



# ANNUAL REPORT

*2013/14*

September 2014



This Annual Report is submitted to the Treasurer, the Hon T Koutsantonis, MP, in accordance with Section 39 of the Essential Services Commission Act 2002. This is the twelfth Annual Report of the Essential Services Commission, which was established in September 2002.

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The Essential Services Commission of South Australia is the independent economic regulator of the water, electricity, gas, ports and rail 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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## CHAIRPERSON'S OVERVIEW

I am pleased to present the Annual Report on the work of the Essential Services Commission for 2013/14.

The Commission has a central role as an independent economic regulator and advisory body in sectors which are of economic and strategic importance to this State. The Commission's objective – protection of South Australian consumer's long term interests with respect to the price, quality and reliability of essential services – shapes and directs the Commission's regulatory and advisory work.

In that context, the independence of the Commission is important; within the boundaries of the legislative framework established by the Parliament, it allows the Commission to undertake its work free from the undue influence of other parties. Independence, however, brings with it responsibilities: to foster a strong internal culture and values; to be rigorous in all of our work; to understand the impacts and consequences of our actions; to work constructively with our stakeholders.

The water, electricity, gas and transport industries, which form the core of the Commission's regulatory functions, underpin significant economic activity in South Australia. The Commission is therefore conscious of the need for its regulatory and advisory work to at all times be effective for consumers, undertaken openly and transparently, delivered in an efficient and targeted manner and informed by genuine engagement and consultation with all members of the South Australian community.

The Commission has again focussed on meeting these needs during 2013/14 and again recognises the contribution to regulatory practice provided by its Consumer Advisory Committee and expresses its gratitude to members for their ongoing commitment.

The regulatory work it has undertaken has been broad ranging. In addition to its continuing focus on core consumer protection, pricing, licensing, scheme administration and compliance work, the Commission consolidated the new regulatory framework for the water and wastewater industries, worked to establish consumer-focussed and cost-effective service standards in the energy network sector and published its first public performance report on the regulated water and wastewater industry.

The advisory work of the Commission during the year was centred on conducting a public Inquiry on SA Water's pricing structures, referred by the Treasurer. The Inquiry asks the Commission to consider options for more economically efficient pricing structures over time and includes an examination of issues of water security and state-wide pricing, as well as a consideration of current billing arrangements. The Inquiry is to be completed by the end of 2014.

Given the independence of the Commission, the need for robust governance structures is critical. To ensure the Commission is operating at the high governance level required, both individually and as a group, the Commission has developed a process for reviewing its own performance. This process complements the existing development processes for staff.

The past year has seen changes within the Commission, with the departure of two Commissioners and the appointment of three new Commissioners.

After 4 years' service, Barbara Rajkowska resigned from the Commission in April 2014. Barbara gave excellent service as a Commissioner and her rigorous views and willingness to comment frankly and fearlessly were highly valued by her fellow Commissioners and all staff.

While John Hill remained a Commissioner during 2013/14, his appointment is to expire in July 2014 and John has indicated that he will not seek further appointment. John has been a long serving member of the Commission, taking up the role in July 2005. John has been pivotal to the successful delivery of the Commission's functions during his time as a Commissioner. His wise counsel, measured approach, breadth of knowledge and critical analysis has underpinned all of our regulatory and advisory work and has shaped the Commission's culture.

On behalf of the whole Commission, I would like to thank Barbara and John for their contributions to the Commission and South Australian consumers and wish them all the very best for the future.

In September 2013, Dr. Lynne Williams was appointed as a Commissioner. That appointment was followed in May 2014 with the appointments of Professor David Round AM and Ms. June Roache as Commissioners. We welcome these new appointments and look forward to the experience, expertise and professionalism which each Commissioner will bring to the work of the Commission.

Our Chief Executive Officer, Dr. Paul Kerin, resigned in March 2014 after nearly three years' service to the Commission. Paul brought intellectual drive and rigour to the work of the Commission and worked hard to foster and develop its staff. The Commission thanks Paul for his efforts.

A process to appoint a new Chief Executive Officer has commenced and Adam Wilson has been appointed to act in that capacity pending completion of that process.

Finally, I thank the staff of the Commission for their commitment, professionalism, skills and pride in their work. They have made significant achievements during the year, delivering high quality analysis to support the decisions of the Commission, reflecting their energy, professionalism and innovative approach.



Patrick J Walsh  
Chairperson

## CHIEF EXECUTIVE OFFICER'S ANNUAL REVIEW

As the Acting Chief Executive Officer, I am pleased to report that, during 2013/14 the Commission completed or commenced all 42 of the stated key performance goals under its Performance Plan. In doing so, it also reduced its year on year expenditure by 15 per cent, or about \$850,000.

This is an excellent outcome, highlighting the strengths of our leadership team and the dedication, skills and abilities of our staff. The Commission is a small organisation, with 22.4 full time equivalent staff as at 30 June. We have therefore sought to meet our objectives and functions as efficiently and effectively as possible within our human and financial resource constraints.

The commitment of our whole team has been underscored by their continued high performance during a time of change: settling in to our new premises after over a decade at our old offices, a change in our regulatory focus from energy to water and a change in our senior staffing and at the Commission level.

I therefore thank all staff for their dedication and diligence during that demanding time, for keeping their focus, good humour and collegial spirit. I also thank the Commissioners for their dedication, support and guidance.

There were many regulatory highlights for us during the year.

In the water sector, those included our efforts to engage with our new consumer and regulated stakeholders, the release of the first public performance reports on the water industry in this State and a smooth implementation and administration of the price determinations applicable to some 60 minor and intermediate retail businesses. The period also saw the commencement of the first revenue determination for SA Water on 1 July 2013.

In addition, we worked to enhance our advisory capacities through the conduct of the initial stages of an Inquiry into reform options for SA Water's pricing and related charging arrangements, referred by the Treasurer.

In the energy sector, highlights included the making of a new price determination setting a minimum retailer feed-in tariff and the work undertaken to streamline our residual regulatory instruments following the commencement of the National Energy Customer Framework in February 2013.

We have also continued to administer the Residential Energy Efficiency Scheme, with all scheme targets met during the year, and to perform our functions as the access regulator in the ports and rail industries.

Underpinning the successful operations of the Commission are strong and effective corporate governance and regulatory arrangements, coupled with a commitment to open and transparent engagement and consultation with all members of the community.

Our values and culture remain a critical element in that regard. In recognition of their importance to our work, all staff undertook a review of our corporate values during the year,

to reflect the changes associated with the changing roles and evolution of the Commission. Our revised values are:

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

Having regard to those values and our commitment to sound corporate governance practices, we also reviewed key governance policies during the year. These included our over-arching Corporate Governance Framework, Code of Ethics, Code of Conduct, Conflict of Interest Policy, Gifts and Hospitality Policy and our Risk Register Policy and Management Plan.

All staff participated in our performance development planning process during the year, with each staff member having a formal performance development agreement in place with their manager. We continually explored ways to ensure that our staff remain engaged and effective, and so undertook a staff engagement survey during the year. While we had strong positive feedback from that survey, nevertheless opportunities for improvement were identified and we have taken steps to capture those improvements in our working environment.

Looking forward, we will continue to deliver on the Commission's Performance Plan. This will require continued flexibility and innovation in our internal organisational arrangements and will critically depend on our commitment to consultation and engagement across a wider stakeholder group.

For the Commission's decisions and regulatory practice to be as effective as possible for South Australian consumers, we require access to the best information. Therefore, a key priority for us will be to take every opportunity to listen to the community and to explore new ways to access all views.



Adam Wilson  
Chief Executive Officer

## ABOUT THE COMMISSION

The Essential Services Commission of South Australia (**Commission**) is a statutory authority established as an independent economic regulator and advisory body under the Essential Services Commission Act 2002.

The Commission regulates the provision of essential services in the water and sewerage, electricity, gas, ports and rail industries, conducts formal public inquiries and provides advice to Government on economic and regulatory matters.

The Commission consists of Commissioners appointed by the Governor under the Essential Services Commission Act. The Commission is assisted in its work by staff which it employs under that Act.

### *Objectives*

The Commission's primary objective is set out in the Essential Services Commission Act as:

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

That Act sets out seven other factors which the Commission must have regard to in performing its functions, being:

- ▲ promoting competitive and fair market conduct
- ▲ preventing misuse of monopoly or market power
- ▲ facilitating entry into relevant markets
- ▲ promoting economic efficiency
- ▲ ensuring consumers benefit from competition and efficiency
- ▲ facilitating maintenance of the financial viability of regulated industries and the incentive for long term investment, and
- ▲ promoting consistency in regulation with other jurisdictions.

## Regulatory functions

The Essential Services Commission Act and various industry Acts together provide the Commission with regulatory powers and functions in the water, wastewater, electricity, gas, ports and rail industries. Each industry Act provides a specific regulatory role for the Commission. The Commission's powers and functions vary between industries, as summarised in Table 1 below.

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

INDUSTRY	LEGISLATION	REGULATORY FUNCTIONS
Water	Water Industry Act 2012	Licensing, retail price regulation, consumer protection, service/reliability standard setting, performance monitoring and reporting of water and sewerage retail service providers and other functions as required from time to time.
Electricity	Electricity Act 1996	Licensing, service/reliability standard setting, performance monitoring and reporting of specified electricity operations in SA (generation, transmission, distribution and off-grid suppliers), determination of the retailer solar photovoltaic Feed-in Tariff, preparation and publication of Ministerial Energy Retail Pricing reports, Residential Energy Efficiency Scheme administration and other functions as required from time to time.
Gas	Gas Act 1997	Licensing of retail (LPG only) and distribution (natural gas and LPG) gas operations in SA, preparation and publication of Ministerial Energy Retail Pricing reports, Residential Energy Efficiency Scheme administration and other functions as required from time to time.
Rail	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.
Ports	Maritime Services (Access) Act 2000	Pricing and access regulator for specified port services.

## *Advisory functions*

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 itself into any matters within its regulatory scope, or by the Treasurer or an industry Minister into any matter. Inquiries are conducted through a formal, public process and final reports are tabled in Parliament.

No new Inquiries were referred the Commission in the period, however, the Commission continued work on the Inquiry into pricing reform for drinking water and sewerage retail services provided by SA Water, referred to the Commission in September 2012. Further details of this Inquiry are provided in the Water section of this report.

## *Performing the Commission's functions*

The Commission performs its functions using formal and informal consultation and a formal decision making process.

The Commission is committed to engaging and consulting with all stakeholders and members of the community using a variety of methods suited to the work it is undertaking. The Commission usually publishes draft decisions and provides the opportunity for stakeholders to make submissions, and considers all submissions in making its decisions.

The Commission adopts a formal decision making process, meeting in session, usually every three weeks. During 2013/14, 16 meetings were convened. A formal record of Commission meetings and decisions is created and approved.

The Commission's approach to the performance of its functions is set out in detail in its Charter of Consultation and Regulatory Practice. The Commission is committed to ensuring that the Charter and the processes outlined in it remain effective and that the consultation and engagement methods used are genuine, sound and effective.

The Commission formally reviews the Charter at least every three years (most recently during 2013/14); however, comments and suggestions on new, innovative or more appropriate ways to involve the South Australian community in its work are always welcome.

## ACHIEVEMENT OF OUR GOALS IN 2013/14

The Commission produces a Strategic Plan annually. The Strategic Plan has a three year timeframe and explains how the Commission will achieve its primary objective in the context of changes in the regulatory environment and any potential developments that may occur in the coming period.

The Strategic Plan outlines the four goals developed by the Commission consistent with its legislative framework, and how the Commission intends to meet those goals. The Commission's goals are to ensure:

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

The Commission's achievements against these four key goals in 2013/14 are summarised on the following pages.

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

KEY INITIATIVE	ACHIEVEMENT
Conduct internal post implementation review of the water licensing and exemption framework	Underway - completion expected in November 2014.
Conduct internal post implementation review of the water compliance framework	Completed – Enforcement Policy reviewed in September 2013. Information sessions held and fact sheets produced to assist retailers in completing annual compliance reports.
Provide input into development of 2012/13 National Performance Report, through gathering and auditing performance data supplied by SA Water	Completed – audit undertaken and provided to National Water Commission in October 2013.
Develop the water performance reporting arrangement for minor and intermediate water licensees	Completed – updated Water Industry Guideline No. 3 released in April 2014, including pricing, financial and operational reporting requirements.
Develop first Water Annual Performance Report	Completed – released in April 2014.
Conduct internal post implementation review of the	Project postponed to align timing with the second

KEY INITIATIVE	ACHIEVEMENT
water retail codes	price determination. Minor and Intermediate Retailer engagement program was conducted instead.
Conduct internal post implementation review of the performance reporting framework	Project postponed to align timing with the second price determination. The Minor and Intermediate Retailers Engagement Program was conducted instead.
Commence a review of water service and regulatory standards	Commenced – due to be completed in May 2016. Draft Framework and Approach released in November 2013.
Commence a review of service standards for SA Power Networks	Completed – released in May 2014.
Continue the targeted audit program for Residential Energy Efficiency Scheme to ensure compliance with activities specifications and requirements	Ongoing - audits are undertaken in response to the identification of risks and issues.
Determine allocation of 2014 Residential Energy Efficiency Scheme targets	Completed.
Commence review of need for Water Metering Code	Commenced – due to be completed in November 2014
Commence review of Electricity Metering Code	Commenced – due to be completed in July 2015
Commence a review of service standards for Envestra	Commenced – due to be completed in December 2014
Further develop the Residential Energy Efficiency Scheme information technology system to provide for efficient and seamless data transfers between retailers and the Commission, and assist in the annual reporting process	Ongoing – improvements to the Residential Energy Efficiency Scheme information technology system was implemented in 2013, and the Commission will continue to make appropriate changes.
Review the administration requirements of the Residential Energy Efficiency Scheme for implementation in 2015	Underway – the updated requirements will be completed before the end of 2014.

## Goal 2: Consumers pay the lowest sustainable prices

KEY INITIATIVE	ACHIEVEMENT
Conduct the Inquiry into water and sewerage pricing reform, including metering arrangements	Underway – Draft Report due to be released in July 2014 and Final Report due to be completed in December 2014.
Review the progress and compliance of minor and intermediate water licensees with pricing arrangements	Completed
Administer SA Water revenue determination, including adjustment to revenue requirements for 2014/15	Completed – the average revenue cap for drinking water services was increased by 2.9% and for sewerage services by 2.9% for metropolitan customers and 3.4% for regional customers.
Prepare a price monitoring report for electricity and gas retail markets	Completed –released in August 2013.
Monitor the Solar Feed-in Tariff premium to ensure it remains cost reflective	Completed – the retailer feed-in tariff was set a 9.8c/kWh and for 2014 set at 7.6c/kWh (carbon inclusive) and 6.0c/kWh (carbon exclusive)
Audit Darwin-Tarcoola rail compliance with regulatory requirements	Not required – Compliance with regulatory requirements assessed through the annual compliance reporting process.
Audit intrastate rail compliance with regulatory requirements	Not required – Compliance with regulatory requirements assessed through the annual compliance reporting process.
Audit compliance with regulatory account keeping requirements by Flinders Ports & Viterra	Completed

### Goal 3: Stakeholders trust us

KEY INITIATIVE	ACHIEVEMENT
Develop and publish a strategic plan and performance plan	Completed – Performance Plan finalised January 2014 Strategic Plan finalised in April 2014.
Develop and publish an annual report	Completed – provided to Treasurer as per legislative requirements and released in December 2013.
Publish Residential Energy Efficiency Scheme Annual Report	Completed – released in June 2014
Publish Annual Report on Commission’s activities related to administration of the Darwin-Tarcoola rail access regime	Completed – released in December 2013
Publish Annual Report on Commission’s activities related to administration of the intrastate rail access regime	Completed – released in December 2013
Prepare, publish and distribute Power Line Environment Committee Annual Report	Completed – released in September 2013.
Liaise with other jurisdictions to ensure, as far as possible, national consistency in the administration and operation of the Residential Energy Efficiency Scheme	Ongoing – have had regard to interstate schemes when reviewing approved activities under the scheme; regularly liaise with interstate regulators
Implement and review the communication strategy	Completed – finalised November 2013
Commence a review of Charter of Consultation and Regulatory Practice	Commenced – due to be completed in August 2014

*Goal 4: Our people, culture and processes enable us to best serve our primary objective*

<b>KEY INITIATIVE</b>	<b>ACHIEVEMENT</b>
Maintain records management processes in line with State Records requirements, including archiving and sentencing	Achieved
Maintain and develop the Commission's internet and intranet	Underway – new intranet to be introduced in August 2014. Internet due for completion early 2015.
Maintain the Financial Management Compliance program and associated policies and procedures	Achieved - appropriate financial management controls in place throughout the year.
Undertake annual procurement panel and general procurement review	Underway – Review of the panel and general procurement completed. Policies and Procedures underway.
Undertake end of year financial quality review	Completed.
Review the corporate governance framework	Completed – January 2014
Undertake a staff engagement survey	Completed – survey finalised in February 2014.
Implement the Workforce Strategy	Achieved – 2014/15 Workforce Strategy finalised April 2014.
Coordinate regular internal presentations and debates on developments in regulated industries	Achieved – internal staff presentations held on a regular basis

## ORGANISATIONAL STRUCTURE

The Commission currently comprises a part-time Chairperson and three part-time Commissioners. The Commission is supported by 25 staff (22.4 FTE) as at 30 June 2014, led by a Chief Executive Officer.

The Chairperson and Commissioners are appointed by the Governor, pursuant to section 12 of the Essential Services Commission Act 2002. The Governor may appoint persons as Commissioners who are qualified for appointment on the basis of their knowledge of, or experience in, industry, commerce, economics, law and/or public administration.

As at 30 June 2014, the Commission comprised Dr Patrick Walsh as Chairperson and Commissioner, Mr John Hill as Acting Chairperson and Commissioner, and Dr Lynne Williams, Ms June Roache and Professor David Round as Commissioners.

Ms Barbara Rajkowska resigned as a Commissioner in April 2014.

### *Chairperson*

#### *Dr Pat Walsh*

Dr Walsh was Chairperson from April 2005 until October 2010 (during which time he was also the Chief Executive Officer). Dr Walsh was reappointed as Chairperson in February 2011 for a period of five years following the creation of a separate Chief Executive Officer position. Prior to his appointment to the Commission, Dr Walsh held various senior positions in the energy regulation and reform area in the South Australian public sector, including Director, Microeconomic Reform Branch in Cabinet Office, Department of Premier and Cabinet.

