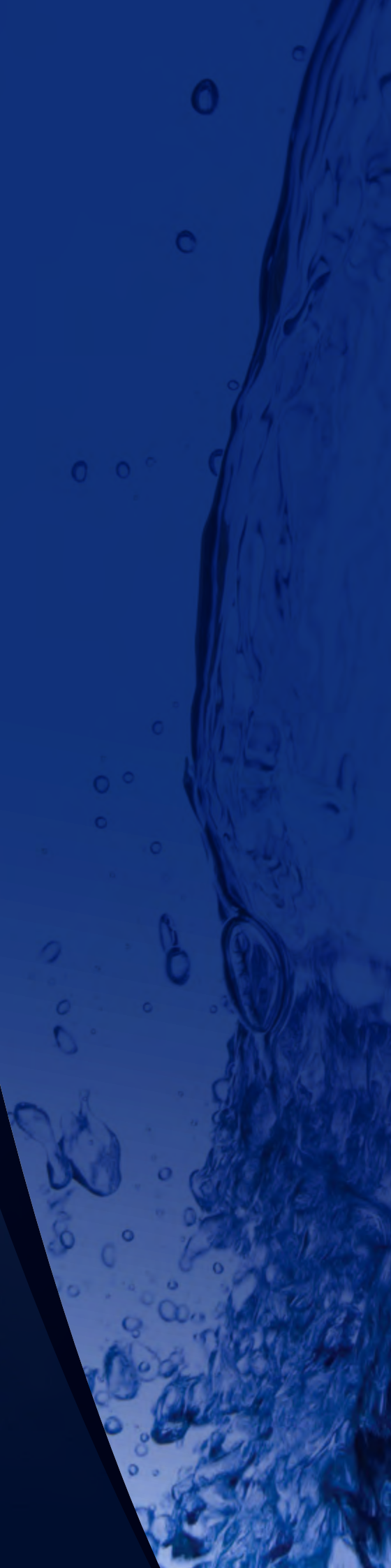




Annual Report 2011/12



Annual Report 2011/12

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Chairperson

Dr Ron Ben-David

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Mr Dennis Cavagna
Ms Mary Anne Hartley SC

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Director, Regulation (Water)
– Andrew Chow
Director, Regulation (Energy)
– Jeff Cefai
Director, Regulation (Transport and Industry Sectors)
– Steve Martin
Legal Counsel & Secretary
– John Henry
Chief Financial Officer
– Tony Mastroianni

*As at 30 June 2012

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7 September 2012

The Hon Robert Clark MP
Minister for Finance
121 Exhibition Street
Melbourne Vic 3000

Dear Minister

ESSENTIAL SERVICES COMMISSION ANNUAL REPORT 2011–12

We are pleased to present you the Essential Services Commission's Annual Report for 2011–12.

The Annual Report has been prepared in accordance with Part 7 of the *Financial Management Act 1994* and as required by section 31 of the *Essential Services Commission Act 2001*. It also satisfies the requirements of regulation 9 of the Essential Services Commission Regulations.

During 2011–12, the Commission completed a range of regulatory projects across the energy, water and transport industry sectors.

In addition, it continued to strengthen its administration of the Victorian Energy Efficiency Target, in line with the scheme's expansion.

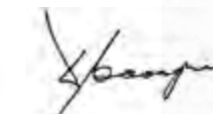
The Commission also continued its advisory work in areas outside utility regulation, including the completion of its review of Vocational Education and Training fee and funding arrangements.

We place on record our appreciation to the Commission's staff for their dedication and commitment in delivering our regulatory, administrative and advisory program throughout 2011–12.

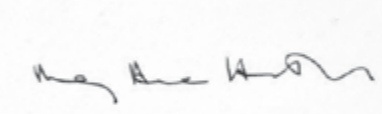
Yours sincerely



Dr Ron Ben-David
Chairperson



Dennis Cavagna
Commissioner



Mary Anne Hartley SC
Commissioner

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Highlights 2011/12

Completed a review into the effectiveness of fee and funding arrangements for the delivery of Vocational Education and Training

Strengthened the administration of the Victorian Energy Efficiency Target scheme to cater for new approved activities and the extension of the scheme into the small business sector

Continued a series of customer-related reviews to accompany the rollout of the advanced metering infrastructure (smart meters) for electricity customers in Victoria

Expanded the Your Choice website to provide information to assist electricity and gas customers in accessing the retail energy market

Completed a report into the response of energy and water retailers to customers in financial hardship

Completed the development of a code of practice for the treatment and disposal of trade waste in Victoria

Stepped up preparations and consultation for the review of water prices to apply for the five years from July 2013

Reviewed four rail access arrangements for the Victorian rail network

Released reports into the annual performance of the water, retail electricity and gas, ports and domestic building insurance sectors.



ESSENTIAL SERVICES COMMISSION



About
the Essential Services
Commission



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

The Act established the Commission as an economic regulator, subsuming the former Office of the Regulator-General (the economic regulator of regulated utility industries in Victoria from 1994).

At 30 June 2012, the industries regulated by the Commission were electricity, gas, water, ports and rail freight.

Why the Commission was established

The Commission was established to provide continued and expanded support to the Victorian Government's micro-economic reform program. This program was designed to improve the efficiency and competitiveness of the State's economy through the reform of the electricity, gas, water and other current and former government business enterprises. The Government perceived the establishment of an independent regulatory body as necessary to ensure that the benefits of industry restructuring were passed on to household, commercial and industrial customers. Since its establishment, the Commission has widened its program to include additional functions for Ministerial reviews and the administration of the Victorian Energy Efficiency Target scheme.

Objectives of the Commission

The primary objective of the Commission is to 'promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services.'

Matters to which the Commission has regard in seeking to achieve its objectives in relation to each particular industry were the:

- » Efficiency in the industry and incentives for long-term investment
- » Financial viability of the industry
- » Degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- » Relevant health, safety, environmental and social legislation applying to the industry
- » Benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users

of products or services (including low income and vulnerable customers); and for regulated entities

- » Consistency in regulation between States and on a national basis.

Functions of the Commission

The functions of the Commission, as expressed in the Act are:

- » to perform such functions as are conferred on the Commission by the Act and the relevant legislation under which a regulated industry operates
- » to advise the Minister for Finance on matters relating to economic regulation, including reliability issues
- » when requested by the Minister to do so, to conduct an inquiry into any systemic reliability of supply issues related to a regulated industry or other essential service specified by the Minister in the request
- » to conduct inquiries and report on matters relating to regulated industries
- » to make recommendations to the Minister as to whether an industry that provides an essential service should become a regulated industry or whether a regulated industry should continue to be a regulated industry
- » to conduct public education programs for the purpose of promoting its objectives under the Act and the relevant legislation and in relation to significant changes in the regulation of a regulated industry
- » to advise the Minister on any other matter referred to the Commission by the Minister
- » to administer the Act

- » to perform the functions conferred on the Commission by or under Part VI of the *Transport Act 1983*

- » to perform the functions conferred on the Commission by or under the *Victorian Energy Efficiency Target Act 2007*.

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

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

The Regulated Electricity Industry

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

The Regulated Gas Industry

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

The Regulated Water Industry

- » Wherever possible, to ensure that the costs of regulation do not exceed the benefits.
- » To ensure that regulatory decision-making and regulatory processes have regard to any differences between the operating environments of regulated entities.

- » To ensure that regulatory decision-making has regard to the health, safety, environmental sustainability (including water conservation) and social obligations of regulated entities.

The Regulated Rail Industry

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

The Regulated Ports Services

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

Transport References

- » Under section 186 of the *Transport (Compliance and Miscellaneous) Act 1983*, the Minister for Transport may refer matters for investigation to the Commission relating to licence fees for hire car licences or special purpose vehicle licences; taxi-cab fares or hiring rates; or tow truck charges.

Energy Efficiency

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

- » To accredit persons who may create certificates

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

Performing the Commission's Functions

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

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

The ESC's Organisational Structure

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

The Chairperson: R (Ron) Ben-David BSc (Optometry), BComm (Hons) PhD (Economics)

Appointment & Qualifications Dr Ron Ben-David joined the Victorian Department of Treasury and Finance in 1998. This was followed by a number of years in the Department of Premier and Cabinet, where he became a Deputy Secretary in 2004. In 2007, he established Victoria's Office of Climate Change and then headed the Secretariat for the Garnaut Climate Change Review. He has served as Chairperson of the Essential Services Commission since late 2008. Dr Ben-David has written and presented on a wide range of issues including: governance and regulation in the water industry, retail energy markets, climate change, sustainability, federalism, local government, taxi reform and economic philosophy. In 2005, Dr Ben-David became a Fellow of the Institute of Public Administration Australia (Vic.) He is a member of numerous advisory councils.

Commissioners:

The Governor-in-Council may appoint persons as Commissioners who are qualified for appointment on the basis of their knowledge of, or experience in, industry, commerce, economics, law and/or public administration. Mr Dennis Cavagna was appointed to the Commission in November 2007 and Ms Mary Anne Hartley was appointed in October 2011; both are serving five-year terms.

D J (Dennis) Cavagna, BEc, FCA GAICD

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

M A (Mary Anne) Hartley SC, BA (Hons) LLB (Hons)

Appointment & Qualifications Mary Anne Hartley was appointed Commissioner in October 2011. Ms Hartley is a practising barrister, admitted to the legal profession in 1984 and appointed a Senior Counsel in 2009. She has served as a Director of Melbourne Water, the Victorian Channels Authority, Gasco Ltd, the Port of Melbourne Corporation and Monash Gallery of Art. Before joining the Victorian Bar, Ms Hartley was a partner in a national law firm, where she advised public hospitals and practised insurance and shipping law. She is an accredited mediator.

Chief Executive Officer

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

Appointment & Qualifications

Mr Heeps was appointed Chief Executive Officer in February 2010. His appointment followed 10 years at City West Water with roles in corporate planning, pricing, government liaison and regulatory compliance. Prior to City West Water he worked for six years in the Victorian Government on both federal and state-wide water resources issues, and later headed a group supporting the relevant Ministers in their role of over-viewing the performance of the various water businesses in the State. He worked in various roles over 16 years in the Melbourne Metropolitan Board of Works and spent three years as a research fellow at Monash University. He has attained qualifications in corporate governance with the Australian Institute of Company Directors and Chartered Secretaries Australia.

Senior Administrative Structure

The Commission’s organisational structure (as at 30 June 2012) and senior management team are set out in a following chart.

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

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

Annual Report of the Essential Services Commission

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

Organisational Structure *



* As at 30 June 2012
^ Responsible Minister

The background of the slide is an aerial night view of a city, with lights from buildings and streets visible. A diagonal line splits the image from the bottom-left to the top-right. The area to the left of this line is a dark, deep blue, while the area to the right is a lighter, pale blue that transitions into a white background at the top-right corner.

The year in review



From the Chairperson

I am proud to report on a year of achievement for the Essential Services Commission in its role as Victoria's economic regulator.

As in previous years, the Commission completed a range of projects in the retail energy, water and transport industry sectors, and continued its administration of the Victorian Energy Efficiency Target (VEET) scheme.

The Commission also provided independent advice to the Victorian Government on other areas outside the utilities sector; in September 2011, it reported on its review of Vocational Education and Training fee and funding arrangements.

For much of the financial year, the Commission was expecting to transfer its responsibilities in retail energy regulation from the proposed transfer date of 1 July 2012. In June 2012, the Victorian Minister for Energy and Resources announced that the Government had deferred transition to the National Energy Retail Law.

As a result, the Commission has retained its oversight of the Energy Retail Code until certain state-specific consumer regulations are finalised. We look forward to the opportunities this provides.

During the past year we completed a number of customer code-related projects to accompany the rollout of electricity smart meters across the State, especially relating to the control of supply capacity products, the reconciliation of bill readings and disconnection and reconnection practices.

In addition, the Commission responded to a request by the Government for advice on a regulatory framework for smart meters and privacy protection.

