

ESSENTIAL SERVICES COMMISSION
OF SOUTH AUSTRALIA
2020-21 Annual Report

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

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ISSN: 2204-3276

Date presented to Minister: 30 September 2021

To:

The Hon. Rob Lucas MLC, Treasurer

The Hon. David Speirs MP, Minister for Environment and Water

The Hon. Corey Wingard MP, Minister for Infrastructure and Transport

The Hon. Eva Lawler MLA, Minister for Infrastructure, Planning and Logistics (NT)

This annual report will be presented to Parliament to meet the statutory reporting requirements of the *Essential Services Commission Act 2002*, *Public Sector Act 2009*, *Water Industry Act 2012*, *Railways (Operations and Access) Act 1997*, *AustralAsia Railway (Third Party Access) Act 1999* and the requirements of Premier and Cabinet Circular PC013 Annual Reporting.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

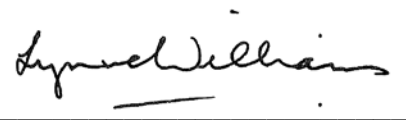
Submitted on behalf of the Essential Services Commission of South Australia by:

Dr Lynne Williams

Acting Chairperson

Date: 30 September 2021

Signature

A handwritten signature in black ink, appearing to read 'Lynne Williams', is written over a horizontal line.

From the Chairperson

On behalf of the Essential Services Commission, I am pleased to present the Commission's 2020-21 Annual Report.

The Commission is a statutory authority, with regulatory and advisory functions in essential services industries and related areas. Its objective is to protect the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

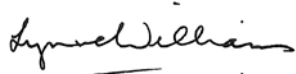
Over the past year, the Commission has met that objective by:

- meeting the legislative requirements placed on it: as a statutory authority; as a regulator in the water, electricity, gas, ports and rail infrastructure industries; and, in providing advice and conducting Inquiries
- establishing and monitoring consumer protection frameworks that promote the economically-efficient delivery of essential services at levels valued by consumers
- keeping regulated entities accountable to their customers through transparent monitoring and public reporting on industry performance, and
- adding value to the South Australian economy through impartial, credible and robust regulatory decisions and economic advice.

During 2020-21, the Commission delivered on the areas of action outlined in its Strategy 2020-2023 and the projects and programs set out in the Performance Plan 2020-21, as approved by the Treasurer under the *Essential Services Commission Act 2002*. Of note, the Commission completed its Inquiry into regulatory arrangements for small-scale and off-grid water, sewerage and energy services, made its first minor and intermediate retailer price determination, significantly progressed internal improvements in the areas of analytical capacity and regulatory performance and commenced monitoring SA Water's implementation of its new regulatory determination, which took effect on 1 July.

In late June this year, the Commission was given a new role under the *Statutes Amendment (Local Government Review) Act 2021*: the provision of advice on the appropriateness of amendments to, and revenue sources for, local councils' long-term financial and infrastructure and asset management plans. While that role is yet to formally commence, it is a further opportunity for the Commission to add value to the South Australian community.

I thank my fellow Commissioners and all of our staff for their continued support and contributions over the past year. A special thanks goes to Brett Rowse, whose appointment as Chairperson ended on 3 July 2021, for the care he has shown for South Australian consumers, and for the rigour he has given to deliberations and the challenges he has put forward, all which have led to robust regulatory decisions.



(Dr) Lynne Williams AM

Acting Chairperson

Essential Services Commission of South Australia

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Overview: about the Commission

Our strategic focus

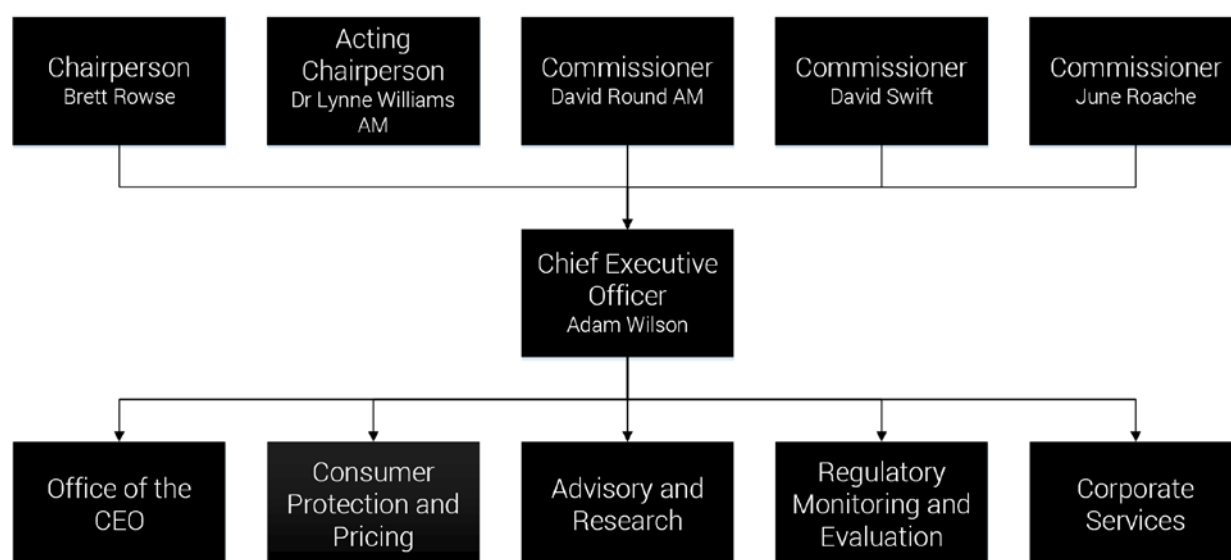
The Essential Services Commission (**Commission**) is a statutory authority, established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (**ESC Act**).

Our Objective	The Commission's objective under the ESC Act is the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.
Our Purpose	The Commission will add long-term value to the South Australian community by meeting its objective through its independent, ethical and expert regulatory decisions and advice.
Our Values	<p>We will be responsive and accountable.</p> <p>We will challenge and be open to innovation.</p> <p>We will build inclusive relationships.</p>
Our Functions	<p>Regulatory</p> <p>As an independent economic regulator, our role encompasses licensing, consumer protection, service standards, pricing, monitoring, compliance and public reporting in the water, electricity and gas industries, as well as access regulation of essential ports and rail infrastructure. For each industry, the relevant industry regulation Act specifies the scope of the Commission's role, as summarised on page 10 and 11.</p> <p>Advisory</p> <p>The Commission has two broad advisory functions.</p> <p>The first is to provide advice to the Treasurer of South Australia, on request, in relation to any matter (section 5(f) of the ESC Act). In that capacity, the Commission acts as an advisor to the South Australian Government, providing independent advice on economic and regulatory matters.</p> <p>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. In addition, the Treasurer of South Australia can initiate an inquiry into any matter, and an industry Minister can initiate an inquiry into any matter concerning a regulated industry. Inquiries are conducted through a formal public process and final reports are tabled in Parliament.</p>

Our Strategy	<p>The Commission produces a rolling three-year strategy which sets out its strategic priorities. The priorities guide it in meeting its objective.</p> <p>The Commission released its Strategy 2020-2023 in June 2020, which marked a significant change from the previous Strategy.</p> <p>The Commission will continue to consolidate and strengthen its economic regulatory and advisory functions, while contributing to the achievement of its objective by focusing on five areas of action:</p> <ul style="list-style-type: none">• building stakeholder engagement and providing for consumer inputs and challenge• design of regulation• analytical capability• regulatory performance, and• evaluation capability. <p>The Commission operates with a carefully developed and tested business model, which provides a framework for delivering value and adapting to the challenges and reflects its key functions of regulatory design, market intelligence and analysis, and regulatory action all underpinned by evaluation of our regulatory performance and operational systems.</p> <p>In April 2021, the Commission released its Strategy 2021-2024, which endorsed the continuing focus of the outcomes and areas of action outlined in the previous strategy.</p>
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Our organisational structure

As at 30 June 2021, the Commission comprised a Chairperson and four Commissioners. It employed 29 staff (27.60 full-time equivalents) possessing a diverse range of professional and technical qualifications and skills, including in economics, finance, engineering and law. The organisational structure is presented below.



Changes to the Commission

During 2020-21, the Commission moved some existing positions to different teams. This included moving the General Counsel and Senior Legal Officer positions into the Office of the Chief Executive Officer and three Licensing positions into the Corporate Services Group.

Our Commissioners

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 based on their knowledge of, or experience in, industry, commerce, economics, law and/or public administration.



Mr Brett Rowse was appointed as **Chairperson** of the Commission in July 2016. Brett's term of appointment ceased on 3 July 2021.

Dr Lynne Williams AM was appointed as a **Commissioner** in September 2013 and as **Acting Chairperson** in September 2014.



Ms June Roache was appointed as a **Commissioner** in May 2014.



Mr David Round AM was appointed as a **Commissioner** in May 2014.



Mr David Swift was appointed as a **Commissioner** in August 2019.



Our Leadership team



Mr Adam Wilson, Chief Executive Officer, is responsible for the achievement of the Commission's strategic and corporate objectives. He oversees the leadership and management of the Commission's office, which includes achieving the Commission's budget, ensuring compliance with legislative requirements, the development and implementation of the Strategy and Performance Plan, corporate governance framework, and stakeholder management. As the lead of the Office of the CEO, his team is responsible for corporate governance, legal, strategy and planning and executive support.

