

# Essential Services Commission Annual Report 2023–24



## About this report

This annual report summarises the performance of the Essential Services Commission for 2023–24.

This report is available on our [website](http://www.esc.vic.gov.au): [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

## Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.



***Dill-ba-din Balluk Biik*** – Protect Community and Country

Artist: Simone Thomson

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19 September 2024

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

Dear Assistant Treasurer

We are pleased to present the Essential Services Commission's annual report for the year ending 30 June 2024.

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 7 of the Essential Services Commission Regulations.

I would like to record my appreciation of commission staff for their commitment to delivering our regulatory, administrative and advisory program in 2023–24.

Yours sincerely

A handwritten signature in blue ink, appearing to read "R. Billings", written over a light blue circular graphic element.

**Rebecca Billings**  
Commissioner  
Essential Services Commission

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# Snapshot 2023–24

Highlights	Description
 <p data-bbox="220 667 497 728"><b>30 years of regulating for Victorians</b></p>	<p data-bbox="582 504 1396 683">We celebrated our 30-year anniversary this year with our ‘Markets and consumers, efficiency and fairness’ conference. The conference brought together a diverse array of stakeholders from regulated industries, the community sector and government to discuss the emerging challenges of regulating for Victorian consumers.</p>
 <p data-bbox="231 952 489 1012"><b>Court action against energy businesses</b></p>	<p data-bbox="582 772 1396 990">We instituted four court proceedings against two energy retailers in 2023–24 for the first time. These matters are currently before the Supreme Court of Victoria. The matters relate to retailers allegedly failing to meet their obligations under the energy rules which include protections for consumers who are experiencing vulnerability or have difficulty engaging in the energy market.</p>
 <p data-bbox="188 1198 533 1258"><b>New Victorian Default Offer prices take effect</b></p>	<p data-bbox="582 1052 1356 1225">Following consultation in 2023–24, from 1 July 2024, the average amount Victorian Default Offer customers pay for their electricity reduced by around \$100 (or 6 per cent) annually for residential customers and around \$260 (or 7 per cent) for small business customers.</p>
 <p data-bbox="247 1467 470 1527"><b>New Land Access Code of Practice</b></p>	<p data-bbox="582 1299 1396 1438">We published an enforceable Land Access Code of Practice. This code regulates the rules and processes that transmission companies must follow when accessing or seeking to access private land. The new code of practice came into effect on 1 March 2024.</p>
 <p data-bbox="183 1713 534 1809"><b>Strengthening the Victorian Energy Upgrades program for consumers</b></p>	<p data-bbox="582 1568 1420 1780">Several changes to the Victorian Energy Upgrades program came into effect from 1 July 2023. This included new accreditation processes, new fees and strengthened powers for the commission. We also released publications to help consumers understand their rights and the process to report breaches of new telemarketing and doorknocking bans.</p>

Highlights	Description
 <p data-bbox="240 573 480 633">New standards for the water industry</p>	<p data-bbox="582 369 1425 544">We amended the Water Industry Standards to include new reporting obligations for Victorian water businesses when they identify actual or potential non-compliance with the standards. The obligations will better enable the commission to promote water businesses' compliance and provide stronger protections for consumers.</p>
 <p data-bbox="252 790 466 848">Eighteen energy licences granted</p>	<p data-bbox="582 678 1374 853">The licences issued in 2023–24 included: ten electricity generation licences; four electricity wholesale licences; three electricity retail licence; and one electricity transmission licence. All licence applications are subject to public consultation and consideration of the long-term interests of Victoria's energy consumers.</p>
 <p data-bbox="172 1104 544 1162">Reviewing water businesses' pricing proposals</p>	<p data-bbox="582 911 1422 1048">We completed a review of the pricing proposals for Goulburn-Murray Water and Greater Western Water in 2023–24, approving the maximum prices they may charge from 1 July 2024. We also approved the 2023–24 tariffs for 16 Victorian water businesses.</p>

# Section 1: Who we are

## Who we are

The Essential Services Commission is Victoria's economic regulator. We promote consumer interests by regulating Victoria's energy, water and transport sectors, and overseeing the Fair Go Rates system. We also administer the Victorian Energy Upgrades program, which aims to reduce greenhouse gases by making energy efficiency improvements more affordable for consumers.

### Our purpose

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

### Our vision

Better essential services for Victorian communities.

### Our values

#### Integrity

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

#### Collaboration

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

#### Impartiality

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

#### Excellence

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

#### Respect

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



## From the CEO

I am proud of the efforts of our dedicated staff over the last year who have delivered on our work program and consistently sought improved outcomes for Victorian consumers.

Our compliance and enforcement activities continue to be a focus and we deployed the full spectrum of tools at our disposal. A significant first for the commission was the initiation of civil penalty proceedings in the Supreme Court of Victoria. We are committed to upholding Victoria's robust consumer protection rules and ensuring regulated entities who do the wrong thing are held to account.

Other notable achievements include the development of an enforceable Land Access Code of Practice. The code imposes new obligations on transmission companies that will minimise access-related disruptions and improve consultation with affected landholders. We also completed a review of the Gas Distribution Code of Practice to establish a fairer and clearer framework for gas network customers.

We completed a review of the pricing proposals for two water businesses in 2023–24 and approved 2023–24 tariffs for a further 16 Victorian water businesses.

We continued to implement significant legislative reforms to the Victorian Energy Upgrades program to strengthen protections for Victorians using the program.

Recently, we published our final progress report on the commission's *Getting to fair* strategy, a multi-year strategy focused on breaking down the barriers that consumers experiencing vulnerability face when accessing essential services.

We recognise that the conclusion of this strategy does not signify the end of our efforts in this area. We are eager to explore further avenues to advance the interests of consumers experiencing vulnerability in our future work.

Back in April we marked the commission's 30<sup>th</sup> anniversary with our 'Markets and consumers, efficiency and fairness' conference. The conference brought together a diverse array of stakeholders from regulated industries, the community sector and government. This gathering provided an opportunity to reflect on the evolution of economic regulation over the past three decades and to consider emerging challenges.

The commission underwent significant change in the past 12 months with the departure of Chairperson Kate Symons and Commissioners Simon Corden and Sitesh Bhojani. These commissioners were instrumental in transitioning the commission to a consumer-focused regulator and we thank them for their service.

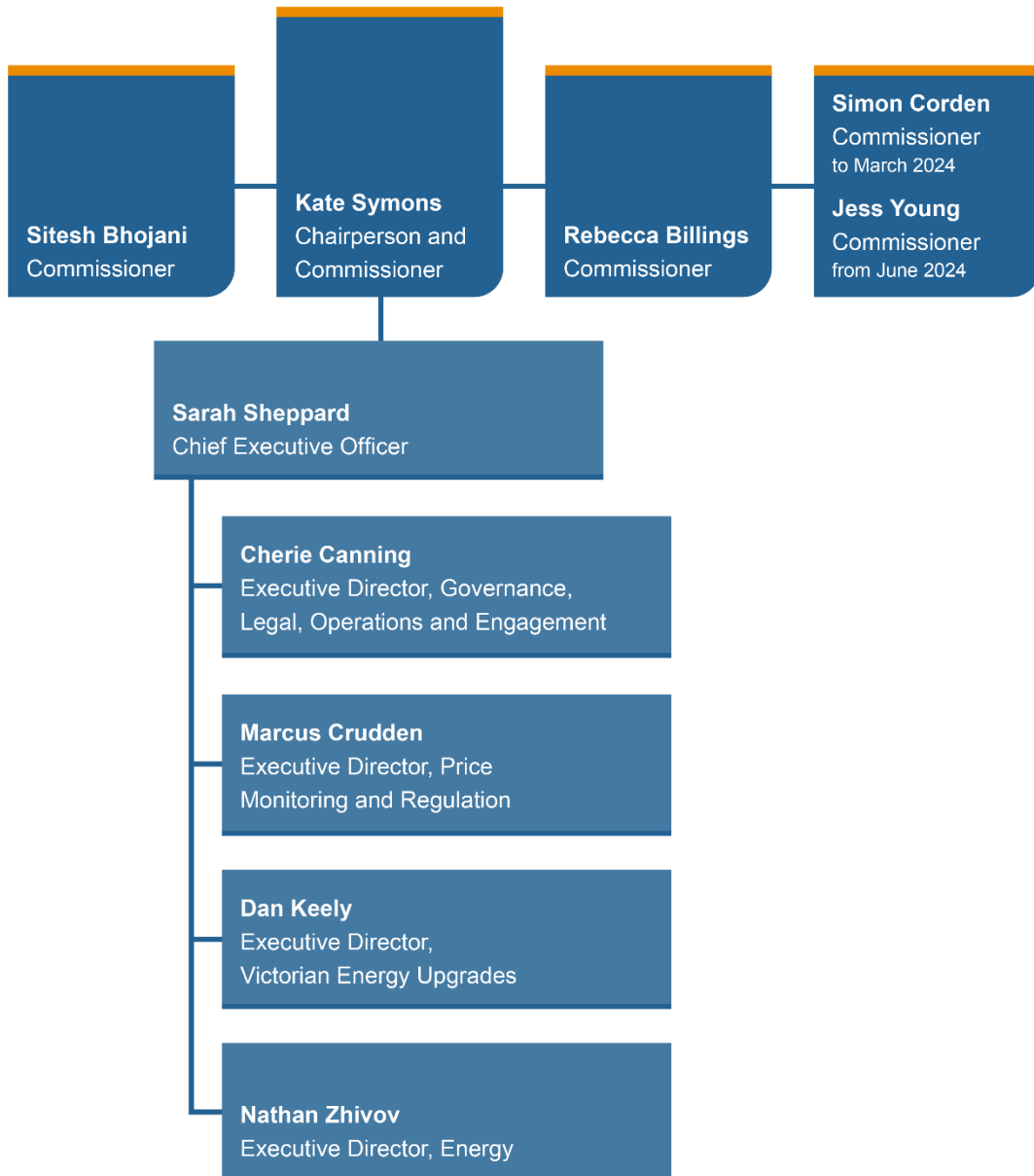
We look forward to the next chapter for the commission under the leadership of Chairperson Gerard Brody with commissioners Rebecca Billings and Jess Young.



**Sarah Sheppard**  
Chief Executive Officer  
Essential Services Commission

# Our leadership team

Organisational chart as at 30 June 2024



## Commissioners

Our commissioners are responsible for approving the determinations, reviews, penalty notices, litigation and other decisions that respond to our primary responsibilities as an economic regulator.

- Kate Symons – Chairperson and Commissioner (to 30 June 2024)
- Sitesh Bhojani – Commissioner
- Rebecca Billings – Commissioner
- Simon Corden – Commissioner (to March 2024)
- Jess Young – Commissioner (commenced June 2024)

## Executive team

The executive team at 30 June 2024:

### Chief Executive Officer – Sarah Sheppard

Sarah was appointed Chief Executive Officer in August 2023. Sarah manages the operations of the commission and leads the executive team.

### Executive Director, Governance, Legal, Operations and Engagement – Cherie Canning

Cherie oversees key internal functions, including IT, legal, people and culture, finance, information management, governance and risk, and strategic communications.

### Executive Director, Price Monitoring and Regulation – Marcus Crudden

Marcus oversees projects including, approving metropolitan and regional water businesses prices, setting the Victorian Default Offer for retail electricity prices, administering local government rate caps, setting maximum unbooked taxi fares, and regulatory functions related to the Port of Melbourne.

### Executive Director, Victorian Energy Upgrades – Dan Keely

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

### Executive Director, Energy – Nathan Zhivov

Nathan oversees our energy division, including market entry and exit of energy companies, compliance and audit, and enforcement action. He is also responsible for the development of energy codes and guidelines, and the release of market performance reports.

## Our strategy

Our three-year strategy describes our priorities and how we are adapting to changes, to reinforce our standing as a leading regulator.

### Our changing environment

The regulatory environment is changing, which presents us with several challenges and opportunities over the next three years.

- Regulators are increasingly being challenged to take effective and appropriate compliance and enforcement action. Recent legislative reforms enable us to take a broader range of compliance and enforcement actions.
- The economic and fiscal environment has changed resulting in increased cost-of-living pressures for consumers, stress on supply chains, low unemployment and fiscal constraints on government.
- The energy market is transitioning as Victoria moves to net zero by 2050. Significant investments in transmission networks and renewable energy are being fast-tracked to meet governments' climate goals.
- The increasing use of data and knowledge and the emergence of AI is driving changes to technology requirements, cyber and information security, privacy considerations and decision-making.
- Climate change and the increased frequency and intensity of extreme weather is driving demand for greater energy efficiency and innovation and putting greater demands on infrastructure.
- Understanding how our role affects customers experiencing vulnerability has become critical to our work in promoting the long-term interests of Victorians.

### Delivering for Victorians

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

#### 1 We will be a strong and fair regulator

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

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

#### 2 We will be an active regulator

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

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

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

To ensure regulated businesses deliver value for customers we will:

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

### 4 We will deliver value to Victorian consumers

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

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

### Creating the right culture, systems and processes

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

- teams that focus on engaging with stakeholders
- systems and data that drive regulatory outcomes
- engaged people with the right capabilities
- a workplace that is diverse, inclusive and flexible.

## Our stakeholders

As the state's economic regulator of essential services, our work touches the lives of every Victorian every day. Whether we are setting prices, enforcing consumer protections, reporting on service standards or market performance, or determining rate cap applications, our decisions have the potential to affect many aspects of life for every household and business across the state.

Our stakeholder engagement framework is built around five principles:

#### **Principle 1: We are transparent and accountable.**

We are clear about what, when and how we consult. We publish information about how we make decisions and explain the decisions we have made.

#### **Principle 2: Our engagement is considered, planned and genuine.**

We develop plans with the aim of providing time for meaningful, fit-for-purpose engagement with people who are affected or have an interest in our decisions.

#### **Principle 3: Our engagement is inclusive.**

Our decisions are well-informed with input from a range of groups and individuals affected by or interested in our work.

#### **Principle 4: Our information is clear, accessible and simple to understand.**

We present information in plain language that sets out clearly what we are doing, how people are affected and how they can get involved.

#### **Principle 5: We listen and learn to improve our consultation and engagement.**

We evaluate and monitor our engagement and consultation, measuring ourselves against these principles.

Each year we publish a work program on our website that identifies key projects for the year and indicative timeframes for the release of our public reports and decisions.

# Section 2: Our performance

## Energy

We regulate Victoria's energy sector in the long-term interests of Victorian energy consumers.

We are responsible for licensing businesses that are involved in the supply and sale of electricity and gas in Victoria – this includes energy retailers, distributors, transmission companies and generators, and registering businesses selling electricity in embedded networks.

We conduct reviews and inquiries to promote the interests of Victorian energy consumers, which can also include making or changing existing rules to protect consumers. We also promote and enforce energy businesses' compliance of these rules.

We set the Victorian Default Offer for electricity prices and the minimum feed-in tariffs for solar and battery customers. We also publish regular reports on the energy market's performance to keep the community informed and up to date.

### Our year in review

#### Promoting compliance to protect vulnerable customers

The commission has legislative functions and powers to take enforcement action against energy businesses. We also encourage energy businesses to engage in best practice approaches to compliance aimed at preventing consumer harm. We do this by publishing guidelines, conducting compliance reviews and engaging regularly with energy businesses and community groups.

We take a risk-based approach to our compliance and enforcement actions, which is outlined in our Compliance and Enforcement Policy.

The commission issued 72 penalty notices to energy businesses in 2023–24, amounting to \$2.636 million. The penalty notices related to alleged contraventions, including:

- Energy retailers failing to meet their best offer obligations to customers.
- Energy distributors failing to provide planned interruption notifications to customers relying on life-support equipment.
- A distributor failing to record a life-support customer's details in a register of life-support customers and residents.
- A retailer failing to credit Guaranteed Service Level payments to customers within the required timeframe.
- A retailer failing to take into account the potential impact of debt recovery action on customers affected by family violence.
- Energy retailers failing to provide assistance to customers experiencing payment difficulties.

#### Court proceedings

We instituted four court proceedings against two energy retailers in 2023–24. This is the first time the commission has taken court action against energy businesses in Victoria. These matters are currently before the Supreme Court of Victoria and involve allegations relating to the following contravening conduct:

- door-to-door marketing and sale of energy plans
- failure to obtain explicit informed consent before signing consumers to energy plans
- withholding best offer information or providing incorrect information regarding best offer obligations
- disconnecting customers who were receiving payment assistance without providing clear and unambiguous information about their entitlements to payment assistance
- failure to meet obligations relating to customer billing

## Section 2: Our performance

- not providing information to customers about changes to their energy contracts by their preferred contact method
- failure to meet obligations relating to vulnerable customers reliant on life support
- failure to meet obligations relating to the provision of payment assistance entitled to consumers experiencing payment difficulties.