The Your Choice website was also further enhanced to provide energy retail customers with independent advice and guidance in selecting a competitive retail electricity or gas offer. It is now easier for energy retailers to load data on to the site, allowing for more timely updates on energy offers.

The administration of the VEET scheme (also known as Energy Saver Incentive) was streamlined with the implementation of a new information technology-based registration system, and was extended to cover the small and medium enterprise sector.

During 2011–12, the Commission registered 4.4 million energy certificates, with almost three-quarters of the certificates registered for the installation of standby power controllers. In line with the increased activity, the Commission also strengthened its audit and compliance program.

In the water sector, the Commission prepared for the review of Victorian water prices for the five-year period after 1 July 2013. To prepare for the review, staff consulted widely with the water businesses and consumer representatives on areas such as tariffs, customer engagement and service.

In the first half of 2012, the Commission also reviewed and approved, with amendment, a proposal by Barwon Water to increase its prices to recover funds for the cost of construction of the Melbourne-Geelong Pipeline, while a new Trade Waste Customer Service Code was released in late 2011.

Late in June 2012, the Commission was engaged by the Government to assist in the repayment to Greater Melbourne water customers of funds collected but not yet required for the delayed water desalination project.

The Commission completed some significant projects in the transport sector in 2011–12. It assessed and ultimately approved four access arrangements submitted by rail access providers V/Line, VicTrack, Pacific National and Metro Trains Melbourne and

released its final decision on the Port of Melbourne Corporation's reporting requirements under the price monitoring regime.

In addition, the Commission assisted the Victorian Taxi Industry Inquiry through the provision of information and analysis relating to the setting of taxi fares.

In pursuing its primary objective of promoting the long-term interests of consumers, the Commission has also invested considerable effort in ensuring that regulated businesses have policies and systems in place to deal with customer concerns beyond pricing.

In this regard, a major project to assess energy and water retailers' response to dealing with customers in financial hardship was released in early 2012. This report provided an important reference point for the Commission in administering its codes and guidelines in retail energy and water sectors.

I thank the consumer and industry representatives who responded to the Commission's consultation on a range of projects through the year. Licensed businesses, State government agencies and local government also provided valuable insights and information.

In addition, I thank my fellow Commissioners Dennis Cavagna, Tony Darvall AM (retired in September 2011) and Mary Anne Hartley SC (commenced October 2011). I value greatly their contribution and counsel across the Commission's full range of activities.

Finally, I commend with appreciation all staff of the Commission, for their willingness and commitment to deliver the best outcomes for consumers of essential services in Victoria.

Dr Ron Ben-David
Chairperson 2011–12



Review of
organisation and
operations



From the Chief Executive Officer

In 2011–12, the Essential Services Commission spent \$14.3 million to achieve its forecast outputs.

Maintaining effective corporate governance practices continues to be a major priority for the Commission. There were 41 Commission meetings and 12 Board meetings during the financial year.

Two internal audits were conducted of the Commission's operations; one relating to human resource management and the second relating to compliance with privacy provisions, in particular those of the *Information Privacy Act 2000*.

In addition, internal auditors conducted reviews of aspects of the Commission's management of the Victorian Energy Efficiency Target (VEET) scheme and of the internal risk management framework.

Recommendations of the internal audits were considered by the Commission's Audit and Risk Committee and referred to the Board for implementation throughout the organisation. The list of high, medium and low risks and management strategies were also reviewed during the year.

The Commission continued to review its information technology systems, and completed the implementation of an enhanced VEET processing register and the upgrade of the external website. The Commission also commenced the transition of its IT infrastructure to a cloud-based server and the overhaul of its Intranet site.

All internal policies and procedures were reviewed and, where required, updated during the year.

The Commission held four Customer Consultative Committee meetings in 2011–12, with many more meetings and workshops

held on matter-specific issues. In addition, the Commission held six public forums and received more than 100 submissions on its various inquiries and reviews.

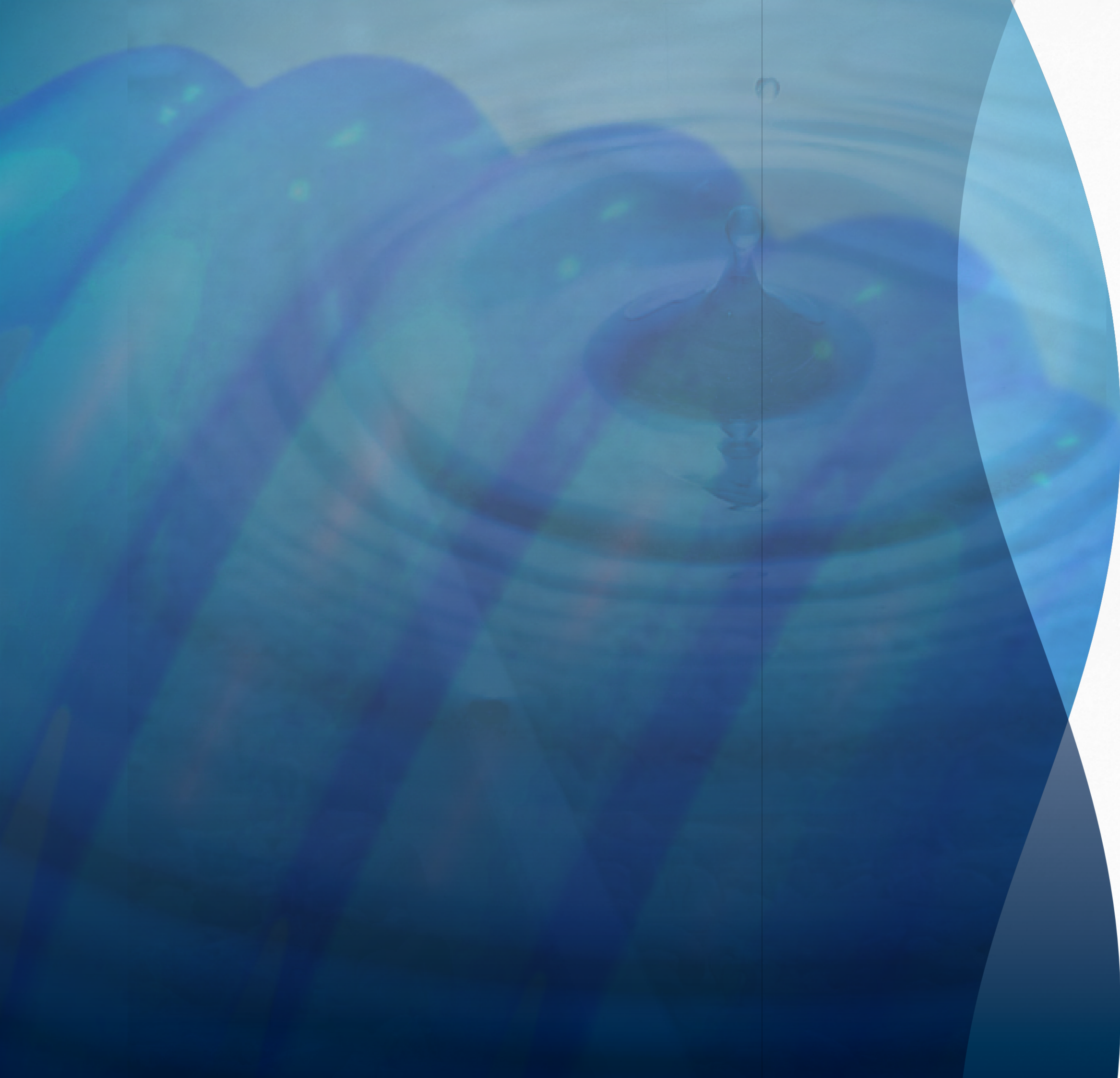
A new Director of Transport and Industry Sectors was appointed during the year. All departing staff were interviewed to identify management and retention improvements.

The Commission expanded its VEET program into the small to medium enterprise sector and is continuing its energy regulation activities beyond 30 June 2012.

There were no occupational health and safety claims reported during the year.

In closing, I thank all staff for their dedication and diligence in meeting the challenges offered by many and varied regulatory, administrative and advisory tasks through the year.

David Heeps
Chief Executive Officer 2011–12



Commission outcomes 2011–12

Energy

Water

Transport and Industry Sectors



Energy

Energy Regulation

The Essential Services Commission is responsible for the regulation and licensing of gas and electricity retail companies, as well as the licensing of companies in energy generation, transmission and distribution. Within the Commission, the Energy division also oversees the administration of the Victorian Energy Efficiency Target scheme.

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

In 2011–12, the Energy Division undertook a number of important projects to support the rollout of electricity smart meters. These projects included further investigation to determine the circumstances in which Supply Capacity Control products might require further regulation and further amendments to the Energy Retail Code to require retailers to include start and end index reads on consumer bills and to reflect the improved disconnection and reconnection times that would be possible as a result of the smart meter rollout.

The Energy Division also responded to a Ministerial referral relating to a Privacy Impact Assessment Report that had been commissioned by the Department for Primary Industries.

In addition, the Commission finalised a review of the steps that retailers must fulfill before disconnecting a customer for non-payment of bills, and retailers' obligations on reconnection of supply. The Commission consulted with industry and consumer groups extensively on these projects. It also liaised closely with the Department of Primary Industries (DPI), which has policy responsibility for energy matters.

In the energy retail area, the Commission continues to play a major role in informing customers of the competitive market and how to exercise choice of their retailer. Through the 'Your Choice' initiative, the Commission provided advice and information to customers via the internet and through a dedicated call centre. The Commission's Community Liaison Officer also visited numerous metropolitan and regional groups to discuss energy regulation issues. The Commission also maintained its focus on market conduct in the energy retail sector, to assist customers better understand their rights in the marketing of retail energy offers, and to minimise any unacceptable conduct by retailers.

The Commission continued its close liaison with the Energy and Water Ombudsman (Victoria) and Consumer Affairs Victoria on a range of issues, including door to door trading and wrongful disconnection of electricity and gas supplies.

On 13 June 2012 the Minister for Energy and Resources announced that the transfer of retail regulation to the AER would be delayed beyond 1 July 2012. The Commission then began consulting with DPI, industry and consumer groups to develop a work plan to meet the Commission's extended Energy regulatory role.

Energy Saver Incentive (Victorian Energy Efficiency Target)

During 2011–12, the Commission continued its administration of the Energy Saver Incentive, under the *Victorian Energy Efficiency Target Act 2007*. The Act requires large electricity and gas retailers to reduce greenhouse gas emissions through energy reduction improvements in homes and businesses. The Act set an annual target of abating 2.7 million tonnes of carbon dioxide equivalent of greenhouse gases for calendar year 2011. The annual target was doubled to 5.4 million tonnes of carbon dioxide equivalent of greenhouse gases for calendar years 2012, 2013 and 2014. A tradable certificate is created for each tonne of emissions abated.

The target for the first three calendar-year period of 8.1 million certificates was achieved by January 2012. By 30 June 2012 the Commission had registered about 11.5 million certificates in total. There were 4.4 million certificates created in 2011–12 alone.

About 73 per cent of certificates registered during the year were for standby power controllers – a new VEET activity – which switch off appliances after a period of inactivity. Lighting, water heating, shower head and space heating activities made up the majority of the remaining 27 per cent. Lighting and standby power controllers have been the dominant activities over the lifetime of the scheme, accounting for about 81 per cent of all certificates (50 per cent lighting and 31 per cent standby power controllers).

The Commission maintained a rigorous audit and compliance program, with systems and processes in place to support its assessment of firms applying for accreditation in the scheme and the validity of participant's certificate claims. During 2011–12 the Commission developed additional audit processes focusing on higher risk participants. These processes led to several investigations during the financial year which resulted in two suspensions of accreditation of businesses in the scheme. As at

30 June 2012, there were 115 firms that had become accredited persons in the scheme.

In addition, a new internet-based registry system was installed to register certificates and assist accredited persons.

Cost

In 2011–12, the total cost of energy regulation was \$1.714 million and administration of the Victorian Energy Efficiency Target scheme, \$5.310 million.

