

PERFORMANCE PLAN

2013/14

February 2013



TABLE OF CONTENTS

- Introduction _____ 1
- Summary of the Commission’s Regulatory Responsibilities _____ 2
- Key Regulatory Issues _____ 3
 - Water _____ 3
 - Energy _____ 4
 - Residential Energy Efficiency Scheme _____ 4
 - Ports _____ 5
 - Rail _____ 5
 - Stakeholder engagement and clearer communications _____ 5
- Key Initiatives and Ongoing Work _____ 6
 - Water _____ 6
 - Energy (Electricity and Gas) _____ 8
 - Residential Energy Efficiency Scheme (REES) _____ 9
 - Rail - Darwin-Tarcoola _____ 10
 - Rail – Intrastate _____ 11
 - Ports _____ 12
 - General Regulation _____ 13
 - Corporate Services _____ 14

INTRODUCTION

The Essential Services Commission (the Commission) is the independent economic regulator of a number of essential services in South Australia. The Commission's functions are specified in industry legislation and include price regulation, access regime administration, service standard setting, licensing, consumer protection, compliance, monitoring and enforcement and program administration.

In performing its statutory functions, the Commission's primary statutory objective, as set out in the Essential Services Commission Act 2002, is to protect:

the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services¹

The Commission has defined four goals to guide it in fulfilling its primary objective²:

Goal 1: Consumers receive essential services of appropriate reliability and quality.

Goal 2: Consumers pay the lowest sustainable prices.

Goal 3: Stakeholders trust us.

Goal 4: Our people, culture and processes enable the Commission to best serve its primary objective.

In June 2012, the Commission published its Strategic Plan, covering the three-year period 2012/13 – 2014/15. The Strategic Plan placed particular weight on four strategic themes:

1. Implementing independent economic regulation in the water industry.
2. Managing role transition and community concerns in energy retailing.
3. Dealing with consumer hardship.
4. Ensuring effective communication and information provisions.

As the South Australian Government recently decided to deregulate energy retail prices and some of the Commission's other energy retail regulatory roles were transferred to the Australian Energy Regulator as of 1 February 2013 (under the National Energy Customer Framework), this Performance Plan places less emphasis on strategic theme 2. This 2013/14 Performance Plan outlines the manner in which the Commission will pursue its goals and undertake its functions.

¹ *Essential Services Commission Act 2002*, section 6 (emphasis added)

² These goals are outlined in the Strategic Plan 2012/15, available at <http://www.escosa.sa.gov.au/about-us/strategic-plans.aspx>

Summary of the Commission's Regulatory Responsibilities

The Commission's regulatory functions include:

- ▲ pricing and access regulation;
- ▲ licensing;
- ▲ establishment and monitoring of service standards;
- ▲ consumer protection;
- ▲ monitoring and enforcing compliance;
- ▲ program administration; and
- ▲ stakeholder engagement, with a particular emphasis on consumer consultative processes and the provision of information to consumers.

The Commission's current regulatory roles and functions are set out in legislation in respect of the following industries:

- ▲ the South Australian water industry, pursuant to the *Water Industry Act 2012*, (Water);
- ▲ the South Australian electricity supply industry, pursuant to the *Electricity Act 1996*, (Electricity);
- ▲ the South Australian gas supply industry, pursuant to the *Gas Act 1997*, (Gas);
- ▲ administration of the South Australian Residential Energy Efficiency Scheme, pursuant to the regulations under the *Electricity Act 1996* and *Gas Act 1997*, (Residential Energy Efficiency Scheme);
- ▲ the Tarcoola to Darwin railway, pursuant to the *AustralAsia Railway (Third Party Access) Code*, which is a schedule to the *AustralAsia Railway (Third Party Access) Act 1999*, (Rail – Darwin-Tarcoola);
- ▲ intra-state rail services, pursuant to the *Railways (Operations and Access) Act 1997* (Rail – Intra-state); and
- ▲ South Australian Maritime services, pursuant to the *Maritime Services (Access) Act 2000*, (Ports).

KEY REGULATORY ISSUES

The Commission's 2013/14 Performance Plan provides an overview of how the Commission will focus on its ongoing regulatory responsibilities while also addressing important new regulatory demands and key emerging issues.

We have prepared our Performance Plan by identifying key issues and developing key initiatives appropriate to each specific key issue.

