



# Annual Report

2015-16

September 2016

This Annual Report is submitted to the Treasurer, the Hon Tom Koutsantonis MP, in accordance with Section 39 of the Essential Services Commission Act 2002. This is the fourteenth Annual Report of the Essential Services Commission, which was established in September 2002.

Enquiries concerning the annual report should be addressed to:

Essential Services Commission  
GPO Box 2605  
ADELAIDE SA 5001

Telephone: (08) 8463 4444  
Freecall: 1800 633 592 (SA and mobiles only)  
E-mail: [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au)  
Web: [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

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## Letter of Transmittal

30 September 2016

Hon Tom Koutsantonis MP  
Treasurer  
Level 8, State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

Dear Treasurer

### **Essential Services Commission Annual Report 2015-16**

I am pleased to present the Essential Services Commission's Annual Report for 2015-16.

The Annual Report has been prepared in accordance with the requirements of the Public Sector Act 2009 and Public Finance and Audit Act 1987, and is provided to you pursuant to and for the purposes of section 39 of the Essential Services Commission Act 2002.

I place on record my appreciation to the Commission's staff for their commitment to delivering our regulatory, administrative and advisory program throughout 2015-16.

Yours sincerely

A handwritten signature in black ink, reading "Brett Rowse". The signature is written in a cursive, flowing style.

Brett Rowse  
**Chairperson**

## Highlights of 2015-16

- ▶ Completed a regulatory determination for SA Water's service standards and revenues for the period 2016-2020, delivering an average of \$60 million per annum in savings for SA Water's customers during the period.
- ▶ Reviewed the water consumer protection framework and amended the Water Retail Code – Major Retailers, Water Industry Guideline No. 1 and Water Industry Guideline No. 2 – for a simplified customer-focussed framework.
- ▶ Administered the Retailer Energy Efficient Scheme, with all energy audit and energy efficiency targets met by energy retailers in 2015-16, delivering 1,118,820 gigajoules of energy savings.
- ▶ Completed the formal review of the National Energy Customer Framework as required under the National Energy Retail Law that demonstrated a net positive benefit for consumers in this State.
- ▶ Completed an intrastate rail review that recommended the regime continue for a further five-year period.
- ▶ Completed Tarcoola-Darwin ten-year review of revenues finding no excessive access revenues earned in respect of non-competitive infrastructure services.
- ▶ Implemented a Better Regulation approach to improve regulatory outcomes for consumers and those we regulate.
- ▶ Completed a Staff Engagement Survey that demonstrated consistent high level of engagement of Commission staff.
- ▶ Achieved budget targets for 2015-16 with a 5.7 percent efficiency saving.

## Chairperson's overview

On behalf of the Essential Services Commission (**Commission**), I am pleased to present the Commission's 2015-16 Annual Report.

The Commission's work is an important contribution to the South Australian economy. Over the past year, the Commission has continued to apply sound and effective regulatory practices and associated outcomes for South Australians, and has had an increasingly important role to play as an independent expert economic and regulatory advisor to the Government.

In its capacity as an independent economic regulator, it facilitates the delivery of efficient and effective services by regulated businesses to South Australians. In its capacity as an independent economic and regulatory advisor to Government, it provides a sound evidence and fact base on matters of importance to the South Australian economy, facilitating evidence-based policy making and providing an avenue for community involvement and engagement.

In the Commission's work, South Australian consumers' long-term interests are of paramount importance, and it endeavours to provide incentives to those it regulates to adopt that same approach in providing services to South Australians.

This means that both the Commission and those it regulates must have a strong commitment to genuine community engagement. The community must have an opportunity to have its say on those services and the Commission and industry participants have an obligation to allow and help it to do so.

The Commission would like to thank all of those who have worked and engaged with it on the regulatory and advisory matters it has dealt with during the year. Your contributions and diversity of views have enabled the Commission to provide better and more informed outcomes.

As shown in this Annual Report, the Commission delivered on a broad performance plan during 2015-16. At the same time, it took the opportunity to question whether or not it could find ways to improve its own performance and increase productivity and efficiency – placing on itself the same expectations that it places on those it regulates.

This resulted in the development and implementation of a Better Regulation Framework. The Framework adopts a risk-based approach and aims to deliver outcomes which are targeted and proportionate to the problem at hand, recognising that regulation should not always be the first response.

Of major importance during the year was the finalisation by the Commission of a new regulatory determination to apply to the services provided by SA Water for the period 1 July 2016 through to 30 June 2020. That determination facilitated SA Water's provision to its customers of further material savings on water and sewerage prices over the period.

The determination process marked the beginning of a new approach to economic regulation in this State – one marked by a much stronger focus on genuine customer and stakeholder engagement, a frank and robust relationship between the Commission and SA Water and a commitment by all parties that the purpose of the regulatory process is to obtain positive customer outcomes.

The challenge for the Commission is to ensure that this new approach continues to deliver for consumers and that a continuous improvement approach is maintained – to ensure that regulation provides net benefit to the South Australian community.

The Commission thanks its staff for their commitment to its organisational culture and values, and for delivering its regulatory, administrative and advisory program to a high standard, and with enthusiasm and a commitment to excellence.

The Commission would like to take this opportunity to recognise the enormous contribution made by its former Chair, Dr Pat Walsh. Dr Walsh's term of appointment as Chair and Commissioner ended on 16 February 2016, bringing to a close his work with the Commission as an officer, Commissioner and Chair over a 17 year period. Dr Walsh not only shaped the Commission and the way it works but also influenced the shape of regulation in this State. I would also like to thank Dr Lynne Williams for her contribution as Acting Chairperson, and particularly for her leadership in finalising the SA Water Regulatory Determination 2016.

A handwritten signature in black ink that reads "Brett Rowse". The signature is written in a cursive, flowing style.

Brett Rowse  
Chairperson



## Chief Executive Officer's annual review

In its 2016-2019 Strategic Plan, the Commission made a commitment not only to deliver its statutory work program but to do so in a way which added value for South Australians.

As is shown in this Annual Report, I am pleased to advise that the Commission has delivered on its work program – and more – and has made a genuine effort to adopt a value-add focus.

I note at the outset the enormous contributions made by the Commissioners, Dr Pat Walsh, Dr Lynne Williams, Professor David Round AM, Ms June Roache and Mr Geoff Knight. They have provided strategic direction and leadership, have maintained a focus on adding value and engaging widely and genuinely with all stakeholders and have ensured that the Commission's operations are efficient and effective.

I also acknowledge the extraordinary levels of participation and engagement that the Commission has had during the year from the community in general, from consumer groups, industry participants and policy makers, as well as from political and media stakeholders. It is critical that the Commission continues to gain the benefit of the information, evidence and insights provided by those parties and it values those contributions highly.

### **Adding value through its role and its work**

Over the past year the Commission has focussed on the following key areas:

- ▶ A commitment to genuine stakeholder and community engagement

The Commission has sought to find new ways to obtain views from, and providing information to, the community. This included public forums, workshops and an increasing number of one-on-one meetings with stakeholders.

It also worked closely with its Consumer Advisory Committee, exploring ways to more readily identify and understand the issues that matter to the community and how those can inform, influence and guide the Commission's work.

- ▶ The adoption of a formal risk-based, better regulation approach.

The Better Regulation Framework governs the Commission's approach to all of its work. The framework has both an internal and external focus – and forms part of the Commission's commitment to assist in identifying productivity and efficiency benefits for the State.

The Framework does not assume a regulatory response as a starting point and it does not look to provide a set of prescriptions. Instead, it drives a culture and practice of problem solving, taking into account a range of factors including the broader context, regulatory culture and history.

- ▶ Maintaining strong organisational culture, values and behavioural expectations

The Commission's culture and values drive everything it does. All staff are expected to live the Commission's values and they are an integral part of the Commission's operations. A Staff Engagement Survey conducted in 2015-16 demonstrated this commitment to values and a high level of staff engagement.

During the year, the Commission took further steps in this area, formalising a commitment to diversity in the workplace and commencing the process of establishing both a Diversity Statement and a Disability Action Inclusion Plan. Both of those initiatives reflect the fact that the work of the Commission ultimately requires a breadth and diversity of inputs, skills and capacities if it is to be effective and meet the community's needs and expectations.

- ▶ Listening to its staff and providing them with the necessary skills and resources

The staff of the Commission are its most significant asset. They provide the intellect, the drive and the commitment needed to deliver its work program. The Commission therefore invests in its staff and provides them with the necessary structures, resources and facilities to undertake their work in a meaningful way.

To understand the extent to which its staff are engaged in their work, and to gain their feedback on areas for improvement, the Commission engaged an independent expert to undertake a staff engagement survey. The results were overwhelmingly positive, with engagement levels continuing to grow and an 80 percent engagement score across the office (against a global benchmark of 72 percent). That level of engagement was consistent between gender, age, length of service and employment type.

The Commission also developed and implemented a range of organisational strategies, sitting under its broad strategic plan. Those include a workforce strategy, which sets out a program for enhancing staff skills and engagement, and an information technology strategy, which looks to harness technologies in order to improve productivity and gain efficiencies.

- ▶ Ensuring that it operates in an efficient and effective manner, at least cost to the community

As a small statutory authority, with 24.1 full-time staff equivalent (as at 30 June 2016), and a broad statutory remit, the Commission is conscious of the need to act efficient and effectively – particularly as many of its operations are funded through industry licence fees which are ultimately funded by consumers.

This is reflected in many ways: through its commitment to efficient budgeting practices and to meeting those budgets; through its commitment to using the resources it has to best effect; through its commitment to having systems and processes which allow it to prioritise its work program to maximum effect.

## **Regulatory functions**

The Commission had a broad-ranging work program in 2015-16, covering all of the sectors it regulates, with the following being highlights.

**Water and wastewater:** Completion of the SA Water Regulatory Determination 2016, which saw further annual revenue reductions of approximately \$60 million, and a continuing program of regulatory engagement with licensees, aimed to improving regulatory compliance and reducing regulatory cost.

**Electricity and gas:** Completion of a review of the effectiveness in South Australia of the National Energy Retail Law, which found that the Law has had a net positive benefit for consumers in this State. The Commission continued to provide public information on changes in retail energy prices over time, which showed that electricity retail price offers fell during the year but that gas retail price offers rose.

**Retailer Energy Efficiency Scheme:** Successful operational oversight and administration of the scheme, under which all energy retailers met their statutory targets for the provision of energy efficiency activities and energy audits.

**Rail:** Completion of two major reviews in the rail industry, the first of which found that the revenues earned by the operator of the Tarcoola-Darwin railway over the previous ten-year period were not excessive and the second of which found that the intrastate rail access regime was effective and should be continued for a further five-year period.

**Ports:** Provision of public information on price movements for essential maritime services and pilotage services at regulated ports across the State.

## Advisory functions

The advisory work of the Commission takes two forms: formal Inquiries and the provision of advice to the Treasurer. Formal Inquiries can be initiated by the Treasurer (on any matter), by an industry Minister (on a matter relating to the relevant industry) or by the Commission itself (on any matter relevant to its statutory functions). Requests for advice can be into any matter.

The Commission's work in this important area continued to grow across the year, led by its Research and Advisory team.

In May 2016, the Commission initiated two Inquiries, the first being into regulatory arrangements for small-scale and/or off-grid electricity, gas and water operations (not including national electricity market operations), and the second into appropriate licensing arrangements for wind-powered (and other non-conventional) electricity generators. While the aim of both Inquires is to inform the Commission on a regulatory approach which best protects consumers' long-term interests, they provide the opportunity to present facts and evidence to the community and policy makers on related matters. That work will continue into the new financial year with the release of public documents for consultation.

In June 2016, the Commission also received a request for advice from the Treasurer, into the matter of retail electricity prices for small customers. That advice, which will be submitted in late 2016, will help the Government formulate policy responses in that sector.

## Concluding remarks

The work of the Commission could not be conducted without its staff and I thank each of them for the contributions they have made across the year and the rigorous, robust and good-humoured approach they have brought to their work. It is a terrific team which achieves an enormous amount for the State.

I would also thank the members of the Commission's Consumer Advisory Committee, drawn widely from across the South Australian community, for their engagement with the Commission and the issues it faces, and for providing robust advice and commentary to it during the year.

The year has been one of both consolidation and growth for the Commission, and I expect that will continue into 2016-17. South Australians will continue to need regulatory arrangements for essential services which facilitate efficiency and productivity, and the Commission is well placed to provide evidence-based advice which can inform wider community and policy debates.



Adam Wilson  
Chief Executive Officer

## Achievement of 2015-16 goals

The Commission produces an annual Strategic Plan, with a three-year timeframe. The Strategic Plan shows how the Commission will deliver its statutory work program and, in doing so, will add value for South Australians.

The Strategic Plan outlines four goals that guide the Commission in meeting the primary objective of protecting the long-term interests of consumers with respect to price, quality and reliability of essential services.

The Commission's goals in 2015-16 were:




1. We will establish consumer protection frameworks to promote the delivery of service levels valued by consumers at an efficient cost.
2. We will keep regulated businesses accountable by monitoring and publicly reporting on service standards and regulatory requirements.

3. We will engage genuinely with our stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues.
4. We will add value to South Australia by delivering impartial, credible and robust regulatory and economic advice.















The Commission also produces an annual Performance Plan, which sets out the Commission's core work program with respect to the full range of the Commission's functions for each financial year.

The Commission's key projects and high level achievements against its goals and Performance Plan program in 2015-16 are summarised on the following pages.

A full discussion of projects occurs later in this report and Appendix 1 outlines the full achievement against the Performance Plan.

Industry	Key initiative	Achievement
<b>GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices</b>		
	<p>SA Water Regulatory Determination 2016</p> <p>Make a regulatory determination consistent with the Framework and Approach released in 2014 and all legislative requirements.</p> <p>Finalise the specific targets and metrics for the service standard to apply to SA Water for 2016-2020 in accordance with the service standards framework.</p> <p>Ensure that SA Water's consumer engagement program provided robust evidence for the regulatory determination.</p> <p>Review the consumer protection and regulatory framework as contained in the Water Retail Code – Major Retailers, Water Industry Guideline No. 1 – Compliance Systems and Reporting, and Water Industry Guideline No. 2 – Water Regulatory Information Requirements for Major Retailers.</p>	Completed
	Work with Minor and Intermediate retailers to understand customer preferences for the review of the regulatory framework for the next regulatory period.	In progress
	Provide input into the development of the National Water Commission's national performance report through gathering and auditing performance data supplied by SA Water.	Completed

Industry	Key initiative	Achievement
	Report to the Treasurer on 2016-17 to 2019-20 Water Licence Fees, pursuant to section 24(3) of the Water Industry Act 2012. Due to be completed on 31 July 2016.	In progress
	Review the need for ongoing regulation of the retailer feed-in tariff by monitoring the extent of competition for solar PV customers and retailer feed-in tariff payments.	In progress
	Develop service standards to apply to ElectraNet for the regulatory period 2018-2023.	In progress
	Develop and publish South Australian Energy Retail Offer Prices - Ministerial Report 2015 to meet requirement of Electricity and Gas Acts.	Completed
	Publish annual reports on Commission's activities related to administration of the Tarcoola-Darwin and interstate rail access regimes.	Completed
	Monitor ports prices and publish 2015 ports price monitoring report.	Completed
<b>GOAL 2: We will keep regulated businesses accountable by monitoring and publicly reporting on service standards and regulatory requirements.</b>		
	Engagement with Minor and Intermediate retailers in the operation of the Commission's licensing, performance monitoring and reporting framework within water retail businesses.	Completed
	Administer licensing regime for water and sewerage, electricity generation, wind generation, electricity transmission, electricity distribution, off-grid electricity and liquefied petroleum gas (LPG) operations.	Ongoing
	Issue licences and exemptions as required in the water and sewerage, electricity and gas operations.	Ongoing
	Administer and review industry codes and guidelines across industries.	Ongoing
	Collect, analyse and report on operational performance and compliance outcomes by regulated entities and undertake compliance action as required.	Completed
	Collect, analyse and report on financial water performance outcomes by regulated entities.	Completed
	Develop and publish Annual Performance Reports and Significant Event Performance Reports.	Completed
	Administer Power Line Environment Committee Program, and publish the Power Line Environment Committee Annual Report.	Completed
	Administer the Retailer Energy Efficiency Scheme, determine allocation of 2016 targets and publish an Annual Report on outcomes.	Completed
	Retailer Energy Efficiency Scheme IT system modification to provide for efficient and seamless data transfers between retailers and the Commission, and assist in the annual reporting process.	Ongoing

Industry	Key initiative	Achievement
	Review and approve safety, reliability, maintenance and technical management plans, in liaison with the Technical Regulator	Ongoing
	Undertake regulatory tasks assigned as part of the National Energy Customer Framework.	Ongoing
	Monitor compliance of regulated entities in the rail industry and take compliance action as required.	Ongoing
<b>GOAL 3: We will engage genuinely with our stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues.</b>		
	Upgrade and enhance the Commission website.	In progress
	Undertake a Stakeholder Survey. Timetable adjusted to first quarter 2016-17 to accommodate other Commission priorities.	In progress
	Co-ordinate and administer the Consumer Advisory Committee for water, electricity and gas.	Ongoing
	Maintain a consultative approach to decision-making and continue to develop relationships with regulated industries, consumers, Government and other regulators.	Ongoing
<b>GOAL 4: We will add value to South Australia by delivering impartial, credible and robust regulatory and economic advice.</b>		
	Finalise the formal review process for the National Energy Retail Law review required under the National Energy Retail Law.	Completed
	Review of Tarcoola- Darwin railway, pursuant to section 50 of the AustralAsia Railway (Third Party Access) Act 1999, to determine whether or not the revenues earned for the provision of access to the Tarcoola to Darwin railway over the past 10 years were excessive.	Completed
	Review of intrastate rail access regime, pursuant to section 7A of the Railways (Operations and Access) Act 1997, to determine whether the access regime should continue to apply.	Completed
	Conduct Part 7 ESC Act Inquiries as referred from the South Australian Government.	Nil received in 2015-16
	Provide advice to the South Australian Government under ESC Act as referred from the South Australian Government.	Ongoing
	Develop a formal Better Regulation Framework to govern the Commission's approach to developing, maintaining and applying regulation.	Completed
	Develop and publish Strategic Plan 2016–2019 and corporate Annual Report in accordance with legislative requirements.	Completed

## About the Commission

The Commission is a statutory authority established as an independent economic regulator and advisory body under the Essential Services Commission Act 2002 (**ESC Act**).

