

Strategy

2020 - 2023

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



Our Objective

The Commission's objective under the Essential Services Commission 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.

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.

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Foreword

I am pleased to present the Essential Services Commission of South Australia's Strategy 2020 - 2023.

The Commission is a statutory authority, performing independent economic regulatory and advisory functions, with the objective of protecting South Australian consumers' long-term interests with respect to the price, quality and reliability of essential services.

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.

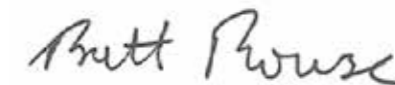
Through our advisory role, we provide advice and conduct Inquiries to inform the South Australian Government on economic and regulatory policy issues, including but not limited to those industries which fall within our existing regulatory scope.

The sectors and businesses that we regulate play a key role in our State's economy. They must operate efficiently and be transparent with and accountable to their customers, particularly in response to customers' changing needs and expectations. Our regulatory approach looks to drive and encourage that accountability, including through requirements for consumers' views and preferences to be genuinely considered by service providers when developing and implementing their long-term business plans.

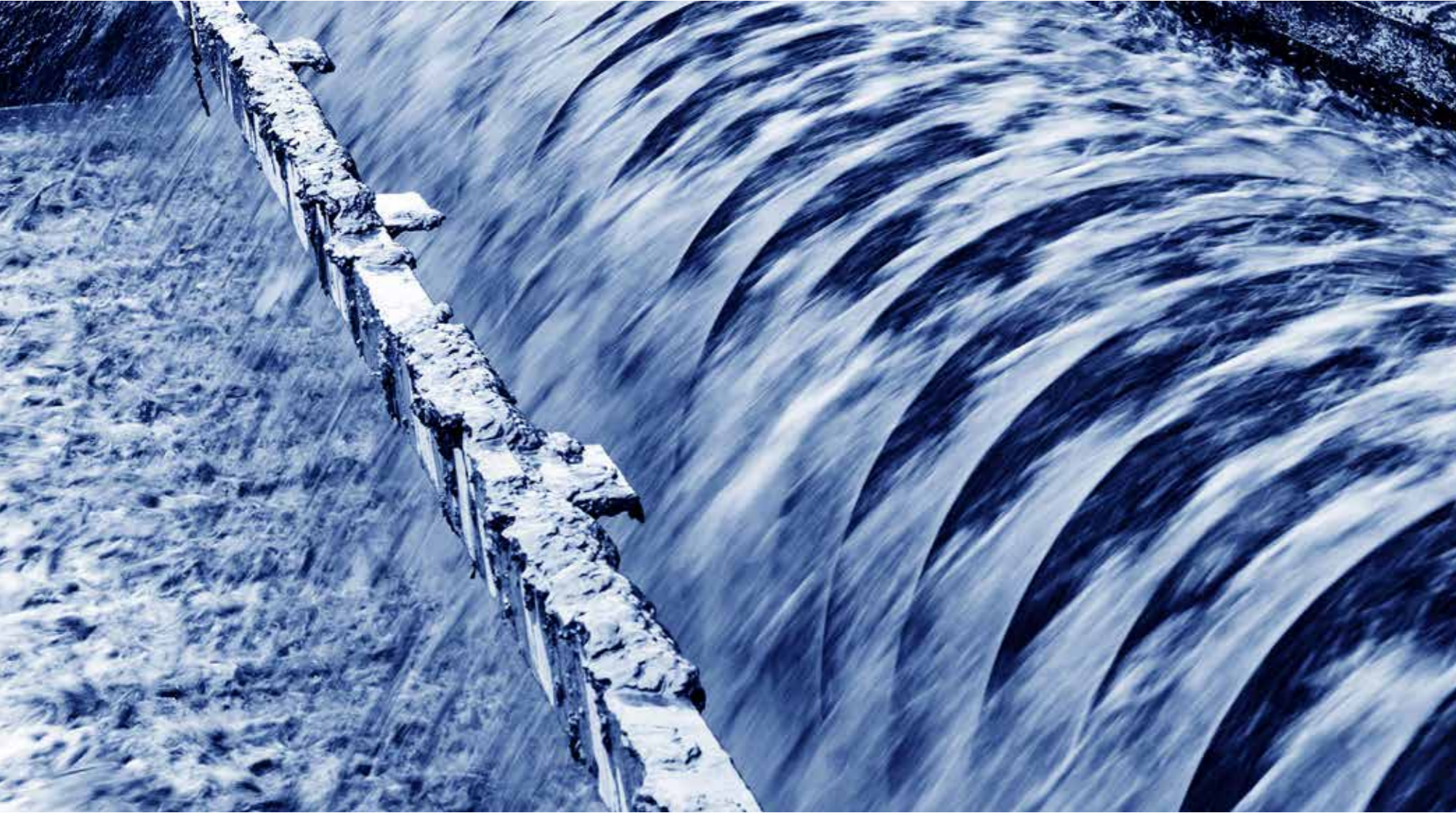
In that context, we emphasise engagement with our stakeholders - consumers, industry and government. Engagement helps us to understand the context of our work and provides us with a wide range of diverse evidence on which to base our decisions. Critically, by providing opportunities for customers to understand and challenge both their service providers and our decisions, we are better able to deliver robust, independent and well-implemented regulatory and advisory outcomes.