This performance plan outlines our planned key initiatives and ongoing work programs for 2013/14; however, as in every year, we expect that the Treasurer and/or Industry Ministers will refer special reviews and inquiries to the Commission during the financial year. During 2013/14, we will also continue to develop our research capabilities to ensure that the Commission maintains a high degree of intellectual rigour and professionalism in its regulatory work, remains at the forefront of regulatory knowledge and contributes to regulatory debates nationally.

An overview of the key regulatory issues and initiatives that we plan to address is outlined below by industry. These initiatives, as well as ongoing work, are also summarised in the tables commencing on page 6.

Water

Water will continue to be a major focus of the Commission in 2013/14. The objects of the Water Industry Act include the promotion of efficiency, competition and innovation in South Australia's water and wastewater sector. As the Commission is now the independent economic regulator of retail water and wastewater services, the Commission's powers include the licensing of retail service providers, price/revenue regulation, the setting of service standards and consumer protection.

Licensing

With the majority of water licences issued in the first half of 2012/13, our key focus in 2013/14 will be to work with licensees, the Energy and Water Industry Ombudsman and other stakeholders to ensure that all licensees meet the requirements of their licences.

Pricing

Following completion of the Commission's first retail revenue determination for SA Water for the period 2013/14 – 2015/16, we will conduct the major Inquiry into Drinking Water and Sewerage Retail Services Pricing Reform, which the Treasurer has referred to the Commission. We will also administer the SA Water revenue determination during 2013/14, and continue to develop and monitor pricing arrangements for other retail service providers (as necessary).

Consumer protection

The Commission has established a strong consumer protection framework, to deliver benefits to South Australian consumers of water and wastewater services. The regime includes a licensing framework for all providers of retail services, and a related regime of industry codes and guidelines, specifying service and conduct standards for licensees in their dealings with customers and a regulatory compliance and reporting framework.

We will continue to focus on working with licensees to ensure that they have appropriate systems and controls in place to deliver the required standards for consumers. At the same time, we will engage with both licensees and consumers of water and wastewater services to ensure that consumers are provided with clear, relevant and accessible information about the new regulatory arrangements and their rights and responsibilities under those arrangements.

Inquiries and Advice

The Commission remains ready to conduct any further inquiries into regulatory reform of the water industry that may be referred to it under the Essential Services Commission Act.

Energy

With the commencement of the National Energy Customer Framework from 1 February 2013, retail energy regulatory functions will transfer to the Australian Energy Regulator (AER). The Commission remains focused on the smooth transition of those functions and effective coordination of regulatory activities between the Commission and the AER during 2013/14. With the removal of standing contract price controls from 1 February 2013, we will gain the new function of monitoring and reporting on retail price changes over time, with the SA Government retaining an overall policy role in monitoring the effectiveness of the competitive energy retail market.

A major focus in 2013/14 will be a review of service standards for the electricity distribution network operated by SA Power Networks. This review will seek to ensure that standards are set to appropriately balance the benefits to consumers and the costs. This work must be completed in 2013/14, prior to the Australian Energy Regulator's next price determination for SA Power Networks.

The Commission will also continue to administer the Residential Energy Efficiency Scheme (REES), set the feed-in tariff paid by retailers to solar photo voltaic customer (if necessary) and fulfill its ongoing responsibilities in the generation and network sections.

Residential Energy Efficiency Scheme

The Commission is the scheme administrator for the REES, which commenced on 1 January 2009 and is now in its fifth year of operation. During 2013/14, the Commission will continue to monitor compliance with specifications and requirements for energy efficiency activities and assess applications for the inclusion of new activities.

The Commission will continue to place a priority on ensuring a high level of stakeholder engagement and education with the REES and on undertaking compliance and enforcement where appropriate.

Ports

The Commission regulates pricing and access for specified port services. Flinders Ports and Viterra are required to provide annual regulatory accounts to the Commission, prepared in accordance with the Commission's Ports regulatory guideline No. 2. During 2013/14, we will audit each operator's compliance with that guideline.

Rail

The Commission regulates access regulation on the Tarcoola-Darwin line and specified intrastate lines. During 2013/14, we will audit rail operator Genesee Wyoming's compliance with the regulatory regime.

Stakeholder engagement and clearer communications

In 2013/14, the Commission will focus on improving its communications to ensure that all stakeholders are aware of, and can understand, our decisions. We will ensure that simple Fact Sheets are produced for all draft and final decisions of significant community interest.

The Commission will also maintain a focus on collaboration with all stakeholders. We will do this by regularly consulting with consumer groups including the Consumer Advisory Committee, the Energy and Water Ombudsman (SA) and specific sectorial bodies. We will also consult with licensees, industry groups and the Government.