Major Projects Completed and Benefits Generated in 2011–12

Energy Regulation

GENERAL REGULATION

Project	Output/Results	Benefits/Impact
Assessment of electricity solar photo-voltaic feed-in tariffs	Provided advice to the Minister for Energy and Resources in relation to feed-in tariffs offered by electricity retailers	Advised government on fair and reasonable contractual terms for customers on general and premium feed-in tariff terms and conditions.
National regulatory framework	Provided advice to the Department of Primary Industries and other stakeholders on the national framework for energy non-price distribution and retail services to customers	Assisted with the understanding of the Victorian regulations during preparations for the national framework.
Transition of functions to AER	Liaised with the Australian Energy Regulator and the Victorian Department of Primary Industries on transferring responsibility for energy retail functions	Assisted the proposed transition for industry to a single national regulator and preservation of essential consumer protections.
Use of system agreements	Clarified business to business arrangements for payment terms	Gave distributors and retailers business certainty on payments for use of distribution network.
Disconnection/Reconnection	Concluded a review of consumer protections prior to customer disconnection and required times for reconnection	Provided businesses and consumers with greater certainty, to help reduce the level of wrongful disconnections.

FACILITATING COMPETITION

Project	Output/Results	Benefits/Impact
Customer education and information	Held multiple community information sessions around Victoria to assist consumers to exercise choice in the competitive energy market. Further improvements to the dedicated website, Your Choice, made it easier to compare offers	Helped to ensure that small customers were sufficiently informed to effectively access the competitive energy retail market.
Customer Liaison	Responded to energy customers' queries on a range of topics throughout the year, including prices, maintenance responsibilities, and information provision on customer bills	Answered customers' queries, leading to greater understanding of their rights and obligations in the retail energy sector.
Smart Meter Privacy Impact Assessment	Responded to a Ministerial referral to consider relevant findings of a Smart Meter Privacy Impact Assessment report	Advised Government on a regulatory framework for smart meters and privacy concerns.

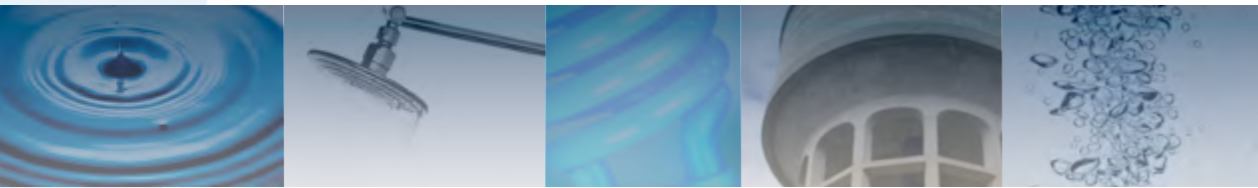
COMPANY APPROVALS AND REVIEWS		
Energy retail audit	Finalised audit program of all active retailers and required undertakings to rectify non-compliance	Ensured retailers were compliant with regulatory obligations to maintain consumers' confidence in the competitive market.
Energy Performance Reporting	Released 2010-11 Energy Retail Businesses Comparative Performance Report, including customer service and pricing in the competitive market	Provided information to customers and key parties on the comparative performance of 13 retailers servicing Victoria.

Major Projects Completed and Benefits Generated in 2011–12

ENERGY TARGETS

Project	Output/Results	Benefits/Impact
Victorian Energy Efficiency Target (VEET) scheme	Maintained ongoing administration of the Victorian Energy Efficiency Target (VEET) scheme	Reduced greenhouse gas emissions by promoting more energy efficient use of electricity and gas, initially in the residential sector.
	Implemented new VEET scheme prescribed activities – including those associated with the expansion to the business sector – and amendments to VEET guidelines and eligible product registers	Provided clarity and certainty in the operation of the VEET scheme to accredited persons and retailers.
	Upgraded registry system	Increased scheme integrity through improved automated data assessment and increased service delivery through streamlined approval processes for industry.
	Released Victorian Energy Efficiency Target scheme Performance Report 2010	Reported on scheme operation and compliance for the 2010 calendar year.





Water

Preparation for the forthcoming water price review was a major focus of the Water Division's work in 2011–12. As part of its preparation, the Commission released a Guidance Paper in October 2011 which set out its expectations on how the water businesses develop their service and price proposals for the next pricing period (starting 1 July 2013). The Commission also held seminars to inform the approach of businesses, with a focus on service outcomes and customer engagement. The well-attended seminars were addressed by a range of speakers in the water industry and from consumer groups and promoted wider thinking around water pricing issues. This work helped to ensure that businesses develop service and price proposals that take into account the views and interests of their customers.

On other pricing issues, the Commission received and assessed an application from Barwon Water for a mid-period price adjustment to reflect the cost of construction of the Melbourne to Geelong Pipeline. The Commission's decision approved a price change for Barwon Water in 2012–13, to take effect only after the Pipeline is completed and in service. The decision enabled Barwon Water to recover the costs of constructing the Pipeline, while limiting the impact on customer bills.

The Water Division also made significant progress on a new customer contributions framework in consultation with water businesses and the development industry. The new framework is expected to be in place by July 2013, and the proposal is to better reflect location-specific costs and revenues.

The Water Division undertook a review of the hardship related Guaranteed Service Level (GSL) in 2011–12. Following the review, the Commission released a final decision to extend the GSL to all water businesses in Victoria (taking effect from 1 July 2012), strengthening the customer protection framework. All businesses now have an additional incentive to fully engage with customers prior to restricting supply or taking legal action in response to non-payment of bills.

The Commission also strengthened arrangements related to trade waste service provision by the water businesses in 2011–12. It released a new Trade Waste Customer Service Code setting out obligations on water businesses and Melbourne Water, specific to the management of trade waste services. The Trade Waste Code helps to clarify the responsibilities of businesses and customers in relation to trade waste services.

Cost

In 2011–12, the total cost of regulation of the Victorian water industry was \$3.588 million.

Major Projects Completed and Benefits Generated in 2011–12

WATER

Project	Output/Results	Benefits/Impact
Preparation for Water Price Review	<p>Released a Guidance Paper to assist water businesses in preparing their Water Plans — which will set out the businesses' proposals for services and prices — for the next regulatory period starting 1 July 2013.</p> <p>Held seminars on service standards and customer engagement, and visited all businesses separately to inform their approach to the price review.</p> <p>The draft Water Plans of all businesses were made public over May-June 2012 to facilitate customer consultation</p>	<p>Supported the upcoming water price review, with an emphasis on ensuring businesses include all information that we require in their final Water Plans, and undertake a robust customer consultation process to inform their final service and price proposals.</p> <p>This approach helped to support a more transparent price review process, and to ensure that the services provided by water businesses were valued by their customers.</p>
Barwon Water – Application for a mid-period price adjustment to reflect the Melbourne to Geelong Pipeline	<p>Released an amended price determination for Barwon Water covering the maximum prices that it may charge in 2012–13. A consultation process with Barwon Water and its customers informed the decision.</p> <p>Approved a further three per cent increase to Barwon Water's maximum water prices for 2012–13; the further increase to take effect only after the pipeline was in service</p>	<p>Enabled Barwon Water to recover the cost of building the Melbourne to Geelong Pipeline, while limiting — to the fullest extent possible — the impact on prices and customer bills.</p> <p>The approved price change was lower than the increase originally sought by Barwon Water.</p>
Annual tariff approvals	<p>Approved the 2012–13 tariff proposals of 19 water businesses. The approved prices and a customer bill estimator were published on the Commission website</p>	<p>Supported the dissemination of up to date information for water businesses and customers on the maximum prices that the businesses may charge in 2012–13.</p> <p>The bill estimator allowed customers to calculate their likely water and sewerage bill for 2012–13, and compare it to those of other water authorities.</p>

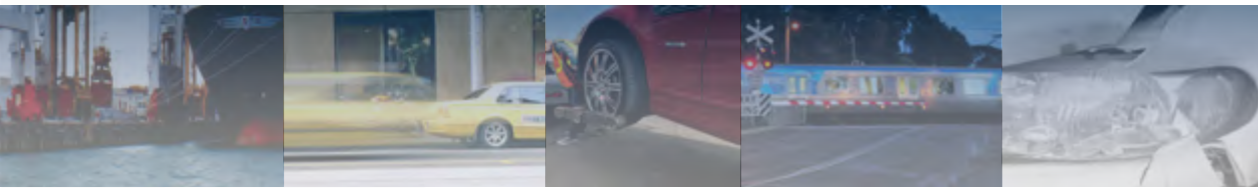
WATER

Project	Output/Results	Benefits/Impact
New Customer Contributions	<p>Developed a principles-based new customer contributions framework for the next regulatory period</p>	<p>The framework was designed to ensure that new customer contributions were cost-reflective and took into account the benefits existing customers received when new customers connect.</p>
Customer Service Code Amendments	<p>Completed consequential and transitional amendments to Customer Service Codes</p>	<p>Provided certainty for water authorities and customers to administer a number of customer service areas prior to implementing all the changes required by the <i>Water Amendment Act</i>.</p>
Extension of a hardship related guaranteed service level (GSL) measure	<p>Undertook and released a review of the hardship related guaranteed service level (GSL) measure. Based on the review, the Commission released a final decision that extended the GSL to all urban water businesses in Victoria (effective from 1 July 2012). The Customer Service Code was updated to reflect the decision</p>	<p>Provided an additional incentive for all water businesses in the State to engage with their customers on non-payment issues, prior to initiating restrictions on water supply or legal action.</p>
Trade Waste Customer Service Code	<p>Released the Trade Waste Customer Service Code in September 2011, which came into effect on 1 January 2012.</p> <p>Water businesses developed and published approved trade waste customer charters, as required by the code</p>	<p>Provided water businesses with a consistent, transparent and timely decision-making approach to trade waste management throughout Victoria. This provided trade waste customers with greater assurance and consistency of trade waste management services.</p>
Customer Liaison	<p>Responded to water customer queries on a range of topics throughout the year, including prices, maintenance responsibilities and information provision on customer bills.</p>	<p>Answered customers' queries, leading to greater understanding of their rights and obligations in the water sector.</p>

WATER

Project	Output/Results	Benefits/Impact
Review of water performance monitoring indicators	Released for consultation a revised set of performance indicators for metropolitan and regional urban water businesses	Removed, modified or added indicators to ensure that the performance report remained relevant, meaningful and accurate for water customers and businesses.
Australian Competition and Consumer Commission accreditation for price regulation of rural water businesses in the Murray Darling Basin	Accredited by the ACCC to regulate rural water pricing	Provided for continuity of regulation in Victoria in the interests of the rural water customers.





Transport and Industry Sectors

The Transport and Industry Sectors Group is responsible for administering the Commission's regulatory functions in the ports, rail, taxi and accident towing industries, as well as undertaking reviews for various Ministers on issues referred.

Ports

In November 2011, the Commission released its final decision on the Port of Melbourne Corporation's (PoMC) reporting requirements under the price monitoring regime and issued PoMC an Information Notice. The Information Notice sets out the reporting requirements and information that PoMC must provide to the Commission annually for the preceding financial year.

Rail Access

In August 2011, the Commission determined the access price and non-price amendments in Metro Trains Melbourne's rail access agreement.

In March 2012, the Commission began its assessment of three access arrangements submitted by three access providers:

- » V/Line — the access provider to the Victorian regional rail network;
- » VicTrack — the access provider to the Dynon and North Dynon intermodal terminal sidings; and
- » Pacific National — the access provider to the South Dynon intermodal terminal.

As required by the legislation, the Commission completed its assessment (including issuing both a draft and final decision and consulting with interested parties) within 90 days of receiving each of these three access applications.

In preparing its draft and final decisions, the Commission consulted with stakeholders and sought public submissions. Submissions from the respective access providers and stakeholder submissions were considered by the Commission in making its final decisions to approve V/Line's, VicTrack's and Pacific National's access arrangements.

Taxis

In July 2011, a Commission Staff Paper was submitted to the Victorian Taxi Industry Inquiry in response to the inquiry's Setting the Scene consultation paper.