The Commission has economic regulatory responsibility in the water, sewerage, electricity, gas, rail and maritime services, and a general advisory function on regulatory and economic matters. The ESC Act and various industry Acts together provide the Commission with those regulatory and advisory powers and functions.

Under the ESC Act the Commission has the primary objective of:

‘... protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services.’

The ESC Act sets out seven further factors which the Commission must have regard to in performing its functions, being:

- ▶ promoting competitive and fair market conduct
- ▶ preventing misuse of monopoly or market power
- ▶ facilitating entry into relevant markets
- ▶ promoting economic efficiency
- ▶ ensuring consumers benefit from competition and efficiency
- ▶ facilitating maintenance of the financial viability of regulated industries and the incentive for long-term investment, and
- ▶ promoting consistency in regulation with other jurisdictions.

As a statutory authority with responsibilities in the essential services sector and for providing advice to the Government, the Commission acts independently and objectively in performing its functions and exercising its powers.

The Commission adds benefit to the South Australian community by ensuring that consumers of regulated services are

adequately protected and that entities are accountable for their services, while not imposing unnecessary regulatory costs and burdens. It provides robust, independent advice to Government that informs, and provides an evidence base for policy making and public consideration of economic and regulatory issues.

The Commission’s approach seeks to provide consumers, regulated businesses and the broader community with regulatory stability and certainty over time. The Commission therefore brings a long-term view to its work and establishes stable, transparent and predictable processes, although it remains open to change where change will better meet consumers’ needs. While it takes account of shorter term issues, those are considered in a long-term context in decision-making.

At the same time, where they intersect with its work, the Commission promotes the achievement of the goals of the South Australian Strategic Plan and 10 Economic Priorities for the State.

### Regulatory approach

The Commission actively works towards being a high performing and responsive agency, administering a principles-based regulatory and advisory framework with a focus on outcomes, not inputs.

The Commission promotes a culture in which Commissioners and staff are independent, consultative, ethical, professional, accountable and transparent. This is reflected in its corporate values, which are supportive of, uphold and promote the values and conduct requirements of the South Australian Public Sector.

While the Commission is an independent statutory authority, it is important that it works within the overall policy and legislative framework established by the Parliament for the performance of its roles and responsibilities, and does not act in isolation from that framework. That is particularly so in relation to its inquiry and advisory functions,



where the Commission is not a decision maker but instead provides expert, balanced and impartial advice to Government.

## Advisory functions

The Commission has two broad advisory functions.

The first is to provide advice to the Treasurer, on request, in relation to any matter (Section 5(f) of the ESC Act). In that capacity the Commission acts as a consultant to the Government, providing independent advice on economic and regulatory matters.

The second is to conduct public Inquiries (Part 7 of the ESC Act). Such Inquiries can be initiated by the Commission into any matters






within its regulatory scope, or by the Treasurer or an industry Minister into any matter concerning a regulated industry.

Inquiries are conducted through a formal, public process and final reports are tabled in Parliament.

## Regulatory functions

The Commission performs a range of functions across the different industries it regulates, including pricing, licensing, performance monitoring and reporting, compliance and scheme administration. For each industry, the relevant industry regulation Act specifies the scope of the Commission's role, as summarised in Table 1.

Table 1: Commission's Regulatory Functions by Industry

Icon	Legislation	Regulatory functions
	Water Industry Act 2012	Water and sewerage retail service providers: <ul style="list-style-type: none"> <li>▶ Licensing</li> <li>▶ Retail price regulation</li> <li>▶ Consumer protection</li> <li>▶ Service/reliability standard setting</li> <li>▶ Performance monitoring and reporting</li> </ul>
	Electricity Act 1996	Electricity retail operations: <ul style="list-style-type: none"> <li>▶ Determination of the retailer Solar Photovoltaic Feed-in Tariff</li> <li>▶ Preparation and publication of Ministerial Energy Retail Pricing reports</li> <li>▶ Retailer Energy Efficiency Scheme administration</li> </ul> Electricity generation, transmission, distribution and off-grid retailers: <ul style="list-style-type: none"> <li>▶ Licensing</li> <li>▶ Network service/reliability standard setting</li> <li>▶ Performance monitoring and reporting</li> </ul>
	Gas Act 1997	Gas retail operations: <ul style="list-style-type: none"> <li>▶ Preparation and publication of Ministerial Energy Retail Pricing reports</li> <li>▶ Retailer Energy Efficiency Scheme administration</li> </ul> Licensing of retail and distribution LPG gas operations Licensing of natural gas network operations, standard setting, performance monitoring and reporting
	AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997	Regulation under the AustralAsia (Third Party Access) Code for the Tarcoola–Darwin railway Access regulator for specified intrastate rail lines (ceased 31 October 2015)
	Maritime Services (Access) Act 2000	Pricing and access regulator for specified port services



## Organisation structure

The Commission comprises a Chairperson and part-time Commissioners. The Commission is supported by 29 staff (24.1 full-time equivalents as at 30 June 2016), led by the Chief Executive Officer.

The Chairperson and Commissioners are appointed by the Governor of South Australia, pursuant to section 12 of the ESC Act. The Governor may appoint persons as Commissioners who are qualified for appointment on the basis of their knowledge of, or experience in, industry, commerce, economics, law and/or public administration.

As at 30 June 2016, the Commission comprised Dr Lynne Williams as Acting Chairperson and Commissioner, and Ms June Roache, Professor David Round and Mr Geoff Knight as Commissioners.

Dr Pat Walsh's appointment as Chairperson and Commissioner expired in February 2016.

### Chairperson

#### Dr Pat Walsh

Dr Walsh commenced in the role of Chairperson of the Commission in April 2005; that initial appointment expired in October 2010. His responsibilities throughout that period included those of Chief Executive Officer. Dr Walsh was reappointed to the position of Chairperson in February 2011 for a period of five years.

Dr Walsh also holds the part-time position of Utilities Commissioner of the Northern Territory. Dr Walsh is a Fellow of the Australian Institute of Energy and a Member of the Australian Institute of Company Directors.

Prior to his appointment as Chairperson Dr Walsh held senior positions in the energy regulation and reform area, including Director, Licensing and Performance Monitoring with the Commission, Senior Regulation Advisor with the Electricity Reform and Sales Unit (Department of Treasury and Finance), and Director, Microeconomic Reform Branch

(Cabinet Office, Department of the Premier and Cabinet).

Dr Walsh is a Science graduate (majoring in mathematics), and worked as a Research Scientist with the CSIRO during the 1970s. He also holds a PhD in Applied Mathematics and a Masters of Business Administration from the University of Adelaide.

Dr Walsh completed his last five-year term and his role as a Commissioner ceased on 16 February 2016.

### Acting Chairperson

#### Dr Lynne Williams

Dr Williams was appointed to the Commission in September 2013, and was appointed Acting Chairperson in September 2014.

Dr Williams has worked as an economist in the public sector for over 30 years. She has held senior executive positions in both the Victorian and Federal public services, including Under Secretary in the Victorian Department of Treasury and Finance, and senior roles in Premier and Cabinet and Industry departments, and the Federal Productivity Commission and Bureau of Immigration, Multicultural and Population Research.

Dr Williams holds degrees in economics from the University of Melbourne, the London School of Economics and Monash University.

Dr Williams chairs the Victorian Government Procurement Board, and is a member of the Victorian Legal Services Board (and chairs its Audit Committee) and Commissioner with the Victorian Building Authority. Dr Williams also sits on the Advisory Board of the Faculty of Business and Economics at the University of Melbourne.

Dr Williams is a Fellow of the Institute of Public Administration Australia and St Hilda's College (University of Melbourne), a member of the Australian Institute of Company Directors, and a committee member of Athletics International (Australia).

## Commissioners

### Ms June Roache

Ms Roache was appointed as a Commissioner in May 2014.

Ms Roache is an independent non-executive director with extensive business experience having held several senior executive roles including Chief Executive of SA Lotteries, and a number of governance roles including Vice President of the World Lottery Association, Chair of the Asia Pacific Lottery Association, and a Board Member of Business SA and the Flinders Medical Centre Foundation.

Ms Roache holds an accounting degree from the University of South Australia and a certificate in management from Monash University.

Ms Roache currently holds board positions with Forestry SA, SA Health and Medical Research Institute, SA Football Commission, and History Trust of SA.

Ms Roache is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Australian Institute of Management.

### Professor David Round AM

Professor Round was appointed as a Commissioner in May 2014.

Professor Round is an Adjunct Professor in the School of Commerce at the University of South Australia and Adjunct Professor with Torrens University Australia. Since 1998 Professor Round has been a member of the Australian Competition Tribunal.

Professor Round retired as Professor of Economics and Director, Centre for Regulation and Market Analysis at the University of South Australia in April 2014, and also previously taught at the University of Adelaide, Macquarie University, and a number of universities in the United States.

Professor Round has authored some 150 papers published in leading Australian and

international economic and legal journals, on a variety of industrial economics, competition policy and antitrust topics.

In January 2014, Professor Round was made a Member of the Order of Australia.

### Mr Geoff Knight

Mr Knight was appointed as a Commissioner in October 2014.

Mr Knight has served the South Australian Public Sector in a diverse range of senior policy, finance and leadership roles over three decades.

Mr Knight has held leadership roles in central and line agencies, including the Department of Treasury and Finance and the Department of the Premier and Cabinet, before being appointed Chief Executive of Primary Industries and Resources (PIRSA) in 2006, leading its emergence as a key economic agency.

Mr Knight was subsequently appointed Chief Executive of the Department of Manufacturing, Innovation, Trade, Resources and Energy when it was created in 2011.

Mr Knight is a member of the Board of Renewal SA and in 2014 was a recipient of the Institute of Public Administration Australia National Fellow Award.

## Chief Executive Officer

### Mr Adam Wilson

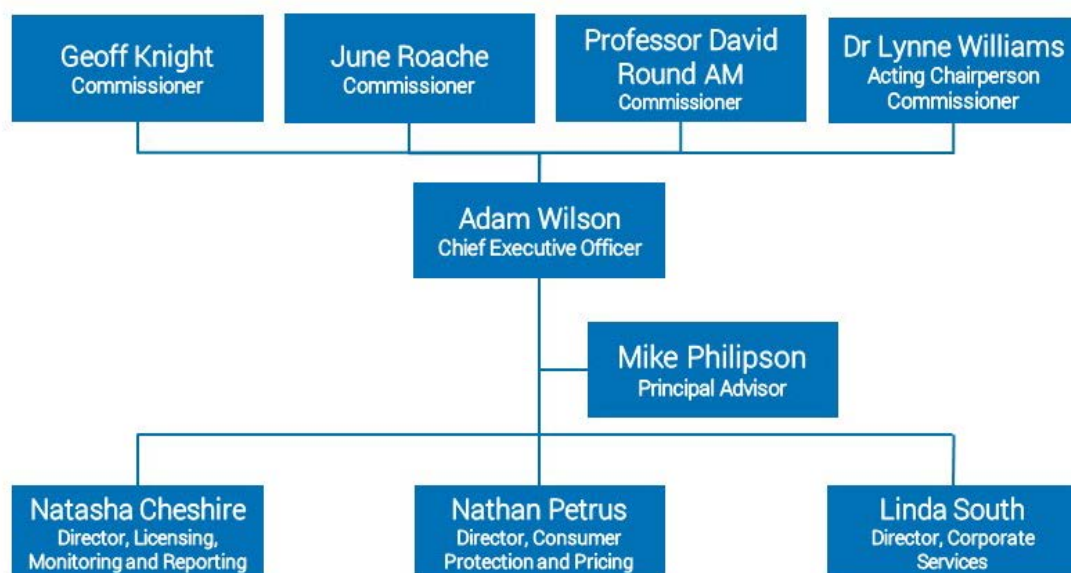
Mr Wilson was appointed as Chief Executive Officer in August 2014, having acted in the role since April of the same year.

Mr Wilson has served in the South Australian Public Sector for nearly 20 years in a range of legal, consumer protection and regulatory roles.

Mr Wilson has been employed by the Commission since 2002, holding a range of posts, including Director Consumer and Regulatory Affairs.

## Management structure

The Commission's management structure (as at 30 June 2016) is set out in the following chart.



The Commission's regulatory staff are qualified in a range of professions including economics, accounting, finance, law and other disciplines.

In addition to its staff, specialist services are sought from external consultants for various aspects of the Commission's regulatory work.

## Consultation and stakeholder engagement

The Commission has a strong commitment to engagement and consultation with all stakeholders in the performance of its functions, to ensure that the implications of its actions are fully understood and community views are taken into account in decision-making.

The information and advice gained through genuine and effective stakeholder and community engagement enhances the quality of the Commission's regulatory decisions and advice, with the Commission committed to acting on the best available data and information.

Genuine and effective engagement also builds the community's understanding of the sectors that the Commission regulates and of the regulatory issues which are of importance to this State.

The Commission performs its functions utilising both formal and informal consultation processes. The Commission recognises that its decision-making processes must be sound, rigorous and in accordance with the legal obligations placed on it by the South Australian Parliament.

The Commission is committed to engaging and consulting with all stakeholders and members of the community using a variety of methods suited to the work it is undertaking.

The Commission's decision-making and consultation processes are outlined in its Charter of Consultation and Regulatory Practice.

In addition to the Commission's role as an economic regulator, other agencies form part of the overall regulatory framework. These agencies include the Technical Regulator, Australian Energy Regulator, Australian Energy Market Operator, Australian Energy Market Commission, Department of State Development, SA Health, Department of Environment, Water and Natural Resources, Environmental Protection Agency and the Department for Communities and Social Inclusion. The Commission also works with these agencies to provide a coordinated approach to regulation and advice.

In 2015-16, the Commission continued its enhanced approach to stakeholder engagement with a focus in the water sector. This included engagement of stakeholders through the SA Water Regulatory Determination 2016-2020 and with Minor and Intermediate Water Retailers on the implementation of the regulatory framework for these retailers.

During 2015-16, various information and public forum sessions were held with stakeholders to consult on various matters. This included a Strategic Directions public forum held on 20 August 2015 in Adelaide.

The Commission continued to use its website and the print media as a method of advising the community of consultations under way, with public notices being placed in The Advertiser, regional newspapers and industry journals.

In addition, the Commission's consultation processes included:

- ▶ regular meetings of the Consumer Advisory Committee, licensees, other regulators and stakeholders
- ▶ releasing simple, easy to read fact sheets for major documents and documents considered to be of particular interest to members of the community, and
- ▶ assisting members of the community to understand Commission decisions and regulated industries by website, telephone and email.

### Charter of Consultation and Regulatory Practice

The Charter of Consultation and Regulatory Practice provides guidance on the Commission's consultation and engagement processes and fulfils a legislative requirement under the ESC Act.

The Commission regularly reviews its consultation and engagement processes and seeks feedback on the effectiveness of its consultation methods. The Charter of Consultation and Regulatory Practice will be reviewed in 2016-17.

## Consumer Advisory Committee

The Commission has established a Consumer Advisory Committee, which is chaired by the Chairperson of the Commission.

The Commission aims to achieve a balance and variety of interests and perspectives among the membership of the Consumer Advisory Committee. Membership is drawn from peak bodies representing a wide range of interests including disadvantaged consumers, rural and remote consumers, local government, environmental interest groups and industry and business.

Through the Consumer Advisory Committee, the Commission gains the views of members' communities of interest and keeps members informed about issues and decisions relating to, or having an impact on, consumers.

Members of the Consumer Advisory Committee are expected to provide comment on:

- ▶ issues and market developments affecting consumers that fall within the scope of the Commission's functions under the Water Industry Act, Electricity Act and Gas Act
- ▶ information dissemination strategies and appropriate external networks available to enhance communication with community and consumer groups and consumers, and
- ▶ issues as requested by the Commission.

Appointments to the Consumer Advisory Committee are made for a period of two years. The term of appointment for all current members commenced on 1 July 2014. The membership of the Consumer Advisory Committee is outlined in Table 2.

The Consumer Advisory Committee considered and provided input into all major regulatory decisions and issues considered by the Commission during the year.

## Small Grants Program

The Commission makes provision in its budget for a Small Grants Program to assist Consumer Advisory Committee members to undertake programs, activities and research of benefit to water and energy consumers and which will assist the Commission in meeting its statutory objectives.

