

Strategy

2018–2021

The Essential Services Commission of South Australia is an independent statutory authority with regulatory functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and a general advisory function on regulatory and economic matters.

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The Commission’s primary objective under the Essential Services Commission Act is the protection of the long-term interests of South Australian consumers with respect to price, quality and reliability of essential services.

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The Commission acknowledges the Traditional Owners of Country throughout South Australia and recognises the continuing connection to land, waters and community. We pay our respects to Aboriginal and Torres Strait Island cultures; and to Elders both past and present.

Enquiries regarding the Commission's Strategy 2018-2021 should be addressed to:

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Foreword

I am pleased to present the Essential Services Commission of South Australia's Strategy 2018 - 2021.

As South Australia's economic regulator, the Commission has an important role in the economy and the wellbeing of South Australians. Our primary regulatory objective is to protect consumers' long-term interests with respect to the price, quality and reliability of essential services.

We understand the impacts of regulation on the community – consumers, businesses and service providers. And we understand that regulation must be effective and well implemented if it is to provide most benefit.

Therefore, whether regulating service standards in the water industry, or access provisions for rail or maritime services, the Commission must be aware of the changing environment, the costs of regulation and community and business expectations. We must be on the leading edge of regulatory design and practice, to deliver effective long-term outcomes for all South Australians.

This strategy document outlines the changing environment we are in and the key influences that our regulatory frameworks need to respond to.

It also sets out our key strategic responses to these challenges and the Commission's commitment to:

- engaging openly, transparently and genuinely with our stakeholders, at all times
- given rapid changes in the industries we regulate, ensuring that our regulatory frameworks are responsive and fit-for-purpose over time
- a better regulation approach, which identifies problems and, through transparent processes, identifies appropriate solutions – including non-regulatory responses, and
- strong regulated entity performance, facilitating accountability and engagement to their customers.

The Commission's role in providing advice to the South Australian Government is also important, and in that role we make a significant contribution. This Strategy document is supported by an annual Performance Plan and Budget, which outlines key projects and ongoing work of the Commission across industries.



Brett Rowse
CHAIRPERSON

Our Commissioners



Mr Brett Rowse
CHAIRPERSON

Mr Rowse was appointed as Chairperson of the Commission in July 2016.

Mr Rowse worked for 35 years in Treasury and Finance Departments at both the national and state level. He provided broad policy guidance, with a particular focus on economic and financial management. He has chaired the South Australian Financing Authority Board and was also a board member of the Adelaide Festival, Motor Accident Commission and Funds SA.



Dr Lynne Williams AM
ACTING CHAIRPERSON

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

Dr Williams has worked as a senior executive and economist in the public sector for over 30 years. Dr Williams is a Commissioner with the Commonwealth Grants Commission and Victorian Building Authority. She sits on a number of boards related to public policy and is a Fellow of IPAA, AICD and St Hilda's College (University of Melbourne).



Mr David Round AM
COMMISSIONER

Mr Round was appointed as a Commissioner in May 2014.

Mr Round is a member of the Australian Competition Tribunal, a position held since 1998. Mr Round was previously Professor of Economics, and Director, Centre for Regulation and Market Analysis at the University of South Australia, and Research and Innovation Director at Torrens University Australia. He previously taught at the University of Adelaide, Macquarie University and several universities in the US and New Zealand.



Ms June Roache
COMMISSIONER

Ms Roache was appointed as a Commissioner in May 2014.

Ms Roache is an independent non-executive director with extensive business experience having held several senior executive roles and a number of governance roles including internationally.

Ms Roache currently holds multiple board positions and is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Institute of Managers and Leaders.



Mr Geoff Knight
COMMISSIONER

Mr Knight was appointed as a Commissioner in October 2014.

Mr Knight has served the South Australian public sector in a diverse range of Chief Executive, senior policy, finance, and other leadership roles over three decades.

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

Our leadership team



Adam Wilson
CHIEF EXECUTIVE OFFICER



Linda South
DIRECTOR, CORPORATE SERVICES



Nathan Petrus
DIRECTOR, CONSUMER
PROTECTION AND PRICING



Natasha Cheshire
DIRECTOR, LICENSING,
MONITORING AND REPORTING



Sean McComish
DIRECTOR, ADVISORY AND RESEARCH

Our strategic challenges

Locally, nationally and globally, we are in a rapidly changing environment – particularly in some industry sectors – and our regulatory frameworks and responses must be agile, responsive and able to meet the long-term interests of consumers of essential services.