Ms Rachel Thamm, Director, People and Corporate, is responsible for providing support to the Commission, including finance, information technology, administrative, records management, media and communication and workforce. She is also responsible for developing and administering licensing and authorisation arrangements for regulated businesses.



Mr Mark Caputo, Acting Director, Consumer Protection and Pricing, is responsible for all pricing, access, consumer protection and policy matters. He is also responsible for developing and implementing regulatory instruments (such as industry codes).

Ms Natasha Cheshire, Director, Regulatory Monitoring and Evaluation, is responsible for compliance, audit, enforcement, performance evaluation, reporting and the administration of the Retailer Energy Productivity Scheme.



Mr Sean McComish, Director, Advisory and Research, is responsible for providing a range of advisory, research and analysis services, both within the Commission and to the broader government, covering regulatory, economic and related matters. He provides a single internal point of contact and management for requests for advice and for undertaking inquiries.

Legislation administered by the agency

Legislation	Regulatory Functions
<i>Water Industry Act 2012</i>	<p>Water and sewerage retail service providers:</p> <ul style="list-style-type: none"> • licensing • retail price regulation • consumer protection • service/reliability standard setting • performance monitoring and reporting <p>Third party access regime regulator</p>
<i>Electricity Act 1996</i>	<p>Electricity retail operations:</p> <ul style="list-style-type: none"> • monitoring and, if necessary, determination of the retailer solar photovoltaic feed-in tariff • preparation and publication of Ministerial energy retail price offerings comparison reports • retailer energy productivity scheme administration <p>Electricity generation, transmission, distribution and off-grid retailers:</p> <ul style="list-style-type: none"> • licensing • network service/reliability standard setting • performance monitoring and reporting
<i>Gas Act 1997</i>	<p>Gas retail operations:</p> <ul style="list-style-type: none"> • preparation and publication of Ministerial energy retail price offerings comparison reports • retailer energy productivity scheme administration <p>Retail and distribution LPG gas operations:</p> <ul style="list-style-type: none"> • licensing <p>Natural gas distribution operations:</p> <ul style="list-style-type: none"> • licensing • standard setting • performance monitoring and reporting

Legislation	Regulatory Functions
<i>AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997</i>	Access regulation of: <ul style="list-style-type: none"> • Tarcoola–Darwin railway infrastructure • Intrastate rail infrastructure
<i>Maritime Services (Access) Act 2000</i>	Ports services pricing and access regulator
<i>Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the State Government (role not yet commenced, as the enabling regulations are not in place)
<i>Statutes Amendment (Local Government Review) Act 2021</i>	Provision of advice on the appropriateness of amendments to, and revenue sources for, local councils' long-term financial and infrastructure and asset management plans (yet to commence)

The Commission's performance

Performance at a glance

The Commission continued to deliver on the five areas of action outlined in its Strategy through its strategic approach and delivery of the Performance Plan 2020-21 (**Plan**), as approved by the Treasurer in accordance with Section 23 of the ESC Act. The Plan, and the way in which the Commission delivers outcomes under the Plan, are aimed at promoting consumers' long-term interests with respect to the price, quality and reliability of essential services.

For 2020-21, the Plan set out 22 key regulatory, advisory and corporate projects for the annual statutory work program. That regulatory and advisory work was supported by the corporate work program.

During the year, 10 new projects were added to that original program, leading to an overall program of 32 projects.

Of the 32 projects, as at the end of June 2021, 30 had either been completed, progressed as planned or reprioritised due to an additional 10 projects (the latter will continue into 2021-22). Two projects are on hold due to factors outside the Commission's control.

The key projects completed in 2020-21 include:

- Small-scale Network Inquiry: Final Inquiry report
- Robusto Investments Pty Ltd: Drinking Water Price Determination
- Review of intrastate rail access regime 2020-2025
- SA Water Regulatory Determination 2020: Monitoring and evaluating performance
- Electricity Transmission Code Review 2021, and
- Transition of Residential Energy Efficiency Scheme to Residential Energy Productivity Scheme.

Further information about all the projects listed in this report can be found on the Commission's website.

Commission-specific objectives and performance

Building stakeholder engagement and providing for consumer inputs and challenges

Genuinely engage with all of our stakeholders to facilitate understanding of consumer and regulatory issues, obtain the best and wide range of evidence for our work and provide opportunities for consumers to input to and challenge service providers' business plans

The Commission continues its commitment to engaging and consulting with stakeholders. Information and advice gained through stakeholder and community engagement enhances the quality of the Commission's regulatory decisions and advice.

As well as informing and contributing to decision making, genuine and effective engagement can also build the community's understanding of the sectors the Commission regulates, and of the regulatory issues that are important to South Australia and specific communities. Given this, the Commission uses a variety of methods to engage and consult with the community, depending on the work it is undertaking.

To be most effective, the Commission recognises that its regulatory and decision-making processes must be sound, rigorous and in accordance with the legal obligations placed on it by the South Australian Parliament. The Commission's Charter of Consultation and Regulatory Practice outlines the way in which the Commission delivers those outcomes and also the variety and scope of its decision-making and consultation practices and processes.

Within the wider legislative and policy context, the Commission works with federal and state agencies to provide a coordinated approach to regulation and advice.

The below table shows the key projects, as outlined in the Plan, and a summary of the outputs and outcomes achieved in 2020-21.

Performance Plan 2020-21		Outputs and outcomes
Project	Requirement/outcome	
Consumer Advisory Committee (CAC)	<p>Administer the Consumer Advisory Committee pursuant to the <i>Electricity Act 1996</i>, <i>Gas Act 1997</i> and <i>Water Industry Act 2012</i>.</p> <p>CAC comprises representatives from a broad range of consumer groups, including those representing general consumers, specific consumer groups, business interests, primary production, local government and the environment.</p>	<p>CAC is an essential part of the overall regulatory framework. It allows community involvement in regulatory decisions and processes, and affords the Commission (and other bodies such as other Government regulatory agencies, government departments and regulated businesses), direct access to consumer and community views.</p> <p>The insights gained from CAC members, representative bodies and the broader networks accessed through those bodies is therefore of the utmost importance to the Commission.</p> <p>The CAC considered and provided valuable input during the year, into:</p> <ul style="list-style-type: none"> the ex-post review of SA Water Regulatory Determination 2020, and the SA Water Regulatory Determination 2024 - Framework and approach development. <p>The membership of CAC is outlined in the financial statements at Note 3.2.</p>

Performance Plan 2020-21		Outputs and outcomes
Project	Requirement/outcome	
Liaison with stakeholders including industry and consumers	Undertake stakeholder consultation in line with the Commission's Charter of Consultation and Regulatory Practice.	<p>In 2020-21, the Commission continued to engage and inform consumers and stakeholders through stakeholder meetings, public consultations, and publications on its website.</p> <p>The Commission consulted on 49 projects/licence applications, received 61 submissions and published 166 news articles and 206 documents on its website.</p>

In addition to the Performance Plan outcomes, the Commission also undertook the following stakeholder engagement initiatives during 2020-21.

Program	Summary/outcome	Performance
Small Grants Program	The Commission makes provision in its budget for a Small Grants Program. This program assists CAC members in undertaking programs, activities and/or research that benefit water and energy consumers, aligning this work with the Commission's statutory objective.	There were no grants applied for or granted during 2020-21.
Power Line Environment Committee (PLEC)	<p>PLEC recommends to the Minister for Energy and Mining projects related to the undergrounding of electricity power lines (in accordance with the Electricity (General) Regulations 2012). SA Power Networks carries out this work.</p> <p>The Commission's website contains further information on the PLEC, including its charter and annual report.</p>	The Commission provided secretarial services to, and funded the operation of, PLEC, including member remuneration and annual report costs.

Design of regulation

Deliver fit-for-purpose regulatory design and implementation, using evidence-based processes and pursuing efficiency and effectiveness in regulatory design, implementation and outcomes

During 2020-21, the Commission has undertaken significant work in this area, including finalising four regulatory reviews, commencing three new reviews, and continuing the ongoing work in the Retailer Energy Productivity Scheme and Licensing functions. Work has also commenced on the SA Water Regulatory Determination 2024, with the framework and approach for this review to be released in September 2021. The work undertaken has demonstrated evidence-based, logical decision making, based on statutory frameworks.

A summary of the outcomes of some of those reviews is provided below.

SMALL-SCALE NETWORK INQUIRY: FINAL INQUIRY REPORT

The Commission formed the view that an Inquiry into the way in which it regulates small-scale utility operations was necessary and desirable to ensure that the regulatory frameworks it applies under industry regulation Acts is consistent with its primary statutory objective, and is proportionate and responsive to recent and emerging issues.

The Inquiry reviewed appropriate regulatory arrangements (including subsidiary regulatory instruments such as industry codes) and price regulation arrangements to apply in relation to small-scale water supplies, sewerage services, non-national market electricity and reticulated Liquid Petroleum Gas supplies (small scale water, sewerage and energy services), for the purposes of carrying out its functions.

The Commission finalised the report during 2020-21 and it will be released in July 2021. In addition to a continuing focus on compliance, the report outlines changes to the regulatory framework for small-scale networks. These are designed to place more transparency and emphasis on licensed small-scale networks providing assurance to their customers and the Commission that the services they provide are sustainable over the medium-to longer-term.

This will occur through the adoption of a verified trust and accountability regulatory approach to small-scale networks, as well as requiring all small-scale network licensees to become members of the Energy and Water Ombudsman (SA) Limited scheme.

