

# PERFORMANCE PLAN

2014/15

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The Essential Services Commission of South Australia is the independent economic regulator of the electricity, gas, ports, rail and water industries in South Australia. The Commission's primary objective is the *protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services*. For more information, please visit [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au).

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# INTRODUCTION

The Essential Services Commission (**the Commission**) is the independent economic regulator of five industries 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.

The performance plan sets out the Commission's goals, major projects and priorities with respect to the full range of the Commission's functions, for 2014/15.

## Objective

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

***"...protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services<sup>1</sup>".***

## Goals

The Commission's goals are:

- ▲ Consumers receive essential services of appropriate reliability and quality.
- ▲ Consumers pay the lowest sustainable prices.
- ▲ Stakeholders trust us.
- ▲ Our people, culture and processes enable the Commission to best serve its primary objective.

## Values

The Commission's values are:

- ▲ Independent.
- ▲ Consultative.
- ▲ Ethical.
- ▲ Professional.
- ▲ Accountable.
- ▲ Transparent.

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<sup>1</sup> *Essential Services Commission Act 2002*, section 6 (emphasis added)

## Regulatory Responsibilities

The Essential Services Commission Act 2002 and various industry acts together provide the Commission with regulatory powers and functions in the electricity, gas, ports, rail and water industries. Each industry Act defines the specific scope of our regulatory powers and functions. These powers and functions vary significantly between industries. The Commission’s regulatory functions are summarised by industry in Table 1.

In addition, the Commission also undertakes inquiries in the industries it regulates and advises the Treasurer on any matters referred to it.

**Table 1: Commission Regulatory Functions by Industry**

INDUSTRY	LEGISLATION	REGULATORY FUNCTIONS
Electricity	Electricity Act 1996	Licensing of specified electricity operations (generation, transmission, distribution [on-grid] and generation, transmission, distribution and retail [off-grid]), network reliability standard-setting, solar photovoltaic feed-in price regulation (retailer payments only), preparation and publication of Ministerial reports on energy retail prices, Residential Energy Efficiency Scheme administration, performance monitoring.
Gas	Gas Act 1997	Licensing of specified gas operations (distribution [natural and LPG] and retail [LPG only]), preparation and publication of Ministerial reports on energy retail prices, Residential Energy Efficiency Scheme administration, performance monitoring.
Ports	Maritime Services (Access) Act 2002	Pricing and access regulation for specified port services.
Rail	AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997	Access regulation for the Tarcoola–Darwin railway and specified intra-state rail lines.
Water	Water Industry Act 2012	Licensing of water and wastewater retail operations, consumer protection, retail price regulation, performance monitoring.

## *Work programs*

The Commission Strategic Plan 2014/15 – 2016/17 is supported by this Performance Plan which outlines in more detail the manner in which the Commission will pursue its goals and undertake its functions for 2014/15. In all its activities, the Commission will utilise its regulatory expertise and demonstrate thought leadership.

The Performance Plan is focussed around seven work programs:

- ▲ Establish, administer and review licensing and compliance regimes;
- ▲ Establish, administer and review consumer protection programs;
- ▲ Establish, administer and review pricing and access regimes;
- ▲ Engage and consult with members of the community and provide information on regulatory decisions and frameworks and consumer rights and responsibilities;
- ▲ Promote effective governance and operating processes; and
- ▲ Promote teamwork, a positive work environment and the development of our staff.

## PERFORMANCE PLAN BY INDUSTRY SECTOR

### Water

Following the implementation of independent water regulation and the licensing of 64 retail water businesses across metropolitan, regional and rural South Australia in 2013/14, the Commission's major projects in 2014/15 include:

- ▲ Completing the Inquiry into the Reform of SA Water's Drinking Water and Sewerage Prices;
- ▲ Finalising the framework and approach for the regulation of SA Water's prices and service standards during the Second Regulatory Period, beginning 1 July 2016, and commencing the price determination process;
- ▲ Reviewing and consolidating the independent water regulatory framework for minor and intermediate water retailers;
- ▲ Administering the Commission's existing water and wastewater price determinations, including reviewing SA Water's excluded services/recycled water pricing policy statements and minor and intermediate retailers' pricing policy statements to ensure that they comply with the Commission's pricing principles; and
- ▲ Processing and issuing water retail licensees, overseeing compliance and performance reporting by licensees and publicly reporting on their annual performance.

