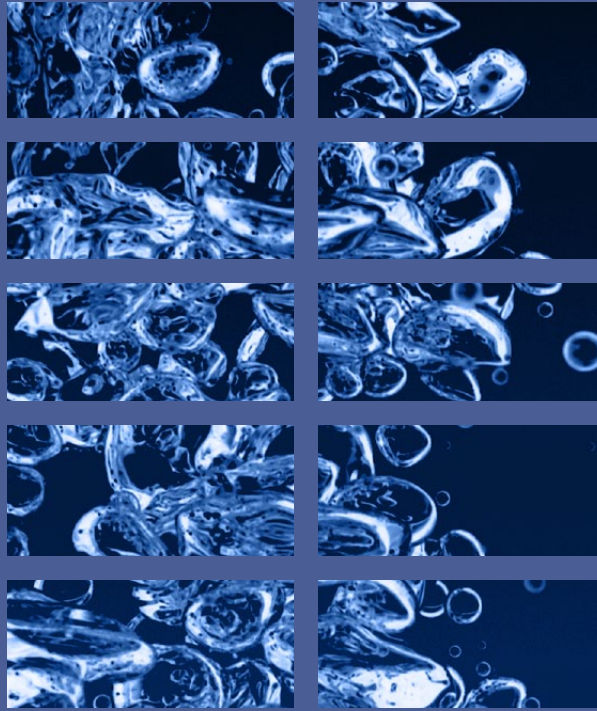


Work Program 2011/12



Foreword



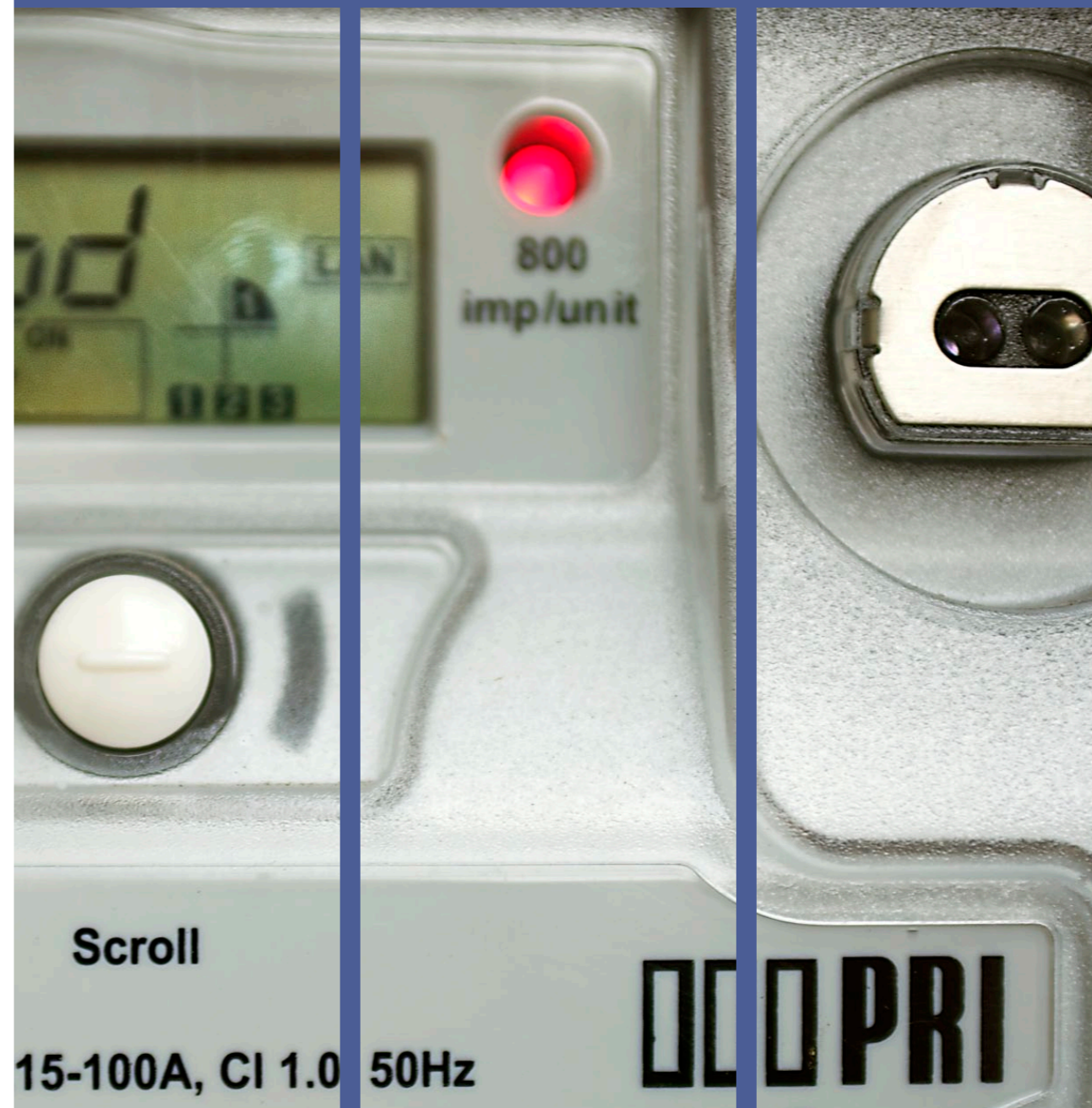
Before each financial year, the Essential Services Commission develops a work program to identify our key projects and ongoing activities for the following 12 months.