The approach was informed by submissions to the August 2020 Draft Inquiry Report and will formally begin on 1 July 2022 after an implementation phase during 2021-22. The Commission looks forward to continuing engagement with stakeholders through the implementation phase.

ELECTRICITY TRANSMISSION CODE REVIEW 2021

The Commission reviewed the Electricity Transmission Code (Code), an industry code pursuant to Part 3 of the Essential Services Commission Act 2002. The Code applies to ElectraNet Pty Ltd (**ElectraNet**), the monopoly provider of electricity transmission services in South Australia.

Under the Code, ElectraNet must comply with obligations relating to the quality, safety and reliability of electricity transmission services, particularly focussing on exit point reliability standards.

Having considered the available evidence, the Commission determined that changes to the exit point reliability categories were not required. Accordingly, the Final Decision included only minor amendments to the Code, such as removing the Leigh Creek Coal exit point, clarifying the notification requirements in the Code in relation to unplanned interruptions and addressing minor clerical matters.

ROBUSTO INVESTMENTS PTY LTD: DRINKING WATER PRICE DETERMINATION

Robusto Investments Pty Ltd (**Robusto**) proposed to increase its drinking water prices to its approximately 170 customers at Mount Compass. The Commission considered the information provided by Robusto, and determined that there was insufficient evidence to demonstrate that its proposed prices were based on efficient costs. The Commission undertook a lengthy, transparent and consultative process to make a regulatory determination that will apply for the drinking water retail services provided by Robusto. The determination sets out the maximum prices that can be charged to residential customers, and the maximum total revenue that Robusto can recover from residential customers and non-residential customer, Mount Compass Sand and Loam.

The determination represented the independent review and decisions of the Commission, consistent with the underpinning statutory requirements of the ESC Act and *Water Industry Act 2012*.

After the determination was finalised, on 23 June 2021 the Commission received from Robusto an application for review of the determination, in accordance with Section 31 of the ESC Act. The review must be completed within 10 weeks of being received, and the Commission released the outcome of the review in August 2021.

SA WATER REGULATORY DETERMINATION 2020: MONITORING AND EVALUATING PERFORMANCE

The SA Water Regulatory Determination 2020 (**SAWRD20**) final determination, which took effect from 1 July 2020, provided a high-level summary of the way in which the Commission proposed to monitor and evaluate SA Water's performance over the regulatory period.

Following further research and consultation during the year, a new SA Water monitoring and evaluating performance framework was finalised in late 2020. Its aim is to introduce greater transparency for stakeholders in relation to SA Water's ongoing investment planning and evaluation processes, focussing on four areas:

- service standards with performance targets (an existing requirement)
- expenditure and revenue outcomes (an existing requirement)
- key investment areas (an enhancement), and
- long-term asset management and planning (an enhancement).

It is expected that, over time, this greater level of transparency will assist stakeholders to better hold SA Water to account for its performance and provide the information necessary to more effectively participate in regulatory determination processes.

SA WATER REGULATORY DETERMINATION 2024: FRAMEWORK AND APPROACH

The Commission will make a new regulatory determination to apply to SA Water from 1 July 2024 to 30 June 2028: SA Water Regulatory Determination 2024 (**SAWRD24**).

During 2020-21, the Commission has reviewed the feedback provided as part of the SAWRD20 ex post review (discussed under Strategy 5) and has been drafting and consulting on the Framework and Approach that will apply to SAWRD24. The Framework and Approach will set out the intended outcomes, strategies, overall process, governance arrangements and timetable. It will also include a list of subjects and topics that will be dealt with in detail in subsequent Guidance Papers, which will be released in 2021-22.

The below table shows the key regulatory and advisory projects, as outlined in the Plan, together with five additional project/s, and a summary of the outputs and outcomes achieved in 2020-21.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water, Electricity and Gas	Administer the Commission's authorising framework (licences and exemptions)	Ensure licence and authorisation arrangements for regulated entities across industries are robust and protect consumers, including assessment of, and preparing recommendations in respect of, applications.	The Commission approved 17 licence applications, 20 variations, one exemption and revoked one licence during 2020-21.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water, Electricity and Gas	* Small-scale network inquiry: Final Inquiry report	Finalise the revised regulatory framework	Complete. Inquiry outcomes outlined above, with report published in July 2021.
Water, Electricity and Gas	Small Scale Network Inquiry: implementation	<p>Develop and implement revised:</p> <ul style="list-style-type: none"> • licensee categories • regulatory frameworks • reporting frameworks, and • consumer protection frameworks <p>in context with the Small Scale Network Inquiry outcomes.</p>	<p>Continuing into 2021-22.</p> <p>Stakeholder engagement and education will continue to enable the implementation of the outcomes of the Inquiry report in 2021-22.</p>
Water	* Review proposed pricing arrangements for drinking water customers of Robusto Investments Pty Ltd	Review pricing proposal developed by Robusto Investments Pty Ltd against the requirements of the Minor and Intermediate Retailers price determination and consider if a new price determination for Robusto should be made.	Complete. Outcomes outlined above.
Water	* SA Water Regulatory Determination 2020: Implementation matters	Reconciliation of SA Water's final revenues for SAWRD16 for conformance with the maximum revenue cap.	Continuing into 2020-21. Results of this reconciliation will be published by SA Water during 2021-22.
		Develop the monitoring and evaluating performance framework for SAWRD20.	Complete. Outcomes outlined above.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water	SA Water Regulatory Determination 2024: Framework and Approach	Develop the framework and approach that will be applied for SA Water Regulatory Determination 2024.	Continuing into 2020-21. Framework and Approach will be published in September 2021.
Electricity	* Electricity Transmission Code variation	Review the Electricity Transmission Code to include ElectraNet's new exit point at its Davenport substation, the Davenport MGS exit point, to supply the OZ Minerals Carrapateena and Prominent Hill Mine sites, which replace the temporary Mt Gunson South exit point.	Complete. The code was amended to apply a Category 1 reliability standard, the lowest provided for in the Code, to apply to the new exit point, and removed the temporary Mt Gunson South exit point.
Electricity	Review of Electricity Transmission Code reliability standards 2023-2028	Review of the Electricity Transmission Code to apply to ElectraNet from 1 July 2023 to 30 June 2028.	Complete. Outcomes outlined above.
Electricity	Review chapter 3 of the Electricity Distribution Code (embedded generation)	Review requirements for connection of generators to a distribution network, where the National Electricity Rules do not apply.	Continuing into 2021-22.
Electricity	* Review Electricity Metering Code	Reviewing the need for the ongoing operation of the Electricity Metering Code, or other proportionate metering requirements, to electricity systems not connected to the national electricity market.	Continuing into 2021-22.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Electricity	Review Prepayment Metering System Code	Review the Electricity prepayment metering code.	Continuing into 2021-22.
Infrastructure	Infrastructure delivery scheme	Determine arrangements for Infrastructure delivery scheme established by the State Government, as required.	On hold pending implementation of the scheme by the State Government.

Note: * highlights additional projects

Analytical capability

Enhance our analytical capacity and capability and the use of market intelligence to underpin our regulatory design, monitoring of performance outcomes and the regulatory actions that we take.

The Strategy and business model highlighted the need for an increased focus on the Commission's market intelligence gathering and analysis. Given this, the development and implementation of its Regulatory Intelligence System commenced during 2020-21. This system will provide stronger foundations for the development, implementation, monitoring and improvement of the Commission's regulatory frameworks and better evidence-based regulatory/consumer outcomes, information provision and interactions for stakeholders.

The key system outcomes over the past year include:

- consolidation of 66 minor and intermediate water retailers' data, such that it can be used to support the implementation of the new regulatory approach for small-scale network retailers and assist in the assessment of licence applications
- implementation of a new technical environment, which integrates with the existing work environment, allowing for information to be stored, interrogated and visualised, and
- development and implementation of a new Information Management Policy and Plan to ensure a consistent approach to information (incorporating data) governance.

The Regulatory Intelligence System ongoing development and implementation will continue into 2021-22.

The below table shows this project, as outlined in the Plan.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
All	Regulatory Intelligence System - stage 1	Build a data platform and create a critical thinking, data and intelligence environment which adheres to the regulatory direction of the Commission.	Completed. Stage 1 has been completed with stage 2 to commence in 2021-22. The outputs and outcomes advised above.

Regulatory performance

Use market monitoring outcomes to provide performance information to consumers, guidance and performance feedback to regulated entities, and reshaping our compliance and enforcement approach to ensure that it is efficient and effective in driving positive consumer outcomes.

RESIDENTIAL ENERGY EFFICIENCY SCHEME

The Residential Energy Efficiency Scheme (**REES**) came to an end on 31 December 2020, having been in effect since 1 January 2009. The Commission released the REES Regulatory Performance Report 2020 in June 2021, which outlined the key outcomes of the scheme for 2020, which included:

- Overall annual REES targets were achieved and all obliged retailers met their individual targets.
- Approximately 2.2 million GJ of deemed energy savings were delivered to 30,400 households and businesses.
- Approximately 496,300 GJ of deemed energy savings and 2,900 energy audits were delivered to 14,500 priority group households (residential premises in which a person resides who is experiencing hardship or holds an eligible concession or health card).
- Approximately 75,300 energy efficiency activities were delivered and 585,800 energy efficient products were installed.

The report also provided observations on REES since its inception in 2009.