Dr Walsh also holds the position of Utilities Commissioner of the Northern Territory, and is a Fellow of the Australian Institute of Energy and a Member of the Australian Institute of Company Directors.

### *Commissioners*

#### *Mr John Hill*

Mr Hill has served as Commissioner since 2005.

Mr Hill is a former Deputy Under Treasurer with the South Australian Department of Treasury and Finance. He is a Board Member of Disability Care Australia and Meals on Wheels Inc. In addition, Mr Hill is a member of the Audit and Compliance Committee of the University of Adelaide and the Audit Committees of the Department of Treasury and Finance and the Department of Manufacturing, Innovation, Trade, Resources and Energy.

### *Dr Lynne Williams*

Dr Williams was appointed Commissioner in September 2013 for a two year term.

Dr Williams has over 30 years' experience as an economist in the Victorian and Federal public sector. This included the position of Under Secretary in the Victorian Department of Treasury as well as executive positions with Premier and Cabinet and Industry departments, the Federal Productivity Commission and Bureau of Immigration, Multicultural and Population Research.

Dr Williams chairs the Victorian Government Procurement Board, and is a member of the Victorian Legal Services Board and Commissioner with the Victorian Building Authority. Dr Williams also sits on the Melbourne University Sport Board and the Board of the Faculty of Business and Economics. Dr Williams is a Fellow of the Institute of Public Administration Australia (IPAA) and of St Hilda's College (University of Melbourne), a member of the Australian Institute of Company Directors, and Vice President of Athletics International (Australia).

### *Ms June Roache*

Ms Roache was appointed Commissioner in May 2014 for a two year term.

Ms Roache is Chief Executive and a Board Member of SA Lotteries and is Vice President of the World Lottery Association and Immediate Past Chairman of the Asia Pacific Lottery Association. She is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Australian Institute of Management.

Ms Roache is currently on the board of Business SA, ForestrySA, the South Australian Health & Medical Research Institute and is Chairman of the Adelaide Football Club's Professional Standards and Integrity Committee.

### *Professor David Round AM*

Professor Round was appointed Commissioner in May 2014 for a two year term.

Professor Round is an Adjunct Professor in the School of Commerce at the University of South Australia and Research and Innovation Director with Torrens University Australia. Since 1998 Professor Round has been a member of the Australian Competition Tribunal.

Professor Round retired as Professor of Economics and Director, Centre for Regulation and Market Analysis at the University of South Australia in April 2014 and also previously taught at the University of Adelaide, Macquarie University, Duke University (USA), the University of Delaware (USA), the College of William and Mary (USA), Wesleyan University (USA), Vanderbilt University (USA) and at the Canterbury University (NZ).

Professor Round has also held various membership of a range of Federal regulatory bodies including Associate Member, Trade Practices Commission; Associate Member, Australian Competition and Consumer Commission; Associate Member, Australian Telecommunications Authority (AUSTEL) and Member, Australian Communications Authority.

In January 2014, Professor Round was made a Member of the Order of Australia.

**Chief Executive Officer**

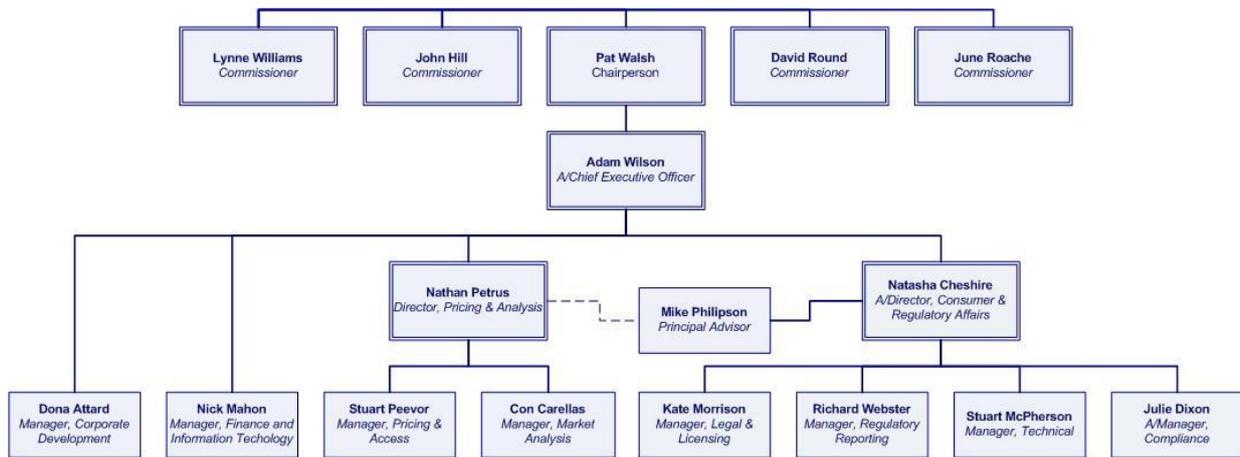
Dr Paul Kerin was Chief Executive Officer until his resignation on 11 April 2014.

Mr Adam Wilson was appointed as acting Chief Executive Officer from 14 April 2014.

The Commission commenced a recruitment process for the Chief Executive Officer position in June 2014.

**Administrative Structure**

The Commission’s management structure (as at 30 June 2014) is set out in the following chart.



The Commission’s regulatory staff are qualified in economics, accounting, law and other analytical disciplines.

In addition to its staff, specialist services are sought from external consultants for various aspects of the Commission’s regulatory work.

## WATER

The Essential Services Commission Act, the Water Industry Act 2012 and the regulations under that Act establish the Commission's regulatory powers and functions in relation to the water and sewerage industries.

The Commission is responsible for the economic regulation of water and sewerage retail services in South Australia. These services include water (including recycled water and stormwater) and sewerage services offered by SA Water, councils and private businesses across the State. The Commission's role includes the licensing of water and sewerage retail service providers, service standard setting, consumer protection, retail price regulation and performance monitoring and reporting.

The Commission has undertaken extensive work during 2013/14 in performing its water and sewerage retail regulatory functions.

### *Price Regulation*

#### *Administration of Price Determinations*

During 2013/14, the Commission administered the SA Water Revenue Determination 2014-2016 and the Minor and Intermediate Retailer Price Determination 2014-2017.

The SA Water Revenue Determination 2014-2016 sets maximum average revenue caps for SA Water's drinking water and sewerage services. While SA Water (with Government oversight) sets its prices, the Commission ensures that those prices comply with the average revenue caps. On 1 July 2013, as a result of the revenue determination, SA Water's drinking water prices reduced by 5.5% and its sewerage prices increased by 1.6%. In June 2014, SA Water proposed a general increase in all tariffs of CPI (2.9%) to apply from 1 July 2014, which the Commission confirmed as compliant with the determination.

The Commission also provided guidance to minor and intermediate retailers (those providing retail services at fewer than 50,000 connection points) who are required to comply with certain pricing principles under the Minor and Intermediate Retailer Price Determination 2014-2017. Those principles, which are based on the National Water Initiative Pricing Principles, focus on promoting cost reflective prices. During 2013/14, the Commission issued a guideline and liaised extensively with minor and intermediate retailers to assist them in preparing pricing policy statements that explain how they are complying with the relevant pricing principles. Those statements are to be submitted to the Commission by 31 August 2014.

### *Economic Regulation of SA Water from 1 July 2016 – Draft Framework and Approach*

Following the commencement of the SA Water Revenue Determination 2014-2016, in November 2013 the Commission released a Draft Framework and Approach for the regulation of SA Water's revenues and service standards from 1 July 2016.

The Commission determined that early commencement of consultation on the second determination, setting out proposed principles and approaches, would better allow SA Water and other stakeholders to understand the likely key issues and considerations going to the making of the determination.

The Draft Framework and Approach sets out draft proposals on the nature of the information to be included in SA Water's Regulatory Business Proposal (due by August 2015), including information on its proposed capital and operating expenditure.

In November 2013, the Commission also released a companion paper, SA Water Service Standards: Draft Framework and Approach, discussing the key issues and process for setting SA Water's service measures and targets to apply from 1 July 2016.

The final decision on the Final Framework and Approach, incorporating matters relating to both the Regulatory Business Proposal and service standards, is scheduled for release in late 2014.

### *Inquiry into Drinking Water and Sewerage Retail Services Pricing Reform*

In September 2012, the Treasurer referred to the Commission an Inquiry into pricing reform for drinking water and sewerage retail services provided by SA Water. The Inquiry was referred pursuant to section 35(1) of the Essential Services Commission Act.

The Terms of Reference require the Commission to submit Draft and Final Reports to the Treasurer and Minister for Water and the River Murray in accordance with the following timetable:

- ▲ a Draft Report by 4 July 2014
- ▲ a Final Report by 31 December 2014.

The Commission commenced work on the Inquiry in late 2012/13 and released a series of Issues Papers in August 2013 dealing with issues including:

- ▲ the structure of drinking water tariffs, including supply charges
- ▲ options for pricing sewerage services, including the removal of property-based charging
- ▲ alternatives to state wide pricing
- ▲ the costs and benefits of billing the end user of water
- ▲ impacts of requiring the installation of individual water meters and smart water meters
- ▲ transitional arrangements for managing the impacts of reform options on customers, and

- ▲ reflecting water planning and management costs in SA Water's prices.

The Terms of Reference require the Commission to investigate pricing reform options that may improve economic efficiency and water security. In the Issues Papers, the Commission consulted on its proposed approach to promote economic efficiency as the overarching principle for the Inquiry. The Commission proposed this approach as there is the potential to have too much or too little water security and it is therefore important that an optimal, or *economically efficient*, level of water security is found.

The Commission is scheduled to release a draft report into reform options for SA Water's drinking water and sewerage prices in July 2014.

## Licensing

Since the commencement of the licensing provisions of the Water Industry Act in January 2013, the Commission has licensed 64 water and sewerage retailers.

The Water Industry Act defines a "water retail service" as:

- ▲ sale and supply of water to a person for use where the water is to be conveyed by a reticulated system, or
- ▲ the sale and supply of sewerage services (the collection, storage, treatment or conveyance of sewage through a reticulated system) for the removal of sewage, even if the service is not actually used.

A retail service includes, but is not limited to, the following activities:

- ▲ drinking water services
- ▲ sewerage services
- ▲ recycled water/stormwater services
- ▲ other non-drinking water services and
- ▲ other miscellaneous water and sewerage services.

During 2013/14, the Commission issued 7 water retail licences and issued two exemptions from the requirement to hold a licence. As at 30 June 2014, the Commission was in the process of assessing 2 applications for an exemption from the requirement to hold a water industry retail licence.

There are three classes of water retail licence, based on the number of connections supplied by the retailer:

- ▲ Major Retailers are those which supply services at more than 50,000 connections (SA Water is currently the only Major Retailer in South Australia)

- ▲ Intermediate Retailers are those which supply services at more than 500 and up to and including 50,000 connections
- ▲ Minor Retailers are those which supply services at up to 500 connections.

A list of all water licence holders as at 30 June 2014 can be found in Appendix 2.

## *Codes and Guidelines*

The Water Industry Act requires the Commission to establish a consumer protection framework through the use of industry codes made under Part 4 of the Essential Services Commission Act. Industry codes prescribe detailed rules of conduct and procedures that must be followed by water licence holders. The use of industry codes allows for regulatory flexibility, while maintaining appropriate scrutiny, accountability and transparency of process in their development. Industry codes can cover a wide range of areas within a regulated industry, from consumer protection to technical matters.

Accordingly, the Commission has established the following regulatory documents:

- ▲ Water Retail Code – Major Retailers
- ▲ Water Retail Code – Minor and Intermediate Retailers
- ▲ Water Industry Guideline No 1 – Compliance Systems and Reporting
- ▲ Water Industry Guideline No 2 - Information Requirements for Major Retailers
- ▲ Water Industry Guideline No 3 - Information Requirements for Minor and Intermediate Retailers
- ▲ Water Industry Rule No 1 - Excluded Retail Services
- ▲ Service Standards - Major Retailers

The following documents were amended in 2013/14.

### *Water Retail Code – Minor and Intermediate Retailers*

The Water Retail Code for Minor and Intermediate Retailers is the principal consumer protection document setting out the behavioural standards and minimum requirements to be complied with by minor and intermediate retailers when dealing with their customers.

In May 2014, the Commission sought public comment on proposed amendments to the Water Retail Code to include model standard contracts and model customer charters. Standardisation was sought to aid consumers and assist retailers in delivering their consumer protection obligations. The Commission proposed that the model documents would be adopted by Minor & Intermediate Retailers for all of their customers or, where relevant, for particular customer classes. Where existing contracts were in place, those arrangements would continue until terminated, at which time a model standard contract would apply.

The Commission is due to release the Final Decision in October 2014.

The Commission held information sessions throughout the State during June and July 2014 for retailers. The sessions were an opportunity for retailers to meet with the Commission and further discuss the new regulatory arrangements, including the proposed code amendments as well as details of annual reporting requirements. Nearly all retailers were represented at the sessions, with follow-up sessions offered by the Commission to those not able to attend at that time.

As a part of its engagement, the Commission released a range of Fact Sheets and Guidance notes to facilitate implementation of the new regulatory regime under the Water Industry Act.

### ***Water Industry Guideline No. 2 - Information Requirements for Major Retailers and Water Industry Guideline No. 3 - Information Requirements for Minor and Intermediate Retailers***

During 2013/14, the Commission amended both Guideline 2 and Guideline 3 to provide for the inclusion of financial reporting requirements alongside existing operational performance reporting requirements.

Operational performance monitoring and reporting informs customers about the quality and reliability of the services they receive (at an aggregate level) and identifies reasons for poor performance. It allows for the comparison of businesses' performance within an industry or with comparable entities, providing incentives for improvement.

The new financial performance monitoring and reporting requirements provide greater transparency of prices, through identification of the costs of providing water and sewerage services and any subsidies applied to those services. The data will also inform future revenue determinations.

The information collected under these Guidelines allows monitoring of retailers' compliance with the Commission's financial and operating performance frameworks, and forms an important input into the Commission's Water Industry Annual Performance Report. Performance monitoring also provides information and data required for developing service standards (or targets) and for ongoing assessment of compliance with those standards.

### ***Water Industry Rule No. 1 – Excluded Retail Services***

The SA Water Revenue Determination 2014-2016 defines certain water and sewerage retail services provided by SA Water as excluded retail services. The revenues recovered from excluded services do not form a part of the overall revenue control under the determination; instead, the prices charged by SA Water for those services are required to be set in accordance with pricing principles. Those pricing principles arise from the terms of the National Water Initiative (to which the South Australian Government is a signatory) and include additional requirements imposed by the Commission relating to transparency and consumer information provision.

In the determination, the Commission recognised the potential for disputes to occur from time to time over excluded retail services fees and charges (including developer charges). In

2013/14, through a public consultation process, the Commission developed Water Industry Rule No. 1 - Excluded Retail Services to facilitate understanding of the process for raising disputes and to explain the Commission's processes for the determination of any disputes.

### *Service Standards – Major Retailers*

In October 2013, the Commission released a Final Decision on changes to the targets to apply to SA Water service standards performance for the period to 30 June 2016. The revised targets reflect updated performance data provided by SA Water and were incorporated into a revised Water Industry Guideline No. 2.

### *Water Metering Code*

In May 2014, the Commission released an Issues paper seeking submissions on the need for a Water Metering Code to regulate meter service provision in the water industry in South Australia. A code of that nature is not currently in existence.

In August, the Commission intends to release for public consultation its Draft Decision on the need for a Water Metering Code in August 2014.

## *Performance Reporting*

In April 2014, the Commission released its first Annual Performance Report for the South Australian water industry.

As economic regulation of the water industry in South Australia is new, the Commission was only able to collect limited data for the 2012/13 Annual Performance Report.

The Annual Performance Report therefore also used data from a range of alternative sources, including publicly available pricing data, data collected by the National Water Commission for its annual National Performance Reports on Urban Utilities and data reported by retailers to the Commission. Some performance indicators were only reported for the six month period to 30 June 2013.

Retailers other than SA Water were not required to report any data to the Commission for 2012/13; therefore, the Annual Performance Report focussed more heavily on SA Water's performance for the period. In subsequent years, all retailers will report a greater breadth of information to the Commission and future Annual Performance Reports will cover a wider range of performance metrics.

The Annual Performance Report reported on both financial and non-financial aspects of performance of water and sewerage retailers. It highlighted the pricing of services, the cost of service provision, customer service performance, infrastructure reliability, compliance and the levels of assistance provided by retailers to customers having difficulties paying their water and sewerage bills.

A copy of the Annual Performance Report is available on the Commission's website. The key findings of the Annual Performance Report included the following.

### *SA Water:*

- ▲ SA Water's revenue from water services increased by 15% in 2012/13 relative to 2011/12, largely driven by tariff increases. Water services operating costs were 19% higher, reflecting costs associated with higher water demand and the commencement of operation of the Adelaide Desalination Plant
- ▲ the typical residential drinking water bill was \$873; the typical residential sewerage bill at \$489
- ▲ based on 6 months of performance data, overall SA Water performed satisfactorily against its customer service and infrastructure reliability service standards.

### *Minor and Intermediate Retailers:*

- ▲ there are 12 Minor and Intermediate Drinking Water Retailers servicing approximately 6,000 customers. The average 2012/13 typical water bill for customers of those retailers was \$874.
- ▲ there are 46 Minor and Intermediate Sewerage Retailers servicing approximately 85,000 customers. The sewerage services offered range between fully seweraged systems and Community Waste Management Services (which typically involve septic tanks on individual properties). The average 2012/13 sewerage bill for customers of those retailers was \$412.

Detailed historical Annual Performance Report data are maintained on the Commission's website designed to assist the public, researchers and other persons with an interest in examining specific results and trends.

## ENERGY

The Essential Services Commission Act the Electricity Act 1996, the Gas Act 1997 and regulations made under those Acts provide the Commission with certain regulatory powers in relation to the energy industry.

Prior to 1 February 2013, in addition to its licensing, service standard setting and performance monitoring and reporting roles in the energy networks sector and its administration of the Residential Energy Efficiency Scheme, the Commission was responsible for the economic regulation of the retail energy market, including pricing, licensing and consumer protection functions.

