

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

2022-23 Annual Report

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

Level 1, 151 Pirie Street, Adelaide, South Australia, 5000

www.escosa.sa.gov.au

Contact phone number: +618 8463 4444

Contact email: escosa@escosa.sa.gov.au

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To:

The Hon. Stephen Mullighan MP, Treasurer

The Hon. Susan Close MP, Minister for Climate, Environment and Water

The Hon. Tom Koutsantonis 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:



David Swift AM

Chairperson

Date: 19 September 2023

From the Chairperson

On behalf of the Essential Services Commission, I am pleased to present the Commission's 2022-23 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 2022-23, the Commission delivered on the areas of action outlined in its Strategy 2022-2025 and the projects and programs set out in the Performance Plan 2022-23, as approved by the Treasurer under the *Essential Services Commission Act 2002*. Of note, the Commission completed the first round of advice under the Local Government Advice scheme and finalised its review of the State-based economic and consumer protection regulatory frameworks applying to SA Power Networks and small-scale and off-grid energy suppliers. The Commission also significantly progressed work in relation to the next SA Water Regulatory Determination (commencing in July 2024), submitted the Draft Inquiry into Retail Energy Prices, and continued internal improvements in analytical capacity and regulatory action, supported by its Regulatory Intelligence System.

I thank my fellow Commissioners and all of our staff for their continued support and contributions over the past year, working to achieving continuous improvement in outcomes for South Australian consumers.

I would also like to recognise the contribution of the Commission's long-standing Acting Chairperson and Commissioner, Dr Lynne Williams and Commissioners, David Round and June Roache, whose terms of appointments ceased during 2022-23. They have all made a significant contribution to the Commission, the State of South Australia and its community during their time with the Commission, and for that we thank them very much.



David Swift AM

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**).

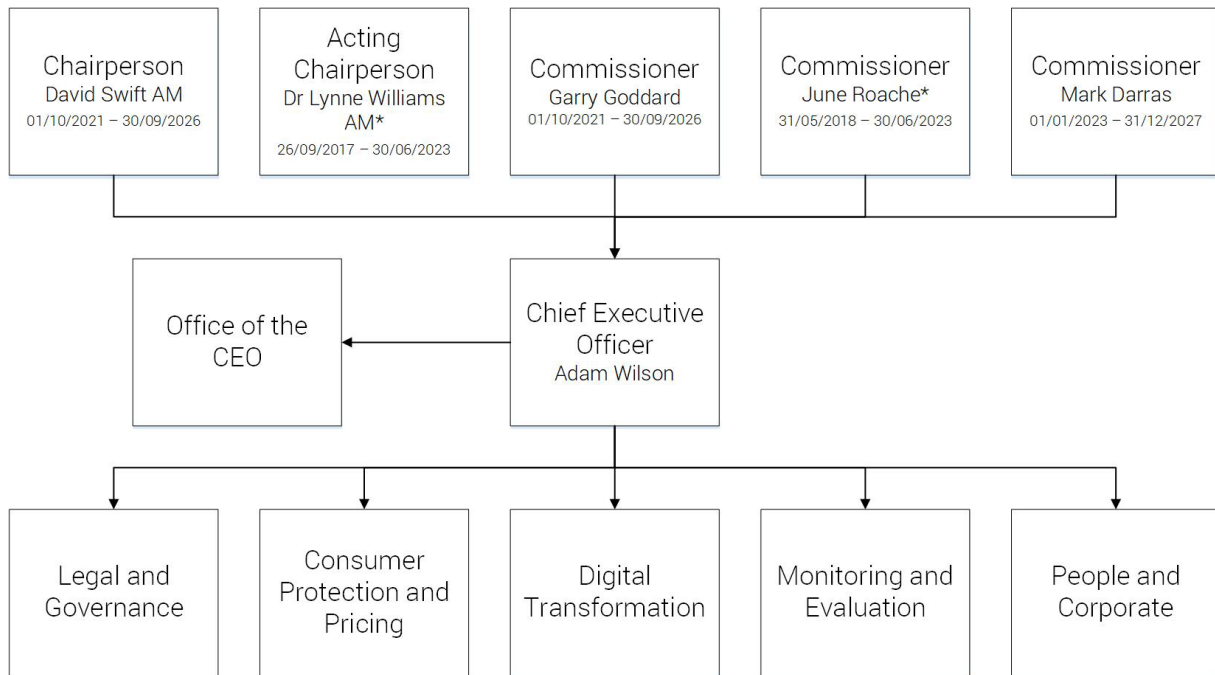
Our Objective	The Commission's objective under the ESC Act is the protection of the long-term interests of South Australian consumers with respect to the price, quality, and reliability of essential services.
Our Purpose	The Commission will add long-term value to the South Australian community by meeting 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. The Commission is also the administrator of the Retailer Energy Productivity Scheme. For each industry, the relevant industry regulation Act specifies the scope of the Commission's role, as summarised on pages 10 and 11.</p> <p>Advisory</p> <p>The Commission has two advisory functions.</p> <p>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 advisor to the South Australian Government, providing independent advice on economic and regulatory matters.</p> <p>The second is the provision of advice to local councils under section 122 of the <i>Local Government Act 1999</i> on the appropriateness of the following matters:</p> <ul style="list-style-type: none"> • material amendments made, or proposed to be made, to a council's long-term financial plan and infrastructure and asset management plan and the reasons for those amendments • revenue sources as outlined in a council's funding plan, and • any other matter prescribed by regulation.

	<p>Inquiry</p> <p>The Commission also has the function of conducting 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).</p>
Our Strategy	<p>The Commission's Strategy, including strategic priorities, which guides it in meeting its objective.</p> <p>The Strategy consolidates and strengthens the Commission's economic regulatory and advisory functions, 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. The model reflects the Commission's key functions of regulatory design, gathering market intelligence, undertaking analysis and taking appropriate regulatory action, all of which are underpinned by continuous evaluation and refinement of our regulatory performance and operational systems.</p>

Further information about the Commission, the industries it regulates and the projects and programs of work listed in this report can be found on the Commission's website.

Our organisational structure

As of 30 June 2023, the Commission comprised a Chairperson and four Commissioners. It employed 44 staff (41.5 full-time equivalents) possessing a diverse range of professional and technical qualifications and skills, including in economics, industry, finance, data analysis, commerce, public administration, and law. The organisational structure is presented below.



* Appointments ceased on 30 June 2023.

Changes to the agency

During 2022-23, the Commission undertook a structural change which resulted in the creation of the Digital Transformation and Legal and Governance groups. The overall FTE increased across all teams, while remaining within existing budgets, increasing the Commission's technical skill and experience and decreasing reliance on external consultants in areas of data analysis, evaluation, policy and administration support.

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.

The Commission would like to thank long-standing Acting Chairperson and Commissioner, Dr Lynne Williams and Commissioners, David Round and June Roache, whose terms of appointments ceased during 2022-23. They have all made a significant contribution to the Commission, the State of South Australia and its community during their time with the Commission, and for that we thank them very much.

The Commission also welcomed Mark Darras as a Commissioner during 2022-23.



David Swift AM was appointed as a **Commissioner** in August 2019 and as **Chairperson** on 1 October 2021.

Dr Lynne Williams AM was appointed as a **Commissioner** in September 2013 and as **Acting Chairperson** in September 2014. Lynne's term of appointment concluded on 30 June 2023.



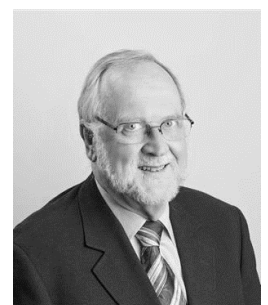
June Roache was appointed as a **Commissioner** in May 2014. June's term of appointment concluded on 30 June 2023.

Garry Goddard was appointed as a **Commissioner** in October 2021.



Mark Darras was appointed as a **Commissioner** in January 2023.

David Round AM was appointed as a **Commissioner** in May 2014. David's term of appointment concluded on 31 December 2022.



Our Leadership team

As at 30 June 2023, the Leadership Team of the Commission is comprised of the Chief Executive Officer, Directors and General Counsel.



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.

Natasha Cheshire, Director, Consumer Protection and Pricing, is responsible for all pricing, access, consumer protection and policy matters. She is also responsible for developing and implementing regulatory instruments (such as industry codes) and developing and administering licensing and authorisation arrangements for regulated businesses.



Vicky Knighton, A/Director, Monitoring and Evaluation, is responsible for the Commission's regulatory programs relating to compliance, audit, enforcement, performance evaluation and reporting. She is also responsible for the administration of the Retailer Energy Productivity Scheme (REPS) and the provision of advice to councils on their strategic management plans.

Amelia Jarrett, Director, People and Corporate, is responsible for providing workforce, finance, communications and engagement and administrative support to the Commission. The team also focuses on the overall strategy and performance of the Commission. The team enables organisational effectiveness and is committed to supporting a high-performance culture.