The Commission also provided information and analysis to the Inquiry team in response to questions regarding the Commission's role in setting taxi fares.

Industry Sectors

The Commission completed a major public review of the fee and funding model of Victoria's vocational education and training sector, delivering its final report in October 2011.

In April 2012, the Commission released its annual performance report on Victoria's domestic building insurance scheme.

Cost

The total costs of the Transport and Industry Sectors Division in 2011–12 were:

Industry	Estimated cost
Rail industry	\$0.384 million
Port services industry	\$0.107 million
Other references and advice	\$2.834 million

Major Projects Completed and Benefits Generated in 2011–12

TRANSPORT AND INDUSTRY SECTORS

Project	Output/Results	Benefits/Impact
Metro Trains rail access arrangement	Released Draft Decision 13 July 2011 and Final Decision on 25 August 2011	Provided certainty on the prices, terms and conditions for access by freight operators to the Melbourne metropolitan rail network.
V/Line rail access arrangement	Released Draft Decision on 31 May 2012 and Final Decision on 28 June 2012	Provided access to the regional rail network and promotes competition in the above-rail freight market. Provided certainty as to the prices, terms and conditions of access for parties seeking access to metropolitan rail infrastructure services.

TRANSPORT AND INDUSTRY SECTORS

Project	Output/Results	Benefits/Impact
Pacific National rail access arrangement	Released Draft Decision on 3 May 2012 and Final Decision on 31 May 2012	Provided access to the South Dynon Intermodal Terminal for potential access seekers, setting prices, terms and conditions for access.
VicTrack rail access arrangement	Released Draft Decision on 31 May 2012 and Final Decision on 28 June 2012	Provided access to sidings at the Dynon and North Dynon precincts and promoted competition in the above-rail freight market. Prices, terms and conditions for access were set.
Port of Melbourne Corporation (PoMC) Information Notice	Released Final Decision in November 2011 Issued Information Notice to Port of Melbourne, November 2011	Facilitated commercial negotiation and competition by making information publicly available that will be relevant to port industry participants — for example, when they are negotiating the terms and conditions of obtaining access to prescribed services. Allowed the Commission to collect information to monitor PoMC's regulated services.
Taxi Industry Inquiry Advice	Provided a submission to the Victorian Taxi Industry Inquiry Provided support and advice to the Taxi Industry Inquiry	Increased the transparency of how the taxi industry operated and identified options for reform to benefit consumers.
Vocational education and training fee and funding review	Released Final Report in October 2011	Presented 43 recommendations to improve the fee and funding model, and outlined a transition path for key reforms.
Domestic Building Insurance	Reported on the performance of Victoria's domestic building insurance scheme, released in April 2012	Provided information about scheme eligibility, premiums and claims performance from 2002 to 2011.



Output performance



Output budgeting

The Commission budget for 2011–12 was prepared on an output budgeting basis in accordance with Victorian Government standards.

The output targets set for 2011–12 and actual results are:

MAJOR OUTPUTS/DELIVERABLES PERFORMANCE MEASURES*

	Unit of measure	2011–12 Target	2011–12 Actual
Quantity			
Performance reviews and compliance audits of regulated businesses	Number	93	93
New or revised regulatory instruments issued	Number	2	2
Performance reports for regulated businesses or industries	Number	3	3
Price approvals of regulated businesses	Number	22	22
Reviews, investigations or advisory projects	Number	6	5
Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target Scheme	Number	400	595
Quality			
Decisions upheld where subject to review, appeal or disallowance	Per cent	100	100
Timelines			
Deadlines met for major milestones	Per cent	100	100
Cost			
Total output cost	\$million#	\$15.2	\$14.3

* Refer Department of Treasury and Finance, 2012–13 Budget Paper No. 3

Excludes DTF overheads

Output Targets 2012–13

MAJOR OUTPUTS/DELIVERABLES PERFORMANCE MEASURES

Economic Regulatory Service	Unit of measure	2012–13 Target
Quantity		
Performance reviews and compliance audits of regulated businesses	Number	119
New or revised regulatory instruments issued	Number	0
Performance reports for regulated businesses or industries	Number	4
Price approvals of regulated businesses	Number	19
Reviews, investigations or advisory projects	Number	2
Registration and accreditation decisions/approvals	Number	500
Quality		
Decisions upheld where subject to review, appeal or disallowance	Per cent	100
Timelines		
Deadlines met for major milestones	Per cent	100
Cost		
Total output cost	\$million#	\$14.6*

* Excludes an estimated \$1.7 million of receipts from the expanded VEET scheme that will be available for expenditure.

Excludes DTF overheads

Workforce Data by Division

TOTAL EMPLOYMENT^ AS AT 30 JUNE 2012 (BY DIVISION):

Transport and Industry Sectors	14
Energy Division (includes VEET)	29
Water Division	16
Corporate and Operations	11
Total	70

^Includes ongoing and fixed term employees as at 30 June; excludes Commissioners. (Includes personnel on paid leave arrangements, but excluding those on unpaid leave.)

Workforce data staffing trends

YEAR AT 30 JUNE	HEAD COUNT	FTE
2004	58	55
2005	63	61
2006	62	61
2007	71	69
2008	66	66
2009	56	54
2010	74	72
2011	71	69
2012	70	68

^Includes ongoing and fixed term employees as at 30 June; excludes Commissioners. (Includes personnel on paid leave arrangements, but excluding those on unpaid leave.)

June 2011 – June 2012

	ONGOING EMPLOYEES				FIXED TERM & CASUAL	
	Employee Headcount	Full-time Headcount	Part-time Headcount	FTE	FTE	
Jun-11	66	61	5	64.64	4.18	
Jun-12	69	61	8	66.84	1.00	
	2011			2012		
	Ongoing		Fixed term & casual	Ongoing		Fixed term & casual
	Employee headcount	FTE	FTE*	Employee headcount	FTE	FTE*
Gender						
Female	30	28.64	1.08	30	28.04	0.00
Male	36	36.00	3.10	39	38.80	1.00
Age						
Under 25	8	8.00	0.58	2	2.00	0.00
25-34	19	18.84	0.60	25	24.04	0.00
35-44	25	23.80	3.00	28	26.80	1.00
45-54	9	9.00	0.00	10	10.00	0.00
55-64	3	3.00	0.00	3	3.00	0.00
Over 64	2	2.00	0.00	1	1.00	0.00
Total	66	64.64	4.18	69	66.84	1.00

*Excludes 1.8 FTE Commissioners (2012) and 1.9 FTE Commissioners (2011)

	2011			2012		
	Ongoing		Fixed term & casual	Ongoing		Fixed term & casual
	Employee headcount	FTE	FTE*	Employee headcount	FTE	FTE*
Classification						
VPS1	0.00	0.00	0.00	0.00	0.00	0.00
VPS2	5.00	5.00	1.00	1.00	1.00	0.00
VPS3	13.00	13.00	0.00	15.00	15.00	0.00
VPS4	15.00	14.60	0.60	17.00	16.00	0.00
VPS5	14.00	13.24	0.00	14.00	13.24	0.00
VPS6	11.00	10.80	0.00	13.00	12.60	0.00
STS	2.00	2.00	0.00	2.00	2.00	0.00
SRM	3.00	3.00	2.00	3.00	3.00	1.00
Executive	3.00	3.00	0.00	4.00	4.00	0.00
Casual	0.00	0.00	0.58	0.00	0.00	0.00
Total	66.00	64.64	4.18	69.00	66.84	1.00

*Excludes 1.8 FTE Commissioners (2012) and 1.9 FTE Commissioners (2011)

Executive Officer disclosures

TABLE 1: NUMBER OF EXECUTIVE OFFICERS CLASSIFIED INTO 'ONGOING' AND 'SPECIAL PROJECTS'

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

TABLE 2: BREAKDOWN OF EXECUTIVE OFFICERS INTO GENDER FOR 'ONGOING' AND 'SPECIAL PROJECTS'

Class	Ongoing						Special Projects					
	Male		Female		Vacancies	Male		Female		Vacancies		
	No.	Var	No.	Var	No.	Var	No.	Var	No.	Var		
EO-1	0	0	0	0	0	0	0	0	0	0	0	
EO-2	1	0	0	0	0	0	0	0	0	0	0	
EO-3	3	0	0	0	0	0	0	0	0	0	0	
Total	4	0	0	0	0	0	0	0	0	0	0	

TABLE 3: RECONCILIATION OF EXECUTIVE NUMBERS

	2011	2012
Executives with remuneration over \$100,000 (Refer to Appendix A, Note 13)	3	4
<i>Add</i> Vacancies (table 2)	1	0
Executives employed with total remuneration below \$100,000	0	0
Accountable Officer* (Secretary)	1	1
<i>Less</i> Separations	1	0
Total executive numbers at 30 June 2012	4	4

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

Merit and Equity

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

REPORTING UNDER DIRECTIONS OF THE COMMISSIONER FOR PUBLIC EMPLOYMENT*

Commissioner's Direction	Performance Indicator	2011–12 Response
Selecting on Merit. Decisions made to exempt vacancies from advertisement	Number of decisions	0
Reviewing Personal Grievances. Finalisation of individual grievance reviews	Number of grievances finalised	0
Managing and Valuing Diversity Outcomes of diversity and EEO initiatives	Barriers to employment and enhancement in productivity removed	No barriers to employment and enhancement in productivity identified.
Upholding Public Sector Conduct Implementation and expansion of Code of Conduct	Measures taken to uphold principles of public sector conduct	Victorian Public Service Code of Conduct is applied.

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

Occupational Health and Safety

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

Private Interest Declarations

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

WorkCover

WorkCover statistics	2010–11	2011–12
Claims during the year	0	0

Employee Relations

No employee time was lost in 2011–12 due to industrial disputes.

Corporate Governance

Commissioners comprise a board of management, which is responsible for the oversight of the organisation supporting the Commission through participation in strategic planning, management of resources, monitoring of project activity and overseeing compliance with corporate governance. The board met 12 times during 2011–12.

The Commission also operates under its own Corporate Governance Statement, which is posted on the Commission's external website. This statement also outlines the role of the Commission's Audit and Risk Management Committee, which in 2011–12 comprised the two-part-time Commissioners (Mr Dennis Cavagna, and Mr Tony Darvall and his replacement, Ms Mary Anne Hartley) and one external appointment, an accountant (Mr Ian Cuthbertson). Internal and external auditors also attended the meetings as required.

The role of the committee is to assist the Commission in fulfilling its responsibilities in relation to the identification of areas of significant business risks and the monitoring of:

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

The committee reviews and provides recommendations to the Commission on the adequacy of the processes for identifying and managing significant risks. It also provides a direct link between the Commission and the internal and external auditors, and enables any concerns of the auditors to be conveyed to the Commission independently of management.

In 2011–12 the committee met four times, with meetings attended by all committee members.



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

I, Ron Ben-David, certify that the Essential Services Commission has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (ISO 31000:2009) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Essential Services Commission verifies this assurance and that the risk profile of the Essential Services Commission has been critically reviewed within the last 12 months.



Ron Ben-David
Chairperson
Essential Services Commission

Memoranda of Understanding

The Essential Services Commission Act 2001 (section 16) requires the Commission to enter into Memoranda of Understanding with a range of State Government agencies. In addition, the Commission has entered into Memoranda of Understanding with agencies with which it shares important working relationships.

The objective of the memoranda is to improve communications, encourage input into regulatory processes and avoid overlap with the other agencies.

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

In 2011–12, Memoranda of Understanding were held with the following organisations:

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

Note: * These are voluntary Memoranda of Understanding entered into by the Commission and are not required under section 16 of the *Essential Services Commission Act 2001*.

Information Technology

Information technology plays an integral role in the records management, internal work processes and stakeholder strategies of the Essential Services Commission.

During 2011, the Commission installed an internet-based registry system to assist its administration of the Victorian Energy Efficiency Target scheme. The upgraded registry system allows persons accredited under the scheme to register on-line the creation of Victorian energy efficiency certificates.

In addition, the Commission upgraded its external website, www.esc.vic.gov.au with additional functions and design features to reflect changing regulatory responsibilities.