The Commission only received one application for a small grant during 2015-16. Business SA was invited to present at a stakeholder forum, in Sydney, on 'Policy challenges in the energy industry: Views from stakeholders'. A small grant of \$900 was provided to cover flights and accommodation for Business SA's Consumer Advisory Committee representative to attend the forum. Business SA provided a presentation on the key issues arising from this forum at the June committee meeting.

Table 2: Consumer Advisory Committee Members as at 30 June 2016

Representative	Organisation
Andrew McKenna	Business SA
Tim Kelly	Conservation Council of SA
Elaine Attwood	Consumers SA
Jane Mussared	COTA SA
Sandy Canale	Energy and Water Ombudsman SA
Jill Whittaker	Local Government Association of SA
Heather l'Anson	Primary Producers SA
David Hossen	Property Council of Australia, SA Division
Ross Womersley	South Australian Council of Social Services
Mark Henley	Uniting Communities

## Corporate governance

The Commission is committed to a high standard of corporate governance. The Commission's Corporate Governance Framework sets out the means by which it ensures compliance with legislative responsibilities.

The Corporate Governance Framework articulates the responsibilities reserved to the Commission and those delegated to the Chairperson and the Chief Executive Officer. The supporting corporate principles also ensure consistency and clarity of responsibility.

### Ethical behaviour

The Commission has a Code of Conduct that establishes standards of duty for Commissioners, Chief Executive Officer and staff.

The Code of Conduct seeks to:

- ▶ reinforce high standards of ethical conduct, personal integrity and corporate governance
- ▶ ensure compliance with legislation relating to the Commission and public officers
- ▶ enable impartial and objective decision-making, and
- ▶ protect the Commission from bias, incompetence or improper behaviour.

The Code supplements the South Australian Public Sector Code of Ethics.

The Code of Conduct forms part of the conditions of employment for all staff and sets standards which Commission staff are required to meet in carrying out their duties.

### Conflict of interest

Staff and Commissioners must comply with the Commission's Conflict of Interest Policy and Gifts, Benefits and Hospitality Policy. These policies set high ethical standards for the management of interests, gifts, benefits and hospitality.

The Commission maintains a register of the financial and other interests of Commissioners, Chief Executive, staff and related others.

Commissioners and the Chief Executive Officer report any potential conflicts of interest to the Treasurer in accordance with the ESC Act.

### Risk management

The Commission is committed to maintaining integrity in all its dealings and demonstrating responsible risk management through the implementation of a Risk Management Policy, Management Plan and Registers that are in line with Australian/New Zealand Standard AS/NZS ISO 3100:2009 Risk Management Principles and Guidance.

Risk management is proactively considered by the Commission and Management at each of their meetings, with Risk Registers reviewed in line with the Commission's Risk Management Framework.

### Corporate governance policy reviews

In 2015-16, the Commission reviewed the following corporate governance policy documents:

- ▶ Business Continuity Policy and Plan
- ▶ Code of Conduct Policy
- ▶ Risk Register Policy and Management Plan, and
- ▶ Use of Information and Confidentiality Policy

### Freedom of information

The Commission is an agency for the purpose of the Freedom of Information Act 1991. Under section 9 of the Act, agencies must publish an up to date information statement every 12 months.

A Freedom of Information – Information Statement is available on the Commission website.

In 2015-16 the Commission received one Freedom of Information request.



# Workforce

## Employment arrangements

Commission staff are employed under the ESC Act and are appointed on terms and conditions determined by the Commission.

The Commission's terms and conditions of employment and human resources policies endeavour to provide work practices and employment conditions which are flexible and support workplace diversity, and foster the learning and development of staff for a productive and engaged workforce.

## Performance agreements

The Commission is committed to fostering a positive workplace culture, where employee performance standards and expectations are mutually understood, and where employees are provided with the appropriate leadership, feedback, and development to undertake their work to the best of their ability. Active preparation and participation by all managers and employees in a process of Performance Management is expected. As at 30 June 2016, 100 percent of staff had a Performance Agreement in place.

## Diversity and workforce strategy

The Commission is committed to an inclusive workplace that values diversity and developed a Diversity Statement in October 2015. The Commission recognises that developing and managing an increasingly diverse workforce is essential to the achievement of the Commission's business purpose and objectives, to be best positioned to meet future challenges.

The Commission develops an annual Workforce Strategy, which provides a framework for the Commission's strategic workforce planning initiatives in the areas of resourcing and working arrangements, performance, wellbeing and professional development.

In 2015-16, the development of the Workforce Strategy was informed by a Staff Engagement Survey.

## Learning and development

The Commission supports and promotes learning and development opportunities for all staff. These include attendance at internal and external training, conferences, seminars and workshops, as well as tertiary study assistance.

A financial commitment is made to learning and development. During 2015-16, training and development expenditure was 4.65 percent of total salary budget. This compares with 3.7 percent of total salary budget in 2014-15.

New initiatives in 2015-16 included a series of external speakers on topics of interest in the regulatory environment, and internal sessions to debate economic and regulatory matters.

## Work health safety and wellbeing

As the Commission is an agency of the Crown, it is deemed to be registered as a self-insured employer under section 129 of the Return to Work Act 2014. The Commission must comply with the South Australian Public Code of Practice for Crown Self-insured Employers.

In 2015-16, the Commission undertook an external audit to ensure compliance with the South Australian Public Code of Practice for Crown Self-insured Employers. The Commission was deemed fully compliant with the Code, subject to two policies being updated for correct legislative reference, which were completed during 2015-16.

A safe work environment for all is paramount, and the Commission is pleased to report that there were no reportable Work Health and Safety incidents or accidents during the year. Appendix 4 provides details of Work Health and Safety and Welfare and Injury Management statistics for the 2015-16 period.

The Commission is committed to the wellbeing of all staff, with wellbeing initiatives included in the annual Workforce Strategy. This includes an Employee Assistance Program available to Commissioners and all staff.

# Financial performance

## Revenue

The Commission's revenue from all sources in 2015-16 was \$3.83 million. This was \$0.84 million less than 2014-15. Revenue was sourced from the following industries: Water \$2.65 million; Energy (Electricity and Gas) \$0.82 million, Ports, Rail and Other Sources \$0.37 million.

Each year, the Commission invoices and collects funds which it is required to transfer to various parties, including the Technical Regulator. Such transfers are termed 'Administered Items'. The Commission invoiced licence and administration fees of \$10.99 million in 2015-16 (\$11.75 million in 2014-15) and transferred \$7.53 million as Administered Items (refer to Note 10 and 29 in Appendix 5 for further details).

The Commission invoiced water licence fees totalling \$3.36 million (\$3.39 million in 2014-15). The SA Water licence fee was the largest, at \$3.10 million. Further licence fees totalling \$0.26 million were contributed by smaller water licensees. After the required transfers of \$0.71 million as Administered Items, the water licence fee revenue was \$2.65 million.

The Commission invoiced energy licence fees of \$6.85 million in 2015-16 (\$7.74 million in 2014-15) and retail energy administration fees of \$0.78 million in 2015-16 (\$0.62 million in 2014-15). After the required transfer of \$6.82 million as Administered Items, the Commission's energy licence and administration fee revenue was \$0.82 million (\$1.68 million in 2014-15).

The Commission's regulation of ports and intrastate rail are funded by the South Australian Government, while its Tarcoola-Darwin rail activities are funded equally by the South Australian and Northern Territory Governments. In total, in 2015-16, the South Australian Government provided \$0.33 million (\$0.38 million in 2014-15) funding for ports and rail activities while the Northern Territory Government provided funding of \$0.04 million (\$0.09 million in 2014-15).

## Expenses

In 2015-16, the Commission maintained a focus on appropriately managing its expenditure within budget. Expenses increased by \$0.60 million (13.0 percent above 2014-15). The total expenditure in 2015-16 was \$5.27 million (\$4.67 million in 2014-15). The increase in expenses was directly related to the work program and the SA Water Regulatory Determination.

The area of most significant expenditure was salary and wage expense totalling \$3.58 million (\$3.21 million in 2014-15). The supplies and services expense, which includes the use of consultants, was \$1.59 million (\$1.26 million in 2014-15), a 26 percent increase. The consultant expense was \$0.33 million (\$0.21 million in 2014-15), a 60 percent increase due to the SA Water Regulatory Determination.

## Result

The Commission's 2015-16 net result was a deficit of \$1.44 million, which is favourable by \$0.31 million to the budgeted deficit of \$1.75 million. The deficit budget reflects the intent to reduce surplus electricity and gas licence fee funds held on behalf of the Commission.

## Other financial matters

### Capital expenditure

The Commission's capital expenditure in 2015-16 was \$0.07 million (\$0.24 million in 2014-15), which was primarily funding for a new website and a regulatory reporting database project to streamline reporting for regulated entities that is in progress.

### Use of consultants

The Commission is a small office with broad regulatory responsibilities. The Commission supplements the expertise of its own staff with specialist technical, economic and other advisors and consultants where efficient to do so.



Table 3: Consultant projects 2015-16

Value below \$10,000	Number: 4	Amount: \$33,250
Value \$10,000 and above	Number: 5	Amount: \$295,790
ACIL Allen Consulting	Advice on the Regulatory Feed In Tariff Determination	
Black & Veatch Australia Pty Ltd	Review of ADP Operations/Supply Optimisation	
Cardno Pty Ltd	Advice on expenditure proposal for 2017-20 SA Water determination	
MK Insights	Staff Engagement Survey	
T3PM Group Pty Ltd	Development of Cost Benefit Analysis (CBA) Framework	
<b>Total</b>	<b>Number: 9</b>	<b>Amount \$329,040</b>

The Commission entered into consultant contracts to the value of \$0.33 million during 2015-16 (\$0.21 million in 2014-15), representing approximately 6.2 percent of total expenses (4.4 percent in 2014-15).

It should be noted that the Commission's expenditure on consultants is driven by its work program, with a higher level of spending in years where the Commission is making a regulatory determination. Details, including the number of consultants utilised and the total amounts paid or payable to these consultants, are summarised in Table 3 above.

### Contractual arrangements

Details of the Commission's procurement contracts for 2015-16 are disclosed on the South Australian Tenders and Contracts website at <http://www.tenders.sa.gov.au/>.

### Fraud

The Commission has established a comprehensive framework for detecting and managing risk and fraud. This includes maintaining and reviewing a robust internal control environment with mechanisms for detecting, reporting and dealing with instances or suspicions of dishonesty or internal fraud.

No instances of fraud were detected within the Commission during 2015-16.

### Overseas travel

The Commission discloses all Information relating to overseas travel of employees and Commissioners on the Commission website.

There was one overseas trip in 2015-16. Details are available on the Commission's website.

# Water

The Commission has responsibility for the economic regulation of water and sewerage retail services in South Australia. Those services include water (including recycled water and stormwater) and sewerage services offered by SA Water, local government councils and private businesses across the State.

The ESC Act, the Water Industry Act 2012, and the regulations under the Water Industry Act, establish the Commission's regulatory powers and functions in relation to the water and sewerage service industries.

These powers and functions include the licensing of water and sewerage retail service providers, service standard setting, consumer protection, retail price regulation and performance monitoring and reporting.

## Water price regulation

### SA Water Regulatory Determination 2016

During 2015-16, the Commission made a Regulatory Determination to apply to SA Water for the period 1 July 2016 to 30 June 2020 (**RD16**). RD16 is the second Regulatory Determination under the Water Industry Act 2012 and the ESC Act.

RD16 includes a Regulatory Determination that sets four-year revenue caps for drinking water retail services and sewerage retail services, and specifies pricing principles for excluded retail services. It also establishes service standards and other customer service obligations set out in the Water Retail Code - Major Retailers that SA Water must meet during the four-year regulatory period.

Following a full independent review, with widespread community engagement by both SA Water and the Commission, RD16 established:

- ▶ A robust, effective, simplified and customer-focused consumer protection regime, informed by direct feedback from SA Water's customers, to ensure that South Australian customers have appropriate protections in their dealings with SA Water. The Water Retail Code - Major Retailers has been varied to reflect these changes.
- ▶ Revenue caps over the four-year period for drinking water and sewerage retail services that will deliver, on an annual average basis:
  - a drinking water revenue cap that is, in real terms, 2.5 percent lower than that applying in the SA Water Regulatory Determination 2013 period, and
  - a sewerage revenue cap that is, in real terms, 10.9 percent lower than that applying in the SA Water Regulatory Determination 2013 period.

Compared to the current revenue controls applying under RD13, those caps will deliver an average of \$60 million per annum in savings for SA Water's customers during the RD16 period. The annual average saving of \$60 million, combined with the ongoing \$50 million annual savings arising from RD13, will lead to annual revenue reductions of around \$110 million per annum for SA Water's customers (as compared with revenue outcomes in 2012, prior to the Commission commencing its independent regulatory role).

While under the regulatory regime SA Water sets prices for its services, those prices can recover no more than the maximum amounts set by the revenue caps. This determination will, therefore, deliver overall price reductions for customers.

- ▶ A continuation of a fit-for-purpose pricing principles regime for other retail services provided by SA Water, including recycled water and customer connections, which focuses on driving efficiency.

## Water licensing

Under the Water Industry Act, the Commission issues licences and exemptions (with the approval of the Minister) for water retail services. These services include, but are not limited to, the following activities:

- ▶ water services
- ▶ sewerage services
- ▶ recycled water/stormwater services
- ▶ other non-drinking water services, and
- ▶ other miscellaneous water and sewerage services.

During 2015-16, the Commission issued three new licences, two variations to existing licences, and three exemptions from the requirements to hold a licence. These are listed below.

- ▶ Water retail licence application - City of Marion
- ▶ Water retail licence application - Michell Infrastructure Pty Ltd
- ▶ Water retail licence application - ERA Water
- ▶ Water retail licence variation - District Council of Mallala
- ▶ Water retail licence variation - District Council of Franklin Harbour
- ▶ Water retail licence application for exemption - Minister for Sustainability, Environment and Conservation
- ▶ Water retail licence application for exemption – Aboriginal Sobriety Group Inc
- ▶ Water retail licence application for exemption - Greenhill Water Supply Co Ltd

As at 30 June 2016, the Commission was in the process of assessing:

- ▶ two water retail licence applications
- ▶ two variations to existing licences, and
- ▶ one exemption from the requirements to hold a licence.

A list of all water licence holders as at 30 June 2016 can be found in Appendix 2.

## Water codes and guidelines

The Commission is empowered to make industry codes and rules regulating the conduct or operations of a regulated industry or regulated entities pursuant to Part 4 of the ESC Act.

The Commission has made two industry codes, and compliance with relevant codes is a mandatory condition of most water licences issued by the Commission.

Industry codes prescribe detailed rules of conduct and procedures that must be followed by water licensees. The use of industry codes allows for regulatory flexibility, while maintaining appropriate scrutiny, accountability and transparency of process in their development. Industry codes can cover a wide range of areas within a regulated industry, from consumer protection to technical matters.

The Commission is also empowered to publish guidelines relating to the performance of its functions pursuant to section 8 of the ESC Act, as set out in section 5 of that Act (which include performance monitoring and compliance).

The Commission has issued three guidelines to licensees relating to the manner in which they report various matters to the Commission.

## SA Water codes and guidelines

SA Water is required to report compliance, financial and operational information to the Commission in accordance with Commission codes and guidelines.

During 2015-16, as a part of the SA Water Regulatory Determination 2016-2020, changes were made to the Water Retail Code – Major Retailers to apply from 1 July 2016. These changes also necessitated changes to the

Water Industry Guideline No. 1 – Compliance Systems and Reporting and Water Industry Guideline No. 2 – Water Regulatory Information Requirements for Major Retailers. These changes reflected the regulatory determination, and simplified the framework to be more customer-focussed. The amended Guidelines take effect on 1 July 2016.

### **Simplifying minor and intermediate retailer codes and guidelines**

During 2014-15, the Commission commenced a review of changes to the reporting requirements for minor and intermediate retailers set out in its Water Industry Guidelines. This review was completed in 2015-16.

The review aimed to reduce red tape and address matters raised by stakeholders by simplifying and aligning the sign-off requirements for all annual reporting to the Commission, and streamlining the price monitoring reporting requirements relating to compliance with the pricing principles.

The Commission released its Final Decision on changes to the reporting requirements for minor and intermediate retailers set out in its Water Industry Guidelines in October 2015.

The Final Decision simplifies reporting requirements to:

- ▶ extend the submission date for the price monitoring reports to 30 November of each year, to align with the submission date for other annual reports to the Commission
- ▶ simplify the Pricing Policy Questionnaire (part of the price monitoring report)
- ▶ simplify sign-off arrangements by requiring a single sign-off to cover all annual reports, and
- ▶ correct minor errors identified in the Water Industry Guidelines.

These changes do not diminish consumer protections, but achieve the same regulatory outcome at a lower cost to retailers and, consequently, customers, with the changes reflected in the Water Retail Code – Minor and

Intermediate Retailers, and Water Industry Guideline No 3 – Information Requirements for Minor and Intermediate Retailers.

### **Water performance reporting**

The Commission reports on regulatory performance outcomes for water and sewerage service retailers licensed under the Water Industry Act 2012. The Commission adapted the broad licence categories established by the Treasurer (for the purposes of setting licence fees) to establish two classes under the regulatory framework:

- ▶ Major Retailers: those licensees with greater than 50,000 connections, and
- ▶ Minor and Intermediate Retailers: with up to and including 50,000 connections.