From 1 February 2013, retail energy market roles transferred from the Commission to the Australian Energy Regulator under the new National Energy Retail Law. As a result, while the Commission retains its previous regulatory functions in relation to energy networks and the Residential Energy Efficiency Scheme, it now has only a limited role in relation to the energy retail market in this State.

In particular, the Commission's responsibilities in the retail energy sector are largely the setting and variation from time to time of the retailer feed-in tariff price (under the Electricity Act), the preparation of annual Ministerial Energy Pricing Reports (under the Electricity Act and the Gas Act) and the conduct of a one-off review of the effectiveness of the new regulatory arrangements under National Energy Retail Law (to occur in 2015).

### *National Energy Customer Framework*

#### ***Post-National Energy Customer Framework Review of Regulatory Instruments***

In 2013, following the transition to the National Energy Retail Law, the Commission reviewed its energy regulatory instruments. The focus of the review was to remove any potential duplication or redundancy from the Commission's existing regulatory framework, having regard to the scope and terms of the National Energy Retail Law.

That review was completed in September 2013, with the release of the Post-National Energy Customer Framework Review of Regulatory Instruments – Final Decision. Amended versions of relevant regulatory instruments taking effect as a consequence of that decision. Changes were made to the following regulatory instruments:

- ▲ Electricity Distribution Code
- ▲ Electricity Distribution Licence - SA Power Networks
- ▲ Electricity Industry Guideline No 1 - Distribution
- ▲ Energy Industry Guideline No 4 - Compliance Systems and Reporting
- ▲ Enforcement Policy

- ▲ Gas Distribution Code
- ▲ Gas Distribution Licence - Envestra Limited
- ▲ Gas Guideline No 1 - Distribution
- ▲ Prepayment Meter System Code

### *Information Disclosure for No Early Termination Fee Market Contracts*

With the commencement of National Energy Retail Law in February 2013, amendments were made to the Electricity (General) Regulations 2012 and Gas Regulations 2012 requiring all National Energy Retail Law retailers to offer a market contract without an early termination fee for South Australian customers.

The requirement operates in addition to the energy contract information disclosure requirements that exist under the National Energy Customer Framework, administered by the Australian Energy Regulator.

The Commission is responsible for setting information disclosure requirements which accompany that obligation. As a part of that function, in September 2013 it released Energy Guideline No. 5 – Information Disclosure for No Early Termination Fee Market Contracts.

### *National Energy Retail Law Review*

The legislation establishing the National Energy Retail Law requires that the Commission undertake a review of the effectiveness of the new regulatory arrangements under the National Energy Retail Law. The review is required to focus on the impact of the National Energy Retail Law on the consumers of energy and whether its implementation has:

- ▲ resulted in increased efficiencies; or
- ▲ adversely affected customer protection in pursuit of national consistency.

The Commission may also address such other matters as it thinks fit.

In November 2013, the Commission released an Issues Paper to provide all members of the community with the opportunity to provide input on any issues related to the approach that the Commission proposes to adopt in conducting the National Energy Retail Law Review.

In March 2014, the Commission released its Final Decision on the National Energy Retail Law Review Methodology to confirm a clear methodology, set a baseline for the review and ensure that key factors will be monitored in the period leading up to the review.

The National Energy Retail Law Review will commence in February 2015.

## *Price Regulation*

### *Retailer-paid feed-in tariff price determination*

Under the Electricity Act, households and small businesses with solar photovoltaic units which feed into the electricity grid in South Australia can receive a retailer-paid feed-in tariff from their retailer for the photovoltaic generated electricity exported to the distribution network. Under the Electricity Act the Commission is responsible for setting the minimum value of the retailer feed-in tariff, which can vary from time to time.

In June 2013, the Commission commenced a review of the need for, or nature of, future price regulation of the retailer feed-in tariff premium. That review was commenced in light of the deregulation of energy retail prices in South Australia in February 2013.

In October 2013, the Commission released for public consultation a draft price determination that it would make a further one year price determination setting the minimum retailer feed-in tariff payable at 7.6 cents/kWh.

In December 2013, the Commission made a final price determination for one year, requiring all electricity retailers to pay a minimum feed-in tariff payment of 7.6 cents/kWh to their solar photovoltaic customers from 1 January 2014. The price determination emphasised that this was set as a minimum payment and that retailers were free to offer amounts in excess of this minimum value.

This minimum amount was fixed at the lower end of the reasonable range of the estimated value to an electricity retailer of electricity fed-in to the distribution network. It was set at that end of the range to provide electricity retailers with the opportunity to compete for customers with solar photovoltaic units by offering amounts above the minimum value (or to provide other benefits to customers), allowing the market to determine the most appropriate value.

In addition, given the uncertainty associated with the possible removal of the carbon price, the price determination provided a mechanism to adjust the minimum retailer feed-in tariff to 6.0 cents/kWh in the event that the carbon price was removed.

As part of the price determination, a formal price monitoring regime was implemented, to monitor the extent of competition for photovoltaic customers and the incidence of retailer feed-in tariff payments above the mandatory minimum value. Evidence obtained through that process will inform subsequent reviews of the minimum retailer feed-in tariff.

### *Ministerial Retail Energy Pricing Reports*

Regulations under the Electricity and Gas Acts require the Commission to provide to the Minister for Mineral Resources and Energy, by 31 August each year, a report on electricity and gas Standing Offer and Market Offer retail prices that were generally available to classes of small customers in South Australia in the preceding financial year.

In August 2013, the Commission published the first Ministerial Pricing Report on energy retail prices to fulfil that requirement.

The Report investigated the effect of Standing Contract, Standing Offer and Market Offer prices on small customers' typical annual bills that applied for gas and electricity since 1 July 2012. The Report examined the range of prices generally available to new customers to calculate the average bill resulting from those prices across all retailers.

## *Licensing*

### *Electricity*

The Commission is responsible for administering the licensing regime that applies to electricity entities, as established in the Electricity Act.

It is responsible for issuing, varying or transferring licences to participants in the electricity supply industry where those participants engage in the generation of electricity, the operation of a transmission or distribution network, system control over a power system or the retailing of electricity (limited to retailers not operating in the National Electricity Market).

During 2013/14, the Commission:

- ▲ issued 3 new electricity generation licences
- ▲ varied 1 electricity distribution licence and 1 electricity generation off-grid licence
- ▲ issued 1 electricity licence exemption.

As at 30 June 2014, the Commission was in the process of assessing 3 new electricity generation licence applications.

A list of all electricity licence holders as at 30 June 2014 can be found in Appendix 2.

### *Gas*

The Commission is responsible for administering the licensing regime that applies to gas entities. It is responsible for issuing, varying or transferring licences to participants in the gas supply industry where those participants engage in the retailing of reticulated LPG and the distribution of reticulated LPG or natural gas. These responsibilities are established in the Gas Act 1997 (limited to retailers not operating in the National Gas Market).

During 2013/14, the Commission:

- ▲ issued 3 new reticulated LPG gas distribution licences
- ▲ issued 2 new reticulated LPG gas retail licences
- ▲ varied 1 gas distribution licence.

A list of all gas licence holders as at 30 June 2014 can be found in Appendix 2.

## *Codes and Guidelines*

### ***SA Power Networks Service Standard Framework 2015 to 2020***

Under the Australian Energy Market Agreement, the Commission is responsible for developing, implementing and administering reliability service standards for the electricity distributor, SA Power Networks. Once the Commission has established reliability standards, the Australian Energy Regulator is responsible for assessing the efficient level of expenditure required for SA Power Networks to provide distribution services at the specified standards.

To allow SA Power Networks to develop and submit its revenue proposal to the Australian Energy Regulator in 2014, the Commission developed the reliability service standards to apply for the 2015-2020 regulatory period in 2013/14. It released a draft decision in November 2013 for public consultation and a final decision in May 2014.

Based on South Australian customers' continuing high levels of satisfaction with current service levels, the Commission set reliability and customer service standards and targets to maintain the average historical levels of service provided by SA Power Networks. Further, in order to avoid potential conflicting expenditure drivers for SA Power Networks, the Commission aligned the jurisdictional service standards with the terms of the Australian Energy Regulator's Service Target Performance Incentive Scheme.

The final network reliability targets will be established once data for 2013/14 are available, with final targets due to be set in late 2014.

### ***Electricity Transmission Code***

In November 2012, ElectraNet wrote to the Commission proposing various amendments to the Electricity Transmission Code, which was due to take effect from 1 July 2013. The Commission determined it was appropriate to consult publicly on ElectraNet's proposals and released ElectraNet's letter as the consultation document on which submissions were sought.

In July 2013, a Final Decision was released which resulted in some transitional and minor amendments to the Code, such as further transitional arrangements between the past Electricity Transmission Code (TC/06) and the Code to operate from 1 July 2013 (Code TC/07) and amending the Code to reflect best endeavour restoration standards for Category 4 line and transformer failures.

### ***Electricity Industry Guideline No 3 – Transmission and System Control***

The Commission, in consultation with ElectraNet, reviewed and updated Industry Guideline No 3 - Electricity Regulatory Reporting Requirements, Transmission and System Control in September 2013 following the amendment of the Electricity Transmission Code in July 2013.

Reporting requirements of the amended Guideline No 3 begin in the first quarter of the 2013/14 financial year.

### *Envestra's Jurisdictional Service Standards for the 2016-2021 regulatory period*

The Commission is responsible for developing, implementing and administering jurisdictional service standards for the gas distributor, Envestra. Once the Commission has established service standards, the Australian Energy Regulator is responsible for assessing the efficient level of expenditure required for Envestra to provide distribution services at the specified standards.

In March 2014, the Commission commenced a review of the jurisdictional service standards to apply to Envestra for the next regulatory period 2016-2021 with the release of an Issues Paper.

Following consideration of the issues raised in submissions, a Draft Decision is due to be released for a further period of public consultation in August 2014. The Final Decision is scheduled to be released in December 2014.

### *Gas Industry Guideline No. 1 - Distribution*

In March 2014, Gas Industry Guideline No 1 was amended to reflect the commencement of the National Energy Retail Rules and consequential amendments to the Gas Distribution Code (which govern the operations of the gas distributor, Envestra).

This involved amending reporting proforma OP5 - Complaints in Gas Industry Guideline No.1 by removing the requirement to report against metrics associated with clauses no longer contained in the Gas Distribution Code.

### *Safety, Reliability, Maintenance and Technical Management Plans / Switching Manual*

The Commission wrote to the Minister for Mineral Resources and Energy in November 2013 recommending that responsibility for the approval of Safety, Reliability, Maintenance and Technical Management Plans and the electricity industry Switching Manual be transferred to the Technical Regulator.

The recommendation was based on the Commission's view that the Office of the Technical Regulator has the necessary skills and experience to best audit the technical nature of the plans against the compliance of entities' plans and the technical expertise to determine safe working practices for High Voltage switching.

The Minister for Mineral Resources and Energy supported the Commission's proposal and has commenced industry consultation with a view to implementing the changes recommended.

## Performance Monitoring

The Energy Annual Performance Report assesses the performance of the South Australian energy network businesses against the service standards and requirements of the Commission's Industry Codes. There is a separate report for each energy network business - SA Power Networks (electricity distribution), Envestra (gas distribution) and ElectraNet (electricity transmission).

In April 2014, the Commission released its Energy Annual Performance Reports for 2012/13.

A copy of the Annual Performance Report is available on the Commission's website. The key findings of the Annual Performance Report included the following.

### Distribution

- ▲ SA Power Networks and Envestra are meeting customer service obligations.
- ▲ SA Power Networks reported a similar level of complaints as in 2011/12, while Envestra's complaints doubled. The proportion of complaints that are being referred to EWOSA has fallen for both utilities
- ▲ There was deterioration in the reliability performance of SA Power Networks' electricity network, largely due to more severe weather events in 2012/13
- ▲ As a consequence of longer outages, electricity Guaranteed Service Level (GSL) payments made by SA Power Networks increased when compared to 2011/12
- ▲ The level of gas lost through the distribution network (known as unaccounted for gas) fell significantly in 2012/13, and Envestra is on track to meet the targets set out in the Gas Distribution Code; however, it continues to fall behind on its Mains Replacement Programme

### Transmission

- ▲ Electranet's overall reliability performance improved in 2012/13, but was impacted by an insulator failure on the Whyalla Terminal-Yadnarie 132kV line, and performance was therefore lower than the long term average

Detailed historical Annual Performance Report data is maintained on the Commission's website designed to assist researchers and other persons with an interest in examining specific results and trends.

## Residential Energy Efficiency Scheme

The Residential Energy Efficiency Scheme is established through Regulations under the Electricity Act and Gas Act. The Regulations establish the Commission as the administrator of the Residential Energy Efficiency Scheme, which commenced on 1 January 2009.

The Residential Energy Efficiency Scheme provides incentives for South Australian households to achieve greenhouse gas reductions and potentially lower their energy bills through reduced energy consumption. It does this through establishing obligations to be met by electricity and gas retailers.

The Commission administers the scheme within the parameters defined by the policy framework and in accordance with the Regulations. Residential Energy Efficiency Scheme obliged retailers are those with a customer base exceeding 5,000 customers (as at 30 June in the preceding Residential Energy Efficiency Scheme year).

As scheme administrator, the Commission monitors and assesses compliance with the Residential Energy Efficiency Scheme. The Commission is also responsible for reporting to the Minister for Mineral Resources and Energy annually on retailers' progress in achieving the required targets.

In November 2013, the Minister for Mineral Resources and Energy announced that the Residential Energy Efficiency Scheme would be extended to 2020, and that it would be expanded to include small businesses.

### Residential Energy Efficiency Scheme Annual Report 2013

The Commission released its Residential Energy Efficiency Scheme (REES) Annual Report 2013 in June 2014. The Report assessed the overall performance outcomes for the Residential Energy Efficiency Scheme in 2013, finding that all retailers met their targets and that the Minister's overall targets were also met ( set out in Table 2 below).

**Table 2: 2013 REES Targets and Achievements**

	2013 TARGET <sup>1</sup>	2013 ACHIEVEMENT <sup>2</sup>
Energy audits (number of audits)	5,683	7,635
Greenhouse gas reduction (tCO <sub>2</sub> -e)	335,000	562,153
Priority group greenhouse gas reduction (tCO <sub>2</sub> -e)	117,250 <sup>3</sup>	264,200

The other key findings of the Annual Report were:

<sup>1</sup> Activity and audit targets adjusted for 2012 shortfall carryover.

<sup>2</sup> Achievement includes applied credits accrued in previous year.

<sup>3</sup> 35% of greenhouse gas reduction.

- ▲ the energy audit target for 2013 was exceeded by 24%
- ▲ the greenhouse gas reductions target was exceeded by 29%
- ▲ 42.5% of total greenhouse gas emission reductions undertaken in 2013 were in priority group households, well exceeding the Ministerial target of 35%
- ▲ energy efficiency activities in 2013 were concentrated in the lower-cost activity categories, such as standby power controllers (**SPCs**), showerheads and light globes, and
- ▲ there was a 17% drop in the number of benefitting premises in 2013.

### *Residential Energy Efficiency Scheme Bulletins*

During 2013/14, the Commission revised two and released five new Residential Energy Efficiency Scheme Bulletins on its website, which provide interpretations and advice on Residential Energy Efficiency Scheme issues. A listing of these Bulletins is contained in Appendix 3.

### *Residential Energy Efficiency Scheme Code*

The Residential Energy Efficiency Scheme Code establishes requirements in relation to the conduct and operations of energy retailers in satisfaction of Residential Energy Efficiency Scheme obligations. Included in the Code is a list of approved energy efficiency activities that can be undertaken by an obliged retailer to fulfil greenhouse gas reduction obligations.

In February 2014, the Commission released an amended Residential Energy Efficiency Scheme Code, which included changes to the specifications for the installation of standby power controllers and the installation of down lights.

### *Energy Efficiency Fund Initiative*

In September 2012, the Commission established the Energy Efficiency Fund Initiative. The Energy Efficiency Fund Initiative provides grant funding to not-for-profit organisations for energy efficiency projects to assist South Australian households facing financial stress.

The Commission allocated \$243,750 towards the funding of these projects. This funding became available through the Commission's decision to impose a fine on an energy retailer for not meeting the Residential Energy Efficiency Scheme targets in 2011.

As a residual amount of \$78,000 remained after the first three grants were approved in 2012, the Commission announced a second call for applications for funding in April 2013.

In September 2013, the Commission announced the successful energy efficiency funding applications as Uniting Communities for the distribution of energy efficiency retrofit packages and targeted grants to purchase energy efficient items in the Adelaide and greater Adelaide area. Details of all four grants are provided in Table 3 below.

Under the terms of the grant Deeds with each entity, the Commission receives quarterly operational and financial program reports. The Commission closely monitors those matters to

ensure that the funds are expended appropriately and are reported on in the Residential Energy Efficiency Scheme Annual Report.

All available funding has been fully expended and no additional funding is expected for 2014/15.

**Table 3: Summary of purpose of Energy Efficiency Fund Initiative allocations**

COMPANY	PURPOSE
Uniting Care Wesley Country SA	Distribute 5000 energy efficient light globes and targeted grants to purchase energy efficient products in country areas
Normanville Natural Resource Centre	Conduct audits (including the installation of simple energy saving devices and courses on energy efficiency for volunteers and householders) in the area around Yankalilla
Orana Inc	Install solar power units for a newly renovated housing complex to help provide permanent and sustainable housing for adults with a disability and reduce the amount the occupants spend on energy bills
Uniting Communities	Distribution of energy efficiency retrofit packages and targeted grants to purchase energy efficient items in the Adelaide and greater Adelaide area

## *Power Line Environment Committee*

The Commission is responsible for providing a secretariat service to the Power Line Environment Committee. The Committee, comprised of various industry and community representatives, is responsible for assessing submissions from Councils for funding projects to underground power lines for general community benefit.

The Committee recommends projects for undergrounding to the Minister for Mineral Resources and Energy who directs SA Power Networks to carry out work in accordance with the Electricity Act 1996. SA Power Networks contributes \$2 towards undergrounding costs for every \$1 contributed by local Councils.

The Minister for Mineral Resources and Energy appoints members to the Power Line Environment Committee. A review of membership was carried out with appointments finalised in March 2014.