PROJECT	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review consumer protection programs</a>	
Develop Water Metering Code Develop and implement Australia's first water metering code. Has both technical and consumer protection elements.	Q1 - Q2
Finalise SA Water Service Standard Framework Develop and implement the service standards framework for SA Water for the next regulatory period 2016 - 2020.	Q1
Develop SA Water Service Standards Finalise the specific targets and metrics for the service standard to apply to SA Water for 2016 - 2020 in accordance with the service standards framework (described above).	Q1 - 2015/16
Conduct an internal post-implementation review of the regulatory framework Review the operation and efficiency of the Commission's water non-price regulatory framework.	Q3
National Water Commission - National Performance Report audit Provide input into the development of the National Water Commission's national performance report through gathering and auditing performance data supplied by SA Water.	Q2

PROJECT	COMMENCEMENT - COMPLETION
<b>Establish, administer and review pricing and access regimes</b>	
SA Water expenditure templates Develop the expenditure templates for use by SA Water in the Second Price Determination, 2016 - 2020.	Q2
Review SA Water's weighted average cost of capital, tax and working capital Undertake a comprehensive review of SA Water's weighted average cost of capital, tax and working capital, in preparation for the Second Price Determination, 2016 - 2020.	Q3
SA Water price determination final framework and approach Finalise the framework and approach to regulating SA Water's prices and service standards during the Second Regulatory Period, 2016 - 2020.	Q1
Inquiry into the Reform of SA Water's Drinking Water and Sewerage Prices Complete the Inquiry into the Reform of SA Water's Drinking Water and Sewerage Prices, referred to the Commission by the Treasurer in September 2012.	Q1 – Q2
<b>Engage and consult with members of the community and provide information on regulatory decisions and frameworks and consumer rights and responsibilities</b>	
SA Water Consumer Engagement Program Ensure that the consumer engagement work undertaken by SA Water in the lead up to the price determination for the next regulatory period is robust and can be relied on for regulatory decision-making purposes.	Q2
Minor and Intermediate Retailer Engagement Program Bed-down the operation of the Commission's consumer protection framework within water retail businesses.	Q1
Commence Minor and Intermediate Retailers Customer Survey Understand the preferences of minor and intermediate retailers' customers for the purposes of reviewing/revising the regulatory framework and setting service standards for the next regulatory period.	Q3 - 2015/16

ONGOING WORK	COMMENCEMENT - COMPLETION
<b>Establish, administer and review licensing and compliance regimes</b>	
Issue licences and exemptions as required	Ongoing
Collect, analysis and report on compliance outcomes by regulated entities	Ongoing
Undertake compliance action as required	Ongoing
<b>Establish, administer and review consumer protection programs</b>	
Develop and publish Annual Performance Reports	Q3
Administer (and review) Industry Codes	Ongoing
Collect, analysis and report on operational performance outcomes by regulated entities	Ongoing
<b>Establish, administer and review pricing and access regimes</b>	
Review SA Water's excluded services/recycled water pricing statements - 2015/16	Q4

ONGOING WORK	COMMENCEMENT - COMPLETION
Review SA Water’s proposed drinking water and sewerage prices - 2015/16	Q4
Review minor/intermediate water retailers’ pricing policy statements – 2015/16	Q4
Report to the Treasurer on 2015/16 Water Licence Fees, pursuant to section 24(3) of the Water Industry Act 2012.	Q3 – Q4
Resolve any excluded services disputes	Ongoing
SA Water annual price adjustment	Q4

## Energy (Electricity and Gas)

The Performance Plan 2014/15 covers responsibilities in the generation, distribution transmission and retail electricity and gas sectors.

Major projects and initiatives for 2014/15 include:

- ▲ Developing Envestra and Electranet Service Standards Frameworks for the next regulatory period;
- ▲ Monitoring competition for PV customers and reviewing the need for the retailer solar feed-in tariff;
- ▲ Reviewing the Electricity and Gas Metering Codes; and
- ▲ Commencing the formal review process for the National Energy Retail Law (NERL) review as required under the NERL.

The Commission will oversee compliance and performance reporting by regulated businesses, and process and issue energy generation, transmission and distribution licences (including off grid and LPG). The Commission will report on the annual performance of electricity and gas distribution and transmission businesses.

The Commission will also administer the Power Line Environment Committee on behalf of the Minister for Energy.