### Enforceable undertakings

We accepted court enforceable undertakings from four energy businesses. These undertakings related to alleged failures to:

- meet best offer obligations
- comply with the door-to-door ban on energy sales
- adequately communicate information to customers regarding power outages
- notify customers of a planned interruption.

The enforceable undertakings required the businesses to complete a range of remediation actions, including having their training and quality assurance processes independently audited, and making donations to local emergency relief charities.

### Proactive compliance programs

We undertake proactive compliance programs when we identify a potential risk to Victorian energy consumers. The programs:

- identify potential issues
- gather information to inform our approach
- implement appropriate strategies to improve energy businesses' compliance.

We undertook two compliance programs in 2023–24, which are continuing into the next financial year.

### Best offer compliance program

The best offer compliance program reviewed how well retailers were complying with their obligation to tell customers – via their bills – whether they are on their retailer's best offer. We found that some

retailers could improve the way they communicated best offers to Victorian energy customers.

In response, we published a best offer guideline, which provides guidance to energy retailers on how they provide information about their best energy offer with customers.

### Disconnection compliance reviews

We completed compliance reviews of three retailers regarding their processes and procedures when considering the disconnection of customers in certain circumstances. The reviews required the retailers to appoint independent auditors to check their practices with respect to specific energy rules and laws.

The retailers were selected based on our analysis of performance data and compliance breaches self-reported to the commission. We published the compliance review findings in December 2023 and held an industry forum, so that all retailers could gain insights and benefits from the findings of the reviews.

### Guidelines designed to improve compliance approaches

The commission is committed to assisting compliance with the energy rules by providing accessible information to industry and consumers. We regularly issue guidelines about the various rules, explaining the commission's processes and powers.

We developed two guidelines in 2023–24 to help promote energy companies' compliance with the energy rules.

### Entry and Search of Premises with Warrant Guideline

This guideline sets the investigatory powers of commission inspectors under the Essential Services Commission Act to enter and search a premises under a warrant. The investigatory powers of entry and search are important for facilitating the commission's compliance and enforcement functions consistent with the commission's Compliance and Enforcement Policy.

### Entry and Search of Premises with Consent Guideline

This guideline sets out the investigatory powers of commission inspectors under the Essential Services Commission Act to enter and search a premises with the consent of the occupier.

The publication of both guidelines follows increased powers under the Essential Services Commission Act, which provide for persons appointed as inspectors by the commission to enter and search premises either with the consent of the occupier, or pursuant to a warrant issued by a magistrate.

### Facilitating Victorian energy market entry and exit

Between 1 July 2023 and 30 June 2024, we issued 18 new energy licences – 10 electricity generation licences, 4 electricity wholesale licences, 3 electricity retail licence and 1 electricity transmission licence. We also registered 295 electricity licence exemptions. We revoked 3 retail licences (by agreement with the retailers). There were no Retailer of Last Resort events.

### Assessing licence applications

All licence applications are subject to public consultation. We continue to receive and consult on licence applications, including for businesses that may play a key role in Victoria's transition of the energy sector to net zero emissions.

When assessing licence applications, the commission carefully considers whether issuing the new licence will promote the long-term interests of Victoria's energy consumers.

### Revised obligations for energy distributors

The commission has a role in making and reforming energy rules that apply to distribution businesses that build, maintain and operate electricity poles and wires and gas pipes.

### Codes of practice reviews

#### Gas Distribution System Code of Practice review

We completed a review of the Gas Distribution System Code of Practice. We published a final decision on 9 May 2024. The Gas Distribution System Code of Practice sets out customer protections and obligations that gas distributors must follow while operating in Victoria. The review addressed rules for new gas connections, provision of information and reporting by gas distributors, and listing civil penalty requirements for enforcement. A new Gas Distribution Code of Practice will take effect on 1 October 2024.

#### Energy Retail Code of Practice review

We began a review of the Energy Retail Code of Practice. We published an issues paper on 6 June 2024. The Energy Retail Code of Practice sets out the rules energy retailers must follow when selling electricity or gas.

The review aims to:

- address harms to Victorian consumers
- clarify or update obligations
- further support consumers experiencing vulnerability.

We expect to publish a regulatory impact statement and draft a new Energy Retail Code of Practice in early 2025.

#### Developing a Land Access Code of Practice

We have developed and published an enforceable Land Access Code of Practice. This code regulates the rules and processes that transmission companies must follow when accessing or seeking to access private land. The code introduces obligations on transmission companies with the purpose of minimising the impact of access and improving consultation with affected parties, including landowners and occupiers. We published a final decision on 30 November 2023 and the new code of practice came into effect on 1 March 2024.



### Electricity System Code revocation

We revoked the Electricity System Code on 31 May 2024. The code regulated shared transmission network services and the connection of distributors, high voltage customers and generators to the transmission network. It overlapped significantly with the National Electricity Rules. Revoking the code clarified the regulatory framework for the Victorian energy industry.

### Compliance and enforcement

‘Electricity and gas are essential services that keep our community safe and productive. The commission will continue to build community and consumer trust in the energy market by promoting and enforcing compliance in these areas – making sure regulated businesses follow the rules, uphold their obligations and do the right thing by Victorians.’

– Commissioner Sitesh Bhojani, Compliance and enforcement priorities 2023–2024 launch

### Compliance and enforcement priorities 2023–24

The commission holds regulated energy businesses to account and upholds the rights and protections of Victorian energy consumers. In 2023–24 our priorities were to take action where energy businesses fail to:

- Follow strict rules relating to customer disconnections.
- Provide payment assistance to residential customers as required by the energy Payment Difficulty Framework.
- Help customers navigate the energy market through best offer information obligations and secure informed customer consent around new or changed contracts.
- Protect customers experiencing vulnerability including those requiring life support or affected by family violence.

### Wrongful disconnection of customers

The commission has continued to monitor compliance regarding energy disconnections and took enforcement action where appropriate.

The commission issued penalty notices totalling \$73,968 to AGL Sales Pty Limited (AGL) for allegedly:

- arranging a disconnection of a customer who had arrears less than the \$300 minimum threshold in September 2023
- failing to report the wrongful disconnection to the commission within the required reporting timeframes.

The commission also commenced its second civil penalty proceedings in the Supreme Court of Victoria against energy retailers Origin Energy Electricity Limited and Origin Energy (Vic) Pty Limited (together, Origin) in February 2024. The alleged contraventions of Victoria’s energy rules include disconnecting customers who were receiving payment assistance without providing clear and unambiguous information about their entitlements to payment assistance.

Following trend analysis of wrongful disconnections, we directed three retailers to undertake compliance reviews under their licence conditions. The reviews focused on specific disconnection processes and the root causes of issues. The findings of these reviews were published in December 2023, and we held an industry forum to share insights and better practice examples with other Victorian retailers.

We will continue to monitor the market and report transparently about disconnections, including through our Victorian Energy Market Report and data dashboard.

### Payment Difficulty Framework

The commission’s Payment Difficulty Framework requires energy retailers to provide assistance to customers who may be experiencing difficulty paying their bills. The commission continues to monitor retailers’ behaviour and activities around this critical consumer safeguard and take enforcement action when these protections are breached.

The commission commenced civil penalty proceedings in the Supreme Court of Victoria against energy retailers Origin Energy Electricity Limited, Origin Energy (Vic) Pty Limited and Origin

## Section 2: Our performance

Energy Retail Limited (together, Origin) in December 2023. The commission's claim alleged multiple failures by Origin to meet its obligations under the Payment Difficulty Framework, which protects consumers experiencing vulnerability.

Origin's alleged breaches affected more than 30,000 customers between 2019 and 2023, and included the failure to:

- continue the provision of payment assistance
- provide clear and unambiguous information about customer entitlements to payment assistance.

### Helping customers navigate the energy market

Retailers must provide a range of information to customers about energy contracts and prices. This includes:

- whether they are on the retailer's best offer when purchasing energy
- obtaining explicit informed consent
- not being subjected to high-pressure sales tactics via telemarketing and door-to-door sales.

These rules are designed to make sure customers receive timely, transparent information that helps them to engage confidently with the energy market.

In August 2023, the commission accepted a court enforceable undertaking from 1st Energy Pty Ltd (1st Energy) following allegations that it failed to comply with a statewide ban on door-to-door energy sales that came into effect in December 2021. 1st Energy allegedly signed up 81 energy customers on new energy contracts as a result of unsolicited approaches at their homes by representatives of a third-party sales agency.

Two energy retailers paid over a \$1,000,000 in combined penalties for allegedly failing to provide customers with accurate deemed best offer messages in 2023–24.

The commission initiated civil penalty proceedings in the Supreme Court of Victoria against energy retailers Sumo Power Pty Ltd and Sumo Gas Pty Ltd (together, Sumo). The commission alleged that between 31 December 2021 and 12 August 2022, Sumo engaged in unlawful door-to-door marketing

of energy contracts to at least 5,941 Victorian consumers. The commission further alleged that Sumo signed up several customers to energy plans without obtaining their 'explicit informed consent' as required under the rules. Separate proceedings against Sumo also allege contraventions of best offer message obligations.

The commission initiated civil penalty proceedings in the Supreme Court of Victoria against energy retailers Origin Energy Electricity Limited and Origin Energy (Vic) Pty Limited (together, Origin). The commission alleged that Origin repeatedly failed to meet its obligations under the energy rules, including failing to give customers best offer information or providing incorrect best offer information.

Following a court enforceable undertaking, ReAmped Energy also paid \$369,840 in penalty notices for alleged failures related to best offer obligations that affected 3,149 customers between 1 August 2022 and 30 June 2023.

The commission released the best offer guideline in November 2023 as part of a proactive compliance program. The guideline sets out the commission's expectations for what best offer messages must say and how they should appear on bills, bill summaries and bill change alerts.

### Protecting customers experiencing vulnerability

Protecting customers experiencing vulnerability is an enduring priority for the commission, particularly those who are affected by family violence or rely on energy for life support. Customers experiencing vulnerability must be able to trust energy businesses to have strong processes and procedures in place to keep them safe when accessing essential electricity and gas.

As part of our three-year *Getting to fair* strategy, we continue to undertake activities that help to break down barriers consumers can face when accessing and engaging with essential services, including:

- Building and valuing strong relationships with energy consumers and consumer advocate agencies.

## Section 2: Our performance

- Influencing change in our regulated entities, so they are more responsive and accessible.
- Ensuring that we are building our organisational capacity and awareness in using inclusive engagement in our stakeholder engagement work.

The commission initiated its first proceedings in the Supreme Court of Victoria against energy retailers Origin Energy Electricity Limited, Origin Energy (Vic) Pty Limited and Origin Energy Retail Limited (together, Origin). The alleged life-support breaches affected 11 customers who either used life-support equipment or had a person at their premises who did.

CitiPower Pty Ltd paid \$406,824 in penalty notices for allegedly failing to notify 43 customers of two planned interruptions between January and March 2023. This included one customer who was registered as requiring life-support equipment.

Origin paid \$295,872 in penalty notices for eight alleged contraventions of Victoria's energy laws. Origin allegedly referred six customers affected by family violence to a debt recovery agency without considering the potential impact of debt recovery on those customers.

The commission accepted a court enforceable undertaking from Jemena Electricity Networks (Vic) Ltd for allegedly failing to notify 49 customers, including one life-support customer, of a planned power interruption. In accepting the enforceable undertaking, Jemena has committed to improve its processes and provide regular progress reports to the commission.

The commission accepted a court enforceable undertaking from AusNet Electricity Services Pty Ltd (AusNet) following AusNet's failure to provide adequate power outage information and customer communication channels to its customers after the February 2024 Victorian storms. Approximately 255,000 AusNet customers were left without power after the storms on 13 February 2024. AusNet's outage tracker webpage did not have the technical capacity to withstand the amount of traffic to it following the storm. The webpage crashed and was not fully restored until 21 February, more than a week later and following the completion of works by AusNet to resort it.

### Other enforcement action 2023–24

Energy retailer Blue NRG Pty Ltd paid \$436,176 in penalties for allegedly breaching the Victorian energy rules related to Guaranteed Service Level payments between July 2021 and June 2022.

### Victorian Default Offer

The Victorian Default Offer is a simple and trusted electricity price that is set by the Essential Services Commission, not energy companies. It provides all Victorian households and small businesses access to a fair electricity deal, including those who are unable or unwilling to engage in the retail market.

We set the Victorian Default Offer each year based on the latest information on the efficient costs retailers need to recover to provide electricity to customers and after consulting with stakeholders.

An electricity retailer must make the Victorian Default Offer available to its existing customers who request it, but they can also offer customers market offer contracts that differ from the Victorian Default Offer.

Around 340,000 residential and 58,000 small business customers are currently on the Victorian Default Offer. There are also 180,000 customers in embedded networks, such as apartment buildings and office blocks, in which the Victorian Default Offer applies as a maximum charge.

The Victorian Default Offer acts as a reference price that retailers must use to advertise the discounts on their market offers. The Victorian Default Offer will not necessarily be the lowest offer, but it can help customers find the market offer that will give them the best value for money on their electricity use.

### Victorian Default Offer prices have fallen

From 1 July 2024, the average amount Victorian Default Offer customers pay for their electricity reduced by around \$100 (or 6 per cent) annually for residential customers and around \$260 (or 7 per cent) for small business customers.

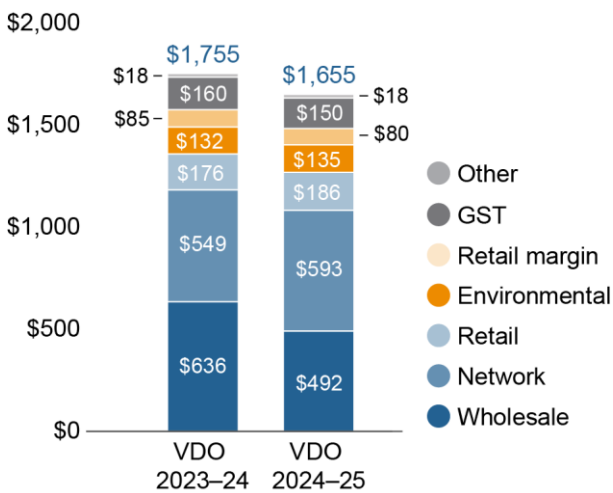
In formulating the final decision, the commission considered feedback from stakeholders, movements in key market data, and the final

**Section 2: Our performance**

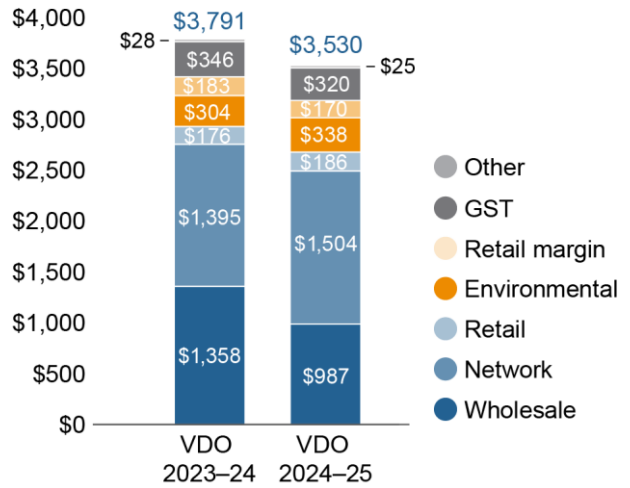
network tariffs for 2024–25 approved by the Australian Energy Regulator in May.

Lower futures contract prices for wholesale electricity are primarily responsible for the reduced 2024–25 default offer rate. The impacts of lower electricity purchase costs were partly offset by increased network costs, which were updated after the draft decision to reflect higher tariffs set by the Australian Energy Regulator.

**Figure 1: Change in cost components of the average Victorian Default Offer annual bill for domestic customers (annual usage of 4,000 kWh)**



**Figure 2: Change in cost components of the average Victorian Default Offer annual bill for small business customers (annual usage of 10,000 kWh)**



**Feed-in tariff determination**

Each February we set the minimum rate that Victorian electricity retailers with more than 5,000 customers must pay those who export excess electrons into the grid.

This is an annual process that saw the per kilowatt hour rate reduced to reflect the uptake of solar panels of household roofs and the sharp drop in wholesale price electricity during the day.

We also developed and published an innovative video animation describing how we set the feed-in tariff rate, as we continued to answer more than 100 questions and inquiries about our role.

## Water

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

### Our year in review

We completed a review of the pricing proposals of two water businesses in 2023–24. Following consultation, we issued determinations which set the maximum prices that each water business may charge customers for the next four years.

The final decisions followed:

- Scrutiny of the detailed proposals supplied by the water businesses.
- Consultation with customers and the community on a draft decision, through public forums and submissions.

We also approved 2023–24 tariffs for 16 Victorian water businesses that were not part of the 2024 water price reviews, verifying that they were consistent with their most recent price determinations.