While there are many and varied challenges, we have identified five areas which will have a key influence on the Commission’s regulatory frameworks in the coming three years. Those are:

- › changing community expectations and views on standards of service and access for essential services
- › the role that regulation can or should play in the market
- › changing and evolving market and industry structures, including the impacts of new and potentially disruptive technologies
- › the overall South Australian and Australian economic climate and trends, and
- › developments in practices and thinking in the field of economic regulation, nationally and globally.

Our strategic responses

In considering these strategic challenges – or disruptive influences – the Commission will embrace four strategic responses to apply across each of them. These will guide the Commission in meeting its primary objective and delivering its priorities over the next three years.

Our strategic responses are:

- › **Building stakeholder and consumer engagement**
- › **Embedding better regulation**
- › **Enabling regulated entity performance and accountability**
- › **Creating workforce readiness**

Building stakeholder and consumer engagement

At the Commission, we engage with stakeholders in the performance of all of our functions, to ensure that the intent and outcomes of our actions are fully understood and the widest range of views are taken into account in decision making.

The information and advice gained through genuine and effective engagement enhances the quality of the Commission's regulatory decisions and advice. We are committed to acting on the best continually available data and information.

This strategic response involves consolidating and building on our stakeholder engagement strengths. This is important to allow us to gain information, evidence, knowledge and insights from a diverse range of sources, contributing to better regulatory actions and decisions.

This allows us to gather and capture market intelligence, which can inform not just our regulatory actions and decisions but can also influence (as appropriate) our regulatory context and environment. Further, it allows us to disseminate the outcomes and effectiveness of our work more broadly, enhancing knowledge of regulatory issues which are of importance to this State.

Embedding better regulation

The Commission is a high performing and responsive agency, administering a principles-based regulatory and advisory framework which is focussed on outcomes.

This strategic response involves further developing and embedding our better regulation framework and approach, ensuring we measure, test and improve in everything we do.

This has both an internal and external context. Internally, it will consolidate a culture of regulatory behaviour and analysis which acknowledges context and purpose, identifies problems, has a focus on outcomes (which promote the long-term interests of consumers), is flexible and fit-for-purpose, and is cost effective. This includes acceptance that the best outcome may not require a regulatory solution.

Externally, we need to ensure our stakeholders, including those we regulate, understand how and why our better regulation approach delivers on our primary objective to consumers.

Enabling regulated entity performance & accountability

The entities we regulate should have a focus on high performance to provide services to consumers at the lowest sustainable price, supported by sound, long-term financing and asset management plans. They should meet service standards, and communicate with their customers and stakeholders to build trust and accountability.

We understand that the community also expects a strong compliance focus and verification of regulated entity performance.

This strategic response will facilitate and enable regulated entities to demonstrate their performance, and we will utilise business and market intelligence to ensure targeted and risk-based compliance and verification.

Market intelligence will give use greater access to the context for our regulatory actions and to identify early indicators of potential regulatory issues.

These two things run together: market intelligence can help us with early warnings on issues or problems and to focus on areas where performance or compliance may be at issue – treating the cause not just the symptoms.

Creating workforce readiness

People are our most important resource. This strategic response aims to ensure that we have an engaged and highly skilled workforce, as well providing our people with the means and support (including systems, technology and governance) to be agile, professional and outcomes-focused. It also involves making the Commission an employer of choice, so that we can attract and retain the best people.

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

At the Commission, we value diversity and believe a diverse and inclusive workplace brings out the best in people and helps us to deliver in our role as an independent economic regulator.

The Commission aims to maintain and, where appropriate, enhance internal capacities and resources, to build regulatory and economic knowledge within the South Australian public sector. Having and maintaining the right skills and experience is an important strategy, enabling the Commission to contribute more broadly to South Australia's future.

Our functions

Regulatory

The Commission performs a range of functions across the different industries it regulates, including pricing, licensing, performance monitoring and reporting, compliance and scheme administration.

For each industry, the relevant industry regulation Act specifies the scope of the Commission's role, as summarised in the table opposite.

Advisory

The Commission has two broad advisory functions.

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

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

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

*The Commission also has a potential new role under the Local Government (Rate Oversight) Amendment Bill 2018.