During 2011–12, the Commission also commenced the transition of its IT server capacity to cloud computing and further enhanced its dedicated Your Choice website for retail energy customers.

An Information Communication Technology (ICT) Committee operates within senior management to provide guidance on governance issues and risk management across a range of IT projects undertaken by the Commission.

Sponsored Committees

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

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

The Commission decided that from 2012–13, the committee would no longer meet formally on a quarterly basis, but would

be reconstituted into customer reference groups or panels along project or industry lines. For example, a particular reference group or panel would be established to assist the Commission's review of water prices, or for other specific projects.

This change reflects the Commission's amended regulatory scope and new activities under review.

During 2011–12, membership of the Committee comprised representatives of the following organisations:

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

In addition, the Department of Business and Innovation and Consumer Affairs Victoria were accorded observer status on the Customer Consultative Committee.



Charter of Consultation and Regulatory Practice

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

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

Staff of the Commission refer to the Charter when planning price and regulatory reviews and other activities, and are guided by it in conducting public consultation and seeking comment from stakeholders.

Public forums

The Commission held six public forums during 2011–12. Four related to information sessions for the Victorian Energy Efficiency Target scheme, and were held in July and October 2011 and in February and June 2012, while two related to a pricing application by Barwon Water, and were held in Geelong and Colac in May 2012.

Submissions

Numbers of submissions to major pricing and other regulatory reviews and activities received during 2011–12 were:

Energy

Guideline No 19 – Price and Product Disclosure:
Issues Paper – 4 submissions

Smart Meters – Capacity Control and Verifying Bills:
Draft Decision – 11

Smart Meters – Privacy Impact: Draft Report – 8

Water

New Customer Contributions Guideline – Framework and Approach: Staff Issues Discussion Paper – 3

Melbourne Water's special drainage areas – Price review for 2012–13 – 24

Performance Indicators Review – Staff Discussion Paper – 14

Customer Service Code – Consequential and Transitional Amendments: Draft Decision – 2

Barwon Water – Application to Recover Costs – 10

General (Energy and Water)

Hall and Partners Open Mind – Improving Approaches to Customer Financial Hardship – 24

Ports

Information Requirements for monitoring Port of Melbourne Corporation – 2

Rail

V/Line Proposed Access Arrangement – 2

V/Line Proposed Access Arrangement: Draft Decision – 2

Vic Track Application for Access Arrangement – 1

In addition, the Commission's consultation processes included:

- » quarterly meetings with the Customer Consultative Committee and ongoing liaison with members
- » issue of draft decisions and issues papers for public comment
- » consultation with prescribed agencies, under the Commission's Memoranda of Understanding

- » Inputs from working parties and workshops of community-based groups and industry sectors.

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

Communications and Publications

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

Numerous publications on various matters pertaining to the regulated industries were published and made available publicly in both hard copies and via the Commission's website (refer to Appendix C of this Report). Media liaison continued at a comprehensive level to assist in the communication of Commission information to the general community.

The Commission's website continues to be an important means of providing information to the community. The website address is <http://www.esc.vic.gov.au>. In 2011–12, the Commission also upgraded its dedicated website, www.yourchoice.vic.gov.au, to inform and assist customers in accessing the competitive retail energy market.

National Competition Policy

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

Shares

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

Building Works

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

Five-year financial summary: Controlled activities

Excluding DTF overhead	2011-12 \$	2010-11 \$	2009-10 \$	2008-09 \$	2007-08 \$
Income from Government	15,439,162	12,641,789	13,501,800	18,446,700	18,788,999
Total income from transactions	15,439,162	12,641,789	13,501,800	18,448,048	18,788,999
Total expenses from transactions	14,342,970	14,187,002	13,257,872	17,916,121	15,412,686
Net result from transactions	1,096,192	-1,545,213	243,928	533,927	3,375,863
Net result	1,041,127	-1,539,294	246,142	487,492	3,352,687
Net cash flow from operating activities	796,250	327,596	642,769	270,858	642,717
Total assets	11,130,876	9,944,028	11,592,070	11,698,634	10,544,230
Total liabilities	3,885,096	3,739,375	3,848,123	4,200,829	3,534,367

Note: * In 2010-11, the Authority reviewed the way it accounts for funding grants received from the Victorian government departments to better align with AASB 1004 Contributions. Prior year figures have been adjusted accordingly.

Fees

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

Type of Licence	2010-11* \$
Electricity Industry	
Generation ≤ 200MW	2000
Generation 200-999 MW	6000
Generation > 1000 MW	10,000
Trader	750
Transmission – State-wide	10,000
Transmission – Interconnector	5000
Distribution	123,234
Restricted Retail and Retail Contestable	884,072
Gas Industry	
Distribution – Standard	52,816
Restricted retail and retail	592,630
Ports Industry	
Port of Melbourne Corporation	196,732
Water Industry	
Water and Sewerage	3,094,966

Note: * Licence fees are accrued on the basis of estimates, with final determination to be made by the Minister for Finance in consultation with the relevant industry Minister. Figures for Water and Sewerage based on total costs recovered from licence fees.

Appendices

APPENDIX A

Exact copy of Financial Statements as provided by the
Department of Treasury and Finance

ESSENTIAL SERVICES COMMISSION

Financial Statements

For the Year Ended 30 June 2012

Essential Services Commission

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Essential Services Commission

Comprehensive operating statement For the year ended 30 June 2012

	Notes	2012 \$	2011 \$
Income from transactions			
Grants	2	<u>15,439,162</u>	12,641,789
Total income from transactions		<u>15,439,162</u>	12,641,789
Expenses from transactions			
Employee benefits	3	8,502,147	8,422,772
Depreciation	3	449,479	615,290
Finance lease interest		3,233	5,823
Capital asset charge	1(f)	77,388	234,060
Supplies and services		<u>5,310,723</u>	4,909,057
Total expenses from transactions		<u>14,342,970</u>	14,187,002
Net result from transactions		<u>1,096,192</u>	(1,545,213)
Other economic flows included in net result			
Net gain (loss) on disposal of property, plant and equipment		256	2,301
Net gain (loss) arising from revaluation of long service leave liability		<u>(55,321)</u>	3,618
Total other economic flows included in net result		<u>(55,065)</u>	5,919
Net result		<u>1,041,127</u>	(1,539,294)
Other economic flows – other non-owner changes in equity		-	-
Comprehensive result		<u>1,041,127</u>	(1,539,294)

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

Essential Services Commission

Balance sheet As at 30 June 2012

	Notes	2012 \$	2011 \$
Financial assets			
Cash on hand		500	500
Receivables	4	9,782,690	8,874,821
Total financial assets		9,783,190	8,875,321
Non-financial assets			
Prepayments		2,412	35,938
Property, plant and equipment	5	222,560	517,662
Intangible assets	6	1,122,714	515,107
Total non-financial assets		1,347,686	1,068,707
Total assets		11,130,876	9,944,028
Liabilities			
Creditors and accruals		1,044,684	1,044,270
Provisions	7	2,779,861	2,600,031
Borrowings	8	60,551	95,074
Total liabilities		3,885,096	3,739,375
Net assets		7,245,780	6,204,653
Equity			
Contributed capital		873,921	873,921
Accumulated surplus		6,371,859	5,330,732
Total equity		7,245,780	6,204,653

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

Essential Services Commission

Statement of changes in equity For the year ended 30 June 2012

	Contributed capital \$	Accumulated surplus \$	Total \$
Balance at 1 July 2010	873,921	6,870,026	7,743,947
Net result for the year		(1,539,294)	(1,539,294)
Balance at 30 June 2011	873,921	5,330,732	6,204,653
Net result for the year		1,041,127	1,041,127
Balance at 30 June 2012	873,921	6,371,859	7,245,780

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

Cash flow statement
For the year ended 30 June 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from government		14,551,474	13,996,364
Payments to suppliers and employees		(13,681,003)	(13,428,885)
Capital asset charge paid		(77,388)	(234,060)
Interest and other finance costs paid		(3,233)	(5,823)
Net cash flows from operating activities	16	789,850	327,596
Cash flows from investing activities			
Payments for property, plant and equipment		(34,011)	(61,626)
Proceeds from sale of property, plant and equipment		43,091	17,817
Payments for intangible assets		(732,067)	(242,223)
Net cash flows used in investing activities		(722,987)	(286,032)
Cash flows from financing activities			
Repayment of finance leases		(66,863)	(41,564)
Net cash flows used in financing activities		(66,863)	(41,564)
Net increase in cash held		-	-
Cash at the start of the year		500	500
Cash at the end of the year		500	500
Non-cash financing and investing activities	17		

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

Note 1. Summary of significant accounting policies

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards including Interpretations (AASs), 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.

(b) Basis of preparation

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

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 in future periods that are affected by the revision.

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

(c) Reporting entity

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

Administered resources

The Commission acts on behalf of the Victorian Government in collecting licence fees administered by the Commission under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, the *Water Industry Act 1994* and the *Port Services Act 1995*. These and certain other administered revenues are collected by the Commission but not controlled by it, and are not recognised as revenues receivables within the body of the financial statements, but are reported as administered revenues receivables (see note 18). Such amounts are required to be paid to the Consolidated Fund.

Objectives and funding

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

At 30 June 2012 the regulated industries included electricity, gas, water, ports and rail facilities.

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

(d) Scope and presentation of financial statements

Comprehensive operating statement

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

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the year to the closing balance at the end of the year. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other economic flows—other movements in equity related transactions with the owner in its capacity as owner.

Cash flow statement

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

(e) Income from transactions

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

Grants

Income from grants (other than contributions by owners) is recognised when the Commission obtains control over the contribution. Where grants are reciprocal (i.e. equal value is given by the Commission to the provider), the Commission is deemed to have assumed control when it has satisfied its performance obligations under the terms of the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Resources received free of charge

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

(f) Expenses from transactions

Employee benefits

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

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

Depreciation

All plant and equipment and other non-current physical 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 2012 and 30 June 2011 are as follows:

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

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

Finance lease interest

Finance lease interest charges are recognised as expenses in the period in which they are incurred.

Capital asset charge

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

Resources provided free of charge

Resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of any restrictions or conditions imposed over their use, except that transfers to another government department or agency as a consequence of a restructuring of administrative arrangements are recognised at carrying value.

(g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. They include net gain and loss on financial and non-financial assets and liabilities and other gains and losses from other economic flows.

Net gains and losses on non-financial assets include realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets. Net gains and losses on financial instruments include impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets. Other gains and losses from other economic flows include the transfer of amounts from reserves and/or accumulated surplus to net result due to reclassification, and from the revaluation of the present value of the long service leave liability due to changes in bond interest rates.

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.

Impairment of non-financial assets

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

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

Impairment of financial assets

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

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as other economic flows.

(h) Financial assets

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

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

Receivables

Receivables consist 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. 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.

(i) Non-financial assets

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Property, plant and equipment

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

The initial cost for non-financial physical assets under a finance lease (refer note 1(k)) is measured at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The fair value of plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are measured at cost less accumulated depreciation and impairment. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Commission.

(j) Liabilities

Creditors and accruals

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

Provisions

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

Employee benefits

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

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

(k) Leases

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

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

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

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

(l) Goods and Services Tax (GST)

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

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

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

(m) Contributions by owners

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

(n) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed in note 10 at their nominal value and inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(o) **Contingent assets and contingent liabilities**

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

(p) **New Accounting Standards and Interpretations**

As at 30 June 2012, the following standards and interpretations (applicable to the Commission) had been issued but were not mandatory for the 30 June 2012 reporting period. The Commission has not adopted, and does not intend to adopt, these standards early.

AASB 9 *Financial instruments*. This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*). Applicable for annual reporting periods beginning on 1 January 2013. Detail of impact is still being assessed.

AASB 13 *Fair Value Measurement*. This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs. Applicable for annual reporting periods beginning on 1 January 2013. Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.

AASB 1053 *Application of Tiers of Australian Accounting Standards*. This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. Applicable for annual reporting periods beginning on 1 July 2013. The Victorian Government is currently considering the impacts of reduced disclosure requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.

AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]*. This Standard gives effect to consequential changes arising from the issuance of AASB 9. Applicable for annual reporting periods beginning on 1 January 2013. No significant impact is expected from these consequential amendments.

AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*. This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities. Applicable for annual reporting periods beginning on 1 July 2013. The Victorian Government is currently considering the impacts of RDRs and has not decided if RDRs will be implemented in the Victorian public sector.

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]*. These consequential amendments are in relation to the introduction of AASB 9. Applicable for annual reporting periods beginning on 1 January 2013. No significant impact is expected from these consequential amendments.

AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 & AASB 1054]*. The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards - Reduced Disclosure Requirements (RDRs). Applicable for annual reporting periods beginning on 1 July 2013. The Victorian Government is currently considering the impacts of RDRs and has not decided if RDRs will be implemented in the Victorian public sector.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*. This Standard amends AASB 124 *Related Party Disclosures* by removing the disclosure requirements in AASB 124 in relation to individual key management personnel. Applicable for annual reporting periods beginning on 1 July 2013. No significant impact is expected from these consequential amendments.

AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]*. This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations. Applicable for annual reporting periods beginning on 1 January 2013. Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.

AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*. The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in a subsequent period (reclassification adjustments). Applicable for annual reporting periods beginning on 1 July 2012. This amending Standard may change the current presentation of 'Other economic flows- other movements in equity' to groupings on the basis of whether the components are potentially reclassifiable to profit or loss in subsequent periods. No other significant impact is expected.

AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]*. This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretations arising from the issuance of AASB 119 *Employee Benefits*. Applicable for annual reporting periods beginning on 1 January 2013. No significant impact is expected from these consequential amendments.

AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements*. This Standard makes amendments to AASB 119 *Employee Benefits* (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements. Applicable for annual reporting periods beginning on 1 July 2013. The Victorian Government is currently considering the impacts of RDRs and has not decided if RDRs will be implemented in the Victorian public sector.

2012-1 *Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]*. This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 *Fair Value Measurement*. Applicable for annual reporting periods beginning on 1 July 2013. The Victorian Government is currently considering the impacts of RDRs and has not decided if RDRs will be implemented in the Victorian public sector.

AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]*. This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. Applicable for annual reporting periods beginning on 1 January 2013. No significant impact is expected from these amendments.

AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]*. This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132. Applicable for annual reporting periods beginning on 1 January 2014. No significant impact is expected from these amendments.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]*. This Standard makes amendments to various standards as a consequence of the issuance of International Financial Reporting Standard *Annual Improvements to IFRSs 2009-2011 Cycle* by the International Accounting Standards Board in May 2012. Applicable for annual reporting periods beginning on 1 January 2013. No significant impact is expected from these amendments.

Notes to the financial statements
30 June 2012

	2012 \$	2011 \$
Note 2. Income from transactions		
Income from transactions includes:		
Grants		
Grants from Department of Treasury and Finance (note 1(c))	15,439,162	12,641,789
Total grants	15,439,162	12,641,789
Note 3. Expenses from transactions		
Expenses from transactions includes:		
Employee benefits		
Salaries and wages	6,720,702	6,617,923
Superannuation		
- Defined contribution plans	577,947	560,596
- Defined benefit plans	22,480	20,665
Annual and long service leave expense	761,153	822,079
On-costs	419,865	401,509
Total employee benefits	8,502,147	8,422,772
Depreciation		
Leasehold improvements	143,777	262,398
Office and computer equipment	157,993	217,069
Motor vehicles under finance lease	23,249	28,821
Intangible assets	124,460	107,002
Total depreciation	449,479	615,290

Notes to the financial statements
30 June 2012

	2012 \$	2011 \$
Note 4. Receivables		
Statutory		
Current:		
Amounts receivable from government departments	9,447,059	8,550,062
GST recoverable	90,670	70,838
Total current receivables	9,537,729	8,620,900
Non-current:		
Amounts receivable from government departments	244,961	253,921
Total non-current receivables	244,961	253,921
Total receivables	9,782,690	8,874,821
Note 5. Property, plant and equipment		
Leasehold improvements – at cost	1,928,599	1,922,198
Less: accumulated depreciation	(1,926,241)	(1,782,463)
	2,358	139,735
Office and computer equipment – at cost	1,049,622	1,158,179
Less: accumulated depreciation	(889,160)	(873,736)
	160,462	284,443
Motor vehicles under finance lease – at cost	104,815	137,014
Less: accumulated depreciation	(45,075)	(43,530)
	59,740	93,484
Total property, plant and equipment	222,560	517,662
Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at start of the year	139,735	402,133
Recognition of restoration obligation	6,400	-
Depreciation expense (note 3)	(143,777)	(262,398)
Carrying amount at end of the year	2,358	139,735
<i>Office and computer equipment</i>		
Carrying amount at start of the year	284,443	544,454
Additions	34,012	61,626
Disposals	-	(2,016)
Transfer to intangible assets	-	(102,552)
Depreciation expense (note 3)	(157,993)	(217,069)
Carrying amount at end of the year	160,462	284,443
<i>Motor vehicles under finance lease</i>		
Carrying amount at start of the year	93,484	103,106
Additions	32,339	32,700
Disposals	(42,834)	(13,501)
Depreciation expense (note 3)	(23,249)	(28,821)
Carrying amount at end of the year	59,740	93,484

Notes to the financial statements
30 June 2012

	2012 \$	2011 \$
Note 6. Intangible assets		
Capitalised software development - at cost	1,383,037	650,970
Less: accumulated depreciation	(260,323)	(135,863)
Total intangible assets	<u>1,122,714</u>	<u>515,107</u>
Reconciliation of carrying amounts		
Carrying amount at the start of the year	515,107	277,334
Additions	732,067	242,223
Transfer from property, plant and equipment	-	102,552
Depreciation expense (note 3)	(124,460)	(107,002)
Carrying amount at the end of the year	<u>1,122,714</u>	<u>515,107</u>
Note 7. Provisions		
Current:		
Employee benefits		
- Annual leave	660,135	645,965
- Long service leave		
Expected to be paid within 12 months	81,793	89,239
Expected to be paid after 12 months	1,229,933	981,067
- Performance bonus	119,759	192,959
Restoration costs	443,280	436,880
	<u>2,534,900</u>	<u>2,346,110</u>
Non-current:		
Employee benefits		
- Long service leave	244,961	253,921
Total provisions	<u>2,779,861</u>	<u>2,600,031</u>
Movements in provisions other than employee benefits		
	2012	
Restoration costs	\$	
Carrying amount at start of year	436,880	
Provision recognised	6,400	
Carrying amount at end of year	<u>443,280</u>	

Notes to the financial statements
30 June 2012

	2012 \$	2011 \$		
Note 8. Borrowings				
Secured				
Current:				
Finance lease liabilities	43,758	60,415		
Non-Current:				
Finance lease liabilities	16,793	34,659		
Total borrowings	<u>60,551</u>	<u>95,074</u>		
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.				
Assets pledged as security				
The carrying amounts of non-current assets pledged as security are:				
Motor vehicles under finance lease	59,740	93,484		
Note 9 discloses the maturity analysis of borrowings and the nature and extent of risks arising from borrowings.				
Note 9. Financial instruments				
(a) Significant accounting policies				
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.				
(b) Categorisation of financial instruments				
			Carrying amount	
			2012	2011
Financial assets	Note	Category	\$	\$
Cash on hand		Cash	500	500
Receivables *	4	Loans and receivables	-	-
			<u>500</u>	<u>500</u>
Financial liabilities				
Creditors and accruals		Financial liabilities at amortised cost	1,044,684	1,044,270
Borrowings	8	Financial liabilities at amortised cost	60,551	95,074
			<u>1,105,235</u>	<u>1,139,344</u>
Net holding gain (loss) on financial instruments by category:				
Financial assets		Category		
Cash on hand		Cash	-	-
Receivables *		Loans and receivables	-	-
			<u>-</u>	<u>-</u>
Financial liabilities				
Creditors and accruals		Financial liabilities at amortised cost	-	-
Borrowings		Financial liabilities at amortised cost	(3,233)	(5,823)
			<u>(3,233)</u>	<u>(5,823)</u>

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

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

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

(c) Credit risk

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

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

Financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

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

(d) Liquidity risk

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

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

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

	Carrying amount \$	Nominal amount \$	Maturity dates *			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2012						
Creditors and accruals	1,044,684	1,044,684	1,044,684			
Finance lease liabilities	60,551	63,249	2,396	19,386	24,262	17,205
	<u>1,105,235</u>	<u>1,107,933</u>	<u>1,047,080</u>	<u>19,386</u>	<u>24,262</u>	<u>17,205</u>
2011						
Creditors and accruals	1,044,270	1,044,270	1,044,270			
Finance lease liabilities	95,074	99,068	29,567	4,645	29,326	35,530
	<u>1,139,344</u>	<u>1,143,338</u>	<u>1,073,837</u>	<u>4,645</u>	<u>29,326</u>	<u>35,530</u>

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

(e) Market risk

The Commission has no exposure to interest rate, foreign currency or other price risks.

(f) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values because of the short term nature of the financial instruments and the expectation that they will be paid in full.

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

	2012 \$	2011 \$
Note 10. Commitments for expenditure		
Capital commitments		
Plant and equipment, payable:		
Within one year	-	649,306
Outsourcing commitments		
Information technology services, payable:		
Within one year	699,051	201,000
Later than one year but not later than five years	1,106,831	-
	<u>1,805,882</u>	<u>201,000</u>
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	887,153	888,913
Later than one year but not later than five years	535,249	2,949,652
	<u>1,422,402</u>	<u>3,838,565</u>
Finance lease liabilities		
Liabilities in relation to finance leases are payable as follows:		
Within one year	46,044	63,538
Later than one year but not later than five years	17,205	35,530
Minimum lease payments	63,249	99,068
Less: Future finance charges	(2,698)	(3,994)
Total lease liabilities	<u>60,551</u>	<u>95,074</u>
Shown in the financial statements (note 8) as:		
Current	43,758	60,415
Non-current	16,793	34,659
	<u>60,551</u>	<u>95,074</u>

Note 11. Contingent liabilities and contingent assets

The Commission had no contingent liabilities or contingent assets at 30 June 2012. At 30 June 2011 the Commission had no contingent liabilities and a contingent asset in relation to the recovery of litigation costs incurred defending licensing requirements and their applicability.

Note 12. Responsible persons

Names

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

Responsible Minister	The Hon. Robert Clark, MP, Minister for Finance
Accountable Officer	Dr Ron Ben-David, Chairperson

Remuneration

Remuneration received or receivable by the Accountable Officer, in connection with the management of the Commission during the reporting period, was in the range:

\$300,000 - \$309,999 (2011: \$310,000 - \$319,999)

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

Other transactions

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

Note 13. Remuneration of executives

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

Income band	Total remuneration		Base remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$150,000 - \$159,999			-	1
\$160,000 - \$169,999	-	1	1	-
\$170,000 - \$179,999			-	1
\$180,000 - \$189,999	1	-	1	-
\$190,000 - \$199,999	1	-	1	1
\$200,000 - \$209,999	1	-		
\$210,000 - \$219,999	-	2		
\$250,000 - \$259,999	-	1	1	1
\$270,000 - \$279,999	1	-		
Total numbers	4	4	4	4
Total amount (\$)	860,647	842,174	797,077	782,592
Total annualised employee equivalent	4	4	4	4

Note 14. Remuneration of auditors

	2012 \$	2011 \$
Audit fees paid or payable to the Victorian Auditor-General's Office		
Audit of the annual financial statements	14,700	14,200

No other services were provided by the Victorian Auditor-General's Office.

