  On hold

Progress report, 2020–21

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
Upgrade our IT system		<ul style="list-style-type: none"> • Refined business requirements and development approach to meet the expansion of the Victorian Energy Upgrades program announced by the government. 	<ul style="list-style-type: none"> • A development plan for a Victorian Energy Upgrades registry system that meets future requirements.

continues next page

Status key: Complete On track Ongoing On hold

Progress report, 2020–21 continued

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
Improve stakeholder engagement processes		<ul style="list-style-type: none"> • Collaborated with the Department of Environment, Land, Water and Planning in preparing for legislative reform changes of the program, and in implementing changes to program activities. • Released three consultations seeking feedback on changes to our administrative requirements for building-based lighting upgrades. • Published our stakeholder engagement plan for the year. • Released three newsletters during the year. 	<ul style="list-style-type: none"> • Provision of balanced and considered input informing the Department’s proposed changes to the program’s enabling Act. • Using this input to plan implementation of a modern legislative framework providing the tools and powers to regulate program participants and protect consumers. • Input from industry in setting of our requirements and improved transparency in our decision making. • Greater industry awareness of our engagement priorities for the year.
Develop the division’s data analytics and business intelligence capabilities		<ul style="list-style-type: none"> • Developed dashboards to assist with decision-making and compliance reviews • Developed dashboards and modelling to analyse effect of coronavirus. • Created protocols to monitor accredited providers progress in implementing audit recommendations. • Dynamic, balanced and risk-based assessment processes. 	<ul style="list-style-type: none"> • Improved compliance of accredited providers previously audited. • 26 investigations of accredited providers. • 91 per cent of regular batches processed within two days of target timeframe. • 100 per cent of accreditation and additional activity applications assessed on time. • 100 per cent of project-based activities approved within legislated timeframes.
Improved risk-based compliance functions and interventions		<ul style="list-style-type: none"> • Timely release of website updates, program updates and updated guidance documents. • Delivery of online forum attracting 221 registered attendees • Delivery of 10 focused stakeholder workshops. 	<ul style="list-style-type: none"> • Improved understanding of program obligations by stakeholders. • Improved understanding of operational realities experienced by program participants.

Measuring our success in 2021–22

Objective, 2021–22	What outputs do we intend to produce?	What outcomes do we intend to achieve?
Upgrade our IT system	<p>Complete the new system within agreed deadlines.</p> <p>A robust process to monitor implementation and identify issues and improvements.</p>	<p>A new Victorian Energy Upgrades registry system that is fast, secure, intuitive, versatile and future-ready.</p> <p>A system that improves processing times and focuses our assessment capabilities based on risk.</p>
Effectively plan for implementation of the Victorian Energy Efficiency Target Act review outcomes and expansion of program activities	<p>Provide staff with the skills to support the implementation of Act reform outcomes.</p> <p>Release administrative framework for new and revised activities in accordance with legislated timeframes.</p>	<p>A modern legislative framework that provides us with effective means to regulate program participants and protect consumers.</p> <p>New or amended activities introduced to program participants in an efficient and timely manner to support delivery of these activities.</p>
Strengthen our risk-based compliance and enforcement approach	<p>Dynamic risk-rating capabilities to better inform audits and certificate validations.</p> <p>Data analytic products to better inform audit focus.</p>	<p>Increased effectiveness of our pre-registration certificate checks.</p> <p>Increased effectiveness of our audit and compliance efforts.</p> <p>Effective use of resources to deliver enhanced compliance outcomes.</p>
Engage with stakeholders in our decision-making and planning for program reform and expansion	<p>Consult with stakeholders on implementation of program reform and expansion.</p>	<p>Businesses, government partners and consumer communities engaged in informing the program's future framework settings.</p>

Environmental factors

The main environmental factors influencing our work:

- The coronavirus pandemic, the corresponding suspension of activities, and uncertainty created in the market required us to balance administrative flexibility and regulatory proportionality in order to adapt and respond appropriately.
- Ongoing potential changes in the program's policy settings in response to certificate supply challenges arising from the coronavirus pandemic. The timing of phase-out and reduction in incentives for lighting upgrades and electricity emission factor changes particularly creates ongoing challenges in planning our compliance and enforcement activities.

- Act reform changes led by the Department of Land, Environment, Water and Planning - which is likely to provide us with new tools, powers and functions - will impact on the program's regulatory framework, operational structures, fee structures and resourcing needs.
- Increasing certificate prices have required us to engage closely with the department and program participants to work towards an efficient certificate market.

Cost of our VEU activities

In 2020–21, the total cost of the Victorian Energy Upgrades team was \$7.78 million. The cost includes the direct costs incurred by the team, plus an allocation for overhead costs.



Communications and engagement

We promote clear, efficient, and effective communication to help deliver our vision of better essential services for all Victorians.

The strategic communication team manages key communication channels including the website, media and social media channels. We support teams to engage effectively with key stakeholders and provide communications training and support to ensure our work is accessible to a wide audience.

Our year in review

We developed a new reputation strategy

Our reputation strategy 2020–23 focuses our communication and engagement program on supporting the organisation to deliver for all Victorians. The strategy is built around three objectives:

- Engaging with new audiences and demonstrating a commitment to genuine dialogue with key stakeholders.
- Demonstrating our expertise and value to the community.
- Building our reputation as a leading and effective regulator.

The strategy provides guidance across our key activities:

- Digital (website, email and social media) – focus on consumer-centred and accessible content.
- Consumers (public and stakeholder events, consumer research) – holding regular high-profile events and conducting research to better understand community needs.
- Engagement (consultation and engagement activities)– high visibility of engagement activities.
- Media – calendar of releases to promote key outcomes of our work.
- Integrated information campaigns – ‘always on’ social media to promote useful information to the community.

We used video and infographics to inform and engage

We produced videos and infographics to increase engagement with our stories. Using internal resources, we created compelling and accessible content to accompany key announcements at minimal cost.

Our in-house video series for 2020–21 included:

- three ‘explaining the true value of solar’ videos
- introducing our new executive director of energy, Sarah Sheppard
- three public forums on draft decisions
- four industry stakeholder forums/workshops
- a strategy launch
- a research series on the impact of the pandemic on Victorians accessing essential services.

By providing videos online, Victorians can watch this content when it suits them. Videos helped drive more traffic to our website from our social media channels, emphasising the value of these platforms in reaching more Victorians in a cost-effective way.

We updated our energy rights campaign

In November 2020 we ran It's your energy 3 – our third in a series of information campaigns aimed at empowering Victorians to make informed decisions about their choice of energy provider. The campaign was updated to target the sectors most affected by coronavirus pandemic restrictions, including:

- small business and workers from sectors hardest hit including hospitality and regional tourism
- older Victorians
- people who were newly unemployed or working from home.



The campaign used a variety of platforms, attracting



308,000
Facebook users



1.94 million
radio listeners







578,265
newspaper readers

The short campaign video was played



more than
835,000 times
on pay TV and search engine
marketing platforms

A post-campaign survey revealed 58 per cent of people contacted their retailer after hearing about their energy rights.

Status key:  Complete  On track  Ongoing  On hold

Progress report, 2020–21

Objective, 2020–21	Status	What outputs did we produce?	What outcomes did we achieve?
<p>Digital strategy implementation To implement year one of the digital strategy roadmap, with a focus on improving the accessibility, usefulness and relevance of our content.</p>		<ul style="list-style-type: none"> Conducted two content audits to identify areas for improvement. Added ‘was this useful’ button on web pages to generate user feedback. Increased social media content, including videos and graphics. 	<ul style="list-style-type: none"> Improved consumer focused content. Increased website engagement to 70 per cent. Increased ‘easy to understand’ and ‘easy to use on mobile’ above industry benchmark. Increased social media followers by more than 22 per cent.
<p>Customer research insights program To better understand the customer experience through targeted consumer insights research, and improve correspondence and complaints handling.</p>		<ul style="list-style-type: none"> Commissioned research analysing the barriers to consumer engagement with energy market. Developed a framework to guide efficient and effective investment in future research. 	<ul style="list-style-type: none"> Our It’s your energy 3 campaign promoted awareness of energy support available to key groups affected by the pandemic. Key insights provided to teams working on energy reform and pandemic response.
<p>Enhancing our visibility To develop and support a range of events designed to enhance our community connectedness, reach new diverse audiences, and increase our social media footprint.</p>		<ul style="list-style-type: none"> Updated our events planning toolkit Reviewed engagement program and developed 2021–23 strategy. Continued to build capability across the commission through our engagement training program. 	<ul style="list-style-type: none"> Higher satisfaction ratings achieved after implementing changes from post-event reviews. Higher level of engagement with stakeholders after improving.
<p>Media strategy To implement year one of our media strategy.</p>		<ul style="list-style-type: none"> Diversified our media approach by producing short videos to accompany media announcements. Produced 75 media releases and staff articles. 	<ul style="list-style-type: none"> Coverage of major energy enforcement cases, highlighting the importance of our consumer protection role. A more targeted and personalised media approach, increasing coverage of key stories.

Measuring our success in 2021–22

Strategy objective	Objective, 2021–22	What outputs do we intend to produce?	What outcomes do we intend to achieve?
1	Media To increase community awareness of the commission's role.	<ul style="list-style-type: none"> Make better use of data and expertise to explain our work. 	<ul style="list-style-type: none"> To make our media coverage more diverse and compelling, enhancing the commission's reputation as a leading economic regulator.
1	Publications To promote community trust in the commission by increasing the quality of our public-facing content.	<ul style="list-style-type: none"> Develop a publication roadmap for teams. 	<ul style="list-style-type: none"> To improve the accessibility of our reports.
2	Stakeholder engagement framework review	<ul style="list-style-type: none"> Evaluate our engagement program against the principles in our framework. 	<ul style="list-style-type: none"> Identification of opportunities to improve. Integration of key initiatives from the vulnerability strategy.
2	Memorandums of understanding project	<ul style="list-style-type: none"> Complete the memorandums of understanding project. Develop and maintain relationships with new and current key stakeholders. 	<ul style="list-style-type: none"> Review of all existing memorandums and development of a new process.
4	To developing better systems that will improve handling and monitoring of customer enquiries	<ul style="list-style-type: none"> Conduct a review into our handling of customer enquiries. 	<ul style="list-style-type: none"> Development of a new customer contact standard to improve consumer experience and issues management.