Our priorities

The following three priorities guide us in meeting the Commission's primary objective of protecting the long-term interests of consumers' with respect to price, quality and reliability of essential services.

We will deliver on these priorities through our strategic approaches and the delivery of our work program.

PRIORITY 1

We will establish consumer protection frameworks to promote the delivery of service levels valued by consumers at an efficient cost.

PRIORITY 2

We will keep regulated entities accountable to their customers through transparent monitoring and public reporting on performance.

PRIORITY 3

We will add value to South Australia by delivering impartial, credible and robust regulatory and economic advice.

PRIORITY 1

We will establish consumer protection frameworks to promote the delivery of service levels valued by consumers at an efficient cost.

What it means

We design and implement proportionate and robust regulatory regimes to protect consumers' interests at the lowest cost.

The Commission is empowered to make industry codes, rules and guidelines under the Essential Services Commission Act. These codes, rules and guidelines are the means through which we establish consumer protection regimes in regulated industries and rules for operators in relevant industries.

We also develop and implement service standards to protect consumers, which support the delivery of a level of service at the level valued by customers at an efficient price which permits the supplier to deliver at least that level of service in the long term.

Getting service levels right is important, as this is one of the key inputs to the prices paid for regulated services. While the Commission does not always regulate prices (for example, the Australian Energy Regulator is responsible for network price regulation in the energy sector), it is critical that service standard and price regulation work together to:

- ▶ ensure that customers receive the quality of service that they value and is cost-effective and feasible to deliver, and
- ▶ inform the prudent and efficient level of expenditure for the price determination.

Indicators of success

- ▶ Decisions evidenced and based on statutory frameworks
- ▶ Consumer confidence in the work of the Commission

PRIORITY 2

We will keep regulated entities accountable to their customers through transparent monitoring and public reporting on performance.

What it means

Priority 1 outlines the way we establish our regulatory frameworks to protect consumers. Priority 2 looks to ensure that consumers can access the benefits arising from those regulatory frameworks.

We do this by using a risk-based approach in all of our work and engaging with regulated entities. This includes monitoring performance ensuring compliance with licence conditions, and public reporting by the Commission and regulated entities, on performance against service standards.

This priority is intended to:

- enhance consumer understanding of regulated entities and industry performance
- ensure licence and authorisation arrangements for regulated entities are robust and protect consumers
- ensure there is effective monitoring and compliance of regulated entities
- ensure licensees have a clear understanding of their obligations, and
- ensure that energy retailers comply with Retailer Energy Efficiency Scheme requirements.

Indicators of success

- Consumers and stakeholders are engaged and informed through ongoing public consultation and reporting
- Regulated entities are achieving their required service obligations

PRIORITY 3

We add value to South Australia by delivering impartial, credible and robust regulatory and economic advice.

What it means

As an independent statutory authority charged with performing economic regulatory functions for the state of South Australia, we can contribute to the South Australian economy being strong and sustainable.

We will continue to build our internal research and advisory capability, and leverage off our existing knowledge, experience and relationships to support the delivery of our overall regulatory program and to provide advice to Government and stakeholders.

In doing this we will take a Better Regulation approach, working with other regulators, showing leadership in regulatory matters and developing regulatory and advisory responses which meet the needs of our stakeholders, in the context of best practice, both nationally and internationally.

We will use robust engagement processes to obtain the widest range of views, evidence and information, and be responsive and agile to deliver in a timely way.

This priority is intended to:

- facilitate greater consideration of how we regulate
- anticipate and respond to regulatory, economic and technological developments in South Australia and nationally, and
- provide an advisory service to Government and stakeholders, that supports the South Australian economy.

Indicators of success

- Independent, expert and timely advice provided to South Australian Government
- Commission's performance program achieved

Our corporate governance

Our corporate governance framework sets out the means by which we ensure compliance with the breadth of statutory and corporate responsibilities. We promote, and are committed to, a high standard of corporate governance.

We are committed to continuous improvement in our key business systems, policy and processes to provide best value to the Commission and those we serve.

We seek opportunities for business efficiency and are committed to integrity in all our business processes.

We demonstrate responsible risk management through our risk management framework, which is compliant with AS/NZ ISO 31000.

Our performance

The Commission will hold itself to account in performance against its priorities and delivery of our work program. We will continue to appropriately measure, monitor and evaluate our performance, and we will publicly report on that performance through our Annual Report.





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