RESIDENTIAL ENERGY PRODUCTIVITY SCHEME

The Retailer Energy Productivity Scheme (**REPS**) is a South Australian Government initiative intended to support households and businesses to reduce their energy costs while also maximising the benefits to the power system to deliver a smarter, more affordable, reliable and sustainable energy future. REPS commenced on 1 January 2021, replacing REES.

The *Electricity (General) Regulations 2012* and the *Gas Regulations 2012* (the Regulations) establish the REPS and provide to the Commission the powers and functions necessary for it to administer the Scheme.

Following stakeholder consultation, in December 2020 the Commission made a REPS Code, setting out various regulatory requirements and obligations for energy retailers in the delivery of their REPS obligations. The REPS Code was based on the previous REES Code, providing as much consistency as possible during the transition to the REPS.

The Commission has also commenced a public review in order to establish simple and efficient REPS reporting requirements for energy retailers to enable the Commission to:

- determine the energy retailers to whom the Scheme applies
- apportion targets, and
- fulfil Ministerial requirements for the REPS annual report.

Public consultation commenced in June 2021 and the reporting requirements will be finalised in 2021.

REVIEW OF INTRASTATE RAIL ACCESS REGIME 2020-2025

The Commission finalised the review of the third party access regime that applies to declared rail infrastructure services in South Australia. The final review report was provided to the Minister for Infrastructure and Transport in August 2020. In that report, the Commission recommended that the South Australian intrastate rail access regime should continue to apply for a further five-year period.

Consistent with that recommendation, a regulation was made under the *Rail (Operations and Access) Act 1997* on 15 October 2020, extending the operation of the access regime for five years commencing on 31 October 2020.

REPORTING

As a part of facilitating regulated entities' performance accountability to their customers, and to improve general community engagement and understanding on those issues, the Commission undertook public monitoring and reporting of service standard and licence requirement outcomes.

In 2020-21, it published annual Regulatory Performance Reports for:

- SA Water
- Minor and Intermediate water and sewerage service retailers
- SA Power Networks (electricity distribution)
- ElectraNet (electricity transmission)
- Australian Gas Networks (gas distribution), and
- Off-grid electricity and liquefied petroleum gas retailers and distributors.

COMPLIANCE AND ENFORCEMENT

The Commission has in place a compliance and enforcement framework that is designed to promote and facilitate compliance. Regulated entities are required to demonstrate compliance with regulatory obligations on an ongoing basis. This program of work is aimed at protecting consumers' long-term interests and the actions taken by the Commission in this area are founded on that principle.

To verify entities' levels of compliance with regulatory obligations, the Commission uses a broad range of sources and tools to elicit information. The information is then used to provide feedback to entities and inform the Commission's compliance and enforcement work.

In that context, entities are required to have and utilise robust compliance and reporting systems, the effectiveness of which is demonstrated to the Commission each year, along with the provision of regular compliance reports. The Commission expects regulated entities to meet all regulatory obligations and, for instances of non-compliance, to rectify those swiftly to enhance consumer welfare.

Where evidence shows that regulated entities have failed to meet regulatory requirements (or are at risk of doing so) and are not being accountable to their customers, the Commission will use its verification, compliance and enforcement powers.

In addition to the Commission's ongoing compliance monitoring, the following compliance reviews were undertaken during the 2020-21 reporting year:

- District Council of Coober Pedy's non-compliance with its water and electricity regulatory obligations
- SA Water's reported instances of non-compliance with the Water Retail Code
- Minor and Intermediate Water Retailers' compliance with administrative obligations, and
- SA Power Networks' reported incidences of non-compliance with its electricity distribution licence and the *Electricity Act 1996*.

Further information on these compliance matters is published in the Commission's annual regulatory performance reports, available on the Commission's website.

The below table shows the key regulatory and advisory projects, as outlined in the Plan, together with three additional projects, and a summary of the outputs and outcomes achieved in 2020-21.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Electricity and Gas	Administer the REES until 31 December 2020 and REPS from 1 January 2021	<p>Ensure the efficient administration of the REES/REPS by:</p> <ul style="list-style-type: none"> determining achievements of targets for 2019 and consider penalty scheme if required reviewing and assessing compliance plans apportion targets annual reporting and time-series data, and undertake audits and compliance/enforcement action as required. 	Completed. Outcomes outlined above.
Electricity and Gas	Retailer Energy Productivity Scheme (REPS) 2021	Implement recommendations from the Department of Energy and Mining review of REES, including the review of the REES Code, policy and IT system changes.	Completed. Outcomes outlined above.
Water	* Administer the water industry third party access regime	Ongoing administration of the regime.	Completed. No access requests received.
Water	* Discovery Project - Water Retailers	Identify water retailers not currently licensed or exempted to ensure appropriate authorisation to retail.	On hold. Awaiting outcomes from the SA Government's review of the <i>Water Industry Act 2012</i> .

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water, Rail and Ports	* Conciliate and arbitrate individual infrastructure access disputes	Includes Intrastate Rail, Tarcoola-Darwin Rail, Water and Ports	Completed. One ports dispute referred to arbitration and will continue into 2021-22.
Rail	Review of intrastate rail access regime 2020-2025	Complete the five-year review of the effectiveness of the intrastate rail access regime, including advice to SA Government.	Completed. Outcome outlined above.
Rail	Review of revenues under the Tarcoola-Darwin rail access regime 2013-2018	Complete the five-year review of revenues under the Tarcoola-Darwin rail access regime.	Continuing into 2021-22.
All	Administer the Commission's compliance and enforcement frameworks	Ensure there is effective monitoring of, and compliance by, regulated entities.	Completed. All known and identified matters of non-compliance resolved.
All	Administer the Commission's regulatory reporting framework	Monitor, analyse and report on regulated entities' performance, including reporting to the Minister for Energy and Mining on various retail pricing issues.	Completed. Annual regulatory performance reports for regulated entities published.
All	Conduct Part 7 ESC Act Inquiries	Conduct public inquiries initiated by the Commission (into any matters within our regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).	No Inquiries referred

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
All	Provide advice to SA Government under section 5(f) of the ESC Act	Provide independent advice on economic and regulatory matters.	One request received and completed in relation to Water for Fodder.
All	Refine and implement verification and enforcement framework	Develop principles, objectives, indicators of success, resource materials, system, process and control requirements and stakeholder engagement program.	Continuing into 2021-22.

Note: * highlights additional projects

Evaluation capability

Embed evaluation of our performance – both regulatory and operational – across all of our work

The Commission undertook two post-project reviews: an external stakeholder and internal staff review of the SAWRD20; and, an internal review of the Intrastate rail access regime 2020 – 2025.

The SAWRD20 ex-post review highlighted stakeholders' interests in more and earlier public engagement throughout the regulatory determination and longer-term planning processes for SAWRD24. It also showed a need for a greater analytical focus on the longer-term planning and investment environment, how each regulatory cycle fits into those cycles, and the implications for customer service levels and bills in that context. If this can be achieved, it will mean that regulatory determinations for SA Water can become more of a continuous process rather than isolated four-yearly events.

The internal review of the Intrastate rail access regime identified areas of process and methodological improvement, aimed at gaining efficiencies in the review process and a continued focus on realising the benefits of the access regime.

The outcomes of both reviews have been documented and will be considered for the next review period.

The below table shows the key regulatory and advisory projects, as outlined in the Plan, together with one additional project, and a summary of the outputs and outcomes achieved in 2020-21.

Performance Plan 2020-21			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water, Electricity and Gas	Cost-benefit assessment of the licensing process	Complete cost-benefit assessment on the effectiveness and simplification of the assessment process under the licensing framework.	Completed. The review confirmed that the Commission is meeting its Licensing obligations and identified some potential areas for improvement in the effectiveness and simplification of the licensing framework.
Water, Rail and Ports	* Control and procedures for conciliation and arbitration – report/document	Document the procedures and controls that the Commission would need to have in place in the event that a dispute was referred to the Commission.	Completed. The following was developed/updated: <ul style="list-style-type: none"> • panel of arbitrators • procedures and controls, and • terms of conciliation.
All	Post-project evaluation reviews	Undertake post-project evaluation reviews.	Two post-project reviews completed: <ul style="list-style-type: none"> • SAWRD20, and • Intrastate rail access regime 2020 - 2025.

Note: * highlights additional projects

Corporate performance summary

The regulatory and advisory work undertaken by the Commission is supported by a corporate work program. That program incorporates a number of key projects and ongoing statutory work:

- strategic and performance planning, monitoring and reporting
- finance, budget management, procurement and risk management
- legal and corporate governance, including internal audit and compliance
- workforce, work health, safety and wellbeing
- information technology and system support
- information management incorporating records management
- media and communications, and
- executive and administration support.

The below table shows the corporate statutory work program, as outlined in the Plan, and a summary of the outputs and outcomes achieved in 2020-21.

Performance Plan 2020-21		Outputs and outcomes
Project	Requirement/outcome	
Corporate statutory work program	Ensure all corporate statutory work is completed within the required timeframes, including but not limited to:	
	<ul style="list-style-type: none"> • Annual Report 2019-20 (including Third Party Water, Rail and Ports) and financial statements 	Completed. Submitted to the Treasurer and relevant Ministers on 25 September 2020.
	<ul style="list-style-type: none"> • Annual and quarterly reporting to SA Government 	Completed. Achieved all statutory requirements within required timeframes.
	<ul style="list-style-type: none"> • Strategy 2021 – 2024 	Completed. Minor updates made and released in April 2021.