Collectively, the retailers licensed under the Water Industry Act provide drinking water services to 750,000 properties (servicing 1.6 million people) and sewerage services to 675,000 properties (1.46 million people) in South Australia. SA Water is the largest retailer, servicing over 99 percent of total drinking water connections and 87 percent of total sewerage connections. The other licences are held by local government councils and private businesses.

### **SA Water's regulatory performance report**

The Commission publishes an annual performance report for SA Water, as South Australia's major water retailer.

SA Water's regulatory performance report focuses on customer service and operational performance, and reviews outcomes under the regulatory determination, including service standards, for both drinking water and sewerage services for the period.

The service standards relate principally to customer service, financial assistance provided to customers and the reliability of drinking water and sewerage services. There are 66 service standards, requiring SA Water to meet timeframes for responding to customer requests and issues.

Other matters, such as pricing, finance, assets and water resources are separately reported on in a related document, the National Performance Report: Urban Water Utilities. That report is prepared by the Australian Bureau of Meteorology on behalf of State and Territory Governments and economic regulatory agencies.

The SA Water Regulatory Performance Report 2014-15 was published in January 2016. Key performance outcomes were:

- ▶ SA Water met 65 out of 66 service standards in 2014-15
- ▶ SA Water received 2.45 complaints per 1,000 customers in 2014-15, which is the same number as 2013-14
- ▶ ninety-eight percent of water service restorations were completed on time, with an average customer outage duration of 163 minutes, compared to 99 percent restorations with an average of 161 minutes in 2013-14
- ▶ ninety-five percent of sewerage service restorations were completed on time, with an average customer outage duration of 405 minutes, and
- ▶ ninety-one percent of water and 86 percent of sewerage new customer connections were completed on time.

### Minor and intermediate retailer performance report

The Commission also publishes an annual Performance Report for minor and intermediate retailer performance.

The Minor and Intermediate Regulatory Performance Report 2014-15 was published in June 2016.

This report provides information on the operation of water industry licensees with 50,000 or fewer connections. It informs customers about the quality and reliability of the services they receive at an aggregate level. The focus of the report is on residential customers.

Economic regulation of minor and intermediate retailers began in 2013, and the Commission continues to recognise the transitional nature of the initial regulatory period (until 30 June 2017) under the consumer protection and pricing framework. Over time, retailers are more actively engaging with the Commission on compliance with regulatory requirements, such as undertaking analysis to identify the extent of current cost recovery of services and developing cost reflective prices. This is providing the opportunity for better outcomes for customers.

The Commission recognises that some regulatory requirements reflect current practices, including similar requirements under the Local Government Act, but other requirements are more challenging. Accordingly, the Commission's main focus for the remainder of this regulatory period remains on working collaboratively with retailers on transition to compliance with the regulatory requirements.

Copies of previous performance reports and detailed historical performance report data are available on the Commission's website to assist the public, researchers and other persons with an interest in examining results and trends.

### Significant event reporting

#### March 2016 water main burst event

The Commission monitors and reports on SA Water's performance against annual service standards targets and regulatory obligations, with public reporting occurring through the annual regulatory performance report.

At times, however, events may occur during the year that warrant special ad hoc reporting outside of that standard framework. Those events are determined, and reviews are conducted, in accordance with the Commission's Significant Performance Event Reporting Framework for Water.

On 7 March 2016, SA Water's water distribution network experienced a series of bursts on a main in Campbelltown, Paradise and Newton. These bursts caused flooding to surrounding properties and constituted a significant

performance event in accordance with the Commission's framework.

During 2015-16, the Commission undertook a review of SA Water's performance during the significant event.

The Commission acknowledges the actions taken by SA Water to support residents in response to the bursts. However, the Commission's view is that if this incident had been declared in accordance with SA Water's emergency management framework, the response may have been better coordinated and may have resulted in better outcomes for residents.

The Commission's report on this significant event is available on its website.

### Third party access regime

On 1 July 2016, the Water Industry (Third Party Access Amendment) Act 2015 will commence.

This Act establishes a water industry third party access regime and appoints the Commission as the regulator of that regime. The third party access regime provides a framework for the negotiation of access to certain water and sewerage infrastructure services, with the potential for arbitration should negotiations fail.

As the regulator of the third party access regime, the Commission will have the function of monitoring and enforcing compliance with the requirements of the third party access regime.

During 2015-16, the Commission began planning for the commencement of the third party access regime to take effect in South Australia from 1 July 2016.

An information session was held in March 2016, in partnership with Department of Water and Natural Resources, to inform stakeholders about the requirements of the legislation and the Commission's role. This provided opportunity for the Commission to gain information on matters that may assist in the effectiveness of the regime.

## Energy

On 1 February 2013, national regulatory arrangements for the retail energy market commenced in South Australia, referred to as the National Energy Customer Framework.

The National Energy Customer Framework was developed from previously operating state-based regulatory frameworks, with the Commission having administered the South Australian regulatory framework up until February 2013. From that date, retail energy market regulatory roles transferred from the Commission to the Australian Energy Regulator. Since then, the Commission has only had a limited role in relation to the national energy retail market in this State.

While the Australian Energy Regulator is the body primarily responsible for economic regulation of the energy industry in South Australia, the Commission has certain regulatory powers and functions in the sector. The ESC Act along with the Electricity Act 1996, Gas Act 1997, and regulations made under those Acts, establish these regulatory powers and functions.

These Commission responsibilities include:

- ▶ setting and varying from time to time the retailer solar feed-in tariff (under the Electricity Act)
- ▶ preparing annual Ministerial Energy Pricing Reports (under the Electricity Act and the Gas Act)
- ▶ conducting a one-off review of the effectiveness of the new regulatory arrangements under National Energy Retail Law, and
- ▶ licensing and monitoring of off-grid suppliers.

In the network sector, the Commission remains the licensing authority and sets reliability standards.

Finally, in the generation sector, the Commission is the licensing authority for all electricity generation sources (including wind and solar).



## Review of the National Energy Customer Framework

The National Energy Customer Framework, administered by the Australian Energy Regulator under the National Energy Retail Law, supports residential and small business electricity and natural gas customers through a range of customer protections.

Key areas covered by the framework include: billing; hardship and disconnection obligations; access to dispute resolution; and service connection.

The National Energy Customer Framework complements other general consumer protection laws, such as the Australian Consumer Law (for example, in the area of energy marketing), and privacy legislation. Small energy customers continue to have access to a free, independent dispute resolution scheme - in South Australia this is the Energy and Water Ombudsman SA.

During 2015-16, the Commission completed its statutory obligation to conduct a review that assessed the impact of this law on consumers of energy and, specifically, whether its implementation has:

- ▶ resulted in increased efficiencies, or
- ▶ adversely affected customer protection in pursuit of national consistency.

The Commission consulted widely throughout the process of the review.

The Commission provided its findings to the Minister for Energy and Mineral Resources in April 2016. The findings were tabled in the South Australian Parliament in May 2016.

The overall finding is that the operation of the National Energy Retail Law has furthered the interests of South Australian energy consumers; has resulted in increased efficiencies; and has not adversely affected consumer protection in pursuit of national consistency.

## Energy price regulation

### South Australian energy retail offer prices – Ministerial Report 2015

Annually, the Commission prepares and provides to the Minister for Mineral Resources and Energy a comparison report on energy retail price offers available to South Australian small customers (residential and small business) for the previous financial year.

In monitoring energy retail price offers, the Commission applies an 'annual bill' approach, using set levels of consumption by customers. This provides a snapshot of retail energy offers available in the market at a particular time, noting that market conditions are dynamic and actual pricing outcomes will depend on the amount of electricity consumed, retail prices and the terms and conditions of a customer's electricity retail contract.

The key findings of the 2015 report based on market offers available to consumers at 30 June 2014 and 30 June 2015, were:

- ▶ average annual residential electricity Standing Offer and Market Offer prices fell by one percent and five percent respectively over the 12 months
- ▶ average price offerings available to gas residential and small business customers increased by 14 and 12 percent respectively
- ▶ average annual residential gas standing offer and market offer prices increased by seven percent and three percent respectively over the 12 months to 30 June 2015
- ▶ there were considerable variations in energy offers from different retailers and between energy offers from the same retailer, and
- ▶ there was potential for small customers to reduce their annual energy bills by moving from Standing Offers to Market Offers or, if already on a Market Offer, by considering alternative Market Offers.

## Electricity retailer feed-in tariff

The Commission has a role under the Electricity Act 1996 and the ESC Act to decide whether or not to set a minimum retailer-paid feed-in tariff (**R-FiT**), which is paid to solar photo-voltaic customers who export surplus electricity into the grid.

This minimum R-FiT is the minimum amount that energy retailers must pay to residential and small business customers for the electricity they export into the grid. Retailers are free to offer their customers more than the minimum R-FiT.

A minimum R-FiT has been set in each calendar year since 2012. The retail electricity market was deregulated in South Australia in February 2013, leaving the R-FiT as a regulated component within a deregulated market.

### R-FiT 2016 price determination

During 2015-16, the Commission undertook an R-FiT price determination to apply from 1 January 2016.

Following a Draft Report and submissions in December 2015, the Commission released its Final Decision that the minimum R-FiT for the calendar year 2016 be 6.8 cents per kilowatt hour.

The decision took into account the latest available information, including the announcement of the closure of the Northern Power Station at Port Augusta.

### Review of R-FiT regulatory arrangements

During 2015-16, the Commission commenced a review to consider whether it is necessary and appropriate to set a minimum R-FiT for 2017. This followed the Commission's recent R-FiT price determinations, and earlier analysis by the Australian Energy Market Commission in 2014 and 2015, which found the retail electricity market in South Australia to be competitive.

The R-FiT regulatory review commenced with the release of an issues paper, which sought comments from stakeholders on the degree of competition for solar customers and the Commission's proposed methodology.

At 30 June 2016, the Commission had received 14 submissions to the Issues Paper for the review of the regulatory arrangements for R-FiT in South Australia.

The Commission will review those submissions and take any relevant matters into consideration prior to publishing its draft findings in first quarter 2016-17 and a final decision in late 2016.

## Energy licensing

Under the Electricity Act 1996, the Commission has responsibility for administering the licensing regime that applies to electricity entities. This includes issuing, varying or transferring licences to participants in the electricity supply industry where those participants engage in the generation of electricity, the operation of a transmission or distribution network, system control over a power system or the retailing of electricity (limited to retailers operating outside of the National Electricity Market).

During 2015-16, the Commission issued two new electricity generation licences, one variation to an existing electricity generation licence, one variation to an existing distribution and retail licence, and one exemption from the requirements to hold a licence. These are listed below.

- ▶ Electricity generation licence application - HWF 1 Pty Ltd
- ▶ Electricity generation licence variation - Waterloo Wind Farm Pty Ltd
- ▶ Electricity distribution licence application for exemption - AGL SA Generation
- ▶ Electricity generation licence & variations to retail and distribution licences - Cowell Electric Supply

A list of all electricity licence holders as at 30 June 2016 can be found in Appendix 2.



## Energy codes and guidelines

Under the provisions of the National Electricity (South Australia) Act 1996 and the associated National Electricity Rules, the Commission has a jurisdictional role in determining the reliability standards for electricity transmission services. The standards are set out in the Commission's Electricity Transmission Code.

The key transmission network service provider to which the Electricity Transmission Code applies is ElectraNet SA Pty Ltd. However, various elements of the Code also apply to Murraylink Transmission Company Pty Ltd, SA Power Networks and other transmission entities licensed by the Commission.

### Electricity Transmission Code - variation to clause 2.4.1

During 2015-16, the Commission amended the Electricity Transmission Code to remove the requirement for the Baroota transmission exit point to be upgraded from December 2017. The amendment was based on revised economic analysis which evidenced no consumer benefit of the upgrade estimated in 2010-11 to eventuate. As a result, the Commission made the decision to remove the upgrade obligation from the Electricity Transmission Code to ensure that consumers do not face unnecessary costs.

### Electricity Transmission Code review - 2018-2023 regulatory period

During 2015-16, the Commission also continued its review of the Electricity Transmission Code transmission reliability standards for the 2018-2023 regulatory period.

This review enables ElectraNet to develop its planned capital and operating costs, to be incorporated into its regulatory business proposal, to be submitted to the Australian Energy Regulator for its next revenue determination.

The Commission received several public submission to its issues paper, and one public submission to the Draft Decision that was released in March 2016.

The Commission will consider the issues raised in these submissions ahead of releasing its Final Decision on the Electricity Transmission Code review in first quarter 2016-17.

## Energy performance monitoring

### Energy businesses regulatory performance report 2014-15

The Commission reports annually on the performance of regulated energy businesses in delivering essential services to South Australian residential and business consumers.

The Energy Businesses Regulatory Performance Report assesses the performance of the South Australian energy network businesses against the service standards and requirements of the Commission's Industry Codes.

In January 2016, the Commission published its sixteenth annual report on the performance of regulated energy businesses.

The 2014-15 Energy Businesses Regulatory Performance Report covers the three energy network businesses, as well as off-grid and liquefied petroleum gas distributors and retailers.

The Commission's key observations for the 2014-15 reporting period were as follows:

#### SA Power Networks

- ▶ met all customer responsiveness service standards
- ▶ met network reliability service standards for all regions
- ▶ statewide distribution network reliability performance improved compared to 2013-14, largely as a result of the lower impact of severe weather on customer supply (which was the lowest since 2011-12), and
- ▶ customers experienced the lowest average duration of supply interruptions (152 minutes per customer) since 2007-08.

## ElectraNet

- ▶ transmission outages contributed only one percent to the duration of outages experienced by customers, and
- ▶ the number of transmission supply interruptions (and duration of these interruptions) were low compared to the historical average.

## Australian Gas Networks

- ▶ the amount of gas lost from the gas distribution network reduced in 2014-15 (to approximately four percent of gas entering the distribution system), continuing the downward trend of the past five years, and
- ▶ nearly 10,000 customers in Port Pirie and Whyalla were without gas supply for up to eight days in April 2015 after a rupture of Epic Energy's transmission pipeline, which Australian Gas Networks depends on to distribute gas supplies to the networks of both regional centres.

## Off-grid and liquefied petroleum gas retailers and distributors

- ▶ approximately 6,000 customers receive either electricity or liquefied petroleum gas through off-grid distribution networks, and
- ▶ these businesses are complying with their customer service and network reliability obligations, as set out in their licences.

## Retailer Energy Efficiency Scheme

The Retailer Energy Efficiency Scheme (REES) is a South Australian Government energy efficiency scheme that provides incentives for South Australian households and businesses to save energy. It does this through establishing energy efficiency and energy audit targets to be met by electricity and gas retailers.

The scheme initially commenced on 1 January 2009 as the Residential Energy Efficiency Scheme. From 1 January 2015, the Residential Energy Efficiency Scheme was replaced by the Retailer Energy Efficiency Scheme and now includes small business. Part 4 of the Electricity (General) Regulations

2012 (under the Electricity Act 1996) and Part 4 of the Gas Regulations 2012 (under the Gas Act 1997) (Regulations) establish the policy framework of the REES.

These Regulations establish the Commission as the administrator of the REES. The Commission administers the scheme to ensure that energy retailers comply with REES obligations. The Commission is also responsible for reporting to the Minister for Mineral Resources and Energy annually on retailers' progress in achieving the required targets.

In June 2016, the Commission published the 2015 REES Annual Report which was prepared in accordance with the Commission's reporting obligations under the Electricity and Gas Regulations and the Ministerial Protocol for REES. The report assesses the REES outcomes in 2015; in particular, achievement against the 2015 Ministerial targets for undertaking energy audits and energy efficiency activities in South Australian households and businesses.

The key 2015 findings were:

- ▶ all energy audit and energy efficiency targets were met in 2015. Many obliged retailers have significant energy credits to carryover to subsequent REES years.
- ▶ a total of 8,692 energy audits were undertaken and obliged retailers applied an additional 1,679 energy audit credits (earned in prior years). Overall the 2015 target was exceeded by 83 percent.
- ▶ in 2015, 1,118,820 gigajoules of energy savings were delivered. When prior year credits are included, the energy efficiency target was exceeded by 35 percent.
- ▶ 2015 was the first year that activities could be undertaken in businesses (referred to as commercial activities). Thirty-seven percent of energy savings in 2015 were from commercial activities; 17 percent from commercial lighting; and 20 percent from commercial showerheads. In 2015, 1,284 businesses received REES activities.

## Review of the REES guideline 2015

The REES guideline sets out reporting requirements for the data that retailers report to the Commission to enable it to apportion REES targets.

During 2015-16, the Commission sought comment from interested parties on changes to the REES guideline.

The Commission received four submissions, and released its Final Decision on changes to the REES guideline in September 2015. These changes clarify matters in the guideline to enable consistency of reporting by retailers.

## REES compliance action - Momentum Energy and re-apportionment of targets

In January 2015, retailers reported data relating to the 2013-14 financial year to the Commission that enabled the Commission to apportion 2015 REES targets. The Commission issued those 2015 REES targets in April 2015.

Momentum Energy subsequently notified the Commission of a significant omission in the data it reported to the Commission which affected the apportionment of the 2015 Energy Efficiency Targets.