This is our ninth annual work program. It has been developed to reflect the goals and strategies that we will pursue in promoting the long-term interests of

Victorian consumers of essential utility services. It also reflects an assessment of the main external challenges and regulatory demands that will affect the pursuit of our corporate goals this year.

Throughout the year, we will continue to assess our priorities and, as necessary, adjust and update our ongoing work program to reflect any changes in the external market environment and unanticipated regulatory obligations. This includes any new regulatory functions and inquiries, special investigations or reviews that may be referred by the Victorian Government during the year.

Dr Ron Ben-David Chairperson



Introduction

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

The Commission has three primary functions:

- **Regulatory.** We regulate prescribed 'essential services' supplied by the energy, water, ports and rail freight industries, together with roles in domestic building insurance, taxis and tow trucks.
- **Advisory.** We advise the Victorian Government on a range of regulatory and other matters.
- **Energy Efficiency.** We administer the Victorian Energy Efficiency Target Scheme.

We bring to the regulatory and economic framework our:

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

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

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

We are funded through the Victorian Department of Treasury and Finance, and report to the Minister for Finance. In the energy, ports and water sectors, we impose licence fees on entities that we license and we also impose registration fees for each energy efficiency certificate that is created. All revenue is collected by Government.



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Advisory.

We advise the Victorian Government on a range of regulatory and other matters.

Energy Efficiency.

We administer the Victorian Energy Efficiency Target Scheme.

Corporate purpose

our mission

To promote the long-term interests of Victorian consumers.

our role

Economic regulation, advisory work for government and the administration of an energy efficiency certificate scheme.

Our Regulatory Objectives:

- Ensure value for money for consumers
- Prevent the misuse of market power by essential service providers when consumers cannot exercise countervailing power.

Our Advisory Objective:

- Provide independent advice to assist Ministers and Departments in areas in which our skills may support better outcomes.

Our Administrative Objective:

- Administer the creation, registration, transfer and surrender of energy efficiency certificates.

our goals are to:

- Deliver quality decisions and advice
- Operate through transparent, inclusive processes
- Exhibit integrity and impartiality
- Encourage and display thought leadership.

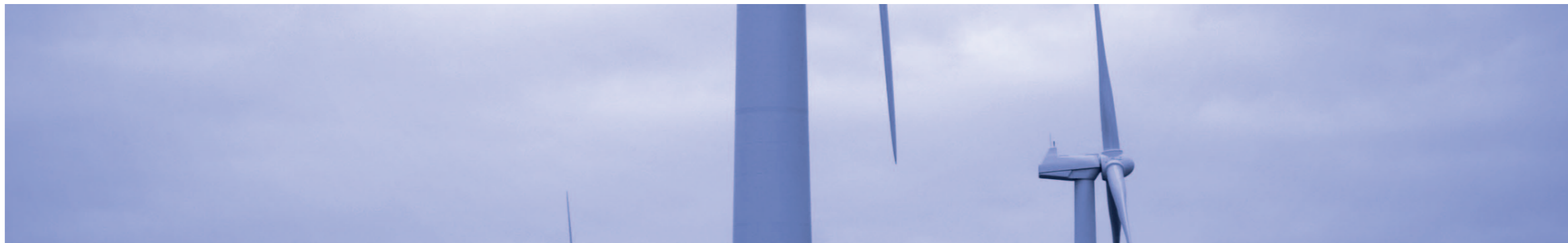
our values are:

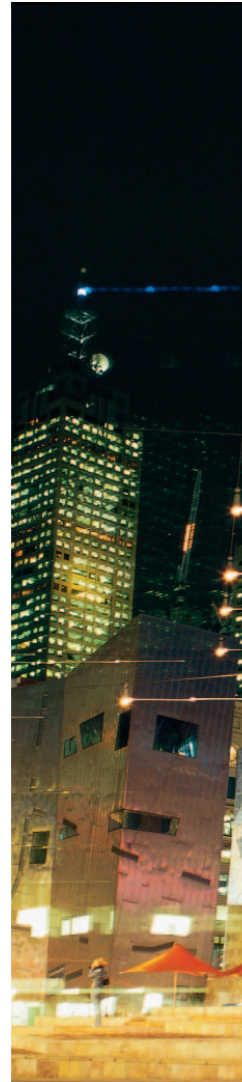
- Integrity
- Consultation
- Excellence
- Respect
- Performance
- Teamwork.



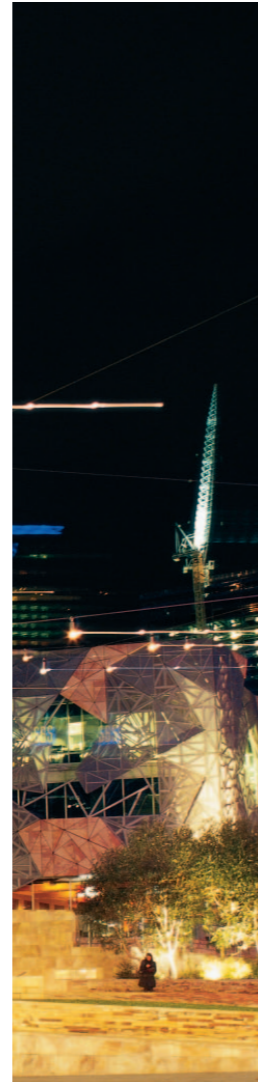
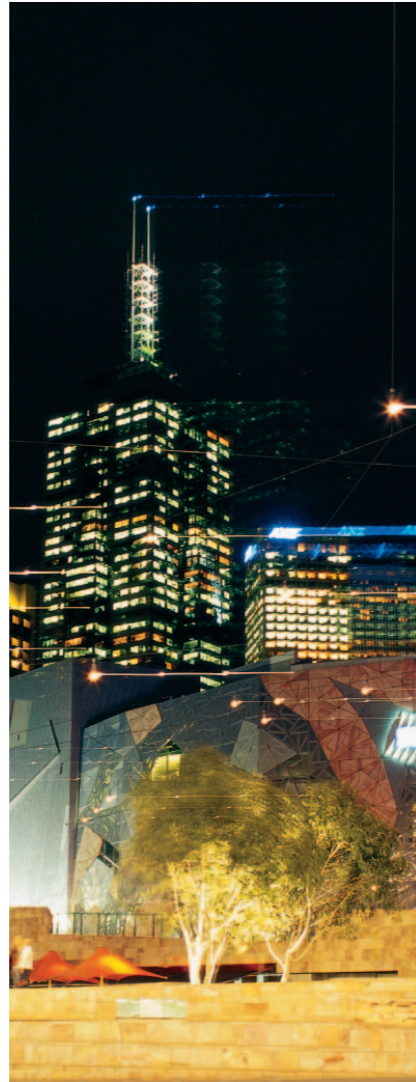


2011–12 work program by industry sector





Energy overview



“It is anticipated that 2011–12 will be the last full year in which we will have regulatory oversight for the retail electricity and gas sector in Victoria, with responsibility for regulation due to transfer from 1 July 2012 to the Australian Energy Regulator.”

Our 2011–12 work program covers the retail electricity and gas sectors, and the administration of the State-based energy efficiency target scheme.

It is anticipated that 2011–12 will be the last full year in which we will have regulatory oversight for the retail electricity and gas sector in Victoria, with responsibility for regulation due to transfer from 1 July 2012 to the Australian Energy Regulator.