In 2024–25, typical household water and sewerage bills (for owner-occupier households) will rise on average by around:

- \$33 (or 3 per cent) in metropolitan Melbourne
- \$50 (or 4 per cent) in regional Victoria.

The new prices came into effect 1 July 2024.

### Strengthened protections for customers

We amended our Water Industry Standards to include new obligations on water businesses to report to the commission in a timely manner when they identify an actual or potential non-compliance with the requirements of the standards. The new reporting obligations will better enable the commission to promote compliance by water businesses.

Changes also included updates relating to family violence which include that water businesses must:

- provide all relevant staff with appropriate and ongoing training to identify and deal appropriately with customers affected by family violence
- promote customer safety by securely handling information about those who are affected by family violence, including in a manner that maintains confidentiality
- specify and implement an approach for the management and recovery of debt from customers who are affected by family violence.

The changes, which took effect from 1 April 2024, followed compliance and enforcement activities by the commission, which highlighted the need for further clarity in these areas.

### Reporting on customer outcomes

We published our Outcomes Report 2022–23 in October 2023. The report considers the performance of Victoria’s water businesses against their own commitments to customers.

The report covered the period from 1 July 2022 to 30 June 2023. Based on businesses’ self-assessments, we considered that water businesses were generally performing well against their outcome commitments, despite some facing increased challenges associated with wetter than usual weather and flooding in 2022–23.

The commission’s Water Performance Report for 2022–23 was released in December 2023. This report compares businesses across common indicators of service and performance. It found that more customers sought and received help for financial hardship in 2022–23. Almost 4,000 customers across Victoria received hardship grants from their water business, and 33,325 customers received \$9.1 million in Utility Relief Grants from the Victorian Government.

We continued to release quarterly snapshots of results from our survey of water customers on the performance of their water business. Across the measures of satisfaction, value for money, trust, and reputation, average ratings remained relatively steady over 2023–24.

## Local government

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

### Our year in review

#### Monitoring rate cap compliance

Rate capping is a system that limits the amount Victorian councils can increase their average rates each year. We monitor councils' compliance with rate caps yearly, based on data provided by the councils. In 2023–24, all 79 councils complied with the rate cap set for them and there were no applications for a higher cap. All councils were subject to an average rate cap of 3.5 per cent.

#### Advice to the minister

The commission provided the following advice to the Minister for Local Government in 2023–24:

- December 2023: advice on the rate cap for 2024–25.
- April 2024: advice on the maximum interest rate on unpaid rates and charges.

Our advice was based on approaches in other sectors and targeted consultation with the sector.

## Transport

The commission has economic regulatory responsibilities for commercial passenger vehicles, accident towing and ports.

We set maximum unbooked taxi fares in metropolitan Melbourne and Geelong, Ballarat and Bendigo, and debit, credit, and charge cards payment surcharges for trips on a two-year cycle. Every four years we analyse accident towing charges, recommending to the Minister for Roads if they should be changed.

We undertake inquiries into the Port of Melbourne's compliance with the *Port Management Act 1995* and Pricing Orders and annually assess its wharfage charges for compliance with the Pricing Orders.

### Our year in review

#### Statement of Regulatory Approach update – Ports

Our Statement of Regulatory Approach guides the Port of Melbourne, and users, about how we approach administering legislation that regulates the Port of Melbourne's price setting behaviour.

For the second successive year, we updated the statement to include further guiding principles for determining the length of the regulatory period, and our views on the Pricing Order (regulatory instrument governing economic regulation at the Port of Melbourne) re-opener provisions and adjustment mechanisms. This update clarifies for the port operator how we interpret these significant issues.

#### Disputes under the Port of Melbourne tenancy customer charter

We published on our website that we are ready to assist with tenancy customer charter disputes initiated by existing or prospective port tenants or the Port of Melbourne.

Our role is confined to providing non-binding assistance. We do not act as, or have the powers of, a court, mediator, or arbitrator. To date, no disputes have been brought for assessment.

#### Unbooked taxi fares and surcharges

We review maximum unbooked taxi fares that begin in the metro and urban zones, which covers most of Melbourne, Dandenong, Frankston, Ballarat, Bendigo, Geelong and the Mornington Peninsula.

We released a consultation paper in October on fares, receiving 14 submissions which we used to propose fare increases of 5.7 per cent plus amendments to the taxi cost index fare adjustment mechanism. In addition, the payments surcharge – applied when paying for a trip by debit, credit, or charge cards – was held steady.

## Victorian Energy Upgrades

The Victorian Energy Upgrades (VEU) program helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient products and services. The program also encourages investment, employment and innovation in the industries that supply these products and services.

### Victorian energy efficiency certificates

Victorian energy efficiency certificates are electronic certificates that are created when energy efficient products and services are made available to homes and businesses under the VEU program. Each certificate represents one tonne of greenhouse gas emissions reduction (CO<sub>2</sub>-e). Certificates are sold to energy retailers who have a liability based on the level of greenhouse gas emissions generated by their sale of electricity or gas.

The commission administers the VEU program, regulating the creation of certificates, program participants and products.

### Our year in review

#### Reducing emissions and energy costs in Victoria

The VEU program delivered over 923,000 upgrades across more than 552,000 households and 23,000 businesses in 2023–24. This is an eight per cent increase compared to the number of upgrades in 2022–2023. Around 4.5 million Victorian energy efficiency certificates were registered from these upgrades, with weather sealing and lighting upgrades generating the most certificates. While this is lower than annual targets, the program allows for surplus certificates from previous years to be carried forward to meet retailer surrender obligations. This supports the certificate market as it adjusts to a changing mix of upgrade activities, with a focus on electrification.

### Strengthening the Victorian Energy Upgrades program for consumers

Several changes to the VEU program came into effect from 1 July 2023. The changes included:

- new accreditation processes and standards
- new program fees
- strengthened functions and powers for the commission.

From 1 November 2023, further changes to the fee structure were introduced, in line with the Victorian Government's cost recovery policy. These changes better reflect the costs of administering and regulating the VEU program.

### Telemarketing and doorknocking ban

A ban on 'cold-call' telemarketing took effect on 1 May 2024 and a ban on doorknocking took effect on 1 August 2024. In April 2024, the commission published guidance materials and held a workshop with stakeholders to educate them about the incoming telemarketing and doorknocking bans. The commission also released publications to help consumers understand their rights and how to report breaches of the bans.

### Electrification upgrades

The commission worked with the Department of Energy, Environment and Climate Action to support electrification upgrades under the VEU program. Incentives for installing certain gas products were removed and the commission is supporting the development of new and updated electrification activities that are expected to be introduced in 2024–25.



### Record-keeping requirements

We updated installation and record-keeping requirements for many activities to reflect a stronger regulatory regime. The commission worked collaboratively with other regulators to ensure the relevant codes and regulatory requirements were consistent across the industry. We released updated guidance documents and forms to support industry to understand and comply with new or amended activities.

### Managing complaints

We received 2,101 program-related complaints in 2023–24, which was a slight increase in the number of complaints received last year (2,043). We worked with the Department of Energy, Environment and Climate Action and other regulators to manage this volume, and monitored trends in complaints to inform our approach to compliance and engagement. Forty percent of complaints were about telemarketing or doorknocking, which are expected to reduce following the introduction of bans on these marketing methods.

### Assessing upgrades

We reviewed over 84,000 upgrades in 2023–24 as part of our risk-based approach to monitoring compliance.

During 2023–24, 806,257 certificates were withdrawn, including 481,032 certificates that were created in error by an accredited person.

As a consequence of our compliance and investigation efforts, 3,647 certificates were surrendered by accredited persons in the 2022–23 financial year.

### Safeguarding the integrity of the Victorian Energy Upgrades program

We maintained our focus on promoting industry compliance with the VEU program's rules to uphold its integrity. In March 2024, we published our inaugural compliance and enforcement priorities for the VEU program. These priorities were informed by the current risks posed in the VEU program, which are focused on:

- protecting consumers
- upholding program integrity
- providing consumers with a positive experience of the program.

The commission took enforcement action in 2023–24 when we identified contraventions by accredited persons against program rules, and in accordance with our compliance and enforcement priorities.

### Notices issued

To assist in monitoring and enforcing compliance, the commission issued 13 notices under section 60 of the *Victorian Energy Efficiency Target Act 2007*. These notices require persons to provide information and documents relevant to the operation of the program. This is an increase of 44 per cent from the previous year.

### Investigations

During 2023–24, a total of 22 investigations commenced, with five of those matters resolved within that same period. During 2023–24, one energy retailer paid a penalty of \$53,600 for their failure to surrender sufficient certificates to meet their certificate liability in 2022.

The commission provided extensions for the deadlines for certificate surrender obligations to energy retailers for the 2023 calendar year. Accordingly, details of any shortfalls for this period will be published separately, once finalised.

### Assurance audits

New requirements that came into effect on 1 July 2024 will mean that all accredited persons in the VEU program will undergo an independent assurance audit at least once every two years. Assurance audits will be used by the VEU program to assess how accredited persons are complying with their requirements to participate in the program. Implementation of these requirements began with the publishing of the first assurance audit schedule on 28 June 2024.

Enforcement actions 2023–24

Action	Number of Accredited Persons affected	Number of Victorian energy efficiency certificates affected
Section 60 Notice	13	n/a
Procedural Fairness Letters	8	n/a
Informal Warning	11	n/a
Warning	1	n/a
Reprimand	3	n/a
Conditions/ Restrictions	2	n/a
Suspension	1	n/a
Refused Certificates	3	562
Mandatory Surrender	5	1,573
Voluntary Surrender	2	13

# Section 3: Our organisation

## Corporate governance

The commission was established by the *Essential Services Commission Act 2001* to perform its regulatory and advisory functions to promote the long-term interests of consumers.

### Protecting Victorian consumers

We are required to perform functions under various industry legislation, with the Assistant Treasurer being the responsible minister for the commission.

The Essential Services Commission Act requires us to:

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

As part of our role, we consider:

- Efficiency in regulated industries and incentives for long-term investment.
- The financial viability of the industry.
- Competition within the industry.
- Relevant health, safety, environmental and social legislation applying to the industry.
- Benefits and costs of regulation for consumers and users of products or services (including low income and consumers experiencing vulnerability) and regulated entities.
- Consistency in regulation between states and on a national basis.

- Any other matters specified in the empowering legislation.

### Exercising our statutory functions and powers

We use a formal process to exercise our functions and powers. This involves:

- developing reports on how markets operate
- delivering price determinations, compliance assessments and audits
- taking enforcement action when required.

We also run the Victorian Energy Upgrades program and consider higher rate cap applications from councils.

### Consultation and engagement

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

### Legislation

The legislation which establishes the commission is the *Essential Services Commission Act 2001*. Other legislation related to our work includes:

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

## Our commission oversees organisational governance

Our commissioners meet regularly to deal with organisational governance. Their focus is to:

- Set and monitor the organisation's overall strategic direction.
- Oversee delivery of services, achievement of objectives and overall performance.
- Monitor financial performance and financial governance arrangements.
- Ensure compliance with statutory frameworks and integrity requirements.

## Managing risk and maintaining integrity

The Audit and Risk Committee assists the commission to fulfil its responsibilities in line with the requirements of the Standing Directions under the *Financial Management Act 1994*. Its main responsibilities are:

- financial management and reporting
- systems of risk oversight and management, including workplace safety and wellbeing, and technology
- integrity management
- internal and external audit activities
- compliance with relevant laws and policies
- business continuity.

The committee consisted of the following during 2023–24:

- Peter Lewinsky, external member and committee chair
- Michelle Beveridge, external member
- Rebecca Billings, commissioner
- Simon Corden, commissioner (until March 2024).

Pitcher Partners provided our internal audit services in 2023–24.

## Our memorandums of understanding help improve outcomes

We enter into memorandums of understanding with Victorian Government agencies who share an important working relationship with us. We use these memorandums to make our outcomes more efficient. They help improve communication and regulatory processes and reduce the duplication of work across agencies.

We held active memorandums of understanding with the following organisations in 2023–24:

- Australian Energy Regulator
- Consumer Affairs Victoria
- Energy Safe Victoria
- Energy and Water Ombudsman (Victoria) Limited
- Solar Victoria, Department of Energy, Environment and Climate Action
- Sustainability Victoria.

## Essential Services Commission Financial Management Compliance Attestation Statement

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



Rebecca Billings  
**Commissioner**

# Our people

As of 30 June 2024:

- 225 people
- 55:44:1 gender split. We had 123 women, 100 men and 2 self-described employees working at the commission.

Figure 3: Our workforce breakdown

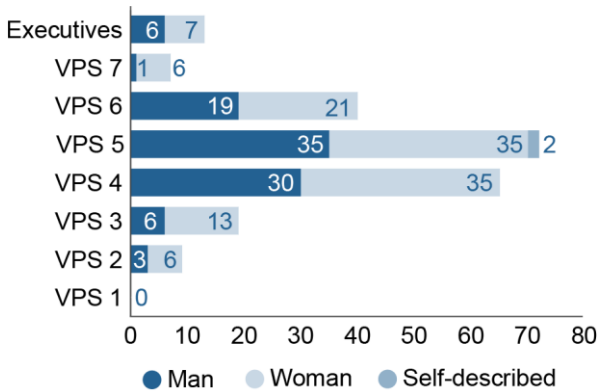
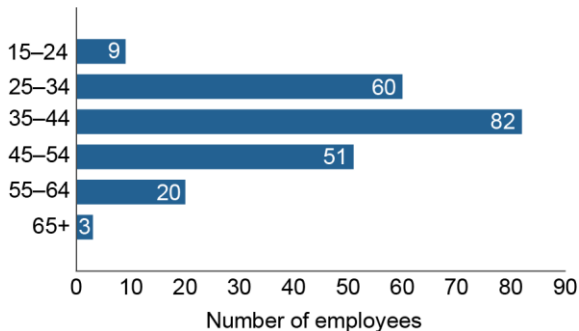


Figure 4: Our age demographic



## Learning and development

### Mentoring program

We launched the inaugural interdepartmental mentoring program in 2023–2024 with colleagues from Sustainability Victoria and Infrastructure Victoria with 105 employees across the three organisations participating in the program.

The program provided opportunities for learning and connection with VPS colleagues, and supported actions set in our diversity and leadership strategies, plans and frameworks.

### Learning management system – Essential Learning

We progressed implementation of Essential Learning, a dedicated learning management system. The platform is designed to improve user experience through self-service and centralisation of internal training offerings. Essential Learning also provides an improved administrative experience, resulting in an enhanced reporting capability.

### Training and leadership development

As part of our people strategy, we successfully continued our Leadership in Practice program. This in-house program features guest speakers from across the commission. Eleven emerging and established leaders completed the program and will now join an alumni community of practice with the first cohort.

We also continued to enhance our employee’s skills through both in-house and externally facilitated training. Notably, we focused on developing the capability of brief writing for the commission through IPAA Victoria. Additionally, IPAA Victoria conducted the ‘How Modern Government Works’ training for all employees who are new to the government or require a refresher.

To equip our employees with conversation skills we worked with Workplace Wizards to customise ‘Conversations at work’ training for the commission. The aim of this program was to provide targeted skills training on how to have good performance conversations at work.

Maintaining our commitment to mental health, we prioritised mental health and wellbeing through mandatory training.

In line with our Building Aboriginal Cultural Capability objective, we continued to roll out First Nations People’s cultural competency training to all staff in 2023–24, which is a fundamental step on our journey towards self-determination for Aboriginal people.

## Workforce planning

### Recruitment

We reviewed our recruitment process incorporating the principles of diversity, equity and inclusion while ensuring our hiring managers were equipped with the skills to run unbiased and objective recruitment processes, ensuring the most suitable candidate is appointed.

### Graduate program and internships

We recruited five graduates for 2024 and continued our commitment to early career development through participating in the Department of Treasury and Finance’s economics and university internship programs.

### Health and safety

We continued to promote occupational health and safety through a range of measures in 2023–24, including our Occupational Health and Safety Policy, health and safety representatives and an Occupational Health and Safety Committee.

### Occupational Health and Safety Committee

The committee met four times during 2023–24. Attendees include health and safety representatives, members of our People and Culture team, and a representative from Action OHS Consulting. We have recruited new health and safety representatives and fire wardens to focus on the important role of keeping our workplace safe.

### External health and safety audit

Pitcher Partners conducted an external health and safety audit focused on mental wellbeing. The auditors evaluated the commission’s processes and key controls for managing staff wellbeing and recommended specific management actions. These recommendations will be implemented over the next financial year.

## Workplace safety

During the 2023–2024 financial year, there were five hazards or incidents reported. Detailed investigations and appropriate responses were implemented to address each incident.

The following table shows the WorkCover claims in the last three financial years.