Performance Plan 2020-21		Outputs and outcomes
Project	Requirement/outcome	
	<ul style="list-style-type: none"> Performance Plan and Budget 2021-22 	<p>Completed.</p> <p>Submitted to, and approved by, the Treasurer.</p> <p>22 projects/programs of work within a budget of \$6,928,000.</p>
	<ul style="list-style-type: none"> Legal and corporate governance (including legislative compliance) advice 	<p>Completed.</p> <p>Advice provided as required and 3 internal compliance testing audits undertaken with actions either continuing or completed.</p>
	<ul style="list-style-type: none"> Budget management, finance, risk management and procurement 	<p>Completed.</p> <p>Summary of key areas provided in this report.</p> <p>The Procurement Framework was updated in line with the SA Government Procurement Framework and implemented on 1 July 2021.</p>
	<ul style="list-style-type: none"> Workforce, including payroll, learning and development, performance management and work, health and safety 	<p>Completed.</p> <p>Summary of key areas provided in this report.</p>
	<ul style="list-style-type: none"> Administrative support, library, document, publication, and media and communication 	<p>Completed.</p>
	<ul style="list-style-type: none"> Executive and secretariat - Commission, Leadership Team, CAC and PLEC 	<p>Completed.</p> <p>Commission met monthly, with the Leadership Team meeting every week.</p> <p>CAC and PLEC summary provided in this report.</p>
	<ul style="list-style-type: none"> Information technology, information management including records management and assets services 	<p>Completed.</p>

Performance Plan 2020-21		Outputs and outcomes
Project	Requirement/outcome	
	<ul style="list-style-type: none"> Corporate policy reviews 	<p>Completed.</p> <p>All policies reviewed within review clause timeframes or reprioritised for justifiable reasons.</p>

Employment opportunity programs

The Commission does not currently have any employment opportunity programs.

Commission's performance management and development systems

Performance management and development system	Performance
<p>The Commission is committed to fostering a positive workplace culture. Employee performance standards and expectations are mutually understood.</p> <p>This commitment is underpinned by a Performance Development Policy and Procedure.</p>	<p>Active preparation and participation by all managers and employees in a process of performance management is expected and achieved.</p> <p>At 30 June 2021, 100 percent of staff had participated in performance development.</p>

Work health, safety and return to work programs

The Commission is committed to the health, safety and wellbeing of Commissioners and all staff. Work health, safety and wellbeing initiatives are included in the annual Workforce Plan. This includes an Employee Assistance Program, available to Commissioners and all staff.

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.

Work Health and Safety audit

Independent work health and safety audits of the Commission's compliance with legislative requirements are undertaken periodically and monitored in accordance with the Commission's Internal Compliance Testing Plan. An independent, external audit was completed in July 2020, with no non-compliances identified.

Wellbeing and COVID-19

The Commission continues to respond to the COVID-19 pandemic event and follows all Government advice and directives. The safety and wellbeing of employees was, and remains, a priority and the Commission continues to work in a supported remote/in-office hybrid arrangement, unless other directives are in place.

The work program of the Commission continues through the ongoing pandemic event with no material impact on outcomes. The Commission continues to fully engage with stakeholders, doing so through virtual communication channels where required.

White Ribbon accreditation

As part of the Commission's commitment to health, safety and wellbeing of all staff, the Commission has continued to focus on building awareness and capability of staff to respond to disclosures of family and domestic violence, and provide opportunities to learn and develop our responses to those issues through the workplace.

Disability Access and Inclusion Plan

The Commission is committed to supporting and promoting access and inclusion for all members of the South Australian community, including those living with disability. In line with that, in October 2020, the Commission released its first Disability Access and Inclusion Plan 2020 – 2024 (**DAIP**). The DAIP outlined a number of actions to help achieve its purpose, with some of those actions undertaken in the first half 2021, including:

- all Commission documents published from 1 December 2020 are available for review with Readspeak
- employees provided with training to increase general disability awareness as well as an awareness to the challenges experienced by people living with disability, particularly in relation to their access to services regulated by the Commission
- initial benchmarking survey completed to measure staff awareness in relation to diversity and cultural awareness, and
- development of a list of agencies/groups, for the purposes of stakeholder engagement, that can assist in understanding the needs of consumers who are living with disability, including specific groups that specialise in assisting Aboriginal and Torres Strait Islander people, children, women, cultural and linguistically diverse people and children who are living with disability.

Work, Health and Safety programs

Program name	Performance
Incident/injury management	Achieved – nil notifiable incidents during 2020-21
Hazard management	Achieved – hazards responded to within required timeframes

Program name	Performance
WHS policies	Achieved – all policy and procedure reviews completed, or reprioritised for justifiable reasons
Training	Achieved – WHS training plan in place
Safe work systems	Achieved – scheduled activities undertaken as required
Workplace inspections	Achieved – workplace inspections conducted quarterly
Consultation with staff	Achieved – staff actively consulted on WHS issues and WHS policy reviews
Return to work	Achieved – nil incidents during 2020-21
Induction	Achieved – all new employees and contractors undertook a safety induction on their first day in 2020-21
Employee Assistance Program	Achieved – available to all staff for 2020-21
Psychological health strategies	Achieved – strategies implemented in 2020-21
Wellbeing Plan	Achieved – activities undertaken during 2020-21

Workplace injury claims	2020-21	2019-20	% Change (+ / -)
Total new workplace injury claims	0	0	0
Fatalities	0	0	0
Seriously injured workers*	0	0	0
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	0

**Number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)*

Work health and safety regulations	2020-21	2019-20	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	0

Return to work costs**	2020-21	2019-20	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0
Income support payments – gross (\$)	0	0	0

** before third party recovery

Data for previous years are available at [data.sa](https://data.sa.gov.au).

Executive employment in the agency

Executive classification	Number of executives
Level A	2
Level B	1
Level D	1

Data for previous years are available at [data.sa](https://data.sa.gov.au).

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the Commission. The information is unaudited. Full audited financial statements for 2020-21 are attached to this report.

Statement of Comprehensive Income	2020-21 Actual \$000s	Past year 2019-20 Actual \$000s
Total Income	\$7,256	\$5,042
Total Expenses	\$5,816	\$6,317
Net Result	\$1,440	(\$1,275)
Total Comprehensive Result	\$1,440	(\$1,275)

Statement of Financial Position	2020-21 Actual \$000s	Past year 2019-20 Actual \$000s
Current assets	\$9,790	\$8,794
Non-current assets	\$ 432	\$ 175
Total assets	\$10,222	\$8,969
Current liabilities	\$ 903	\$ 913
Non-current liabilities	\$ 693	\$ 870
Total liabilities	\$1,596	\$1,783
Net assets	\$8,626	\$7,186
Equity	\$8,626	\$7,186

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	\$13,606

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Incenta Economic Consulting	Advice in relation to infrastructure pricing and regulation	\$12,094
KPMG	Review of regulatory models	\$24,432
ACIL Allen Consulting	Review electricity distribution and metering codes	\$35,998
Houston Kemp Pty Ltd	Review of competition in bulk and intermodal freight	\$38,125
BDO Advisory (SA) Pty Ltd	Review of Water for Fodder program and internal controls	\$76,625
	Total	\$187,274

Data for previous years are available at:

<https://data.sa.gov.au/data/dataset/escosaannual-report-consultants>

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken and the actual payments made for work undertaken during the financial year.

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
CRE Services	Conciliation advice	\$12,034
Dr Pat Walsh	Review of SAWRD20 processes	\$27,750
	Total	\$39,784

Data for previous years are available at:

<https://data.sa.gov.au/data/dataset/escosaannual-report-contractors>

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts](#).

The website also provides details of [across government contracts](#).

Risk management

Fraud detected in the agency

Category/nature of fraud	Number of instances
Nil	Nil

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

The Commission's strategy is to have a comprehensive framework for detecting, mitigating and managing risk and fraud. This framework 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.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-report-instances-of-fraud-recorded>

Public interest disclosure

The Commission developed and implemented a Public Interest Disclosure policy during the period and appointed a Responsible Officer as required by the *Public Interest Disclosure Act 2018*.

There were no occasions where public interest information was disclosed to a Responsible Officer under the *Public Interest Disclosure Act 2018* during 2020-21.

Data for previous years are available at: <https://data.sa.gov.au/data/dataset/annual-report-whistleblowers-disclosure>.

Note: Disclosure of public interest information was previously reported under the *Whistleblowers Protection Act 1993* and repealed by the *Public Interest Disclosure Act 2018* on 1/7/2019.

Reporting required under any other act or regulation

Water Industry Third Party Access Regime

Act or Regulation	Requirement
<i>Water Industry Act 2012</i>	Part 9A - report annually to the Minister on the work the Commission has carried out relating to its role under the third party access regime.

Part 9A of the *Water Industry Act 2012* establishes a South Australian water industry third party access regime and appoints the Commission as the regulator. The access regime provides a framework for the negotiation of access to certain of SA Water's water and sewerage infrastructure services, with the potential for arbitration should negotiations fail.

As the regulator of the access regime, the Commission has the function of monitoring and enforcing compliance with the regime's requirements.

SA Water did not receive any formal requests for third party access under the *Water Industry Act 2012* in 2020-21. However, SA Water advised that it established 12 new commercial agreements for third party access during the year, outside of the access regime.