Kim Weimer, Director, Digital Transformation, is responsible for developing, implementing, and maintaining a suite of data, information and technology systems, processes, strategies and services. These support Commissioners and staff to deliver the Commission's objective, strategies, and work program, and assists stakeholders in engaging with the Commission. The team also focuses on turning data and information into assets that are valued and used by the Commission for regulatory development, implementation, and monitoring.

Kate Thomas, General Counsel, is responsible for providing legal, governance and strategic advice to facilitate sound regulatory and corporate decision-making, to deliver long-term benefits to consumers of essential services.



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

Legislation	Regulatory Functions
<i>Electricity Act 1996 cont...</i>	Electricity generation, transmission, distribution and small-scale 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 distribution 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 regulation of: <ul style="list-style-type: none"> • Tarcoola–Darwin railway • Intrastate railway
<i>Maritime Services (Access) Act 2000</i>	Proclaimed ports services pricing and access regulator
<i>Local Government Act 1999</i>	The Commission has functions relating to the provision of advice to local councils on the appropriateness of amendments to, and revenue sources for, their long-term financial and infrastructure and asset management plans.
<i>Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the South Australian Government (<i>not yet commenced, as the enabling regulations are not in place</i>).

The Commission's performance

Performance at a glance

The Commission continued to focus on the five areas of action outlined in its Strategy in meeting its Performance Plan 2022-23 (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 protecting consumers' long-term interests with respect to the price, quality and reliability of essential services.

For 2022-23, the Plan set out 18 statutory regulatory, advisory and corporate projects and programs for the annual work program. That regulatory and advisory work was supported by the corporate work program.

During the year, five new projects were added to the original Plan, together with one project which continued from 2021-22, leading to an overall revised program of 24 projects.

Of the 24 projects and programs of work, as at the end of June 2023:

- 17 projects were completed
- four projects are continuing, and
- three projects were reprioritised and will continue into 2023-24.

The key projects and programs of work completed in 2022-23 include:

- Local Government Advice – framework and approach and first round of advice to councils
- SA Power Networks 2025 regulatory framework review
- Review of the consumer protection framework for small-scale and off-grid energy suppliers

Significant work has also been undertaken to progress the following projects or programs of work during 2022-23:

- SA Water Regulatory Determination 2024
- Inquiry into Energy Retail Prices
- Ports pricing and access review
- Asset valuation for Tarcoola-Darwin railway

Commission-specific objectives and performance

The Commission continued to further consolidate and strengthen its economic regulatory, advisory and inquiry functions, including embedding its monitoring, analysis, compliance and enforcement capacities. While focusing on its overall work program, including the implementation and delivery of its newly acquired role providing advice under the *Local Government Act 1999*, the Commission continued to contribute to the achievement of its objectives by focusing on five areas of action:

- building stakeholder engagement and providing for consumer inputs and challenge

- design of regulation
- analytical capability
- regulatory performance, and
- evaluation capability.

Building stakeholder engagement and providing for consumer inputs and challenges

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

The Commission continued its commitment to engaging and consulting with stakeholders. Information, evidence, and views 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.

The Commission uses a variety of methods to engage and consult with the community, depending on the work it is undertaking. The Commission's Charter of Consultation and Regulatory Practice outlines the way in which it delivers those outcomes and the variety and scope of its decision-making and consultation practices and processes.

Within the wider legislative and policy context, 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 also works with Federal and State agencies to provide a coordinated approach to regulation and advice.

CONSUMER ADVISORY COMMITTEE

The Consumer Advisory Committee (**CAC**) is an advisory committee comprising representatives of consumers to provide advice to the Commission in relation to the performance of the Commission's functions under the ESC Act, or any other matters relating to the electricity, gas or water industries.

The Commission aims to achieve a balance and variety of interests and perspectives among the membership of the CAC. Membership of the CAC is drawn from peak bodies or individuals representing a wide range of consumer interests, including those representing general consumers, specific consumer groups, business interests, primary production, local government and the environment.

The 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 regulatory agencies, Government Departments and regulated businesses), direct access to consumer and community views.

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. A review of the CAC, its operations and membership was undertaken in 2022-23 to ensure it was in line with contemporary and best practice. Members identified ways in which the CAC could add further value to the work of the Commission, and membership was reviewed to ensure a diverse range of communities are represented on the CAC.

The CAC met twice during 2022-23 for strategic engagement sessions and considered and provided valuable input during the year to those sessions, together with a number of the projects listed on the Performance Plan, including:

- SA Water Regulatory Determination 2024
- Review of the Consumer Protection Framework for Small-scale and Off-grid Energy Suppliers, and
- Review of SA Power Networks 2025 Regulatory Framework.

The membership of CAC is outlined in the financial statements at Note 3.2.

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 made during 2022-23.

OTHER ACTIONS AND ACTIVITIES

The below table shows the key project under the priority of *Building stakeholder engagement and providing for consumer inputs and challenges*, as outlined in the Plan, and a summary of the outputs and outcomes achieved in 2022-23.

Performance Plan 2022-23		Outputs and outcomes
Project	Requirement/outcome	
The Commission must publish a Charter of Consultation and Regulatory Practice under section 9 of the <i>Essential Services Commission Act 2002</i> , which includes guidelines for consultation with stakeholders.		
Stakeholder Consultation	Undertake stakeholder consultation in line with the Commission’s Charter of Consultation and Regulatory Practice.	<p>In 2022-23, the Commission continued to engage and inform consumers and stakeholders through stakeholder meetings, public consultations, and publications on its website.</p> <p>The Commission also trialled new ways of engaging with stakeholders, such as using the YourSAy platform to seek stakeholder feedback.</p> <p>The Commission consulted on 18 projects/licence applications, received 57 submissions and published 61 news articles and 185 documents on its website.</p>

Design of regulation

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

During 2022-23, the Commission continued to undertake significant work in this area, including finalising two, and commencing three, regulatory reviews (as detailed below). 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.

SA WATER REGULATORY DETERMINATION 2024

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**).

The regulatory determination will set the maximum revenues that SA Water can earn from its customers over that four-year period, and the service standards it must deliver for its customers.

The regulatory determination, while for a four-year period, is made in a long-term context:

- the four-year expenditure proposals must relate to (and should be drawn from) SA Water's existing long-term asset management, financing and service delivery plans, and
- those plans, in turn, should have been developed through ongoing, transparent and genuine customer, community and stakeholder engagement.

The SAWRD24 Framework and Approach, which set out the key timing, process and governance matters for the regulatory determination process was released in 2021-22, together with two guidance papers, clarifying for all stakeholders the Commission's expectations on SA Water in terms of the regulatory determination process. A third guidance paper was released in July 2022, outlining how the Commission intends to assess SA Water's Regulatory Business Plan.

Significant background work has been undertaken during 2022-23 in preparation for the publication of SA Water's Regulatory Business Plan, including the release of an issues paper seeking stakeholder feedback on the effectiveness of the Water Retail Code and Monitoring and Evaluation Performance Framework. The feedback received on that issues paper will be taken into consideration, together with significant other work, when finalising the regulatory determination during 2023-24.

REVIEW OF THE CONSUMER PROTECTION FRAMEWORK FOR SMALL-SCALE AND OFF-GRID ENERGY SUPPLIERS

The Commission completed a review into the effectiveness of the small-scale network energy consumer protection framework, which applies to around 5,500 customers located in regional and remote areas of the State where the National Energy Customer Framework does not apply.

The framework provides small-scale energy network customers with protections including standard terms and conditions, customer service, dispute resolution, billing, payment assistance, disconnection and restoration of supply obligations.

The review assessed the existing small-scale network energy consumer protection framework and resulted (through subsequent amendments to regulatory instruments) in four consumer protection enhancements:

- Improved clarity and consistency between small-scale gas and electricity network consumer protections, by moving detailed obligations from individual electricity licences to an industry code (the Small-scale Electricity Networks Code) and expanding the coverage of the current Reticulated LPG Industry Code to small-scale natural gas networks licensed by the Commission (the Small-scale Gas Networks Code).
- Aligning hardship and disconnection protections with those in the National Energy Customer Framework, where appropriate or necessary to improve outcomes for customers, while noting that the small-scale networks licensed by the Commission have small customer bases from which they can recover their costs, and limited resources compared to larger entities regulated under the National Energy Customer Framework.
- Extending consumer protections to all ‘customers’ rather than only ‘small customers’ in the Small-scale Networks Gas Code and Prepayment Meter System Code, bringing the coverage of consumer protections for these customers into line with those provided to small-scale network electricity customers more generally.
- Updating the Prepayment Meter System Code to reflect the significant technological improvements in metering systems since the code was introduced in 2005; in particular, the ability for customers to switch between pre-paid and post-paid arrangements without changes to the physical meter.

The final decision was informed by two formal rounds of stakeholder consultation and feedback, along with ongoing stakeholder engagement, mostly during 2022-23.