WorkCover statistics	2021–22	2022–23	2023–24
Claims	1	0	1

Lost time remains applicable to the WorkCover claim lodged in 2023–24. The average cost of the claim is \$479,000, comprising actual costs incurred (\$38,629) and estimated future costs (\$477,180).

### Employee relations

We are committed to ensuring that employee relations matters are treated fairly and that employees are aware of our grievance processes. No employee time was lost in 2023–24 due to industrial disputes.

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

### Employment and conduct principles

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

We have correctly classified our employees in workforce data collections.

### Diversity, equity and inclusion

#### Diversity, equity and inclusion strategy and working group

Our Diversity, Equity and Inclusion Working Group encompassing our Empowered Women and Pride Networks, worked actively across 2023–24 to prioritise initiatives and events celebrating the diversity of our workforce as part of our Diversity, Equity and Inclusion Strategy.

## Section 3: Our organisation

In March 2024, the commission launched its inaugural Diversity, Equity and Inclusion Strategy, bringing together its Diversity, Equity and Inclusion Action Plan, Gender Equality Action Plan and Building Aboriginal Cultural Capability plan into a holistic strategy and framework.

As the state regulator of essential services, we are dedicated to ensuring that our interactions with consumers are accessible, inclusive, and culturally safe. To achieve this, we are committed to building employee awareness and understanding of the lived experiences of the Victorian community and to driving a workplace culture that prioritises equity, safety, respect, and flexibility for all employees. This includes a commitment for employees to feel safe and comfortable in negotiating workplace adjustments across their role, the recruitment process and in ways of working.

### Workplace visibility to promote cultural safety

The commission recognises the importance of workplace visibility. We celebrate key days of significance representing the diversity of workforce and to provide capability uplift to the broader workforce.

These include, Wear it Purple Day, International Women's Day, International Day against Homophobia, Biphobia and Transphobia, International Day of People with Disability, Global Accessibility Awareness Day, Harmony Week (International Day for the Elimination of Racial Discrimination), NAIDOC Week and Reconciliation Week.

### Gender equality

We submitted our 2021–2025 Gender Equality Action Plan progress report to the Commission for Gender Equality in the Public Sector in February 2024. The report covered progress made from 1 July 2021 to 30 June 2023.

The commission is performing well against key metrics, with a 52:48 per cent gender split.

Recruitment figures show women represented 55 per cent of all recruitment appointments in this reporting period.

We will continue to focus on gathering intersectional data to enhance our insights and actions and closing the gender pay gap.

### Building Aboriginal cultural capability

Our Building Aboriginal Cultural Capability plan supports our vision to be an organisation that is aware, respectful and inclusive of Aboriginal people and their history and to provide a culturally safe environment for all.

Our stakeholder engagement framework is being revised to include a stronger focus on building Aboriginal inclusion and our community roundtables invite representatives from Aboriginal Community Controlled Organisations to speak on behalf of community. We were honoured to have Aunty Zeta Thomson, Wurundjeri and Yorta Yorta Elder, open our 30-year conference and welcome us to Country.

Our office meeting rooms are named in the Woi-Wurrung language to pay our respects to the Traditional Owners of the lands on which we work. We are also privileged to have artwork by Simone Thomson, First Nations Wurundjeri and Yorta-Yorta artist, hanging in our boardroom.

### Disability and neurodiversity support

We are committed to supporting current and future employees who have a disability, whether it be physical, intellectual, developmental, sensory, mobility, neurological, or identifying with a neurominority. We have done this through undertaking a review of our employment practices, including access to support, improving our recruitment processes and team communications. This is an extension of our existing commitments to workplace physical accessibility, adjustments and recognising days of significance.

## Workforce data

The following table shows the head count and full-time staff equivalent (FTE) of all active employees of the commission employed in the last full pay period in June 2024.

June 2024	All employees		Ongoing			Fixed term and casual	
	Number	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Women	123	115.2	76	21	91.3	26	23.9
Men	100	97.6	82	2	83.6	16	14
Self-described	2	1.8	0	1	0.8	1	1
<b>Age</b>							
15–24	9	6.3	5	0	5	4	1.3
25–34	60	58.3	47	3	49	10	9.3
35–44	82	78.4	55	14	65.6	13	12.8
45–54	51	49.2	33	6	37.5	12	11.7
55–64	20	19.6	17	1	17.6	2	2
65+	3	2.8	1	0	1	2	1.8
<b>VPS** 1–6 Grade</b>	<b>205</b>	<b>194.9</b>	<b>154</b>	<b>24</b>	<b>171.7</b>	<b>27</b>	<b>23.2</b>
VPS 1	0	0.00	0	0	0	0	0
VPS 2	9	6.29	5	0	5	4	1.3
VPS 3	19	18.33	15	2	16.3	2	2
VPS 4	65	63.30	52	3	54.2	10	9.1
VPS 5	72	68.53	53	12	61.7	7	6.8
VPS 6	40	38.41	29	7	34.4	4	4
<b>Senior employees</b>	<b>20</b>	<b>19.7</b>	<b>4</b>	<b>0</b>	<b>4.0</b>	<b>16</b>	<b>15.7</b>
STS	7	6.7	4	0	4.0	3	2.7
Executives	13	13	0	0	0	13	13
Other							
<b>Total employees</b>	<b>225</b>	<b>214.6</b>	<b>158</b>	<b>24</b>	<b>175.7</b>	<b>43</b>	<b>38.9</b>

\* FTE = full-time equivalent

\*\* VPS = Victorian Public Service

\*\*\* STS = Senior technical specialist

This data excludes our commissioners and chairperson.



### Section 3: Our organisation

The following table shows the head count and full-time staff equivalent (FTE) of all active employees of the commission employed in the last full pay period in June 2023 (the previous reporting period).

June 2023	All employees		Ongoing			Fixed term and casual	
	Number	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
<b>Gender</b>							
Women	101	94.4	62	21	76.8	18	17.6
Men	92	89.9	73	3	75.3	16	14.6
Self-described	0	0	0	0	0	0	0
<b>Age</b>							
15–24	5	4	1	0	1	4	2
25–34	58	56.4	38	4	40.8	16	15.6
35–44	68	64.6	49	11	56.8	8	7.8
45–54	42	40.5	32	6	36.5	4	4
55–64	18	16.8	13	3	15	2	1.8
65+	2	2	1	0	1	1	1
<b>VPS** 1–6 Grade</b>	<b>179</b>	<b>169.3</b>	<b>120</b>	<b>24</b>	<b>137.1</b>	<b>35</b>	<b>32.2</b>
VPS 1	0	0	0	0	0	0	0
VPS 2	6	6	5	0	5	1	1
VPS 3	25	22.7	12	4	14.7	9	8
VPS 4	50	48.3	35	5	38.7	10	9.6
VPS 5	61	58	43	8	48.4	10	9.6
VPS 6	36	34.3	25	7	30.3	4	4
<b>Senior employees</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>0</b>	<b>14</b>	<b>1</b>	<b>1</b>
STS***	5	5	4	0	4	1	1
SRA****	3	3	3	0	3	0	0
Executives	7	7	7	0	7	0	0
Other							
<b>Total employees</b>	<b>193</b>	<b>184.3</b>	<b>134</b>	<b>24</b>	<b>151.1</b>	<b>36</b>	<b>33.2</b>

\* FTE = full-time equivalent

\*\* VPS = Victorian Public Service

\*\*\* STS = Senior technical specialist

\*\*\*\* SRA = Senior regulatory analyst

This data excludes our commissioners and chairperson.

## Executive numbers

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

Income band (salary)	Executives	STS**	PS	SMA	SRA	Other/VPS 7
\$<160,000	–	1	–	–	–	–
160,000 – 179,000	–	–	–	–	–	–
180,000 – 199,000	–	5	–	–	–	–
200,000 – 219,000	2	1	–	–	–	–
220,000 – 239,000	3	–	–	–	–	–
240,000 – 259,000	2	–	–	–	–	–
260,000 – 279,000	1	–	–	–	–	–
280,000 – 299,000	1	–	–	–	–	–
300,000 – 319,000	3	–	–	–	–	–
320,000 – 339,000	–	–	–	–	–	–
340,000 – 359,000	–	–	–	–	–	–
360,000 – 379,000	–	–	–	–	–	–
380,000 – 399,000	–	–	–	–	–	–
400,000 – 419,000	–	–	–	–	–	–
420,000 – 439,000	1	–	–	–	–	–
440,000 – 459,000	–	–	–	–	–	–
460,000 – 479,000	–	–	–	–	–	–
480,000 – 499,000	–	–	–	–	–	–

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

\*\* STS = senior technical specialist; PS = principal scientist; SMA = senior medical advisor; SRA = senior regulatory analyst; VPS = Victorian Public Service.

## Environmental reporting

We monitored the following indicators of our environmental impact in 2023–2024:

- electricity usage
- gas usage
- water usage
- air travel.

Our environmental impact has also been considered in procurement decision-making.

### Snapshot

Category	Quantity used	Quantity per employee
Electricity consumption (kWh)	144,783.21	716.75
Gas consumption (MJ)	8,975.89	44.44
Water use (KL)*	1,014.75	5.02
Air travel (CO <sub>2</sub> emissions – tonnes)	37.76	0.19

\* Water use approximation

### Overview of performance

#### Electricity and gas

Electricity consumption is taken from our energy retailer billing information: we used 144,783.21 kilowatt-hours in 2023–2024. Based on our full-time equivalent staffing of 202 employees (as of 30 June 2024) this equates to 716.75 kilowatt-hours of electricity used per full-time employee.

Gas consumption is taken from our energy retailer billing information: we used 8,975.89 megajoules in 2023–2024. Based on our full-time equivalent staffing of 202 employees (as of 30 June 2024) this equates to 44.44 megajoules of gas used per full-time employee.

Our building has a 5 NABERS (National Australian Built Environment Rating System) rating for energy usage.

#### Water

Total units of water consumed by our floor was approximately 1,014.75 KL. This amount comes from 28,413 KL consumed for the entire building. There is no specific data for each tenancy. However, there are 28 floors in the building, so it is assumed our tenancy would consume 1/28th of the total amount of water consumed for the entire building. Based on a floor size of 2,700 square meters, this equates to approximately 0.38 KL of water used per unit of office area. Based on our full-time equivalent staffing of 202 employees, as of 30 June 2024, this equates to approximately 5.02 KL of water used per full-time employee.

Our building has a 4.5 NABERS (National Australian Built Environment Rating System) rating for water usage.

#### Travel

The total distance travelled by air for the 2023–2024 financial year was 149,274.91 kilometres. The total greenhouse gas emissions associated with this air travel was 47.42 tonnes. Based on our full-time equivalent staffing of 202 employees (as of 30 June 2024) this equates to approximately 0.23 tonnes of CO<sub>2</sub> emissions per full-time employee.

## Performance against output measures

The Economic Regulatory Services output contributes to the Department of Treasury and Finance's objective to strengthen Victoria's economic performance. The measures and targets align with our objective to promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services.

The table below summarises our performance for all output measures in 2023–24.

Performance measures	Unit of measure	2023–24 actual	2023–24 target	Performance variation (%)	Result
<b>Quantity</b>					
Performance reports for regulated industries	number	12	12	–	✓
Performance reviews and compliance audits of regulated businesses	number	118	150	–17%	●
The 2023–24 actual is less than target primarily because of the implementation of VEET Act reforms impacting on the delivery of the audit program (specifically, matters previously dealt with through audits can now be addressed through alternative tools as provided by the legislation).					
Price determinations of regulated businesses	number	19	19	–	✓
Registration, project-based activity, product accreditation decisions/approvals in relation to the Victorian Energy Upgrades program	number	9,813	6,000	64%	✓
The higher 2023–24 actual reflects changes arising from the implementation of VEET Act reforms. In addition, there was an increase in the number of active accredited persons and changes to activities that saw an increase in product applications which has contributed to this variance.					
Reviews, investigations or advisory projects	number	5	2	150%	✓
The 2023–24 actual is higher than target due to an additional request for advice from the minister and an additional compliance project undertaken in the Energy division's work program.					
Compliance and enforcement activities – energy	number	172	150	15%	✓
This higher 2023–24 actual is primarily due to enforcement activity in relation to the regulated sector of energy.					
Setting of regulated price and tariffs in the energy sector	number	16	15	7%	✓
This 2024–25 actual exceeds the target due to the delivery of the feed-in-tariff price determination.					
<b>Quality</b>					
Stakeholder satisfaction survey result	per cent	59%	>65%	–9%	●
The 2023–24 actual is less than target. The significant increase in satisfaction and reputation with community/consumer groups (87%) was offset by a decline in results from some regulated industries.					
<b>Timeliness</b>					
Delivery of major milestones within agreed timelines	per cent	100%	100%	–	✓
<b>Cost</b>					
Total output cost	\$ million	9.83	37.9	–74%	
The lower 2023–24 actual primarily reflects the reclassification of the commission as a 'regulatory body and other part funded agency' from 1 July 2023 for financial reporting purposes. The appropriation funded grants from the Department of Treasury and Finance to the commission are recognised as part of the output cost. The output cost no longer includes the trust fund revenue and expenses of the commission.					

- ✓ Performance target achieved
- Performance target not achieved – within five per cent variance
- Performance target not achieved – exceeds five per cent variance

## Our finances

### Current year financial review

The 2023–24 financial year is the second complete year of the commission’s operation under its hybrid funding model. This model was established following amendments to the Essential Services Commission Act, effective from December 2021. The commission’s primary income sources are licence and ‘other fee’ income, with grant income constituting less than 22 per cent of total income.

Funding is derived from various sources:

- energy licence fees
- Victorian Energy Upgrades (VEU) program fees
- water licence fees
- grants provided through parliamentary appropriations
- penalties
- interest.

We manage two trust funds:

- The Operating Fund: used to fund the commission’s ongoing operating costs to perform its functions.
- The Enforcement Fund: provides funding for major compliance and enforcement activity, including civil litigation and criminal prosecution.

Licence and other fees are determined by the relevant minister under applicable legislation. We have developed sector specific cost recovery models (Energy, Water and Victorian Energy Upgrades) over multi-year periods, using the Department of Treasury and Finance’s Pricing for Value Guide to support the relevant ministers’ determinations.

Our approach to budget management is intended to provide fee certainty for regulated businesses and the commission by spreading income over multiple years. Annual revenue and expenditure variations are expected to result in annual surpluses or deficits. The trust funds help manage these variations, using reserves to cover shortfalls and retaining annual surpluses. This also helps manage cash flow risks.

We are reporting a net financial deficit of \$1.3 million for the 2023–24 financial year. This deficit is primarily due to revenue in the VEU program being lower than forecasted when the VEU program fees were set.

The cost of administering the VEU program exceeded program revenue by \$6.3 million in 2023–24. The commission will utilise Operating Fund reserves to manage this financial risk in the short term. The commission is working with the Department of Energy, Environment and Climate Action and the Department of Treasury and Finance to identify a sustainable funding solution.

## Financial performance summary

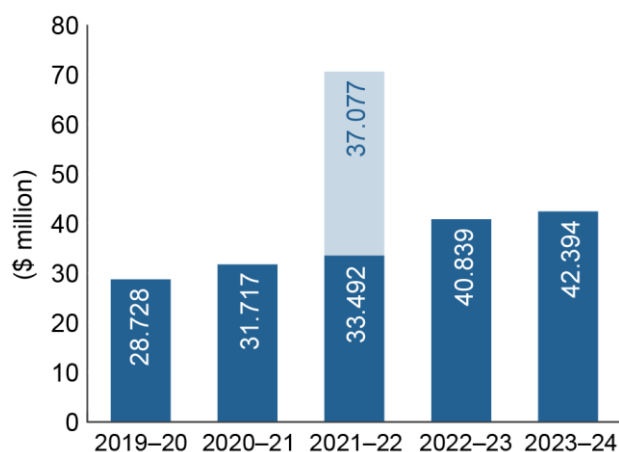
Below is a summary of our financial performance for the past five years.

### Financial performance 2019–2024

	2019–20	2020–21	2021–22	2022–23	2023–24
	\$m	\$m	\$m	\$m	\$m
Total income from transactions	28.7	31.7	72.8	44.8	45.1
Total expenses from transactions	28.5	31.6	33.7	37.5	46.5
Net result from transactions	0.2	0.1	39.1	7.3	(1.4)
Comprehensive result	0.1	0.3	37	6.5	(1.3)
Total assets	23.3	21.4	58.9	65.5	66.6
Total liabilities	9.2	6.9	7.5	7.5	8.3
Net assets	14.2	14.4	51.4	57.9	58.3
Net cash flow from operating activities	1.5	1.3	0	36.8	7.6

## Income

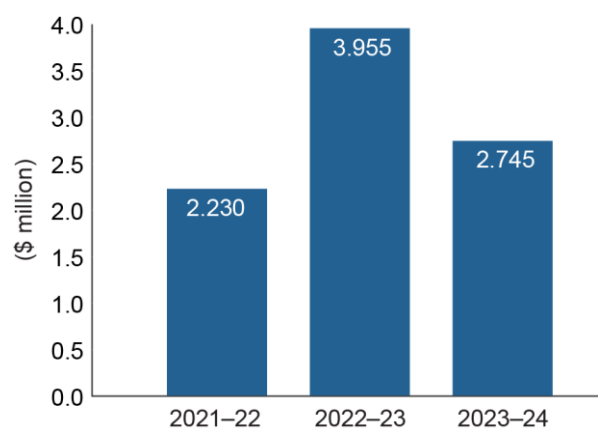
Figure 5: Licence and other income, excluding penalty income, 2019–20 to 2023–24



In 2023–24, income (excluding penalties) increased by \$1.6 million compared to the previous year, primarily due to higher fee and interest revenue, while grant income reduced.