Environmental factors

The main factors influencing our work are:

- Attracting coverage in traditional media is time-intensive and increasingly difficult. Measuring the impact of social media coverage is also challenging. However, generating awareness of our work is important to increase trust that we will deliver in the best interests of consumers (strategic goal 1). Therefore, we continue to promote our work using both traditional and new media.
- Moving events online due to the impact of the pandemic has been both an opportunity and a challenge. More people, including senior industry stakeholders and community members, are attending our forums. However, engaging effectively online is challenging and resource-intensive.
- A rapid growth in our roles and responsibilities reinforces the need to continually improve our reports, making them accessible to a range of audiences.

Our people

As of 30 June 2021



154 people

We had 154 people working at the commission.



51:49 gender split

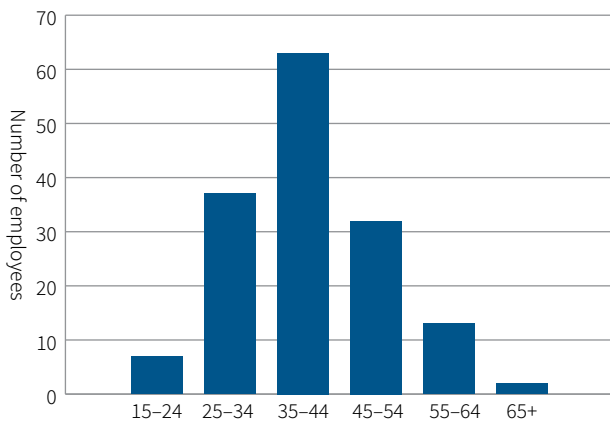
We had 78 women and 76 men working at the commission.



12% increase

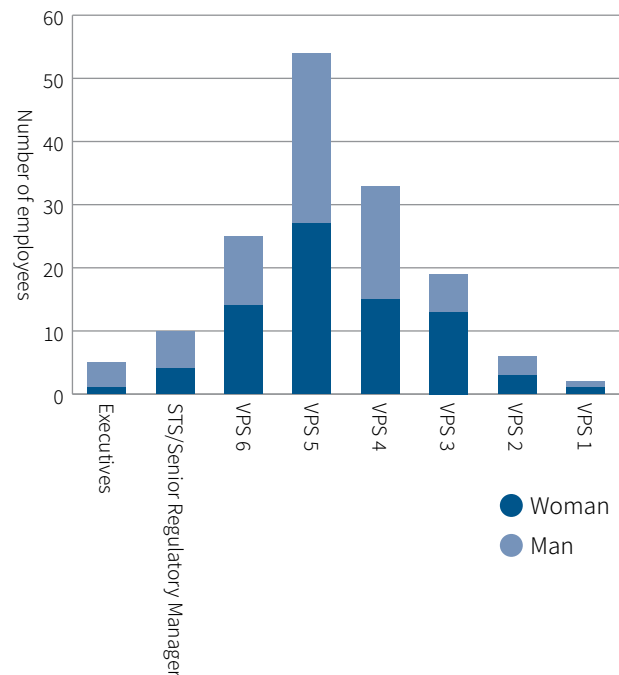
Our organisation grew by 12 per cent in 2020-21, reflecting our increasing role supporting Victorian consumers

Our employees by age group



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

Our employees, by classification



People strategy

Our people strategy aims to support the organisation as it changes and grows to deliver for the Victorian community.

Our approach started with a discovery stage, engaging leaders and staff in focus groups to better understand the current state of the organisation. In the year ahead we will be involving staff in bringing the strategy to life.

Our people initiatives cover three key areas: learning and development, capability and performance, and workforce planning.

Learning and development

Training and leadership development

We continued our strong commitment to leadership development this year. Managers (VPS6 level) completed the Leadership Essentials: Accelerate Program, which focused on:

- defining and accelerating leadership
- building skills in self-awareness
- leading teams
- taking accountability for organisational culture.

We engaged People Measures to co-design the program which builds leadership and influencing skills and promoted collaboration among peers. We supported our managers by running skills sessions on:

- making the performance development planning meaningful
- ensuring fair treatment in the workplace
- recruiting right
- managing flexible teams.

We continued providing support and training on mental health and wellbeing during this time of remote working, and maintained remote training in these areas in accordance with the Victorian Public Service mental health and wellbeing charter. We also ran a mindfulness education series and conducted a short seminar promoting mental health education on RU OK? day.

Mentoring program

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

This year, three mentors and seven mentees were successfully matched.

Capability and performance

Performance and development

We worked closely with managers and teams during 2020–21 to ensure performance plans were robust, transparent and empowering. Managers were supported to have timely and targeted performance discussions with teams, with a strong focus on wellbeing and flexibility.

Workforce planning

Recruitment

Our people and culture team supported 51 recruitments during 2020–21.

Twenty-four roles were advertised exclusively to the Jobs and Skills Exchange platform to support the mobility of Victorian public service candidates. Of these, 11 were re-advertised externally due to low application numbers or applicants who did not meet the core skill requirements of the role.

The team focused on supporting managers with workforce planning during 2020–21, ensuring they had adequate resources and capability to deliver our expanding roles and responsibilities.

Graduate program and internships

We recruited three graduates in 2021, and supported summer internships through work-integrated learning in universities and in partnership with the Department of Treasury and Finance. During 2020–21, we employed three interns through our various programs.



Health and safety

Health and wellbeing committee

Our health and wellbeing committee is led by an executive sponsor and consists of divisional representatives and members of the people and culture team. The committee has rolled out several initiatives focused on keeping employees active, connected and well.

Reducing sedentary risk

We are committed to reducing sedentary risk in our workplace, encouraging staff to take regular breaks and alternate their working hours. The commission participated in events such as STEPtember to encourage increasing activity, and promoted several health and fitness resources through our wellbeing network.

OH&S committee

Our occupational health and safety committee met four times during 2020–21. Attendees include health and safety representatives, organisational representatives, members of our people and culture team, and a representative from Action OHS.

Our health and safety representatives have a pivotal role in ensuring our workplace is safe and hazard-free. They also help to ensure our committee considers new ideas and perspectives.

The committee focused on promoting remote working safety during 2020–21. The committee organised virtual ergonomic assessments with experts for employees requiring added support, providing additional equipment as required.

Diversity and inclusion

We strive to foster a culture where all staff are confident to bring their whole selves to work regardless of gender, race, religious beliefs, age, disability, or sexual orientation. We are taking steps towards being more respectful and inclusive of all aspects of diversity.

Flexible work

Working flexibly became more important than ever in 2020–21. With many staff juggling working from home and supervising remote learning, we continued to promote flexible work practices and work and life balance.

We surveyed staff to monitor the impact of remote work and were told the majority felt confident that flexible work was supported. We focused on workload during peak times and encouraged staff to maintain a separation between work and life demands, as well as take adequate breaks.

Gender Equality

We aim for gender equality in the workplace. The Gender Equality Act came into effect in March 2021, creating several obligations that the people and culture team are addressing to ensure we have an equal workforce. These obligations include:

- undertaking gender impact assessments on new policies, programs or services that have a direct and significant impact on the community
- completion of gender audits
- creating gender equality action plans.

Our Empowered Women's Network, is a staff-led initiative that aims to promote, empower and recognise the women in our workplace.

Due to restrictions the network could not host an in-person International Women's Day event this year. Instead, the network wrote a series of articles on the theme 'Choose to Challenge.' They also coordinated pledges from women across the organisation to express their support for the theme.

LGBTIQ+ support

We recognise and support the inclusion of LGBTIQ+ people at the commission. We have a Pride Network which aims to promote workplace inclusion, provide a space for LGBTIQ+ people and allies to come together and raise issues of importance to them, and supply a formal avenue to connect with the broader Victorian Public Service Pride Network.

This year the network promoted IDAHOBIT, the International Day Against Homophobia, Biphobia and Transphobia, by raising awareness of the support needed for the LGBTIQ+ community. We also celebrated 'Wear It Purple Day' where members shared queer film, TV and book recommendations with staff to enjoy in lockdown. The network maintained its link to the Victorian Public Service Pride Network by sharing its news on the intranet.

Aboriginal Reconciliation

Promoting Aboriginal reconciliation is a priority at the commission. This year we are participating in the Aboriginal Cultural Capability in the Workplace Program through the Victorian Public Sector Commission, and working with the Victorian Aboriginal Corporation for Languages to name meeting rooms. We observed NAIDOC Week and National Reconciliation Week.

Disability Support

We are committed to supporting employees and prospective employees who have a disability by raising awareness, making reasonable workplace adjustments, ensuring our office space and its facilities are accessible to all, and having representation on the enablers network facilitated by the Department of Treasury and Finance.

Workforce data

The following table shows the head count and full-time staff equivalent (FTE) of all active employees of the commission employed in the last full pay period in June 2021, and in the last full pay of the previous reporting period (2020).