KEY INITIATIVES AND ONGOING WORK

Water

KEY INITIATIVES	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Conduct internal post implementation review of the licensing and exemption framework	Q4
Conduct internal post implementation review of the compliance framework	Q4
Establish, administer and review consumer protection programs	
Provide input into development of 2012/13 National Performance Report, through gathering and auditing performance data supplied by SA Water	Q1 - Q2
Develop the water performance reporting arrangement for minor and intermediate water licensees	Q1 – Q4
Develop first Water Annual Performance Report	Q1 – Q2
Conduct internal post implementation review of the water retail codes	Q4
Conduct internal post implementation review of the performance reporting framework	Q4
Commence a review of Water Service and Regulatory Standards	Q3 – Q4
Establish, administer and review pricing and access regimes	
Conduct the Inquiry into water and sewerage pricing reform, including metering arrangements	Q1 – Q4
Review the progress and compliance of minor and intermediate water licensees with pricing arrangements	Q1 – Q4
ONGOING WORK	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Review compliance systems and reports and conduct audits	Q1 – Q4
Undertake administrative and statutory enforcement action as appropriate	Q1 – Q4
Review applications for new licences and exemptions	Q1 – Q4
Review applications for variations and transfers of existing licences and exemptions	Q1 – Q4
Establish and administer statutory exemptions as applicable	Q1 – Q4

Establish, administer and review consumer protection programs	
Monitor and review performance monitoring and reporting requirements	Q1 – Q4
Establish, administer and review pricing and access regimes	
Administer SA Water revenue determination, including adjustment to revenue requirements for 2014/15	Q1 - Q4
Engage and consult with stakeholders and provide information on regulatory decisions and frameworks and consumer rights and responsibilities	
Engage with consumers, policy makers, local councils, SA Water, and other stakeholders to continue the smooth transition to independent economic regulation	Q1 – Q4

Energy (Electricity and Gas)

KEY INITIATIVES	COMMENCEMENT / COMPLETION
Establish, administer and review consumer protection programs	
Commence a review of service standards for SA Power Networks	Q3 – Q4
Establish, administer and review pricing and access regimes	
Prepare price monitoring report for electricity and gas retail markets	Q1
ONGOING WORK	COMMENCEMENT / COMPLETION
Develop and implement 6-monthly power line undergrounding programs	Q1 – Q4
Prepare, publish and distribute Power Line Environment Committee Annual Report	Q1
Establish, administer and review licensing and compliance regimes	
Review compliance systems and reports and conduct audits	Q1 – Q4
Undertake administrative and statutory enforcement action as appropriate	Q1 – Q4
Review applications for new licences and exemptions	Q1 – Q4
Review applications for variations and transfers of existing licences and exemptions	Q1 – Q4
Establish and administer statutory exemptions as applicable	Q1 – Q4
Establish, administer and review consumer protection programs	
Oversee application of existing codes	Q1 – Q3
Monitor network connection issues	Q1 – Q4
Monitor reliability/customer service performance of SA Power Networks, Envestra, and ElectraNet	Q1 - Q4
Undertake regulatory tasks assigned as a part of the National Energy Customer Framework	Q1 - Q4
Establish, administer and review pricing and access regimes	
Monitor the solar feed-in tariff premium to ensure it remains cost reflective	Q1 – Q4

Residential Energy Efficiency Scheme (REES)

KEY INITIATIVES	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Continue the targeted audit program to ensure compliance with activities specifications and requirements	Q1 - Q4
Engage and consult with stakeholders and provide information on regulatory decisions and frameworks and consumer rights and responsibilities	
Further develop the REES Information Technology System to provide for efficient and seamless data transfers between retailers and the Commission, and assist in the annual reporting process	Q1 - Q4
Liaise with other jurisdictions to ensure, as far as possible, national consistency in the administration and operation of energy efficiency schemes	Q1 - Q4
Review the administration requirements of REES for implementation in 2015	Q3 – Q4
ONGOING WORK	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Administer enforcement & penalty regime	Q1 - Q4
Review and assess compliance plans and information	Q3 - Q4
Engage and consult with stakeholders and provide information on regulatory decisions and frameworks and consumer rights and responsibilities	
Monitor and report on scheme outcomes	Q1 - Q4
Publish REES Annual Report and Bulletins	Q1 - Q4
Review and report on outcomes of the REES as per Minister's Protocol	Q1 - Q4
Receive and process REES activity data reports from retailers	Quarterly
Assess retailer achievement of targets	Quarterly/Annually
Determine allocation of 2014 REES targets	Q2
Assess potential new REES activities	As received
Convene the National energy efficiency scheme forum	Q1 – Q4
Participate in the Commonwealth energy savings initiative and energy efficiency opportunities review project	Q1 – Q4
Stakeholder liaison (retailers, third parties and DMITRE)	Q1 - Q4
Conduct quarterly reporting on the Energy Efficiency Fund Initiative	Q1 – Q4