Victorian Energy Upgrades program fee income increased by \$3.4 million but was still \$7.8 million below the revenue budget target for full cost recovery due to reduced program activity.

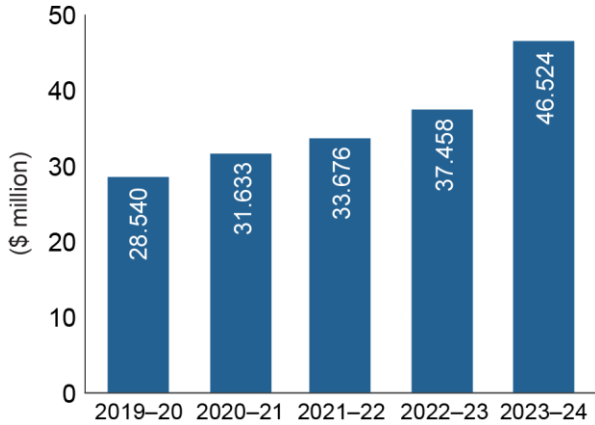
Figure 6: Penalty income, 2021–22 to 2023–24



Penalty income, resulting from enforcement activities, is allocated to the Enforcement Fund, providing funding for current and future major compliance and enforcement activities. Penalty income was \$1.2 million lower than last year.

## Expenses

Figure 7: Our expenses, 2019–20 to 2023–24



Expenses have increased in line with income due to additional initiatives and increased regulatory functions. In 2023–24, we incurred \$46.5 million in expenditure, with the largest portion (\$33.3 million) allocated to workforce costs, a 22.7 per cent increase from the previous year.

This rise is primarily due to challenging employment conditions in 2022–23, which led to vacancies that were resolved early in 2023–24, along with recruitment to meet the additional functions in the Victorian Energy Upgrades program arising from legislative reforms to the program.

The project to replace the Victorian Energy Upgrades IT system incurred \$1.84 million in expenditure, up from \$0.53 million in 2022–23. Additionally, the Enforcement Trust funded litigation matters at a cost of \$0.81 million, marking its first use. Other operating expenditure increased slightly by \$0.3 million.

## Other economic flows

This includes the result of asset sales and actuarial changes related to leave liabilities.

## Assets and liabilities

The commission's total assets were \$66.6 million, total liabilities were \$8.3 million, and net assets were \$58.3 million. This represents an increase of \$0.4 million in total assets compared to the previous year.

Working capital is forecast to be sufficient to fund our operations over the forward estimates period, noting the VEU revenue risk being managed.

In 2023–24, the Operating Trust balance reduced from \$40.8 to \$39.1 million, while the Enforcement Trust balance increased from \$5.5 to \$7.7 million.

### Net assets as a percentage of total assets 2019–2024

	2019–20	2020–21	2021–22	2022–23	2023–24
Net asset percentage	60.7%	67.6%	87.2%	88.4%	87.5%

Primary assets include cash investments and a trust cash equivalent not transferred to investment bank accounts, used for commission expenditure through the transactional government bank account held by the Department of Government Services. Another major asset is a receivable from the Victorian Government, which includes previously applied parliamentary appropriations that have not yet been drawn on. Major liabilities relate to accounts payable and employee provisions with liabilities increasing to \$8.3 million.

### Cost of each regulated sector

The total cost of the commission’s programs relating to each regulated sector are below. The costs include an allocation of costs of staff who support the team’s work across the commission.

#### Regulated sector costs 2024

Sector	Cost \$m
Energy	17.6
Water	4.8
Transport	2.3
Local government	2.2
Victorian Energy Upgrades	16.3



# Section 4: Financial statements for the year ended 30 June 2024

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## Declaration in the financial statements

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2024 and the financial position of the commission at 30 June 2024.

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

We authorise the attached financial statements for issue on 11 September 2024.



Rebecca Billings  
**Commissioner**

Melbourne  
11 September 2024



Sarah Sheppard  
**Chief Executive Officer**

Melbourne  
11 September 2024



Jan Koops  
**Chief Financial Officer**

Melbourne  
11 September 2024

# Independent auditor's report

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## Independent Auditor's Report

### To the Commissioner of the Essential Services Commission

<b>Opinion</b>	<p>I have audited the financial report of the Essential Services Commission (the Commission) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2024</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including material accounting policy information</li> <li>• Declaration in the Financial Statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the the Commission as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>The Commissioner's responsibilities for the financial report</b>	<p>The Commissioner of the the Commission is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**Auditor's responsibilities for the audit of the financial report**

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

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

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

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

MELBOURNE  
19 September 2024

Janaka Kumara  
*as delegate for the Auditor-General of Victoria*

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# Comprehensive operating statement

## for the financial year ended 30 June 2024

	Notes	2024 \$	2023 \$
<b>Income from transactions</b>			
Grant income	2	9,834,922	12,591,319
Licence and other fees income	2	30,376,107	27,002,836
Penalties income	2	2,745,247	3,954,932
Interest income	2	1,815,201	919,336
Resources received free of charge	2	367,422	326,014
<b>Total income from transactions</b>		<b>45,138,899</b>	<b>44,794,437</b>
<b>Expenses from transactions</b>			
Employee expense	3.1.1	(33,265,801)	(27,100,934)
Depreciation	4.1.1	(153,875)	(99,319)
Lease interest expense		(725)	(938)
Supplies and services	3.2	(13,103,620)	(10,256,346)
<b>Total expenses from transactions</b>		<b>(46,524,021)</b>	<b>(37,457,537)</b>
<b>Net result from transactions</b>		<b>(1,385,122)</b>	<b>7,336,900</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	8.1	22,592	-
Net gain/(loss) on financial instruments	8.1	-	(780,368)
Net gain/(loss) from revaluation of leave liabilities	8.1	37,518	(24,486)
<b>Total other economic flows included in net result</b>		<b>60,110</b>	<b>(804,854)</b>
<b>Net result</b>		<b>(1,325,012)</b>	<b>6,532,046</b>
<b>Comprehensive result</b>		<b>(1,325,012)</b>	<b>6,532,046</b>

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

# Balance sheet

as at 30 June 2024

	Notes	2024 \$	2023 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	6.2	44,266,324	36,611,099
Receivables	5.1	21,198,794	27,434,605
<b>Total financial assets</b>		<b>65,465,118</b>	<b>64,045,704</b>
<b>Non-financial assets</b>			
Prepayments		877,704	948,049
Vehicles held for sale		–	12,635
Property, plant and equipment	4.1	303,083	458,737
<b>Total non-financial assets</b>		<b>1,180,787</b>	<b>1,419,421</b>
<b>Total assets</b>		<b>66,645,905</b>	<b>65,465,125</b>
<b>Liabilities</b>			
Payables	5.2	1,508,024	1,405,028
Lease liabilities		–	44,886
Employee related provisions	3.1.2	6,560,181	5,834,802
Make good provision		267,468	248,166
<b>Total liabilities</b>		<b>8,335,673</b>	<b>7,532,882</b>
<b>Net assets</b>		<b>58,310,232</b>	<b>57,932,243</b>
<b>Equity</b>			
Accumulated surplus		55,562,484	56,887,496
Contributed capital		2,747,747	1,044,747
<b>Total equity</b>		<b>58,310,232</b>	<b>57,932,243</b>

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

# Cash flow statement

## for the financial year ended 30 June 2024

	Notes	2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from government		18,472,059	30,598,123
Receipts from other entities		32,830,516	42,646,940
Interest received		1,815,201	919,336
<b>Total receipts</b>		<b>53,117,776</b>	<b>74,164,399</b>
<b>Payments</b>			
Payments to suppliers and employees		(45,473,249)	(37,323,036)
Interest paid		(725)	(938)
<b>Total payments</b>		<b>(45,473,974)</b>	<b>(37,323,974)</b>
<b>Net cash flows from/(used in) operating activities</b>	6.1	<b>7,643,802</b>	<b>36,840,425</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(12,540)	(215,832)
Proceeds from sale of property, plant and equipment		35,227	–
<b>Net cash flows from/(used in) investing activities</b>		<b>22,687</b>	<b>(215,832)</b>
<b>Cash flows from financing activities</b>			
Repayment of leases <sup>(i)</sup>		(11,266)	(13,494)
<b>Net cash flows from/(used in) financing activities</b>		<b>(11,266)</b>	<b>(13,494)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,655,223</b>	<b>36,611,099</b>
Cash and cash equivalents at start of year		36,611,099	–
<b>Cash and cash equivalents at end of year</b>	6.2	<b>44,266,324</b>	<b>36,611,099</b>

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

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

## Statement of changes in equity

for the financial year ended 30 June 2024

	Accumulated surplus \$	Contributed capital \$	Total \$
<b>Balance at 30 June 2022</b>	<b>50,355,450</b>	<b>1,044,747</b>	<b>51,400,197</b>
Net result for the year	6,532,046	–	6,532,046
<b>Balance at 30 June 2023</b>	<b>56,887,496</b>	<b>1,044,747</b>	<b>57,932,243</b>
Net result for the year	(1,325,012)	1,703,000	377,988
<b>Balance at 30 June 2024</b>	<b>55,562,484</b>	<b>2,747,747</b>	<b>58,310,231</b>

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



# Notes to the financial statements

## Note 1. About this report

The Essential Services Commission (the commission) is a commission established under the *Essential Services Commission Act 2001*.

Its principal address is:

Essential Services Commission  
Level 8  
570 Bourke Street  
Melbourne VIC 3000

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

## Basis of preparation

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

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

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

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

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

All amounts in the financial statements have been rounded to the nearest dollar and some comparative figures have been adjusted to correct rounding issues.

## Compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards including interpretations, issued by the Australian Accounting Standards Board (AASB). 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 Australian Accounting Standards applicable to not-for-profit entities have been applied. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## Note 2. Funding delivery of our services

### Introduction

The objective of the commission is to promote the long-term interests of Victorian consumers having regard to the price, quality and reliability of essential services. The commission is an independent economic regulator that was established under the *Essential Services Commission Act 2001* (the Act). The commission has functions as conferred by the Act and other relevant legislation in relation to regulated industries providing an essential service.

At 30 June 2024, the regulated industries included electricity, gas, water and sewerage, ports, commercial passenger vehicles and accident towing. Other functions conferred under other legislation include operating the Victorian Energy Upgrades program and local government rate capping.

The commission is funded through a variety of sources including grants, licence and other fees and penalties (see 'Licence and other fees income and penalties income' section) that are paid into two trust funds:

- Operating Fund
- Enforcement Fund.

The types of payments to be paid into the Operating Fund are identified in the Act. Payments into the Operating Fund include fees paid under relevant legislation, other amounts required under the Act, and interest received on money invested in the Operating Fund.

The types of payments to be paid into the Enforcement Fund are identified in the Act. Payments into the Enforcement Fund include fines ordered by a court in respect of an offence against the Act or other relevant legislation, including the *Electricity Industry Act 2000*, *Gas Industry Act 2001*, *Water Industry Act 1994* and the *Victorian Energy Efficiency Target Act 2007* (VEET Act). Payments also include any amount paid to the commission under a civil penalty order or monetary benefits order, any notice penalty paid under the Act, and any energy efficiency shortfall penalty paid to the commission under the VEET Act, and any costs awarded to the commission in any court proceeding.

Total income from transactions was recognised as follows:

	2024	2023
	\$	\$
<b>Income from transactions</b>		
Grants from the Department of Treasury and Finance	9,834,922	12,591,319
Energy licence fees income	16,218,837	16,231,291
Water licence fees income	4,190,000	4,222,022
Victorian energy efficiency certificate fees income	9,967,270	6,549,523
Penalties income	2,745,247	3,954,932
Interest income	1,815,201	919,336
Resources received free of charge	367,422	326,014
<b>Total income from transactions</b>	<b>45,138,899</b>	<b>44,794,437</b>

Income that funds delivery of the commission's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

### Grant income

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised under AASB 1058 *Income of Not-for-Profit Entities* when the commission has an unconditional right to receive cash which usually coincides with receipt of cash. The commission's grant income from the Department of Treasury and Finance is recognised as income in accordance with AASB 1058.

### Licence and other fees income and penalties income

The commission collects licence fees related to the operations of the commission under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, and the *Water Industry Act 1994*. Licence fees are invoiced on the basis of a determination made by the relevant minister. The commission also collects fees under the VEET Act, and penalties issued under the Act and VEET Act.

Licence and other fees income are recognised when an invoice is issued, which establishes the entitlement to payment. Energy efficiency shortfall penalties issued under the VEET Act are recognised when a shortfall penalty is issued. Penalty notices issued under the Act are recognised when payment is received. The different recognition criteria are attributable to the different statutory frameworks pursuant to which the penalties are issued.

### Interest income

Interest income is the interest received on bank deposits. Interest income is recognised using the effective interest method, which allocates interest over the relevant period.

### Resources received free of charge

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

### Note 3. The cost of delivering services

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

#### Expenses incurred in delivery of services

	Notes	2024 \$	2023 \$
Employee expense	3.1.1	33,265,801	27,100,934
Depreciation	5.1.1	153,875	99,319
Lease interest expense		725	938
Supplies and services	3.2	13,103,620	10,256,346
<b>Total expenses incurred in delivery of services</b>		<b>46,524,021</b>	<b>37,457,537</b>

#### 3.1. Employee expenses

##### 3.1.1. Employee expenses in the comprehensive operating statement

	2024 \$	2023 \$
Salaries and wages	24,614,988	20,878,560
Superannuation – Defined contribution plans	2,947,871	2,294,936
Superannuation – Defined benefits expense	37	13,660
Termination benefits	112,378	–
Annual and long service leave expense	3,549,297	2,546,918
On-costs	2,041,230	1,366,860
<b>Total employee expenses</b>	<b>33,265,801</b>	<b>27,100,934</b>

Employee expenses comprise all costs related to employment including wages and salaries, superannuation, leave entitlements, redundancy payments, fringe benefits tax, 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 of Victoria as the sponsoring employer, the net defined benefit cost and the defined benefit liability or surplus related to the members of these plans as administered items. Refer to the Department of Treasury and Finance's annual financial statements for more detailed disclosures in relation to these plans.

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

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

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

### 3.1.2. Employee related provisions in the balance sheet

	2024 \$	2023 \$
<b>Current provisions</b>		
<b>Annual leave</b>		
Unconditional and expected to settle within 12 months	1,625,644	1,404,870
Unconditional and expected to settle after 12 months	553,867	633,852
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	343,320	296,586
Unconditional and expected to settle after 12 months	2,374,971	2,055,763
<b>Provisions for on-costs</b>		
Unconditional and expected to settle within 12 months	373,659	314,394
Unconditional and expected to settle after 12 months	455,659	415,137
<b>Total current provisions for employee benefits</b>	<b>5,727,120</b>	<b>5,120,602</b>
<b>Non-current provisions</b>		
Long service leave	727,300	625,288
On-costs	105,762	88,912
<b>Total non-current provisions for employee benefits</b>	<b>833,062</b>	<b>714,200</b>
<b>Total provisions for employee benefits</b>	<b>6,560,181</b>	<b>5,834,802</b>

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

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the commission does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the commission expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

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

Unconditional long services leave (LSL) is disclosed as a current liability, even where the commission does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at either:

- undiscounted value – if the commission expects to wholly settle within 12 months
- present value – if the commission does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow’ in the net result.

### 3.2. Supplies and services

	2024	2023
	\$	\$
<b>Supplies and services</b>		
Purchases of services	7,260,685	5,195,217
Property management and outgoings	1,971,700	2,059,915
Information technology costs	2,046,022	1,510,694
Other	1,825,214	1,490,520
<b>Total supplies and services</b>	<b>13,103,620</b>	<b>10,256,346</b>

Supplies and services are recognised as an expense in the reporting period in which they are incurred. ‘Other’ includes mainly sundry expenses such as recruitment, training and promotions and other office related expenses, and resources received free of charge.

