



# **Work Program 2013-14**

October 2013 edition

# Introduction

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

The Commission has three primary functions:

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

We bring to the regulatory and economic framework:

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

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

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

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

# Corporate Purpose

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

**Our Role** is as an economic regulator and includes advisory work for government and the administration of an energy efficiency certificate scheme.

**Our Regulatory Objectives** are to:

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

**Our Advisory objective** is to:

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

**Our Administrative Objective** is to:

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

**Our goals** are to:

- Support productivity growth and Government reforms through innovative and practical solutions
- Establish robust networks within government and industries
- Promote incentive structures to minimise regulatory intervention
- Communicate clearly

**Our Values** are:

- Integrity
- Collaboration
- Impartiality
- Excellence
- Respect

# Work program by industry sector

## Energy

Our 2013-14 work program covers the retail electricity and gas sectors, and the administration of the Victorian Energy Efficiency Target (VEET) scheme.

Major decisions and strategic initiatives for 2013-14 include:

- Continuing the ongoing administration of VEET, including the introduction of new activities and expanding the audit program
- Developing further initiatives to assist customers, particularly low-income and vulnerable customers, to access competitive energy markets
- Supporting leadership on national approaches to energy regulation, in co-operation with the Australian Energy Regulator and the Australian Energy Market Commission.

We oversee compliance and performance reporting by regulated businesses, and process and issue energy generation, transmission, distribution and retail licences. We address systemic customer issues, including liaising with the Energy and Water Ombudsman (Victoria) and customer advocacy bodies.

We adapt our frameworks in response to Government policy initiatives as they arise and to legislative changes in energy-related areas.

## General Projects

Project	Description	Commencement/ completion
Victorian Energy Efficiency Target (VEET) scheme	Accredit participants, register certificates, publish electronic registers; auditing and compliance	Ongoing
VEET Scheme Annual Performance Report	Compile annual report on the operation and administration of the VEET scheme	Q1
Customer education and information	Provide advice and information to consumers through the <i>Your Choice</i> website, call centre services and associated communications	Ongoing
Energy and Water Ombudsman (Victoria)	Liaise with the Energy and Water Ombudsman (Victoria) on systemic energy issues, as outlined in the joint Memorandum of Understanding	Ongoing
Licensing	Approve licence applications and revocations	Ongoing
Energy retail and distribution audits	Undertake audits of energy retailers and distributors for compliance with licence obligations	Q1-Q4
Wrongful Disconnection Payment Assessments	Review Wrongful Disconnection Payment referrals from the Energy and Water Ombudsman (Victoria)	Q1-Q4
Energy retail compliance and enforcement	Compile annual report on retailers' compliance with licence obligations	Q2
Energy retail monitoring reports	Release of pricing and service standard Comparative Performance Reports	Q2
Victorian residential electricity retail sector	Release of Victorian Residential Electricity Retail Market Research Discussion Paper	Q2
National Energy Customer Framework – harmonise codes and guidelines	Release Final Decision paper and amend all codes and guidelines	Q3
Energy licensing review	Finalise new licence framework	Q4

# Water

Following the review of water prices for 19 water businesses across metropolitan, regional and rural Victoria, the Commission's primary task in 2013-14 is to implement the outcomes of the Review and to analyse the regulatory approaches for future price reviews.

We are also responsible for overseeing the return to greater metropolitan water customers of payments that were not yet required for the desalination plant and will conduct an audit and prepare a final report for Government.

In addition, we will report on the ongoing performance of the urban water businesses in metropolitan and regional areas.

## General Projects

Project	Description	Commencement/ completion
Update Customer Service Code and approve customer charters	Update the Customer Service Codes to reflect service outcomes and guaranteed service level payments approved in the price review and assess water businesses customer charters against the price review outcomes	Q1-Q2
Additional hardship expenditure – broader metropolitan area	Guidance Paper on hardship support measures, based on outcome of stakeholder workshop.	Q2
Melbourne Water – return of desalination payments	Final Report on the return of unrequired desalination payments to Greater metropolitan Melbourne water customers.	Q2
New Customer Contribution Framework	Publish guidance paper on New Customer Contribution charges and assist water businesses with implementing the framework.	Q2
Annual compliance audits and urban water performance reporting	Report on the annual performance of all metropolitan and regional urban water businesses, using reported data from our performance reporting framework. Contribute data to national reports.	Q2
Approach to financeability	Release an issues paper on our approach to financeability assessment in the water sector	Q2-Q3
Review of regulatory accounts	Undertake a review of the regulatory accounts for all water businesses.	Q3-Q4
Guidance for Melbourne Water and Goulburn-Murray Water – price review for 4 <sup>th</sup> regulatory period	Commence work on guidance papers for the next price reviews for Melbourne Water and Goulburn-Murray Water.	Q4
Annual tariff approvals	Approve prices for 2014-15	Q4

## Transport and other industry sectors

In 2013-14 our main focus is to undertake our first taxi fare determination (due 28 June 2014). This will involve extensive stakeholder consultation and the release of a number of papers, including a principles paper, draft taxi fare decision and final taxi fare decision.

We have an ongoing function to advise the Minister for Transport in relation to accident towing, as and when matters are referred.

We administer the regulatory frameworks for the ports and rail access sectors, including assessing and approving variations to rail access arrangements and resolving any disputes regarding rail access. A major review of the ports regulatory framework is due to be completed by June 2014.

During 2013-14 we will continue our ongoing role in monitoring certain aspects of Victoria's domestic building insurance scheme.

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

### *General Projects*

<b>Project</b>	<b>Description</b>	<b>Commencement/ completion</b>
Taxi Fare Review	Release of 'Call for Ideas' paper Release of 'Principles' paper re fare determination Release of Draft Decision Release of Final Decision	Q1 Q2 Q3 Q4
Review of Ports Regulation	Release of Review of Ports Regulation Issues Paper – consideration of current monitoring framework and recommendations re changes Draft Report Final Report	Q3  Q3 Q4
Domestic Building Insurance	Release of Annual Performance Monitoring Report	Q2