During 2013/2014 the Committee recommended nine projects for funding approval that will underground nearly seven kilometres of power lines. SA Power Networks' contribution towards funding those projects to be built during the 2014/2015 financial year is \$9,377,168.

The Power Line Environment Committee releases its own Annual Report, which can be accessed on the Commission website.

# RAIL

## *Tarcoola-Darwin Railway*

The Commission is the regulator for the rail access regime as set out in the AustralAsia Railway (Third Party Access) Code, which is a Schedule to the AustralAsia Railway (Third Party Access) Act 1999 (SA & NT). The railway line subject to the Code comprises both the railway line from Alice Springs to Darwin and the pre-existing line south of Alice Springs to Tarcoola.

The access regime has been certified as an effective State regime in accordance with section 44N of the Trade Practices Act 1974. Details of the certification process can be found on the National Competition Council website.

The AustralAsia Railway (Third Party Access) Code establishes a right to negotiate access to the railway infrastructure services, and follows a negotiate/arbitrate model, under which prices are set by commercial negotiation between access seekers and the access provider, with dispute resolution processes available if necessary. No access disputes were notified in 2013/14.

In accordance with clause 7 of the AustralAsia Railway (Third Party Access) Code, the Commission prepares a separate Annual Report covering its activities as the access regulator for the Tarcoola-Darwin railway. The Commission provided the 2012/13 Annual Report to the Minister for Transport and Infrastructure (SA) and Minister for Transport (NT) on 30 September 2013 (a copy of which can be accessed on the Commission website).

The AustralAsia Railways (Third Party Access) Act requires that the Commission must, at 5 yearly intervals, review the revenues paid or payable by access holders to the access provider for railway infrastructure services where no sustainable competitive prices exist. As January 2014 marked the tenth anniversary of the commencement of operation of the Darwin-Tarcoola railway, the Commission had commenced work on the review from that time.

## *Intra-state Railway*

The Commission is the regulator for South Australia's Intra-State Rail Access regime as set out in the Railways (Operations and Access) Act 1997.

The access regime applies to railway devices as defined under the Railways (Operations and Access) Act. This covers the broad gauge network within metropolitan Adelaide, the intra-state lines in the Murray-Mallee, Mid-North and Eyre Peninsula, and the Great Southern Railway passenger terminal at Keswick.

The Railways (Operations and Access) Act assigns the following specific functions to the Commission:

- ▲ monitoring and enforcing compliance with Part 3 (general rules for conduct of business) of the Railways (Operations and Access) Act
- ▲ monitoring the costs of rail services under the Railways (Operations and Access) Act
- ▲ making an application to the Supreme Court for appointment of an administrator where a rail operator becomes insolvent, ceases to provide railway services or fails to make effective use of the infrastructure of the State
- ▲ establishing pricing principles
- ▲ establishing requirements for information about access to rail services and determining the price to be charged for such information
- ▲ conciliation of access disputes and referral of disputes to arbitration, and
- ▲ fulfilling any other functions and powers conferred by regulation under the Railways (Operations and Access) Act.

No access disputes were notified in 2013/14.

In accordance with the requirements of section 9(4) of the Railways (Operations and Access) Act the Commission prepares a separate Annual Report covering its activities as regulator for the intrastate railway. The Commission provided the 2012/13 Annual Report to the Minister for Transport and Infrastructure on 30 September (a copy of which can be accessed on the Commission website).

## PORTS

The Commission is the economic regulator for six commercial ports in South Australia which are 'proclaimed ports', under the Maritime Services (Access) Act 2000.

The following six proclaimed ports, all operated by Flinders Ports Pty Ltd, are:

- ▲ Port Adelaide
- ▲ Port Giles
- ▲ Wallaroo
- ▲ Port Pirie
- ▲ Port Lincoln
- ▲ Thevenard.

The Maritime Services (Access) Act provides for access to South Australian ports and ports services on fair commercial terms and the price regulation of essential ports services. Essential ports services are declared to be regulated industries for the purpose of the Essential Services Commission Act.

The Commission regulates three types of port services:

- ▲ Essential Ports Services - subject to price regulation with price monitoring
- ▲ Regulated Services - subject to the ports access regime;
- ▲ Ports Services - a broader grouping of services subject to a range of review and notification processes, including:
  - notification of changes in pilotage charges
  - development of service standards as appropriate
  - keeping ports industries under review to determine whether regulation is required.

Price regulation is applied to infrastructure services termed “Essential Ports Services” (e.g. providing for access of vessels, and facilities for loading and unloading of such vessels, at a proclaimed port) and Pilotage Services. Access regulation applies to a similar, but not identical, set of services known as “Regulated Services”. The access regime provides for negotiation, conciliation and arbitration of access disputes to such Regulated Services. No access disputes were notified in 2013/14.

## *Ports Price Monitoring Report*

Under the current ports price regulatory regime, Flinders Ports may adjust its prices for services subject to price regulation as it sees fit, subject to the requirement that it publish a price list and inform the Commission of changes. The Commission publishes annual ports price monitoring reports to provide information on prices and commentary on factors underpinning price movements.

In November 2013, the Commission finalised a Ports Price Monitoring Report 2013. This was the first annual ports price monitoring report published since the completion of its Ports Price Determination in 2012. The price monitoring regime involves an evaluation of Flinders Ports' price increases as compared to changes in the Consumer Price Index, with the expectation of adequate justification for any rise in charges above Consumer Price Index.

The report observed that all of Flinders Ports' 2013/14 ports charges increased at a rate above the Adelaide CPI figure of 2.2% (March 2012 to March 2013). In the case of Essential Maritime Services (EMS), both Cargo and Harbour Service charges increased by an average 2.9%, due to the recovery of increased wage costs as a result of Flinders Ports' current Enterprise Bargaining Agreement (EBA) with the Maritime Unions. The EBA also raised Pilotage Service charges above CPI, with the price rising by 3.8% (nominal) due to this service being heavily dependent on wages. The Navigational Services charge also experienced an above-CPI increase, with a nominal 3.2% rise in 2013/14 prices due to the continued implementation of capital expenditure.

The Commission examined information presented by Flinders Ports to justify the price increases in its regulated service charges and found no areas for concern. Having regard to ports price movements that have taken place in other states, and considering the level of investment that Flinders Ports is incurring in order to meet expected future demands and efficiency gains, the Commission considered that the price increases were reasonably justified.

## COMPLIANCE

The Commission regulates compliance and enforcement in the water, sewerage, electricity, gas, rail and ports industries, with a suite of associated powers which it uses to ensure that consumers' long term interests are protected.

The Essential Services Commission Act provides that the statutory functions of the Commission include:

- ▲ monitoring and enforcement of compliance with, and promotion of improvement in, standards and conditions of service and supply under relevant industry regulation Acts
- ▲ as necessary, conducting prosecutions for contraventions of the Essential Services Commission Act or relevant industry regulation Acts.

The Commission gives effect to its regulatory compliance role through a number of related actions. First, it makes regulated water entities aware of their regulatory obligations and the possible consequences of non-compliance. Second, it monitors compliance through regular reporting and review arrangements (including auditing of business operations). Finally, appropriate enforcement action is taken in cases where non-compliance is detected.

The Commission has established the following guidelines which support the compliance regime:

- ▲ Enforcement Policy
- ▲ Water Industry Guideline No. 1 – Compliance Systems and Reporting
- ▲ Energy Industry Guideline No. 4 – Compliance Systems and Reporting
- ▲ REES Bulletin No 18 – Compliance Framework
- ▲ Tarcoola-Darwin Rail Guideline No 4 - Compliance Systems and Reporting
- ▲ South Australian Rail - Information Kit

Those Guidelines establish an exception based reporting regime, permitting licensees to report non-compliance to the Commission, rather than providing positive assurance of compliance each year. Underpinning that approach is the requirement that each licensee has and uses an internal control system which meets the specifications of Australian Standard 3806 – Compliance Programs (AS 3806-2006) and facilitates compliance and provides regular reporting to the business and to the Commission.

In undertaking its compliance role, the Commission is guided by its legislative objectives in particular the need to protect the long term interests of South Australian consumers with respect to the price, reliability and quality of essential services.

## *Enforcement Policy*

The Commission has published an Enforcement Policy, providing guidance on the criteria and processes it uses in determining the type of enforcement action required on a case by case basis. In general terms, the exercise of the Commission's administrative process is the primary means of enforcement used by the Commission, with disciplinary and prosecutorial processes reserved for the more serious matters of non-compliance. The Commission's enforcement processes can be categorised as follows:

- ▲ Administrative – through the exercise of roles and functions which are prescribed under legislation or arise in the ordinary course of performance of a legislative function
- ▲ Disciplinary – through the exercise of powers granted under legislation to protect South Australian consumers
- ▲ Prosecutorial – through the exercise of powers granted under legislation to bring punitive action against an entity, which does not comply with legislative requirements.

The Commission also has a range of stronger administrative enforcement options such as verbal and written warnings, plus formal Warning Notices provided for in the Essential Services Commission Act and relevant industry regulation Acts, together with prosecutorial and disciplinary powers.

In September 2013, the Commission released a revised Enforcement Policy, clarifying the role and powers of the Commission.

## *Compliance in the Water Sector*

Major, Minor and Intermediate Retailers are required to report on their compliance with the Water Industry Act, retail licence and respective Water Retail Codes, in a similar way to current reporting requirements required for the health or environmental licences of water retailers. Water Industry Guideline No. 1 applies to all classes of water licensees.

The Commission generally adopts a multi-tiered approach to compliance reporting, based on the Commission's assessment and categorisation of obligations arising under applicable regulatory instruments:

- ▲ Type 1: regulatory obligations of such importance that a breach gives rise to an immediate requirement for a Retailer to provide a Material Breach Compliance Report<sup>4</sup>
- ▲ Type 2: regulatory obligations of an importance that a breach must be identified in a Retailer's Quarterly Compliance Report

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<sup>4</sup> Type 1 obligations are reserved for high-risk obligations that concern the ability of a licensee to continue operations or where there is a major change in ownership. In addition, the Commission also considers immediate reporting mandatory where a licensee has committed a material breach of an obligation in the Water Industry Act or regulatory instruments made by the Commission.

- ▲ Type 3: regulatory obligations other than those identified as Type 1 or Type 2, a breach of which must be identified in a Retailer's Annual Compliance Report.

Major Retailers are required to report on Type 1, Type 2 and Type 3 obligations. Minor and Intermediate Retailers required to report on Type 1 and Type 3 obligations.

The requirements of Water Industry Guideline No. 1 are further explained in a series of fact sheets and checklists, produced to assist retailers in understanding their annual reporting requirements. In 2013/14, to further support Minor and Intermediate Retailers, the Commission held information sessions, in both rural locations and in the Adelaide region, to educate those retailers on the reporting framework. The Commission will continue to work with licensees in relation to compliance and as such, encourages retailers to remain in regular contact with the Commission, should any issues or questions arise.

### *Policy and Guideline Reviews*

The Commission had a strong focus on compliance and clarification of the Commission's roles and functions in 2013/14.

In September 2013, the Commission released a revised Energy Industry Guideline No. 4 – Compliance Systems and Reporting. As the transition to a national energy framework is complete, the Commission conducted a review of regulatory instruments made by the Commission. The focus of the review was to ensure obligations remained appropriate and to confirm consistency across documents.

In April 2014, the Commission developed a suite of documents to assist Minor and Intermediate Water Retailers to understand their reporting obligations for general, price monitoring, financial and operational performance and annual compliance reporting. These documents include templates, fact sheets and checklists.

From time to time, the Commission releases Residential Energy Efficiency Scheme (REES) Bulletins providing interpretations and advice on REES issues. In June 2014, the Commission released a new Residential Energy Efficiency Scheme Bulletin, REES Bulletin No 18 – Compliance Framework.

## CONSULTATION

The Commission performs its functions using both formal and informal consultation processes. The Commission recognises that its decision making processes must be sound, rigorous and in accordance with the legal obligations placed on it by the Parliament. A systematic and genuine approach to consultation helps ensure that all relevant issues are addressed.

Consultation assists the Commission in understanding the implications of its proposed decisions. It also allows all stakeholders to provide input on the potential impacts of the Commission's decisions or to suggest alternatives and improvements prior to a final decision being reached. The Commission considers all submissions in making its decisions.

The Commission's decision making and consultation processes are outlined in its Charter of Consultation and Regulatory Practice. In 2013/14 the Commission held information sessions for industry on the REES Scheme and also held information sessions in locations around the state for water retailers to assist them in understanding their annual regulatory reporting requirements.

For the first time, the Commission utilised an online survey for consumers to provide responses (submissions) to Issues Papers released for consultation.

The Commission maintained the use of print media as a method to advise the community of consultations underway, with 53 public notices being placed in either the Advertiser or regional papers in the period.

In addition, the Commission's consultation processes included:

- ▲ regular meetings of the Consumer Advisory Committee
- ▲ regular meetings with licensees and other stakeholders
- ▲ releasing 12 simple easy to read fact sheets for major documents and documents considered to be of particular interest to members of the community, and
- ▲ assisting members of the community to understand Commission decisions and regulated industries by telephone and email.

## *Charter of Consultation and Regulatory Practice*

The Charter of Consultation and Regulatory Practice provides guidance on the Commission's consultation and engagement processes and fulfils a legislative requirement under the Essential Services Commission Act.

The Commission regularly reviews its consultation and engagement processes and seeks feedback on the effectiveness of its consultation methods. The Charter of Consultation and Regulatory Practice was reviewed in 2013/14 and a draft Charter was released for consultation in May 2014, with submissions closing in mid-July. The revised Charter is due to be released in September 2014.

## *Consumer Advisory Committee*

The Commission has established a Consumer Advisory Committee which is chaired by the Chairperson of the Commission. The Commission aims to achieve a balance and variety of interests and perspectives among the membership of the Consumer Advisory Committee. Membership is drawn from peak bodies representing a wide range of interests including disadvantaged consumers, rural and remote consumers, Local Government, environmental interest groups and industry and business generally.

Through the Consumer Advisory Committee, the Commission gains the views of members' communities of interest and keeps members informed about issues and decisions relating to or having an impact on consumers. Members of the Consumer Advisory Committee are expected to provide comment on:

- ▲ issues and market developments affecting consumers that fall within the scope of the Commission's functions under the Water Industry Act, Electricity Act and Gas Act
- ▲ information dissemination strategies and appropriate external networks available to enhance communication with community and consumer groups and consumers, and
- ▲ issues as requested by the Commission.

Members are not required to reach consensus on issues or make binding group decisions or submissions. The Consumer Advisory Committee is an advisory committee and final decision making rests with the Commission.

Appointments to the Consumer Advisory Committee are made for a period of two years. The term of appointment for all current members expired on 30 June 2014. The Commission sought expressions of interest for a two year term (1 July 2014 - 30 June 2016) through a public nomination process in April 2014, advertising in regional and metropolitan newspapers. The Consumer Advisory Committee has been confirmed for the next two year term, a member listing can be found in Table 4.

The Consumer Advisory Committee considered and provided input in all major regulatory decisions and issues considered by the Commission during the year.

**Table 4: Consumer Advisory Committee Members 1 July 2014 to 30 June 2016**

<b>REPRESENTATIVE</b>	<b>ORGANISATION</b>
Elaine Attwood	Consumers SA
Jessie Byrne	COTA SA
Sandy Canale	Energy and Water Ombudsman SA
Mark Henley	Uniting Communities
David Hossen	Property Council, SA Division
Heather l'Anson	Primary Producers SA
Tim Kelly	Conservation Council of SA
Andrew McKenna	Business SA
Jill Whittaker	Local Government Association of SA
Ross Womersley	South Australian Council of Social Services

## GOVERNANCE

The Commission is committed to high standards of corporate governance in its decision making and corporate activities.

The Commission's Corporate Governance Framework sets out the means by which the Commission ensures compliance with its legislative responsibilities and manages the allocation of responsibilities between itself and staff of the Commission.

The Corporate Governance Framework clearly articulates the responsibilities reserved by the Commission and those delegated to the Chairperson or the Chief Executive Officer. The supporting corporate principles also ensure consistency and clarity of responsibility.

### *Ethical behaviour*

The Commission has a Code of Ethics that establishes standards of duty for Commissioners and the Chief Executive Officer. Commissioners and the Chief Executive Officer are also subject to the standards and principles of conduct as specified the Public Sector (Honesty and Accountability) Act 1995.

The Code of Ethics:

- ▲ Reinforces high standards of ethical conduct, personal integrity and corporate governance
- ▲ Ensures compliance with legislation relating to the Commission and public officers;
- ▲ Ensures impartial and objective decision making
- ▲ Protects the Commission from bias, incompetence or improper behaviour.

As Public Sector employees, Commission staff are required to comply with South Australian public sector ethical standards, as contained in the Code of Ethics for the South Australian Public Sector and the Public Sector (Honesty and Accountability) Act 1995.

As an independent economic regulator, the Commission also considers it important to articulate its own Code of Conduct for employees of the Commission as the independence of the Commission brings with it specific obligations regarding managing relationships with stakeholders and staff performance. The Code is intended to supplement the SA public sector ethical standards.

The Code forms part of the conditions of employment for all staff and sets standards which Commission staff are required to meet in carrying out their duties and dealing with others.

## *Conflict of Interest*

The Commission has a Conflict of Interest Policy and a Gifts and Hospitality Policy with which staff and Commissioners must comply. The policies set high ethical standards for the management of interests, gifts and hospitality. The Commission maintains a Register of the financial and other interests of Commissioners and staff. This register is updated annually (or as a potential new conflict arises) and ensures potential conflicts of interest are managed appropriately. Commissioners report any perceived or potential conflicts of interest to the Treasurer.

## *Stakeholder Survey*

In April 2014 the Commission engaged Buchan Group to undertake a stakeholder survey of perceptions of the Commission's performance in the period 2012-2014.

The online survey was undertaken in May and June 2014 and was composed of both quantitative questions and qualitative questions. The Commission expects to receive the results of the Survey in early July 2014. The Commission will analyse the results and respond to the issues raised.

## *Risk Management*

The Commission is committed to maintaining high integrity in all its dealings and demonstrating responsible risk management through the implementation of a Risk Management Policy, Management Plan and Register. In August 2013, the Commission reviewed the Risk Management Policy, Management Plan and Register.