Our business model involves us designing and implementing effective and efficient regulatory regimes, monitoring and analysing market outcomes under those regimes and taking action (feedback to businesses, public reports or compliance and enforcement) as needed. Critically, that system is itself subject to continuous internal and external review, as we look for refinements and improvements in our regulatory regimes over time.

Our Strategy guides us in all of these areas, helping us to meet our objective of protecting consumers' long-term interests and to deliver robust, independent advice to the South Australian Government.



Brett Rowse
Chairperson



Our Operating Context

Our regulatory frameworks must be responsive to our operating context and environment. We have identified four factors which may influence those frameworks and the advice that we provide:

- ▶ Changing market and industry structures, including the impacts of new and emerging technologies
- ▶ Changing community expectations on standards of service and access to essential services
- ▶ An increasing focus, nationally and internationally, on ethical business practice and how this translates to ethical business regulation, and
- ▶ South Australian, Australian and global economic climate and trends.

In responding to these factors, we continually refresh our business model to reflect our key functions of regulatory design, market intelligence and analysis, and regulatory action, all underpinned by robust and genuine stakeholder engagement and evaluation of our performance.

Our Areas of Action

Having regard to our operating context, the Commission will focus on five areas over the period 2020 - 2023. These will consolidate and strengthen our economic regulatory and advisory functions, contributing to the achievement of our objective.

- ▶ Building stakeholder engagement and providing for consumer inputs and challenge: 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.
- ▶ Design of regulation: delivering fit-for-purpose regulatory design and implementation, using evidence-based processes and pursuing efficiency and effectiveness in regulatory design, implementation and outcomes.
- ▶ Analytical capability: enhancing 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.

- ▶ Regulatory performance: using market monitoring outcomes to provide performance information to consumers, guidance and performance feedback to regulated entities, and reshaping our compliance and enforcement approach to ensure that it is efficient and effective in driving positive consumer outcomes.
- ▶ Evaluation capability: embedding evaluation of our performance – both regulatory and operational – across all of our work.

In doing so, we will take the global learnings of ethical business practice and regulation, ensuring that we continue to focus on independent, robust, evidence and risk-based decisions and advice, using enhanced market intelligence to drive efficient and effective compliance and verification.

Building Stakeholder Engagement and Providing for Consumer Inputs and Challenge

The information, evidence, knowledge, insights and advice gained from a diverse range of sources through genuine and effective engagement enhances the quality of our work: we are committed to genuine engagement with all of our stakeholders – consumers, industry, government – and acting on the best available data and information.

We particularly acknowledge the importance of providing consumers with the opportunity to test and challenge service providers' price/service/quality proposals through regulatory processes. Consumers can and should have the ability to express to service providers their views on those matters when service providers are starting to develop their business plans.

They should also be able to verify that their views have been appropriately considered by service providers once those business plans have been finalised, before regulatory assessment processes commence, as well as during regulatory assessment.

Over the past four years, we have had a focus on establishing principles and practices which will start to entrench those opportunities for consumer input and challenge.

We will review the effectiveness and efficiency of those practices and principles with a view to adopting them across the industries we regulate.

Design of Regulation

We will focus on designing efficient and effective long-term regulatory frameworks and processes that deliver the lowest sustainable prices for consumers, reflective of the service levels for which they are willing to pay. This involves examining the need for regulation (regulating only when it delivers benefits to consumers that exceed the costs of regulation), considering the costs (to those who are regulated and to consumers) of the potential different forms that regulation may take and designing our regulatory frameworks using the best available evidence.

To obtain that evidence, we will engage with all of our stakeholders to understand their views, and will draw on the market intelligence that we routinely gather, as the information and advice we gain in that way enhances the quality of our regulatory design.

We will regularly review our regulatory frameworks, in terms of both outcomes and process, to ensure that they continue to be effective, targeted to the needs of consumers and cost-effective in practice, thereby protecting consumers' long-term interests.

Analytical Capability

Our analytical capacity and capability are critical inputs to our regulatory design and advisory work, as well as our ability to understand and act on regulatory performance outcomes.

Our capacity is our internal skill and ability - in both our people and our systems - to learn and develop our talents, and to obtain, understand, store and analyse data and evidence.