The three codes, Small-scale Electricity Networks Code, Small-scale Gas Networks Code and Prepayment Meter System Code, come into effect on 1 July 2023.

Licensees will have a six-month transition period to 1 January 2024 to implement the new requirements.

REVIEW OF SA POWER NETWORKS 2025 REGULATORY FRAMEWORK

The Commission completed a review of the Electricity Distribution Code (**Code**). The Code sets out consumer protections that apply to the distribution of electricity to customers in South Australia. It includes customer service standards, network reliability standards and a Guaranteed Service Level scheme. In practice, the Code applies only to the distribution network operated by SA Power Networks.

The review assessed the effectiveness of the Code and the outcomes of the review have been reflected in the revised Code, including the following material amendments:

- Amend the Code so it formally applies only to SA Power Networks (which is already the case in practice).
- Retain the minimum network reliability performance targets and reporting thresholds in the current Code for the 2025 – 2030 period. This is sufficient to facilitate reliability outcomes that satisfy the Commission’s legislative requirements, are consistent with those of other National Electricity Market distributors and meet consumer expectations.
- Retain existing regional performance reporting requirements for the 2025 – 2030 period, and not establish minimum network standards for regions. Current reporting requirements are sufficient for the Commission to maintain oversight of regional reliability, and there is no evidence of long-term decline.
- Require the inclusion of stand-alone power system feeders in regional performance reporting, but not establish separate minimum network standards for those feeders to those already provided under the national regulatory framework.
- Ensure that Guaranteed Service Level payments apply to all distribution customers, including those on stand-alone power system feeders.
- Add two new minimum customer service standards to the Code for the 2025 – 2030 period. These relate to telephone responsiveness and first call resolution and apply specifically to the General Enquiries line and the Builders and Contractors line.
- Retain the minimum customer service standard for telephone enquiry responsiveness but limit its application to SA Power Networks’ ‘other’ telephone lines (most significantly, the Faults and Emergencies line).
- Remove the street light repair service standard and Guaranteed Service Level payment. A street light repair service level is included in the separate Public Lighting Service Framework, and the Guaranteed Service Level payment has been found to provide limited consumer benefit. Annual reporting on street light outages and repairs will be retained during the 2025 – 2030 period to monitor the impact of these changes.
- Remove clauses relating to the connection of embedded generation that duplicate provisions in the broader national and State regulatory framework, and refer the remaining clauses relating to embedded generation to the Technical Regulator to consider whether those matters should be provided for in the broader State framework rather than the Commission’s regulatory regime.

*TARCOOLA TO DARWIN RAIL INFRASTRUCTURE: REVIEW OF ASSET VALUATION
METHODOLOGIES FOR PERIODIC REVENUE REVIEWS*

Clause 50 of the AustralAsia Railway ('Third Party Access') Code (**Code**) requires that the Commission review, in five-year intervals, below-rail freight revenues where no sustainable competitive prices exist. A key component of those periodic reviews of revenues is the value attributed to the rail infrastructure. During the year, the Commission commenced a review of the asset valuation methodologies that could be adopted for the purposes of periodic reviews of revenues. The review is due to be completed in 2023-24.

The Commission last undertook a review of the revenues during 2021-22 and, while it concluded that excessive revenues had not been earned over the period 1 July 2013 to 30 June 2018, the results were sensitive to the asset valuation, the cost allocation methodology and the rate of return adopted. Sensitivity analysis in relation to various key parameters indicates that the revenues earned were still well below any of the maximum revenue limits calculated.

As a result, the Commission commenced a review into the options to determine the most appropriate asset valuation for the Tarcoola – Darwin rail line, to inform future statutory reviews. This review of asset valuation methodologies is intended to afford all stakeholders an opportunity to submit evidence and views on the topic of asset valuation methodologies and their application in future reviews of revenues.

Submissions on an issues paper have been received and the Commission will consider all submissions and presentations as it prepares its draft report in 2023-24.

PORTS PRICING AND ACCESS REVIEW

The Commission completed the stage one review of the South Australian ports access and pricing regime as required by the *Maritime Services (Access) Act 2000*.

After consideration of stakeholder submissions and the National Competition Council's recommendations in relation to the recent re-certification of the ports regime, the Commission decided to undertake a two-stage review.

The final determination relating to stage one of the review recommended that the access regime continue in operation for a further five years. The access regime is a low-cost form of regulation that supports commercial negotiation for access, and most stakeholders have supported its continuation.

Under stage one, the Commission also assessed the need for, and form of, a price determination to be made under the *Essential Services Commission Act 2002*. The Commission's final decision was that a price determination be made, which took effect on 31 October 2022 and will end on 30 October 2027. The price determination applies to Flinders Ports and involves annual monitoring and publication of its prices and its financial performance.

Stage two of the review will commence in 2023-24 and will consider a range of issues raised by stakeholders and the National Competition Council when it re-certified the South Australian access regime.

OTHER ACTIONS AND ACTIVITIES

The table below shows the key regulatory and advisory projects, as outlined in the Plan, together with one additional project (marked with an *), and a summary of the outputs and outcomes achieved in 2022-23.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the licensing regime (including exemptions) that applies to water, electricity and gas entities, as established under the <i>Water Industry Act 2012</i> , <i>Electricity Act 1996</i> and <i>Gas Act 1997</i>			
Water, Electricity and Gas	Licence regime administration	Issue, vary and transfer licences and exemptions.	The Commission approved 12 licence applications/ variations/ exemptions and 3 licences are currently being assessed.
Making of price determinations , pursuant to section 35 of the Water Industry Act 2012 and <i>Essential Services Commission Act 2002</i> , to allow for regulating of prices, conditions relating to prices, and price-fixing factors for water retail services.			
Water	SA Water Regulatory Determination 2024	<p>Continue to work towards making a regulatory determination to apply to SA Water for the period 1 July 2024 to 30 June 2028 including:</p> <ul style="list-style-type: none">• a price determination that sets four-year revenue caps for drinking retail services and sewerage retail services• specific pricing principles for excluded retail services, and• establishment of service standards and other customer service obligations that SA Water must meet during the four-year regulatory period. <p>The regulatory determination will be released in 2024.</p>	<p>Continuing into 2023-24.</p> <p>Progress outcomes provided on page 15.</p> <p>The regulatory determination will be released in 2024.</p>

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water	* Regulatory Determination to apply to Robusto Investments Pty Ltd	Make a preservation regulatory determination to apply to Robusto Investments Pty Ltd from 1 July 2023.	Completed.
Making of industry codes and rules , pursuant to part 4 of the <i>Essential Services Commission Act 2002</i> , to regulate the conduct or operations of a regulated industry or regulated entity, including reviewing existing codes.			
Electricity and Gas	Review of the consumer protection framework for small-scale and off-grid energy suppliers	Refine the framework to provide small-scale and off-grid energy customers with the range of consumer protections that reflect their preferences and protect their interests.	Completed. Outcomes provided on page 15-16.
Electricity	SA Power Networks Regulatory Framework review	The desired outcome of the review is a consumer protection framework that: <ul style="list-style-type: none"> • is consistent with the Commission's role and responsibilities within the national energy framework • reflects consumer preferences and protects their interests, and • clearly sets out SA Power Network's regulatory obligations. 	Completed. Outcomes provided on page 16-17.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Gas	Australian Gas Networks Regulatory Framework review	The Commission reviews the regulatory framework that applies to Australian Gas Networks at least every five years, to coincide with the revenue control period applied by the Australian Energy Regulator. This review will include reviewing the Gas Distribution Code, Gas Metering Code and the monitoring and evaluation framework.	Pre-work reprioritised. Formal review commences in mid-2024 for the 1 July 2026 - 30 June 2031 regulatory period.
<p>Ongoing administration of the water industry third party access regime, under the <i>Water Industry (Third Party Access Amendment) Act 2015</i>, which provides a framework for the negotiation of access to certain water and sewerage infrastructure services, with the potential for arbitration should negotiations fail</p>			
Water	Review of the water industry third party access regime	Provide to the Minister for Climate, Environment and Water by 30 June 2024 advice on the effectiveness of the access regime (as established under the Act) and whether or not it should continue in operation for a further five-year period.	Project commenced in late 2022-23 and will continuing into 2023-24, with an issues paper to be released in late 2023.
<p>Arrangements for access to the Tarcoola-Darwin railway are provided under the AustralAsia Railway (Third Party Access) Code (the Code), which is a Schedule to the <i>AustralAsia Railway (Third Party Access) Act 1999 (SA & NT)</i></p>			
Rail	Asset Valuation for Tarcoola-Darwin Railway	Review of options to determine the most appropriate asset valuation methodology for the Tarcoola – Darwin rail line, to inform future statutory reviews.	Reprioritised due to Retail Energy Price Inquiry and will continue into 2023-24.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Review of South Australian ports access regime and price determination under the <i>Maritime Services (Access) Act 2000</i>			
Maritime	Ports Pricing and Access Review	5-yearly review of the South Australian ports pricing and access regime to determine: <ul style="list-style-type: none">• advice to the Minister on the effectiveness of the access regime (as established under the Act) in relation to regulated industries and whether or not it should continue in operation for a further five-year period from 31 October 2022, and• if the Commission’s current price determination has been effective and should continue for a further five-year period from 31 October 2022, and if so, what form should it take?	Stage 1 of the review completed with stage 2 continuing into 2023-24. Progress outcomes provided on page 18.
Conciliate and arbitrate individual infrastructure access disputes, under the relevant industry Acts.			
Maritime, Rail and Water	Conciliation and arbitration	Conciliate access disputes and refers disputes to arbitration for SA Rail, Tarcoola-Darwin Rail, proclaimed Ports and Water industries.	No disputes referred.