As a result the Commission undertook enforcement action against Momentum Energy in relation to the data omission. The Commission exercised its formal statutory warning notice and assurance powers under the Electricity Act 1996 and issued a formal written warning requiring Momentum Energy to formally acknowledge its non-compliance and undertake and agree to various remedial actions.

Having regard to the legal operation of the statutory regime, the nature and extent of Momentum Energy's omission and the feedback provided to it, the Commission reapportioned 2015 targets for all obliged retailers, so as to give effect to the targets set by the Minister for 2015.

## Power Line Environment Committee

The Commission is responsible for providing administrative support to the Power Line Environment Committee.

The Committee, comprised of various industry and community representatives, is responsible for assessing submissions from local government councils for funding projects to underground power lines for general community benefit.

The Power Line Environment Committee recommends projects for undergrounding to the Minister for Mineral Resources and Energy who directs SA Power Networks to carry out work in accordance with the Electricity Act 1996. SA Power Networks contributes \$2 towards undergrounding costs for every \$1 contributed by local government councils.

The prescribed funding for the undergrounding program to be carried out during 2016-17, calculated in accordance with the Electricity (General) Regulations 2012, is \$6.708 million. To meet this funding requirement, the Power Line Environment Committee recommended funding of \$6.708 million during the 2015-16 financial year for nine projects approved for the undergrounding program. The total funding, including Councils' contributions, is \$10.06 million. 5.2 kilometres of underground cables will be installed to replace existing overhead power lines on these projects.

The approved program comprises a mix of 25 percent of funding for projects to be carried out in the metropolitan area and 75 percent in regional areas. Fifty-two percent of the total funding has been allocated for council projects to be carried out on arterial roads that are under the jurisdiction of the Department for Planning, Transport and Infrastructure.

Since 1990, a total of \$188.6 million has been committed by SA Power Networks and local government councils to undergrounding power lines around South Australia. Approximately two-thirds of project funding has been spent in the metropolitan area.

The Power Line Environment Committee prepares an annual report to the Minister of Mineral Resources and Energy in accordance with the requirements of the Power Line Environment Committee Charter (a copy is available on the Commission's website).

## Rail

### Intrastate railway

The Commission has been the regulator for South Australia's intrastate rail access regime as set out in the Railways (Operations and Access) Act 1997 (**ROA Act**), since March 2004.

The South Australian rail access regime applies to Railway Services as defined under the ROA Act. This covers the Adelaide Metropolitan broad gauge network within metropolitan Adelaide, the Genesee and Wyoming lines in the Murray-Mallee, Mid-North and Eyre Peninsula, and the Great Southern Railway passenger terminal at Keswick.

The ROA Act assigns the following specific functions to the Commission:

- ▶ monitoring and enforcing compliance with Part 3 (general rules for conduct of business) of the ROA Act
- ▶ monitoring the costs of rail services under the ROA Act
- ▶ making an application to the Supreme Court for appointment of an administrator where a rail operator becomes insolvent, ceases to provide railway services or fails to make effective use of the infrastructure of the State
- ▶ establishing pricing principles
- ▶ establishing requirements for information about access to rail services and determining the price to be charged for such information
- ▶ conciliation of access disputes and referral of disputes to arbitration, and
- ▶ fulfilling any other functions and powers conferred by regulation under the ROA Act.

In accordance with the requirements of section 9(4) of the ROA Act, the Commission prepares a separate annual report covering its activities as regulator for the intrastate railway. The Commission provided the 2014-15 Annual Report to the Minister for Transport and Infrastructure in September 2015 (a copy is available on the Commission website).

### 2015 South Australian rail access regime review

During 2015-16, the Commission finalised its Review into the access regime that applies to the major intrastate railways in South Australia.

The Final Report was published in September 2015, following public consultation on an Issues Paper in February 2015 and a Draft Report in June 2015.

The key recommendation of the review was that the current regime that provides for third party access to South Australian railway infrastructure services should continue from for a further five-year period.

However, the Commission identified some areas where the access regime could be improved to make it more effective. These areas were:

- ▶ clarifying the scope of regulated infrastructure services, and
- ▶ investigating opportunities for greater integration of transport access regimes

Subordinate legislation to continue application of the access regime was not in place prior to 30 October 2015, meaning that the application of the rail access regime (and not the regime itself) expired on 31 October 2015. The Commission's role as access regulator for specified intrastate rail lines also ceased on 31 October 2015.

## Tarcoola-Darwin railway

### Tarcoola to Darwin railway – ten-year review of revenues

The Tarcoola-Darwin railway, currently owned and operated by GWA (North) Pty Ltd, is subject to a third party access regime established under the AustralAsia Railway (Third Party Access) Act 1999 for railway infrastructure services.

This regime, as set out in the AustralAsia Railway (Third Party Access) Code, is intended to ensure that access to railway infrastructure services provided by a monopoly operator is available on reasonable commercial terms.

The AustralAsia Railway (Third Party Access) Code requires the Commission to review whether or not excessive revenues have been earned for below-rail services that are not subject to a sustainable competitive price during the first 10 years of operation (and every five years thereafter) and, if it has, to put in place more targeted regulatory measures which will ensure that excessive revenues are not earned in the future.

During 2015-16, the Commission completed its Final Report on the Tarcoola-Darwin railway – ten-year review of revenues.

The Commission's finding was that excessive access revenues were not earned in respect of non-competitive infrastructure services provided on the Tarcoola-Darwin Railway for the period from 15 January 2004 to 30 June 2013.

## Maritime

The Commission is the economic regulator for six commercial ports in South Australia which are 'proclaimed ports' under the Maritime Services (Access) Act 2000.

The following six proclaimed ports, all operated by Flinders Ports Pty Ltd, are:

- ▶ Port Adelaide

- ▶ Port Giles
- ▶ Wallaroo
- ▶ Port Pirie
- ▶ Port Lincoln, and
- ▶ Thevenard.

The Maritime Services (Access) Act 2000 provides for access to South Australian ports, ports services on fair commercial terms, and price regulation of essential ports services.

Essential ports services are declared to be regulated industries for the purpose of the ESC Act. The Commission regulates three types of port services:

- ▶ essential maritime services - subject to price regulation with price monitoring
- ▶ regulated services - subject to the ports access regime, and
- ▶ maritime services - a broader grouping of services subject to a range of review and notification processes, including:
  - notification of changes in pilotage charges
  - development of service standards as appropriate, and
  - keeping ports industries under review to determine whether regulation is required.

Price regulation is applied to infrastructure services termed 'Essential Maritime Services' (for example, providing for access of vessels, and facilities for loading and unloading of such vessels, at a proclaimed port) and Pilotage Services.

Access regulation applies to a similar set of services known as 'Regulated Services'. The access regime provides for negotiation, conciliation and arbitration of access disputes to such Regulated Services.

No access disputes were notified in 2015-16.

## 2015 Ports Price Monitoring Report

In November 2015, the Commission published its 2015 Ports Price Monitoring Report, the third annual ports price monitoring report published by the Commission following its 2012 Ports Price Determination.

The 2015 Ports Price Monitoring Report provides stakeholders and the general public with information on price movements for essential maritime services and pilotage services charges across six of Flinders Ports Pty Ltd commercial ports.

The Commission evaluated Flinders Ports Pty Ltd price increases against changes in the consumer price index.

The average prices for essential maritime services and pilotage services both increased by greater than the Adelaide March 2014 to March 2015 annual consumer price index of 1.1 percent.

For pilotage services, Flinders Ports Pty Ltd advised that the key drivers underpinning the above the consumer price index price increase were increased wage costs and depreciation charges (associated with acquisition of two new pilot vessels). These two cost components contributed 3.2 percent and 1.1 percent respectively to the overall 5.1 percent increase in pilotage service charges from 1 July 2015.

Flinders Ports Pty Ltd provided assurances to the Commission that ports users were consulted prior to the implementation of the 2015-16 price increases, and that no concerns relating to these prices were raised. In addition, no concerns have been raised with the Commission over price increases following publication by Flinders Ports Pty Ltd.



## Compliance across industries

The ESC Act specifies that the statutory functions of the Commission include the monitoring and enforcement of compliance with, and promotion of improvement in, standards and conditions of service and supply under relevant industry regulation Acts.

In undertaking its compliance role, the Commission is guided by its legislative objectives, and in particular the need to protect the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services. A strong culture of compliance within a licensee's business is consistent with the protection of consumer interests.

### Compliance reporting

The compliance reporting and auditing frameworks established by the Commission are intended to ensure compliance by regulated entities with all relevant regulatory obligations and, in turn, assure the Commission that South Australian consumers are receiving the benefits intended by the regulation of essential services. The Commission's approach is aimed at minimising costs and disruptions to regulated entities, while ensuring that compliance systems that reflect the Australian Standard on Compliance Programs exist and operate efficiently and effectively.

The Commission has developed the following Guidelines, Bulletins and Information Kits for each industry on its compliance function which specifies requirements for licensees:

- ▶ Water Industry Guideline No 1 – Compliance Systems and Reporting
- ▶ Energy Industry Guideline No 4 – Compliance Systems and Reporting
- ▶ REES Bulletin No 18 – Compliance Framework
- ▶ Tarcoola-Darwin Rail Guideline No 4 – Compliance Systems and Reporting
- ▶ South Australian Rail - Information Kit.

All licensees are required to report annually to the Commission with regard to compliance systems and processes in accordance with the requirements of their licence and/or guideline and/or the Information Kit and/or bulletin.

A review of the annual compliance reports for 2014-15 has generally found that the information provided by the majority of licensees met the requirements of the licence and/or guideline and/or Information Kit. No material non-compliances were reported by licensees (or identified by staff).

### Auditing outcomes

During the 2015-16 period, the following audit activities were undertaken.

#### No early termination fee contract audit

National Energy Retail Law retailers operating in South Australia have obligations under the South Australian Electricity (General) Regulations 2012 and Gas Regulations 2012 (Regulations) to:

- ▶ offer a market contract without an early termination fee, and
- ▶ clearly identify, in naming the contract, that no fee applies for early termination of the contract.

The Commission conducted a review of National Energy Retail Law retailers' compliance with this obligation.

All National Energy Retail Law retailers offer a contract without an early termination fee. There were some instances where National Energy Retail Law retailers had not clearly identified in the naming of the contracts that no fee applies for early termination on both their website and Energy Made Easy website. Those National Energy Retail Law retailers have now amended their contracts to meet this obligation.

## R-FiT obligations

Pursuant to section 36AD of the Electricity Act, electricity retailers have an obligation to make feed-in-tariff payments.




Commission staff conducted an audit of retailer Sanctuary Energy's compliance with its feed-in-tariff obligations, following a referral from the Energy and Water Ombudsman SA. In conducting this audit the Commission reviewed the retailer's policies, procedures and specific customer data.

The audit identified that the written material provided to customers was ambiguous and could cause confusion about the types of credits that are paid by the retailer. Accordingly, the Commission requested that Sanctuary Energy review all customer-facing written material to ensure that it clearly identifies the various feed-in-tariffs and credits applicable to customers.









## Appendix 1: Performance against Performance Plan 2015-16

The Commission's performance against its approved Performance Plan 2015-16 is summarised as follows, showing status of projects and ongoing work as at 30 June 2016.

Rating	2015-16 status
	Met
	Delayed
	Did not meet

### Water

Projects	Start	End	Status
<b>GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices</b>			
SA Water Regulatory Determination 2016 – regulatory instruments Reviewing the consumer protection and regulatory framework as contained in the Water Retail Code – Major Retailers, Water Industry Guideline No. 1 – Compliance Systems and Reporting, and Water Industry Guideline No. 2 – Water Regulatory Information Requirements for Major Retailers.	Q1	Q4	
SA Water Regulatory Determination 2016 – service standards Finalise the specific targets and metrics for the service standard to apply to SA Water for 2016-2020 in accordance with the service standards framework.	Q1	Q3	
SA Water Regulatory Determination 2016 – Price Determination Make a price determination consistent with the Framework and Approach released in 2014 and all legislative requirements.	Q2	Q4	
National Water Commission - National Performance Report audit Provide input into the development of the National Water Commission's national performance report through gathering and auditing performance data supplied by SA Water.	Q2	Q2	
SA Water Consumer Engagement Program Ensure that the consumer engagement work undertaken by SA Water in the lead up to the regulatory determination for the next regulatory period is robust and can be relied on for regulatory decision-making purposes.	Q2	Q2	
Minor and Intermediate Retailers Customer Engagement Work with Minor and Intermediate retailers to understand the preferences of their customers as part of the review of the regulatory framework for the next regulatory period.	Q2	Q4	

**GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements**

Minor and Intermediate Retailer Engagement Program	Q2	Q4	●
Liaise with Minor and Intermediate retailers to ensure the smooth operation of the Commission's licensing, performance monitoring and reporting framework within water retail businesses.			

Ongoing work	Start	End	Status
GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices			
Collect, analyse and report on pricing outcomes by regulated entities	Ongoing		<div></div>
Report to the Treasurer on 2016-17 Water Licence Fees, pursuant to section 24(3) of the Water Industry Act 2012. <i>Comment: Project contingent based on request received from the Treasurer. Request received in June 2016 and completed in July 2016.</i>	Q3	Q4	<div></div>
Resolve any excluded services disputes	Ongoing		<div></div>
GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements			
Issue licences and exemptions as required	Ongoing		<div></div>
Administer licensing regime for water and sewerage operations	Ongoing		<div></div>
Administer and review Industry Codes	Ongoing		<div></div>
Administer and review Industry Guidelines	Ongoing		<div></div>
Collect, analyse and report on compliance outcomes by regulated entities	Ongoing		<div></div>
Undertake compliance action as required	Ongoing		<div></div>
Collect, analyse and report on operational performance outcomes by regulated entities	Ongoing		<div></div>
Collect, analyse and report on financial performance outcomes by regulated entities	Ongoing		<div></div>
Develop and publish Annual Performance Reports	Q2	Q4	<div></div>

## Energy (electricity and gas)

Projects	Start	End	Status
<b>GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices</b>			
Service standards for electricity transmission for 2018-2023  Develop service standards to apply to ElectraNet for the regulatory period 2018-2023. Timetable adjusted to Q1 2016-17 to accommodate other Commission priorities. There is no impact with timetable adjusted.	Q1	Q1 2016-17	●
Develop and publish Ministerial Retail Pricing Report 2015  Meet requirement of Section 12 (1)(c) of the Electricity (General) Regulations 2012 and submit to the Minister for Mineral Resources and Energy, and publish on Commission website, a report monitoring the energy retail prices that were generally available to residential and small business customers during the previous financial year.	Q1	Q1	●
Review the need for ongoing regulation of the Retailer Feed-in Tariff  Monitor the extent of competition for solar PV customers and Retailer Feed-in Tariff payments. Timetable adjusted to Q1 2016-17 to accommodate other Commission priorities. There is no impact with timetable adjusted.	Q1	Q1 2016-17	●
<b>GOAL 4: Contribute to a strong, sustainable economy in South Australia</b>			
National Energy Retail Law Review  Finalise the formal review process for the NERL review required under the National Energy Retail Law.	Q3 2014-15	Q3 2015-16	●

Ongoing work	Start	End	Status
<b>GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements</b>			
Issue licences and exemptions as required	Ongoing		●
Administer the licensing regime for generation and wind generation operations	Ongoing		●
Administer the licensing regime for transmission and distribution operations	Ongoing		●
Administer the licensing regime for off-grid electricity operations	Ongoing		●
Administer the licensing regime for Liquefied Petroleum Gas (LPG) operations	Ongoing		●
Administer and review Industry Codes	Ongoing		●
Administer and review Industry Guidelines	Ongoing		●

Ongoing work	Start	End	Status
Collect, analyse and report on compliance outcomes by regulated entities	Ongoing		●
Undertake compliance action as required	Ongoing		●
Collect, analyse and report on operational performance outcomes by regulated entities	Ongoing		●
Develop and publish Annual Performance Reports	Q1	Q2	●
Develop and publish Significant Event Performance Reports	As required		●
Administer Power Line Environment Committee Program	Ongoing		●
Publish Powerline Environment Committee Annual Report	Q1	Q1	●
Review and approve safety, reliability, maintenance and technical management plans, in liaison with the Office of the Technical Regulator	Ongoing		●
Undertake regulatory tasks assigned as part of the National Energy Customer Framework	Ongoing		●

## REES

Projects	Start	End	Status
<b>GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements</b>			
REES IT system modification Modify the REES Information Technology System to provide for efficient and seamless data transfers between retailers and the Commission, and assist in the annual reporting process.	Q1	Q4	●
Liaison with obliged retailers and third party providers Ensure all stakeholders are aware of their revised responsibilities and requirements under the scheme.	Q1	Q2	●

Ongoing work	Start	End	Status
<b>GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements</b>			
Administer the REES	Ongoing		●
Administer and review the REES Code	Ongoing		●
Administer and review the REES Guideline	Ongoing		●
Review and assess retailer compliance plans and information	Q3	Q4	●
Administer REES enforcement and penalty regime	As required		●
Publish REES Bulletins	Ongoing		●
Publish Annual Report on outcomes of the REES as per the Minister's Protocol	Ongoing		●
Receive and process REES activity data reports from retailers	Quarterly		●
Determine allocation of 2016 REES targets	Q2	Q3	●
Assess retailer achievement of targets	Quarterly/Annually		●
REES 'roadshows'	Q2 and Q4		●
Stakeholder liaison (retailers, third parties and DSD)	Ongoing		●
Liaise with other jurisdictions to ensure, as far as possible, national consistency in the administration and operation of energy efficiency schemes	Ongoing		●