Rail - Darwin-Tarcoola

KEY INITIATIVES	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Audit compliance with regulatory requirements	Q3 – Q4
ONGOING WORK	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Monitor compliance	Q1 - Q4
Establish, administer and review pricing and access regimes	
Conciliate and arbitrate access disputes	As required
Publish Annual Report on Commission's activities related to administration of the Darwin-Tarcoola rail access regime	Q1

Rail – Intrastate

KEY INITIATIVES	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Audit compliance with regulatory requirements	Q3 – Q4
ONGOING WORK	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Monitor compliance	Q1 - Q4
Establish, administer and review pricing and access regimes	
Conciliate and arbitrate access disputes	As required
Publish Annual Report on Commission’s activities related to administration of the intrastate rail access regime	Q1

Ports

KEY INITIATIVES	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Audit compliance with regulatory account-keeping requirements by Flinders Ports and Viterro	Q3 – Q4
ONGOING WORK	COMMENCEMENT / COMPLETION
Establish, administer and review licensing and compliance regimes	
Monitor compliance	Q1 – Q4
Establish, administer and review pricing and access regimes	
Publish annual price monitoring report	Q1
Conciliate and arbitrate individual infrastructure access disputes	As required

General Regulation

ONGOING WORK	COMMENCEMENT / COMPLETION
Engage and consult with stakeholders and provide information on regulatory decisions and frameworks and consumer rights and responsibilities	
Contribute to the development of state and national regulatory frameworks	Q1 – Q4
Maintain collaborative approach to decision-making	Q1 – Q4
Develop relationships with regulated industries, consumers, Government, other regulators	Q1 – Q4
Develop simple, easy to understand fact sheets and questions and answer documents for decisions of significant community interest	Q1 – Q2
Maintain a consistent approach to communicating our consultation documents to the community and stakeholders	Q1 – Q2
Implement and review the communication strategy	Q1 – Q4
Demonstrate expertise and thought leadership in regulated industries	
Conduct Part 7 ESC Act Inquiries, as necessary	As required
Publish and comment on potential industry and regulatory reforms, as appropriate	Q1 – Q4

Corporate Services

ONGOING WORK	COMMENCEMENT / COMPLETION
Promote effective governance and operating processes	
Meet organisation information needs and develop appropriate solutions	Q1 – Q4
Consider and determine Freedom of Information applications	Q1 – Q4
Maintain records management processes in line with state records requirements, including archiving and sentencing	Q1 – Q4
Maintain and develop the Commission’s internet and intranet	Q1 – Q4
Develop and publish a strategic plan and performance plan	Q2 – Q4
Develop and publish an annual report	Q1 – Q2
Review policy and procedures in accordance with required timeframes	Ongoing
Conduct an internal audit, if required, under the Risk Management Framework	Annual
Maintain the Financial Management Compliance Program and associated policies and procedures	Q1 – Q4
Undertake annual procurement panel and general procurement review	Q3 – Q4
Undertake end of year financial quality review	Q1 – Q2
Maintain procurement processes in line with government policies	Q1 – Q4
Review the corporate governance framework	Q2 – Q3
Promote teamwork, a positive work environment and the development of our staff	
Undertake a staff engagement survey	Q3
Implement the Workforce Strategy	Q1 – Q4
Coordinate regular internal presentations and debates on developments in regulated industries	Q1 – Q4
Organise and conduct quarterly activities to strengthen internal relationships and teams.	Q1 – Q4
Provide staff with appropriate training and development opportunities	Q1 – Q4
Review internal communication processes (internet, mail out, deliverables pipeline, letters, document release protocols & flowchart)	Q1

FURTHER INFORMATION

Any queries relating to this performance plan should be directed to:

Contact person: Dona Attard, Manager Corporate Development

Essential Services Commission of South Australia

Postal address: GPO Box 2605, Adelaide SA 5001

Telephone: (08) 8463 4444

E-mail: escosa@escosa.sa.gov.au



The Essential Services Commission of South Australia
Level 8, 50 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444 | F 08 8463 4449
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