June 2021							
	All employees		Ongoing			Fixed Term and casual	
	Number (Headcount)	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Women	78	71.94	51	14	60.62	13	11.32
Men	76	74.39	61	3	63	12	11.39
Self-described	n	n	n	n	n	n	n
Age							
15-24	7	4.42	2	1	2.4	4	2.02
25-34	36	35.31	28	2	29.31	6	6
35-44	64	60.55	44	9	49.86	11	10.69
45-54	32	31.35	26	3	28.35	3	3
55-64	13	12.7	11	2	12.7	0	0
65+	2	2	1	0	1	1	1
VPS** 1-6 Grade	139	131.33	98	17	109.62	24	21.71
VPS 1	2	2	0	0	0	2	2
VPS 2	6	3.42	2	1	2.4	3	1.02
VPS 3	19	17.84	14	3	15.95	2	1.89
VPS 4	33	31.76	25	4	27.76	4	4
VPS 5	54	52.9	40	3	42.1	11	10.8
VPS 6	25	23.41	17	6	21.41	2	2
Senior employees	15	15	14	0	14	1	1
STS***	4	4	3	0	3	1	1
SRA****	6	6	6	0	6	0	0
Executives	5	5	5	0	5	0	0
Other							
Total Employees	154	146.33	112	17	123.62	25	22.71

* FTE = full-time equivalent

** VPS = Victorian Public Service

*** STS = Senior technical specialist

**** SRA = Senior regulatory analyst

June 2020						
All employees		Ongoing			Fixed Term and casual	
Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
70	67.66	51	9	57.96	10	9.70
68	67.10	55	4	58.3	9	8.80
n	n	n	n	n	n	n
4	4.00	1	0	1.00	3	3.00
40	39.70	33	2	34.70	5	5.00
55	52.86	38	8	44.36	9	8.50
24	23.40	20	2	21.40	2	2.00
14	13.80	13	1	13.80	0	0.00
1	1.00	1	0	1.00	0	0.00
123	119.76	92	13	102.26	18	17.50
2	1.80	0	0	0.00	2	1.80
5	5.00	3	0	3.00	2	2.00
20	19.25	15	2	16.55	3	2.70
24	23.80	22	1	22.80	1	1.00
46	45.60	37	2	38.60	7	7.00
26	24.31	15	8	21.31	3	3.00
15	15.00	14	0	14.00	1	1.00
4	4.00	3	0	3.00	1	1.00
6	6.00	6	0	6.00	0	0
5	5.00	5	0	5.00	0	0
		0	0	0.00	4	3.20
138	134.76	106	13	116.26	19	18.50

This data excludes our commissioners and chair.

Executive numbers

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

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

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

Corporate governance

The commission was established by the Essential Services Commission Act 2001, which came into effect on 1 January 2002.

5

Number of times
our board
met in 2020–21

41

Number of times
the commission
met in 2020–21

5

Number of times our
audit and risk committee
met in 2020–21

We have been operating since 2001

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

The Assistant Treasurer is responsible for the commission. We are required to perform functions under various industry legislation. A full list of the legislation can be found in appendix E of this report.

The Essential Services Commission Act 2001 requires us to:

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

As part of our role, we consider:

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

We use a formal process to exercise our statutory responsibilities

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

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

Legislation

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

Other legislation related to our work includes:

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

Our board oversees organisational governance

Our commissioners meet as a board to formally deal with organisational governance. Their focus is to:

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

Managing risk and maintaining integrity

The audit and risk committee assists the board to fulfil its responsibilities in line with the requirements of the Standing Directions under the Financial Management Act 1994. Its main responsibilities are:

- financial management and reporting
- systems of risk oversight and management, including workplace safety and wellbeing, and technology
- integrity management



Commissioners Billings, Symons, Corden and Bhojani.

- internal and external audit activities
- compliance with relevant laws and policies
- business continuity.

The committee consisted of the following members at 30 June 2021:

- Peter Lewinsky, external member and committee chair – appointed 1 January 2021
- David Ashmore, external member and committee chair – 30 June – 31 December 2020
- Michelle Beveridge, external member – appointed 1 January 2021
- Rebecca Billings, commissioner
- Simon Corden, commissioner.

Our internal audit services were provided by Pitcher Partners.

Our memorandums of understanding help improve outcomes

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

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

We held memorandums of understanding with 16 organisations

In 2020–21, we held memorandums of understanding with the following organisations:

1. Australian Competition and Consumer Commission*
2. Australian Energy Regulator*
3. The Clean Energy Regulator (Commonwealth)*
4. Commercial Passenger Vehicles Victoria*
5. Director of Consumer Affairs Victoria

6. Department of Health
7. Department of Human Services
8. Energy Safe Victoria
9. Energy and Water Ombudsman (Victoria) Limited (EWOV)*
10. Environment Protection Authority (EPA Victoria)
11. Environment and Sustainable Development Directorate (ACT)*
12. Independent Pricing and Regulatory Tribunal New South Wales*
13. Marine Safety Victoria (Transport Safety Victoria)
14. Sustainability Victoria
15. Victorian Regional Channels Authority
16. Victorian Workcover Authority*.

View our [memorandums of understanding](#)

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

Essential Services Commission Financial Management Compliance Attestation Statement

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



Kate Symons, **Commissioner and Chairperson**

Our finances

Our finances in 2020–21

\$21.353 million
in assets

\$14.429 million
in net assets

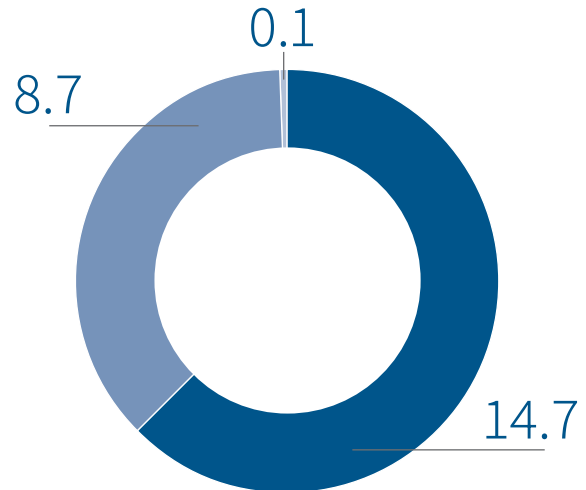
\$6.923 million
in liabilities

Our financial position remains strong with total assets of \$21.353 million, total liabilities of \$6.923 million and total net assets of \$14.429 million.

\$0.278 million
surplus

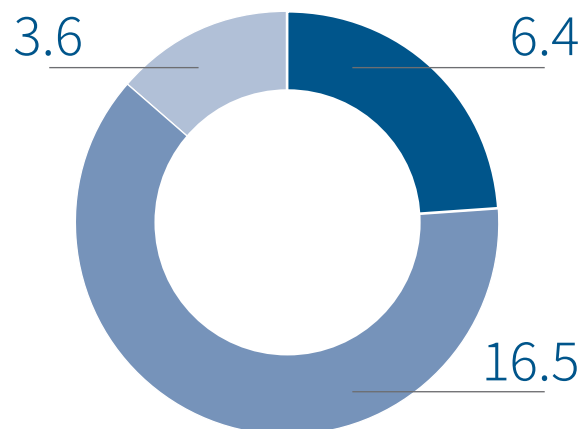
We recorded an operating surplus of \$0.278 million in 2020–21 compared to \$0.149 million in 2019–20.

Expenses (\$ million)



- Employee expenses
- Supplies and services
- Other

Administered Revenue (\$ million)



- Victorian Energy Upgrades
- Energy
- Water

Current year financial review

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

In 2020–21 the commission achieved an operating surplus of \$0.278 million, \$0.129 million higher than in 2019–20. The following summary of our financial performance shows the movements in actual income, expenses, balance sheet items and net cash flow.

Financial summary 2020–21 and previous 4 years

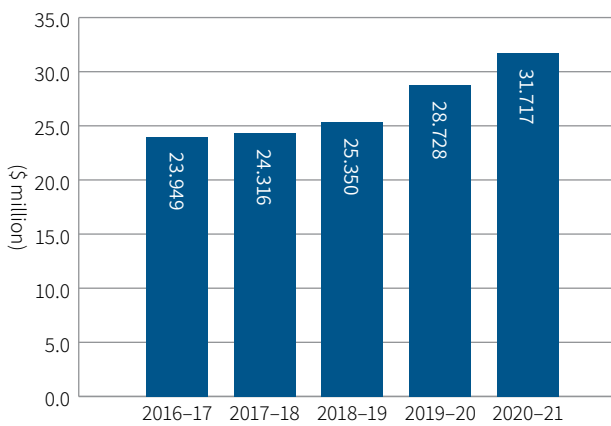
Comprehensive operating statement	2020–21	2019–20	2018–19	2017–18	2016–17
Total income from transactions	31,717,415	28,728,156	25,349,539	24,316,269	23,948,697
Total expenses from transactions	31,633,057	28,539,801	23,554,425	24,029,804	21,769,240
Net result from transactions	84,358	188,355	1,795,113	286,465	2,179,457
Comprehensive result	278,268	149,263	1,660,295	290,004	2,113,707
Balance sheet					
Total assets	21,352,672	23,301,400	19,211,562	17,546,737	16,689,963
Total liabilities	6,923,485	9,150,481	5,380,733	5,376,203	4,809,434
Net assets	14,429,187	14,150,919	13,830,829	12,170,534	11,880,529
Cash flow					
Net cash flow from operating activities	1,264,327	1,505,481	180,329	33,565	13,271

Surplus/deficit

We operate in a fiscally responsible and sustainable manner, managing to the funding provided by government with a surplus each year, at an average of five per cent per year, to increase reserves to fund future projects. Any application to prior years' surpluses are subject to approval by the Treasurer.

Income

Our income, 2016–17 to 2020–21

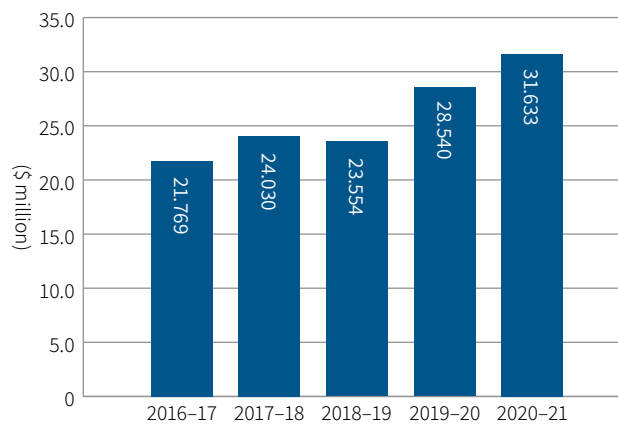


We are funded through parliamentary appropriations passed on as a grant through the Department of Treasury and Finance.

Our total revenue has increased by 32 per cent over the past five years as a result of an increase in regulatory functions, such as the expanded customer protection responsibilities in the government's Energy Fairness Plan, and the expansion of the Victorian Energy Upgrades program.

Expenses

Our expenses, 2016–17 to 2020–21



We incurred \$31.633 million in expenses from transactions for the reported financial year. There was an increase in expenditure largely related to delivery of the government's Energy Fairness Plan, as well the delivery of some projects originally planned for 2019–20 but delayed because of the coronavirus pandemic.