PROJECT	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review consumer protection programs</a>	
Envestra Service Standard Framework Review Develop service standards to apply to Envestra for the regulatory period 2016 - 2021.	Q1 - Q2
Regulatory Instrument Review Review all licences and related regulatory instruments for currency.	Q2
Review Electricity and Gas Metering Codes Review the need for and, where needed, currency of, the Commission's existing electricity and gas metering codes.	Q2
ElectraNet Service Standard Framework Review Develop service standards to apply to ElectraNet for the regulatory period 2018 - 2023.	Q3 - 2015/16
National Energy Retail Law Review Commence the formal review process for the NERL review required under the National Energy Retail Law.	Q3 - 2015/16

PROJECT	COMMENCEMENT - COMPLETION
<b>Establish, administer and review pricing and access regimes</b>	
Develop and publish Ministerial Retail Pricing Report 2014 Meet requirement of Section 12 (1)(c) of the Electricity (General) Regulations 2012 and submit to the Minister for Mineral Resources and Energy, and publish on Commission website, a report monitoring the energy retail prices that were generally available to residential and small business customers during the previous financial year.	Q1
Review the extent to which energy retailers are competing for solar customers Review the status of competition for solar customers to determine the need for ongoing regulation of the retailer feed-in tariff.	Q2
New retailer solar feed-in tariff determination (if required) Issue a new retailer feed-in tariff determination to apply from 1 January 2015, if the benefits of ongoing regulation exceed the costs.	Q1 - Q2

ONGOING WORK	COMMENCEMENT - COMPLETION
Administer Power Line Environment Committee Program	Ongoing
Publish Powerline Environment Committee Annual Report	Q1
<b>Establish, administer and review licensing and compliance regimes</b>	
Issue licences and exemptions	As required
Administer the licensing regime for off-grid electricity operations	Ongoing
Administer the licensing regime for LPG operations	Ongoing
Collection, analysis and reporting on compliance outcomes by regulated entities	Ongoing
Review and approve safety, reliability, maintenance and technical management plans, in liaison with the Office of the Technical Regulator	Ongoing
Undertake compliance action	As required
<b>Establish, administer and review consumer protection programs</b>	
Administration (including review) of Industry Codes	Ongoing
Collection, analysis and reporting on operational performance outcomes by regulated entities	Ongoing
Develop and publish Annual Performance Reports	Q3
Undertake regulatory tasks assigned as part of the National Energy Customer Framework	Ongoing

## Residential Energy Efficiency Scheme (REES)

On 29 November 2013 the Minister for Mineral Resources and Energy announced that the REES will be extended to 2020 and expanded to include small businesses from 1 January 2015. In 2014/15 the Commission will work with the state government on implementation issues, and will seek to make improvements to the REES IT system to ensure it is fit-for-purpose.

PROJECT	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review licensing and compliance regimes</a>	
REES 2.0 Code Review Update the REES code to deal with scheme expansion from 1 January 2015.	Q2
REES IT system upgrade 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
<a href="#">Engage and consult with members of the community and provide information on regulatory decisions and frameworks and consumer rights and responsibilities</a>	
Review the administration requirements of REES for implementation in 2015 Prepare for the implementation of the revised REES (to take effect from 1 January 2015).	Q1 – Q2

ONGOING WORK	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review licensing and compliance regimes</a>	
Administer enforcement & penalty regime	As required
Review and assess compliance plans and information	Q3 – Q4
<a href="#">Engage and consult with members of the community and provide information on regulatory decisions and frameworks and consumer rights and responsibilities</a>	
REES “roadshows”	Q2 & Q4
Monitor and report on scheme outcomes	Ongoing
Publish REES Annual Report and Bulletins	Ongoing
Review and report on outcomes of the REES as per Minister’s Protocol	Ongoing
Receive and process REES activity data reports from retailers	Quarterly
Assess retailer achievement of targets	Quarterly/Annually
Determine allocation of 2015 REES targets	Q3
Liaise with other jurisdictions to ensure, as far as possible, national consistency in the administration and operation of energy efficiency schemes	Ongoing
Stakeholder liaison (retailers, third parties and DMITRE)	Ongoing
Conduct quarterly reporting on the Energy Efficiency Fund Initiative	Quarterly

## Rail – Tarcoola - Darwin

In 2014-15 the focus is to finalise the review of Darwin – Tarcoola rail revenues and profits with a final report scheduled for release in quarter one of the financial year.

The Commission will administer the regulatory frameworks for the Tarcoola-Darwin rail access, including monitoring compliance and approving variations to rail access arrangements and resolving any disputes regarding rail access.