## *Freedom of Information*

The Commission is considered an agency under the Freedom of Information Act 1991. Under section 9 of the Freedom of Information Act 1991, agencies must publish an up to date information statement every 12 months. The Commission's Freedom of Information – Information Statement is available on the Commission website.

## *Policy review*

In 2013/14, the Commission reviewed the following governance documents:

- ▲ Corporate Governance Framework
- ▲ Rules of Procedure
- ▲ Values
- ▲ Code of Ethics
- ▲ Code of Conduct
- ▲ Conflict of Interest Policy
- ▲ Gifts and Hospitality Policy
- ▲ Risk Register Policy and Management Plan and Register.

The Commission has also ensured policy frameworks comply with the requirements and principles of the Independent Commissioner Against Corruption Act 2012.

## FINANCIAL PERFORMANCE

### *Revenue*

The Commission's revenue from all sources in 2013/14 was \$4.89 million and was \$1.22 million less than 2012/13. The revenue was sourced from the following industries: Water \$2.53 million; Energy (Electricity and Gas) \$2.06 million, Ports, Rail and Other Sources \$0.30 million.

Each year, the Commission invoices and collects funds which it is required to transfer to various parties such as the Office of the Technical Regulator. Such transfers are termed "Administered Items". The Commission invoiced licence and administration fees of \$11.32 million in 2013/14 (\$12.60 million in 2012/13) and transferred \$7.25 million as Administered Items (Refer to Note 11 and 30 in Appendix 5 for further details).

The Commission invoiced water licence fees totalling \$3.40 million (\$3.36 million in 2012/13). The SA Water licence fee was the largest at \$3.10 million. Further licence fees totalling \$295,000 were contributed by 63 smaller water licencees. After the required transfers of \$870,000 as Administered Items the water licence fee revenue was \$2.53 million.

The Commission invoiced energy licence fees of \$7.93 million in 2013/14 (\$9.24 million in 2012/13) and retail energy administration fees of \$519,000 in 2013/14 (\$320,000 in 2012/13). After the required transfer of \$6.38 million as Administered Items the energy licence and administration fee revenue was \$2.06 million.

The Commission's regulation of ports and intrastate rail are funded by the SA Government. The Commission's Tarcoola-Darwin rail activities are funded equally by the SA and NT Governments. In total, in 2013/14, the SA Government provided \$234,000 (\$330,000 in 2012/13) of funding of ports and rail activities while the NT Government provided funding of \$49,000.

### *Expenses*

In 2013/14 the Commission had a strong focus on reducing expenditure where possible and was successful in decreasing its expenses by \$2.84 million from 2012/13. After taking into account the refund of fees and return of funds to the SA Government in 2012/13 the reduction from the previous year was \$0.85 million (15%). The total expenditure in 2013/14 was \$4.99 million (\$7.83 million in 2012/13).

The two areas where the Commission was focussed and most successful in reducing the expenses was in staffing levels and the use of consultants. The Employee benefits expense of \$3.04 million in 2013/14 was a reduction of \$435,000 (13%) from 2012/13. The Supplies and services expense, which includes consultants, was \$1.74 million in 2013/14 and represents a reduction of \$461,000 (21%) from 2012/13.

## Result

The Commission's 2013/14 net result was a deficit of \$0.99 million, compared to a deficit of \$1.72 million in 2012/13.

## Water Industry Funding Shortfall

The Commission is a small organisation with significant unavoidable fixed costs and the reduction of roles in one industry mean that other regulated industries are left to bear a higher share of those unavoidable fixed costs. In particular, as a result of the reduction in energy regulatory roles, the Commission has an annual deficit in the water sector industry, which is not sustainable in the long term.

This is shown in the industry balances within the Essential Services Commission Special Deposit Account, as set out below in Table 5.

**Table 5: Essential Services Commission Special Deposit Account by industry**

	TOTAL	WATER	ELECTRICITY	GAS	SA RAIL	NT RAIL	PORTS
Balance as at 30 June 2013	9,754	120	7,167	2,331	40	26	71
Result from 2013-14	(99)	(825)	535	226	13	22	(71)
<b>Balance as at 30 June 2014</b>	<b>9,655</b>	<b>(705)</b>	<b>7,701</b>	<b>2,556</b>	<b>53</b>	<b>48</b>	<b>0</b>

The Commission has informed the Treasurer of the funding shortfall and proposed alternative solutions.

## Other Financial Matters

### Capital Expenditure

The Commission's capital expenditure in 2013/14 was \$46,000 (\$554,000 in 2012/13), all of which related to intranet and website development.

### Use of Consultants

The Commission is a small office with broad regulatory responsibilities. The Commission supplements the expertise of its own staff with specialist technical, economic and other advisors and consultants. This approach allows the Commission to manage both cyclical and time critical regulatory tasks in an efficient and effective manner and provides the Commission with access to experienced consultants when a matter requires attention in an area where it would be impossible or unjustified for staff to be engaged full time on such activities.

The Commission entered into consultant contracts to the value of \$481,000 during 2013/14 (\$734,000 in 2012/13), representing approximately 10% of total expenses (9% in 2012/13).

It should be noted that the Commission’s expenditure on consultants is driven by its work program, with a higher level of spending in years where the Commission is making a pricing determination.

Details, including the number of consultants utilised and the amounts paid or payable to these consultants, are summarised in Table 6.

**Table 6: Consultant projects 2013/14**

<b>FEES LESS THAN \$10,000</b>	<b>NUMBER: 3 VALUE: \$16,776</b>
<b>FEES BETWEEN \$10,000 AND \$50,000</b>	<b>NUMBER: 6 VALUE: \$184,819</b>
ACIL Allen Consulting	Feed-in Tariff Determination; Solar Feed-in Tariff Premium; Service Standard Framework
BDO Audit Pty Ltd	Ports Regulatory Accounts Review
Buchan Consulting Pty Ltd	Stakeholder Survey
Cardno (Qld) Pty Ltd	National Performance Report Audit; SA Service Standards Audit
Peoplescape Pty Ltd	Staff Engagement Survey
Victoria University	Modelling of SA Water's water pricing structure
<b>FEES MORE THAN \$50,000</b>	<b>NUMBER: 2 VALUE: \$279,436</b>
PriceWaterhouse Coopers	Review of SA Water Customer Billing System
Sapere Research Group Limited	Study of SA Water Drinking Water, Sewerage and Trade Waste
<b>TOTAL</b>	<b>NUMBER: 11 VALUE \$481,031</b>

## Accounts Payable Performance

The Commission’s Accounts Payable service was provided by the Department of Premier and Cabinet (Shared Services) under a Service Level Determination using an online e-procurement system.

All public authorities are required to report the number and value of creditors’ accounts paid and the extent to which the accounts have been paid in accordance with Treasurer’s Instruction 11.

This instruction requires all undisputed accounts to be paid within 30 days of the invoice date or the date the invoice is first received by the Commission, unless there is a discount or a written agreement between the Commission and the creditor.

Table 7 demonstrates that the Commission paid 99% of invoices by the due date and almost 100% of invoices paid within 30 days from the due date. This performance level exceeds the Government’s benchmark of 90% of invoices paid by the due date.

**Table 7: Accounts payment performance**

<b>PARTICULARS</b>	<b>NUMBER PAID</b>	<b>%</b>	<b>AMOUNT PAID (\$'000)</b>	<b>%</b>
Paid by the due date	540	99%	2,517	95%
Paid less than 30 days from the due date	5	1%	119	5%
Paid more than 30 days from the due date	1	0%	7	0%

### *Contractual Arrangements*

The Commission did not enter into any contractual arrangements exceeding \$4 million in value during the financial year.

### *Fraud*

No instances of fraud were detected within the Commission during 2013/14.

### *Overseas Travel*

Overseas travel undertaken by the Commission during 2013/14 is included in Table 8 below:

**Table 8: Overseas travel**

<b>NUMBER OF EMPLOYEES</b>	<b>DESTINATION</b>	<b>REASONS FOR TRAVEL</b>	<b>TOTAL COST</b>
1	USA	Attendance at an Executive Development program, "Leadership for the 21st Century" 6-13 September 2013, Harvard Kennedy School, Boston.	<b>\$15,309</b>

Note: total cost includes salary, airfare, accommodation and course costs.

## STAFF MANAGEMENT

Commission staff are employed under the Essential Services Commission Act and are appointed on terms and conditions determined by the Commission.

The Commission's terms and conditions of employment and human resources policies endeavour to provide work practices and employment conditions which are flexible, recognise the non-work commitments of its employees, improve productivity and foster the development of staff and a strong organisational culture.

To assist in this process, the Commission has developed a Workforce Strategy, which it reviews annually. The Workforce Strategy provides the framework for the Commission's strategic workforce management and planning initiatives in areas such as resourcing, performance and professional development and working arrangements. It acknowledges the dedication and hard work of its employees and appreciates the value and importance of employees with long term service with the Commission.

In 2014/15, the development of the Workforce Strategy was informed by a Staff Engagement Survey and post survey workshops conducted from December 2013 to February 2014.

As at 30 June 2014, 100% of staff had a Performance Agreement in place.

During the 2013/14 year, training and development expenditure was 4.26% of total remuneration. This compares with 3.6% of total remuneration spent in 2012/13.

The Commission also continued its Staff Incentive Scheme for all staff (with the exception of the Chief Executive Officer). The scheme is directly aligned with the Commission's statutory Performance Plan and is designed to encourage teamwork and commitment to the Commission's values, goals and objectives. 50% of the scheme is based on the overall performance of the Commission against its performance targets and the remaining 50% is based on individual employee contributions to the values and operation of the Commission.

### *Work Health and Safety*

As the Commission is an agency of the Crown, it is deemed to be registered as a self-insured employer under section 61 of the Workers Rehabilitation and Compensation Act 1986. The Commission must comply with all parts of the South Australian Public Code of Practice for Crown Self-insured Employers, released in January 2013.

In September 2013, the Commission engaged an independent external consultant to undertake a Work Health and Safety audit of the Commission's policies, procedures and compliance with the South Australian Public Code of Practice for Crown Self-insured Employers.

The audit found the Commission is compliant with all legislative requirements and has in place a Work Health and Safety management system that appropriately reflects its work environment and the nature of its risks. The audit made a number of recommendations to

ensure continuous improvement and ongoing conformance, which are scheduled to be completed by the end of the 2014 calendar year.

The Commission is pleased to report that there were no reportable Work Health and Safety incidents or accidents during the year. Appendix 4 provides full details of Work Health, Safety and Welfare and Injury Management statistics for the 2013/14 period.

## APPENDIX 1: INQUIRIES, MINISTERIAL DIRECTIONS AND PRICING ORDERS

No new Inquiries, Ministerial Directions or Pricing Orders were referred to the Commission during 2013/14.

## APPENDIX 2: LICENSED AND EXEMPTED ENTITIES

*As at 30 June 2014*

### *Electricity*

ENTITY NAME	LICENSING TYPE
AGL Hydro Partnership & Hallett 5 Pty Ltd - Bluff Wind Farm (Hallett Stage 5)	LICENCE - Electricity Generation 30MW < 100MW
AGL Hydro Partnership & Brown Hill North Pty Ltd - North Brown Hill Windfarm	LICENCE - Electricity Generation 100MW < 200MW
AGL Hydro Partnership - Hallett Hill Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
AGL Power Generation (Brown Hill Pty Ltd) - Brown Hill Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
AGL SA Generation Pty Ltd - Torrens Island Power Stations A & B	LICENCE - Electricity Generation > 200MW
AGL South Australia Pty Ltd - Wilpena Pound Power Station & Cooper Brewery Generator Facility	LICENCE - Electricity Generation 5MW < 30MW
AGL South Australia Pty Ltd - Wilpena Pound Power Station & Cooper Brewery Generator Facility	EXEMPTION – Generation
Australian Rail Track Corporation Pty Ltd	EXEMPTION – Electricity Distribution
BHP Billiton Olympic Dam Corporation Pty Ltd	LICENCE - Regional Electricity Distribution   Transmission
BHP Billiton Olympic Dam Corporation Pty Ltd	EXEMPTION – Electricity Distribution   Retail
Canunda Power Pty Ltd - Canunda Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
Cathedral Rocks Wind Farm Pty Ltd – Cathedral Rocks Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
Cavill Power Products Pty Ltd - Oodnadatta, Parachilna, Marla, Marree, Nundroo, Glendambo, Kingoonya, Mannahill and Blinman (Remote Areas Energy Supply)	LICENCE - Regional Electricity Generation

ENTITY NAME	LICENSING TYPE
Cavill Power Products Pty Ltd	EXEMPTION – Electricity Generation
Cavill Power Products Pty Ltd - Oodnadatta, Parachilna, Marla, Marree, Nundroo, Glendambo, Kingoonya, Mannahill and Blinman (Remote Areas Energy Supply)	EXEMPTION – Electricity Generation
Cowell Electric Supply Pty Ltd	LICENCE - Regional Electricity Distribution
Cowell Electric Supply Pty Ltd	EXEMPTION – Electricity Generation
Dalfoam Pty Ltd	LICENCE - Regional Electricity Retail   Generation   Distribution
Dalfoam Pty Ltd	EXEMPTION – Electricity Distribution   Retail
District Council of Coober Pedy	LICENCE - Regional Electricity Retail   Generation   Distribution
District Council of Coober Pedy	EXEMPTION – Electricity Distribution   Retail
ElectraNet Pty Ltd	LICENCE - Electricity System Control   Transmission
Energy Developments Limited Group Operations Pty Ltd – Wingfield 1, Wingfield 11, Tea Tree Gully Highbury, Pedlar	LICENCE - Electricity Generation 5MW < 30MW
EnergyAustralia Pty Ltd – Hallett Power Station	LICENCE - Electricity Generation 100MW < 200MW
Energy Response Pty Ltd – Amcor Glass Factory	LICENCE - Electricity Generation 100kVA<5MW
Epic Energy South Australia Pty Ltd	EXEMPTION - Electricity Distribution   Generation   Retail
ETSA Utilities (SA Power Networks)	LICENCE – Electricity Distribution
Flinders Power Holdings GmbH, Flinders Labuan (No. 1) Ltd, Flinders Labuan (No. 2) Ltd & Flinders Operating Services Pty Ltd	EXEMPTION – Electricity Distribution   Retail
Flinders Power Holdings GmbH, Flinders Labuan (No. 1) Ltd, Flinders Labuan (No. 2) Ltd & Flinders Operating Services Pty Ltd – Port Augusta Power Station – Northern and Playford Power Stations	LICENCE - Electricity Generation > 200MW

ENTITY NAME	LICENSING TYPE
Infratil Energy Australia Pty Ltd – Angaston, Lonsdale & Pt Stanvac Power Stations	LICENCE - Electricity Generation 100MW < 200 MW
Jeril Enterprises Pty Ltd	LICENCE - Regional Electricity Retail   Generation   Distribution
Jeril Enterprises Pty Ltd	EXEMPTION – Electricity Distribution   Retail
Kimberly-Clark Australia Pty Ltd	LICENCE - Electricity Generation 21.75MW
Lake Bonney Windpower Pty Ltd – Lake Bonney Wind Farm (Stage 1, 2 &3)	LICENCE - Electricity Generation > 200MW
Lofty Ranges Power Pty Ltd & SA Water Corporation – Terminal Storage Reservoir Hope Valley	LICENCE - Electricity Generation 100kVA<5MW
Minister for Mineral Resources and Energy	LICENCE – Regional Electricity Retail   Generation
Minister for Mineral Resources and Energy	EXEMPTION – Electricity Distribution   Retail
Mt Millar Wind Farm Pty Ltd – Mt Millar Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
Municipal Council of Roxby Downs	LICENCE - Regional Electricity Distribution
Municipal Council of Roxby Downs	EXEMPTION – Electricity Distribution   Retail
Murraylink Transmission Company Pty Ltd	LICENCE - Electricity Transmission 100MW < 200MW
Murraylink Transmission Company Pty Ltd	EXEMPTION – Electricity Transmission
Oceanlinx Limited	LICENCE - Electricity Generation 1,000MW
OneSteel Manufacturing Pty Ltd	LICENCE - Regional Electricity Generation   Distribution
OneSteel Manufacturing Pty Ltd	EXEMPTION – Electricity Generation   Transmission   Distribution   Retail
Origin Energy Electricity Ltd - Osborne Power Station	LICENCE - Electricity Generation 100MW < 200MW
Origin Energy Electricity Ltd - Osborne Power Station	EXEMPTION – Electricity Generation
Origin Energy Electricity Ltd - Ladbroke Grove & Quarantine Power Stations	LICENCE - Electricity Generation > 200MW

ENTITY NAME	LICENSING TYPE
Osborne Cogeneration Pty Ltd	EXEMPTION – Electricity Generation
OZ Minerals Prominent Hill Operations Pty Ltd	LICENCE - Regional Electricity Transmission
Pacific Hydro Clements Gap Pty Ltd – Clements Gap Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
Pelican Point Power Limited – Pelican Point Power Station	LICENCE - Electricity Generation > 200MW
Pelican Point Power Limited – Pelican Point Power Station	EXEMPTION – Electricity Generation
Royal Agricultural & Horticultural Society of SA Inc.	LICENCE - Electricity Generation 100kVA<5MW
SA Power Networks (a partnership of: Spark Infrastructure (No 1), Spark Infrastructure (No 2), Spark Infrastructure (No 3) Pty Ltd, CKI Utilities Development Ltd, PAI Utilities Development Ltd)	LICENCE - Electricity Distribution   Regional Electricity Distribution
SA Power Networks (a partnership of: Spark Infrastructure (No 1), Spark Infrastructure (No 2), Spark Infrastructure (No 3) Pty Ltd, CKI Utilities Development Ltd, PAI Utilities Development Ltd) – Kingscote Power Station	LICENCE - Electricity Generation 5MW < 30MW
SA Water Corporation – Seacliff	LICENCE - Electricity Generation 1.35MW
Santos Ltd	EXEMPTION - Electricity Retail   Generation   Distribution
Snowtown South Wind Farm Pty Ltd	LICENCE – Electricity Generation 100MW<200MW
Snowtown Wind Farm Pty Ltd – Snowtown Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
Snowtown Wind Farm Stage 2 Pty Ltd	LICENCE – Electricity Generation 100MW<200MW
Starfish Hill Wind Farm Pty Ltd – Starfish Hill Wind Farm	LICENCE - Electricity Generation 30MW < 100MW
Synergen Power Pty Ltd – Snuggery, Port Lincoln, Mintaro & Dry Creek Power Stations	LICENCE - Electricity Generation > 200MW
The Minister who is administratively responsible for carrying out retailing under the scheme known as the	EXEMPTION - Electricity Retail (Remote Areas Energy

