



Robin Scott MP

Minister for Finance
Minister for Multicultural Affairs

1 Macarthur Street
Melbourne Victoria 3002
Telephone: +61 3 9651 1044
DX210759

Dr John Hamill
Chief Executive Officer
Essential Services Commission
Level 37 / 2 Lonsdale Street
MELBOURNE VIC 3000

29 JUN 2018

Dear Dr Hamill

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 1 July 2018 to 30 June 2020, 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 reduce red tape affecting businesses, not-for-profit organisations, government service providers and households by promoting greater efficiency and effectiveness in the administration and enforcement of regulation. It outlines my expectations regarding a number of specific improvements for the ESC's performance. More broadly, I look forward to the ESC's support and advice in respect of government priorities such as implementing the government response to the Independent Review of Electricity and Gas Retail Markets, and addressing delays in connecting electricity to greenfield sites.

My expectations should be read within the context of the objectives, obligations and functions outlined in the *Essential Services Commission Act 2001* (the ESC Act) and each Act under which the ESC operates. I also expect the ESC to assist in the implementation of improvements stemming from the 2016 Review of the ESC Act.

This SOE outlines key governance and performance objectives and targets aimed at improving the administration and enforcement of regulation and thus reducing its cost impact on business and the community.

Improvements and targets

Based on consultation between the Department of Treasury and Finance (DTF) and the ESC, I have identified key elements of governance and operational performance where there are opportunities for the ESC to make improvements that would reduce cost impacts on business. The ESC is expected to identify activities it will undertake to achieve the following performance improvements and targets:

Key area	Improvement expected	Target by 30 June 2020
Stakeholder consultation and engagement	I acknowledge the revised Charter of Consultation and Regulatory Practice that aims to improve the ESC's approach to engaging with stakeholders. In implementing the revised charter, I expect the ESC to develop training and professional development for staff, ongoing support for an internal community of practice and implement IAP2 (International Association for Public Participation) standards across the organisation.	Over 75% stakeholder satisfaction with the ESC.
Timeliness (processes/systems in place)	I expect that the funding provided in the 2018-19 Budget to upgrade the Victorian Energy Efficiency Target (VEET) scheme IT system and application portal will provide increased ability for the website to handle greater online activity and make it as easy as possible for businesses to complete forms.	10% increase in capacity to handle VEET business forms measured by a 10% overall reduction in time to approve applications.
Incentive-based regulation	I understand the ESC used a new pricing framework and approach (PREMO) for undertaking the 2018 water price review and that the new approach offers the sector incentives to pursue cost efficiencies and deliver better services. I expect the ESC to undertake a post-project review of the application of this new framework, to ensure that it has delivered its intended outcomes.	Evidence that water businesses have pursued cost efficiencies and/or delivered better services.
Risk-based strategies	I expect that the ESC will continue to apply a risk-based and targeted approach to enforcement in the energy sector.	Target to be developed in 2018-19.
Compliance related	I understand that the ESC website is currently being	User testing indicates the website is easy to use 63%

assistance and advice	redesigned. I expect that user experience testing will be undertaken to ensure that stakeholders can access relevant information easily.	of the time.
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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



Robin Scott MP
Minister for Finance