In 2020-21, the third party access information brochure was downloaded on two occasions from SA Water's website. According to SA Water, none of those external downloads resulted in further consultation regarding third party access.

OUTCOMES

Requirement	Performance
Monitor and enforce compliance with the requirements of the regime	The Commission was not notified of any non-compliance in 2020-21.
Undertake negotiation of access to certain water and sewerage infrastructure services and refer to arbitration if needed	The Commission was not notified of any access disputes in 2020-21, and therefore did not refer any disputes to arbitration.

SA Intrastate Rail Access Regime

Act or Regulation	Requirement
<i>Rail (Operations and Access) Act 1997</i>	Section 9A - report to the Minister on the work carried out by the Commission under this Act.

The Commission regulates South Australia's intrastate rail access regime, as set out in the *Rail (Operations and Access) Act 1997*.

During 2020-21, the Commission conducted a review of the third party access regime that applies to declared rail infrastructure services in South Australia, in accordance with section 7A of the *Railways (Operations and Access) Act 1997*. The final review report was provided to the Minister for Infrastructure and Transport in August 2020. In that report, the Commission recommended that the South Australian intrastate rail access regime should continue to apply for a further five-year period.

Consistent with that recommendation, a regulation was made under the Act on 15 October 2020, extending the operation of the access regime for five years commencing on 31 October 2020.

In addition to the five-yearly regime reviews, the Commission's administration of the regime has two major components. First, providing information and transparency through compliance monitoring and maintaining information on its website. Second, considering any reported access disputes or related inquiries that may arise.

The Commission's role also includes monitoring regulatory compliance to ensure the rail operators:

- have a sound and effective compliance program
- report non-compliances of the type required to be reported during the relevant reporting period, and
- address the impact of such non-compliance on customers and other entities.

OUTCOMES

Requirement/Project	Performance
Provide information and transparency through compliance monitoring and maintaining information on its website	The Commission did not receive any notifications of material non-compliance during 2020-21.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive any access notifications or access disputes during 2020-21.

Requirement/Project	Performance
Review of intrastate rail access regime 2020-2025.	<p>The Commission finalised the review of the third party access regime that applies to declared rail infrastructure services in South Australia.</p> <p>The Commission recommended that the South Australian intrastate rail access regime should continue to apply for a further five-year period.</p>

FINANCIAL INFORMATION

The South Australian Government funds the Commission's intrastate rail regulatory activities. The table below summarises revenues and expenses for these activities for 2020-21, together with comparative figures for the previous regulatory period.

Both revenue and expense amounts vary due to timing of regulatory reviews.

The Commission will continue to undertake its regulatory activities as efficiently and effectively as possible, and will not accumulate surpluses to unnecessary levels.

	2020-21 \$'000	2019-20 \$'000
Opening surplus	16	67
Revenue		
SA Government contribution	310	155
Total revenue	310	155
Expenses		
Salaries and on-costs	195	152
Administration	72	54
Total expenses	267	206
Annual surplus/(deficit)	43	(51)
Closing surplus	59	16

Tarcoola-Darwin Rail Access Regime

Act or Regulation	Requirement
<i>AustralAsia Railway (Third Party Access) Act 1999</i>	Clause 7 of the AustralAsia Railway (Third Party Access) Code contained in the schedule of the <i>AustralAsia Railway (Third Party Access) Act 1999</i> - report to the Minister on the work carried out by the Commission under this Act.

The access 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 Commission's administration of the regime has two major components. First, providing information and transparency through compliance monitoring and maintaining information on its website. Second, by considering any reported access disputes or related inquiries that may arise.

The Commission's role includes monitoring regulatory compliance to ensure the rail operator:

- has a sound and effective compliance program
- reports non-compliances of the type required to be reported during the relevant reporting period, and
- addresses the impact of such non-compliance on customers and other entities.

OUTCOMES

Requirement/Project	Performance
Provide information and transparency through compliance monitoring and maintaining information on its website	The Commission did not receive any notifications of material non-compliance during 2020-21.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive notification of any access disputes during 2020-21.
Review of revenues under the Tarcoola-Darwin rail access regime 2013-2018	<p>The five-year review of revenues under the Tarcoola-Darwin rail access regime was commenced and will be finalised in 2021-22.</p> <p>The review will assess whether or not the railway operator has earned excessive revenues between 1 July 2013 and 30 June 2018.</p>

FINANCIAL INFORMATION

The South Australian and Northern Territory Governments fund the Commission's Tarcoola-Darwin rail regulatory activities.

The table below summarises revenues and expenses for these activities for 2020-21, together with comparative figures for the previous regulatory period.

Both revenue and expense amounts vary due to timing of regulatory reviews.

Over time, funding is shared equally between the South Australian and Northern Territory Governments. However, the funding contributions made by each Government may differ in any one year. The Commission records each Government's contribution in a separate account. The Commission's expenses are apportioned equally to each of these accounts.

The Commission will continue to undertake its regulatory activities as efficiently and effectively as possible, and will not accumulate surpluses to unnecessary levels.

	2020-21 \$'000	2019-20 \$'000
Opening surplus	(7)	71
Revenue		
SA Government contribution	335	15
NT Government contribution	322	90
Total revenue	657	105
Expenses		
Salaries and on-costs	347	135
Administration	129	48
Total expenses	476	183
Annual surplus/(deficit)	181	(78)
Closing surplus/(deficit)	174	(7)

Appendix: Audited financial statements 2020-21



Our ref: A21/033

27 September 2021

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Dr L Williams AM
Acting Chairperson
Essential Service Commission
Level 1
151 Pirie Street
ADELAIDE SA 5001

Dear Dr Williams

Audit of the Essential Services Commission for the year to 30 June 2021

We have completed the audit of your accounts for the year ended 30 June 2021. Two key outcomes from the audit are the:

- 1** Independent Auditor's Report on your agency's financial report
- 2** audit management letters.

1 Independent Auditor's Report

We are returning the financial statements for the Essential Services Commission, with the Independent Auditor's Report. This report is unmodified.

The *Public Finance and Audit Act 1987* allows me to publish documents on the Auditor-General's Department website. The enclosed Independent Auditor's Report and accompanying financial statements will be published on that website on Tuesday, 12 October 2021.

2 Audit management letters

As the audit did not identify any significant matters requiring management attention, we will not issue any audit management letters.

What the audit covered

Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.

Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- revenue from licence and administration fees
- employee benefit expenses and liabilities
- supplies and services expenses
- general ledger.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General

enc

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Acting Chairperson Essential Services Commission

Opinion

I have audited the financial report of the Essential Services Commission for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Essential Services Commission as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Acting Chairperson, the Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Essential Services Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive Officer and the Commissioners of the Essential Services Commission for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The Commissioners of the Essential Services Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 24(2) of the *Essential Services Commission Act 2002*, I have audited the financial report of the Essential Services Commission for the financial year ended 30 June 2021.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Essential Services Commission's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Commissioners of the Essential Services Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

27 September 2021

Essential Services Commission

Financial Statements

For the year ended 30 June 2021

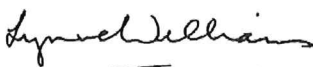
Certification of the Financial Statements

We certify that the attached general purpose financial statements for 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 Australian Accounting Standards, and
- present a true and fair view of the financial position of the Essential Services Commission as at the end of the financial year and the results of its operation and cash flows for the financial year.

Internal controls employed by the Essential Services Commission for the financial year over its financial reporting and its preparation of the financial statements have been effective.

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



(Dr) Lynne Williams AM
Acting Chairperson
27 September 2021



Mr Adam Wilson
Chief Executive Officer
27 September 2021



Mr Nick Mahon
Chief Financial Officer
27 September 2021

Essential Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2021

		2021	2020
	Note	\$'000	\$'000
Income			
Revenue from licence and administration fees	2.1	5 857	4 617
SA Government grants, subsidies and transfers		890	250
Revenue from services	2.2	322	90
Resources received free of charge	2.3	26	26
Other income	2.4	161	59
Total income		7 256	5 042
Expenses			
Employee benefits expenses	3.3	4 182	4 459
Supplies and services	4.1	1 544	1 712
Depreciation and amortisation		88	146
Other expenses	4.2	2	-
Total expenses		5 816	6 317
Net result		1 440	(1 275)
Total comprehensive result		1 440	(1 275)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the South Australian Government as owner.

Essential Services Commission
Statement of Financial Position
as at 30 June 2021

		2021	2020
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		8 707	7 579
Receivables	6.1	1 083	1 215
Total current assets		9 790	8 794
Non-current assets			
Property, plant and equipment	5.1	91	151
Intangible assets	5.3	341	24
Total non-current assets		432	175
Total assets		10 222	8 969
Current liabilities			
Payables	7.1	298	169
Employee benefits	3.4	434	519
Provisions	7.2	4	4
Other liabilities	7.3	167	221
Total current liabilities		903	913
Non-current liabilities			
Payables	7.1	58	73
Employee benefits	3.4	623	789
Provisions	7.2	12	8
Total non-current liabilities		693	870
Total liabilities		1 596	1 783
Net assets		8 626	7 186
Equity			
Retained earnings		8 626	7 186
Total equity		8 626	7 186

The accompanying notes form part of these financial statements. The total equity is attributable to the South Australian Government as owner.