ENTITY NAME	LICENSING TYPE
Remote Areas Energy Supply scheme	Supply)
Transfield Services (Australia) Pty Ltd	EXEMPTION - Electricity Retail   Generation   Distribution   Transmission
TrustPower Australia Holdings Pty Ltd - Barunga Range	LICENCE - Electricity Generation 100kVA<5MW
Vibe Energy Pty Ltd	LICENCE - Electricity Generation 100kVA<5MW
Waterloo Wind Farm Pty Ltd – Waterloo Wind Farm	LICENCE - Electricity Generation 100MW < 200MW
Wattle Point Wind Farm Pty Ltd & AGL Hydro Partnership – Wattle Point Wind Farm	LICENCE - Electricity Generation 30MW < 100MW

### Gas

ENTITY NAME	LICENSING TYPE
AGL Wholesale Gas Ltd	EXEMPTION - Gas Retail
Elgas Limited	LICENCE – Liquefied Petroleum Gas Distribution   Retail EXEMPTION - Gas Retail   Distribution
Envestra Ltd	LICENCE - Gas Distribution
Environmental Land Services (Aust) Pty Ltd	LICENCE – Liquefied Petroleum Gas Distribution EXEMPTION - Gas Distribution
Origin Energy LPG Ltd	LICENCE – Liquefied Petroleum Gas Distribution EXEMPTION - Gas Distribution
Origin Energy Retail Ltd	LICENCE – Liquefied Petroleum Retail Distribution

### Water

ENTITY NAME	LICENSING TYPE
Adelaide Hills Council	LICENCE – Water Retail Intermediate
Alano Utilities Pty Ltd	LICENCE – Water Retail Minor
Alexandrina Council	LICENCE – Water Retail Intermediate
BHP Billiton Olympic Dam Corporation Pty Ltd	LICENCE – Water Retail Minor

<b>ENTITY NAME</b>	<b>LICENSING TYPE</b>
Berri Barmera Council	LICENCE – Water Retail Intermediate
Cape Jaffa Anchorage Essential Services	LICENCE – Water Retail Minor
City of Onkaparinga (1) (Sewerage)	LICENCE – Water Retail Intermediate
City of Onkaparinga (2) (Water)	LICENCE – Water Retail Minor
City of Playford	LICENCE – Water Retail Minor
City of Port Adelaide Enfield	LICENCE – Water Retail Minor
City of Port Lincoln	LICENCE – Water Retail Minor
City of Salisbury	LICENCE – Water Retail Minor
City of Tea Tree Gully	LICENCE – Water Retail Intermediate
Clare and Gilbert Valley Council	LICENCE – Water Retail Intermediate
Coorong District Council	LICENCE – Water Retail Intermediate
District Council of Barunga West	LICENCE – Water Retail Intermediate
District Council of Ceduna	LICENCE – Water Retail Intermediate
District Council of Cleve (Arno Bay)	LICENCE – Water Retail Minor
District Council of Cleve (Cleve)	LICENCE – Water Retail Minor
District Council of Coober Pedy	LICENCE – Water Retail Minor
District Council of Copper Coast	LICENCE – Water Retail Intermediate
District Council of Elliston	LICENCE – Water Retail Minor
District Council of Franklin Harbour	LICENCE – Water Retail Minor
District Council of Grant	LICENCE – Water Retail Intermediate
District Council of Karoonda East Murray	LICENCE – Water Retail Minor
District Council of Kimba	LICENCE – Water Retail Minor

<b>ENTITY NAME</b>	<b>LICENSING TYPE</b>
District Council of Lower Eyre Peninsula	LICENCE – Water Retail Intermediate
District Council of Loxton Waikerie	LICENCE – Water Retail Intermediate
District Council of Mallala	LICENCE – Water Retail Minor
District Council of Mount Barker	LICENCE – Water Retail Intermediate
District Council of Mount Remarkable	LICENCE – Water Retail Intermediate
District Council of Orroroo Carrieton	LICENCE – Water Retail Minor
District Council of Robe	LICENCE – Water Retail Intermediate
District Council of Streaky Bay	LICENCE – Water Retail Intermediate
District Council of Tumby Bay	LICENCE – Water Retail Intermediate
District Council of Yankalilla	LICENCE – Water Retail Intermediate
District Council of Yorke Peninsula	LICENCE – Water Retail Intermediate
Fairmont Utilities Pty Ltd	LICENCE – Water Retail Intermediate
F.B Pipeline Pty Ltd	LICENCE – Water Retail Minor
Glendambo & District Progress Association Inc.	EXEMPTION – Water Retail
Hillrise Investments Pty Ltd	LICENCE – Water Retail Minor
Kangaroo Island Council	LICENCE – Water Retail Intermediate
Kingston District Council	LICENCE – Water Retail Intermediate
Knoxstead Pty Ltd	EXEMPTION – Water Retail
Light Regional Council	LICENCE – Water Retail Intermediate
Mid Murray Council	LICENCE – Water Retail Intermediate
Municipal Council of Roxby Downs	LICENCE – Water Retail Intermediate
Naracoorte Lucindale Council	LICENCE – Water Retail Minor

<b>ENTITY NAME</b>	<b>LICENSING TYPE</b>
Northern Areas Council	LICENCE – Water Retail Intermediate
Outback Communities Authority	LICENCE – Water Retail Minor
Port Augusta City Council	LICENCE – Water Retail Intermediate
Port Pirie Regional Council	LICENCE – Water Retail Intermediate
Regional Council of Goyder (Burra)	LICENCE – Water Retail Minor
Regional Council of Goyder (Eudunda)	LICENCE – Water Retail Minor
Renmark Paringa Council	LICENCE – Water Retail Intermediate
Rural City of Murray Bridge	LICENCE – Water Retail Minor
SA Water	LICENCE – Water Retail Major
Southern Mallee District Council	LICENCE – Water Retail Intermediate
Tatiara District Council	LICENCE – Water Retail Intermediate
The Barossa Council	LICENCE – Water Retail Intermediate
The City of Charles Sturt	LICENCE – Water Retail Minor
The Flinders Ranges Council	LICENCE – Water Retail Minor
Wakefield Regional Council	LICENCE – Water Retail Intermediate
Water Utilities Australia Pty Ltd	LICENCE – Water Retail Minor
Wattle Range Council	LICENCE – Water Retail Intermediate
Wirrina Corporation Pty Ltd	EXEMPTION – Water Retail
Wudinna District Council	LICENCE – Water Retail Minor

## APPENDIX 3: SIGNIFICANT COMMISSION PUBLICATIONS

*Released during 2013/14*

### *Water*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
Inquiry into Reform options SA Water's Drinking Water and Sewerage Prices –Executive Summary	July 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No.1 - Overview of the Commission's Pricing Inquiry	August 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No.2 - Water Pricing	August 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No.3 - Sewerage, Trade Waste & Property-Based Charging	August 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No.4 - Water Planning and Management Costs	August 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No.5 - Metering	August 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No.6 - Billing Consumers Rather than Landowners	August 2013
Inquiry into the Reform of SA Water’s Drinking Water and Sewerage Prices Issues Paper No. 7- Managing Pricing Reform Impacts on Consumers with Subsidies	August 2013
Water Industry Rule No.1 Excluded Retail Services (WIR/01) – Draft	September 2013
Water Regulatory Information Requirements for Major Retailers Water Industry Guideline No.2 (WG2/02) – Final Report, Explanatory Memorandum & Amendments	October 2013
SA Water Service Standards 2013/14 - 2015/16	October 2013
Second SA Water Price Determination - Draft Framework and Approach	November 2013
SA Water Service Standards - Draft Framework and Approach	November 2013
Water Industry Rule No.1 Excluded Retail Services (WIR/01) – Report	December 2013
Water Industry Guideline No 3 WG3 - Minor and Intermediate Retailers - Guideline and Explanatory Memorandum	April 2014
Annual Performance Report - Water Industry Overview 2012-13 - Report 1	April 2014

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
Annual Performance Report - SA Water Customer Service and Financial Assistance Performance Outcomes 2012-13 - Report 2	April 2014
Annual Performance Report - SA Water Performance Outcomes 2012-13 - Report 3	April 2014
Annual Performance Report - SA Water Sewerage Retail Service 2012-13 - Report 4	April 2014
Annual Performance Report -Minor and Intermediate Retailers Water and Sewerage Services 2012-13 - Report 5	April 2014
Minor and Intermediate Retailers Standard Customer Sales Contract Sewerage Services - Draft	April 2014
Water Retail Code - Minor and Intermediate Water Retailers - Draft Decision	May 2014
South Australian Water Metering Code - Issues Paper	May 2014

### *Energy*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
Energy Retail Prices in South Australia Ministerial Pricing Report 2013	August 2013
Energy Industry Guideline No.4 (EG4/4) - Compliance Systems and Reporting Energy Industry	September 2013
Information Disclosure for No Early Termination Fee Market Contracts - Final Decision	September 2013
Post National Energy Customer Framework (NECF) Review of Regulatory Instruments - Final Decision	September 2013
Prepayment Meter System Code (PMSC/02)	September 2013
Guideline No.5 (EG5/1) - Information Disclosure for No Early Termination Fee Market Contracts	September 2013
National Electricity Retail Law (NERL) Review - Methodology for Review - Issues Paper	November 2013
National Electricity Retail Law (NERL) Review - Methodology for Review - Final Decision	March 2014
Annual Performance Report Energy Network Businesses Overview 2012-2013 - Report 1	April 2014
Annual Performance of SA Power Networks 2012-2013 - Report 2	April 2014
Annual Performance of ElectraNet 2012-2013 - Report 3	April 2014

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
Annual Performance of Envestra 2012-2013 - Report 4	April 2014

### *Electricity*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
ElectraNet's Proposed Amendments to the Electricity Transmission Code – Final Report	July 2013
Electricity Transmission Code (TC/07 - Version 2)	July 2013
Electricity Distribution Code (EDC/11)	September 2013
Electricity Industry Guideline No.1 (G1/11) - Electricity Regulatory Information Requirements - Distribution	September 2013
Retailer Feed-in Tariff Draft Price Determination – Draft Report, Statement of Reasons & Executive Summary	October 2013
Electricity Guideline No.3 (EG3/06) - Transmission and Systems Control	October 2013
SA Power Networks Jurisdictional Service Standards for the 2015-2020 Regulatory Period - Draft	November 2013
Retailer Feed-in Tariff Final Price Determination – Final Report, Statement of Reasons & Fact Sheet	December 2013
SA Power Networks Jurisdictional Service Standards for the 2015-2020 Regulatory Period - Final Report, Executive Summary & Fact Sheet	May 2014

### *Power Line Environment Committee*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
Power Line Environment Committee Annual Report 2012/13	September 2012

## Gas

PUBLICATION NAME	DATE PUBLISHED
Gas Distribution Code (GDC/06)	September 2013
Gas Industry Guideline No.1 (GIG 1/5) - Gas Regulatory Information Requirements - Distribution System	September 2013
Envestra's Jurisdictional Service Standards for the 2016-2021 Regulatory Period - Issues Paper	March 2014
Gas Industry Guideline No.1 (GIG 1/6) - Gas Regulatory Information Requirements - Distribution System	March 2014

## Residential Energy Efficiency Scheme

PUBLICATION NAME	DATE PUBLISHED
Residential Energy Efficiency Scheme Bulletin No.8 (REESB8/3) - Retailer Five Validation System (REES-R)	July 2013
Residential Energy Efficiency Scheme Bulletin No.12 (REESB12/3) - Energy Efficiency Activity Application Process	July 2013
Residential Energy Efficiency Scheme Bulletin No.14 - (REESB14/1) - Conduct of Energy Audits in a Household Where the Occupant has Changed	July 2013
Residential Energy Efficiency Scheme Bulletin No.15 (REESB15/1) - Application of Energy Credits	July 2013
Residential Energy Efficiency Scheme Bulletin No. 16 (REESB16/1) - Water Heater Installations	July 2013
Residential Energy Efficiency Scheme Code (REES Code) - Proposed Amendments 2013 - Draft Decision	November 2013
Residential Energy Efficiency Scheme Code (REESC/07) - Draft Code	November 2013
Residential Energy Efficiency Scheme Code (REES Code) - Proposed Amendments Final Decision	February 2014
Residential Energy Efficiency Scheme Code (REESC/07) - Final Decision	February 2014
Residential Energy Efficiency Scheme Bulletin No.17 (REESB17/1) - Installation of Standby Power Controller Activities (SPCS) in a Household Where the Occupant has Changed	April 2014

Residential Energy Efficiency Scheme Bulletin No.18 (REESB18/1) - REES Compliance Framework	June 2014
Residential Energy Efficiency Scheme (REES) - Annual Report 2013	June 2014

### *Rail*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
South Australian Rail Regulation Annual Report 2012/13	September 2013
Tarcoola-Darwin Rail Regulation Annual Report 2012/13	September 2013

### *Ports*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
2013 Ports Price Monitoring Report	November 2013

### *Corporate Governance*

<b>PUBLICATION NAME</b>	<b>DATE PUBLISHED</b>
Enforcement Policy (Version 2.5)	September 2013
Annual Report 2012/2013	December 2013
Values	January 2014
Performance Plan 2013/2014	February 2014
Strategic Plan 2014/15-2016/17	April 2014
Charter of Consultation and Regulatory Practice - Consultation Draft	May 2014

## APPENDIX 4: HUMAN RESOURCE STATISTICAL INFORMATION

*As at the last pay period in June 2014*

**Table 9: Executive employees by appointment type, gender and classification**

	Contract Untenured			Other (Part Time)			Total		
	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>
Level A	1	0	1	0	0	0	1	0	1
Level B	1	0	1	0	0	0	1	0	1
<b>Total Executive</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>

**Table 10: Other employees by appointment type, gender and salary bracket**

Salary Bracket	Ongoing			Long term contract			Short term contract			Casual			Total		
	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>
\$0 - \$54,799	0	0	<b>0</b>	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
\$54,800 - \$69,699	1	7	<b>8</b>	0	0	0	0	0	0	0	0	0	1	7	<b>8</b>
\$69,700 - \$89,199	2	4	<b>6</b>	0	0	0	0	0	0	0	0	0	2	4	<b>6</b>
\$89,200 - \$112,599	6	3	<b>9</b>	0	0	0	0	0	0	0	0	0	6	3	<b>9</b>
\$112,600+	0	0	<b>0</b>	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>9</b>	<b>14</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>14</b>	<b>23</b>

**Table 11: Commission key employment details**

	Ongoing & Contract	Casual	Total
Persons	25	0	25
Full Time Equivalents	22.36	0	22.36
Positions vacant	1	0	1
Ave Full Time Equivalent 2013/14	21.78	0	21.78
<b>% Persons</b>			
Male	44	0	44
Female	56	0	56
<b>% Full Time Equivalents</b>			
Male	46.51	0	46.51
Female	53.49	0	53.49
Number of persons separated from ESCOSA	4	1	5
Number of persons recruited	0	0	0
Number of persons on leave without pay <sup>5</sup>	0	0	0

**Table 12: Diversity**

	M	F	Total	% Persons	% SA Community*
Number of employees born overseas	5	3	8	32	22.1
Number of employees who speak language(s) other than English at home	1	1	2	8	14.4
Number of Aboriginal and/or Torres Strait Islander employees	0	0	0	0	unknown
Number of employees with a Disability	0	0	0	0	unknown

\* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2011 census

<sup>5</sup> As at 30 June 2014

**Table 13: Commission age profile**

AGE GROUP (YEARS)	NUMBER OF PERSONS			% PERSONS	% 2014 WORKFORCE BENCHMARK*
	Male	Female	Total		
15-19	0	0	0	0	5.5
20-24	0	1	1	4	9.7
25-29	0	4	4	16	11.2
30-34	0	3	3	12	10.7
35-39	4	3	7	28	9.6
40-44	1	1	2	8	11.4
45-49	3	0	3	12	11.1
50-54	1	0	1	4	11.4
55-59	2	1	3	12	9.1
60-64	0	1	1	4	6.7
65+	0	0	0	0	3.6
Total	11	14	25	100	100

\* Source: ABS Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status - employed - total from Feb78 Supertable, South Australia at November 2013

**Table 14: Voluntary flexible working arrangements by gender**

	MALE	FEMALE	TOTAL
Purchased Leave	1	0	1
Part Time	2	6	8
Job Share	0	0	0
Work from Home	0	0	0

Note: Compressed Weeks and Flexitime are not offered by the Commission

**Table 15: Performance development**

EMPLOYEES WITH ...	PERSONS	% TOTAL WORKFORCE
A plan reviewed within the past 12 months	25	100
A plan older than 12 months	0	0
No plan	0	0

**Table 16: Average days leave taken per full time equivalent**

LEAVE TYPE	2013/14	2012/13	2011/12	2010/11
Special Leave With Pay	0.6	1.0	1.1	1.0
Sick Leave	7.5	10.4	12.7	6.1
Family Carer's Leave	1.4	1.6	1.2	1.3
Total Sick/Carer's Leave	8.9	12.0 <sup>#</sup>	13.9 <sup>#</sup>	7.3
Public Sector average Sick/Carer's leave days taken per Full Time Equivalent	N/A*	N/A*	9.1	9.8

\* Public Sector Average sick leave figure not available at time of publication.

<sup>#</sup> Note: Total Sick/Carer's Leave outcomes were impacted by the long-term sick leave of one staff member. If leave taken by this employee is removed, the average total days of sick/carers leave taken per full time equivalent are 8.0 for 2012/13 and 10.2 for 2011/12.