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

The 2020–21 financial year saw the commission largely continue to work from home due to the coronavirus pandemic. This and other effects of the pandemic on our suppliers and contractors has caused some delays in the delivery of IT projects and the setup of the new office accommodation. We have carried over \$0.900 million in appropriation funding from 2020–21 to 2021–22 to deliver these projects.

Assets and liabilities

Our financial position remains strong, with total assets of \$21.353 million, total liabilities of \$6.923 million and net assets of \$14.429 million. Significantly, our working capital is sufficient to fund our operations over the forward estimates period.

Net assets as a percentage of total assets table

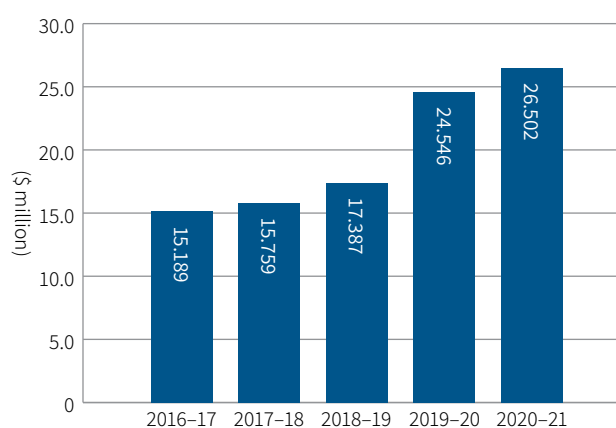
	2020-21	2019-20	2018-19	2017-18	2016-17
Net Assets	67.58%	60.73%	71.99%	69.36%	71.18%

Our major asset is the receivable from the Victorian Government, which includes previously applied parliamentary appropriations that we have not yet drawn on. The balance represents the accumulated surplus (which can only be drawn down on after the approval of the Treasurer), accrued employee entitlements, payables and accumulated depreciation. The balance, net of the accumulated surplus represents funding for commitments incurred through the appropriations, which are drawn from the consolidated fund as the commitments fall due. Total liabilities decreased to \$6.923 million, with our major liabilities being accounts payable and employee provisions.

Administered revenue

We also collect administered revenue on behalf of the State of Victoria, which is paid into the Department of Treasury and Finance's consolidated fund. The revenue includes licence fees and penalties for the regulation of the energy and water industries, fees for the Victorian Energy Upgrades program, as well as any penalties relating to that program. We collected \$26.502 million administered revenue in 2020-21 compared to \$24.546 million in 2019-20.

Administered revenue, 2016-17 to 2020-21



The year ahead

We were allocated \$8.54 million over five years in the 2021-22 State Budget to support further expansion of the Victorian Energy Upgrades program and removing energy red tape.

Appropriation funding for 2021-22 will total \$32.76 million.

2018-19	2019-20	2020-21	2021-22
\$24.972 million	\$27.878 million	\$30.56 million	\$32.76 million

Appropriation funding this year includes carryover funding of \$0.90 million output, compared to a carryover of \$1.40 million into 2020-21.

Performance against output measures

Our output measures and targets align with our objective to promote the long-term interests of Victorian consumers with regard to price, quality and reliability of essential services. Each year, we report on our performance against several measures that relate to Budget Paper Number 3 Service Delivery (BP3).

The table below summarises our performance for all output measures in 2020–21

Performance measures	Unit of measure	2020–21 actual	2020–21 target	Performance variation (%)	Result
Quantity					
New or revised regulatory instruments issued	number	12	9	33	✓
The higher 2020–21 actual reflects the amendment of codes due to the coronavirus pandemic to provide additional protection to customers and small business, in accordance with National Cabinet debt recovery principles.					
Performance reports for regulated businesses or industries	number	23	13	77	✓
The higher 2020–21 actual is due to the commencement of unplanned monthly coronavirus reporting by the Energy Division following onset of the pandemic.					
Performance reviews and compliance audits of regulated businesses	number	145	143	1	✓
Price approvals of regulated businesses	number	19	20	(5)	○
The lower 2020–21 actual is due to no local government application being received.					
Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target program	number	5 295	5 000	6	✓
Coronavirus restrictions initially caused a significant reduction in residential activity, resulting in fewer submissions for approval. After restrictions were lifted in November 2020, activity increased to record levels.					
Reviews, investigations or advisory projects	number	5	3	67	✓
The higher 2020–21 actual is due to an additional review survey regarding impacts of coronavirus and other projects not proposed when targets were set.					
Compliance and enforcement activities – energy	number	272	36	656	✓
The higher 2020–21 actual is due to increased compliance and enforcement capacity due to additional budget funding, resulting in exceeding of targets (as measured by penalty notices issued).					
Setting of regulated price and tariffs	number	17	16	6	✓
The 2020–21 target was incorrectly published in the 2020–21 budget papers as 6 instead of 16. The higher 2020–21 actual is due to the addition of one extra tariff decision.					
Quality					
Decisions upheld where subject to review, appeal or disallowance	per cent	100	100	-	✓
Timeliness					
Delivery of major milestones within agreed timelines	per cent	100	100	-	✓
Cost					
Total output cost	\$ million	\$32.3	31.7	2	✓

✓ Performance target achieved.

○ Performance target not achieved - within five per cent variance.

● Performance target not achieved - exceeds five per cent variance.

Licence fee revenue

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

Type of licence	Total revenue 2020-21	Total revenue 2019-20
	(\$)	(\$)
Energy		
Electricity		
Electricity generation	317,890	297,299
Electricity transmission	69,107	59,802
Electricity distribution	2,100,866	1,977,432
Electricity wholesale	24,187	23,921
Retail electricity	6,389,880	4,988,076
Gas industry		
Gas distribution	700,289	814,237
Retail gas	4,403,556	3,471,185
All energy sectors	14,005,776	11,631,951
Water		
Melbourne Water and Metro	2,894,875	2,860,829
Regional	657,397	724,387
Rural	87,601	120,329
All water sectors	3,639,873	3,705,544

Financial Statements

For the Year Ended 30 June 2021

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Declaration in the financial statements

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of the commission at 30 June 2021.

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

We authorise the attached financial statements for issue on 27 October 2021.



Anne Hodder
Chief Financial Officer

Melbourne
27 October 2021



Dr John Hamill
Chief Executive Officer

Melbourne
27 October 2021



Kate Symons
Chairperson and Commissioner

Melbourne
27 October 2021



Independent Auditor's Report

To the Commissioner of the Essential Services Commission

Opinion	<p>I have audited the financial report of the Essential Services Commission (the commission) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2021 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • the declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the commission as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner of the commission is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
29 October 2021



Timothy Maxfield
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
Income from transactions			
Grants	2	31,399,510	28,434,667
Resources received free of charge	2	317,905	293,489
Total income from transactions		31,717,415	28,728,156
Expenses from transactions			
Employee expenses	3.1.1	21,947,949	18,135,730
Depreciation and amortisation	5.1.1	70,585	316,512
Lease interest		2,153	32,220
Capital asset charge		83,703	84,067
Supplies and services	3.2	9,528,667	9,971,272
Total expenses from transactions		31,633,057	28,539,801
Net result from transactions		84,358	188,355
Other economic flows included in net result			
Net gain/(loss) on disposal of non-financial assets	9.1	(155,831)	12,558
Net gain/(loss) from revaluation of leave liabilities	9.1	349,741	(51,650)
Total other economic flows included in net result		193,910	(39,092)
Net result		278,268	149,263
Comprehensive result		278,268	149,263

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

Balance sheet

As at 30 June 2021

	Notes	2021 \$	2020 \$
Assets			
Financial Assets			
Receivables	6.1	17,923,446	20,974,979
Total financial assets		17,923,446	20,974,979
Non-financial assets			
Prepayments		620,215	610,112
Property, plant and equipment	5.1	373,981	333,564
Intangible assets	5.2	2,435,030	1,382,745
Total non-financial assets		3,429,226	2,326,421
Total assets		21,352,672	23,301,400
Liabilities			
Payables	6.2	1,560,420	3,601,684
Employee related provisions	3.1.2	5,092,324	4,489,971
Make good provision	6.3	220,592	131,061
Lease liabilities		50,149	84,889
Unearned income	6.4	-	842,876
Total liabilities		6,923,485	9,150,481
Net assets		14,429,187	14,150,919
Equity			
Contributed capital		1,044,748	1,044,748
Accumulated surplus (a)		13,384,439	13,106,171
Total equity		14,429,187	14,150,919

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

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

Cash flow statement

For the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from government		34,227,244	27,795,161
Receipts from other entities		3,601	2,383
Payments to suppliers and employees		(32,880,662)	(26,175,776)
Capital asset charge paid		(83,703)	(84,067)
Interest paid		(2,153)	(32,220)
Net cash flows from operating activities	7.1	1,264,327	1,505,481
Cash flows from investing activities			
Payments for property, plant and equipment		(195,944)	(13,168)
Proceeds from sale of property, plant and equipment		-	53,182
Payments for intangible assets		(1,052,285)	(1,382,745)
Net cash flows (used in) investing activities		(1,248,229)	(1,342,731)
Cash flows from financing activities			
Repayment of leases (a)		(16,098)	(162,750)
Net cash flows (used in) financing activities		(16,098)	(162,750)
Net decrease in cash and cash equivalents			
		-	-
Cash and cash equivalents at the start of the year		-	-
Cash and cash equivalents at the end of the year		-	-

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

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

Statement of changes in equity

For the financial year ended 30 June 2021

	Contributed capital \$	Accumulated surplus \$	Total \$
Balance at 1 July 2019	873,921	12,956,908	13,830,829
Equity transfers to other government entities	170,827	-	170,827
Net result for the year	-	149,263	149,263
Balance at 30 June 2020	1,044,748	13,106,171	14,150,919
Net result for the year	-	278,268	278,268
Balance at 30 June 2021	1,044,748	13,384,439	14,429,187

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

Note 1. About this report

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

Its principal address is: Essential Services Commission
 Level 8
 570 Bourke Street
 Melbourne VIC 3000

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

Basis of preparation

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

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

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

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

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

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

Compliance

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

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

Note 2. Funding delivery of our services

Introduction

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

At 30 June 2021 the regulated industries included electricity, gas, water and sewerage, ports and taxis. Functions conferred under other legislation related to energy industry compliance and enforcement, energy efficiency, accident towing and local government.