## Note 4. Key assets available to support delivery of services

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

### 4.1. Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Leasehold improvements	267,468	248,166	(174,952)	(143,574)	92,516	104,592
Office and computer equipment at fair value	463,414	463,414	(252,847)	(141,675)	210,567	321,738
Motor vehicles under lease	–	41,317	–	(8,910)	–	32,407
<b>Total</b>	<b>730,882</b>	<b>752,897</b>	<b>(427,799)</b>	<b>(294,159)</b>	<b>303,083</b>	<b>458,737</b>

#### Initial recognition

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

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

The commission recognises a right-of-use asset and a lease liability for motor vehicles under lease at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs incurred.

#### Subsequent measurement

Property, plant and equipment are subsequently measured by management at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

The commission depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### Impairment of non-financial assets

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

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

#### 4.1.1. Depreciation

	2024 \$	2023 \$
<b>Charge for the period</b>		
Leasehold improvements	31,378	33,007
Office and computer equipment	111,171	53,114
Motor vehicles under lease	11,327	13,198
<b>Total depreciation</b>	<b>153,875</b>	<b>99,319</b>

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

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

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

Typical estimated useful lives applicable for the years ended 30 June 2024 and 30 June 2023 are as follows:

Asset type	Estimated useful life
Leasehold improvements	4–10 years
Office and computer equipment	3–10 years
Motor vehicles under lease	2–3 years
Capitalised software development	3–7 years

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



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

	Leasehold improvements \$	Office and computer equipment \$	Motor vehicles under lease \$	Total \$
<b>2024</b>				
<b>Carrying amount at start of year</b>	<b>104,592</b>	<b>321,738</b>	<b>32,407</b>	<b>458,737</b>
Additions	19,302	–	75,800	95,102
Disposals	–	–	(12,635)	(12,635)
Transfer to other departments	–	–	(96,880)	(96,880)
Transfers to/from held for sale	–	–	12,635	12,635
Depreciation	(31,378)	(111,171)	(11,327)	(153,876)
<b>Carrying amount at end of year</b>	<b>92,516</b>	<b>210,567</b>	<b>–</b>	<b>303,083</b>
<b>2023</b>				
<b>Carrying amount at start of year</b>	<b>110,025</b>	<b>159,020</b>	<b>58,240</b>	<b>327,285</b>
Additions	27,574	215,832	–	243,406
Disposals	–	–	–	–
Transfers in/out of assets under construction	–	–	(12,635)	(12,635)
Depreciation	(33,007)	(53,114)	(13,198)	(99,319)
<b>Carrying amount at end of year</b>	<b>104,592</b>	<b>321,738</b>	<b>32,407</b>	<b>458,737</b>

## Note 5. Other assets and liabilities

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

### 5.1. Receivables

	2024 \$	2023 \$
<b>Contractual</b>		
Debtors	324,659	33,821
<b>Statutory</b>		
Amounts owing from government	20,634,924	27,201,638
GST recoverable	239,212	199,146
<b>Total receivables</b>	<b>21,198,794</b>	<b>27,434,605</b>
Represented by:		
Current receivables	20,365,734	26,720,405
Non-current receivables	833,061	714,200

Receivables consist of:

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

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

The commission applies AASB 9 for initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Collectability of debtors is reviewed on an ongoing basis. Bad debts are written off when identified. The commission applies the AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. Credit risk associated with the commission's financial assets is minimal.

## 5.2. Payables

	2024 \$	2023 \$
<b>Current contractual payables</b>		
Creditors and accruals	1,508,024	1,405,028
<b>Total payables</b>	<b>1,508,024</b>	<b>1,405,028</b>

Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities measured at amortised cost. The amounts are unsecured and are usually paid within 10 days of recognition.

## Note 6. Financing our operations

This section provides information on the sources of finance utilised by the commission during its operations and other information related to financing activities of the commission.

### 6.1. Reconciliation of net result for the period to cash flow from operating activities

	2024 \$	2023 \$
Net result	(1,325,012)	6,532,046
<b>Non-cash movements</b>		
Depreciation	153,875	99,319
Net (gain)/loss on non-financial assets	(22,592)	–
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	7,938,811	30,541,278
(Increase)/decrease in prepayments	70,345	(316,055)
Increase/(decrease) in payables	102,996	(138,775)
Increase/(decrease) in provisions	725,379	122,612
<b>Net cash flows from operating activities</b>	<b>7,643,802</b>	<b>36,840,425</b>

## Section 4: Financial statements

### 6.2. Trust fund balances

The commission's trust fund cash and deposits balances are as follows:

Trusts' cash and cash equivalents and investments	2024				2023			
	Opening balance as at 1 July 2023 \$	Total receipts \$	Total payments \$	Closing balance as at 30 June 2024 \$	Opening balance as at 1 July 2022 \$	Total receipts \$	Total payments \$	Closing balance as at 30 June 2023 \$
<b>Operating Fund</b> Established under the <i>Essential Services Commission Act 2001</i> section 54ZT to hold monies in accordance with that Act.	31,127,441	45,450,454	39,980,761	36,597,134	–	65,026,053	33,898,612	31,127,441
<b>Enforcement Fund</b> Established under the <i>Essential Services Commission Act 2001</i> section 54ZP to hold monies in accordance with that Act.	5,483,658	2,806,486	620,954	7,669,190	–	5,483,658	–	5,483,658
<b>Total trusts</b>	<b>36,611,099</b>	<b>48,256,940</b>	<b>40,601,715</b>	<b>44,266,324</b>	<b>–</b>	<b>70,509,711</b>	<b>33,898,612</b>	<b>36,611,099</b>

### 6.3. Commitments for expenditure

Commitments for future expenditure include outsourcing commitments arising from contracts. These commitments are disclosed at their nominal value and inclusive of GST payable.

	Less than 1 year \$	1–5 years \$	5+ years \$	Total \$
<b>2024</b>				
<b>Outsourcing commitments</b>				
Information technology services	265,725	–	–	265,725
Property management services	1,628,761	2,274,242	–	3,903,003
<b>Total outsourcing commitments (inclusive of GST)</b>	<b>1,894,486</b>	<b>2,274,242</b>	<b>–</b>	<b>4,168,728</b>
Less GST recoverable	172,226	206,749	–	378,975
<b>Total outsourcing commitments (exclusive of GST)</b>	<b>1,722,260</b>	<b>2,067,493</b>	<b>–</b>	<b>3,789,753</b>
<b>2023</b>				
<b>Outsourcing commitments</b>				
Information technology services	408,194	238,114	–	646,308
Property management services	1,609,137	3,985,968	–	5,595,105
<b>Total outsourcing commitments (inclusive of GST)</b>	<b>2,017,331</b>	<b>4,224,082</b>	<b>–</b>	<b>6,241,413</b>
Less GST recoverable	183,394	384,007	–	567,401
<b>Total outsourcing commitments (exclusive of GST)</b>	<b>1,833,937</b>	<b>3,840,075</b>	<b>–</b>	<b>5,674,012</b>

## Note 7. Risks, contingencies and valuation judgements

The commission is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature.

### 7.1. Financial instruments specific disclosures

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

#### Categories of financial assets

##### *Financial assets at amortised cost*

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

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

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

The commission recognises the following assets in this category:

- cash and deposits
- debtors.

#### Categories of financial liabilities

##### *Financial liabilities at amortised cost*

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

The commission recognises the following liabilities in this category:

- creditors and accruals
- lease liabilities.

### Fair value determination of financial assets and liabilities

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

- Level 1 – the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The financial assets and financial liabilities are recorded in the financial statements where the carrying amounts approximate to fair value.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the commission retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement
- the commission has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the commission's continuing involvement in the asset.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.



## 7.1.1. Carrying amount of financial instruments by category

	Notes	Category	2024 \$	2023 \$
<b>Financial assets</b>				
Cash and deposits	6.2	Financial assets at amortised cost	44,266,324	36,611,099
Receivables <sup>(i)</sup>	5.1	Financial assets at amortised cost	324,659	33,821
			<b>44,590,983</b>	<b>36,644,920</b>
<b>Financial liabilities</b>				
Payables	5.2	Financial liabilities at amortised cost	1,508,024	1,405,028
Lease liabilities		Financial liabilities at amortised cost	–	44,886
			<b>1,508,024</b>	<b>1,449,914</b>

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

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

	Category	2024 \$	2023 \$
<b>Financial assets</b>			
Cash and deposits	Financial assets at amortised cost	1,815,201	919,336
<b>Financial liabilities</b>			
Lease liabilities	Financial liabilities at amortised cost	(725)	(938)

The net holding gains and losses disclosed relate to interest income and interest expense and are measured at amortised cost.

## 7.1.3. Financial risk management objectives and policies

*Financial instruments: credit risk*

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

Credit risk associated with the commission's contractual financial assets is minimal because its cash and deposits are with a financial institution and a government department, and its contractual receivables are with entities with high credit ratings. The carrying amount of contractual financial assets recorded in the financial statements, net of any provision for expected credit losses, represents the commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

*Financial instruments: liquidity risk*

Liquidity risk arises when the commission is unable to meet its financial obligations as they fall due. The commission operates under the Victorian Government's fair payments policy of settling financial obligations within 10 days and in the event of a dispute, making payments within 10 business days for invoices with a contract value of less than \$3 million and 30 business days for invoices with a contract value over \$3 million.

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

*Financial instruments: market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The commission's exposure to market risk is insignificant and primarily through interest rate risk. The commission has no exposure to foreign currency or other price risks.

**Interest rate risk**

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The commission does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The commission has minimal exposure to cash flow interest rate risks through its cash and deposits that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

## 7.1.4. Interest rate exposure of financial instruments

	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$
<b>2024</b>					
<b>Financial assets</b>					
Cash and deposits	4.4%	44,266,324	–	44,266,324	–
Receivables <sup>(i)</sup>		324,659	–	–	324,659
<b>Total financial assets</b>		<b>44,590,983</b>	<b>–</b>	<b>44,266,324</b>	<b>324,659</b>
<b>Financial liabilities</b>					
Payables		1,508,024	–	–	1,508,024
<b>Total financial liabilities</b>		<b>1,508,024</b>	<b>–</b>	<b>–</b>	<b>1,508,024</b>
<b>2023</b>					
<b>Financial assets</b>					
Cash and deposits	3.45%	36,611,099	–	36,611,099	–
Receivables <sup>(i)</sup>		33,821	–	–	33,821
<b>Total financial assets</b>		<b>36,644,920</b>	<b>–</b>	<b>36,611,099</b>	<b>33,821</b>
<b>Financial liabilities</b>					
Payables		1,405,028	–	–	1,405,028
Lease liabilities	1.80%	44,886	44,886	–	–
<b>Total financial liabilities</b>		<b>1,449,914</b>	<b>44,886</b>	<b>–</b>	<b>1,405,028</b>

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

## 7.2. Contingent assets and contingent liabilities

The commission had no contingent assets or contingent liabilities at 30 June 2024 (30 June 2023: nil).

## Note 8. Other disclosures

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

### 8.1. Other economic flows included in net result

Other economic flows measure the change in volume or value of an asset or liability that do not result from transactions. Other economic flows included in net result include:

#### Net gain/(loss) on non-financial assets

This includes gains and losses from the disposal of property, plant and equipment and the impairment of intangible assets. Any gain or loss on the disposal of property, plant and equipment is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

#### Net gain/(loss) on financial instruments

This includes bad debts from other economic flows.

#### Net gain/(loss) from revaluation of leave liabilities

This includes gains and losses from the revaluation of the present value of leave liabilities due to changes in bond interest rates.

### 8.2. Responsible persons

The persons who held the positions of Minister and Accountable Officer in the commission (from 1 July 2023 to 30 June 2024 unless otherwise stated) were:

Position	Responsible person
Responsible Minister	The Hon. Danny Pearson MP, Assistant Treasurer
Accountable Officer	Sarah Sheppard, Chief Executive Officer

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

Marcus Crudden acted as the Accountable Officer in the absence of Sarah Sheppard.

Total remuneration received or receivable by the Accountable Officer in connection with the management of the commission during the reporting period was in the range: \$420,000–\$429,999 (\$490,000–\$499,999 in 2022–23).

Amounts relating to ministers are reported in the State's Annual Financial Report.

### 8.3. Remuneration of executives

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

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

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

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

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

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

	2024 \$	2023 \$
<b>Remuneration of executive officers</b>		
Short-term employee benefits	2,111,667	1,409,974
Post-employment benefits	222,113	115,065
Other long-term benefits	77,577	125,233
Termination benefits	97,307	–
<b>Total remuneration</b>	<b>2,508,665</b>	<b>1,650,272</b>
<b>Total number of executives</b>	<b>16</b>	<b>9</b>
<b>Total annualised employee equivalents <sup>(i) (ii)</sup></b>	<b>10.2</b>	<b>6.6</b>

(i) The total number of executive officers increased due to the reclassification of several senior management positions.

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

#### 8.4. Related parties

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

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

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

#### Significant transactions with government-related entities

Significant transactions entered into by the commission during the 2023–24 financial year are disclosed in relevant notes as detailed below:

- The commission received grant funding from the Department of Treasury and Finance which is disclosed in Note 2.
- The commission collected licence fees from Victorian water businesses \$4,190,000 (Note 2) (2022–23 – \$4,222,022).

### Key management personnel

Key management personnel (KMP) of the commission during the year include the Portfolio Minister, The Hon. Danny Pearson MP, Jacinta Allen MP (acted for the Assistant Treasurer in the absences of The Hon. Danny Pearson MP) and the Commissioners and Chief Executive Officer, which includes:

- Chairperson and Commissioner Kate Symons\* (1 July 2023 to 30 June 2024)
- Commissioner Simon Corden (1 July 2023 to 8 April 2024)
- Commissioner Sitesh Bhojani\*\* (acted as Chairperson in the absences of Kate Symons)
- Commissioner Rebecca Billings
- Commissioner Jess Young (24 June 2024 to 30 June 2024)
- Chief Executive Officer, Sarah Sheppard
- Executive Director, Marcus Crudden (acted as Chief Executive Officer from 31 Aug 23 to 2 Oct 23).

\* Gerard Brody will commence as chairperson of the commission on 19 August 2024.

\*\* Sitesh Bhojani will finish with the commission on 19 August 2024.

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

	2024	2023
	\$	\$
<b>Compensation of KMPs</b>		
Short-term employee benefits	1,656,813	1,566,331
Post-employment benefits	76,585	75,297
Other long-term benefits	41,658	36,352
Termination benefits	80,264	128,755
<b>Total</b>	<b>1,855,321</b>	<b>1,806,735</b>

### 8.5. Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2023–24 reporting period. These accounting standards have not been applied to these financial statements. The commission is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*.

This standard amends AASB 13 *Fair Value Measurement* by providing guidance on fair value measurement of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash flows. This standard applies prospectively to annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. The commission will not early adopt the standards. Based on the nature of the commission's non-financial assets and the remote probability that the assets will be used for an alternative purpose to their current use, this standard is not anticipated to have a material impact.

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

## 8.6. Events after reporting date

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

## 8.7. Remuneration of auditors

The fee for the audit of the 2023–24 annual financial statements by the Victorian Auditor-General's Office was \$32,000 (2022–23 – \$30,000). No other services are being provided by the Victorian Auditor-General's Office.

## 8.8. Glossary of terms

### **Administered item**

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

### **Annualised employee equivalent**

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

### **Commitments**

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

### **Comprehensive result**

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

### **Controlled item**

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

### **Depreciation**

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

### **Employee benefits expenses**

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

### **Financial asset**

A financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity

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

### Financial instrument

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

### Financial liability

A financial liability is any liability that is:

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

### Financial statements

A complete set of financial statements comprises:

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



### Grants

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

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

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

### Interest expense

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

### Leases

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

### Net result

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

### Net result from transactions

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

### Non-financial assets

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

### Other economic flows included in net result

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

### **Other economic flows – other comprehensive income**

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

### **Payables**

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

### **Receivables**

Includes amounts owing from government through appropriation receivable, short- and long-term trade credit and accounts receivable, grants, taxes and interest receivable.

### **Supplies and services**

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

### **Transactions**

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

# Section 5: Appendices

## Appendix A: Disclosure index

The Annual Report of the Essential Services Commission is prepared in accordance with all relevant Victorian legislation and requirements. This index facilitates the identification of the commission's compliance with statutory disclosure requirements, including Financial Reporting Directions (FRDs) and Standing Directions (SDs).