Note 15. Superannuation

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

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

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

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

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

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

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

	2012 \$	2011 \$
Net result for the period	1,041,127	(1,539,294)
Depreciation	449,479	615,290
Gain on disposal of property, plant and equipment	(256)	(2,301)
Change in operating assets and liabilities		
(Increase) decrease in receivables	(907,869)	1,389,722
(Increase) decrease in prepayments	33,525	(35,938)
Increase/(decrease) in creditors and accruals	414	(433,003)
Increase/(decrease) in provisions	173,430	333,120
Net cash flows from operating activities	789,850	327,596

Note 17. Non-cash financing and investing activities

During the year motor vehicles with a fair value of \$32,339 (2011 - \$32,700) were acquired by means of finance leases.

Note 18. Administered items

In addition to the specific controlled operations which are included in the balance sheet, comprehensive operating statement and cash flow statement, the Commission administers or manages activities on behalf of the State. The transactions relating to these State activities are reported as administered in this note. Administered transactions give rise to income, expenses, assets and liabilities and are determined on an accrual basis. Administered income consists principally of licence fees. Administered assets include licence fee income earned but yet to be collected. Licence fees are accrued on the basis of estimates, with final determination to be made by the Minister for Finance.

	2012 \$	2011 \$
Administered income from transactions		
Licence and other fees	10,267,779	6,355,825
Other income	176,551	1,334,032
	<u>10,444,330</u>	<u>7,689,857</u>
Administered expenses from transactions		
Payments to Consolidated Fund	10,360,082	7,691,837
	<u>10,360,082</u>	<u>7,691,837</u>
Administered net result	<u>84,248</u>	<u>(1,980)</u>
Administered assets		
Financial assets		
Debtors	70,052	33,702
Accrued income	5,425,950	5,378,052
	<u>5,496,002</u>	<u>5,411,754</u>
Administered liabilities		
Unearned income	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Administered net assets	<u>5,446,002</u>	<u>5,361,754</u>

Note 19. Subsequent events

Victorian Public Service Workplace Determination 2012

The Victorian Public Service Workplace Determination 2012 was made by Fair Work Australia on 23 July 2012. It replaces the 2009 Extended and Varied Version of the Victorian Public Service Agreement 2006. The Workplace Determination took effect from 29 July 2012 and will remain in force until 31 December 2015. The Workplace Determination provides for wage increases of 3.25 per cent and 1.25 per cent on 1 July 2012 and 1 January 2013 respectively, with six monthly wage increases thereafter. In addition, a lump sum payment of \$1,500 (or equivalent pro-rata amount for part time employees) was made in August 2012 to eligible Victorian Public Service employees who received a salary on 1 July 2012 and were employed on 29 July 2012.

As the Workplace Determination took effect from 29 July 2012, no adjustments have been made to these financial statements other than for the impact on the estimated accrued employee benefits as at 30 June 2012.

Note 20. Glossary of terms

Comprehensive result

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

Capital asset charge

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

Commitments

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

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.

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

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

Grants

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

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

Interest expense

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

Net result

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

Net result from transactions

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

Non-financial assets

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

Other economic flows

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

Payables

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

Receivables

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

Sales of goods and services

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

Supplies and services

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

Transactions

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

ESSENTIAL SERVICES COMMISSION


Accountable Officer's and Chief Financial Officer's declaration

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


We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of the Commission as at 30 June 2012.

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 5 September 2012.


Joe Bonnici
Chief Financial Officer
Department of Treasury and Finance

Melbourne
5 September 2012


Ron Ben-David
Chairperson
Essential Services Commission

Melbourne
5 September 2012

VAGO

Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Commissioners' of the Essential Services Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Essential Services Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Accountable Officer's and Chief Financial Officer's declaration has been audited.

The Chairperson and Commissioners' Responsibility for the Financial Report

The Chairperson and Commissioners of the Essential Services Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Chairperson and Commissioners determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

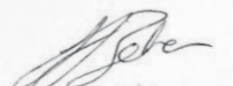
Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Essential Services Commission as at 30 June 2012 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Essential Services Commission for the year ended 30 June 2012 included both in the Essential Services Commission's annual report and on the website. The Chairperson and Commissioners of the Essential Services Commission are responsible for the integrity of the Essential Services Commission's website. I have not been engaged to report on the integrity of the Essential Services Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
5 September 2012


for D D R Pearson
Auditor-General

Auditing in the Public Interest

APPENDIX B

Regulatory Framework

Regulated Industries and Relevant Legislation

At 30 June 2012, the following industries were regulated industries within the ambit of the Commission by virtue of the relevant legislation specified below:

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

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

- » energy efficiency under the *Victorian Energy Efficiency Target Act 2007* (from 1 January 2009).

APPENDIX C

Essential Services Commission Publications 2011–12

The majority of the Commission's publications can be obtained from the website at www.esc.vic.gov.au.

Corporate

Work Program 2011–12 (July 2011)

Annual Report 2010-11 (Sept. 2011)

Energy Industry – Electricity and Gas

Industry Guidelines

Guideline No. 19 – Energy Price and Product Disclosure: Issues Paper (Oct. 2011)

Industry Codes

Energy Retail Code – Version 9 (March 2012)

Energy Retail Code – Version 10 (May 2012)

Electricity Distribution Code – Version 7 (May 2012)

Comparative Performance Reports

Energy Retailers – Comparative Performance Report – Customer Service 2010-11 (Dec. 2011)

Energy Retailers – Comparative Performance Report – Pricing and the Competitive Market 2010-11 (Dec. 2011)

Energy Retailers – Comparative Performance Report 2010-11 – Summary Report (Dec. 2011)

General

Summary Report – Origin Energy Audit (Sep. 2011)

Summary Report – TRUenergy Audit (Dec. 2011)

Summary Report – Simply Energy Audit (Dec. 2011)

Summary Report – AGL Audit (May 2012)

Summary Report – Lumo Energy Audit (June 2012)

Energy Retailers Contracts Variation Notification Requirements (Sept. 2011)

Final Decision – Smart Meters Regulatory Review Capacity Control and Verifying Bills (Dec. 2011)

Caravan Park Tariffs 2011 (Jan. 2012)

Operating Procedure – Compensation for Wrongful Disconnection (April 2012)

Draft Report – Smart Meter Privacy Impact Assessment (May 2012)

Interim Guidance Statement – Retail Energy Regulation (June 2012)

Energy Targets

Annual Report – Victorian Energy Efficiency Target Scheme 2010 (Sept. 2011)

Draft Decision – Victorian Energy Efficiency Target Guidelines: Proposed amendments (May 2012)

Water industry

Determinations

Final Decision and Determination – Barwon Water application for tariff structure and pricing 2012–13 (June 2012)

Final Decision and Determination – Melbourne Water Special Drainage Areas for 2012–13 (June 2012)

Performance Reports

Water Performance Report – Performance of urban water and sewerage businesses 2010-11 (Dec. 2011)

Codes and guidelines

Final Decision – Trade Waste Customer Service Code (Oct. 2011)

Trade Waste Customer Service Code (June 2012)

General

Guidance Paper – Water Plan Guidance for Water Price Review 2013-18 (July 2011)

Issues Paper – Urban Water Tariffs (Oct. 2011)

Staff Issues Paper – New Customer Contributions (Dec. 2011)

Improving Approaches to Customer Financial Hardship (Feb. 2012)

Research Paper – An analysis of the productivity of the Victorian Water Industry (March 2012)

Staff Discussion Paper – Performance Indicators Review (April 2012)

Staff Paper – Framework and Approach – New Customer Contributions (May 2012)

Final Decision – Review of hardship-related guaranteed service level measures (May 2012)

Final Decision – Barwon Water application for price adjustment (June 2012)

Final Decision – Melbourne Water Special Drainage Areas for 2012–13 (June 2012)

Ports services

General

Information Notice – Port of Melbourne Corporation (Nov. 2011)

Rail

Access Arrangements

Draft Decision – Metro Trains Melbourne Access Arrangement Renewal (July 2011)

Final Decision – Metro Trains Melbourne Access Arrangement Renewal (Aug. 2011)

Draft Decision – Pacific National Access Arrangement Renewal (May 2012)

Final Decision – Pacific National Access Arrangement Renewal (May 2012)

Draft Decision – VicTrack Access Arrangement Renewal (May 2012)

Final Decision – VicTrack Access Arrangement Renewal (June 2012)

Draft Decision – V/Line Access Arrangement Renewal (May 2012)

Final Decision – V/Line Access Arrangement Renewal (June 2012)

Insurance References

Report on the performance of Victoria's domestic building insurance scheme 2010-2011 (April 2012)

Other Reviews

Final Report – Vocational Education and Training Fee and Funding Review (Oct. 2011)

APPENDIX D

Legislation and Amendments

The following is a list of legislation applying to the Commission's responsibilities in relation to regulated industries as at 30 June 2012. Also listed is legislation that amended the principal Acts in 2011–12.

Essential Services Commission Act 2001

Electricity Industry Act 2000

Gas Industry Act 2001

Water Industry Act 1994

Water Act 1989

Port Management Act 1995

Rail Management Act 1996

National Electricity (Victoria) Act 2005

National Gas (Victoria) Act 2008

Victorian Energy Efficiency Target Act 2007

Accident Towing Services Amendment Act 2011

Energy Legislation Amendment (Bushfire and Other Matters) Act 2011

Water Legislation Amendment (Water Infrastructure Charges) Act 2011

Electricity Industry Amendment (Transitional Feed-in Tariff Scheme) Act 2011

Port Management Amendment (Port of Melbourne Corporation Licence Fees) Act 2012

Transport Legislation Amendment (Marine Safety and Other Amendments) Act 2011

Transport (Compliance and Miscellaneous) Act 1983

Water Amendment (Governance and Other Reforms) Act 2012

APPENDIX E

Section 33 Report

Price determinations made under section 33 of the *Essential Services Commission Act 2001* in the 2011–12 financial year – two determinations relating to water pricing.

APPENDIX F

Section 37 Report

Section 37 of the *Essential Services Commission Act 2001* empowers the Commission to obtain information or documents that may assist in the performance of its functions.

Notices issued under section 37 during 2011–12 – nil.

APPENDIX G

Section 38 Report

Section 38 of the *Essential Services Commission Act 2001* allows the Commission to disclose, under specified circumstances, information or the contents of a document given to the Commission under the Act.

Disclosure by the Commission under section 38 during 2011–12 – nil.

APPENDIX H

Office-based Environmental Impacts

The Commission is committed to improving the environmental performance of its operations. It has identified a series of actions aimed at achieving the following strategic objectives:

- » Reducing the energy, paper, water and transport usage within operations
- » Reducing the environmental impact of the waste produced
- » Increasing sustainable procurement of office goods and services
- » Integrating environmental considerations in business and operational planning.

The Commission is developing new targets and action plans for the 2012–13 year. This is in line with the goal of continuous improvement of environmental performance.

The Commission complies with all relevant environmental legislation and Victorian Government environmental policy commitments.

Overview of progress – 2011–12

Data	Quantity	Measure	Greenhouse gas emissions (tonnes CO ₂)	Comments	
Energy consumption	1050458.40 megajoules (MJ)	15092.79 MJ per FTE	405.59 tonnes	Overall energy reduction of 2%	
Waste Management	8.01 tonnes total 5.26 tonnes recycled 2.75 tonnes to landfill	115.12kg/FTE	2.48 tonnes	Overall recycling rate increase of 2% to 66% by weight Overall increase of waste generated by 17.5%	
Paper procurement	853 reams	12.01 reams per FTE	4.05 tonnes	Overall reduction of 12%	
Transport Utilisation:	Car	19291 km; 1218 litres fuel purchased	277 km/FTE; 17.5 litres/FTE	3.05 tonnes	*Likely increasing trend
	Aeroplane	37,830 km	544 km/FTE	12.26 tonnes	*Likely increasing trend
Water Consumption	Not separately metered	Not separately metered		*Cannot establish trend	
Total greenhouse gas emissions			427.43 tonnes		

*Data or trend listed as 'estimated' because available data for that year is incomplete, or being waited on from external providers. The data provided is extrapolated from available data from current year.

Energy

The Commission's energy use comes from its internal office based activities including lighting, IT equipment and the hosting of a server for IT purposes. Data was collected through energy retailer billing information, and is complete for the Commission. An interval analysis of energy used at different points throughout the day indicates that around one-third of all energy use results from the server.