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

	2021 \$	2020 \$
Income from transactions		
Grants from DTF	30,556,634	27,877,544
Grants from other government departments	842,876	557,123
Resources received free of charge	317,905	293,489
Total income from transactions	31,717,415	28,728,156

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

Grants

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

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

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

The commission's grant revenue from DTF is recognised as revenue in accordance with AASB 1058.

Resources received free of charge

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

Note 3. The cost of delivering services

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

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

Expenses incurred in delivery of services

	Notes	2021 \$	2020 \$
Employee expenses	3.1.1	21,947,949	18,135,730
Depreciation and amortisation	5.1.1	70,585	316,512
Lease interest		2,153	32,220
Capital asset charge		83,703	84,067
Supplies and services	3.2	9,528,667	9,971,272
Total expenses incurred in delivery of services		31,633,057	28,539,801

3.1. Employee expenses

3.1.1. Employee expenses in the comprehensive operating statement

	2021 \$	2020 \$
Salaries and wages	16,902,037	13,668,518
Superannuation		
- Defined contribution plans	1,686,878	1,327,571
- Defined benefits expense	14,415	14,300
Annual and long service leave expense	2,299,547	2,262,400
On-costs	1,045,072	862,941
Total employee expenses	21,947,949	18,135,730

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

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

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

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

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

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

3.1.2. Employee related provisions in the balance sheet

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

	2021 \$	2020 \$
Provisions		
Current:		
Annual leave		
Unconditional and expected to settle within 12 months	1,369,665	1,204,422
Unconditional and expected to settle after 12 months	557,666	331,373
Long service leave		
Unconditional and expected to settle within 12 months	294,089	332,894
Unconditional and expected to settle after 12 months	2,215,831	2,131,729
Total current employee related provisions	4,437,251	4,000,418
Non-current:		
Long service leave	655,073	489,553
Total non-current employee related provisions	655,073	489,553
Total provisions for employee benefits	5,092,324	4,489,971

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

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

3.2. Supplies and services

	2021 \$	2020 \$
Supplies and services		
Property management and outgoings	1,357,081	809,908
Purchases of services	5,248,848	6,462,881
Other	2,922,738	2,698,483
Total supplies and services	9,528,667	9,971,272

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

The following lease payments are recognised on a straight-line basis:

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

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

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

Note 4. Administered items

In addition to the specific controlled operations which are included in the balance sheet, comprehensive operating statement, statement of equity and cash flow statement, the commission administers or manages activities on behalf of the State.

The transactions relating to these State activities are reported as administered in this note. Administered transactions give rise to income, expenses, assets and liabilities and are determined on an accrual basis. Administered income consists principally of licence fees. Administered assets include licence fee income earned but yet to be collected. Licence fees are accrued on the basis of a determination made by the Assistant Treasurer.

The commission acts on behalf of the Victorian Government in collecting licence fees administered by the commission under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, and the *Water Industry Act 1994*, and Victorian Energy Efficiency certificates issued under the *Victorian Energy Efficiency Target Act 2007*, and penalties issued under these acts and the *Essential Services Commission Act 2001*.

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

	2021 \$	2020 \$
Administered income from transactions		
Licence and other fees	26,502,011	24,546,424
Total administered income from transactions	26,502,011	24,546,424
Administered expenses from transactions		
Payments into the Consolidated Fund	24,255,194	18,251,456
Total administered expenses from transactions	24,255,194	18,251,456
Administered net result	2,246,817	6,294,968
Administered assets		
Debtors	80,773	143,343
Amounts receivable from government departments	-	65,976
Accrued income	17,646,882	15,337,495
Total administered assets	17,727,655	15,546,814
Administered liabilities		
GST payable	-	65,976
Total administered liabilities	-	65,976
Administered net assets	17,727,655	15,480,838

Note 5. Key assets available to support delivery of services

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

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

5.1. Property, plant and equipment ^(a)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Leasehold improvements	220,592	131,061	(85,176)	(70,980)	135,416	60,081
Office and computer equipment at fair value	120,000	36,308	(20,503)	(24,896)	99,497	11,412
Motor vehicles under lease	83,863	105,367	(33,907)	(20,914)	49,956	84,453
Construction in Progress - Building	-	139,716	-	-	-	139,716
Construction in Progress - Plant & Equipment	89,112	37,902	-	-	89,112	37,902
Net carrying amount	513,567	450,354	(139,586)	(116,790)	373,981	333,564

Note:

(a) AASB 16 Leases was applied for the first time from 1 July 2019. From 1 November 2019, lease payments on the commission's accommodation are recognised in DTF's Administered items, following the implementation of the Centralised Accommodation Management strategy across the whole of government. The Centralised Accommodation Management strategy is described in Note 9.2.

Initial recognition

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

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

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

Subsequent measurement

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

Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

5.1.1. Depreciation and amortisation

	2021 \$	2020 \$
Charge for the period ^(a)		
Buildings ^(b)	-	284,290
Leasehold improvements	32,825	21,293
Office and computer equipment	21,906	1,756
Motor vehicles under lease	15,854	9,173
Total depreciation and amortisation	70,585	316,512

Note:

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

(b) From 1 November 2019, lease payments on the commission's accommodation are recognised in DTF's Administered items, following the implementation of the Centralised Accommodation Management strategy across the whole of government. The Centralised Accommodation Management strategy is described in Note 9.2.

All plant and equipment and intangible produced assets that have finite useful lives are depreciated.

Depreciation is calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value, over its expected useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

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

Typical estimated useful lives applicable for the years ended 30 June 2021 and 30 June 2020 are as follows:

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

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

Impairment of non-financial assets

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

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

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

	Buildings \$	Leasehold improvements \$	Office and computer equipment \$	Motor vehicles under lease \$	Construction in Progress - Building \$	Construction in Progress - Plant & Equipment \$	Total \$
2021							
Carrying amount at start of year	-	60,081	11,412	84,453	139,716	37,902	333,564
Additions	-	89,531	106,832	-	-	89,112	285,475
Disposals	-	(121,087)	(34,743)	(18,643)	-	-	(174,473)
Depreciation expense	-	(32,825)	(21,906)	(15,854)	-	-	(70,585)
Transfers	-	139,716	37,902	-	(139,716)	(37,902)	-
Carrying amount at end of year	-	135,416	99,497	49,956	-	89,112	373,981
2020							
Carrying amount at start of year	-	56,784	-	15,986	139,716	37,902	250,388
Recognition of right-of-use assets on initial application of AASB 16 ^(a)	4,834,480	-	-	-	-	-	4,834,480
Additions	-	24,590	13,168	118,264	-	-	156,022
Disposals	-	-	-	(40,624)	-	-	(40,624)
Depreciation expense	(284,290)	(21,293)	(1,756)	(9,173)	-	-	(316,512)
Transfers to DTF – Centralised Accommodation Strategy ^(b)	(4,550,190)	-	-	-	-	-	(4,550,190)
Carrying amount at end of year	-	60,081	11,412	84,453	139,716	37,902	333,564

Notes:

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

(b) From 1 November 2019, lease payments on the commission's accommodation are recognised in DTF's Administered items, following the implementation of the Centralised Accommodation Management strategy across the whole of government. The Centralised Accommodation Management strategy is described in Note 9.2.

5.2. Intangible assets

	2021 \$	2020 \$
Intangible assets under development	2,435,030	1,382,745
Reconciliation of carrying amounts		
Carrying amount at start of year	1,382,745	-
Additions	1,052,285	1,382,745
Depreciation expense	-	-
Carrying amount at end of year	2,435,030	1,382,745

Initial recognition

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

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

Note 6. Other assets and liabilities

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

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

6.1 Receivables

	2021 \$	2020 \$
Current:		
Contractual		
Debtors	-	2,710
	-	2,710
Statutory		
Amounts receivable from government departments	17,078,122	20,142,077
GST recoverable	190,251	340,639
	17,268,373	20,482,716
Total current receivables	17,268,373	20,485,426
Non-current:		
Statutory		
Amounts receivable from government departments	655,073	489,553
Total non-current receivables	655,073	489,553
Total receivables	17,923,446	20,974,979

Receivables consist of:

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

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

Collectability of debtors is reviewed on an ongoing basis.

A provision for doubtful debts is raised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

6.2 Payables

	2021 \$	2020 \$
Current:		
Contractual		
Creditors and accruals	1,560,420	3,601,684
Total payables	1,560,420	3,601,684

Payables consist of:

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

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

6.3 Make good provision

	2021 \$	2020 \$
Current:		
Make good provision	220,592	131,061
	220,592	131,061

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

6.4 Unearned income

	2021 \$	2020 \$
Current:		
Grants received in advance	-	842,876
	-	842,876

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

Note 7. Financing our operations

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

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

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

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

	2021 \$	2020 \$
Net result	278,268	149,263
Non-cash movements		
Depreciation	70,585	316,512
(Gain)/Loss on disposal of property, plant and equipment	155,831	(12,558)
Movements in assets and liabilities		
(Increase)/decrease in receivables	3,051,533	(2,490,769)
(Increase)/decrease in prepayments	(10,103)	(160,230)
Increase/(decrease) in payables	(2,041,264)	1,737,633
Increase/(decrease) in provisions	602,353	1,122,754
Increase/(decrease) in unearned income	(842,876)	842,876
Net cash flows from operating activities	1,264,327	1,505,481

7.2. Commitments for expenditure

	2021 \$	2020 \$
Capital commitments		
Intangible assets, payable:		
Within one year	8,934	878,985
Later than one year but not later than five years	-	-
Total commitments (inclusive of GST)	8,934	878,985
Less GST recoverable	812	79,908
Total capital commitments (exclusive of GST)	8,122	799,077
Outsourcing commitments		
Information technology services, payable:		
Within one year	454,245	454,245
Later than one year but not later than five years	-	-
Total commitments (inclusive of GST)	454,245	454,245
Less GST recoverable	41,295	41,295
Total outsourcing commitments (exclusive of GST)	412,950	412,950
Property management services, payable:		
Within one year	1,494,916	1,062,544
Later than one year but not later than five years	6,561,678	729,463
Later than five years	584,403	-
Total commitments (inclusive of GST)	8,640,997	1,792,007
Less GST recoverable	785,545	162,910
Total outsourcing commitments (exclusive of GST)	7,855,452	1,629,097

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

The commission is currently on the second year of optional extensions provided for under the information technology services contract.