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 continued during 2022-23. That 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:

- Local government financial, staffing, and rateable property data (2012 – 2022 and forecast 2023 – 2032) were consolidated and a dashboard published for internal use to provide advice to 15 councils.
- SA Water 2016 - 2023 quarterly and annual operational data and 2013 - 2022 annual financial dashboards were completed and published to assist with monitoring and informing future regulatory determinations.
- Financial and compliance data (2012 - 2021) for Aurizon Bulk Central (formerly One Rail Australia) and financial, operational and compliance data for Aurizon Bulk Central Network (formerly One Rail Australia (North)) (2014 - 2021) dashboards were completed.
- SA Power Networks (2010 – 2023) monthly, quarterly, bi-annual and annual operational data have been consolidated and will be visualised to identify trends and outliers in performance.
- Flinders Ports (2012 – 22) annual financial, operational and pricing data have been consolidated and will be visualised to assist with monitoring.
- Viterra (2012 – 22) annual financial and operational data have been consolidated and will be visualised to assist with monitoring.
- Small-scale networks (67 water entities, nine electricity entities and six gas entities) operational and compliance dashboards were updated to incorporate annual operational and compliance data submitted by licensees, according to revised Regulatory Reporting Requirements for Small-scale Networks.
- Dashboards published in 2021-22 have been maintained and updated with 2022-23 data.

The Regulatory Intelligence System's development and implementation will continue into 2023-24 on a business-as-usual basis.

The following table shows there were no key regulatory and advisory projects outlined in the Plan under the priority of Analytical capability but includes the Regulatory Intelligence System as an additional project.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the monitoring and reporting framework , that applies to water, electricity and gas entities, as established under the <i>Water Industry Act 2012</i> , <i>Electricity Act 1996</i> and <i>Gas Act 1997</i> to assist consumers in understanding the nature and levels of service which have been provided to them and ensure regulated businesses' compliance with their reporting obligations.			
All	* Regulatory Intelligence System	Continue the development and implementation of an internal regulatory intelligence system which focuses on reconfiguring and/or building upon existing data sets, analytical tools and economic models in a more centralised and structured manner to allow for increased monitoring functionality.	Complete for 2022-23 but will continue as an ongoing program of work. Progress outcomes provided on pages 23.

Note: * highlights additional projects

Regulatory performance

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

During 2022-23, the Commission continued its ongoing work to monitor and report on the outcomes delivered to South Australian consumers by regulated entities. It also continued to administer the Retailer Energy Productivity Scheme, and provided its first set of advice to local government. Further, the Government also referred to the Commission an Inquiry into Retail Energy Prices in November 2022, with a draft report provided to the Minister for Energy and Mining on 1 May 2023.

A summary of the performance outcomes of some of this work is provided below.

LOCAL GOVERNMENT ADVICE SCHEME

Under the new Local Government Advice Scheme established through the *Local Government Act 1999*, the Commission is an advisory body, providing advice to all councils across a four-year cycle to provide transparent information to communities, elected members and council officers.

Councils are long-term businesses with ongoing service provision obligations and long-lived assets. From an overall community perspective, it is important that council rates are set at levels as low as sustainably possible while:

- providing the standard and breadth of services that ratepayers value, and

- ensuring that councils have robust, long-term asset management, financing and operational plans which allow them to manage their assets efficiently and effectively over the long term, to sustain the delivery of those services and minimise their lifetime cost.

In that context, the advice relates to the appropriateness of a council's long-term financial plans, infrastructure and asset management plans and revenue sources as outlined in the council's funding plan. It is an advisory scheme, identifying both risks and areas of good practice for councils to consider in their planning processes, with decision making remaining in the hands of the councils.

In August 2022, the Commission released a final Framework and Approach, which outlined how it would administer the scheme in practice, a schedule setting out when each council would receive advice across the first four years of the scheme and an information provision guideline.

In February 2023, the Commission published advice for the first 15 of the State's 68 councils.

Of the 15 councils reviewed, while many had deficiencies, good practices were observed in some councils in the areas of strategic planning and governance, transparency in budgeting / long-term planning and asset management planning.

However, the Commission identified six councils as 'at risk' of being unsustainable. Those findings were largely driven by evidence drawn from public information relating to continuing operating deficits, a history of high-cost growth, and constraints in funding ongoing service level requirements of the councils' infrastructure base.

Having reviewed, in accordance with the statutory scheme, available material in relation to that initial tranche of councils, the Commission has several observations:

- First, it is positive to see that several councils have taken the approach of bringing together their annual business plans and budgets and their long-term financial plans, so that there is alignment and the impacts of decisions taken through the annual budget process can be understood in a long-term financial context.
- Second, given the number of significant unexpected events in recent years, including COVID, floods, bushfires, and the impacts of inflation, it is prudent for councils to have processes to annually reassess the forecasts adopted in planning and operational documents. A further key consideration in reviewing plans should include the alignment of asset renewal requirements in the various asset management plans and the timely inclusion of new assets into the asset management plans.
- Third, growth in the number of ratepayers and services is a key planning issue for councils. Councils need to constantly monitor demand in their areas to ensure services are not stretched when the population or nature of the area changes. At the same time, councils need to consider the risk of spending ahead of development and potentially placing a burden on the existing ratepayers, a balance is required between the costs of infrastructure necessary to meet community expectations and potential increases in costs.

- Finally, future rate expectations need to take account of affordability for ratepayers and minimise the impact on the community where possible. It is prudent for councils to constantly review their internal costs with a view to finding efficiencies and savings to keep rates as low and affordable as possible over the long term, while demonstrating a commitment and ability to meet community needs and value.

The Commission thanks the councils for providing relevant information to assist it in preparing the advice.

RETAILER 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.

During 2022-23, the Commission continued to administer REPS and released the REPS – Annual Report 2022. That report provided an overview of the activity of obliged retailers participating in the REPS in 2022, as well the Commission's observations on costs, competition in activity delivery and potential barriers to competition. In particular, the report assessed the achievement of each obliged retailer against the 2022 Ministerial targets for undertaking energy productivity activities in South Australian households and businesses.

The key outcomes for 2022 were:

- The overall annual targets for energy productivity, priority group energy productivity and household energy productivity were achieved.
- Obligated retailers met their individual targets, apart from Weston Energy Pty Ltd. It did not meet its target in 2022 given its market exit due to being the subject of a retailer of last resort event, initiated by the Australian Energy Regulator on 24 May 2022.
- Approximately 2.6 million gigajoules (GJ; 1 MWh energy consumption is equivalent to 3.6 GJ) of deemed energy savings were delivered to 17,246 households and businesses.
- 552,736 GJ of deemed energy savings from 10,909 activities were delivered to priority group households (for example, residential premises in which a person resides who is experiencing hardship or holds an eligible concession or health card).
- The average retailer cost of activities delivered in 2022 was \$13.85 per GJ (excluding GST).

INQUIRY INTO RETAIL ENERGY PRICES

The Commission commenced an Inquiry into Retail Energy Prices, referred by the Minister for Energy and Mining pursuant to Part 7 of the *Essential Services Commission Act 2002*.

The Terms of Reference required the Commission to conduct an Inquiry into evidence of, or the potential for, a party (retailer, generator, trading entity or relevant other party) in the electricity industry and/or gas industry to earn or have earned sustained super profits to the financial detriment of South Australian energy consumers, having regard to certain criteria.

The Commission submitted a draft Inquiry report to the Minister on 1 May 2023 and the final Inquiry report will be submitted within 14 days of the Minister's response to that draft.

REPORTING

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

In 2022-23, it published annual regulatory performance outcomes for:

- SA Water
- Small-scale water networks (councils and private businesses that provide water and sewerage services to 50,000 or fewer customers)
- SA Power Networks (electricity distribution)
- ElectraNet (electricity transmission)
- Australian Gas Networks (gas distribution)
- Small-scale electricity networks (off-grid electricity generation, distribution and retail services), and
- Small-scale gas networks (Liquefied Petroleum Gas retailers and distributors).

COMPLIANCE AND ENFORCEMENT

The Commission has 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.