Our capability is the way in which we use data and evidence to generate information which supports our regulatory actions and advisory work, as well as our evaluation of the effectiveness of that work over time and, where needed, in refocussing our approach that must always be robust, effective and flexible.

We will enhance and, where needed, reshape our existing capacities and capabilities in data analytics and market intelligence gathering. We will continue to invest in our people and our technologies to ensure that we are optimising long-term value from the data and information that we seek and use (acknowledging the costs of data provision by regulated entities). We will continue to seek working partnerships with regulated entities, other regulators and agencies and consumer groups, in order to improve our information sources, knowledge and abilities.

Regulatory Performance

We use data and information to design and implement regulatory frameworks which reflect consumers' preferences and willingness to pay. This allows us to develop indicators of success, to monitor market outcomes, to question and provide feedback to regulated entities on their performance, to acknowledge positive outcomes and to regularly assess our own performance levels and trends in order to discover whether there is potential to improve consumer outcomes.

We will also use data and information to provide consumers with insights and to explain trends in market outcomes – while at the same time encouraging or requiring regulated entities to publish information and advice, in order to demonstrate their own commitment and accountability to their customers.

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, we will use our verification, compliance and enforcement powers.

We will continue to enhance and refine our approach and practices in all of these areas, understanding that the community expects a strong, targeted and risk-based compliance focus on regulated entities' performance, and we will work with regulated entities to assist them in transparently demonstrating their performance to their customers.

Evaluation Capability

We will build our capability to evaluate, report and act on the outcomes of our regulatory decision-making, as well as our own operational performance. In doing so, we will look to understand best-practice in evaluation techniques (locally, nationally and internationally) and engage and consult with our stakeholders on those matters.

We will also seek information from and collaborate with stakeholders on individual evaluation projects. For example, we will be assessing the effectiveness of new processes for regulatory determinations, such as that used for SA Water Regulatory Determination 2020, as well as in assessing and understanding the outcomes of those determinations (which will have a longer-term horizon and require analysis of regulatory performance and consumer outcomes over time).

This evaluation capability will also be applied to our internal operational practices, making sure that we operate in an efficient and effective manner. We remain committed to publicly reporting our evaluation outcomes and to refining our evaluation techniques over time.



Our Statutory Roles

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.

Advisory

The Commission has two broad advisory functions.

The first is to provide to the Treasurer, on request, independent economic and/or regulatory advice on any matter referred (section 5(f) of the Essential Services Commission Act).

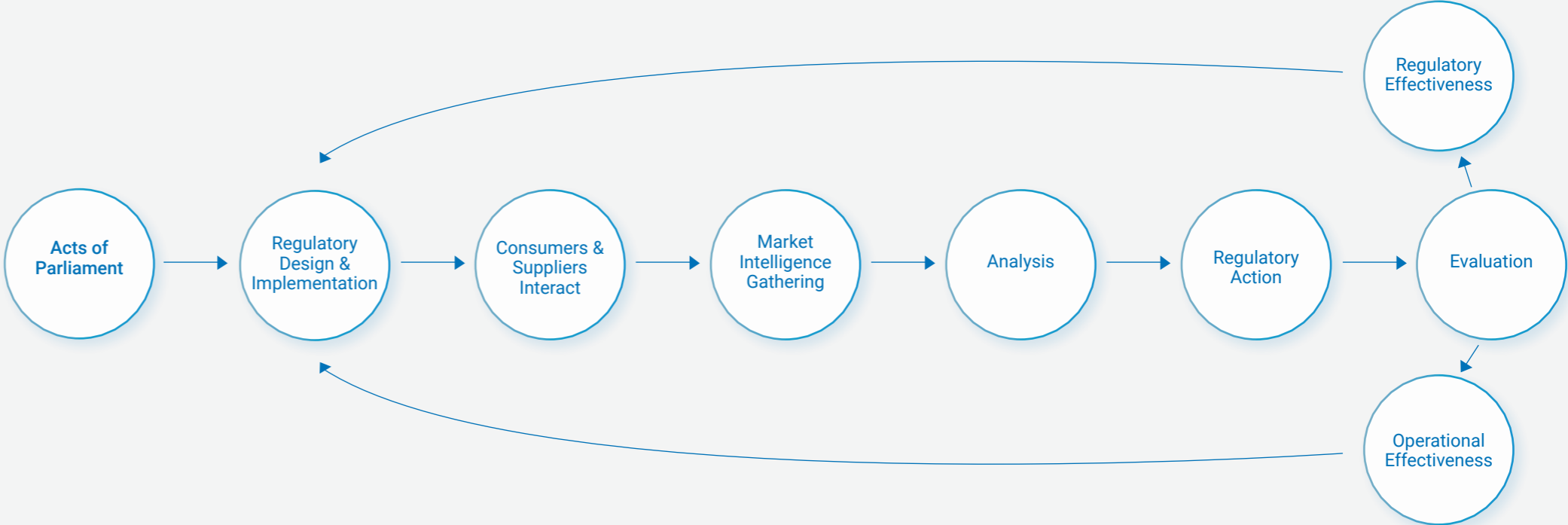
The second is to conduct public Inquiries (Part 7 of the Essential Services Commission Act). Such Inquiries can be initiated by the Commission (into any matters within our regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).