Essential Services Commission
Statement of Changes in Equity
for the year ended 30 June 2021

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019	8 461	8 461
Net result for 2019-20	(1 275)	(1 275)
Total comprehensive result for 2019-20	(1 275)	(1 275)
Balance at 30 June 2020	7 186	7 186
Net result for 2020-21	1 440	1 440
Total comprehensive result for 2020-21	1 440	1 440
Balance at 30 June 2021	8 626	8 626

The accompanying notes form part of these financial statements. All changes to equity are attributable to the South Australian Government as owner.

Essential Services Commission
Statement of Cash Flows
for the year ended 30 June 2021

	2021 (Outflows) Inflows \$'000	2020 (Outflows) Inflows \$'000
Cash flows from operating activities		
Cash inflows		
Receipts from licence and administration fees	5 939	4 713
Receipts from SA Government grants, subsidies and transfers	890	250
Receipts from other services	322	90
Other receipts	161	59
Cash generated from operations	7 312	5 112
Cash outflows		
Employee benefits payments	(4 459)	(4 309)
Payments for supplies and services	(1 496)	(1 707)
Cash used in operations	(5 955)	(6 016)
Net cash provided by/(used in) operating activities	1 357	(904)
Cash flows from investing activities		
Cash outflows		
Purchase of intangible assets	(229)	-
Cash used in investing activities	(229)	-
Net cash used in investing activities	(229)	-
Net increase/(decrease) in cash and cash equivalents	1 128	(904)
Cash and cash equivalents at 1 July	7 579	8 483
Cash and cash equivalents at 30 June	8 707	7 579

The accompanying notes form part of these financial statements.

Essential Services Commission

Notes to and forming part of the financial statements

For the year ended 30 June 2021

1. About the Essential Services Commission

1.1. Reporting entity

The Essential Services Commission (Commission) is a not for profit statutory authority established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (ESC Act).

1.2. Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with:

- Section 23 of the *Public Finance and Audit Act 1987* (PFAA)
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the PFAA; and
- Relevant Australian Accounting Standards with reduced disclosure requirements.

The financial statements are prepared based on a 12-month reporting period and are presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Banking arrangements

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

Tax arrangements

The Commission is not subject to income tax but is liable for fringe benefits tax (FBT), goods and services tax (GST) and payroll tax. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the Statement of Financial Position.

Other Significant accounting policies are set out in the notes.

1.3. Administered items

Section 22 of the ESC Act requires that, except as otherwise directed by the Treasurer, fees or other amounts received by the Commission under that or any other Act will be paid into the Consolidated Account. The Treasurer has directed the use of the SDA for the purpose of recording all the financial transactions of the Commission.

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 notes 2.1 and 11.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.4. Objectives and programs

The Commission undertakes economic regulation in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to the South Australian 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. The Commission's role under the *Planning, Development and Infrastructure Act 2016* has not commenced, as the enabling regulations are not in place.

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 ESC Act). In that capacity the Commission acts as an adviser to the South Australian Government, providing independent advice on economic and regulatory matters.

The second is to conduct formal public inquiries (Part 7 of the ESC 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).

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.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.4 Objectives and programs (continued)

The following table summarises such roles for the year ended 30 June 2021.

Legislation	Regulatory functions
<i>Water Industry Act 2012</i>	Water and sewerage retail service providers: <ul style="list-style-type: none"> • Licensing • Retail price regulation • Consumer protection • Service / reliability standard setting • Performance monitoring and reporting Third Party Access Regime regulator
<i>Electricity Act 1996</i>	Electricity retail operations: <ul style="list-style-type: none"> • Monitoring and, if necessary, determination of the retailer Solar Photovoltaic Feed-in Tariff • Preparation and publication of Ministerial Energy Retail Price Offerings Comparison reports • Retailer Energy Productivity Scheme administration Electricity generation, transmission, distribution and off-grid retailers: <ul style="list-style-type: none"> • Licensing • Network service / reliability standard setting • Performance monitoring and reporting
<i>Gas Act 1997</i>	Gas retail operations: <ul style="list-style-type: none"> • Preparation and publication of Ministerial Energy Retail Price Offerings Comparison reports • Retailer Energy Productivity Scheme administration Retail and Distribution LPG gas operations: <ul style="list-style-type: none"> • Licensing Natural gas operations: <ul style="list-style-type: none"> • Licensing • Standard setting • Performance monitoring and reporting
<i>AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997</i>	Access Regulator of: <ul style="list-style-type: none"> • Tarcoola–Darwin railway • Intrastate railway
<i>Maritime Services (Access) Act 2000</i>	Ports services pricing and access regulator
<i>Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the State Government (not yet commenced, as the enabling regulations are not in place)
<i>Statutes Amendment (Local Government Review) Act 2021 (received Royal assent on 17 June 2021, not yet commenced)</i>	The Commission has functions relating to the provision of advice on the appropriateness of amendments to, and revenue sources for, local councils' long-term financial and infrastructure and asset management plans (yet to commence).

1.5 Impact of COVID-19 pandemic on the Commission

The COVID-19 pandemic has not had an impact on the operations of the Commission.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2. Income

2.1. Revenue from licence and administration fees

	Note	Electricity	Gas	Water	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000
Licence fees		6 157	2 396	8 603	17 156	17 573
Administration fees		1 000	278	-	1 278	1 074
Administered items	11	(5 857)	(2 354)	(4 366)	(12 577)	(14 030)
Total revenue from licence and administration fees		1 300	320	4 237	5 857	4 617

Revenue from the issuing of licence and administration fees is recognised at the point in time the licence is issued and upon annual renewal. Licence and administration fees are set by the relevant Minister in accordance with the relevant Act. Unearned revenue is recognised where cash is received by the Commission for licence or administration fees prior to the date of renewal or issue.

2.2. Revenue from services

	2021	2020
	\$'000	\$'000
Contribution to rail regulatory costs by Northern Territory Government	322	90
Total revenue from services	322	90

Contributions are recognised as revenues upon receipt.

2.3. Resources received free of charge

	2021	2020
	\$'000	\$'000
Services received free of charge - Shared Services SA	26	26
Total resources received free of charge	26	26

Contribution of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated. The Commission receives Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA.

2.4. Other income

	2021	2020
	\$'000	\$'000
Other income	161	59
Total other income	161	59

Includes salary reimbursement of \$80 000 (2020: \$48 000) and Water for Fodder Advice funding of \$81 000 (2020: \$0).

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3. Commission, committees and employees

3.1. Key management personnel

Key management personnel of the Commission include the Commissioners, Chief Executive Officer and four members of the Leadership Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$1 396 000 (2020: \$1 519 000) and excludes salaries and other benefits for the Minister. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

The Commission did not enter into any transactions with key management personnel or their close family during the reporting period.

3.2. Commission and committee members

Members that were entitled to receive remuneration (directly and indirectly) for membership during the 2021 financial year were:

Essential Services Commission

Mr Brett Rowse (Chairperson)
Dr Lynne Williams AM
Ms June Roache
Mr David Round AM
Mr David Swift

Consumer Advisory Committee

Mr Brett Rowse (Chairperson)**
Ms Elaine Attwood
Ms Sue Averay
Mr Sandy Canale **
Mr Mark Henley
Mr Andrew McKenna
Ms Heather Smith
Mr Ross Womersley

Power Line Environment Committee

Mr Kevin Hamilton (Chairperson)
Mr Andrew Burnell*
Mr Klinton Devenish (Appointment commenced 26 November 2020)
Ms Jo Davidson*
Ms Margaret Lee
Ms Kerry McConnell*
Mr Mike Magin
Mr Kim Steinle

* In accordance with the Premier and Cabinet Circular No016 government employees did not receive any remuneration for Commission / committee duties during the reporting period.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.2 Commission and committee members (continued)

** No remuneration was received by Mr Brett Rowse in the role of Chairperson of the Consumer Advisory Committee and Mr Sandy Canale has elected to not be remunerated.

Commission and committee remuneration

The number of members* whose remuneration received or receivable falls within the following bands:	2021	2020
\$0 - \$19 999	15	16
\$20 000 - \$39 999	-	2
\$40 000 - \$59 999	3	2
\$60 000 - \$79 999	2	2
Total number of members	20	22

* If members sit on multiple committees they are only counted once.

The total remuneration received or receivable by members was \$295 000 (2020: \$299 000). Remuneration of members reflect all costs of performing duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

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

3.3. Employee benefits expenses

	2021	2020
	\$'000	\$'000
Salaries and wages	3 077	3 217
Long service leave	49	30
Annual leave	259	289
Skill and experience retention leave	(8)	25
Employment on-costs - superannuation	340	372
Employment on-costs - other	167	182
Commission and committee fees*	271	295
Other employee related expenses	27	49
Total employee benefits expenses	4 182	4 459

* Commission and committee fees only include direct payment to members. Superannuation payments including salary sacrifice payments are included under Employment on-costs - superannuation. See note 3.2 for details of remuneration for Commission and committee members.

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the Commissions' contributions to superannuation plans in respect of current services of current employees. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.3 Employee benefits expenses (continued)

Remuneration of employees

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

	2021	2020
	No.	No.
\$154 001 - \$174 000	1	2
\$194 001 - \$214 000	2	1
\$214 001 - \$234 000	-	1
\$234 001 - \$254 000	-	1
\$314 001 - \$334 000	1	-
\$334 001 - \$354 000	1	-
\$394 001 - \$414 000	-	1
Total remuneration of employees	5	6

The total remuneration received by these employees for the year was \$1 235 000 (2020: \$1 392 000).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year, of which 4 (2020: 4) are executive and 1 (2020: 2) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.4. Employee benefits liability

	2021	2020
	\$'000	\$'000
Current		
Accrued salaries and wages	102	135
Annual leave	222	286
Long service leave	99	73
Skills and experience retention leave	11	25
Total current employee benefits	434	519
Non-current		
Long service leave	623	789
Total non-current employee benefits	623	789
Total employee benefits	1 057	1 308

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 the reporting date.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.4 Employee benefits liability (continued)

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 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 the average sick leave to be taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

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. Details about the measurement of long service leave liability is provided at note 10.1.

