



ANNUAL REPORT

2014-15

September 2015

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

Enquiries concerning the annual report should be addressed to:

Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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LETTER OF TRANSMITTAL

30 September 2015

The Hon T Koutsantonis MP
Treasurer
Level 8, State Administration Centre
200 Victoria Square
Adelaide SA 5000

Dear Treasurer

ESSENTIAL SERVICES COMMISSION ANNUAL REPORT 2014-15

I am pleased to present the Essential Services Commission's Annual Report for 2014-15.

The Annual Report has been prepared in accordance with the requirements of the Public Sector Act 2009 and Public Finance and Audit Act 1987, and is provided to you pursuant to and for the purposes of section 39 of the Essential Services Commission Act 2002.

I place on record my appreciation to the Commission's staff for their commitment to delivering our regulatory, administrative and advisory program throughout 2014-15.

Yours sincerely



Patrick Walsh
Chairperson

HIGHLIGHTS OF 2014-15

- ▲ Completed an Inquiry into Reform Options for SA Water's Drinking Water and Sewerage Prices, referred to the Commission by the Treasurer in September 2012
- ▲ Established a transparent and robust framework for the conduct of a regulatory determination for SA Water's service standards and revenues for the period 2016-2020
- ▲ Developed service standards to apply to Australian Gas Networks for the regulatory period 2016-2021
- ▲ Provided assistance to State Government on implementation of the revised REES Scheme, and updated the REES Code and internal systems and controls to accommodate the scheme's expansion from 1 January 2015
- ▲ Developed innovative stakeholder consultation for improved information and evidence on which to base our decisions and actions
- ▲ Commenced a Better Regulation project to improve regulatory outcomes for consumers and those we regulate
- ▲ Delivered a Minor and Intermediate Water Retailer Engagement Program to enhance the effectiveness of the Commission's consumer protection framework
- ▲ Amended the Water Retail Code – Minor and Intermediate Retailers, to include model customer sale contracts and charters to assist the delivery of key consumer protections
- ▲ Commenced the formal review of the National Energy Customer Framework as required under the National Energy Retail Law
- ▲ Completed an organisation restructure, enabling an agile workforce structure to deliver high standards of regulatory and advisory work

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CHAIRPERSON'S OVERVIEW

As an independent economic regulator and advisory body, the Commission plays an important role in the South Australian economy. Its regulatory decisions can have a significant impact on consumers and businesses, while its advice can inform future policy and reforms that may improve the State's economic well-being.

It is therefore critical that the Commission undertakes its tasks robustly, transparently, impartially and free from bias or preference. It must consider the broadest possible range of information and evidence, which in turn requires positive relationships with all stakeholders and open and genuine opportunities for engagement with its processes. Stakeholder engagement is a key focus for the Commission and its staff.

While the Commission has a broad regulatory and advisory remit and focus, much of its work in 2014-15 was in the water sector, where its regulatory decisions and actions continue to provide positive outcomes for South Australians.

For SA Water, the Commission's 2013 regulatory revenue determination has led to price stability, with annual price increases effectively capped at changes in the rate of inflation, and has driven SA Water to find and deliver significant efficiencies in its operations.

The Commission has worked closely with the 65 other retailers of water and sewerage services operating in South Australia, recognising the challenges of the transition to the new regulatory regime while ensuring that consumer interests are at the centre of that regime.

In 2014-15 the Commission delivered its Final Inquiry Report on water pricing and related reform options to the Government, providing a sound analytical and evidence base to inform future public policy and debates on those important issues.

From my perspective, the achievements of the past two years demonstrate significant progress in the application of independent economic regulation to the water sector in South Australia.

The possibility of introducing such a regulatory regime in the water sector, emphasising cost-based pricing and independence from Government, was a significant regulatory policy issue for this State from the mid-1990s. The objectives of such reform included economic efficiency gains, greater protection for consumers, enhanced water security, and greater transparency in the services delivered to consumers by water businesses.

The establishment of the Commission in the late 1990s as a general regulator, with a set of functions and powers that could be applied across a range of industries and a strong focus on economic efficiency, provided an opportunity to commence that reform process.

The initial work of the Commission, from 2004 to 2010, was through a 'transparency statement' process. The Government retained its role as the economic regulator, setting both water and sewerage prices. However, the Commission conducted an annual independent and public review of the Government's compliance with pricing principles established through inter-governmental agreements.

The Government's 2009 Water for Good plan marked a further development in water regulatory policy. The Commission became the economic regulator from July 2012, following passage of the Water Industry Act. In 2013, it conducted initial regulatory determinations for SA Water and all other retailers, setting revenue and pricing parameters in the context of a consumer protection and service standard framework developed through a public consultation process.

The information now available to the Commission suggests that the regulatory regime is delivering on the reform objectives and is benefitting South Australians. For example, SA Water is responding to the

incentives provided by the regime to become more efficient; its asset management capabilities are improving; the services it delivers to its customers and the protections it provides those customers are now more transparent; and, its performance is being monitored and reported publicly.