Major decisions and strategic initiatives for 2011–12 include:

- Continuing the ongoing administration of the Victorian Energy Efficiency Target scheme, including the introduction of new activities and expanding the audit program
- Development work to implement the Victorian Government’s decision to extend the Victorian Energy Efficiency Target scheme to the Small and Medium Enterprise sector and to double in calendar year 2012 the annual target of energy efficiency certificates created
- Completing a review of the regulatory codes to accompany the roll-out within Victoria of the advanced metering infrastructure (smart meters) for electricity customers
- Strengthening the provision of consumer information and education to assist energy customers access the competitive retail electricity and gas markets, through the dedicated Your Choice website
- Developing further initiatives to assist customers, particularly low-income and vulnerable customers, to access competitive energy markets
- Supporting leadership on national approaches to energy regulation, while facilitating the transfer of retail regulation to the Australian Energy Regulator and the Australian Energy Market Commission
- Reviewing our processes for assessment of Wrongful Disconnection Payments
- Enhancing the VEET system and install a dedicated website.

We will oversee compliance and performance reporting by regulated businesses, and process and issue energy distribution and retail licences. We will also continue to address customer issues, including by liaising with the Energy and Water Ombudsman (Victoria) and customer advocacy bodies. In addition we will also respond to Government policy initiatives as they arise and to legislative changes in energy-related areas. From 1 July 2011, we no longer issue certificates of opinion for embedded electricity networks.

General Projects		
Project	Description	Commencement / completion
Victorian Energy Efficiency Target (VEET) scheme	Accredit participants, register certificates, publish electronic registers; auditing and compliance	Ongoing
VEET Scheme Annual Performance Report	Compile annual report on the operation and administration of the VEET scheme	Q2
Customer education and information	Provide advice and information to consumers through the Your Choice website, call centre services and associated communications	Ongoing
Energy and Water Ombudsman (Victoria)	Liaise with the Energy and Water Ombudsman (Victoria) on energy issues, as outlined in the joint Memorandum of Understanding	Ongoing
Energy retail audit	Undertake audits of energy retailers for compliance with licence obligations	Q1-Q3
Wrongful Disconnection Payment Assessments	Review Wrongful Disconnection Payment referrals from the Energy and Water Ombudsman (Victoria)	Q1-Q4
Energy retail price monitoring and reporting	Provide price monitoring reports to Government on retail competitive offers	Q2
Energy retail performance reporting and monitoring	Monitor and report on annual performance of electricity and gas retail licensees	Q2
Energy retail compliance and enforcement	Compile annual report on retailers' compliance with licence obligations	Q2
Assessment of electricity feed-in tariffs	Advise, on request, the Minister for Energy and Resources on the fairness and reasonableness of feed-in tariffs	Q1-Q4
National regulatory framework	Contribute to the development of national regulation and the facilitation and transfer of regulation overseen to the Australian Energy Regulator	Q1-Q4
Regulatory review – General	Review of ESC regulatory instruments including facilitating the transfer of retail functions to Australian Energy Regulator	Q1-Q3
Regulatory review – Guideline 19	Review of regulatory instruments to include Time-of-Use pricing disclosure	Q1-Q3
Regulatory review – smart meter consultations	Finalise review of regulatory instruments for the rollout of advanced metering infrastructure (smart meters)	Q1-Q4
PV Solar Panels	Review regulatory arrangements for customers installing photo-voltaic solar panels	Q1

General Projects continued		
Project	Description	Commencement / completion
Licensing	Approve licence applications and revocations	Ongoing
New activities for VEET scheme	Assist the development of new activities under the scheme's expansion into the commercial sector	Q1-Q4
Review of VEET scheme	Assist the Victorian Government's independent review of the Victorian Energy Efficiency Target scheme.	Q1-Q4
Smart meter privacy impact	Advise the Victorian Government on privacy principles to govern the collection of metering data.	Q3-Q4