Regulated 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 ongoing compliance monitoring, in 2022-23 the Commission focused its compliance activity on the following:

- Compliance activity for REPS to coincide with the new [REPS Code](#) that came into effect on 1 January 2023.
 - A detailed review of retailer compliance plans was conducted, with feedback provided to ensure the compliance plan demonstrates that the retailer has established a robust compliance regime and that the compliance plan is a fit-for-purpose document. The compliance plan must demonstrate the retailer has procedures, processes, and controls in place to ensure compliance with the scheme requirements.
 - All retailers had their REPS activities audited for the most performed activities. This targeted selection allowed the Commission to broadly test that retailers (and activity providers) have systems and processes in place to deliver compliant REPS activities. Activity packs were reviewed to verify compliance with the REPS Code and activity specifications, providing an indication of retailers' overall compliance with the scheme. Commercial lighting activities in particular, continue to be a compliance focus due to the large energy savings per activity and the comprehensive evidence required to support the energy savings calculations.
- Small-scale water and energy networks, who were required to lodge their 2021-22 annual compliance reports and reported against Guideline 5 for the first time during 2022-23. Each licensee was categorised as either A or B under the Verified Trust and Accountability regulatory approach and was required to report using new templates based on their regulatory requirements. Category A licensees were considered trusted to competently operate their networks which resulted in reduced regulatory reporting. Category B licensees have been identified as having had concerns regarding network performance in the past and were, therefore, subject to additional monitoring and reporting in relation to those matters in order to promote rectification and better consumer outcomes.
- The annual reporting process for regulated entities. This ongoing monitoring process for 198 licence holders for water, electricity and gas, as well as two rail operators, was completed. Detailed data analysis was undertaken to determine if licensees (or operators for rail) had a sound and robust compliance system in place to ensure compliance with regulatory requirements.

OTHER ACTIONS AND ACTIVITIES

The following 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 2022-23.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the monitoring and reporting framework , that applies to water, electricity and gas entities, as established under the <i>Water Industry Act 2012</i> , <i>Electricity Act 1996</i> and <i>Gas Act 1997</i> to assist consumers in understanding the nature and levels of service which have been provided to them and facilitate regulated businesses' compliance with their reporting obligations.			
Water, Electricity and Gas	Regulatory Evaluation	Release regulatory performance outcomes for: <ul style="list-style-type: none">the Water industry, focussed on customer service and operational performance against applicable service standardsthe Energy industry, focussed on network service, reliability performance outcomes and consumer protection measures, andthe Retailer Energy Productivity Scheme, focussed on the performance of obliged retailers under the scheme.	Completed. Annual regulatory performance outcomes for regulated entities published on the website.
Electricity and Gas	Ministerial energy pricing reports	Provide to the Minister for Energy and Mining reports on energy retail price offerings available to South Australian small customers (residential and small business) for the previous financial year.	Completed. The report was provided to the Minister in August 2022.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the monitoring and enforcement of compliance with, and promotion of improvement in, standards and conditions of service and supply under relevant industry regulation Acts, as established under the <i>Essential Services Commission Act 2002</i> ,			
All	Regulatory Monitoring	<p>Facilitate regulated entities' awareness and understanding of regulatory obligations and the potential consequences arising from non-compliance.</p> <p>Monitor compliance through regular reporting and review arrangements (including auditing of business operations).</p> <p>Undertake appropriate enforcement action in cases where non-compliance is detected.</p>	<p>Completed.</p> <p>All known and identified matters of non-compliance resolved.</p>
Administer the Retailer Energy Productivity Scheme , as established under the <i>Electricity (General) Regulations 2012</i> and <i>Gas Regulations 2012</i>			
Electricity and Gas	Retailer Energy Productivity Scheme administration	<p>Administer the scheme to facilitate retailers' compliance with:</p> <ul style="list-style-type: none">the Minister for Energy and Mining's Specifications for the scheme, andthe Commission's Retailer Energy Productivity Scheme Code.	<p>Completed.</p> <p>Outcomes provided on page 26.</p>

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Undertake an advice scheme under the <i>Statutes Amendment (Local Government Review) Act 2021</i>			
Local Government	Local Government Advice Scheme	Complete advice for each council to which the scheme applies for the year and, thereafter, publish that advice.	Completed for 2022-23. Outcomes provided on pages 24-26.
Conduct Inquiries under part 7 of the <i>Essential Services Act 2002</i>			
All	Part 7 Inquiries	Conduct public inquiries initiated by: <ul style="list-style-type: none">the Commission (into any matters within our regulatory scope)by the Treasurer (into any matter), orby an industry Minister (into any matter concerning a regulated industry).	Completed for 2022-23. One Inquiry was received (see below).
Energy	*Inquiry into Retail Energy Prices	Undertake an Inquiry into Retail Energy Prices, with a draft report provided to the Minister by 1 May 2023	Complete for 2022-23. Summary of Inquiry provided on pages 26-27.
Provide advice to SA Government under section 5(f) of the <i>Essential Services Act 2002</i>			
All	Section 5(f) advice	Provide independent advice on economic and regulatory matters.	Complete for 2022-23. None received.

Note: * highlights additional projects

Evaluation capability

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

The Commission completed a post-project review into the Ports Access Dispute which was undertaken during 2021-22. The outcomes of the review have been considered, documented and implemented, improving the Commission's capability should new disputes arise.

The Commission initiated a post-project review of its advisory and operational arrangement for the Local Government Advice Scheme, which will be completed in September 2023. Outcomes of the review will inform the 2024 advice scheme.

The below table shows there were no key regulatory and advisory projects outlined in the Plan but includes the post-project evaluation as an additional project.

Performance Plan 2022-23			Outputs and outcomes
Industry	Project	Requirement/outcome	
Energy	*Post-project evaluation reviews	Undertake post-project evaluation reviews.	Continuing into 2023-24. One review complete and one review currently being undertaken.

Note: * highlights additional projects

Corporate performance summary

The regulatory, advisory and inquiry work undertaken by the Commission is supported by a corporate work program. That program incorporates several 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 and safety and wellbeing
- information technology and system support
- information 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 2022-23.

Performance Plan 2022-23		Outputs and outcomes
Project	Requirement/outcome	
Corporate statutory work program	Complete all corporate work within required timeframes, including but not limited to:	
	Strategic Planning, Monitoring and Reporting: <ul style="list-style-type: none"> Annual Reports 2021-22 (including Third Party Water, Rail and Ports access regimes) and financial statements Strategy 2023 – 2026, and Performance Plan and Budget 2023-24 	Completed. Completed. Completed.
	Legal and corporate governance (including internal legislative compliance) advice	Completed. Achieved all statutory requirements within required timeframes.
	Engagement, culture, and organisational performance	Completed.
	Annual and quarterly reporting to SA Government	Completed. Achieved all statutory requirements within required timeframes.
	Management of budget, procurement, finance, risk, assets and facilities	Completed. Summary of key areas provided in this report.
	Workforce, including work, health and safety, payroll, learning and development, performance management, workforce planning, diversity and inclusion, White Ribbon accreditation and other special programs	Completed. Summary of key areas provided in this report.

Performance Plan 2022-23		Outputs and outcomes
Project	Requirement/outcome	
	Executive and secretariat - Commission, Leadership Team and Consumer Advisory Committee	<p>Completed.</p> <p>Commission met 12 times during 2022-23, with all Commissioners attending all meetings, with the exception of:</p> <ul style="list-style-type: none"> • Mark Darras was appointed on 1 January 2023, so did not attend meetings prior to that date, and • David Swift AM, Dr Lynne Williams AM and June Roache were apologies for one meeting each but provided comments on the papers for that meeting • David Round AM was an apology for four meetings but provided comments on the papers for those meetings. David's appointment ceased on 31 December 2022 so did not attend meetings post this date. <p>The Leadership Team meets formally every week, except during weeks when Commission meetings are held.</p> <p>CAC summary provided in this report.</p>
	Information technology, information management, data analytics, software, and hardware management	Completed.
	Operational, administrative and project support, communication and document publication, event management, media, and internal and external customer service	Completed.

Performance Plan 2022-23		Outputs and outcomes
Project	Requirement/outcome	
	Reconciliation Action Plan development and implementation	Completed.
	Corporate policy, procedures, and work practices reviews.	All policies reviewed within review clause timeframes or reprioritised for justifiable reasons.

Employment opportunity programs

In 2022-23, the Commission implemented an Aboriginal and Torres Strait Islander Traineeship Program to support diversity and inclusion within the workplace and to make a meaningful effort to increase the employment prospects for Aboriginal and Torres Strait Islander people. The Commission currently has one trainee completing a Certificate III in Business.

Also, during 2022-23, the Commission provided two Data Analysts and one IT university graduates an internship as part of Performance Education's Professional Year soft skills training program to increase graduates' success in transitioning into the workforce.

Commission's performance management and development systems.

Performance management and development system	Performance
The Commission is committed to fostering a positive workplace culture. Employee performance standards and expectations are mutually understood. This commitment is underpinned by a Performance Development Policy and Procedure.	Active preparation and participation by all managers and employees in a process of performance management is expected and achieved. At 30 June 2023, 100 percent of staff had participated in performance development.

