

Strategic Plan

2016 - 2019

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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Chairperson's foreword

I am pleased to present the Essential Services Commission's (Commission) 2016 - 2019 Strategic Plan.

The Strategic Plan shows how the Commission will deliver its statutory work program and, in doing so, will add value for South Australians. The annual Performance Plan, which accompanies this Strategic Plan, outlines the details of that work program.

The role and functions with which the Commission is charged are of importance to the economy of this State and to 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 the services we regulate. Therefore, whether regulating service standards in the water industry, access provisions for rail or maritime services, or administering the Retailer Energy Efficiency Scheme, the Commission must be and is aware of ongoing economic, social, environmental and technological circumstances and changes. While operating within the statutory framework, a recognition of those broader factors, and a focus on ensuring that we are at the leading edge of regulatory design and practice, will deliver more effective outcomes for South Australians.

The Commission provides an advisory service to Government and in this role, can make a significant contribution. The Commission has a focus on consolidating its internal capacity to provide economic and regulatory advice, which allows it to assist in responses to broad policy debate in this State.

In delivering the Strategic Plan, the Commission will promote the achievement of the goals of South Australia's Strategic Plan and 10 Economic Priorities for the State, where they intersect with our work.

Consistent with the Commission's long standing approach, it will continue to have a strong focus on engagement with stakeholders. The Commission's work should be accessible to and be informed by the views of stakeholders. While its decisions and findings may not always be in accordance with those views, having access to a broad range of advice and evidence enhances the Commission's regulatory and advisory work.



Patrick Walsh
Chairperson

Our primary objective is established under the Essential Services Commission Act 2002 as the:

“...protection of the long-term interests of South Australian consumers with respect to price, quality and reliability of essential services.”

Our values

To help achieve the Commission's primary objective, a set of six values to guide all Commission behaviours and decisions has been adopted. At the Commission, we are all committed to the corporate values and hold ourselves, and each other, accountable to them in practice. The Commission's values are:

- ▶ **Independent** : We act impartially and in accordance with our legislative framework.
- ▶ **Consultative** : We engage and consult with all members of the community and we consider their views on issues relevant to our decisions.
- ▶ **Ethical** : We act honestly, fairly and with integrity.
- ▶ **Professional** : We make our decisions with discipline and rigour, based on logic and evidence.
- ▶ **Accountable** : We take responsibility for our actions.
- ▶ **Transparent** : We use open and public consultation processes and we make our decisions clear, understandable and publicly available. We explain the reasons for our decisions.

Our culture

The Commission promotes a culture in which Commissioners and staff are independent, consultative, ethical, professional, accountable, and transparent. 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 ensures that staff have a safe and supportive work environment and the resources necessary to perform their work and grow professionally.

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 engagement

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

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

Genuine and effective engagement also builds the community's understanding of the sectors that the Commission regulates and of the regulatory issues which are of importance to this State.

Our regulatory approach

The Commission is a high performing and responsive agency, administering a principles-based regulatory and advisory framework. That framework is focussed on outcomes and is developed and delivered under a risk-based approach using best practice regulatory principles and techniques.

As a statutory authority with responsibilities in the essential services sector and for providing advice to the South Australian Government, the Commission acts independently and objectively in performing functions and exercising powers.

The Commission adds benefit to the South Australian community by ensuring that consumers of regulated services are adequately protected and that entities are accountable for their services, while not imposing unnecessary regulatory costs and burdens. Our robust, independent advice to Government informs, and provides an evidence base for policy making and public consideration of economic and regulatory issues.

This approach seeks to provide consumers, regulated businesses and the broader community with regulatory stability and certainty over time. It therefore brings a long term view to our work and involves stable, transparent and predictable processes. While shorter term issues are considered in decision making, that is done in a long term context as contemplated by our primary objective.

The Commission works within the overall policy and legislative framework established by the Parliament for the performance of its roles and responsibilities. It does not act in isolation from that framework. In relation to its Inquiry and advisory functions, the Commission is not a decision maker but instead provides expert, balanced and impartial advice to Government.

We also recognise that the Commission operates in an environment of multiple regulatory agencies and broad policy considerations. The Commission is a regulatory and advisory body within that context, with defined roles and functions; it does not have a direct policy remit. It is therefore important that we work with other agencies to ensure a consistent and complementary regulatory approach, focussed on securing the long term wellbeing of all South Australians.



Our functions

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 a consultant 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).

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.

Legislation	Regulatory Function
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
Water Industry (Third Party Access) Amendment Act 2015 (an Act to amend the Water Industry Act 2012, effective 1 July 2016)	Water and sewerage retail service providers: <ul style="list-style-type: none"> ▶ Compliance monitoring and reporting ▶ Conciliation and arbitration in the event of an access dispute ▶ Submission of an annual report to the Minister Preparing and implementing regulatory guidelines
Electricity Act 1996	Electricity retail operations <ul style="list-style-type: none"> ▶ Determination of the retailer Solar Photovoltaic Feed-inTariff ▶ 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 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 intra-state rail lines
Maritime Services (Access) Act 2000	Pricing and access regulator for specified port services

Our goals

The following four goals 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.

Goals at a glance

Goal 1: We will establish consumer protection frameworks to promote the delivery of service levels valued by consumers at an efficient cost.

Goal 2: We will keep regulated businesses accountable by monitoring and publicly reporting on service standards and regulatory requirements.