4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2021	2020
	\$'000	\$'000
Accommodation	442	432
General administration	554	565
Information technology charges	292	259
Consultants	201	351
Contractors	40	91
Other supplies and services	15	14
Total supplies and services	1 544	1 712

Total Supplies and services includes GST where the amount of GST incurred by the Commission as a purchaser is not recoverable from the ATO.

Accommodation

The Commission's accommodation is provided by the Department for Infrastructure and Transport (DIT) under Memorandum of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of lease and are expensed (included in Accommodation).

Consultants

The number of consultancies and dollar amount paid/payable (included in expense shown above) to consultants were:

	2021	2021	2020	2020
	No.	\$'000	No.	\$'000
Below \$10 000	3	14	3	15
\$10 000 or above	5	187	5	336
Total	8	201	8	351

4.2. Other expenses

	2021	2020
	\$'000	\$'000
Doubtful debts expense	2	-
Total other expenses	2	-

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

5. Non-financial assets

5.1. Property, plant and equipment by asset class

	2021	2020
	\$'000	\$'000
Building fit-outs		
Building fit-outs at cost (deemed fair value)	566	566
Accumulated depreciation	(475)	(415)
Total building fit-outs	91	151
Total property, plant and equipment	91	151

5.2. Property, plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value of \$15 000 or more is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is recorded at fair value. Detail about the Commission's approach to fair value is set out in note 10.2.

Reconciliation of property, plant and equipment

The following table shows the movement in value of property, plant and equipment for the year ended 30 June 2021.

	Building fit-outs \$'000	Total \$'000
Carrying amount at 1 July 2020	151	151
Depreciation and amortisation	(60)	(60)
Carrying amount at 30 June	91	91

5.3. Intangible assets

	2021	2020
	\$'000	\$'000
Internally developed software		
Internally developed computer software at cost	401	240
Accumulated amortisation	(244)	(220)
Total internally generated software	157	20
Externally developed software		
Externally developed computer software at cost	184	184
Accumulated amortisation	(184)	(180)
Total externally developed software	-	4
Work in Progress		
At cost	184	-
Total work in progress	184	-
Total Intangible Assets	341	24

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

5.3 Intangible assets (continued)

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost, less any accumulated amortisation and any accumulated impairment losses.

The acquisition or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$15 000.

The Commission is developing a new Retail Energy Productivity Scheme system to replace the Retailer Energy Efficiency Scheme system. Partial completion has been capitalised or treated as work in progress at year end. It is expected to be fully operational in the 2021-22 financial year.

Impairment

There were no indications of impairment of intangible assets at 30 June 2021.

Reconciliation of intangible assets

The following table shows the movement of intangible assets for the year ended 30 June 2021.

	Internally developed software	Externally developed software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2020	20	4	-	24
Additions - Retail Energy Productivity Scheme	161	-	4	165
Additions - Regulatory Intelligence System	-	-	180	180
Amortisation	(24)	(4)	-	(28)
Carrying amount at 30 June 2021	157	-	184	341

Depreciation and amortisation

All non-current assets that have limited useful lives are systematically depreciated / amortised 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.

Useful life

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	Useful life (years)
Leasehold improvements	3-10
Furniture and fittings	3-10
Office equipment – Information Technology	3-5
Office equipment - Other	3-5
Intangibles	3-10

Review of accounting estimates

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. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6. Financial assets

6.1. Receivables

	2021	2020
	\$'000	\$'000
Current		
Licences and Administration Receivable	719	839
Less impairment loss on receivables	(3)	(1)
Total trade receivables	716	838
Accrued revenue	303	319
Prepayments	64	58
Total current receivables	1 083	1 215
Total receivables	1 083	1 215

Receivables arise in the normal course of the issue or renewal of energy and water licences to licensees and administration fees to energy retailers. Receivables are normally settled within 30 days after the issue of an invoice. Receivables, prepayments and accrued revenues are non-interest bearing. Collectability of receivables is reviewed on an ongoing basis. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Impairment loss for receivables

	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	1	41
Amounts written off	-	(40)
Increase / (decrease) in allowance recognised in profit or loss	2	-
Carrying amount at the end of the period	3	1

Refer to note 10.3 for the methodology for determining impairment.

7. Liabilities

7.1. Payables

	2021	2020
	\$'000	\$'000
Current		
Creditors and accrued expenses	237	94
Employment on-costs	61	75
Total current payables	298	169
Non-Current:		
Employment on-costs	58	73
Total non-current payables	58	73
Total payables	356	242

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

7.1 Payables (continued)

Payables are measured at nominal amounts.

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefit that they relate to are discharged. The Commission makes contributions to the South Australian Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There are no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the DTF, the percentage of the proportion of long service leave taken has remained at 42% in 2021 and the average factor for the calculation of the employer superannuation on-costs has increased from 9.8% in 2020 to 10.1% in 2021. These rates are used in the employment on-cost calculation. The net financial effect of the change on employment on-costs and employee benefit expense is immaterial.

7.2. Provisions

	2021 \$'000	2020 \$'000
Current		
Workers' compensation	4	4
Total current provisions	4	4
Non-Current:		
Workers' compensation	12	8
Total non-current payables	12	8
Total provisions	16	12
Movement in provisions	2021 \$'000	2020 \$'000
Carrying amount at the beginning of the period	12	9
Additional provisions recognised	4	3
Carrying amount at the end of the period	16	12

Workers compensation provision

The Commission is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Commission is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

The provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2021

7.3. Other liabilities

	2021	2020
	\$'000	\$'000
Current		
Unearned revenue	167	221
Total current other liabilities	167	221
Total other liabilities	167	221

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

8. Changes in accounting policy

The Commission has assessed the impact of the new amended Australian Accounting Standards and Interpretations and changes to the Accounting Policy Statements issued by the Treasurer. The Commission considers there will be no impact on the financial statements.

9. Outlook

9.1. Unrecognised contractual commitments

Commitments arise from contractual or statutory sources and are disclosed at their nominal value.

Expenditure commitments

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

	2021	2020
	\$'000	\$'000
Within one year	894	458
Later than one year but not later than five years	268	635
Total expenditure commitments	1 162	1 093

9.2. Contingent assets and contingent liabilities

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.

The Commission is not aware of any contingent assets or contingent liabilities as at 30 June 2021.

9.3. COVID-19 pandemic outlook for the Commission

The Commission does not expect any material impact on its operations in 2021-22.

9.4. Impacts of standards not yet effective

The Commission has assessed the impact of the new amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer and considers there will be no impact on the financial statements.

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9.5. 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.

10. Measurement and risk

10.1. Long service leave liability - measurement

AASB 119 *Employee Benefits* describes the calculation methodology for long service leave liability.

The actuarial assessment performed by the DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data across the South Australian Government.

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 increased from 0.75% in 2020 to 1.25% in 2021.

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by the DTF has kept the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from the changes in the salary inflation rate.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$78 255 and employee benefits expense of \$84 555. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

10.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

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

All non-current tangible and intangible assets with a value equal to or in excess of \$15 000 are capitalised.

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for depreciation.

All non-current assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 500 000 and estimated useful life is greater than three years.

Essential Services Commission
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10.2 Fair value (continued)

Plant and equipment

All items of plant and equipment had a fair value less than \$1 500 000 at time of acquisition. The carrying value of these items are deemed to approximate fair value.

10.3. Financial instruments

Financial risk management

Risk management is overseen by the Commission and the Commission's Leadership Team. The Risk Management Framework set by the Commission is 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*.

The Commission's exposure to financial risk (liquidity, credit and market) is low due to the nature of the financial instruments held and the current assessment of risk. Financial Instruments are measured at amortised cost.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Commission uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss allowance on the Commission's receivables at 30 June 2021 was \$3 000 (2020: \$1 000).

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

The total financial assets consisting of cash and cash equivalents are \$8 707 000 (2020: \$7 579 000). Total financial liabilities comprising payables are \$207 000 (2020: \$52 000).

The contractual maturities of all financial instruments are expected to be within 1 year.

Receivables and payables

The amount of payables disclosed excludes amounts relating to statutory payables (Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). The Commission's receivables balance consists entirely of statutory receivables.

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11. Administered items

Australian Energy Market Commission

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity and gas licence and administration fees received by the Commission for the Australian Energy Market Commission. In 2021 \$2 426 000 (2020: \$2 148 000) was transferred.

Consumer Advocacy and Research Fund

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Consumer Advocacy and Research Fund. In 2021 \$294 000 (2020: \$288 000) was transferred.

Technical Regulator

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity, gas and water licence fees received by the Commission for the Technical Regulator. In 2021 \$8 903 000 (2020: \$10 662 000) was transferred.

Department for Environment and Water

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department for Environment and Water. In 2021 \$571 000 (2020: \$557 000) was transferred.

Department of Treasury and Finance

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department of Treasury and Finance. In 2021 \$384 000 (2020: \$375 000) was transferred.