PROJECT	COMMENCEMENT – COMPLETION
<a href="#">Establish, administer and review pricing and access regimes</a>	
Review of Tarcoola to Darwin railway revenues and profits Pursuant to section 50 of the AustralAsia Railway (Third Party Access) Act 1999, undertake a review of whether or not the profits earned for the provision of access to the Tarcoola to Darwin railway over the past 10 years have been excessive.	Q1 - Q3

ONGOING WORK	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review licensing and compliance regimes</a>	
Monitor compliance	Ongoing
<a href="#">Establish, administer and review pricing and access regimes</a>	
Conciliate and arbitrate access disputes	As required
Publish annual report on Commission’s activities related to administration of the Tarcoola-Darwin rail access regime	Q1

## Rail – Intrastate

In 2014-15 the main focus is to undertake a major review of the access regulation framework (scheduled for completion in 2015/16).

The Commission will administer the regulatory frameworks for the Intrastate rail access, including monitoring compliance and approving variations to rail access arrangements and resolving any disputes regarding rail access.

PROJECT	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review pricing and access regimes</a>	
5-year review of access regulation of intrastate railways Pursuant to section 7A of the Railways (Operations and Access) Act 1997, review the intrastate rail access regime to determine whether the access regime should continue to apply.	Q1 - Q4

ONGOING WORK	COMMENCEMENT - COMPLETION
<a href="#">Establish, administer and review licensing and compliance regimes</a>	
Monitor compliance	Ongoing
<a href="#">Establish, administer and review pricing and access regimes</a>	
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

The Commission will administer the regulatory frameworks for ports access, including monitoring compliance and approving variations to ports access arrangements and resolving any disputes regarding ports access.

ONGOING WORK	COMMENCEMENT - COMPLETION
Establish, administer and review licensing and compliance regimes	
Monitor compliance	Ongoing
Establish, administer and review pricing and access regimes	
Conciliate and arbitrate individual infrastructure access disputes	As required
Publish 2014 ports price monitoring report	Q1

## General Regulation

Following the recent change in regulatory functions, the Commission will finalise a review of its Charter of Consultation and Regulatory Practice in quarter 1 of the financial year.

The Commission will also undertake a major upgrade of the Commission website, with a focus on enhancing the functionality of the consumer section.

Inquiries and requests for advice into particular industry sectors may also be referred by the South Australian Government during the financial year.

PROJECT	COMMENCEMENT – COMPLETION
<a href="#">Engage and consult with members of the community and provide information on regulatory decisions and frameworks and consumer rights and responsibilities</a>	
Review Charter of Consultation and Regulatory Practice Update the Commission's Charter of Consultation and Regulatory Practice.	Q1
Upgrade and enhance the Commission website Upgrade the Commission website to enhance functionality.	Q1 - Q4
Conduct Part 7 ESC Act Inquiries Conduct inquiries as referred from SA Government	As required
<a href="#">Promote effectiveness and efficiency of regulatory activities</a>	
Support an independent review of Commission regulatory activities	Q1 - 2

ONGOING WORK	COMMENCEMENT - COMPLETION
<a href="#">Engage and consult with members of the community and provide information on regulatory decisions and frameworks and consumer rights and responsibilities</a>	
Co-ordinate and administer the Consumer Advisory Committee for water, electricity and gas	Ongoing
Contribute to the development of state and national regulatory frameworks	Ongoing
Maintain a consultative approach to decision-making	Ongoing
Develop relationships with regulated industries, consumers, Government, other regulators	Ongoing
Refine communications methods and mechanisms	Ongoing
Communicate to the community about our documents to the community including developing simple, easy to understand fact sheets documents for decisions of significant community interest	Ongoing
Provide information and education to the general community	Ongoing

## Corporate Services

PROJECTS	COMMENCEMENT - COMPLETION
<b>Promote effective governance and operating processes</b>	
Develop and publish a strategic plan, performance plan and budget	Q1 - Q3
Review internal workflow planning systems	Q1 - Q2
Publish corporate Annual Report in accordance with legislative requirements	Q1
Undertake end of year financial quality review and finalisation of EOY accounts	Q1
Undertake an information review and develop an electronic document records management system transition plan in line with state records requirements	Q1 Q2
Review and refine corporate library functions	Q2
Ensure finance, procurement, human resources, work health and safety, information management and risk management policies and procedures are regularly reviewed and fully implemented,	Ongoing
<b>Promote teamwork, a positive work environment and the development of our staff</b>	
Undertake a staff culture survey	Q1 - Q2
Develop a Workforce Strategy	Q2 - Q3
Organise and conduct activities to strengthen internal relationships and teams	Quarterly



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