## Rail

### Tarcoola - Darwin

Projects	Start	End	Status
<b>GOAL 4: Contribute to a strong, sustainable economy in South Australia</b>			
<p>Review of Tarcoola to Darwin railway revenues and profits</p> <p>Pursuant to section 50 of the AustralAsia Railway (Third Party Access) Act 1999, undertake a review of whether or not the profits earned for the provision of access to the Tarcoola to Darwin railway over the past 10 years have been excessive.</p>	Q3 2014-15	Q1 2015-16	●

Ongoing work	Start	End	Status
<b>GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices</b>			
Conciliate and arbitrate access disputes	As required		●
Publish annual report on Commission's activities related to administration of the Tarcoola-Darwin rail access regime	Q1	Q1	●
<b>GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements</b>			
Monitor compliance of regulated entities and take compliance action as required	Ongoing		●

## Intrastate

Projects	Start	End	Status
<b>GOAL 4: Contribute to a strong, sustainable economy in South Australia</b>			
Review of intrastate rail access regime  Pursuant to section 7A of the Railways (Operations and Access) Act 1997, review the intrastate rail access regime to determine whether the access regime should continue to apply.	Q1	Q2	●

Ongoing Work	Start	End	Status
<b>GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices</b>			
Conciliate and arbitrate access disputes	As required		●
Publish annual report on Commission's activities related to administration of the intrastate rail access regime	Q1	Q1	●
<b>GOAL 2: Keep regulated businesses accountable by monitoring and reporting on service standards and licence requirements</b>			
Monitor compliance of regulated entities and take compliance action as required	Ongoing		●

## Ports






Ongoing work	Start	End	Status
<b>GOAL 1: Establish consumer protection frameworks to promote the delivery of both service levels valued by consumers and efficient prices</b>			
Monitor ports prices and publish 2015 ports price monitoring report	Ongoing		●
Conciliate and arbitrate individual infrastructure access disputes	As required		●

## General regulation



Projects	Start	End	Status
<b>GOAL 3: Consult genuinely and promote community understanding and engagement</b>			
Upgrade and enhance the Commission website Upgrade the Commission website to enhance functionality. <i>Comment: Project completed in August 2016</i>	Q1	Q4	●
Undertake a Stakeholder Survey Engage an independent organisation to undertake a survey of stakeholder perceptions of the Commission	Q3	Q4	●
<b>GOAL 4: Contribute to a strong, sustainable economy in South Australia</b>			
Conduct Part 7 ESC Act Inquiries Conduct inquiries as referred from SA Government	As required		●
Provide advice to South Australian Government under ESC Act As referred from South Australian Government	As required		●
Develop a formal framework to govern the Commission's approach to developing, maintaining and applying regulation.	Q3 14-15	Q4	●
Develop and publish Strategic Plan 2016-2019 Develop the Commission's strategic direction and regulatory intentions for 2016-2019.	Q1	Q3	●







Ongoing work	Start	End	Status
<b>GOAL 3: Consult genuinely and promote community understanding and engagement</b>			
Co-ordinate and administer the Consumer Advisory Committee for water, electricity and gas	Ongoing		●
Maintain a consultative approach to decision-making	Ongoing		●



Develop relationships with regulated industries, consumers, Government, other regulators	Ongoing		
Refine communications methods and mechanisms	Ongoing		
Provide information and education to the general community	Ongoing		
GOAL 4: Contribute to a strong, sustainable economy in South Australia			
Contribute to the development of state and national regulatory frameworks	Ongoing		
Publish corporate Annual Report in accordance with legislative requirements	Q1	Q1	

## People, processes and systems

Projects	Start	End	Status
<p>Develop licensee database system</p> <p>Develop a licensee database to enhance interaction and data capture with regulated entities</p> <p><i>Comment: Project well progressed with approvals, including State Procurement Board, and design and development stage commenced. Expected to be finalised by in 2016-17</i></p>	Q1	Q4	
<p>Develop the performance plan and budget for 2016-17</p> <p>Pursuant to section 23 of the Essential Services Commission Act 2002, develop the Performance Plan and budget 2016-17</p>	Q2	Q3	

Ongoing work	Start	End	Status
Undertake end of year financial quality review and finalisation of EOY accounts	Q1	Q1	
Ensure finance, procurement, human resources, work health and safety, information management and risk management policies and procedures are regularly reviewed, published and fully implemented	Ongoing		
Ensure all staff have a current personal development plan	Ongoing		
Undertake a staff culture survey	Q3	Q3	
Develop a Workforce Strategy	Q3	Q4	
Organise and conduct activities to strengthen internal relationships and teams	Quarterly		

## Appendix 2: Licensed and exempted entities

As at 30 June 2016

### Water

Entity	Type
Adelaide Hills Council	licence
Alano Utilities Pty Ltd	licence
Alexandrina Council	licence
Berri Barmera Council	licence
BHP Billiton Olympic Dam Corporation Pty Ltd	licence
Cape Jaffa Anchorage Essential Services Pty Ltd	licence
City of Onkaparinga - sewerage	licence
City of Onkaparinga - water	licence
City of Playford	licence
City of Port Adelaide Enfield	licence
City of Port Lincoln	licence
City of Salisbury	licence
City of Tea Tree Gully	licence
Clare & Gilbert Valleys Council	licence
Coorong District Council	licence
District Council of Barunga West	licence
District Council of Ceduna	licence
District Council of Cleve	licence
District Council of Cleve - Arno Bay	licence
District Council of Coober Pedy	licence
District Council of Copper Coast	licence
District Council of Elliston	licence
District Council of Franklin Harbour	licence
District Council of Grant	licence

Entity	Type
District Council of Karoonda East Murray	licence
District Council of Kimba	licence
District Council of Lower Eyre Peninsula	licence
District Council of Loxton Waikerie	licence
District Council of Mallala	licence
District Council of Mount Barker	licence
District Council of Mount Remarkable	licence
District Council of Orroroo Carrieton	licence
District Council of Robe	licence
District Council of Streaky Bay	licence
District Council of Tumby Bay	licence
District Council of Yankalilla	licence
ERA Water	licence
F.B. Pipeline Pty Ltd	licence
Fairmont Utilities Pty Ltd	licence
Foothills Water Co Pty Ltd	exemption
Glendambo & District Progress Association Inc	exemption
Hillrise Investments Pty Ltd	licence
Kangaroo Island Council	licence
Kingston District Council	licence
Knoxstead Pty Ltd	exemption
Light Regional Council	licence
Michell Infrastructure Pty Ltd	licence
Mid Murray Council	licence
Municipal Council of Roxby Downs	licence
Naracoorte Lucindale Council	licence
Northern Areas Council	licence

Entity	Type
Outback Communities Authority	licence
Port Pirie Regional Council	licence
Port Augusta City Council	licence
Regional Council of Goyder - Burra	licence
Regional Council of Goyder - Eudunda	licence
Renmark Paringa Council	licence
Rural City of Murray Bridge	licence
South Australian Water Corporation (SA Water)	licence
Southern Mallee District Council	licence
Tatiara District Council	licence
The Barossa Council	licence
The City of Charles Sturt	licence
The Corporation of the City of Marion	licence
The Flinders Ranges Council	licence
The Yattalunga Association	exemption
Wakefield Regional Council	licence
Water Utilities Australia Pty Ltd	licence
Wattle Range Council	licence
Wudinna District Council	licence
Yorke Peninsula Council	licence

## Electricity

Entity	Type
AGL Hydro Partnership and Hallett 5 Pty Ltd	generation licence
AGL Hydro Partnership & Brown Hill North Pty Ltd	generation licence
AGL Hydro Partnership & Hallett Hill Pty Ltd	generation licence
AGL Power Generation (Brown Hill) Pty Ltd	generation licence

Entity	Type
AGL SA Generation Pty Ltd	generation licence generation exemption
AGL SA Generation Pty Ltd (Torrens Island)	generation exemption
AGL South Australia Pty Ltd	generation licence
AGL South Australia Pty Ltd (formerly Power Traders Pty Ltd)	generation exemption
Australian Rail Track Corp	distribution exemption
BHP Billiton Olympic Dam Corp Pty Ltd	transmission and distribution licence
Canunda Power Pty Ltd	generation licence
Cathedral Rocks Wind Farm Pty Ltd	generation licence
Cowell Electric Supply Pty Ltd	generation, distribution and retail licence
Dalfoam Pty Ltd	generation, distribution and retail licence
District Council of Coober Pedy	generation, distribution and retail licence
ElectraNet Pty Ltd	electronic control system licence transmission licence
Energy Developments Limited Group Operations Pty Ltd	generation licence
EnergyAustralia Hallett Pty Ltd	generation licence
Epic Energy South Australia Pty Ltd	generation, distribution and retail exemption
Essential Services Commission (mandatory licence requirements)	exemption exemption
Flinders Power Partnership	generation licence retail exemption
HWF 1 Pty Ltd	generation licence
Jeril Enterprises Pty Ltd	generation distribution and retail licence
Kimberly-Clark Australia Pty Ltd	generation licence
Lake Bonney Wind Power Pty Ltd	generation licence
Lofty Ranges Power Pty Ltd and South Australian Water Corporation (SA Water) Joint Venture	generation licence
Lumo Generation SA Pty Ltd	generation licence
Minister for Mineral Resources and Energy	generation licence

Entity	Type
Mt Millar Wind Farm Pty Ltd	generation licence
Municipal Council of Roxby Downs	distribution and retail licence
Murraylink Transmission Company Pty Ltd	transmission licence exemption
One Steel Manufacturing Pty Ltd	distribution licence
Origin Energy Electricity Ltd	generation licence generation licence generation exemption
Osborne Cogeneration Pty Limited	generation exemption
OZ Minerals Prominent Hill Operations Pty Ltd	transmission licence
Pacific Hydro Clements Gap Pty Ltd	generation licence
Pelican Point Power Limited	generation licence
Pelican Point Power Limited (formerly National Power South Australia Investments Limited)	generation exemption
Royal Agricultural & Horticultural Society SA Inc	generation licence
Santos Limited	generation, distribution and retail exemption
SA Power Networks	distribution licence generation licence
Snowtown South Wind Farm Pty Ltd	generation licence
Snowtown Wind Farm Pty Ltd	generation licence
Snowtown Wind Farm Stage 2 Pty Ltd	generation licence
South Australian Water Corporation (SA Water) (Bolivar)	generation licence
South Australian Water Corporation (SA Water) (Seacliff)	generation licence
Starfish Hill Wind Farm Pty Ltd	generation licence
Synergen Power Pty Ltd	generation licence
The Bear Clan Pty Ltd	generation licence
Transfield Services (Australia) Pty Ltd	generation, distribution transmission and retail exemption
TrustPower Australia Holdings Pty Ltd	generation licence

Entity	Type
Vibe Energy Pty Ltd	generation licence
Waterloo Wind Farm Pty Ltd	generation licence
Wattle Point Wind Farm Pty Ltd & AGL Hydro Partnership	generation licence

## Gas

Entity	Type
AGL Wholesale Gas Limited	retail exemption
Australian Gas Networks Limited	distribution licence
Elgas Limited	distribution licence retail licence
Environmental Land Services (Aust) Pty Ltd	distribution licence
Origin Energy LPG Limited	distribution licence
Origin Energy Retail Limited	retail licence



## Appendix 3: Commission publications

Publications released during 2015-16

### Water

Water publications	Published
Annual Compliance Report for Minor and Intermediate Retailers Template – General   CEO	July 2015
Water Annual Compliance Reporting Minor and Intermediate Water Retailers - Checklist	July 2015
Simplifying Annual Reporting Requirements for Minor and Intermediate Water Retailers – Draft Decision   Final Decision	July 2015
Price Monitoring Reporting for Minor and Intermediate Water Retailers Template	July 2015
Financial and Operational Performance Reporting Minor and Intermediate Water Retailers Template	July 2015
Regulatory Determination 2013-2017 for Minor and Intermediate Water Retailers Variation	July 2015
Commission Commences Review of SA Water's Regulatory Business Proposal for 2016-2020 - media release	September 2015
SA Water Regulatory Determination 2016 - Fact sheet	September 2015
Water Industry Guideline No 3 - Minor and Intermediate Retailers WG3/04 - explanatory memorandum	October 2015
SA Water Regulatory Performance Report 2013-14	October 2015
SA Water Regulatory Performance Report 2014-15 – report   Fact sheet   time series data	January 2016
SA Water Regulatory Determination 2016 Draft Determination - Executive Summary   Statement of Reasons   media release	February 2016
Water Industry Third Party Access Amendment Act 2015 - arbitration flowchart	March 2016
Water Industry Third Party Access Information Session - presentation slides	March 2016
How are SA Water's Costs Recovered Through Prices – Fact Sheet	April 2016
Minor and Intermediate Retailers Regulatory Performance Report 2013-14	June 2016
Minor and Intermediate Water Retailers Regulatory Performance Report 2014-15 – Report   Fact sheet	June 2016
SA Water's water and sewerage retail services: 2016-2020 Regulatory Determination	June 2016
SA Water Regulatory Determination 2016 - Final Determination   media release   Executive Summary	June 2016

Water publications	Published
Water retail code - major retailers	June 2016
March 2016 Water Main Burst Event - Review of SA Water's performance	June 2016

## Energy

Energy publications	Published
Energy Retail Prices in South Australia - Ministerial Pricing Report 2015 – Report   Fact sheet	August 2015
NERL Review - Draft Report   Executive Summary   Time series data	December 2015
Energy Businesses Regulatory Performance Report 2014-15 – Report   Fact sheet	January 2016
Annual Performance Report 2014-15 Time Series Data	January 2016
Prepayment Meter System Code - Draft Final Decision	May 2016
NERL Review – Final Report   Executive Summary   Final Report - Time series data - Quarterly   Time series data – Annual	May 2016

## Electricity

Electricity publications	Published
Proposed Variation to Clause 2.4.1 of Electricity Transmission Code – Discussion Paper	August 2015
Electricity Transmission Code	October 2015
Variation to Clause 2.4.1 of the Electricity Transmission Code – Final Decision	October 2015
PLEC Annual Report 2014-15	November 2015
PLEC Project Streetscaping	November 2015
Retailer feed-in tariff 2016	December 2015
Retailer-paid solar feed-in tariff to rise in 2016 - Media Release	December 2015
SA Power Networks' Performance September Quarter 2015 - Fact sheet	February 2016
SA Power Networks' Performance June Quarter 2015 - Fact sheet	February 2016
Schedule of Electricity Licence Fees	March 2016
Electricity Transmission Code review - Draft Decision	March 2016
SA Power Networks' performance September quarter 2015 - Fact sheet	March 2016
South Australian electricity retailer feed-in tariff - Review of regulatory arrangements Issues Paper	April 2016

Electricity publications	Published
SA Power Networks' Performance March Quarter 2016 - Fact Sheet	June 2016
SA Power Networks' Summer Performance December 2015 to March 2016 Infographic	June 2016

## Gas

Gas publications	Published
Schedule of Gas Licence Fees	March 2016

## Ports

Ports publications	Published
2015 Ports Price Monitoring Report	November 2015

## Rail

Rail publications	Published
Tarcoola-Darwin Railway - Ten Year Review of Revenues - Final Report	August 2015
South Australian Rail Access Regime Review - Final Report	September 2015
SA Rail Regulation Annual Report 2014-15	December 2015
Tarcoola-Darwin Rail Regulation Annual Report 2014-15	December 2015

## REES

REES publications	Published
REES Guideline No 6 - Statistical Information	September 2015
Review of REES Guideline 2015 - Final Decision	September 2015
REES Bulletin No 20 - REES Commercial Lighting Activities	October 2015
REES Compliance Action - Warning Notice - Momentum Energy	December 2015
REES Compliance Action - Undertaking and Acknowledgement - Momentum Energy	December 2015
REES Bulletin No 21 - REES Residential Lighting Activities	January 2016
REES Annual Report 2015 – Report   Executive Summary	June 2016

## Corporate

Corporate publications	Published
Strategic Directions Consultation Paper	August 2015
Annual Report 2014-15	November 2015
Commission Values	February 2016
Performance Plan 2016-17	February 2016
Strategic Plan 2016-19	May 2016

## Appendix 4: Human resource statistical information

Further human resource information for 2015-16 is available from the Commissioner for Public Sector Employment website at [www.publicsector.sa.gov.au](http://www.publicsector.sa.gov.au).

