



The Hon. Danny Pearson MP

Assistant Treasurer
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Ms Kate Symons
Chair
Essential Services Commission
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Dear Ms Symons

STATEMENT OF EXPECTATIONS FOR THE ESSENTIAL SERVICES COMMISSION

I am pleased to provide you with this Statement of Expectations (SOE) for the Essential Services Commission (ESC). This SOE applies for the period from the date of this letter to 30 June 2022, or until otherwise amended.

Improving the administration and enforcement of regulation

This SOE sets out my expectations of the ESC's contribution to the Government's program to promote greater efficiency and effectiveness in the administration and enforcement of regulation affecting businesses, not-for-profit organisations, government service providers and households. It also outlines my expectations on specific improvements for the ESC's performance.

My expectations should be read within the context of the objectives, obligations and functions outlined in the *Essential Services Commission Act 2001* and each Act under which the ESC operates. The *2020-21 Budget Paper No. 3* will also include measures for the ESC's outputs. The following improvements have been developed in consultation with the Department of Treasury and Finance (DTF).

Promoting the development of low-cost, competitive energy sector

The Government is committed to reducing the cost of energy for families and small businesses across the State, increasing transparency and competition in the market and penalising energy companies who commit acts of misconduct.

The ESC has an important role in helping the Government deliver on its commitments in the final government response to the Independent Review of the Electricity and Gas Retail Markets in Victoria and the Energy Fairness Plan. In recognition of this, the Government provided the ESC with a comprehensive \$27.3 million funding package to execute its new regulatory obligations.

The ESC's role is even more critical during the coronavirus pandemic where consumers are experiencing financial hardship. Cheap energy will also be critical to Victoria's economic recovery and to helping industries and businesses grow and create jobs.

I expect that in this area, the ESC will proactively utilise its information-gathering powers, monitor the market and behaviour of regulated entities, provide compliance assistance and advice, collaborate with other regulators including Consumer Affairs Victoria, the Australian Competition and Consumer Commission and the Australian Energy Regulator, and take a range of enforcement actions to help achieve the Government's vision for a fairer retail energy market. I also expect the ESC to develop key performance indicators to track its progress.

Improving electricity connections for new developments

Improving the timeliness of connections is important in assisting with the State's economic recovery. I appreciate the ESC's decision paper on how to ensure faster and more transparent electricity connections at new Victorian housing developments. I understand that the ESC's final decision will be released in February 2021. I expect that the ESC will work with DTF and the Department of Environment, Land, Water and Planning (DELWP) to prioritise and expedite this work.

Regulation of the waste and recycling sector

I appreciate the ESC's Stage 2 advice to Government in September 2020 on the governance arrangements and allocation of functions in the waste and resource recovery sector, and specific economic regulation actions in municipal solid waste services.

I expect that the ESC will work with DELWP to design and implement the new Waste Act during 2021.

Timeliness of regulatory processes

There are several regulatory processes that I expect the ESC to improve on including:

- energy licensing application processes to facilitate appropriate entry into the energy market in Victoria (particularly with respect to licences for energy generation). I expect the ESC to complete a review of its energy licensing framework and update public guidance by June 2021.
- Victorian Energy Upgrade scheme processes to increase capacity to handle business forms by 10 per cent by reducing application processing times.

Risk-based strategies focusing on low income and vulnerable consumers

I expect the ESC to improve on how it considers the benefits of regulation for low income and vulnerable consumers across all its regulatory functions. I expect that the ESC will do this through publishing a vulnerability strategy by June 2021.

Stakeholder consultation and engagement

The coronavirus pandemic has affected how Government engages with business and the community, with traditional methods of face-to-face meetings and workshops not possible. I expect that the ESC will promote community engagement through multiple channels to complete its digital strategy by November 2020.

Role clarity

As the ESC's functions and outputs have changed in recent years, it is timely for the ESC to review all existing Memoranda of Understanding (MOU) and update these as necessary. This will ensure that roles and responsibilities between the ESC and other agencies are clarified in MOU or similar documents to support effective interagency operations.

Reporting

I expect you to report against these SOE performance improvements in your Annual Report to avoid dual reporting streams. Where relevant, the report should include:

- current baseline levels for performance targets set in this SOE; and
- activities to be undertaken to reach the performance targets and improvements set out in this SOE.

I also expect that this SOE will be published on the ESC's website upon receipt and that, no later than three months upon receipt of this letter, the ESC will provide information on the website about how these SOE performance targets and improvements will be met, including details of the specific activities.

I look forward to seeing the ESC continuously working towards achieving best practice in the administration and enforcement of regulation.

Yours sincerely



The Hon. Danny Pearson MP
Assistant Treasurer

05/11/2020