Legislation	Requirement	Page number
<b>Report of operations</b>		
<b>Charter and purpose</b>		
FRD 22	Manner of establishment and relevant ministers	27
FRD 22	Purpose, functions, powers and duties	27
FRD 8	Objectives, indicators and outputs	12–13
FRD 22	Key initiatives and projects	14–26
FRD 22	Nature and range of services provided	12
<b>Management and structure</b>		
FRD 22	Organisational structure	10
<b>Financial and other information</b>		
FRD 8	Performance against output performance measures	36
FRD 10	Disclosure index	75
FRD 12	Disclosure of major contracts	77
FRD 15	Executive disclosures	34
FRD 22	Employment and conduct principles	30
FRD 22	Occupational health and safety policy	30
FRD 22	Summary of the financial results for the year	37–40
FRD 22	Significant changes in financial position during the year	37–40
FRD 22	Major changes or factors affecting performance	37–40
FRD 22	Subsequent events	71
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	87
FRD 22	Compliance with building and maintenance provision of <i>Building Act 1993</i>	77
FRD 22	Statement on National Competition Policy	77
FRD 22	Application and operation of the <i>Public Interests Disclosure Act 2012</i>	86
FRD 22	Details of consultancies over \$10,000	77
FRD 22	Details of consultancies under \$10,000	77
FRD 22	Disclosure of advertising expenditure	77
FRD 22	Disclosure of ICT expenditure	78
FRD 22	Statement of availability of other information	88

Legislation	Requirement	Page number
FRD 22	Procurement complaints	77
FRD 22	Review and studies	79
FRD 22	Emergency procurement	77
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FRD 29	Workforce data disclosures	32–33
SD 5.2	Declaration requirements under Standing Direction 5.2	42
<b>Compliance attestation and declaration</b>		
SD 5.4.1	Attestation for compliance with ministerial standing direction	28
SD 5.2.3	Declaration in report of operations	1
<b>Financial statements</b>		
<b>Declaration</b>		
SD 5.2.2	Declaration in financial statements	42
<b>Requirements under Standing Direction 5.2</b>		
SD 5.2.1 (a)	Compliance with Australian accounting standards and other authoritative pronouncements	42
SD 5.2.1 (a)	Compliance with standing directions	42
SD 5.2.1 (b)	Compliance with model financial report	42
<b>Other disclosures as required by Financial Reporting Directions in notes to the financial statements</b>		
FRD 9	Department disclosure of administered assets and liabilities by activity	n/a
FRD 11	Disclosure of ex-gratia expenses	77
FRD 13	Disclosure of parliamentary appropriations	50
FRD 21	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	68
FRD 103	Non-financial physical assets	56
FRD 110	Cash flow statements	47
FRD 112D	Defined benefit superannuation obligations	52
FRD 114	Financial instruments – general government entities and public non-financial corporations	63

Legislation	Page number
<i>Freedom of Information Act 1982</i>	86
<i>Building Act 1993</i>	77
<i>Public Interest Disclosures Act 2012</i>	86
<i>Local Jobs First Act 2003</i>	78
<i>Financial Management Act 1994</i>	42
All other legislation	27

## Appendix B: Disclosures

### Advertising expenditure

In 2023–24 there were no government advertising campaigns with a total media spend of \$100,000 or greater (exclusive of GST).

### Building works

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

### Consultancies

We engaged 12 consultancies at a total expenditure of \$648,371 (excluding GST). View details of individual consultancies at [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

We engaged no consultancies under \$10,000.

### Emergency procurement

The emergency procurement plan was not activated in 2023–24.

### Procurement complaints

No complaints were received in relation to the procurement of goods and services by the commission.

### Ex-gratia payments

There was one ex-gratia payment made in 2023–24.

	2024 \$	2023 \$
Employment matter	32,114	0
<b>Total ex gratia payments</b>	<b>32,114</b>	<b>0</b>

### Major contracts

We awarded no major contracts greater than \$10 million during 2023–24.

### National Competition Policy

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

## Local Jobs First Act 2003

### Projects commenced – Local Jobs First Standard

The commission commenced one Local Jobs First Standard project in 2023–24 totalling \$5.24 million. The project has a 100 per cent local content (services) commitment across the metropolitan area and is located in Melbourne. It is committed to retaining 10.06 existing jobs (Annualised Employee Equivalent) across Victoria and 0.63 across the rest of Australia. While this project does not meet the requirements for the Major Skills Project Guarantee, it anticipates 21,098 hours of labour for its delivery. The project does not engage any small to medium enterprises.

The first reporting cycle for this project is yet to be completed.

### Information and communications technology expenditure

For the 2023–24 reporting period, the Essential Services Commission had a total ICT expenditure of \$6,092,000 – see the table below for details.

Type of expenditure	Expenditure \$
<b>All operational ICT expenditure</b>	
Business as usual ICT expenditure	3,833,000
<b>Total Business as usual ICT expenditure</b>	<b>3,833,000</b>
<b>ICT expenditure related to projects to create or enhance ICT capabilities</b>	
Operational expenditure	2,259,000
Capital expenditure	0
<b>Total Non-business as usual ICT expenditure</b>	<b>2,259,000</b>
<b>Total ICT expenditure</b>	<b>6,092,000</b>

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

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

## Section 5: Appendices

### Review and study expenses

During 2023–24 we undertook the following reviews and studies.

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Compliance reviews	<a href="#">Disconnection compliance reviews</a>	The scope of the review required Powershop, Simply Energy and EnergyAustralia to demonstrate and provide evidence of compliance of their disconnection processes with certain regulatory provisions between 1 March 2022 and 28 February 2023.	The independent reviewers found that overall, Powershop, Simply Energy and EnergyAustralia have a combination of preventative, detective and corrective controls in place. These are designed to help avoid wrongful disconnection of Victorian consumers from their electricity or gas supply.		Internal staff cost only	<a href="https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/compliance-activities/compliance-reviews/2023-compliance-review-disconnection-processes">https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/compliance-activities/compliance-reviews/2023-compliance-review-disconnection-processes</a>
Codes of practice reviews	<a href="#">Energy Retail Code of Practice review</a> (ongoing)	We review and amend the code to reflect legislative and statutory requirements, and to make sure it meets changing requirements, with a view to address key actual or potential harms to Victorian consumers.	The anticipated outcome is that we will have considered the adequacy of provisions related to: <ul style="list-style-type: none"> <li>• protections for consumers experiencing vulnerability</li> <li>• billing transparency and energy offers</li> <li>• pricing and contract protections</li> <li>• general code of practice changes/other administrative updates.</li> </ul>		Internal staff cost only	<a href="https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice">https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice</a>
	<a href="#">Developing a Land Access Code of Practice</a>	There have been significant challenges associated with the engagement of landowners by electricity transmission companies in respect to their access to private land for the development of new transmission projects. In particular, in relation to the consultation and engagement process undertaken by transmission companies with landowners and affected parties when exercising their power to access land under section 93 of the <i>Electricity Industry Act 2000</i> . We considered the framework for regulating access to private land under section 93 of the Act.	We developed an enforceable code of practice in relation to how licensed electricity transmission companies access private land for activities on new transmission projects or when an existing line is upgraded, replaced or decommissioned.		Internal staff cost and \$68,000 in external costs	<a href="https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/developing-land-access-code-practice#tabs-container1">https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/developing-land-access-code-practice#tabs-container1</a>

## Section 5: Appendices

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
	<a href="#">Electricity System Code revocation</a>	We aim to improve regulation and reform codes to respond effectively to a changing environment. We review energy codes to ensure that they remain up to date and are aligned with our enforcement framework. We also remove instruments which are outdated.	Given the overlap between the subject matters regulated by the code and the National Electricity Rules and the National Electricity Law, revoking the code clarifies the regulatory framework for the Victorian energy industry.		Internal staff cost only	<a href="https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/revoking-electricity-system-code">https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/revoking-electricity-system-code</a>
	<a href="#">Gas Distribution System Code of Practice review</a>	The scope of our review was to: <ul style="list-style-type: none"> <li>align the code of practice with our enforcement framework to allow us to effectively monitor compliance and enforce obligations</li> <li>update the rules for new gas connections</li> <li>streamline regulation and remove overlaps with the national regulatory framework</li> <li>provide additional consumer protections for Victorian gas network customers.</li> </ul>	We made a new Gas Distribution Code of Practice to update the rules for Victorian gas distributors. The new code of practice updates the rules for new gas connections and provides additional protections for Victorian gas network customers. Our decision to remake the code of practice was driven by several changes in the legislative and regulatory environment of the Victorian energy sector. This includes the commission's broadened investigative and enforcement powers, federal and state government programs to assist consumers to switch to electric appliances, and other rule changes affecting the operation of Victoria's gas market.		Internal staff cost and \$182,000 in external costs	<a href="https://engage.vic.gov.au/gas-distribution-system-code-of-practice-review-2022">https://engage.vic.gov.au/gas-distribution-system-code-of-practice-review-2022</a>
A collaborative review of the Victorian Energy Upgrades (VEU) program	Victorian Energy Upgrades program review	Undertake an independent review on behalf of the Essential Services Commission Board/commissioners with commission staff to understand how the existing VEU program functions are being implemented and where opportunities exist to improve implementation of the regulatory regime.	Findings and recommendations regarding the Victorian Energy Upgrades program capability and culture.	\$52,500	\$52,500	N



## Appendix C: Ministerial statement of expectations

The Assistant Treasurer set out expectations for our contribution to the Victorian Government's regulatory reform program. This table shows our progress against these expectations.

Key area	Progress as of 30 June 2024
Implement the reforms to the Victorian Energy Upgrades program, in line with budget funding and proposed legislation.	<p>A code of conduct for the program was introduced on 1 July 2022. Guidance and workshops with businesses assisted to educate them about the new code and prepare for its commencement. The commission published a code of conduct guideline as well as further industry guidance designed to help with industry understanding the codes requirements. We continue to monitor compliance with the code and provide ongoing guidance to support industry compliance.</p> <p>Significant amendments to the <i>Victorian Energy Efficiency Target Act 2007</i> were made in August 2022. New accreditation processes were designed and documents were published for the commencement of the reforms from 1 July 2023. This included publication of a new application form and application guide as well as holding a workshop for all accredited persons.</p> <p>The commission declared an accreditation transition period to manage the first round of renewal of accreditation processes throughout 2023–24. This transition period is now complete, with the majority of accredited persons choosing to renew their accreditation. Reducing delays in processing times for applications for renewal of accreditation will be a focus of 2024–25.</p> <p>New fees to recover costs related to accreditations, energy acquisition statements, project-based activities, product assessment and internal reviews were introduced on 1 July 2023 and processes were designed to facilitate this new fee framework.</p> <p>From 1 November 2023, new requirements providing for greater oversight of anyone holding, transferring or surrendering Victorian energy efficiency certificates (VEECs) came into effect, with associated fees. Further changes to the fee structure were introduced at this time to recover costs related to VEEC registration, late accreditation applications and variations of accreditation. The commission has developed processes, systems and guidance documents to support these changes.</p> <p>New audit functions were developed to support the changes that came into effect on 1 July 2024 that require all accredited persons to undergo an independent assurance audit at least once every two years. The first assurance audit schedule was published on 28 June 2024. Consultation was undertaken with current and potential auditors, including a webinar and a survey, and guidance for accredited persons and auditors has been released.</p> <p>In April 2024, amendments to the Victorian Energy Efficiency Target Regulations 2018 introduced bans on 'cold-call' telemarketing (effective 1 May 2024) and doorknocking practices (effective 1 August 2024) as part of the code of conduct requirements. Guidance documents, stakeholder communications, a webinar and targeted engagement with industry stakeholders that used telemarketing and doorknocking prior to the bans were delivered to support accredited persons and scheme participants to understand their obligations and comply with the ban requirements.</p>

Key area	Progress as of 30 June 2024
<p>Work with Local Government Victoria and the local government sector in providing advice to the Minister for Local Government on hardship policies and setting maximum interest rates for late payments.</p>	<p>Initial views to the Minister for Local Government provided in February 2023.</p>
<p>Implement the reforms associated with the <i>Essential Services Commission (Compliance and Enforcement Powers) Amendment Act 2021</i>, particularly the new enforcement tools and the establishment of new trusts.</p>	<p>Reforms associated with the amendment are now implemented. We have implemented the funding model outlined in the amended Act, including establishment of operating and enforcement trust funds.</p>
<p>Continue to progress the <i>Getting to fair</i> strategy to support vulnerable consumers in getting access to essential services, including access to relevant consumer protections and supports, and ongoing delivery of the vulnerability strategy.</p>	<p>We have implemented 30 of the 33 actions we committed to undertake in the strategy. A detailed progress report was released in October 2023 and our final progress report was released in August 2024. Both are available on our website: <a href="http://www.esc.vic.gov.au">www.esc.vic.gov.au</a>.</p>
<p>Conduct ongoing monitoring of the activities of the Port of Melbourne, including functions as part of the requirements of the <i>Port Management Act 1995</i>, which are consistent with the commission's objective to promote the long-term interests of Victorian consumers.</p>	<p>In December 2022, we published an update to the Statement of Regulatory Approach that provides guidance on how we approach administering the Port of Melbourne pricing order. In December 2022, we published our interim commentary on the Port of Melbourne's annual tariff compliance statement. We completed investigations per section 49Q of the <i>Port Management Act 1995</i> into two complaints received from users about the Port of Melbourne.</p> <p>In April 2024, we gave notice that we may assist existing or prospective port tenants in respect of tenancy customer charter disputes involving the Port of Melbourne.</p>

## Appendix D: Further information required under the Essential Services Commission Regulations 2021

### Price determinations issued under the Essential Services Commission Act

The following price determinations were made under section 33 of the Essential Services Commission Act in the 2023–24 financial year:

- Victorian Default Offer Price Determination 2024–25 (1 July 2024 to 30 June 2025): 20 May 2024
- Goulburn-Murray Water Determination (1 July 2024 – 30 June 2028): 18 June 2023
- Greater Western Water Determination (1 July 2024 – 30 June 2028): 18 June 2023.

### Third-party access regime determinations under the Essential Services Commission Act

The commission did not make any third-party access regime determinations under Part 3A of the Essential Services Commission Act during 2023–24.

### Inquiries conducted under the Essential Services Commission Act

There were no inquiries conducted under the Essential Services Commission Act in 2023–24.

### Proceeding for a contravention order under the Essential Services Commission Act that were finalised

There were no proceedings for a contravention order under the Essential Services Commission Act that were finalised during 2023–24.

### Disclosures of information or the contents of documents under section 60C(3) of the Essential Services Commission Act

There were no disclosures of information or the contents of documents under section 60C of the Essential Services Commission Act during 2023–24.

### Notices issued under section 36 of the Essential Services Commission Act

Section 36 of the Essential Services Commission Act empowers us to obtain information or documents that may assist in the performance of our functions or exercise of our powers. Thirty-five notices were issued under section 36 during 2023–24.

These notices were issued to energy licensees for the purposes of the commission performing its functions under, variously:

- section 10(b) of the Essential Services Commission Act, to advise the minister on matters relating to the economic regulation of regulated industries, including reliability issues
- section 10(da) of the Essential Services Commission Act to, relevantly, amend Codes of Practice
- section 10AAA of the Essential Services Commission Act, to publicly report on, relevantly, the performance of a regulated industry

- section 10AA(a) of the Essential Services Commission Act, to monitor and report on compliance by persons with, relevantly, relevant legislation
- section 10AAB of the Essential Services Commission Act, to monitor and report on the competitiveness and efficiency of the Victorian retail markets for electricity
- to inform the commission's Victorian Default Offer price determinations made under an Order in Council issued under s13(1) of the *Electricity Industry Act 2000*
- to administer the Retailer of Last Resort framework under Division 8 Part 2 of the *Electricity Industry Act 2000* and Division 6 Part 3 of the *Gas Industry Act 2000*.

### Notices issued under section 37 of the Essential Services Commission Act

Section 37 of the Essential Services Commission Act empowers us to obtain information or documents in relation to a matter that constitutes, or may constitute, a contravention of an essential services requirement. 'Essential services requirements' include legislative requirements and (for example in the Electricity Industry Act or Gas Industry Act), licence conditions and provisions of codes of practice.

The commission issued 27 notices under section 37 during 2023–24. These notices were issued to energy retailers for the purpose of performing the commission's functions to investigate contraventions or possible contraventions of essential services requirements.

### Proceedings commenced to challenge the validity of information gathering notices

There were no proceedings commenced to challenge the validity of information gathering notices during 2023–24.

### Number of entries onto premises by an inspector under section 39P of the Essential Services Commission Act

There were no entries onto premises under section 39P of the Essential Services Commission Act during 2023–24.

### Number of search warrants issued under section 39S of the Essential Services Commission Act

There were no search warrants issued under section 39S of the Essential Services Commission Act during 2023–24.

### Summary of complaints received in relation to regulated entities and the Victorian Energy Upgrades program

The commission received 454 enquiries and 378 complaints from energy consumers in relation to regulated entities. These included complaints about retailers' billing, offers and tariffs, distributors' guaranteed service levels and registration of embedded networks. We dealt with these complaints within 10 business days of receipt by responding to customers directly or by referring them to other areas within the commission or to an appropriate external agency, for example, the Energy and Water Ombudsman Victoria which is set up to resolve individual complaints. We also use the intelligence gathered from energy enquiries within our broader compliance and enforcement work.