However, as can be seen, a sound and robust reform process does not happen quickly. It requires care and consideration, as well as community and industry engagement, if it is to be effective in the long run. With its focus on protecting consumers' long term interests, the Commission has the capacity to lead or be a major contributor to future reform processes.

The Commission has seen some operational changes during 2014-15. In July 2014, Mr John Hill's term as a Commissioner finished. Mr Hill, first appointed as a Commissioner in July 2005, brought great insight and value to all of the Commission's work. On behalf of the Commission and its staff, I thank John for his exceptional contribution and wish him well for the future. In August 2014, the Commission appointed Mr Adam Wilson as its Chief Executive Officer for a five year period. Mr Wilson has wide regulatory knowledge and experience, and brings a focus on stakeholder engagement to the work of the Commission. He has provided significant leadership to the staff of the Commission during the year. In October 2014, Mr Geoff Knight was appointed as a Commissioner, bringing the number of Commissioners to five. Mr Knight has a strong background in the public sector and adds to the Commission's experience in policy, finance and leadership.

I have enjoyed working with my fellow Commissioners during the year and thank them for their open and frank exchange of views and enthusiasm for the task. We operate in a collegial and robust fashion, focussing on consumer outcomes and looking to drive efficiencies and improvements wherever possible.

On behalf of Commissioners, I thank our staff for their continued high levels of engagement, commitment and professionalism. I thank all stakeholders - community, industry and Government - for their willingness to engage, debate and assist in the work of the Commission. Their inputs and advice add to the relevance and credibility of the Commission's decisions.

The Commission looks forward to another full and challenging year in 2015-16. It will have a strong regulatory work program and has ensured that it has the capacity to provide a broader range of regulatory and economic advice, allowing it to contribute more fully to the development and growth of the South Australian economy.



Patrick Walsh
Chairperson

CHIEF EXECUTIVE OFFICER'S ANNUAL REVIEW

In August 2014, I had the privilege of being appointed as Chief Executive Officer, to lead the highly professional and capable staff of the Commission in their work. Together we have a focus on delivering excellence in regulatory outcomes and improving our ability to contribute to the economic development of the State. In both of those areas we had yet another busy year in 2014-15.

One of the Commission's hallmarks over time has been its commitment to engagement with all stakeholders: we recognise that our work is strengthened and made more credible if we have the opportunity to consider a diversity of views, comments and advice. We therefore took further steps this year to access that diversity. At the same time, we continued to treat all of our stakeholders with equal respect and not give undue preference or favour to anyone.

During the year we explored alternative ways of engaging on regulatory and advisory matters. While we did, and will continue to, publish issues papers, draft decisions and other consultation papers, we also held community and industry forums across the State. At those sessions we took advice and views in a less formal but nevertheless robust way. Importantly, those forums provided a platform for stakeholders to come together and consider and debate regulatory issues – often finding common ground and identifying alternative or innovative proposals for the Commission to consider.

We also continued our focus on providing incentives to regulated businesses, driving them to better meet their customers' needs and to deliver efficiencies. As an economic regulator we do not seek to manage regulated businesses. Instead, we look to put in place regimes which provide appropriate incentives for businesses to deliver long term benefits for consumers, whether by consolidating or refining existing practices or by moving to new practices. At the same time, however, we recognise that there are times when we may have to exercise our enforcement powers to protect consumers. We will not hesitate to do so if necessary.

In terms of our work program and key focus areas, I am pleased to note the following key outcomes during the year.

Better regulation: We commenced a project looking to improve regulatory outcomes for consumers and those we regulate. That work not only asks whether or not our regulatory practices should adapt or improve but also has a strong focus on how we conduct ourselves as a regulator. While the project is ongoing, we have made connections with other regulatory agencies asking themselves these same questions locally, national and internationally, and have a commitment to improvements over time.

Water: Regulatory and advisory work in the water sector was a major focus for the Commission during the year. We finalised an Inquiry into reform options for SA Water's drinking water and sewerage prices, providing recommendations and an evidence base for public policy debate. We established a broad framework for the conduct of the next regulatory determination for SA Water, which will commence in 2015-16. We spent significant time talking with all regulated water businesses, explaining the regulatory regime and listening to and, where appropriate, acting on their ideas for improvements to better meet consumers' needs. We also monitored and reported on regulatory outcomes in the water sector more broadly, allowing consumers to understand the impacts and effects of our regulatory framework.

Energy: While the majority of regulatory work in the energy sector rests with the Australian Energy Regulator, we retain specific energy regulatory roles. During the year we continued our work in setting energy network reliability standards – establishing a consumer-focussed reporting framework for the gas distribution business, Australian Gas Networks. We also commenced our review of the National Energy Customer Framework, including the conduct of consumer and industry engagement forums to gain primary evidence to inform our thinking. Finally, we set and administered the retailer feed-in tariff price determination, which ensures that energy retailers pay a minimum price to customers for electricity fed

into the network by photovoltaic generation systems. The determination links that minimum price to the market value of the electricity generated but still allows for competitive forces to encourage energy retailers to offer higher prices in order to attract customers.