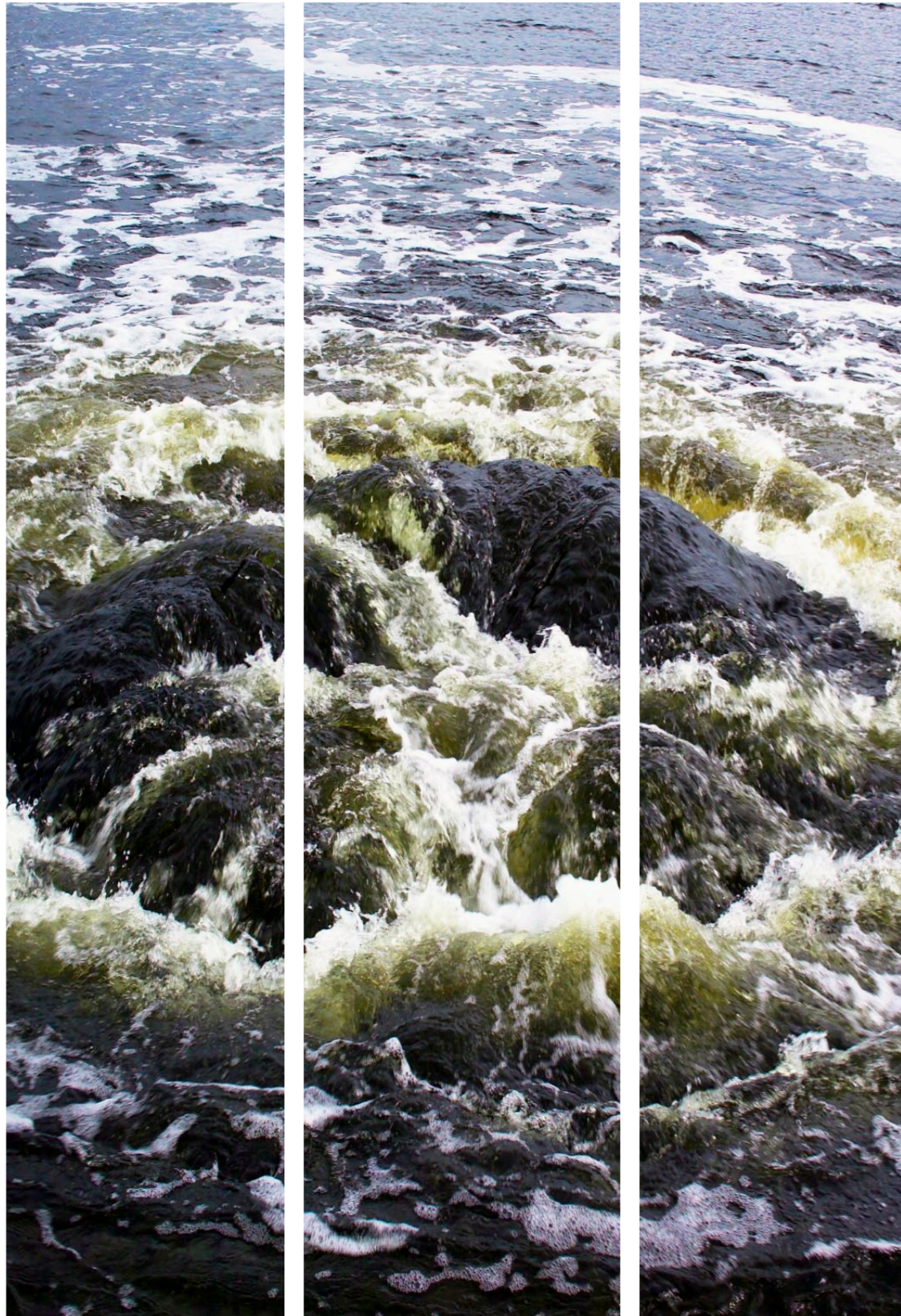




In water, our primary task will be to prepare for the review of water prices for the 2013–18 period. We will release a guidance paper that will assist the water businesses in developing their five-year water plans for public consultation. We will also develop a revised approach to new customer contributions. In addition, we will implement a Trade Waste Customer Code, and release our seventh state-wide report on the performance of the urban water businesses in metropolitan and regional areas.