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. The next independent external audit is scheduled for May 2025.

WELLBEING PROGRAM

The safety and wellbeing of employees was, and remains, a priority, and the Commission is committed to encouraging and supporting staff to build healthy workplace relationships and promoting a positive, inclusive, and flexible workplace culture.

The Commission continues to successfully utilise the hybrid model of working, enabling staff to work both in the office and remotely, unless other directives are in place, while delivering on outcomes and fully engaging with stakeholders.

To promote and support employee wellbeing, the Commission has implemented several initiatives in 2022-23, including but not limited to:

- implementing the annual Wellbeing Calendar for 2023 in consultation with employees, detailing wellbeing initiatives available to employees over the year
- 73% of employees participating in the Be Well program developed by the South Australian Health and Medical Research Institute, and
- introducing monthly pulse surveys via Teamgage, enhancing staff engagement and enabling the effective identification and remediation of any issues, should they arise.

WHITE RIBBON ACCREDITATION

In February 2023, the Commission achieved White Ribbon re-accreditation through White Ribbon Australia. This continues the Commission's ongoing focus on building awareness and capability of staff to respond to disclosures of family and domestic violence and provide opportunities to learn and develop responses to those issues.

RECONCILIATION ACTION PLAN

In November 2021, the Commission prepared and implemented its first Reconciliation Action Plan (**RAP**), which has been formally endorsed by Reconciliation Australia. The RAP represents the Commission's commitment to supporting and contributing to reconciliation in Australia while developing respectful

relationships with Aboriginal and Torres Strait Islander People. Several RAP actions were completed in 2022-23, including:

- updating the Commission's Diversity Statement
- engaging staff in Reconciliation activities and events, including NAIDOC Week, attendance at the Reconciliation SA Gala Night and the National Reconciliation Week breakfast commemorating National Sorry Day
- researching best practice and principles that support partnerships with Aboriginal and Torres Strait Islander stakeholders and organisations, and
- developing a business case for Aboriginal and Torres Strait Islander employment within the Commission to improve employment outcomes by increasing recruitment, retention, and professional development.

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**). Along with ongoing DAIP actions, also completed in 2022-23 was participation by Commission employees in two volunteer days with disAbility Living, helping to rejuvenate two of their shared accommodation sites.

Program name	Performance
Incident/injury management	Achieved – nil notifiable incidents during 2022-23
Hazard management	Achieved – hazards responded to within required timeframes
WHS policies	Achieved – all policy and procedure reviews completed
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 2022-23
Induction	Achieved – all new employees and contractors undertook a safety induction on their first day in 2022-23

Program name	Performance
Employee Assistance Program	Achieved – available to all staff for 2022-23
Psychological health strategies	Achieved – strategies implemented in 2022-23
Wellbeing plan	Achieved – activities undertaken during 2022-23

Workplace injury claims	Current year 2022-23	Past year 2021-22	% 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	Current year 2022-23	Past year 2021-22	% 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**	Current year 2022-23	Past year 2021-22	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0
Income support payments – gross (\$)	0	0	0

***before third party recovery*

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

Executive employment in the agency

Executive classification	Number of executives
Level A	3
Level B	1
Level D	1

Data for previous years is 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 agency. The information is unaudited. Full audited financial statements for 2022-23 are attached to this report.

Statement of Comprehensive Income	2022-23 Actual \$000s	Past year 2021-22 Actual \$000s
Total Income	\$6,864	\$7,151
Total Expenses	\$8,102	\$6,891
Net Result	(\$1,238)	\$ 260
Total Comprehensive Result	(\$1,238)	\$ 260

Statement of Financial Position	2022-23 Actual \$000s	Past year 2021-22 Actual \$000s
Current assets	\$8,130	\$9,574
Non-current assets	\$1,325	\$ 986
Total assets	\$9,455	\$10,560
Current liabilities	\$1,183	\$1,171
Non-current liabilities	\$ 624	\$ 503
Total liabilities	\$1,807	\$1,674
Net assets	\$7,648	\$8,886
Equity	\$7,648	\$8,886

Equity Balance by Industry

The following is a summary of the equity balance by industry for 30 June 2023 and the movement from 30 June 2022.

	As at 30 June 2022	Result for 2022-23	As at 30 June 2023
Total	\$8,886	-\$1,238	\$7,648
Water	\$4,684	\$571	\$5,255
Electricity	\$1,906	-\$742	\$1,164
Gas	\$1,989	-\$721	\$1,268
SA Rail	\$72	-\$6	\$66
NT Rail	\$116	-\$79	\$37
Ports	\$118	\$46	\$164
LG Advice	\$0	-\$307	-\$307

Administered Items by Industry

The following is a summary of the administered items by industry in 2022-23. These are amounts approved by the Treasurer and transferred to the Consolidated Account.

	Administered items
Total	\$14,593
Water	\$4,861
Electricity	\$6,769
Gas	\$2,805
SA Rail	\$0
NT Rail	\$0
Ports	\$0
LG Advice	\$158

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	\$1,233

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

Consultancies	Purpose	\$ Actual payment
Galpins Accountants	Internal audit	\$10,800
Engevity Advisory Pty Ltd	Review the technical clauses in the EDC	\$21,230
Inside Infrastructure Pty Ltd	Advice on asset condition of Robusto water supply network.	\$23,989
NERA Australia Pty Ltd	Asset valuation of rail infrastructure for the Tarcoola to Darwin railway	\$37,115
Suzanne Falvi	Advice on the Retail Energy Price Inquiry.	\$49,400

Consultancies	Purpose	\$ Actual payment
Sapere Research Group Limited	Advice on the pricing approaches for third party access for water infrastructure services.	\$64,000
Endgame Economics Pty Ltd	Advice on electricity and gas markets and review of data provided by market participants.	\$101,900
Houston Kemp Pty Ltd	Specialist advice on the Regulatory Determination for Robusto Investments Pty Ltd	\$242,392
	Total	\$552,059

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-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 below \$10,000

Contractors	Purpose	\$ Actual payment
Nil		

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

Contractors	Purpose	\$ Actual payment
Nil		

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-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 2021-22.

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. The Commission was not notified of any non-compliance or access disputes in 2022-23.

SA Water did not receive any formal requests for third party access under the *Water Industry Act 2012* in 2022-23. However, SA Water advised that it established three new commercial agreements for third party access during the year, outside of the access regime.

In 2022-23, there were only two downloads of the third party access information brochure from SA Water's website. SA Water advised that those downloads did not result in new commercial agreements for access.

In addition, under section 86ZR of the *Water Industry Act 2012*, the Commission must conduct a review of the water infrastructure and sewerage infrastructure subject to Part 9A and form a view as to whether or not the access regime should continue from 30 June 2024 for a period of five years. The Commission will commence a review in August 2023, with the release of an issues paper.

OUTCOMES

Requirement	Performance
Monitor and enforce compliance with the requirements of the regime	The Commission was not notified of any non-compliance in 2022-23.
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 2022-23, 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.

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 2022-23.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive any access notifications or access disputes during 2022-23.

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 2022-23, together with comparative figures for the previous regulatory period, noting the information provided in the table below is consolidated into the full financial information provided for in this report.

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.

	2022-23 \$'000	2021-22 \$'000
Opening surplus	72	59
Revenue		
SA Government contribution	250	250
Total revenue	250	250
Expenses		
Salaries and on-costs	168	161
Administration	88	77
Total expenses	256	238
Annual surplus/(deficit)	(6)	12
Closing surplus	66	72

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 2022-23.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive notification of any access disputes during 2022-23.
Tarcoola to Darwin rail infrastructure: Review of asset valuation methodologies for periodic revenue review	<p>The Commission is reviewing the asset valuation methodologies that could be adopted for the purposes of periodic reviews of revenues earned by the access provider of rail infrastructure services between Tarcoola and Darwin.</p> <p>Following stakeholder input in 2022-23, there are two remaining stages to be completed in 2023-24: a draft report followed by a final report.</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 those activities for 2022-23, together with comparative figures for the previous regulatory period, noting the information provided in the table below is consolidated into the full financial information provided for in this report.

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.

	2022-23 \$'000	2021-22 \$'000
Opening surplus	117	174
Revenue		
SA Government contribution	152	155
NT Government contribution	75	60
Total revenue	227	215
Expenses		
Salaries and on-costs	235	184
Administration	71	88
Total expenses	306	272
Annual surplus/(deficit)	(79)	(57)
Closing surplus/(deficit)	37	117

Appendix: Audited financial statements 2022-23



Our ref: A23/033

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

Mr D Swift AM
Chairperson and Commissioner
Essential Services Commission of South Australia
Level 1
151 Pirie Street
ADELAIDE SA 5000
email: David.swift@escosa.sa.gov.au

Dear Mr Swift

Audit of the Essential Services Commission for the year to 30 June 2023

We have completed the audit of your accounts for the year ended 30 June 2023. 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 report 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 report will be published on that website on Tuesday 17 October 2023.