Of the total number of enquiries and complaints received, 54 complaints were about solar feed-in tariffs. The majority of these were customers dissatisfied with the reduction in the feed-in tariffs over the year and the reasons why the commission made this decision. There were also questions about why feed-in tariffs did not match retailers' market offer tariffs. Enquiries were responded to predominantly via email, with a select group of customers requesting a phone discussion.

We also referred customers to our website for information on feed-in tariffs generally, our video explainers, and the formal decision documents outlining the reasons for our decisions.

The commission received 40 complaints related to the local government sector. Most of these enquires related to increases in rates for ratepayers compared to the rate cap; increases in council charges for waste services; council compliance with the rate cap; and questions about how rate capping works. We aim to respond as quickly as we can and generally within 10 days.

The commission received 80 complaints from water consumers. The complaints were mostly about retailers' prices and service. Team members responded to standard complaints and referred matters requiring expertise in water pricing, water law or expenditure expertise to a technical specialist for response or input into the response. The majority of complaints about water businesses were referred to the Energy and Water Ombudsman. We aim to respond to all complaints within 10 days.

The commission received 2,101 complaints from Victorian Energy Upgrades consumers in 2023–24. These included complaints about telemarketing (for example, excessive calls, misleading information and calls to numbers on the do not call register); installer conduct (for example, in relation to methods for lead generation, incomplete installation work, or property damage); and product issues (for example, inferior quality products, or products not installed correctly).

We dealt with these complaints by facilitating resolutions between accredited persons and consumers, and referring matters to other bodies where applicable (for example, Consumer Affairs Victoria or the Australian Communications and Media Authority). We also conducted investigations based on intelligence received from consumers regarding non-compliant program activity by installers and accredited providers.

### **The number of times the commission commenced proceedings for a contravention order under the Essential Services Commission Act**

The commission did not commence any proceeding for a contravention order under the Essential Services Commission Act during 2023–24.

### **Applications for review made to VCAT under section 55 of the Essential Services Commission Act**

No appeal or application for a review of a requirement, decision or determination of the commission was lodged under section 55 of the Essential Services Commission Act during 2023–24.

## Appendix E: Integrity and accountability

### Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies.

The Act:

- provides protection to people who make disclosures in accordance with the Act
- establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

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

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

### Reporting procedures

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

Level 1, North Tower, 459 Collins Street  
Melbourne, VIC 3000

Phone: 1300 735 135

Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

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

### More information

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

### Freedom of information

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

We hold several categories of documents:

- internal administrative and operational documents
- internal policy and procedural documents
- documents about developing and implementing policy and legislation

## Section 5: Appendices

- documents obtained or created in the course of conducting investigations or making enquiries, or conducting reviews
- human resources documents
- financial records.

An applicant has a right to apply for access to documents held by the commission. This comprises documents both created by the commission or supplied to the commission by an external organisation or individual. This may include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

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

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

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

### Making a request

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

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

Privacy Officer  
Essential Services Commission  
Level 8, 570 Bourke Street Melbourne, Vic 3000

[Email: privacy@esc.vic.gov.au](mailto:privacy@esc.vic.gov.au)

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

### Freedom of information statistics and timeliness

The commission received seven applications in 2023–24. Of these, four applications were withdrawn or not progressed by the applicant. Decisions in relation to the remaining applications were not made prior to 30 June 2024.

No reporting about timeliness within statutory time periods was possible because no decisions were made during 2023–24.

### More information

Further information on the operation and scope of freedom of information can be obtained from the Freedom of Information Act and through the [Office of the Victorian Information Commissioner](http://www.ovic.vic.gov.au) website: [www.ovic.vic.gov.au](http://www.ovic.vic.gov.au).

### Reports, publications and informal requests

Details about our reports and publications can be found on our [website](http://www.esc.vic.gov.au) [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

Subject to the provisions of the Freedom of Information Act, additional reporting information has been retained and is available on request.

Requests may be directed to:

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

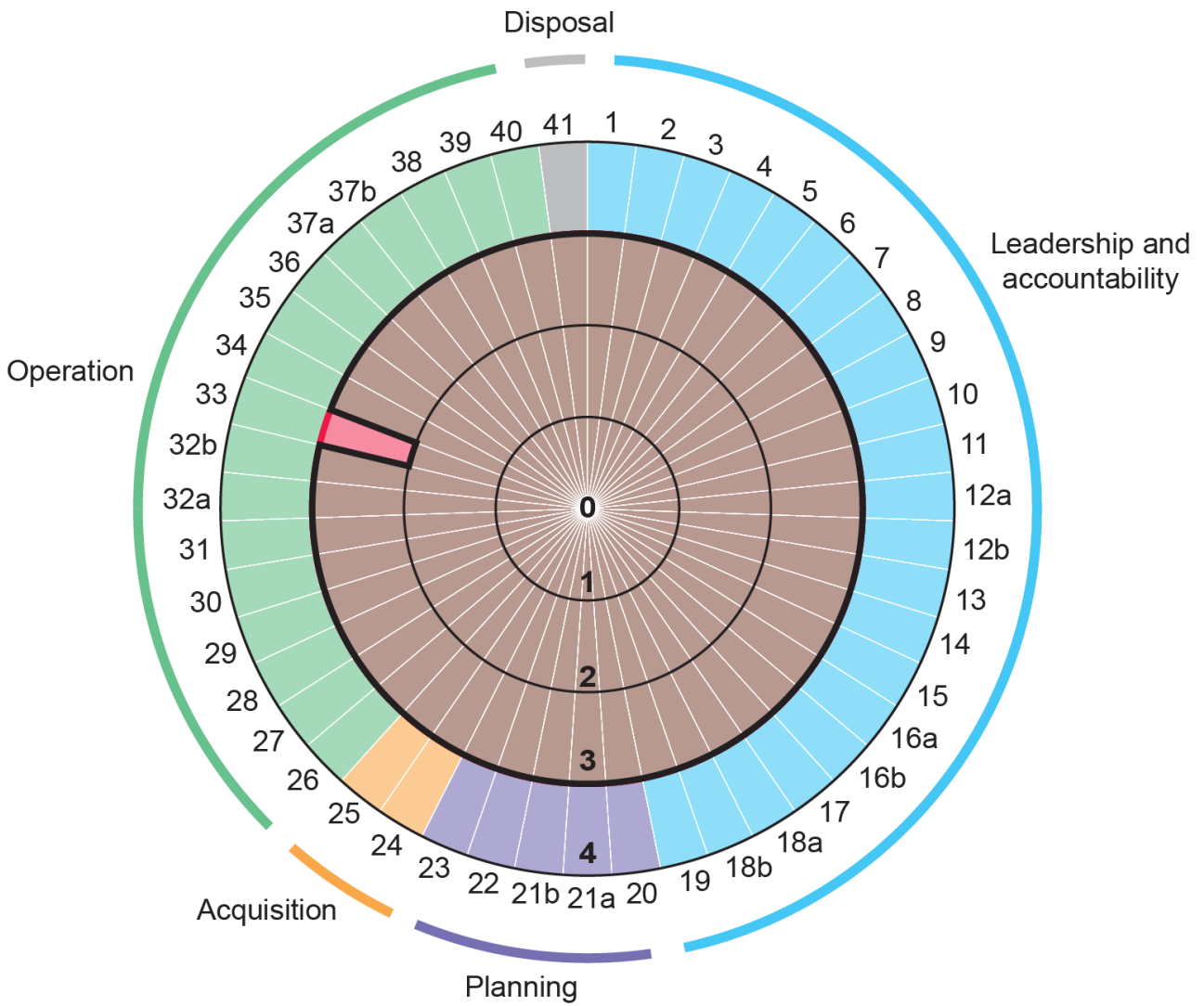


## Appendix F: Asset Management Accountability Framework maturity assessment

The following section summarises the commission's assessment of maturity against the requirements of the Asset Management Accountability Framework. The framework is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the Department of Treasury and Finance's website: [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au).

The commission's target maturity rating is 'competence'. The rating of 'competence' means that all systems and processes are fully in place, consistently applied and systematically meeting the Asset Management Accountability Framework's requirements. This includes a continuous improvement process to expand system performance above the framework's minimum requirements.

Maturity assessment requirements	Assessment
Leadership and Accountability (requirements 1–19)	The commission has met its target maturity level in this category.
Planning (requirements 20–23)	The commission has met its target maturity level in this category.
Acquisition (requirements 24 and 25)	The commission has met its target maturity level in this category.
Operation (requirements 26–40)	The commission has met its target maturity level in this category in all but one of the requirements. There is no material non-compliance in this category. A plan for improvement is in place to improve the commission's maturity rating in this area.
Disposal (requirement 41)	The commission has met its target maturity level in this category.



**Legend**

Status	Scale
Not applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4

- Target
- Overall (actual)

## Appendix G: Victorian Energy Upgrades 2023 reporting

The *Victorian Energy Efficiency Target Act 2007* (VEET Act) established the VEET scheme, known as the Victorian Energy Upgrades (VEU) program. The Act gave the Essential Services Commission responsibility for a range of functions to support the operation of the VEU program, which commenced on 1 January 2009.

This appendix is published to meet the commission's statutory reporting requirements under sections 7(3) and 67 of the VEET Act. This includes publishing data related to:

- the number of Victorian energy efficiency certificates (VEECs) created in a particular year
- the number of VEECs surrendered in a particular year
- information about any VEEC shortfalls for that particular year.

For the 2023 calendar year (1 January to 31 December 2023), information about VEECs created and surrendered by accredited persons is presented in the table below.

**Table: Certificates created and surrendered by accredited persons in 2023**

Required statutory information	Number
Certificates created in 2023 (1 January to 31 December)	5,371,854
Certificates surrendered by accredited persons in 2023 (1 January to 31 December)	4,338

### Some information will be reported separately in 2024

The commission granted extensions to a number of relevant entities for the submission of their annual energy acquisition statements and surrender of VEECs to meet their obligations for 2023. At the time of preparation of this report, the commission was finalising the assessment of VEEC surrenders and shortfalls. We will publish information relating to energy retailer compliance, including information on VEEC shortfalls and VEECs surrendered, at a later date following our review of these retailers' submitted annual energy acquisition statements and VEECs surrendered.

## Glossary

Term	Definition
<b>Australian Competition and Consumer Commission</b>	An independent Commonwealth statutory authority whose role is to enforce the <i>Competition and Consumer Act 2010</i> (Cwth) and a range of additional legislation, promoting competition, fair trading and regulating national infrastructure for the benefit of all Australians.
<b>Australian Energy Regulator</b>	An independent entity established by section 44AE of the Competition and Consumer Act (Cwth). The Australian Energy Regulator enforces: the laws for the National Electricity Market and spot gas markets in southern and eastern Victoria; the electricity networks and covered gas pipelines in all jurisdictions except Western Australia; and the National Energy Retail Law.
<b>Best (energy) offer</b>	The 'best offer' is based on how much energy a customer has used over the past year and may be less than the independently set Victorian Default Offer (see below). Energy companies must provide information to consumers about best offers in accordance with the Energy Retail Code of Practice.
<b>Consumer Affairs Victoria</b>	A unit of the Victorian Government's Department of Justice and Community Safety, which supports Victorians in being responsible and informed businesses and consumers.
<b>Electricity transmission company</b>	A person who is the holder of a licence to transmit electricity. These are the businesses that own and manage the power poles and wires that deliver power to homes or businesses.
<b>Electricity Transmission Company Land Access Statement of Expectations</b>	The statement comprises of a set of principles outlining how electricity transmission companies should exercise their powers according to section 93 of the Electricity Industry Act to access land.
<b>Embedded network</b>	A distribution system connected at a parent connection point to either a distribution system or transmission system that forms part of the national grid and which is owned, controlled or operated by a person who is not a network service provider. Many Victorians get their electricity through an embedded network, such as those in apartment buildings and caravan parks.
<b>Energy and Water Ombudsman Victoria</b>	A body corporate that operates a customer dispute resolution scheme that is a free (for consumers) and independent service that resolves disputes between Victorians and their energy (gas and electricity) and water companies.
<b>Energy Retail Code of Practice</b>	A code that sets out the rules electricity and gas retailers must follow when selling energy to Victorian customers.
<b>Engage Victoria</b>	A Victorian Government online consultation platform provided through the Department of Premier and Cabinet that enables the community to participate in the development of public policies and programs.
<b>Essential Services Commission</b>	We are an independent regulator established under the Essential Services Commission Act that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. We regulate Victoria's energy, water and transport sectors, administer the rate-capping system for the local government sector, and regulate the Victorian Energy Upgrades program.

Term	Definition
<b>Explicit informed consent</b>	Explicit informed consent is when a business has clearly, fully and adequately told a customer, in plain English, all matters relevant to the consent of the customer, including each specific purpose or use of the consent and the customer gives the consent, is competent to do so. In particular instances, there may be additional requirements to establish explicit informed consent.
<b>Fair Go Rates system</b>	The Victorian Government's Fair Go Rates system establishes rate caps to limit the amount by which Victorian local councils can increase rates in a year without seeking additional approval. Each year, the Minister for Local Government sets the average rate cap – that is, the maximum percentage increase in councils' average rates for the forthcoming financial year. If any council considers the average rate cap increase to be insufficient for its needs, the council can apply to the Essential Services Commission for a higher percentage.
<b>Getting to fair</b>	<i>Getting to fair: Breaking down barriers to essential services</i> is a three-year roadmap (released in August 2021) to help the commission improve the experience of consumers who are experiencing vulnerability by supporting our regulated and administered sectors to provide more responsive, inclusive and accessible services.
<b>Greenfield sites</b>	The principles of the commission's Electricity Transmission Company Land Access Statement of Expectations apply to all greenfield sites relating to major transmission projects. A greenfield site is a site without existing transmission assets, for example, undeveloped sites in urban or rural areas.
<b>Higher cap application</b>	An application where a local council asks for a rate increase above the cap set by the Minister for Local Government. Councils submit their applications to the commission; we then assess and accept or reject the applications (see Fair Go Rates system).
<b>Higher council rate cap</b>	The maximum amount a council can increase general rates and municipal charges. The cap is set by the Minister for Local Government and can apply to all councils, a group of councils or a single council (see Fair Go Rates system).
<b>Minimum feed-in tariffs</b>	Minimum feed-in tariffs are payments that energy companies must pay customers who feed energy back into the grid through sources such as solar panels.
<b>Non-cash payment surcharge</b>	The additional charge a customer bears when paying for a taxi trip by means other than cash. The surcharge is applied when a taxi passenger pays for a fare using non-cash payment transaction options, including credit, debit and charge card. Payment processors are the entities which provide this service.
<b>Payment Difficulty Framework</b>	A set of energy rules introduced by the commission in 2019 to better support residential customers experiencing payment difficulty.
<b>PREMO</b>	A water pricing framework which aims to put customers at the centre of a water business's decision making through incentives focused on five elements: performance, risk, engagement, management and outcomes.
<b>Retailer of Last Resort</b>	The Retailer of Last Resort scheme is a legislative framework designed to protect consumers when their energy retailer goes out of business. It transfers customers of failed retailers to new providers to make sure that their energy service continues.
<b>Standing offer</b>	A type of offer that energy retailers are legally obliged to make available to particular customers, the Victorian Default Offer (see below) is a type of standing offer.


Term	Definition
<b>Tariff</b>	A list or table showing the costs (prices) of a service or item. The tariffs the commission regulates include water tariffs; the minimum feed-in tariffs for solar customers; and Port of Melbourne 'port user' tariffs.
<b>Utility Relief Grant Scheme</b>	A Victorian Government grant which provides help to eligible customers to pay a mains electricity, gas or water bill that is overdue due to a temporary financial crisis.
<b>Victorian Default Offer</b>	A simple and trusted electricity price that is set by the Essential Services Commission, not energy companies. The Victorian Default Offer provides all Victorian households and small businesses access to a fair electricity deal, including those who are unable or unwilling to engage in the retail market.
<b>Victorian energy efficiency certificates</b>	Electronic certificates which are created when energy efficient products and services are made available to homes and businesses under the Victorian Energy Upgrades program. Each certificate represents one tonne of greenhouse gas emissions reduction (CO <sub>2</sub> -e). Large energy retailers are required to acquire and surrender a certain number of certificates each year.
<b>Victorian Energy Market Report</b>	A quarterly report published by the commission which outlines how the electricity and gas markets are performing. The report informs customers on how the energy retail market works, and what they need to do to get the best out of it.
<b>Victorian Energy Upgrades program</b>	A Victorian Government energy efficiency initiative that helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient products and services. The program also encourages investment, employment and innovation in industries that supply these products and services. The program operates under the Victorian Energy Efficiency Target Act.



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