Our Business Model

In meeting the Commission's objective of protecting the long-term interests of consumers with respect to price, quality and reliability of essential services we operate with a carefully developed and tested business model – ensuring that our regulatory design and action is effective and evaluated over time.

It provides a framework for both delivering value and adapting to the challenges – including a changing environment and community expectations – that we see in our operating context ahead.

Our business model reflects our key functions of regulatory design, market intelligence and analysis, and regulatory action, all underpinned by evaluation of our regulatory performance and operational systems.



Commission's Legislative Roles

Electricity Act 1996

Electricity retail operations:

- ▶ 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 efficiency scheme administration

Electricity generation, transmission, distribution and off-grid retailers:

- ▶ licensing
- ▶ network service/reliability standard setting
- ▶ performance monitoring and reporting

Gas Act 1997

Gas retail operations:

- ▶ preparation and publication of Ministerial energy retail price offerings comparison reports
- ▶ retailer energy efficiency scheme administration

Retail and distribution LPG gas operations:

- ▶ licensing

Natural gas distribution operations:

- ▶ licensing
- ▶ standard setting
- ▶ performance monitoring and reporting

Water Industry Act 2012

Water and sewerage retail service providers:

- ▶ licensing
- ▶ retail price regulation
- ▶ consumer protection
- ▶ service/reliability standard setting
- ▶ performance monitoring and reporting

Third Party Access Regime regulator.

Australasia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997

Access regulator of:

- ▶ Tarcoola–Darwin railway
- ▶ Intrastate rail lines

Maritime Services (Access) Act 2000

Ports services pricing and access regulator.

Planning, Development and Infrastructure Act 2016

Determine funding arrangements for any infrastructure delivery schemes established by the State Government.

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 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 Legal Services Board. 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 was previously a member of the Australian Competition Tribunal from 1998 to 2018, 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 has also held positions 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.



David Swift
Commissioner

Mr Swift was appointed as a Commissioner on 1 August 2019. Mr Swift has worked on, or been involved in, the national energy markets in various roles since the late 1990s. Mr Swift previously held executive roles at the Australian Energy Market Operator and the South Australian Electricity Supply Industry Planning Council. He is currently the Deputy Chair of the Energy Security Board.

Our Leadership Team



Adam Wilson
CHIEF EXECUTIVE OFFICER



Linda South
DIRECTOR, CORPORATE SERVICES



Nathan Petrus
DIRECTOR, CONSUMER PROTECTION & PRICING



Natasha Cheshire
DIRECTOR, LICENSING, MONITORING & REPORTING



Sean McComish
DIRECTOR, ADVISORY & RESEARCH

Our Purpose & Values

The Commission's purpose, values, people and culture, directed by our Strategy and areas of action, drive us in meeting our objective.

The Commission's purpose is to add long-term value to the South Australian community by meeting its objective through independent, ethical and expert regulatory decisions and advice.

Our values guide us in our work.

We will be **RESPONSIVE** and **ACCOUNTABLE**

What does it mean to be responsive and accountable?

- ▶ We will be responsive to our stakeholders and hold ourselves to account.
- ▶ We will take pride in our work and be transparent and outcome-focused.
- ▶ We will use our resources efficiently and be willing and able to deliver.

We will **CHALLENGE** and be open to **INNOVATION**

What does it mean to challenge, have an inquiring mind and think innovatively?

- ▶ We will be critical thinkers and have constructive debate to learn and ensure intelligent inquiry.
- ▶ We will challenge ourselves, and each other, and be open to innovative ideas and solutions in our work.
- ▶ We will share information and knowledge, show initiative and be open to other ideas.

We will build **INCLUSIVE RELATIONSHIPS**

What does it mean to build inclusive relationships?

- ▶ We will engage and ensure respect in all our relationships.
- ▶ We will empower others and build relationships to inform our decision-making.
- ▶ We acknowledge the importance of diversity in relationships.

Our Corporate Governance

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

The corporate governance framework is supported by seven principles that guide and inform the governance practices, strategies, processes and policies for achieving good governance.

- Establish the strategy, priorities and values of the Commission.
- Lay a solid foundation for management, oversight and delegation.
- Recognise and manage risk.
- Promote robust, independent, transparent and ethical decision-making.
- Respect the rights of stakeholders and communicate effectively.
- Safeguard integrity in all reporting.
- Maintain a safe and diverse workforce.





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