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



Daniel O'Donohue

Assistant Auditor-General (Financial Audit)

20 September 2023

enc



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

To the Chairperson Essential Services Commission

Opinion

I have audited the financial report of the Essential Services Commission for the financial year ended 30 June 2023.

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 2023, 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 – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chairperson, the Chief Executive Officer and the Senior Manager Finance.

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 – Simplified Reporting Requirements, 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 Service 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 2023.

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.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

20 September 2023

Essential Services Commission

Financial Statements

For the year ended 30 June 2023

Essential Services Commission
Certification of the Financial Statements
for the year ended 30 June 2023

We certify that the:

- financial statements of the Essential Services Commission:
 - are in accordance with the accounts and records of the Essential Services Commission;
 - comply with relevant Treasurer's Instructions.
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Essential Services Commission at the end of the financial year and the result of its operations 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 financial statements have been effective.

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



Mr David Swift AM
Chairperson
19 September 2023



Mr Adam Wilson
Chief Executive Officer
19 September 2023



Mr Nick Mahon
Senior Manager Finance
19 September 2023

Essential Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2023

		2023	2022
	Note	\$'000	\$'000
Income			
Revenue from licence and administration fees	2.1	5 219	5 630
SA Government grants, subsidies and transfers		1 430	1 418
Revenue from services	2.2	151	60
Resources received free of charge	2.3	49	43
Other income	2.4	15	-
Total income		6 864	7 151
Expenses			
Employee benefits expenses	3.3	5 575	4 693
Supplies and services	4.1	2 289	2 076
Depreciation and amortisation	5.1, 5.2	138	121
Other expenses	4.2	100	1
Total expenses		8 102	6 891
Net result		(1 238)	260
Total comprehensive result		(1 238)	260

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 2023

		2023	2022
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		7 450	8 829
Receivables	6.1	691	777
Total current assets		8 141	9 606
Non-current assets			
Property, plant and equipment	5.1	81	130
Intangible assets	5.2	1 244	856
Total non-current assets		1 325	986
Total assets		9 466	10 592
Current liabilities			
Payables	7.1	507	524
Employee benefits	3.4	519	434
Provisions	7.2	8	7
Other liabilities	7.3	160	238
Total current liabilities		1 194	1 203
Non-current liabilities			
Payables	7.1	55	43
Employee benefits	3.4	542	442
Provisions	7.2	27	18
Total non-current liabilities		624	503
Total liabilities		1 818	1 706
Net assets		7 648	8 886
Equity			
Retained earnings		7 648	8 886
Total equity		7 648	8 886

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 2023

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 1 July 2021	8 626	8 626
Net result for 2021-22	260	260
Total comprehensive result for 2021-22	260	260
Balance at 30 June 2022	8 886	8 886
Net result for 2022-23	(1 238)	(1 238)
Total comprehensive result for 2022-23	(1 238)	(1 238)
Balance at 30 June 2023	7 648	7 648

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

Essential Services Commission
Statement of Cash Flows
for the year ended 30 June 2023

	2023	2022
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Receipts from licence and administration fees	5 293	6 072
Receipts from SA Government grants, subsidies and transfers	1 430	1 418
Receipts from other services	174	66
GST recovered from DTF	177	202
Receipts for paid parental leave scheme	18	-
Other receipts	15	-
Cash generated from operations	7 107	7 758
Cash (outflows)		
Employee benefits payments	(5 321)	(4 866)
Payments for supplies and services	(2 569)	(2 072)
Payments for paid parental leave scheme	(18)	-
Cash (used in) operations	(7 908)	(6 938)
Net cash provided by / (used in) operating activities	(801)	820
Cash flows from investing activities		
Cash (outflows)		
Purchase of intangible assets	(578)	(591)
Purchase of property, plant and equipment	-	(107)
Cash (used in) investing activities	(578)	(698)
Net cash provided by / (used in) investing activities	(578)	(698)
Net increase/ (decrease) in cash and cash equivalents	(1 379)	122
Cash and cash equivalents at the beginning of the period	8 829	8 707
Cash and cash equivalents at the end of the period	7 450	8 829

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 2023

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 applying simplified disclosures.

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.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The Commission is grouped with the Department of Treasury and Finance (DTF) for GST purposes, and accordingly DTF prepares the Business Activity Statement on behalf of the Commission via the grouping provisions of the GST legislation. Notwithstanding the use of these grouping provisions, intercompany cash alignment occurs to ensure the Commission either recovers the net amount of GST recoverable from, or disburses the amount payable to the ATO from DTF.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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

Banking arrangements

The Commission uses the banking arrangements of 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.

Material accounting policies are set out throughout the notes.

Essential Services Commission

Notes to and forming part of the financial statements

For the year ended 30 June 2023

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 10.

1.4. Objectives and programs

The Commission undertakes economic regulation in the water and sewerage, electricity, gas, maritime and rail industries, provides advice to local councils under the *Local Government Act 1999* conducts formal public inquiries and provides advice to the South Australian Government on economic and regulatory matters. The ESC Act and various other 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 the provision of advice to local councils under section 122 of the *Local Government Act 1999* on the appropriateness of the following matters:

- material amendments made, or proposed to be made, to a council's long-term financial plan and infrastructure and asset management plan and the reasons for those amendments
- revenue sources as outlined in a council's funding plan, and
- any other matter prescribed by regulation.

The Commission also has the function of conducting 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 2023

1.4 Objectives and programs (continued)

The following table summarises such roles for the year ended 30 June 2023.

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 Offers Comparison report • 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 Offers Comparison report • 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>	Proclaimed 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 South Australian Government (not yet commenced, as the enabling regulations are not in place).
<i>Local Government Act 1999</i>	The Commission has functions relating to the provision of advice to local councils on the appropriateness of amendments to, and revenue sources for, their long-term financial and infrastructure and asset management plans.

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 2023

2. Income

2.1. Revenue from licence and administration fees

	Note	Electricity \$'000	Gas \$'000	Water \$'000	LG Advice \$'000	2023 \$'000	2022 \$'000
Licence fees		6 807	2 396	8 587	-	17 790	17 343
Administration fees		1 126	296	-	-	1 422	1 559
LG advice fees		-	-	-	600	600	-
Administered items	10	(6 769)	(2 805)	(4 861)	(158)	(14 593)	(13 272)
Total fees		1 164	(113)	3 726	442	5 219	5 630

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. Local Government (LG) advice fees have been recognised on completion of the performance obligation.

2.2. Revenue from services

	2023 \$'000	2022 \$'000
Contribution to rail regulatory costs by Northern Territory Government	151	60
Total revenue from services	151	60

Contributions are recognised as revenues upon receipt.

2.3. Resources received free of charge

	2023 \$'000	2022 \$'000
Services received free of charge - Shared Services SA	35	29
Services received free of charge - ICT	14	14
Total resources received free of charge	49	43

Contributions 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 financial accounting, taxation, payroll, accounts payable and accounts receivable services from Shared Services SA and receives ICT services from Department of the Premier and Cabinet.

2.4. Other income

	2023 \$'000	2022 \$'000
Other income	15	-
Total other income	15	-

Includes travel reimbursement of \$14 000. There was no other income for 2022.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3. Commission, committees and employees

3.1. Key management personnel

Key management personnel of the Commission include the Commissioners, Chief Executive Officer and five 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 \$1 616 000 (2022: \$1 292 000) and excludes salaries and other benefits by 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 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 2023 financial year were:

Essential Services Commission

Mr David Swift AM (Chairperson)
Dr Lynne Williams AM (Appointment concluded 30 June 2023)
Mr Mark Darras (Appointment commenced 1 January 2023)
Mr Garry Goddard
Ms June Roache (Appointment concluded 30 June 2023)
Mr David Round AM (Appointment concluded 31 December 2022)

Consumer Advisory Committee

Mr David Swift AM (Chairperson) *
Ms Anne Bainbridge ** (Appointment commenced 24 October 2022)
Mr Sandy Canale **
Ms Jodie van Deventer
Mr Mark Henley
Mr Glenn Hordacre
Mr Kevin Kaeding
Ms Helena Kyriazopoulos OAM
Ms Kay Matthias
Mr Ron Shanks
Ms Aasha Sriram (Appointment commenced 8 July 2022, concluded 31 January 2023)
Ms Jodi Slater
Ms Heather Smith
Mr Ross Womersley

* In accordance with the Premier and Cabinet Circular No 016 government employees did not receive any remuneration for committee duties during the reporting period.

** No remuneration was received by Mr David Swift in the role of Chairperson of the Consumer Advisory Committee, Ms Anne Bainbridge and Mr Sandy Canale have elected to not be remunerated.