### Workforce diversity

Table 4: Age and gender identification profile

Age group (Years)	Number of persons				% Persons	% 2014 Workforce benchmark*
	Male	Female	Other Gender Identified	Total		
15-19	0	0	0	0	0	5.5
20-24	0	0	0	0	0	9.7
25-29	1	2	0	3	10.3	11.2
30-34	0	4	0	4	13.8	10.7
35-39	2	3	0	5	17.2	9.6
40-44	2	3	0	5	17.2	11.4
45-49	3	3	0	6	21	11.1
50-54	1	0	0	1	3.4	11.4
55-59	2	1	0	3	10.3	9.1
60-64	1	0	0	1	3.4	6.7
65+	0	1	0	1	3.4	3.6
Total	12	17	0	29	100	100

\*Source: ABS Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status - employed - total from Feb78 Super Table, South Australia at November 2013

Table 5: Number of employees with disabilities

	Male	Female	Other	Total
Employees identifying with a disability	0	0	0	0

### Executives

Table 6: Executives by gender identification, classification and status

Classification	Contract untenured				Ongoing				Total			
	M	F	O	Total	M	F	O	Total	M	F	O	Total
Level A	0	2	0	2	0	0	0	0	0	2	0	2
Level B	1	0	0	1	0	0	0	0	1	0	0	1
Level D	1	0	0	1	0	0	0	0	1	0	0	1
Total Executive	2	2	0	4	0	0	0	0	2	2	0	4

## Leave management

Table 7: Average days leave per full-time equivalent employee

Leave type	2015-16	2014-15	2013-14	2012-13
Special Leave With Pay	0.9	0.6	0.6	1.0
Sick Leave	8.0*	5.9	7.5	10.4*
Family Carer Leave	2.4	1.8	1.4	1.6
Total Sick/Carer Leave	10.4	7.7	8.9	12.0

\*Increase due to sick leave taken for extended illness and surgery

## Performance development

Table 8: Documented performance management

Employees plans	Persons	% Total workforce
A plan reviewed within the past 12 months	29	100
A plan older than 12 months	0	0
No plan	0	0

## Training and development

Table 9: Training and development expenditure

Training and development	Total cost	% of total salary budget
Total training and development expenditure	\$123,867.20	4.65%
Total leadership and management development expenditure	\$34,304.70	1.29%

## Work health and safety and injury management

Table 10: Work health, safety and injury management statistics

Work health and safety legislative obligations	2015-16	2014-15	2013-14
Number of notifiable occurrences pursuant to Work Health and Safety Act	0	0	0
Number of notifiable injuries pursuant to Work Health and Safety Act	0	0	0
Number of notices served pursuant to Work Health and Safety Act Section 90, 191 and 195 (Provisional improvement, improvement and prohibition notices)	0	0	0
Injury management legislative requirements	0	0	0
Total number of employees who participated in rehabilitation programs	0	0	0

Work health and safety legislative obligations	2015-16	2014-15	2013-14
Total number of employees rehabilitated / reassigned to alternative duties	0	0	0
Total number of employees rehabilitated back to their original work	0	0	0
Work cover action limits			
Number of open claims	0	0	0
Percentage of workers compensation expenditure over gross annual remuneration	0	0	0
Number of Claims			
Number of new workers compensation claims in the financial year	0	0	0
Number of fatalities, lost time injuries, medical treatment only	0	0	0
Total number of working days lost	0	0	0
Cost of Workers Compensation			
Cost of new claims for financial year	\$0	\$0	\$0
Cost of all claims excluding lump sum payments	\$0	\$0	\$0
Cost of lump sum payments (ss 42, 43 and 44)	\$0	\$0	\$0
Total amount recovered from external sources (s54)	\$0	\$0	\$0
Meeting targets			
Nil Workers compensation claims	Yes	Yes	Yes
Work Health and Safety policies implemented as scheduled	100%	100%	100%
Work Health and Safety Training Program in place	Yes	Yes	Yes
Workplace Inspections Completed	Yes	Yes	Yes

## Whistleblowers

There have been no instances of disclosure of public interest information under the Whistleblowers Protection Act 1993 pursuant to Section 7 of the Public Sector Act 2009 during 2015-16.

## Disability Access and Inclusion Plan

The Commission has taken steps to develop a Disability Access and Inclusion Plan (DAIP), aligning with the State Government DAIP initiative. The initiative is in response to recommendations provided by the Social Inclusion Board's report, *Strong Voices: A Blueprint to Enhance Life and Claim the Rights of People with Disability in South Australia (2012-2020)*.

As at 30 June 2016 the Commission's Disability Access and Inclusion Plan was in the final stages of development.



## Appendix 5:

### Financial statements and independent audit report

# **Essential Services Commission**

## **FINANCIAL STATEMENTS**

**for the year ended 30 June 2016**

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**Certification of the Financial Statements**

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We certify that the:

- financial statements of the Essential Services Commission:
  - are in accordance with the accounts and records of the Essential Services Commission;
  - comply with relevant Treasurer's instructions;
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Essential Services Commission at the end of the 30 June 2016 financial year and the results of its operations and cash flows for the financial year.
- internal controls employed by the Essential Services Commission over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year.

Signed in accordance with a resolution of the Essential Services Commission.



**Mr Brett Rowse**

**CHAIRPERSON**

**28 September 2016**



**Mr Adam Wilson**

**CHIEF EXECUTIVE OFFICER**

**28 September 2016**



**Mr Nick Mahon**

**MANAGER, FINANCE AND INFORMATION TECHNOLOGY**

**28 September 2016**

**Statement Of Comprehensive Income**  
for the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
<b>Expenses</b>			
Employee benefits	5	3 584	3 206
Supplies and services	6	1 585	1 255
Payments to SA Government	7	-	100
Depreciation and amortisation	8	100	104
Other expenses	9	1	-
<b>Total expenses</b>		<b>5 270</b>	<b>4 665</b>
<b>Income</b>			
Revenue from licence and administration fees	10	3 464	4 195
Contributions from SA Government	11	330	384
Revenue from services	12	36	92
Other income	13	1	2
<b>Total Income</b>		<b>3 831</b>	<b>4 673</b>
<b>Net result</b>		<b>(1 439)</b>	<b>8</b>
<b>Total comprehensive result</b>		<b>(1 439)</b>	<b>8</b>

The net result and total comprehensive result are attributable to the SA Government as owner.

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

**Statement Of Financial Position**  
as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents		7 881	9 013
Receivables	14	1 026	1 205
<b>Total current assets</b>		<b>8 907</b>	<b>10 218</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	391	437
Intangible assets	16	356	338
<b>Total non-current assets</b>		<b>747</b>	<b>775</b>
<b>Total assets</b>		<b>9 654</b>	<b>10 993</b>
<b>Current liabilities</b>			
Payables	17	127	263
Employee benefits	18	262	202
Provisions	19	1	-
Other liabilities	20	149	125
<b>Total current liabilities</b>		<b>539</b>	<b>590</b>
<b>Non-current liabilities</b>			
Payables	17	75	61
Employee benefits	18	812	679
Provisions	19	4	-
<b>Total non-current liabilities</b>		<b>891</b>	<b>740</b>
<b>Total liabilities</b>		<b>1 430</b>	<b>1 330</b>
<b>Net assets</b>		<b>8 224</b>	<b>9 663</b>
<b>Equity</b>			
Retained earnings	26	8 224	9 663
<b>Total equity</b>		<b>8 224</b>	<b>9 663</b>

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	Note 21
Contingent assets and contingent liabilities	Note 22

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

**Statement Of Changes In Equity**  
for the year ended 30 June 2016

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	Note	Retained Earnings \$'000
Balance at 30 June 2014		9 655
Net result for 2014-15		8
<b>Total comprehensive result for 2014-15</b>		<b>8</b>
Balance at 30 June 2015		9 663
Net result for 2015-16		(1 439)
<b>Total comprehensive result for 2015-16</b>		<b>(1 439)</b>
Balance at 30 June 2016		<b>8 224</b>

All changes in equity are attributable to the SA Government as owner.

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

**Statement Of Cash Flows**  
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows:</b>			
Employee benefits		(3 415)	(2 976)
Supplies and services		(1 645)	(1 231)
Payments to SA Government		-	( 100)
Payments for paid parental leave scheme		( 26)	( 5)
<b>Cash used in operations</b>		<b>(5 086)</b>	<b>(4 312)</b>
<b>Cash inflows:</b>			
Licence and administration fees		3 633	4 214
Grants and contributions		330	384
Other services		36	92
Paid parental leave scheme		26	8
Other receipts		1	2
<b>Cash generated from operations</b>		<b>4 026</b>	<b>4 700</b>
<b>Net cash provided by operating activities</b>		<b>(1 060)</b>	<b>388</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		( 14)	-
Purchase of intangible assets		( 58)	( 318)
<b>Cash used in investing activities</b>		<b>( 72)</b>	<b>( 318)</b>
<b>Net cash provided by / (used in) investing activities</b>		<b>( 72)</b>	<b>( 318)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(1 132)</b>	<b>70</b>
Cash and cash equivalents at 1 July		9 013	8 943
<b>Cash and cash equivalents at 30 June</b>		<b>7 881</b>	<b>9 013</b>

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

## **Notes To And Forming Part Of The Financial Statements**

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**Note 1** Objectives of the Essential Services Commission

**Note 2** Summary of significant accounting policies

**Note 3** New and revised accounting standards and policies

**Note 4** Activities of the Commission

### **Expense Notes**

**Note 5** Employee benefits

**Note 6** Supplies and services

**Note 7** Payments to SA Government

**Note 8** Depreciation and amortisation expense

**Note 9** Other expenses

### **Revenue Notes**

**Note 10** Revenue from licence and administration fees

**Note 11** Contributions from SA Government

**Note 12** Revenue from services

**Note 13** Other income

### **Asset Notes**

**Note 14** Receivables

**Note 15** Property, plant and equipment

**Note 16** Intangible assets

### **Liability Notes**

**Note 17** Payables

**Note 18** Employee benefits

**Note 19** Provisions

**Note 20** Other liabilities

### **Other Notes**

**Note 21** Unrecognised contractual commitments

**Note 22** Contingent assets and contingent liabilities

**Note 23** Remuneration of Commission and committee members

**Note 24** Financial risk management / Financial instruments

**Note 25** Events after the reporting period

**Note 26** Retained earnings

**Note 27** Administered items



## Notes To And Forming Part Of The Financial Statements

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### **Note 1 Objectives of the Essential Services Commission**

The Essential Services Commission (Commission) is a statutory authority established as an independent economic regulator and advisory body under the Essential Services Commission Act 2002 (ESC Act).

The Commission has economic regulatory responsibility in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to Government on economic and regulatory matters. The ESC Act and various industry Acts together provide the Commission with those regulatory and advisory powers and functions.

Under the ESC Act the Commission has the primary objective of the '...protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services'.

The ESC Act sets out seven further factors which the Commission must have regard to in performing its functions, being:

- promoting competitive and fair market conduct
- preventing misuse of monopoly or market power
- facilitating entry into relevant markets
- promoting economic efficiency
- ensuring consumers benefit from competition and efficiency
- facilitating maintenance of the financial viability of regulated industries and the incentive for long term investment, and
- promoting consistency in regulation with other jurisdictions.

The Commission has two broad advisory functions. The first is to provide advice to the Treasurer, on request, in relation to any matter (section 5(f) of the Essential Services Commission Act). In that capacity the Commission acts as a consultant to the Government, providing independent advice on economic and regulatory matters.

The second is to conduct public Inquiries (Part 7 of the Essential Services Commission Act). Such Inquiries can be initiated by the Commission (into any matters within its regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).

### **Note 2 Summary of significant accounting policies**

#### **(a) Statement of compliance**

These financial statements have been prepared in compliance with section 23 of the Public Finance and Audit Act 1987 (PFA Act). The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the PFA Act.

The Commission has applied Australian Accounting Standards for not-for-profit entities, as the Commission is a not-for-profit entity.

#### **(b) Basis of preparation**

The preparation of the financial statements requires the following:

- The use of certain accounting estimates and requires the exercise of judgement in the process of applying the Commission's accounting policies. Areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.

## Notes To And Forming Part Of The Financial Statements

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- That 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 are reported.
- Compliance with Accounting Policy Statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
  - a) Expenses incurred as a result of engaging consultants.
  - b) Employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.
  - c) Board / committee member and remuneration information, where a board / committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Commission's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

### (c) Reporting entity

The financial statements and accompanying notes cover the Commission as an individual reporting entity. The Commission is a statutory authority of the State of South Australia, established pursuant to the ESC Act.

The Commission utilises the banking arrangements of the Department of Treasury and Finance under a Service Level Agreement. A non-interest bearing Special Deposit Account (SDA) entitled 'Essential Services Commission Operating Account', established by the Treasurer under the PFA Act, is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence and administration fees.

### (d) Administered items

Section 22 of the ECS Act requires that, except as otherwise directed by the Treasurer, fees or other amounts received by the Commission under this or any other Act will be paid into the Consolidated Account. All revenues from licence and administration fees except for amounts approved by the Treasurer for transfer to the Consolidated Account are held in the SDA.

The amounts transferred to the Consolidated Account are administered items held on behalf of the South Australian Government. The Commission is accountable for the collection and banking of those administered items, but does not have the discretion to deploy the resources for the achievement of the Commission's objectives. The receipt of these administered items is not recognised as revenue. Instead, the subsequent transfer of these items to the Consolidated Account is disclosed in Note 10 and Note 27. The accrual basis of accounting has been used in accounting for administered items.

### (e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods, except where specific accounting standards and / or accounting policy statements have required a change.

## Notes To And Forming Part Of The Financial Statements

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Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The Commission has not applied any accounting policy changes retrospectively for the financial year 2016.

Restated comparative amounts do not replace the original financial statements for the preceding period.

### (f) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

### (g) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Income, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.

GST amounts payable and recoverable from the Australian Taxation Office are managed via the Department of Treasury and Finance under the Commission's existing Service Level Agreement and are not reported in these statements for the year ended 30 June 2016.

### (h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

### (i) Income

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

Income has been aggregated according to its nature, and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

#### (a) Licence fees

Licence fees are measured at the fair value of consideration received or receivable. Gross licence fee revenue is set by the minister in accordance with sections under the relevant Acts. Licence fee revenue is recognised when it is received or receivable. Unearned revenue is recognised where cash is received by the Commission for licence fees prior to the date of renewal of the relevant licence.

#### (b) Administration fees

Administration fees are measured at the fair value of consideration received or receivable. Gross administration fee revenue represents a reasonable contribution towards administration costs and is calculated in accordance with regulations under the relevant Acts. Administration fee revenue is recognised when it is received or receivable.

## Notes To And Forming Part Of The Financial Statements

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Unearned revenue is recognised where cash is received by the Commission for administration fees prior to the date of renewal.

(c) Contributions from South Australian Government

Contributions received from the SA Government are recognised as revenue upon receipt of the contribution.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

*Employee benefits expenses*

Employee benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of Commission staff and members. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

*Depreciation and amortisation*

All non-current assets having limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. No adjustments were made during the reporting period.

Depreciation/Amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Depreciation / amortisation method	Useful life
Leasehold improvements	Straight line	Remaining life of expected lease term
Furniture and fittings	Straight line	3 - 10 years
Office equipment - IT	Straight line	3 - 5 years
Office equipment - Other	Straight line	3 - 5 years
Intangibles	Straight line	3 - 6 years

*Payments to SA Government*

The Payments to the SA Government consist of amounts approved by the Treasurer for transfer from the SDA to the specified department. Details are provided in Note 7.

(k) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Therefore, assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

## Notes To And Forming Part Of The Financial Statements

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### (I) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

#### *Special deposit account*

The Commission records all transactions in the SDA. The Commission may only utilise the reported balance in the SDA in accordance with its approved Budget or with prior approval of the Treasurer.

#### *Cash and cash equivalents*

Cash and cash equivalents recorded in the Statement of Financial Position include cash on hand and on deposit. Cash equivalents includes other short term, highly liquid investments with maturities of three months or less that are readily converted to cash which are subject to insignificant risk of changes in value. Cash on deposit comprises funds in the non-interest bearing SDA. Cash is measured at its nominal value.

#### *Receivables*

Receivables include amounts receivable from licence fees, administration fees, goods and services, prepayments and other accruals.

Licence and administration fees are invoiced prior to the due date (annual anniversary date) and are payable in advance of the regulatory period to which they relate. Control over assets acquired from licence and administration fees is obtained on the anniversary date. Licence and administration fee revenue received in advance is recognised as unearned revenue (liability) in the Statement of Financial Position.

#### *Non-current assets*

##### Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

All non-current tangible and intangible assets with a value equal to or in excess of \$10 000 are capitalised.

##### Revaluation of non-current assets

All non-current assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

##### Impairment

All non-current tangible assets and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective revaluation surplus.

## Notes To And Forming Part Of The Financial Statements

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### *Intangible assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets which have been 'separately acquired' and have finite lives. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

### *Fair Value Measurement - Non-financial assets*

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or estimated useful life that was less than three years are deemed to approximate fair value.

### *Fair Value Measurement - Financial assets / liabilities*

The Commission does not recognise any financial assets or financial liabilities at fair value.

## **(m) Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

### *Payables*

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is received.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Commission.

Accrued expenses represents the aggregate of amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period and where an invoice has not been received.

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward on to eligible employees via the Commission's standard payroll processes. That is, the Commission acts as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office, Department of Human Services.

Employee benefits on-costs include payroll tax, WorkCover levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave, and skills and experience retention leave.

The Commission makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they are paid. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to those SA Government and externally managed superannuation schemes.

## Notes To And Forming Part Of The Financial Statements

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### *Leases*

#### Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The lessor effectively retains all risks and benefits incidental to ownership of the items held under the operating leases. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

#### *Employee Benefits*

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short term employee benefits are measured at their nominal amounts.