Goal 3: We will engage genuinely with our stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues.

Goal 4: We will add value to South Australia by delivering impartial, credible and robust regulatory and economic advice.

At the Commission, our people, culture and systems underpin the achievement of our goals. We promote good corporate governance and ensure our corporate support services are efficient, timely and aligned to strategic and performance planning. We are committed to continuous improvement of all corporate support services with a focus on opportunities to improve our key business systems, policy and processes to provide best value to the Commission.

Our performance

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

GOAL 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.

Key priorities

Our key priorities in the next three years will be:

- ▶ reviewing the Minor and Intermediate Water Retailer regulatory framework to apply from 1 July 2017, including:
 - reviewing the relevant regulatory instruments
 - considering the need to establish service standards, and
 - making a Price Determination.
- ▶ reviewing the regulatory framework to apply for the SA Water Regulatory Determination 2020
- ▶ reviewing the need for ongoing regulation of the electricity Retailer Feed-in Tariff and, if required, making a Retailer Feed-in Tariff determination
- ▶ preparing Ministerial energy price monitoring reports under the Gas and Electricity Acts, and monitoring and reporting on ports prices
- ▶ reviewing the regulatory framework for off-grid energy, and
- ▶ undertaking a Ports Pricing and Access Review.

GOAL 2

We will keep regulated businesses accountable by monitoring and publicly reporting on service standards and regulatory requirements

What it means

Goal 1 outlines the way we establish our regulatory frameworks to protect consumers. Goal 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. This includes ensuring compliance with licence conditions, monitoring performance and public reporting on regulated businesses' performance against service standards.

This goal is intended to:

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

Key priorities

Our key priorities in the next three years will be:

- ▶ monitoring and publicly reporting on the operational, customer service, and financial performance of licensees
- ▶ ensuring that there is a high level of compliance by regulated businesses with licence requirements
- ▶ administering the SA Water and Minor and Intermediate Water Retailers Price Determinations
- ▶ refining and simplifying licensee interactions with the Commission, including the submission of information, and
- ▶ monitoring and ensuring the efficient administration of the Retailer Energy Efficiency Scheme (a scheme that provides incentives for South Australian households and small businesses to achieve greenhouse gas reductions and potentially lower their energy bills through reduced energy consumption).

GOAL 3

We will engage genuinely with our stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues

What it means

We recognise that the services we regulate impact on the South Australian community and economy. Consulting with and seeking input from our stakeholders is therefore important to us and we commit to genuine engagement.

At the Commission, we engage with our stakeholders using a variety of methods suited to the work we undertake. Our main stakeholders are:

- ▶ residential, small business and large customers and the interest groups that represent customers more broadly, and
- ▶ regulated businesses, other State and industry regulators, and Government, Ministers and policy makers.

We ensure that our decisions are – and are seen to be – impartial and consistent with our objectives. As such, we conduct our work in as open and transparent a manner as possible.

We recognise that our decision making processes must be sound, rigorous and in accordance with the legal obligations placed on us by the Parliament. We have developed a Charter of Consultation and Regulatory Practice that outlines our general approach to consultation.

This goal is intended to:

- ▶ ensure effective communication and engagement with our stakeholders
- ▶ ensure effective and efficient use of information sharing through stakeholder forums, website and media, and
- ▶ ensure our decisions are released in a form which is easy to access and understand.

Key priorities

Our key priorities in the next three years will be:

- ▶ ensuring we use effective and genuine consultation and engagement processes
- ▶ enhancing our consumer and licensee information and education functions
- ▶ communicating clear and succinct messages in our publications targeted appropriately to our different stakeholder groups and the community generally
- ▶ ensuring our processes allow the South Australian community and industry stakeholders the opportunity to provide information and raise concerns on the impacts of potential decisions, and
- ▶ continuing to build and maintain good relationships with our key stakeholders.

GOAL 4

We will 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, 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, 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 goal is intended to:

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

Key Priorities

Our key priorities in the next three years will be:

- ▶ contributing to an improvement in the productivity of the South Australian economy through the use of our expertise
- ▶ providing advice to the South Australian Government through Inquiries and advisory functions, and
- ▶ reviewing and implementing regulatory best practice through our Better Regulation Framework.

The Commission is an independent statutory authority which provides economic and regulatory advice to Government and performs economic regulatory functions

Our primary **objective** is established under the Essential Services Commission Act 2002 as the protection of the long term interests of South Australian consumers with respect to price, quality and reliability of essential services

Our **goals** guide us in meeting the Commission's primary objective

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

We will keep regulated businesses accountable by monitoring and publicly reporting on service standards and regulatory requirements

We will engage genuinely with our stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues

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

Our **values** guide all Commission behaviours and decisions

Independent

We act impartially

Consultative

We engage and consult and consider all views

Ethical

We act honestly, fairly and with integrity

Professional

We make our decisions with discipline and rigour

Accountable

We take responsibility for our actions


Transparent

We make our decisions transparent and publicly available

Our **regulatory approach** is best practice and principles-based. We engage our stakeholders and act independently and objectively in exercising our functions and powers, providing a long term view for regulatory stability and certainty over time

At the Commission, our **people, culture and systems** underpin the achievement of our goals

The **delivery** of our objective and goals is through our Strategic Plan and annual priorities, set out in our Performance Plan. We review our performance against our Plan and hold ourselves accountable to our stakeholders, publicly reporting on our performance



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