Water overview





General Projects

Project	Description	Commencement / completion
Urban water performance reporting	Report on the annual performance of all metropolitan and regional urban water businesses, using reported data consistent with our performance reporting framework. Contribute data to national reports	Q2
Annual tariff approvals	Approve tariffs submitted by the water businesses for 2012–13 and update water price calculator	Q4
Annual compliance audits	Undertake audits of 17 water businesses for compliance with our performance framework, customer service code, price determinations and other relevant regulatory requirements	Q1-Q2
Review of regulatory accounts	Undertake a review of the 2010–11 regulatory accounts for all water businesses	Q3
New Customer Contribution Framework	Commence development of a principle-based New Customer Contribution charges and commence a review of the National Competition Council methodology	Q1-Q4
Water price review	Commence preparatory work and guide water businesses in preparing for the next review of water prices, commencing with an initial guidance paper for water businesses, a tariff issues paper, service standards seminar and paper, customer engagement seminar and examination of productivity trends in the Australian water sector	Q1-Q4
Trade Waste Code	Complete and implement a trade waste code for business customers	Q2
ACCC accreditation	Adopt pricing and other regulatory principles for rural water businesses that will be required, subject to the Australian Competition and Consumer Commission's regulatory (water) accreditation of the Essential Services Commission.	Q2



In 2011–12, our main focus in the transport sector will be to continue to administer the regulatory frameworks for the ports and rail access sectors, including the assessment of access arrangements and publication of ports monitoring reports and responding to customer issues.

We also have an ongoing function to advise the Minister for Public Transport in relation to taxi fares, hire car licence fees and accident towing fees, if requested.

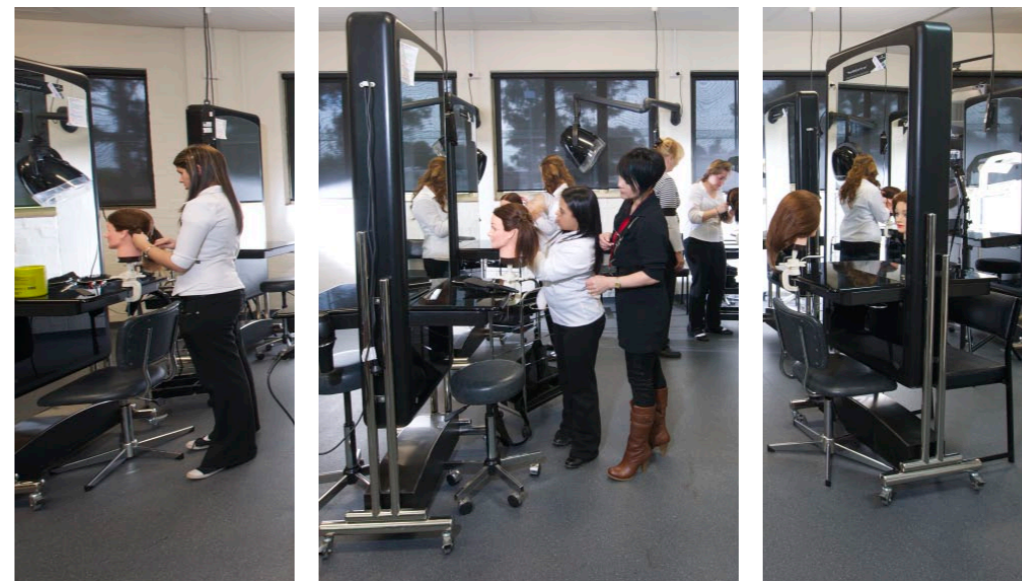
Early in the financial year we will complete a review into the government funding mechanisms and fee structures of Victoria's vocational education and training (VET) sector for the Victorian Government.

We will continue to monitor and report on the prices and claims management performance for domestic building insurance, both for the Victorian Managed Insurance Authority (VMIA) and for private insurers.

Further inquiries and requests for advice into particular industry sectors may also be referred by the Victorian Government during the financial year.

General Projects

Project	Description	Commencement / completion
Rail access	Complete review of Metro Trains Melbourne's rail access arrangements renewal	Q1
	Prepare draft and final decisions on three rail access arrangements: V/Line, VicTrack and Asciano's South Dynon intermodal terminal	Q4
Ports	Develop new information requirements for price monitoring purposes of the Port of Melbourne Corporation	Q2
	Prepare ports monitoring report on Port of Melbourne	Q4
Rail and Port compliance	Administer the rail access and ports monitoring regimes	Q1-Q4
Taxis	Undertake potential fare reviews	Q4
Accident towing	Undertake potential accident towing regulation reviews	Q2-Q4
Vocational Education and Training review	Complete review of fee structures and government funding mechanisms for vocational education and training in Victoria	Q1
Domestic building insurance	Report on prices and performance of the domestic building insurance sector	Q2-Q4





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