Essential Services Commission
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For the year ended 30 June 2023

3.2 Commission and committee members (continued)

Commission and committee remuneration

The number of members* whose remuneration received or receivable falls within the following bands:	2023	2022
\$1 - \$19 999	13	15
\$20 000 - \$39 999	2	1
\$40 000 - \$59 999	2	3
\$60 000 - \$79 999	2	1
Total number of members	19	20

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

The total remuneration received or receivable by members was \$298 000 (2022: \$272 000). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any related fringe benefits tax paid.

3.3. Employee benefits expenses

	2023	2022
	\$'000	\$'000
Salaries and wages	3 971	3 336
Targeted voluntary separation packages	-	109
Long service leave	42	(10)
Annual leave	352	301
Skills and experience retention leave	15	7
Employment on-costs - superannuation	548	408
Employment on-costs - other	242	207
Commission and committee fees*	269	247
Other employee related expenses	136	88
Total employee benefits expenses	5 575	4 693

* 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 Commission's 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
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3.3 Employee benefits expenses (continued)

Remuneration of employees

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

	2023	2022
	No.	No.
\$160 001 - \$180 000	1	1
\$180 001 - \$200 000	2	2
\$200 001 - \$220 000	-	2
\$220 001 - \$240 000	1	-
\$340 001 - \$360 000	-	1
\$360 001 - \$380 000	1	-
Total remuneration of employees	5	6

The total remuneration received by these employees for the year was \$1 152 000 (2022: \$1 331 000).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year, of which 5 (2022: 5) are executive and nil (2022: 1) 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 and any related fringe benefits tax paid.

Targeted voluntary separation packages (TVSPs)

There were no TVSPs paid during the reporting period (2022:3).

	2023	2022
	\$'000	\$'000
Amounts paid to separated employees:		
Targeted voluntary separation packages	-	109
Leave paid to separated employees	-	19
Net cost to the Commission	-	128

3.4. Employee benefits liability

	2023	2022
	\$'000	\$'000
Current		
Accrued salaries and wages	-	-
Annual leave	381	286
Long service leave	115	134
Skills and experience retention leave	23	14
Total current employee benefits	519	434
Non-current		
Long service leave	542	442
Total non-current employee benefits	542	442
Total employee benefits	1 061	876

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.

Essential Services Commission
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For the year ended 30 June 2023

3.4 Employee benefits liability (continued)

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.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 months and is 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 are estimated to be less than the annual entitlement for sick leave.

Long service leave liability - measurement

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.

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 3.5% in 2022 to 4.0% in 2023.

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

Following the actuarial assessment performed by DTF the salary inflation rate has increased from 2.5% in 2022 to 3.5% in 2023 for long service leave liability.

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 \$24 000 and employee benefits expense of \$24 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic 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.

Essential Services Commission
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For the year ended 30 June 2023

4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2023	2022
	\$'000	\$'000
Accommodation	378	468
General administration*	991	805
Information technology charges	320	244
Consultants	552	533
Other supplies and services	48	26
Total supplies and services	2 289	2 076

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

*Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$22,800 in 2022-23. No other services were provided by the Auditor-General's Department.

Accommodation

The Commission's accommodation is provided by the Department for Infrastructure and Transport (DIT) under a 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).

4.2. Other expenses

	2023	2022
	\$'000	\$'000
Doubtful debts expense	100	1
Total other expenses	100	1

During the reporting period a number of small energy retailers entered into administration.

Essential Services Commission
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For the year ended 30 June 2023

5. Non-financial assets

5.1. 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 9.1.

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 2023.

Reconciliation 2022-23	Building fit-outs \$'000	Furniture and fittings \$'000	Total \$'000
Carrying amount at the beginning of the period	31	99	130
Depreciation and amortisation	(31)	(18)	(49)
Carrying amount at the end of the period	-	81	81
Gross carrying amount			
Gross carrying amount	566	107	673
Accumulated depreciation	(566)	(26)	(592)
Carrying amount at the end of the period	-	81	81

Reconciliation 2021-22	Building fit-outs \$'000	Furniture and fittings \$'000	Total \$'000
Carrying amount at the beginning of the period	91	-	91
Additions	-	107	107
Depreciation and amortisation	(60)	(8)	(68)
Carrying amount at the end of the period	31	99	130
Gross carrying amount			
Gross carrying amount	566	107	673
Accumulated depreciation	(535)	(8)	(543)
Carrying amount at the end of the period	31	99	130

Essential Services Commission
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5.2. Intangible assets

The following table shows the movement in value of intangible assets for the year ended 30 June 2023.

Reconciliation of intangible assets

Reconciliation 2022-23	Internally developed software	Externally developed software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	566	-	290	856
Additions	-	-	477	477
Amortisation	(89)	-	-	(89)
Carrying amount at the end of the period	477	-	767	1 244

Gross carrying amount

Gross carrying amount	623	184	767	1 574
Accumulated amortisation	(146)	(184)	-	(330)
Carrying amount at the end of the period	477	-	767	1 244

Reconciliation 2021-22	Internally developed software	Externally developed software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	157	-	184	341
Additions	90	-	478	568
Capital transfers from work in progress	372	-	(372)	-
Amortisation	(53)	-	-	(53)
Carrying amount at the end of the period	566	-	290	856

Gross carrying amount

Gross carrying amount	863	184	290	1 337
Accumulated amortisation	(297)	(184)	-	(481)
Carrying amount at the end of the period	566	-	290	856

Essential Services Commission
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5.2 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.

Impairment

There were no indications of impairment of intangible assets at 30 June 2023.

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
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6. Financial assets

6.1. Receivables

	2023	2022
	\$'000	\$'000
Current		
Trade receivables	304	245
GST recoverable from DTF	34	32
Less impairment loss on receivables	(104)	(4)
Total trade receivables	234	273
Accrued revenue	387	407
Prepayments	70	97
Total current receivables	691	777
Total receivables	691	777

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.

The net amount of GST recoverable from the ATO (via DTF) is included as part of receivables.

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.

The Commission has adopted the simplified impairment approach under *AASB 9* and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

Impairment for receivables

	2023	2022
	\$'000	\$'000
Carrying amount at the beginning of the period	4	3
Increase / (decrease) in allowance recognised in profit or loss	100	1
Carrying amount at the end of the period	104	4

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 9.2 for details regarding credit risk and the methodology for determining impairment.

Essential Services Commission
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7. Liabilities

7.1. Payables

	2023	2022
	\$'000	\$'000
Current		
Creditors and accrued expenses	428	463
Employment on-costs	77	61
Paid parental leave scheme payable	2	-
Total current payables	507	524
Non-Current:		
Employment on-costs	55	43
Total non-current payables	55	43
Total payables	562	567

Payables are measured at nominal amounts.

Payables and accruals are recognised 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. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

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 is 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 DTF, the percentage of the proportion of long service leave taken has increased from 42% in 2022 to 43% in 2023 and the average factor for the calculation of the employer superannuation on-costs has increased from 10.6% in 2022 to 11.1% in 2023. 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.

Essential Services Commission
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7.2. Provisions

	2023	2022
	\$'000	\$'000
Current		
Workers' compensation	8	7
Total current provisions	8	7
Non-current		
Workers' compensation	27	18
Total non-current provisions	27	18
Total provisions	35	25
	2023	2022
	\$'000	\$'000
Reconciliation of workers compensation		
Carrying amount at the beginning of the period	25	16
Additional provisions recognised	10	9
Carrying amount at the end of the period	35	25

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.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2023 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector Employment.

7.3. Other liabilities

	2023	2022
	\$'000	\$'000
Current		
Unearned revenue	160	238
Total current other liabilities	160	238
Total other liabilities	160	238

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

Essential Services Commission
Notes to and forming part of the financial statements
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8. Outlook

8.1. Unrecognised contractual commitments

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

Contractual commitments

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

	2023	2022
	\$'000	\$'000
Within one year	524	697
Later than one year but not later than five years	1 197	1 350
Later than 5 years	-	167
Total expenditure commitments	1 721	2 214

8.2. 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 2023.

8.3. 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.

Essential Services Commission
Notes to and forming part of the financial statements
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9. Measurement and risk

9.1. 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.

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.

Essential Services Commission
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9.2. Financial instruments

Financial risk management

Risk management is overseen by the Commission, the Chief Executive Officer and the 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 insignificant based on 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 2023 was \$104 000 (2022: \$4 000).

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 \$7 450 000 (2022: \$8 829 000). Total financial liabilities comprising payables are \$351 000 (2022: \$250 000).

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

Receivables and payables

The amount of payables disclosed above 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.

Essential Services Commission
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10. 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 2023 \$2 873 000 (2022: \$2 321 000) 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 2023 \$306 000 (2022: \$298 000) 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 2023 \$9 977 000 (2022: \$9 405 000) 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 2023 \$876 000 (2022: \$855 000) was transferred.

Department of Treasury and Finance

An amount approved by the Treasurer is transferred to the Consolidated Account for previous LG Advice funding and from the water licence fees received by the Commission for the Department of Treasury and Finance. In 2023 \$561 000 (2022: \$393 000) was transferred.