The Commission has seen a two per cent decrease in total energy consumption in comparison to the previous year, despite ongoing development to the on-site server. Energy consumption from printers, whitegoods and general IT equipment is set to further reduce consumption due to more efficient equipment.

Despite the slight decrease in total energy consumption, a reduction in tonnes CO₂ emissions (tCO₂-e) from energy were not achieved as the Commission did not purchase Green Power from the energy supplier, in line with other Victorian Government departments. In previous years, this has represented about 15 per cent of all energy purchased.

The Commission is due to shift its current operations at 35 Spring Street to a smaller office within the Melbourne CBD in 2012–13. This shift should help reduce future energy consumption through reductions in lighting and the removal of the on-site IT server, among other factors.

Indicator	2011–12			2010–11			
	Electricity	Green power	Total	Electricity	Natural gas	Green power	Total
Total energy usage segmented by primary source (MJ)	1,050,458.40		1,050,458.40	919.18		149.63	1068.81
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (tCO ₂ -e)	405.59		405.59	359.24			359.24
Percentage of electricity purchased as green power	0		0	14			14
Units of energy used per FTE (MJ/FTE)	15,092.79		15,092.79	15,053.68			15,053.68
Units of energy used per unit of office area (MJ/m ²)	480.98		480.98	489.38			489.38

Waste

The Commission has committed to undertake waste auditing to identify, manage and reduce the environmental impacts of waste. The waste generated within the Commission is divided into two classes – landfill and recycling. Audits are conducted across the waste stream.

The overall recycling rate improved by 2.14 per cent during 2011–12. However, volume of waste increased during 2011–12 by 17.5 per cent. The amount in kilograms per average full-time equivalent employees was increased from 92.99 kg in 2010-11 to 115.12 kg in 2011–12, indicating a significant increase in waste generation.

Indicator	2011–12			2010–11*		
	Landfill	Co-mingled Recycling	Total	Landfill	Co-mingled Recycling	Total
Total units of waste by destination (kg/year)	2752.20	5260.20	8012.40	2415.60	4187.04	6602.64
Units of waste per FTE by destination (kg/year)	39.54	75.58	115.12	34.02	58.97	92.99
Greenhouse gas emissions from waste to landfill (tCO ₂ -e)			2.48			2.17
Recycling rate (per cent of total waste)			65.65			63.41

*Indicates revised results of 2010-11 data following a review of records indicated incomplete and awaiting data previously not included in reporting. In order to compare the 2011–12 data with 2010-11 data, the 2010-11 data was recalculated using historical billing data. As a result, the waste generation for 2010-11 reported above differs from that reported in the 2010-11 annual report.

Paper

The Commission has committed to undertaking print auditing and paper-related product management to identify, manage and reduce the environmental impacts of paper consumption. Paper used in the Commission is classed according to recycled paper content: 0–50 per cent, 50–75 per cent and 75–100 per cent.

The data presented below is derived from paper supplier billing information and paper storage auditing. Audits are conducted within the paper storage unit, therefore assessing all employees' usage.

The consumption significantly improved by 118 reams, or 12 per cent during 2011–12. This resulted in decreased tonnes CO₂-e emitted, and an excellent usage rate per average full-time equivalent employee. The Commission has a successful paper procurement policy, with 95 per cent of all paper purchased having 75–100 per cent recycled content.

The Commission has achieved a reduction from 24 reams to 12 reams per full time employee in the last three years.

Indicator	2011–12	2010–11
Total units of copy paper used (reams)	853	971
Units of copy paper used per FTE (reams/FTE)	12.01	13.68
Percentage of 75–100 recycled content copy paper purchased	95	95
Percentage of 50–75 recycled content copy paper purchased	0	0
Percentage of 0–50 recycled content copy paper purchased	5	5
Optional indicator		
Greenhouse gas emissions associated with paper use, segmented by primary source and offsets (tCO ₂ -e)	4.05	4.61

Water

The Commission is in the process of developing a method of ascertaining the office based water consumption for its occupancy at 35 Spring Street, Melbourne. Previous attempts to monitor water consumption proved impractical, due to a reliance on the extrapolation of building wide meter readings.

The Commission is further investigating this same process for its future tenancy, as the Commission is due to shift its operations office at 35 Spring Street to a smaller office within the Melbourne CBD in the 2012–13 year. This shift may allow detailed water consumption reporting for future reference, among other factors.

Transport

The Essential Services Commission undertakes work-related travel auditing in order to identify and monitor the environmental impacts of travel intensity. The Commission uses included ULP car, LPG car, and aeroplane travel.

The data presented below is derived from VicFleet vehicle contractor logging, and air travel logging within the Commission. It is assumed that these methods of travel monitoring accommodate all employees' travel requirements, including Commissioners.

The Commission uses the State Government Vehicle Pool for all its operational car travel, resulting in decreased net greenhouse gas emissions. Further reductions to greenhouse gas emissions are reliant on the fuel efficiency of the supplied Vehicle Pool fleet.

Though indeterminable, there has likely been an increase in off-site car travel from the previous year. This is the result of changes in operational tasks, (particularly with regard to off-site auditing) by the Commission. This trend is likely to continue into the future as Commission tasks continue to evolve.

Indicator	2011–12		2010–11*
	ULP	LPG	
Total energy consumption by vehicles (MJ)	41,655.60		41,655.60
Total vehicle travel associated with entity operations (km)	19,291		19,291
Total greenhouse gas emissions from vehicle fleet (tCO ₂ -e)	3.05		3.05
Greenhouse gas emissions from vehicle fleet per 1 000km travelled (tCO ₂ -e)	0.16		0.16
Total distance travelled by aeroplane (km)			37,830

*Data comparison for 2010–11 year is not available, as was not reported.

Greenhouse Gas Emissions

The emissions data presented below is derived from the previous sections and accumulated to indicate the Commission's greenhouse footprint.

Optional indicators include emissions associated with paper production and use.

Indicator	2011–12	2010–11
Total greenhouse gas emissions associated with energy use (tCO ₂ -e)	405.59	359.24
Total greenhouse gas emissions associated with vehicle fleet (tCO ₂ -e)	3.05	N/A
Total greenhouse gas emissions associated with air travel (tCO ₂ -e)	12.26	N/A
Total greenhouse gas emissions associated with waste production (tCO ₂ -e)	2.48	1.66
Greenhouse gas emissions offsets purchased (tCO ₂ -e)		
Optional indicators		
Any other known greenhouse gas emissions associated with other activities (tCO ₂ -e)	4.05	4.61
Total greenhouse gas emissions(tCO₂-e)	427.43	365.51*

*Data or trend is estimated because available data for that year is incomplete, or being sought from external providers.

As described in earlier sections, the total greenhouse gas emissions from the Commission has increased as a result of the inclusion of previously unreported factors, and the cessation of green power purchasing.

The future trend of greenhouse gas emissions is difficult to predict as the Commission is due to shift its current operations office at 35 Spring Street to a smaller office within the Melbourne CBD in 2012–13.

APPENDIX I

a. Details of consultancies over \$10,000

Consultant	Purpose of consultancy	State date	End date	Total approved fee (ex GST)	Expenditure 2011–12 (ex GST)	Future expenditure (ex GST)
Customer Service Benchmarking Australia Pty Ltd (CSBA)	Retail energy performance reporting and monitoring	1/7/2011	1/8/2012	\$21,400.00	\$12,840.00	\$8560.00
Taylor Fry Consulting Actuaries	Advice on statutory insurance	12/12/2011	1/9/2012	\$69,090.90	\$51,731.81	\$17,359.09
Booz and Company	Rail access: costing advice	27/2/2012	30/7/2012	\$63,636.37	\$63,636.37	Nil
GHD	Rail access: engineering assessment	27/2/2012	30/7/2012	\$44,545.45	\$44,536.36	Nil
Synergies Economic Consulting	Rail access: technical advice	1/3/2012	30/7/2012	\$44,545.45	\$31,902.00	Nil
CSBA	Water businesses' call centre benchmarking	1/7/2011	30/9/2011	\$21,363.64	\$19,545.45	Nil
Farrier Swier Consulting	Mid-term review, water sector	10/8/2011	31/8/2011	\$35,200.00	\$20,805.91	Nil
Frontier Economics	Advice on new customer contributions: water	12/8/2011	31/8/2011	\$43,750.00	\$43,750.00	Nil

Consultant	Purpose of consultancy	State date	End date	Total approved fee (ex GST)	Expenditure 2011–12 (ex GST)	Future expenditure (ex GST)
CSBA	Research on benchmarking: water sector	1/10/2011	31/8/2012	\$20,330.00	\$12,198.00	\$8132.00
SKM	Expenditure review for Barwon Water proposal	15/1/2012	29/4/2012	\$36,142.00	\$36,142.00	Nil
Farrier Swier Consulting	Advice and input: New customer contributions (NCC)	23/1/2012	31/3/2012	\$45,218.14	\$45,218.14	Nil
Hall & Partners	Conduct focus groups – water performance indicators	17/4/2012	31/5/2012	\$32,280.00	\$32,280.00	Nil
Total				\$477,501.95	\$414,586.04	\$34,051.09

b. Details of consultancies under \$10,000

In 2011–12, the Commission engaged in a total of five consultancies, where the total fees payable to the consultants was less than \$10,000. The total value of these consultancies was \$30,168.18. All figures are excluding GST.

APPENDIX J

Freedom of Information

DETAILS OF REQUESTS RECEIVED DURING 2011–12

Requests	2011–12	2010–11
Requests received	1	1
Requests granted in full	0	1
Requests granted in part	0	0
Requests denied	0	0
Requests transferred	0	0
Requests withdrawn	0	0
No document in existence	0	0
Requests pending as at 30 June 2012	1	0

Nominated Contact Person

Requests for access to documents should be addressed to:

Mr John Henry
Legal Counsel

Essential Services Commission
2nd Floor, 35 Spring Street
Melbourne Vic 3000

Further information

Further information may be obtained from:

Freedom of Information Act 1982

Freedom of Information (Access Charges) Regulation 2004

Freedom of Information Regulations 1998

www.foi.vic.gov.au

Reports, Publications and Informal Requests

Details of reports and publications produced by the Commission can generally be obtained from the Commission's website:

www.esc.vic.gov.au. Otherwise, requests may be directed to:

Essential Services Commission
Level 2, 35 Spring Street
Melbourne, Vic 3000
Telephone: (03) 9651 0222
or 1300 664 969
publications@esc.vic.gov.au

APPENDIX K

Compliance Index 2011–12

Compliance Index Disclosure Requirements

The Annual Report of the Essential Services Commission is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance.

This index page facilitates the identification of compliance with the Directions of the Minister for Finance by listing references to disclosures in this financial report.

Information available on request

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

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

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FRD 22C	Summary of the financial results for the year	74
FRD 22B	Significant changes in financial position during the year	N/A
FRD 22C	Major changes or factors affecting performance	N/A
FRD 22C	Subsequent events	N/A
FRD 22C	Application and operation of <i>Freedom of Information Act 1982</i>	126
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FRD 22C	Details of consultancies under \$10,000	125
FRD 12A	Disclosure of major contracts	N/A
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SD 4.2 (c)	Accountable officer's declaration	104
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SD 4.2 (d)	Rounding of amounts	N/A
SD 4.2 (c)	Compliance with Australian accounting standards and other authoritative pronouncements	85
Other Disclosures as required by FRDS in Notes to the Financial Statements		
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FRD 9A	Departmental disclosure of administered assets and liabilities	100
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21B	Responsible persons and executive officer disclosures	98
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Legislation

Freedom of Information Act 1982

Building Act 1983

Financial Management Act 1994

Audit Act 1994

Whistleblowers Protection Act 2001

Victorian Industry Participation Policy Act 2003

APPENDIX L

Whistleblowers Protection Act 2001

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

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

Information required pursuant to *Whistleblowers Protection Act 2001*:

STATISTICS FOR 2011–12

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

APPENDIX M

Section 55 Report

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



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