**Table 17: Training expenditure**

TRAINING AND DEVELOPMENT	TOTAL COST	% OF TOTAL SALARY EXPENDITURE
Total training and development expenditure	\$120,387.09	4.26%
Total leadership and management development expenditure	\$33,220.75	1.18%

**Table 18: Commissioner attendance at Commission meetings 2013/14**

	ELIGIBLE TO ATTEND	ATTENDED
John Hill	16	16
Barbara Rajkowska	13	9
June Roache	1	1
David Round	1	1
Patrick Walsh	16	14
Lynne Williams	10	9

**Table 19: Work Health, Safety and Injury Management statistics**

	2013/14	2012/13	2011/12
Average number of people employed (Full Time Equivalent)	21.78	22.61	21.5
<b>OHS LEGISLATIVE OBLIGATIONS</b>			
Number of notifiable occurrences pursuant to Work Health and Safety Act Part 3	0	0	0
Number of notifiable injuries pursuant to Work Health and Safety Act Part 3	0	0	0
Number of notices served pursuant to Work Health and Safety Act Section 90, 191 and 195 (Provisional improvement, improvement and prohibition notices)	0	0	0
Injury management legislative requirements	0	0	0
Total number of employees who participated in rehabilitation programs	0	0	0
Total number of employees rehabilitated and reassigned to alternative duties	0	0	0
Total number of employees rehabilitated back to their original work	0	0	0
<b>WORK COVER ACTION LIMITS</b>			
Number of open claims	0	0	0
Percentage of workers compensation expenditure over gross annual remuneration	0	0	0
<b>Number of Claims</b>			
Number of new workers compensation claims in the financial year	0	0	0
Number of fatalities, lost time injuries, medical treatment only	0	0	0
Total number of working days lost	0	0	0
<b>Cost of Workers Compensation</b>			
Cost of new claims for financial year	\$0	\$0	\$0
Cost of all claims excluding lump sum payments	\$0	\$0	\$0
Cost of lump sum payments (ss 42, 43 & 44)	\$0	\$0	\$0
Total amount recovered from external sources (s54)	\$0	\$0	\$0
Budget allocation for workers compensation levy	\$1499	\$1499	\$1597
<b>Meeting Targets</b>			
Nil Workers compensation claims	YES	YES	YES
Sick leave below public sector average	N/A*	N/A*	NO
Work Health and Safety policies implemented as scheduled	100%	100%	100%
Work Health and Safety training program in place	Yes	Yes	Yes
Workplace inspections are up to date	Yes	Yes	Yes

\* Public Sector Average sick leave figure not available at time of publication.

# APPENDIX 5: FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT

# **ESSENTIAL SERVICES COMMISSION**

## **FINANCIAL STATEMENTS**

**for the year ended 30 June 2014**

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**Certification of the Financial Statements**

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We certify that the financial statement of the Essential Services Commission:

- are in accordance with the accounts and records of the Commission; and
- comply with relevant Treasurer's instructions; and
- comply with relevant accounting standards; and
- present a true and fair view of the financial position of the Commission at the end of the financial year and the results of its operations and cash flows for the financial year.

Internal controls employed by the Essential Services Commission over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.

Signed in accordance with a resolution of the Commission.



Dr Patrick Walsh  
CHAIRPERSON  
29 September 2014



Adam Wilson  
CHIEF EXECUTIVE OFFICER  
29 September 2014



Nick Mahon  
MANAGER, FINANCE AND INFORMATION TECHNOLOGY  
29 September 2014

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**Statement of Comprehensive Income for the year ended 30 June 2014**

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	Note	<b>2014</b>	2013
		<b>\$'000</b>	\$'000
<b>EXPENSES</b>			
Employee benefits expense	5	<b>3 035</b>	3 470
Supplies and services	6	<b>1 743</b>	2 204
Refunds	7	—	551
Payments to SA Government	8	<b>100</b>	1 545
Depreciation and amortisation expense	9	<b>107</b>	59
<b>Total Expenses</b>		<b>4 985</b>	7 829
<b>INCOME</b>			
Revenues from licence and administration fees	11	<b>4 589</b>	5 746
Contributions from SA Government	12	<b>234</b>	324
Revenue from services	13	<b>49</b>	11
Other income	14	<b>14</b>	30
<b>Total Income</b>		<b>4 886</b>	6 111
<b>NET RESULT</b>		<b>( 99)</b>	(1 718)
<b>TOTAL COMPREHENSIVE RESULT</b>		<b>( 99)</b>	(1 718)

**THE NET PROFIT AND TOTAL COMPREHENSIVE RESULT ARE ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER.**

The above Statement should be read in conjunction with the accompanying notes.

## Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	25	8 943	9 852
Receivables	15	1 189	1 391
<b>Total Current Assets</b>		<b>10 132</b>	<b>11 243</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	498	563
Intangible assets	17	72	68
<b>Total Non-Current Assets</b>		<b>570</b>	<b>631</b>
<b>TOTAL ASSETS</b>		<b>10 702</b>	<b>11 874</b>
<b>CURRENT LIABILITIES</b>			
Payables	19	185	1 167
Employee benefits	20	193	300
Other liabilities	21	145	123
<b>Total current liabilities</b>		<b>523</b>	<b>1 590</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	19	45	45
Employee benefits	20	479	482
Other liabilities	21	—	3
<b>Total Non-Current Liabilities</b>		<b>524</b>	<b>530</b>
<b>TOTAL LIABILITIES</b>		<b>1 047</b>	<b>2 120</b>
<b>NET ASSETS</b>		<b>9 655</b>	<b>9 754</b>
<b>EQUITY</b>			
Retained earnings	29	9 655	9 754
<b>TOTAL EQUITY</b>		<b>9 655</b>	<b>9 754</b>

**TOTAL EQUITY IS ATTRIBUTED TO THE SA GOVERNMENT AS OWNER.**

Unrecognised contractual commitments 22

Contingent Assets and Liabilities 23

The above Statements should be read in conjunction with the accompanying notes.

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**Statement of Changes in Equity for the year ended 30 June 2014**

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	<b>Retained Earnings</b>
	<b>\$'000</b>
<b>Restated balance at 30 June 2012</b>	11 472
Net result for 2012-13	(1 718)
<b>Balance at 30 June 2013</b>	<u>9 754</u>
Net result for 2013-14	<b>( 99)</b>
Total comprehensive result for 2013-14	<u>( 99)</u>
<b>Balance at 30 June 2014</b>	<u><b>9 655</b></u>

**ALL CHANGES IN EQUITY ARE ATTRIBUTED TO THE SA GOVERNMENT AS OWNER.**

The above Statements should be read in conjunction with the accompanying notes.

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**Statement of Cash Flows for the year ended 30 June 2014**


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	Note	2014 \$'000	2013 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Payments for employee benefit		(3 169)	(3 273)
Payments for supplies and services		(1 811)	(2 206)
Payments to SA Government		( 100)	(1 544)
Payments for paid parental leave scheme		( 18)	( 25)
<b>Cash used in operations</b>		<b>(5 098)</b>	<b>(7 048)</b>
<b>Cash Inflows</b>			
Receipts from licence and administration fees		4 377	6 470
Receipts of grants and contributions		234	324
Receipts from other services		49	11
Receipts for paid parental scheme		17	27
Other receipts		14	30
<b>Cash generated from operations</b>		<b>4 691</b>	<b>6 862</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	25	<b>( 407)</b>	<b>( 186)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of property, plant and equipment		( 461)	( 89)
Purchase of intangible assets		( 41)	—
<b>Cash used in Investing Activities</b>		<b>( 502)</b>	<b>( 89)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>( 502)</b>	<b>( 89)</b>
<b>NET (DECREASE) / INCREASE IN CASH</b>		<b>( 909)</b>	<b>( 275)</b>
Cash at the beginning of the period		9 852	10 127
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	25	<b>8 943</b>	<b>9 852</b>

The above Statements should be read in conjunction with the accompanying notes.

**Notes to and forming part of the Financial Statements**

**Note Index**

Note 1	Objectives of the Essential Services Commission
Note 2	Summary of significant accounting policies
Note 3	New and revised accounting standards and policies
Note 4	Activities of the Commission

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Note 6	Supplies and services
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Note 29	Retained earnings
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Notes to and forming part of the Financial Statements

**Note 1 Objectives of the Essential Services Commission**

The Essential Services Commission (the Commission) is a statutory authority established as a general independent regulator under the *Essential Services Commission Act 2002 (ESC Act)*. The ESC Act is committed to the Treasurer.

The Commission's role encompasses industries providing essential services as specified in the ESC Act, including water, sewerage, electricity, gas, maritime and rail services. Its primary objective, as specified in the ESC Act, is to protect the long-term interests of South Australian consumers of essential services with respect to price, reliability and quality of those services.

The ESC Act specifies a general set of functions for the Commission. However, specific roles are assigned to the Commission under industry legislation, refer to Note 4.

- Regulate prices and perform licensing and other functions under relevant industry regulation Acts;
- Monitor and enforce compliance with and promote improvement in standards and conditions of service and supply under relevant industry regulation Acts;
- Make, monitor the operation of, and review from time to time, codes and rules relating to the conduct or operations of a regulated industry or regulated entities;
- Provide and require consumer consultation processes in regulated industries and assist consumers and others with information and other services;
- Advise the Minister on any matter referred by the Minister;
- Administer the ESC Act;
- Perform functions assigned to the Commission under the ESC or any other Act;
- In appropriate cases, prosecute offences against the ESC Act or a relevant industry regulation Act.

**Note 2 Summary of significant accounting policies**

**2.1 (a) Statement of compliance**

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with applicable Australian Accounting Standards (AAS) and Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied AAS that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

AAS and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2014. Refer to Note 3.

**(b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires the exercise of its judgement in the process of applying the Commission's accounting policies; areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
  - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature;
  - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
  - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The Commission's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention.

The Statement of Cash Flow has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

**(c) Reporting entity**

The financial statements and accompanying notes cover the Commission as an individual reporting entity. The Commission is a statutory authority of the State of South Australia, established pursuant to the ESC Act.

The Commission utilises the banking arrangements of the Department of Treasury and Finance under a Service Level Agreement. A non interest bearing Special Deposit Account entitled "Essential Services Commission Operating Account" is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence fees.

**(d) Administered items**

The Commission receives licence and administration fees which include administered items held on behalf of the South Australian (SA) Government. The Commission is accountable for the collection and banking of those administered items, but does not have the discretion to deploy the resources for the achievement of the Commission's objectives other than in accordance with its approved Budget or prior approval of the Treasurer. The receipt of these administered items is not recognised as revenue. Instead, the receipt and subsequent transfer of these items to Consolidated Account is disclosed in Notes 11 and 30. The accrual basis of accounting has been used in accounting for administered items.

**2.2 Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statement unless impracticable.

The Commission has not applied any accounting policy retrospective changes for the financial year 2014.

The restated comparative amounts do not replace the original financial statements for the preceding period.

**2.3 Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

**2.4 Taxation**

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivable and payable, which are stated with the amount of GST included.

GST amounts payable and recoverable from the ATO are managed via the Department of Treasury and Finance under the Commission's existing Service Level Agreement (SLA) and are not reported in these statements for 2013-14.

**2.5 Events after the reporting period**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June. Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

**2.6 Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission will occur and can be reliably measured.

Income has been aggregated according to its nature, and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

**(a) Licence fees**

Licence fees are measured at the fair value of consideration received or receivable. Gross licence fee revenue is derived from charges imposed on regulated industry participants by the relevant Ministers under the relevant Acts which specify: 'A 'person' is not entitled to the issue of a licence unless the person first pays to the Commission the annual licence fee, or the first instalment of the annual licence fee'. Licence fee revenue is recognised when it is received or receivable. Unearned revenue is recognised where cash is received by the Commission for licence fees prior to the date of renewal.

**(b) Administration fees**

Administration fees are measured at the fair value of consideration received or receivable. Gross administration fee revenue is calculated in accordance with regulations under the relevant Acts that represents a reasonable contribution towards administration costs. Administration fee revenue is recognised when it is received or receivable. Unearned revenue is recognised where cash is received by the Commission for administration fees prior to the date of renewal.

**(c) Contributions from SA Government**

Contributions received from the SA Government are recognised as revenue upon receipt of the contribution.

## 2.7 Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

### Employee benefits expenses

Employee benefit expenses include all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

### Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current Commission staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

### Depreciation and amortisation

All non-current assets having limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. No adjustments were made during the reporting period.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Depreciation/amortisation method	Useful life
Leasehold improvements	Straight line	Remaining life of expected lease term
Furniture and fittings	Straight line	3 - 10 years
Office equipment - IT	Straight line	3 - 5 years
Office equipment - Other	Straight line	3 - 5 years
Intangibles	Straight line	3 - 5 years

### Payments to SA Government

The Payments to the SA Government consist of amounts approved by the Treasurer for transfer from the Special Deposit Account to the Consolidated Account. Details are provided at Note 8.

## 2.8 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Commission has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

## 2.9 Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

### Special deposit account

The Commission records all transactions in a Special Deposit Account (SDA) established by the Treasurer in accordance with the *Public Finance and Audit Act 1987*. The Commission may only utilise the reported balance in the Special Deposit Account in accordance with its approved Budget or with prior approval of the Treasurer.

### Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position includes cash on hand and on deposit. Cash equivalents includes other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash which are subject to insignificant risk of changes in value. Cash on deposit comprises funds in the non interest bearing Special Deposit Account entitled 'Essential Services Commission Operating Account'. Cash is measured at its nominal value.

### Receivables

Receivables include amounts receivable from licence fees, administration fees, goods and services, prepayments and other accruals.

Licence fees are invoiced prior to the due date (annual anniversary date) and are payable in advance of the regulatory period to which they relate. Control over assets acquired from licence fees is obtained on the licence anniversary date. Licence and administration fee revenue received in advance is recognised as unearned revenue (liability) in the Statement of Financial Position.

### Non-current assets

#### Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

All non-current tangible and intangible assets with a value equal to or in excess of \$10 000 are capitalised.

#### Revaluation of non-current assets

All non-current assets are valued at fair value, and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The Commission has not undertaken the revaluation of any non-current assets or any group of assets.

#### Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Impairment is generally limited to a situation in which an asset's depreciation is materially understated or where the replacement cost is falling.

#### Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets which have been 'separately acquired' and have finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

#### Fair Value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commission classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Commission at each reporting date.

#### Non financial assets

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years,' are deemed to approximate fair value.

Refer to Notes 16 and 18 for disclosures regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

#### Financial assets / liabilities

The Commission does not have or recognise any financial assets or financial liabilities at fair value.

## **2.10 Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

#### Payables

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is received.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Commission.

Accrued expenses represents the aggregate of amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period and where an invoice has not been received.

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The Commission makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they are paid. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to those SA Government and externally managed superannuation schemes.

#### Leases

##### Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The lessor effectively retains all risks and benefits incidental to ownership of the items held under the operating leases. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

##### Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at their nominal amounts.

##### Salaries and wages, annual leave, skills and experience retention leave and sick leave

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and it is assumed that the average sick leave to be taken in future years will be less than the annual entitlement.

##### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities across government. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current/non-current classification of the Commission's long service leave liabilities has been calculated based on historical usage patterns. The estimation of short term and long term long service leave liabilities is based on the Commission's past experience.

##### Provisions

Provisions are recognised when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Commission is virtually certain that some or all of a provision is to be reimbursed, then the reimbursement is recognised as a separate asset. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of the Commission's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

**2.11 Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include those operating and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

**2.12 Insurance**

All of the Commission's major risks are insured through the SAICORP Division of the South Australian Government Financing Authority (SAFA). An excess is payable in respect of all claims.

**Note 3 New and revised accounting standards and policies**

The Commission did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new *AASB 13 Fair Value Measurement*, which became effective for the first time in 2013-14, the Commission has:

- reviewed its fair value valuation techniques (both internal estimates and independent valuation appraisal) for non-financial assets to ensure they are consistent with the standard. Previously, the Commission has used the cost approach or the market approach to determine fair value. The Commission will continue to measure its non-financial assets using either the cost or market approach. The application of AASB 13 has not had a material impact on the fair value measurements; and
- included additional disclosures where required to assist users in assessing the valuation techniques and inputs used to ascertain fair value measurements used for asset and liability measurements.

Fair value hierarchy and other information is provided in Note 18.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the period ending 30 June 2014. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

**Note 4 Activities of the Commission**

The Commission is an independent economic regulator of essential services in SA, with key responsibilities in the water, wastewater, electricity, gas, maritime and rail industries. The activities of the Commission include licensing, performance monitoring and price regulation. The Commission also administers the South Australian Residential Energy Efficiency Scheme and provides advice as required to the State Government on regulatory matters. The ESC Act specifies a general set of functions for the Commission. However, the specific roles of the Commission are assigned to it under industry legislation. The following table summarises such roles as at June 2014 by activity.

Sector	Legislation	Regulatory Tasks
Water	<i>Water Industry Act 2012</i>	Licensing, retail price regulation, consumer protection, service/reliability standard setting, performance monitoring and reporting of water and sewerage retail service providers and other functions as required from time to time.
Electricity	<i>Electricity Act 1996</i>	Licensing, service/reliability standard setting, performance monitoring and reporting of specified electricity operations in SA (generation, transmission, distribution and off-grid suppliers), determination of the retailer solar photovoltaic Feed-in Tariff, preparation and publication of Ministerial Energy Retail Pricing reports, Residential Energy Efficiency Scheme administration and other functions as required from time to time.
Gas	<i>Gas Act 1997</i>	Licensing of retail (LPG only) and distribution (natural gas and LPG) gas operations in SA, preparation and publication of Ministerial Energy Retail Pricing reports, Residential Energy Efficiency Scheme administration and other functions as required from time to time.
Rail	<i>AustralAsia Railway (Third Party Access) Act 1999;</i> <i>Railway (Operations and Access) Act 1997</i>	Regulation under the AustralAsia (Third Party Access) Code for the Tarcoola–Darwin railway; access regulator for specified intra-state rail lines.
Ports	<i>Maritime Services (Access) Act 2002</i>	Pricing and access regulator for specified port services.

**Note 5 Employee benefits expense**

	2014	2013
	\$'000	\$'000
Salaries and wages	2 214	2 359
Long service leave	51	105
Annual leave	160	221
Skill and Experience retention leave	( 2)	2
Employment on costs - superannuation	373	472
Employment on costs - other	113	131
Board and Committee fees*	96	93
Other employee related expenses	30	87
<b>Total Employee benefit expenses</b>	<b>3 035</b>	<b>3 470</b>

No employees received a targeted voluntary separation package (TVSP) during the reporting period.

\* Board and Committee fees only include direct payment to members. Superannuation payments including salary sacrifice payments are included under Employment on costs - superannuation. See Note 24 for details of remuneration for Board and Committee members.