Note 8. Risks, contingencies and valuation judgements

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

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

8.1. Financial instruments specific disclosures

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

Categories of financial assets

Financial assets at amortised cost

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

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

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

The commission recognises the following assets in this category:

- debtors.

Categories of financial liabilities

Financial liabilities at amortised cost

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

The commission recognises the following liabilities in this category:

- creditors and accruals; and
- lease liabilities.

Offsetting financial instruments

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

8.1.1. Categorisation of financial instruments

	Note	Category	Carrying amount	
			2021 \$	2020 \$
Financial assets				
Receivables*	6.1	Financial assets at amortised cost	-	2,710
			-	2,710
Financial liabilities				
Payables	6.2	Financial liabilities at amortised cost	1,560,420	3,601,684
Lease liabilities		Financial liabilities at amortised cost	50,149	84,889
			1,610,569	3,686,573

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

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

Financial liabilities

Lease liabilities	Financial liabilities at amortised cost	(2,153)	(32,220)
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The net holding gains or losses disclosed relate to interest expense and are measured at amortised cost.

8.1.3. Financial risk management objectives and policies

Financial instruments: Credit risk

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

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

Financial instruments: Liquidity risk

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

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

Financial Instruments: Market risk

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

8.2. Contingent assets and contingent liabilities

The commission had no contingent assets or contingent liabilities at 30 June 2021 (30 June 2020: Nil).

Note 9. Other disclosures

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

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

9.1. Other economic flows included in net result

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

Disposal of non-financial assets

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

In 2020–21 the commission wrote off assets for leasehold improvement, make good provision and other assets in association with the accommodation lease at 2 Lonsdale Street, Melbourne.

Other gains and losses from other economic flows

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

9.2. Centralised Accommodation Management

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

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

The initial transition of the CAM model in October 2019 covers only the commission's accommodation lease payments. The related leasehold improvements has been subsequently transferred to SSP and incorporated as part of the right-of-use lease accommodation asset. The make good provision on the accommodation remains in the commission's financial statements as at 30 June 2021.

9.3. Responsible persons

The persons who held the positions of Minister and Accountable Officer in the commission (from 1 July 2020 to 30 June 2021 unless otherwise stated) were:

Responsible Minister	The Hon. Danny Pearson MP, Assistant Treasurer
Accountable Officer	Dr John Hamill, Chief Executive Officer

Tim Pallas MP acted for the Assistant Treasurer in the absences of The Hon. Danny Pearson MP.

Total remuneration received or receivable by the Accountable Officer in connection with the management of the commission during the reporting period was in the range: \$350,000 - \$359,999 (\$340,000 - \$349,999 in 2019-20).

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

9.4. Remuneration of executives

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

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

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

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

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

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

	Total remuneration	
	2021 \$	2020 \$
Remuneration of executive officers		
Short-term employee benefits	872,511	817,979
Post-employment benefits	76,343	78,675
Other long-term benefits	5,097	60,339
Termination benefits	43,624	40,132
Total remuneration	997,575	997,125
Total number of executives	5	5
Total annualised employee equivalents ^(a)	3.81	3.65

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

9.5. Related parties

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

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

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

Significant transactions with government-related entities

Significant transactions entered into by the commission during 2020-21 are disclosed in relevant notes as detailed below:

- The commission received grant funding from DTF which is disclosed in Note 2; and
- The commission on behalf of the Victorian Government collected licence fees from Victorian water businesses \$3,639,873 (2019-20 - \$3,705,544). This is included as part of the total administered income balance disclosed in Note 4.

Key management personnel

Key management personnel (KMP) of the commission include the Portfolio Minister, The Hon. Danny Pearson MP, and the Commissioners and Chief Executive Officer, which includes:

- Chairperson and Commissioner Kate Symons
- Commissioner Simon Corden
- Commissioner Sitesh Bhojani
- Commissioner Rebecca Billings and
- Chief Executive Officer, Dr John Hamill.

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

	2021 \$	2020 \$
Compensation of KMPs		
Short-term employee benefits	1,562,158	1,235,431
Post-employment benefits	103,099	80,622
Other long-term benefits	40,208	34,539
Termination benefits	-	-
Total	1,705,465	1,350,592

9.6. Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020–21 reporting period. These accounting standards have not been applied to the commission’s financial statements. The commission is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

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

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

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

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*;
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*;
- AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures*;
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*; and
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*.

9.7. Events after reporting date

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

9.8. Remuneration of auditors

The fee for the audit of the 2020-21 annual financial statements by the Victorian Auditor-General’s Office amounts to \$20,240 (2019–20 - \$19,800). No other services are being provided by the Victorian Auditor-General’s Office.

9.9. Glossary of terms

Administered item

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

Annualised employee equivalent

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

Capital asset charge

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

Commitments

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

Comprehensive result

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

Controlled item

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

Depreciation

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

Employee benefits expenses

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

Finance lease

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

Financial asset

A financial asset is any asset that is:

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

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

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Interest expense

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

Leases

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

Net result

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

Net result from transactions

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

Non-financial assets

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

Other economic flows included in net result

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

Other economic flows – other comprehensive income

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

Payables

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

Receivables

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

Supplies and services

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

Transactions

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

Appendix A: Disclosures Index

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

Legislation	Requirement	Page number
Charter and purpose		
FRD 22I	Manner of establishment and relevant ministers	59
FRD 22I	Purpose, functions, powers and duties	59
FRD 8D	Objectives, indicators and outputs	15, 66
FRD 22I	Key initiatives and projects	28-51
FRD 22I	Nature and range of services provided	15
Management and structure		
FRD 22I	Organisational structure	11
Financial and other information		
FRD 8D	Performance against output performance measures	66
FRD 10A	Disclosure index	99
FRD 12B	Disclosure of major contracts	103
FRD 22I	Executive officer disclosures	58, 93
FRD 15D	Employment and conduct principles	102
FRD 22I	Occupational health and safety policy	102
FRD 22I	Summary of the financial results for the year	62-65
FRD 22I	Significant changes in financial position during the year	62-65
FRD 22I	Major changes or factors affecting performance	62-65
FRD 22I	Subsequent events	n/a
FRD 22I	Application and operation of <i>Freedom of Information Act 1982</i>	108-109
FRD 22I	Compliance with building and maintenance provisions of Building Act 1993	102
FRD 22I	Statement on National Competition Policy	103
FRD 22I	Application and operation of the <i>Public Interests Disclosure Act 2012</i>	108
FRD 22I	Application and operation of the <i>Carers Recognition Act 2012</i>	n/a
FRD 22I	Details of consultancies over \$10,000	103
FRD 22I	Details of consultancies under \$10,000	103
FRD 22I	Disclosure of advertising expenditure	102
FRD 22I	Disclosure of ICT expenditure	103
FRD 22I	Disclosure of asset maturity assessment	104

Legislation	Requirement	Page number
Financial and other information continued		
FRD 22I	Statement of availability of other information	108
FRD 25D	Local Jobs First	103
SD 29C	Workforce data disclosures	56-58
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with ministerial standing direction	61
SD 5.2.3	Declaration in report of operations	1
Financial statements declaration		
SD 5.2.2	Declaration in financial statements	69
Requirements under standing direction 5.2		
SD 5.2.1 (a)	Compliance with Australian accounting standards and other authoritative pronouncements	69
SD 5.2.1 (a)	Compliance with standing directions	61
SD 5.2.1 (b)	Compliance with model financial report	61
Other disclosures as required by financial reporting directions in notes to the financial statements		
FRD 9B	Department disclosure of administered assets and liabilities by activity	81
FRD 11A	Disclosure of ex-gratia expenses	102
FRD 13	Disclosure of parliamentary appropriations	77
FRD 21C	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	93
FRD 103I	Non-financial physical assets	82-84
FRD 110A	Cash flow statements	74
FRD 112D	Defined benefit superannuation obligations	78

Legislation	Page number
<i>Freedom of Information Act 1982</i>	108-109
<i>Building Act 1993</i>	103
<i>Public Interest Disclosure Act 2012</i>	108
<i>Carers Recognition Act 2012</i>	n/a
<i>Local Jobs First Act 2003</i>	103
<i>Financial Management Act 1994</i>	69
All other legislation	60

Appendix B: Disclosures

Advertising expenditure

In 2020–21 there was one government advertising campaign with a total media spend of \$100 000 or greater (exclusive of GST). This is detailed in the following table:

		2020–21						
Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure (\$)	Creative and campaign development (\$)	Research and evaluation expenditure (\$)	Print and collateral expenditure (\$)	Other campaign expenditure (\$)	Total (\$)
						(Excl. GST)		
It's your energy 3	A campaign to increase awareness and understanding by Victorians of their energy rights and importantly their willingness to engage with the energy market to result in better financial outcomes	November 2020 – December 2020	168,410	99,937	9,000	0	0	277,347

Diversity and inclusion

We strive to create an environment that supports a diverse, inclusive, and flexible workforce. We celebrated the diversity of our employees with recognition or observing events such as National Reconciliation Week, NAIDOC Week, IDAHOBIT day, Wear It Purple Day, Harmony Day, World Religion Day, International Women's Day and others.

Our Empowered Women's Network and our Pride Network continue to grow, and we now have representation on the Department of Treasury and Finance's Enablers Network. These networks, along with the people and culture team, work to ensure our practices are inclusive.

In 2020–21, we had two staff members (1.3 per cent of employees) who self-identified as Aboriginal or Torres Strait Islander people.

Employee relations

We are committed to ensuring employee relations matters are treated fairly and promptly, and staff are aware of our grievance processes. No employee time was lost in 2020–21 due to industrial disputes, and one formal grievance was lodged.