#### Salaries and wages, annual leave, skills and experience retention leave and sick leave.

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months and are measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave, as all sick leave is non-vesting and it is assumed that the average sick leave to be taken in future years will be less than the annual entitlement.

#### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible to, the estimated future cash outflows.

The current/non-current classification of the Commission's long service leave liabilities has been calculated based on historical usage patterns. The estimation of short term and long term long service leave liabilities is based on the Commission's past experience.

### *Provisions*

Provisions are recognised when the Commission has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the Commission is virtually certain that some or all of a provision is to be reimbursed, then the reimbursement is recognised as a separate asset. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of the Commission's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

## Notes To And Forming Part Of The Financial Statements

### (n) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

### (o) Insurance

All of the Commission's major risks are insured through the SAICORP Division of the South Australian Government Financing Authority (SAFA). An excess is payable in respect of all claims.

### Note 3 New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies for the 2016 financial year.

### Note 4 Activities of the Commission

The ESC Act specifies a general set of functions for the Commission. However, the specific roles of the Commission are assigned to it under industry legislation. The following table summarises such roles in financial year 2016.

Legislation	Regulatory Functions
Water Industry Act 2012	Water and sewerage retail service providers: <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Retail price regulation</li> <li>• Consumer protection</li> <li>• Service/reliability standard setting</li> <li>• Performance monitoring and reporting</li> </ul>
Electricity Act 1996	Electricity retail operations: <ul style="list-style-type: none"> <li>• Determination of the retailer Solar Photovoltaic Feed-in Tariff</li> <li>• Preparation and publication of Ministerial Energy Retail Pricing reports</li> <li>• Retailer Energy Efficiency Scheme (REES) administration</li> </ul> Electricity generation, transmission, distribution and off-grid suppliers: <ul style="list-style-type: none"> <li>• Licensing</li> <li>• Network service/reliability standard setting</li> <li>• Performance monitoring and reporting</li> </ul>
Gas Act 1997	Gas retail operations: <ul style="list-style-type: none"> <li>• Preparation and publication of Ministerial Energy Retail Pricing reports</li> <li>• Retailer Energy Efficiency Scheme administration</li> </ul> Licensing of retail and distribution LPG gas operations Licensing of natural gas network operations, standard setting, performance monitoring and reporting
AustralAsia Railway (Third Party Access) Act 1999	Regulation under the AustralAsia (Third Party Access) Code for the Tarcoola–Darwin railway
Railway (Operations and Access) Act 1997	Access regulator for specified intra-state rail lines (ceased 31 October 2015)
Maritime Services (Access) Act 2000	Pricing and access regulator for specified port services



## Notes To And Forming Part Of The Financial Statements

### Note 5 Employee benefits

	2016	2015
	\$'000	\$'000
Salaries and wages	2 453	2 163
Long service leave	183	176
Annual leave	219	184
Employment on-costs - superannuation	289	257
Employment on-costs - other	129	133
Board and committee fees*	260	255
Other employee related expenses	51	38
<b>Total employee benefits</b>	<b>3 584</b>	<b>3 206</b>

No employees received a targeted voluntary separation package during the reporting period.

\* Board and Committee fees only include direct payment to members. Superannuation payments including salary sacrifice payments are included under Employment on costs - superannuation. See Note 23 for details of remuneration for Board and Committee members.

#### Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2016	2015
	Number	Number
\$141 500 - \$145 000*	na	1
\$145 001 - \$155 000	2	-
\$195 001 - \$205 000	1	1
\$205 000 - \$215 000	1	-
\$295 001 - \$305 000	-	1
\$305 001 - \$315 000	1	-
<b>Total</b>	<b>5</b>	<b>3</b>

\*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2014-15.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including; salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits tax and salary sacrifice benefits. The total remuneration received by these employees for the year was \$1 021 645 (\$645 150).

### Note 6 Supplies and services

	2016	2015
	\$'000	\$'000
Accommodation	444	401
General administration	621	493
Information technology expenses	183	136
Consultants	329	206
Other supplies and services	8	19
<b>Total supplies and services</b>	<b>1 585</b>	<b>1 255</b>

Total supplies and services includes GST where the amount of GST incurred by the Commission as a purchaser is not recoverable from the Australian Taxation Office.

## Notes To And Forming Part Of The Financial Statements

### Consultants

The number and dollar amount of consultancies paid/payable (included in Consultants expense shown above) fell within the following bands:

	2016 \$'000	2016 Number	2015 \$'000	2015 Number
Below \$10 000	21	3	8	3
Above \$10 000	308	6	198	7
<b>Total paid or payable to consultants</b>	<b>329</b>	<b>9</b>	<b>206</b>	<b>10</b>

### Note 7 Payments to SA Government

	2016 \$'000	2015 \$'000
Transfer of funds to Department of State Development	-	100
<b>Total payments to SA Government</b>	<b>-</b>	<b>100</b>

### Note 8 Depreciation and amortisation expense

	2016 \$'000	2015 \$'000
<b>Depreciation and amortisation</b>		
Office equipment	2	3
Building fit-out	58	58
Intangible assets	40	43
<b>Total depreciation and amortisation expense</b>	<b>100</b>	<b>104</b>

### Note 9 Other expenses

	2016 \$'000	2015 \$'000
Bad debts	1	-
<b>Total other expenses</b>	<b>1</b>	<b>-</b>

### Note 10 Revenue from licence and administration fees

	Electricity \$'000	Gas \$'000	Water \$'000	2016 \$'000	2015 \$'000
Licence fees	4 454	2 395	3 363	10 212	11 133
Administration fees	646	135	-	781	612
Administered items*	(4 776)	(2 040)	( 713)	(7 529)	(7 550)
<b>Total fees</b>	<b>324</b>	<b>490</b>	<b>2 650</b>	<b>3 464</b>	<b>4 195</b>

\* Refer Note 27 Administered items.

## Notes To And Forming Part Of The Financial Statements

### Note 11 Contributions from SA Government

	2016	2015
	\$'000	\$'000
Recurrent contribution from SA Government	330	384
<b>Total contributions from SA Government</b>	<b>330</b>	<b>384</b>

### Note 12 Revenue from services

	2016	2015
	\$'000	\$'000
Contribution to rail regulatory costs by Northern Territory Government	36	92
<b>Total revenue from services</b>	<b>36</b>	<b>92</b>

### Note 13 Other income

	2016	2015
	\$'000	\$'000
Other income	1	2
<b>Total other income</b>	<b>1</b>	<b>2</b>

### Note 14 Receivables

	2016	2015
	\$'000	\$'000
<b>Current</b>		
Receivables	833	1 033
Provision for doubtful debts	( 1)	-
Total receivables	832	1 033
Accrued revenue	164	109
Prepayments	30	63
<b>Total current receivables</b>	<b>1 026</b>	<b>1 205</b>
<b>Total receivables</b>	<b>1 026</b>	<b>1 205</b>

No receivables are expected to be recovered more than 12 months after the reporting date.

### Note 15 Property, plant and equipment

	2016	2015
	\$'000	\$'000
<b>Office equipment</b>		
Office equipment at cost (deemed fair value)	20	34
Accumulated depreciation	( 20)	( 32)
<b>Total office equipment</b>	<b>-</b>	<b>2</b>
<b>Buildings fit-outs</b>		
Building fit-outs at cost (deemed fair value)	566	551
Accumulated depreciation	( 175)	( 116)
<b>Total buildings fit-outs</b>	<b>391</b>	<b>435</b>
<b>Total property, plant and equipment</b>	<b>391</b>	<b>437</b>

Carrying amount of property plant and equipment

## Notes To And Forming Part Of The Financial Statements

All items of property, plant and equipment had a 'fair value at the time of acquisition that was less than three years', and have not been revalued in accordance with Accounting Policy Framework III. The carrying values of these items are deemed to approximate fair value.

### Impairment

There were no indications of impairment on property, plant and equipment at 30 June 2016.

### Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment for the year ended 30 June 2016.

	Office equipment \$'000	Building fit-outs \$'000	Total \$'000
Carrying amount at the beginning of the period	2	435	437
Acquisitions	-	14	14
Depreciation expense	( 2)	( 58)	( 60)
<b>Carrying amount at 30 June</b>	<b>-</b>	<b>391</b>	<b>391</b>

### Note 16 Intangible assets

	2016 \$'000	2015 \$'000
<b>Internally developed software</b>		
Internally developed computer software at cost (deemed fair value)	240	452
Accumulated amortisation	( 60)	( 232)
<b>Total internally generated software</b>	<b>180</b>	<b>220</b>
<b>Work in progress</b>		
At cost (deemed fair value)	176	118
<b>Total work in progress</b>	<b>176</b>	<b>118</b>
<b>Total intangible assets</b>	<b>356</b>	<b>338</b>

The internally developed computer software related to the REES reporting system with a remaining useful life of 4.5 years and carrying amount of \$180 000 (\$220 000).

### Impairment

There were no indications of impairment of intangible assets at 30 June 2016.

### Reconciliation of intangible assets

The following table shows the movement of intangible assets for the year ended 30 June 2016.

	Internally developed software \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	220	118	338
Additions	-	58	58
Amortisation	( 40)	-	( 40)
<b>Carrying amount at 30 June</b>	<b>180</b>	<b>176</b>	<b>356</b>

## Notes To And Forming Part Of The Financial Statements

### Note 17 Payables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Creditors and accrued expenses	85	229
Employment on-costs	39	31
Paid parental leave scheme	3	3
<b>Total current payables</b>	<b>127</b>	<b>263</b>
<b>Non-current</b>		
Employment on-costs	75	61
<b>Total non-current payables</b>	<b>75</b>	<b>61</b>
<b>Total payables</b>	<b>202</b>	<b>324</b>

Based on an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 30 June 2015 percentage rate of 37% to 40% for 30 June 2016 and the average factor for the calculation of the employer superannuation on-costs has also changed from the 2015 rate 10.3% to 10.2%. These rates are used in the employment on-cost calculation. The financial effect of the change in the percentage rate of the proportion of long service leave taken as leave on employment on-costs and employee benefit expense is immaterial.

Under the Payroll Tax Act 2010, the payroll tax rate remained at 4.95% in 2016. The rate is used in the payroll tax calculation for long service leave and annual leave employment on costs.

### Note 18 Employee benefits

	2016 \$'000	2015 \$'000
<b>Current</b>		
Accrued salaries and wages	41	29
Annual leave	196	158
Long service leave	25	15
<b>Total current employee benefits</b>	<b>262</b>	<b>202</b>
<b>Non-current</b>		
Long service leave	812	679
<b>Total non-current employee benefits</b>	<b>812</b>	<b>679</b>
<b>Total employee benefits</b>	<b>1 074</b>	<b>881</b>

The Commission's long service leave liability was estimated in accordance with AASB 119 Employee Benefits, using assumptions based on employee experience from a range of similar SA government entities.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 3% (2015) to 2% (2016).

This change in bond yield resulted in an increase of \$56 131 in the reported long service leave liability.

## Notes To And Forming Part Of The Financial Statements

### Note 19 Provisions

	2016 \$'000	2015 \$'000
<b>Current</b>		
Workers compensation	1	-
<b>Total current provisions</b>	<b>1</b>	<b>-</b>
<b>Non-current</b>		
Workers compensation	4	-
<b>Total non-current provisions</b>	<b>4</b>	<b>-</b>
<b>Total provisions</b>	<b>5</b>	<b>-</b>

### Note 20 Other liabilities

	2016 \$'000	2015 \$'000
<b>Current</b>		
Unearned revenue	149	125
<b>Total current other liabilities</b>	<b>149</b>	<b>125</b>
<b>Total other liabilities</b>	<b>149</b>	<b>125</b>

### Note 21 Unrecognised contractual commitments

#### (a) Operating lease commitments

The Commission's operating leases are for office accommodation and motor vehicles. The accommodation lease is non-cancellable with the option to renew.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2016 \$'000	2015 \$'000
No later than one year	434	418
Later than one year but not later than five years	206	641
<b>Total operating lease commitments</b>	<b>640</b>	<b>1 059</b>

#### (b) Expenditure commitments

Commitments for the payment of consultant contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2016 \$'000	2015 \$'000
No later than one year	28	243
<b>Total other commitments</b>	<b>28</b>	<b>243</b>

## Notes To And Forming Part Of The Financial Statements

### Note 22 Contingent assets and contingent liabilities

#### Contingent assets

The Commission is not aware of any material contingent assets in existence as at 30 June 2016.

#### Contingent liabilities

The Commission is not aware of any material contingent liabilities in existence as at 30 June 2016.

### Note 23 Remuneration of Commission and committee members

Members that were entitled to receive remuneration (directly and indirectly) for membership during the 2016 financial year were:

#### Essential Services Commission

Dr Patrick Walsh (Chairperson) (Appointment concluded 16 February 2016)  
Mr Geoff Knight  
Ms June Roache  
Professor David Round  
Dr Lynne Williams (Acting Chairperson)

#### Consumer Advisory Committee

Dr Patrick Walsh (Chairperson) \*\*  
(Appointment concluded 16 February 2016)  
Dr Lynne Williams (Acting Chairperson) \*\*  
(Appointment commenced 17 February 2016)  
Ms Elaine Attwood  
Mr Sandy Canale  
Mr Mark Henley  
Mr David Hossen  
Ms Heather l'Anson  
Mr Timothy Kelly  
Mr Andrew McKenna  
Ms Jane Mussared  
Ms Jillian Whittaker  
Mr Ross Womersley

#### Power Line Environment Committee

Hon Rosemary Crowley (Chairperson)  
Mr Lachlan Clyne  
Mr Alex Duerden\*  
Mr Kevin Hamilton  
Ms Diana Harvey  
Ms Margaret Lee  
Mr Mike Magin  
Mr Tim Wilson\*

	2016	2015
The number of members whose remuneration received or receivable falls within the following bands:	Number of Members	Number of Members
\$0 - \$9 999	15	18
\$20 000 - \$29 999	-	1
\$30 000 - \$39 999	-	1
\$40 000 - \$49 999	1	-
\$50 000 - \$59 999	3	2
\$60 000 - \$69 999	1	-
\$70 000 - \$79 999	-	1
<b>Total number of Commission and committee members</b>	<b>20</b>	<b>23</b>

Remuneration of Commission members reflects all costs of performing duties including fees, superannuation contributions and salary sacrifice arrangements. The total remuneration received or receivable by members was \$283 383 (\$286 935).

## Notes To And Forming Part Of The Financial Statements

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Unless otherwise disclosed, transactions between members are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

\* In accordance with the Department of the Premier and Cabinet Circular No. 016, SA Government employees did not receive any remuneration for SA Government board / committee duties during the financial year.

\*\* No remuneration was received by either Dr Pat Walsh or Dr Lynne Williams for their membership of the Consumer Advisory Committee.

### Note 24 Financial risk management / Financial instruments

#### Financial risk management

Risk management is managed by the Commission's leadership team and board risk management policies are in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer and the principles established in the Australian Standard Risk Management Principles and Guidelines.

#### Categorisation of financial instruments

The carrying amount of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost are detailed below.

	Note	2016 Carrying amount / fair value \$'000	2015 Carrying amount / fair value \$'000
<b>Financial assets</b>			
Cash and cash equivalents		7 881	9 013
<b>Total financial assets</b>		<b>7 881</b>	<b>9 013</b>
<b>Financial liabilities</b>			
Payables*	17	69	165
<b>Total financial liabilities</b>		<b>69</b>	<b>165</b>

\* Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from / to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

### Note 25 Events after the reporting period

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

### Note 26 Retained earnings

The retained earnings are held in the SDA. The Commission has no authority to utilise the retained earnings unless either approved in its Budget or with the prior approval of the Treasurer.



## Notes To And Forming Part Of The Financial Statements

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### **Note 27   Administered items**

#### *Australian Energy Market Commission*

From the electricity and gas licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Australian Energy Market Commission. \$1 719 000 (\$1 692 000) was transferred in financial year 2016.

#### *Consumer Advocacy and Research Fund for Water*

From the water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Consumer Advocacy and Research Fund for Water. \$272 000 (\$263 000) was transferred in financial year 2016.

#### *Technical Regulator funding*

From the electricity, gas and water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Technical Regulator. \$5 097 000 (\$4 975 000) was transferred in financial year 2016.

#### *Department of Environment, Water and Natural Resources*

From the water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Department of Environment, Water and Natural Resources. \$162 000 (\$158 000) was transferred in financial year 2016.

#### *Department of Treasury and Finance*

From the water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Department of Treasury and Finance. \$279 000 (\$462 000) was transferred in financial year 2016.



Level 9  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

**To the Chairperson  
Essential Services Commission of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Essential Services Commission of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairperson, the Chief Executive Officer and the Manager Finance and Information Technology.

**The Essential Services Commission of South Australia's responsibility for the financial report**

The Commissioners of the Essential Services Commission of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioners of the Essential Services Commission of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances.

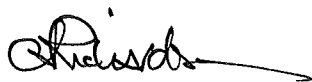
An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners of the Essential Services Commission of South Australia, as well as evaluating the overall presentation of the financial report.

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

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Essential Services Commission of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

## **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Essential Services Commission of South Australia as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



Andrew Richardson

**Auditor-General**

29 September 2016



The Essential Services Commission  
Level 1, 151 Pirie Street Adelaide SA 5000  
GPO Box 2605 Adelaide SA 5001  
T 08 8463 4444

E [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au) | W [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)