**Remuneration of Employees**

	2014	2013
	Number of Employees	Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$138 000 - \$141 499*	n/a	—
\$161 500 - \$171 499	1	—
\$191 500 - \$201 499	1	1
\$231 500 - \$241 499	—	2
\$251 500 - \$261 499	2	—
\$321 500 - \$331 499	—	1
<b>Total Number of Employees</b>	<b>4</b>	<b>4</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$873 354 (\$1 000 299).

\* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2013-14.

**Note 6 Supplies and services**

	2014	2013
	\$'000	\$'000
Accommodation	420	473
General administration	534	603
Information technology charges	123	138
Consultants	481	734
Contractors	—	181
Other supplies and services	185	75
<b>Total Supplies and services</b>	<b>1 743</b>	<b>2 204</b>

Total Supplies and Services includes GST where the amount of GST incurred by the Commission as a purchaser is not recoverable from the Australian Taxation Office.

**Consultants**

The number of, and dollar amount paid or payable to consultants for projects undertaken are within the following bands:

	2014	2013	2014	2013
	Number	Number	\$'000	\$'000
Below \$10 000	3	4	17	23
Between \$10 000 and \$50 000	6	4	185	105
Above \$50 000	2	5	279	606
<b>Total Paid or payable to consultants</b>	<b>11</b>	<b>13</b>	<b>481</b>	<b>734</b>

**Note 7 Refunds**

	2014	2013
	\$'000	\$'000
Refunds of licence fees	—	551
<b>Total Refunds</b>	<b>—</b>	<b>551</b>

<b>Note 8 Payments to SA Government</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Return of funds from Barley Industry	—	130
Return of contributions for Interstate Rail Regulation	—	350
Return of contributions for Intrastate Rail Regulation	—	290
Return of contributions for Ports Industry Regulation	—	675
Transfer of funds to Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) (SACOSS)	100	100
<b>Total Payments to SA Government</b>	<b>100</b>	<b>1 545</b>

<b>Note 9 Depreciation and amortisation expense</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Depreciation</b>		
Furniture & fittings	—	7
Office equipment	4	7
Building fit out	58	—
<b>Total Depreciation expense</b>	<b>62</b>	<b>14</b>
<b>Amortisation expense</b>		
Intangible assets	45	45
<b>Total Amortisation expense</b>	<b>45</b>	<b>45</b>
<b>Total Depreciation and amortisation expense</b>	<b>107</b>	<b>59</b>

<b>Note 10 Auditor's remuneration</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit fees paid or payable to the Auditor-General's Department for the audit of the financial statements	15	14
<b>Total Audit fees</b>	<b>15</b>	<b>14</b>

**Other services**

No other services were provided by the Auditor-General's Department.

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of Note 6 Supplies and services - General administration.

<b>Note 11 Revenue from licence and administration fees</b>	<b>2014</b>	<b>2013</b>			
	<b>\$'000</b>	<b>\$'000</b>			
	<b>Electricity</b>	<b>Gas</b>	<b>Water</b>		
Licence fees	5 532	2 397	3 395	11 324	12 600
Administration fees	408	111	—	519	320
Administered items*	(4 417)	(1 967)	( 870)	(7 254)	(7 174)
<b>Total fees</b>	<b>1 523</b>	<b>541</b>	<b>2 525</b>	<b>4 589</b>	<b>5 746</b>

\* Refer Note 30 Administered items.

<b>Note 12 Contributions from SA Government</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Recurrent contribution from SA Government	234	324
<b>Total Contributions from SA Government</b>	<b>234</b>	<b>324</b>

<b>Note 13 Revenue from services</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Contribution to Rail regulatory costs by Northern Territory Government	49	11
<b>Total Revenue from services</b>	<b>49</b>	<b>11</b>

<b>Note 14 Other income</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Other income*	14	30
<b>Total Other income</b>	<b>14</b>	<b>30</b>

\* An amount of \$11 000 was received in lieu of make good provisions under the accommodation lease.

**Note 15 Receivables**

	2014 \$'000	2013 \$'000
<b>Current</b>		
Receivables	1 071	1 239
Accrued revenue	109	109
Prepayments	9	43
<b>Total Current Receivables</b>	<u>1 189</u>	<u>1 391</u>

No receivables are expected to be recovered more than 12 months after the reporting date.

**Interest rate and credit risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value as they are receivable on demand. There is no concentration of credit risk.

**Note 16 Property, plant and equipment**

	2014 \$'000	2013 \$'000
<b>Office equipment</b>		
Office equipment at cost (deemed fair value)	34	34
Accumulated depreciation	( 29)	( 25)
<b>Total Office equipment</b>	<u>5</u>	<u>9</u>
<b>Building fit outs</b>		
Building fit outs at cost (deemed fair value)	551	554
Accumulated depreciation	( 58)	—
<b>Total Building Fit outs</b>	<u>493</u>	<u>554</u>
<b>Total Property, plant and equipment</b>	<u>498</u>	<u>563</u>

**Carrying amount of Property plant and equipment**

All items of property, plant and equipment had a 'fair value at the time of acquisition that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. The assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

**Impairment**

There were no indications of impairment on property, plant and equipment at 30 June 2014.

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2013-14.

	Office equipment \$'000	Building fit outs \$'000	TOTAL \$'000
Carrying amount at the beginning of the period	9	554	563
Adjustments	—	( 3)	( 3)
Depreciation expense	(4)	( 58)	( 62)
<b>Carrying amount at the end of the period</b>	<u>5</u>	<u>493</u>	<u>498</u>

The following table shows the movement of property, plant and equipment during 2012-13.

	Furniture and fittings \$'000	Office equipment \$'000	Building fit outs \$'000	TOTAL \$'000
Carrying amount at the beginning of the period	7	16	—	23
Additions	—	—	554	554
Depreciation expense	(7)	(7)	—	( 14)
<b>Carrying amount at the end of the period</b>	<u>—</u>	<u>9</u>	<u>554</u>	<u>563</u>

**Note 17 Intangible assets**

	2014 \$'000	2013 \$'000
<b>Internally developed software</b>		
Internally developed computer software at cost (deemed fair value)	212	212
Accumulated amortisation	( 189)	( 144)
<b>Total Internally developed software</b>	<u>23</u>	<u>68</u>
<b>Work in progress</b>		
At cost (deemed fair value)	49	—
<b>Total work in progress</b>	<u>49</u>	<u>—</u>
<b>Total Intangible assets</b>	<u><u>72</u></u>	<u><u>68</u></u>

**Impairment**

There were no indications of impairment on intangible assets at 30 June 2014.

**Reconciliation of Intangible assets**

The following table shows the movement of intangible assets during during 2013-14.

	Internally Developed Software \$'000	Work in progress \$'000	TOTAL \$'000
Carrying amount at the beginning of the period	68	—	68
Additions	—	49	49
Amortisation expense	( 45)	—	( 45)
<b>Carrying amount at the end of the period</b>	<u>23</u>	<u>49</u>	<u>72</u>

The following table shows the movement of intangible assets during during 2012-13.

	Internally Developed Software \$'000	Work in progress \$'000	TOTAL \$'000
Carrying amount at the beginning of the period	113	—	113
Amortisation expense	( 45)	—	( 45)
Carrying amount at the end of the period	<u>68</u>	<u>—</u>	<u>68</u>

**Note 18 Fair value measurement****Fair value hierarchy**

The Commission categorises non-financial assets measured at fair value into hierarchy levels based on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014.

The Commission had no valuations categorised into Level 1.

**Fair value measurements at 30 June 2014**

<b>Recurring fair value measurements</b>	<b>2014 \$'000</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>
Office equipment (Note 16)	5	—	—	5
Building fitouts (Note 16)	493	—	—	493
<b>Total recurring fair value measurements</b>	<u>498</u>	<u>—</u>	<u>—</u>	<u>498</u>

Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2014. The Commission's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

**Valuation techniques and inputs**

Valuation techniques used to derive level 3 fair values are at Note 16. Although unobservable inputs were used in determining fair value, and are subjective, the Commission considers that the overall valuation would not be materially affected by changes to the existing assumptions.

There were no changes to valuation techniques during 2014. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

**Reconciliation of fair value measurements - Level 3**

	Office equipment \$'000	Building fit outs \$'000	Total Level 3 \$'000
Opening balance at the beginning of the period	9	554	563
Adjustments	—	( 3)	( 3)
Depreciation expense*	( 4)	( 58)	( 62)
<b>Closing balance at the end of the period</b>	<u>5</u>	<u>493</u>	<u>498</u>

\*Gains (losses) for the period are recognised in the net result.

<b>Note 19 Payables</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued expenses	157	1 120
Employment on-costs	28	46
Workers compensation	—	1
	<u>185</u>	<u>1 167</u>
<b>Non-Current</b>		
Employment on-costs	45	45
<b>Total Non-Current Payables</b>	<u>45</u>	<u>45</u>
<b>Total Payables</b>	<u>230</u>	<u>1 212</u>

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of long service leave taken as leave has remained at the 2013 rate of 40% and the average factor for the calculation of the employer superannuation on-costs has remained at the 2013 rate of 10.3%. This rate is used in the employment on-cost calculation.

Under the *Payroll Tax Act 2010*, the payroll tax rate remained at 4.95% in 2014. The rate is used in the payroll tax calculation for long service leave and annual leave.

#### Interest rate and credit risk

Creditors are raised for all material amounts billed but unpaid. Trade creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value as they are payable on demand.

#### Financial instruments/financial risk management

Refer Note 27.

<b>Note 20 Employee benefits</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued salaries and wages	13	—
Annual leave	136	164
Long service leave	44	134
Skills and experience retention leave	—	2
<b>Total Current Employee benefits</b>	<u>193</u>	<u>300</u>
<b>Non-Current</b>		
Long service leave	479	482
<b>Total Non-Current Employee benefits</b>	<u>479</u>	<u>482</u>
<b>Total Employee benefits</b>	<u>672</u>	<u>782</u>

The Commission's long service leave liability was estimated in accordance with AASB 119, using assumptions based on employee experience from a range of similar SA government entities.

This estimate for 2014 used a salary inflation rate of 4%, which remained unchanged from the prior year.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2013 (3.75%) to 2014 (3.50%).

This change in bond yield resulted in an increase of \$10 700 (\$ nil) in the reported long service leave liability.

<b>Note 21 Other liabilities</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Unearned revenue	145	123
<b>Total Current Other liabilities</b>	<u>145</u>	<u>123</u>
<b>Non-Current</b>		
Other	—	3
<b>Total Non-Current Other liabilities</b>	<u>—</u>	<u>3</u>
<b>Total Other Liabilities</b>	<u>145</u>	<u>126</u>

**Note 22 Unrecognised contractual commitments**

**(a) Remuneration commitments**

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2014 \$'000	2013 \$'000
Within one year	214	748
Later than one year but not later than five years	—	883
<b>Total Remuneration commitments</b>	<b>214</b>	<b>1 631</b>

**(b) Operating lease commitments**

The Commission's operating leases are for office accommodation and motor vehicles. The leases are non-cancellable, and have the option to renew.

Commitments under the Commission's operating leases at the reporting date are not recognised as liabilities in the financial statements. They are payable as follows:

	2014 \$'000	2013 \$'000
Within one year*	397	387
Later than one year but not later than five years	1 036	1 431
<b>Total Operating lease commitments</b>	<b>1 433</b>	<b>1 818</b>

\* Office accommodation

**(c) Other commitments**

Commitments for the payment of consultant contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2014 \$'000	2013 \$'000
No later than one year	127	—
<b>Total Other commitments</b>	<b>127</b>	<b>—</b>

**Note 23 Contingent assets and contingent liabilities**

**Contingent assets**

The Commission is not aware of any material contingent assets in existence as at 30 June 2014.

**Contingent liabilities**

The Commission is not aware of any material contingent liabilities in existence as at 30 June 2014.

**Note 24 Remuneration of commission and committee members**

Members that were entitled to receive remuneration (directly and indirectly) for membership during 2013-14 financial year were:

*Essential Services Commission*

Dr Patrick Walsh (Chairperson)

Mr John Hill

Ms Barbara Rajkowska (Resigned 18 April 2014)

Ms June Roache (Appointed 29 May 2014)\*

Professor David Round (Appointed 29 May 2014)

Dr Lynne Williams (Appointed 26 September 2013)

**Note 24 Remuneration of commission and committee members (continued)**

*Consumer Advisory Committee*  
 Dr Patrick Walsh (Chairperson) \*\*  
 Mr Sandy Canale  
 Mr Mark Henley  
 Mr David Hossen  
 Ms Heather L'Anson  
 Mr Timothy Kelly  
 Mr Andrew McKenna (Appointed 9 July 2013)  
 Ms Jillian Whittaker  
 Mr Ian Yates AM

*Power Line Environment Committee*  
 Hon Rosemary Crowley (Chairperson)  
 Mr Ivan Brooks (Resigned 4 March 2014)  
 Mr Lachlan Clyne (Appointed 5 March 2014)  
 Mr Kevin Hamilton  
 Ms Diana Harvey  
 Ms Margaret Lee  
 Mr Mike Magin  
 Ms Gabby O'Neill\* (Appointed 5 March 2014)  
 Mr Tim Wilson\* (Appointed 5 March 2014)

The number of members whose remuneration received or receivable falls within the following bands:

	<b>2014</b>	2013
	<b>Number of</b>	Number of
	<b>Members</b>	Members
\$0 - \$9 999	16	16
\$30 000 - \$39 999	1	—
\$40 000 - \$49 999	1	—
\$50 000 - \$59 999	—	3
\$60 000 - \$69 999	1	—
\$70 000 - \$79 999	1	1
<b>Total number of commission and committee members</b>	<b>20</b>	<b>20</b>

Remuneration of Commission members reflects all costs of performing duties including fees, superannuation contributions and salary sacrifice arrangements. The total remuneration received or receivable by members was \$240 000 (\$259 000).

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

\*In accordance with the Department of the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

\*\* No remuneration was received by Dr Pat Walsh in the role of Chairperson of the Consumer Advisory Committee.

**Note 25 Cash flow reconciliation**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	<b>8,943</b>	9 852

**Reconciliation of net cash provided by (used in) operating activities to net result:**

Net cash provided by (used in) operating activities	( 407)	( 186)
<b>Add/less non cash items</b>		
Depreciation and amortisation expense of non-current assets	( 107)	( 59)
<b>Movements in assets and liabilities</b>		
Increase/(decrease) in receivables	( 202)	( 729)
(Increase)/decrease in payables	525	( 498)
(Increase)/decrease in employee benefits	110	( 121)
(Increase)/decrease in other liabilities	( 18)	( 125)
<b>Net result for the year</b>	<b>( 99)</b>	<b>(1 718)</b>

**Note 26 Transactions with SA Government**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Receivables from SA Government entities</b>		
Receivables	—	2
<b>Total Receivables from SA Government entities</b>	<b>—</b>	<b>2</b>
<b>Payables to SA Government entities</b>		
Accrued expenses	23	445
Employment on-costs	35	49
<b>Total Payables to SA Government entities</b>	<b>58</b>	<b>494</b>

**Note 27 Financial instruments/financial risk management****27.1 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 *Summary of Significant Accounting Policies*.

Category of Financial Asset and Financial Liability	Statement of Financial Position line	Note	Carrying amount	Fair value	Carrying amount	Fair value
			2014 \$'000	2014 \$'000	2013 \$'000	2013 \$'000
<b>Financial assets</b>						
Cash and cash equivalents	Cash and cash equivalents	25	8 943	8 943	9 852	9 852
Loans and receivables	Receivables <sup>(1)</sup>	15	1 166	1 166	1 318	1 318
Total Financial Assets			10 109	10 109	11 170	11 170
<b>Financial liabilities</b>						
Financial liabilities at cost	Payables <sup>(1)</sup>	19	101	101	1 057	1 057
	Other financial liabilities	21	145	145	126	126
Total Financial Liabilities			246	246	1 183	1 183

(1) Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

**Credit risk**

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis.

**27.2 Ageing and impairment analysis of financial assets**

There were no overdue debtors as at 30 June.

**27.3 Maturity analysis of financial assets and liabilities**

All financial assets and liabilities are carried at cost and will mature within one year.

**Note 28 Events after the reporting period**

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

**Note 29 Retained earnings**

The retained earnings are held in the Commission's Special Deposit Account. The Commission has no authority to utilise the retained earnings unless approved in its Budget or with the prior approval of the Treasurer.

**Note 30 Administered items***Australian Energy Market Commission (AEMC)*

From the energy licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the AEMC with \$1 627 000 (\$1 670 000) transferred in 2013-14.

*Consumer Advocacy and Research Fund for Water*

From the water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Consumer Advocacy and Research Fund for Water with \$259 000 (\$250 000) transferred in 2013-14.

*Office of the Technical Regulator funding*

From the energy licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Office of the Technical Regulator with \$4 757 000 (\$4 654 000) transferred in 2013-14.

*Department of Environment, Water and Natural Resources*

From the water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Department of Environment, Water and Natural Resources with \$155 000 (\$151 000) transferred in 2013-14.

*Department of Treasury and Finance (DTF)*

From the water licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for DTF with \$456 000 (\$449 000) transferred in 2013-14.

The Commission received \$760,000 from the SA Government in 2010-11 to fund its preparatory work for water regulation. The Commission is recouping these funds from SA Water over 4 years concluding 2014-15 and are included in the transfer amount.



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**To the Chairperson  
Essential Services Commission of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 24 of the *Essential Services Commission Act 2002*, I have audited the accompanying financial report of the Essential Services Commission for the financial year ended 30 June 2014. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2014
- a Statement of Financial Position as at 30 June 2014
- a Statement of Changes in Equity for the year ended 30 June 2014
- a Statement of Cash Flows for the year ended 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairperson, Chief Executive Officer and the Manager, Finance and Information Technology.

**The Essential Services Commission of South Australia's Responsibility for the Financial Report**

The Commissioners of the Essential Services Commission of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioners of the Essential Services Commission of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners of the Essential Services Commission of South Australia, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Essential Services Commission of South Australia as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

A handwritten signature in black ink, appearing to read 'S O'Neill', with a long horizontal stroke extending to the right.

**S O'Neill**  
**AUDITOR-GENERAL**  
29 September 2014





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