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

Employment and conduct principles

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

We have correctly classified our employees in workforce data collections.

Occupational health and safety

We continued to promote occupational health and safety in 2020–21 through our occupational health and safety policy, engaging a health and safety representative, and convening an occupational health and safety committee which meets quarterly. No WorkCover claims were made during 2020–21.

Workcover statistics	2020–21	2019–20	2018–19
Claims	0	0	0

Private interest declarations

Declarations of private interests were completed by relevant officers in 2020–21. All new employees were required to complete declarations prior to commencement.

Building works

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

Consultancies over \$10,000

We engaged 23 consultancies at a total expenditure of \$1,339,297 (excluding GST). View details of individual consultancies at www.esc.vic.gov.au.

Consultancies under \$10,000

We engaged one consultancy at a total expenditure of \$9,091 (excluding GST).

Ex-gratia payments

There were no ex-gratia payments made in 2020–21.

Major contracts

We awarded no major contracts greater than \$10 million during 2020–21.

National Competition Policy

We complied with the National Competition Policy and the Competitive Neutrality Policy Victoria policy statement, as well as any subsequent reforms.

Local Jobs First Act 2003

The Local Jobs First Act 2003 brings together the Victorian Industry Participation Policy and Major Project Skills Guarantee policy which were previously administered separately.

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

We did not commence or complete any such procurements in 2020–21.

Information and communications technology expenditure

Information and communications technology expenditure for 2020–21 totalled \$3,265,694 details below.

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities	Operational expenditure	Capital expenditure
Business as usual ICT expenditure	Non-business as usual ICT expenditure		
(Total)	(Total = operational expenditure and capital expenditure)		
1,880,268	1,385,425	321,890	1,063,535

Information and communications technology expenditure refers to our costs in providing business-enabling information and communications technology services.

Non-business as usual ICT expenditure relates to extending or enhancing our current technology capabilities. Business as usual ICT expenditure is all remaining ICT expenditure relating to ongoing activities to operate and maintain the current information and communications technology capability.

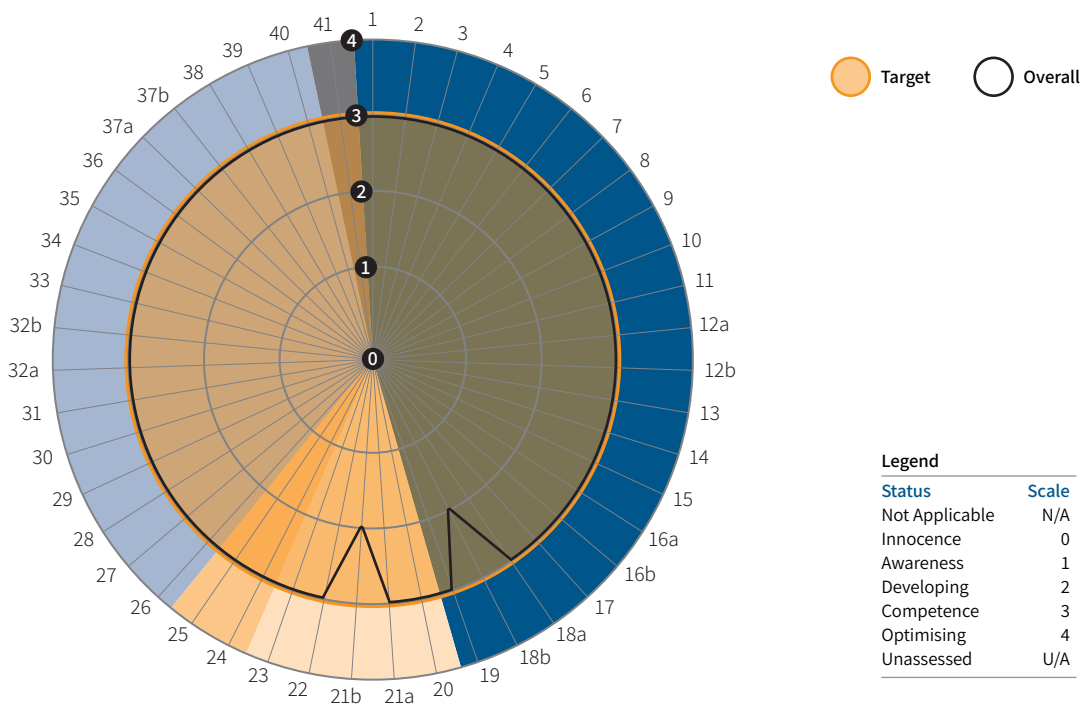
Appendix C: Asset Management Accountability Framework maturity assessment

The following section summarises our assessment of maturity against the requirements of the Asset Management Accountability Framework. The framework is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the [Department of Treasury and Finance website](#).

Our target maturity rating is competence, meaning systems and processes are fully in place, consistently applied, systematically meet the framework requirement, and include a continuous improvement process to expand system performance above minimum requirements.

Maturity Assessment Requirements	Assessment
Leadership and accountability (1-19)	<ul style="list-style-type: none"> The commission has met its target maturity level in this category in all but one of the requirements. There is no material non-compliance in this category. A plan for improvement is in place to improve the commission’s maturity rating in these areas.
Asset Planning (20-23)	<ul style="list-style-type: none"> The commission has met its target maturity level in this category in all but one of the requirements. There is no material non-compliance in this category. A plan for improvement is in place to improve the commission’s maturity rating in these areas.
Asset Acquisition (24-25)	The commission has complied with all the requirements in this category and has met its target maturity level.
Asset Operation (26-40)	The commission has complied with all the requirements in this category and has met its target maturity level.
Asset Disposal (41)	The commission has complied with all the requirements in this category and has met its target maturity level.

Asset management maturity









Appendix D: Ministerial statement of expectations

We receive a statement of expectations from the Assistant Treasurer which sets out expectations of our contribution to the Victorian Government’s regulatory reform program. Our latest statement covers two years 2020–22. This table shows our progress against these expectations in 2020–21.

Key area	Expectation	Target by 30 June 2022	Progress as of 30 June 2021
Promoting the development of a low-cost, competitive energy sector	Monitor the market and behaviour of regulated entities.	<p>Publish annual and quarterly reports on the Victorian energy market.</p> <p>Public monthly data and observations about Victorian energy customers during the coronavirus pandemic.</p> <p>Report on the competitiveness and efficiency of the Victorian energy retail market.</p>	<p>➔</p> <p>Quarterly reports on the Victorian energy market published.</p> <p>In total, 11 monthly coronavirus reports were published.</p>
	Provide compliance assistance and advice.	Develop and implement new education programs and guidance to better inform the energy industry about their compliance obligations.	<p>➔</p> <p>Greenhouse gas co-efficient published March 2021.</p>
	Collaborate with other regulators including Consumer Affairs Victoria, the Australian Competition and Consumer Commission and the Australian Energy Regulator.	Establish regular meetings with the Australian Energy Regulator, Consumer Affairs Victoria, the Australian Competition and Consumer Commission and privacy commissioners by March 2021.	<p>✓</p> <p>Established with the Australian Energy Regulator and Consumer Affairs Victoria. Ongoing with ACCC and Privacy Commissioners on as needed basis.</p>
	Take a range of enforcement actions.	Publish strategic compliance and enforcement priorities.	<p>✓</p> <p>Compliance and enforcement priorities approved for publication on 30 June 2021.</p>
	Develop key performance indicators to track its progress.	Targets will be developed and regularly reported to the Assistant Treasurer.	<p>➔</p> <p>Targets have been developed and reported.</p>
Improving electricity connections for new developments	Work with the Department of Environment, Land, Water and Planning to prioritise reforms to ensure faster and more transparent electricity connections at new Victorian housing developments.	<p>Develop measures to promote timely connections for greenfield sites.</p> <p>Hold regular coordination meetings with the Department of Environment, Land, Water and Planning to ensure our regulatory and legislative reforms are aligned.</p>	<p>✓</p> <p>Measures were developed to promote timely connections.</p> <p>Regular meetings are held with the Department of Environment, Land, Water and Planning to ensure reforms are aligned.</p>

Status key:  Complete  On track

Key area	Expectation	Target by 30 June 2022	Progress as of 30 June 2021
Regulation of the waste and recycling sector	Work with the Department of Environment, Land, Water and Planning to design and implement the new Waste Act during 2021.	Provided advice to the Minister for Energy, Environment and Climate Change on a regulatory framework for waste and resource recovery sector in October 2020.	 <p>Provided advice to the Minister for Energy, Environment and Climate Change on a regulatory framework for waste and resource recovery sector in October 2020.</p>
Timeliness of regulatory processes	Review and improve the energy licensing application processes, framework and public guidance to facilitate appropriate entry into the energy market in Victoria (particularly for energy generation).	<p>Improve information provided to licence applicants through a new guidance note and application form.</p> <p>Develop and implement new education programs and guidance to better inform the energy industry about their compliance obligations.</p>	 <p>Guidance and new application forms published on website in December 2020.</p>
	Reduce application processing times to increase the capacity of the Victorian Energy Upgrades scheme to handle business forms by 10 per cent.	<p>Continuing to develop an upgraded Victorian Energy Upgrades IT system</p> <p>Target: 90 per cent of accreditation and additional activity applications assessed within processing timeframes.</p>	 <p>Existing processes and systems have been streamlined resulting in at least 10 per cent reduction in processing times.</p> <p>Continuing to develop an upgraded Victorian Energy Upgrades IT system.</p>
Risk-based strategies focusing on low income and vulnerable consumers	Improve how the commission considers the benefits of regulation for low income and vulnerable consumers across all regulatory functions.	Develop and publish a vulnerability strategy after extensive consultation with key stakeholders and consumers.	 <p>'Getting to Fair' draft strategy published in June 2021.</p>
Stakeholder consultation and engagement	Promote community engagement through multiple channels to complete the digital strategy by November 2020.	<p>Publish the digital strategy and commence implementation of recommended priorities.</p> <p>Review online engagement in 2020 to capture the benefit, with a view to embedding this learning in future practice.</p>	 <p>Digital strategy completed and implementation of recommended priorities commenced.</p> <p>Review of engagement activities completed and lessons learnt incorporated into new starter training package.</p>
Role clarity	Review all existing Memoranda of Understanding and update as necessary.	A review of all existing Memoranda of Understanding will be undertaken in consultation with the other parties by June 2021.	 <p>A review of Memoranda of Understanding is underway.</p>

Status key:  Complete  On track

Appendix E: Appeals, notices and determinations in 2020–21

Appeals lodged under the Essential Services Commission Act 2001

No appeal or application for a review of a requirement, decision or determination of the commission was lodged under section 55 of the Essential Services Commission Act 2001 (amended on 6 December 2019) during the 2020–21 financial year.

Disclosures issued under the Essential Services Commission Act 2001

Section 38 of the Essential Services Commission Act 2001 allows us to disclose, under specified circumstances, information or the content of a document given to us under the Act. No disclosures were made by the commission under section 38 during 2020–21.

Inquiries conducted under the Essential Services Commission Act 2001

The Essential Services Commission Regulations 2011 require us to report on the outcomes of any public inquiries we conducted under Part 5 of the Essential Services Commission Act 2001. We did not conduct any public inquiries in 2020–21.

We conducted a rent inquiry into the Port of Melbourne under section 53 of the Port Management Act 1995 (Vic). The Port Management Act 1995 states that the inquiry must be conducted in accordance with part 5 of the Essential Services Commission Act 2001. The inquiry commenced in September 2019.

The commission's final report was delivered to the Assistant Treasurer on 14 August 2020. Key findings were that the Port of Melbourne has power in relation to setting and reviewing rents for land at the Port of Melbourne, and has exercised that power in a way that causes material detriment to the long-term interests of Victorian consumers. Remedial action is required to mitigate the Port of Melbourne's ability to exercise its power and impacts.

We are required by the Port Management Act 1995 to conduct an inquiry into the port's compliance with the 2016 pricing order every five years. Our first inquiry is for the review period 1 July 2016 to 30 June 2021.

We are conducting an inquiry into:

- whether the Port of Melbourne has complied with the pricing order during the period 1 July 2016 to 30 June 2021
- if any non-compliance was, in our view, non-compliance in a significant and sustained manner.

This inquiry will be completed by 31 December 2021. We will provide our final inquiry report to the Assistant Treasurer.

Notices issued under the Essential Services Commission Act 2001

Section 37 of the Essential Services Commission Act 2001 empowers us to obtain information or documents that may assist in the performance of our functions. 64 notices were issued under section 37 during 2020–21.

Price determinations issued under the Essential Services Commission Act 2001

The following price determinations were made under section 33 of the Essential Services Commission Act 2001 in the 2020–21 financial year:

- Amendment to determination of maximum non-cash payment surcharges for taxis
 - 7 September 2020 - determination applies to persons providing non-cash payment processing services in Victoria's taxi industry.
- Victorian Default Offer Price Determination, 1 January 2021 – 31 December 2021
 - 25 November 2020 – determination applies to electricity retailers operating under licence in Victoria's retail electricity sector.
- Melbourne Water Determination, 1 July 2021 – 30 June 2026
 - 16 June 2021 – determination applies to Melbourne Water Corporation.

The following price determination was made under s40FBB of the Electricity Industry Act 2000:

- Minimum electricity feed-in tariff to apply from 1 July 2021: Final decision
 - 25 February 2021 - determination of tariffs that solar customers will be paid by retailers for returning electricity to the grid.

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

Section 33 of the Essential Services Commission Regulations 2011 requires us to report on the outcomes of third-party access regime determinations we make under part 3A of the Essential Services Commission Act 2001. We did not publish any third-party access regime determinations in 2020–21.

Appendix F: Integrity and accountability

Public Interest and Disclosure Act 2012

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

We do not tolerate improper conduct or reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in administrative and management practices, and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

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

Reporting procedures

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

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Internet: www.ibac.vic.gov.au

Email: see the Independent Broad-Based Anti-Corruption Commission website for their secure email disclosure process, which also provides for anonymous disclosures.

More information

You can request our protected disclosure procedures for the protection of persons from detrimental action by us or any of our employees and/or officers. This request can be made by emailing reception@esc.vic.gov.au

Freedom of information

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

An applicant has a right to apply for access to documents held by the commission. This comprises of documents both created by the commission or supplied to the commission by an external organisation or individual, and may also include:

- maps
- films
- microfiche
- photographs
- computer printouts
- computer discs
- tape recordings
- videotapes.

The type of material produced by the commission includes:

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

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

The Act allows the commission to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

- cabinet documents
- some internal working documents
- law enforcement documents
- documents covered by legal professional privilege, such as legal advice
- personal information about other people
- information provided to the commission in confidence.

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

Making a request

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

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

John Henry, Principal Solicitor,
Victorian Energy Upgrades program
Essential Services Commission
Level 8, 570 Bourke Street,
Melbourne, Vic 3000

or by email to john.henry@esc.vic.gov.au

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

Freedom of information statistics and timeliness

During 2020–21, the commission received five applications.

The commission made five freedom of information decisions during the 12 months ending 30 June 2021.

Three decisions were made within the statutory 30-day time period, while two freedom of information applications were decided within an extended period.

The average time taken to finalise requests in 2020–21 was 35 days.

During 2020–21, one request was reviewed by Office of the Victorian Information Commissioner.

More information

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

Additional information may also be obtained from:

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

Reports, publications and informal requests

Details about our reports and publications can be found on our website at www.esc.vic.gov.au

Requests may also be directed to:

Essential Services Commission,
Level 8, 570 Bourke Street,
Melbourne, Vic 3000
Telephone: (03) 9032 1300 or 1300 664 969
or email communication@esc.vic.gov.au

Glossary

Term	Definition
AASB	Australian Accounting Standards Board. An Australian Government agency which functions under the guidelines of the Australian Accounting Standards (AASs) and the <i>Australian Securities and Investments Commission Act 2001</i> .
ACCC	The Australian Competition and Consumer Commission. An independent Commonwealth statutory authority whose role is to enforce the <i>Competition and Consumer Act 2010</i> and a range of additional legislation, promoting competition, fair trading and regulating national infrastructure for the benefit of all Australians.
Australian Energy Regulator	An independent entity operating under the <i>Competition and Consumer Act 2010</i> . The regulator's role includes enabling consumers to make informed choices about their energy supplier, ensuring consumers are empowered to access the best energy offer for their circumstances, and helping consumers resolve any problems.
'best offer'	A type of energy reform that enables Victorians to see whether they are on their energy retailer's most suitable plan. From 1 July 2019, energy retailers must put 'best offer' information on their electricity and gas bills at least once every four months.
Consumer Affairs Victoria	A unit of the Victorian Government's Department of Justice and Community Safety, which supports Victorians in being responsible and informed businesses and consumers.
electricity distributor	Electricity businesses that own and manage the power poles and wires that deliver power to your home or business. These businesses are generally separate from energy retailers (who sell you electricity and gas).
Energy Fairness Plan	A Victorian Government initiative that aims to implement reforms within the energy sector.
Energy Retail Code	A code that sets out the rules electricity and gas retailers must follow when selling energy to Victorian customers. The commission maintains the code.
Energy and Water Ombudsman of Victoria	An independent service that investigates and resolves complaints. regarding Victoria's electricity, gas and water sector.
Engage Victoria	A Victorian Government website that enables citizens and businesses to make submissions on key projects run by government bodies.
Essential Services Commission	We are an independent regulator that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. We regulate Victoria's energy, water and transport sectors, administer the rate-capping system for the local government sector, and regulate the Victorian Energy Upgrades (VEU) program.
Fair Go Rates system	A local council rate-capping system. It establishes rate caps to limit the amount by which Victorian councils can increase rates in a year without seeking additional approval.
greenfield sites	Undeveloped sites in urban or rural areas
higher council rate cap	The maximum amount a council can increase general rates and municipal charges. The cap is set by the Minister for Local Government and can apply to all councils, a group of councils or a single council.
higher cap application	An application where a local council asks for a rate increase above the cap set by the Minister for Local Government. Councils submit their applications to us, and we then assess and accept or reject the applications.

Term	Definition
ICT	Information and communications technology
Local Government Victoria	A Victorian Government body that provides policy advice, oversees legislation and works with councils to support responsive and accountable local government services.
memorandum of understanding	A formal document stating an agreement between two or more parties.
non-cash payment surcharge	A surcharge applied when a taxi passenger pays for a fare using non-cash payment transaction options, including credit, debit and charge card. We are reviewing the maximum surcharge.
OH&S	Occupational Health and Safety
PREMO	A water pricing framework we implemented that apply from 1 July 2018 onwards. The framework aims to put customers at the centre of a water business's decision-making through incentives focused on five elements: performance, risk, engagement, management and outcomes.
Royal Commission into Family Violence	A commission focused on investigating how to eliminate family violence within Australia. The commission concluded its work in May 2016.
standing offer	A type of electricity pricing offer. You may be able to check your bill to determine if you are on a standing offer.
tariff	A list or table showing the costs (prices) of a service or item. Tariffs we regulate include water tariffs and the minimum feed-in tariff that your energy company pays you for power you export to the grid (via sources including solar panels).
utility relief grant	A Victorian government grant which provides help to pay a mains electricity, gas or water bill that is overdue due to a temporary financial crisis.
Victorian energy efficiency certificate	Large energy retailers are required to acquire and surrender these certificates in order to participate in the Victorian Energy Upgrades program.
VEU	The Victorian Energy Upgrades program. An energy efficiency initiative that helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient products and services. The program operates under the <i>Victorian Energy Efficiency Target Act 2007</i> .
Victorian default offer	An energy reform applied in Victoria from 1 July 2019. The offer is an independent, fair-priced electricity offer that you can switch to, or use to check if you are getting value for money on your electricity.
Victorian Energy Market Report	A guide to how the electricity and gas markets are performing. The report informs customers on how the energy retail market works, and what they need to do to get the best out of it.
Victorian Renewable Energy Target	A benchmark set by the Victorian government to achieve a specific level of renewable energy generation by a legislated date.

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