REES: Administration of the Retailer Energy Efficiency Scheme (formerly the Residential Energy Efficiency Scheme) was an important task for us. We assessed energy retailers' performance in meeting 2014 scheme targets, finding that all targets were met (with some significantly exceeded). We also worked closely with Government and industry in the transition to the new scheme arrangements which took effect from 1 January 2015, facilitating an orderly and successful start for those arrangements. Finally, we successfully closed out the Energy Efficiency Fund Initiative, under which nearly \$250,000 was provided to not-for-profit and community bodies, enabling the delivery of energy efficiency outcomes for low income and vulnerable consumers.

Rail: The focus of our work in the rail sector during the year was the commencement of two major reviews. The first examined whether or not the revenues recovered by the operator of the Tarcoola-Darwin railway were excessive during the initial 10 years' operation of the railway. The second examined the effectiveness of the intra-state rail access regime, with a view to making a recommendation to the Minister for Transport and Infrastructure as to whether or not that regime should continue for a further five year period. Both reviews were assisted by advice and comment from stakeholders through a draft report process and will be finalised early in the coming financial year.

Maritime: Our role in the ports industry is of a more light-handed nature. We conduct five yearly reviews of the effectiveness of the access regime (to inform Government policy decisions as to the regime's continuance), put in place pricing controls (which take the form of price monitoring at this stage) and have a role in resolving access disputes. As we are within the five year review and pricing cycle, our work during the year was focussed on monitoring pricing outcomes, with the release of a Price Monitoring report in December.

Corporate outcomes: We undertook a strategic review of the Commission's corporate structures, implementing a revised framework early in 2015. Under that framework we have established four work groups, reflecting the structure and intent of our regulatory processes:

- ▲ *Consumer Protection and Pricing:* This group is responsible for the development of regulatory regimes, frameworks and determinations. It focusses on the need to bring together consideration of regulatory and consumer protection obligations alongside revenue and pricing outcomes.
- ▲ *Licensing, Monitoring and Reporting:* This group is responsible for the administration of regulatory regimes, frameworks and determinations. It focusses on the operational aspects of our regulatory processes and decisions, feeding back lessons learned and the potential for improvements into the work of the Consumer Protection and Pricing Group.
- ▲ *Corporate Services:* This group provides administrative, finance, legal, information technology, human resource and corporate governance services to the Commission and its staff. It focusses on the efficient and effective delivery of those services, supporting the Commission's regulatory and advisory work.
- ▲ *Research and Advisory:* This group provides an internal consultancy service to the Commission. It focusses on early identification of regulatory and economic issues and trends, delivers advice on major Commission projects and enhances the Commission's overall advisory and analytic capacity.

In terms of financial outcomes, we maintained a focus on managing our resources, decreasing expenditure from \$4.99 million in 2013-14 to \$4.70 million (a 5.9 per cent reduction), while still delivering a successful work program.

Our net result was a surplus of \$0.01 million, compared to a deficit of \$0.10 million the previous year.

Looking to the future, while we will continue to work through our existing regulatory program, we will explore alternative regulatory practices and frameworks that might deliver consumer benefits in a more efficient manner. This not only encompasses our regulatory and advisory work but is also applicable to all areas of our operations.

We are fortunate insofar as our overarching legislative regime provides the Commission with significant discretion as to how its regulatory framework might evolve over time. In other jurisdictions, regulators are seeking to find ways to more actively bring consumers into the regulatory debate and to remove the costs associated with adversarial processes. We too will have regard to those important considerations as we look to shape our future regulatory regimes and decisions.

On behalf of the staff, I thank our Commissioners for their advice and guidance during the year, and their willingness to engage with us in a collegial manner.

On behalf of the Commission, I thank the members of our Consumer Advisory Committee, who have contributed to all of our regulatory decisions and have made great steps in not only listening to what we have to say but in bringing their thoughts, and the concerns of their constituents, to our attention. We look forward to further robust debates into the future.

To the staff of the Commission, I give my thanks for their commitment to the task and their inventive and questioning approach to regulation, as well as their advice, support and good humour during the year.

Finally, to all of our regulated businesses, our other stakeholders and to those in the community who have contributed to our work, I thank you for taking the time and effort to work with us. Economic regulation can have great impacts on our State economy and your engagement helps us make better and more informed decisions.



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 (**ESC Act**).

The Commission has economic regulatory responsibility in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to Government on economic and regulatory matters. The ESC Act and various industry Acts together provide the Commission with those regulatory and advisory powers and functions.

Under the ESC Act the Commission has the primary objective of:

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

The ESC Act sets out seven further 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.

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

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

The Commission's approach seeks to provide consumers, regulated businesses and the broader community with regulatory stability and certainty over time. The Commission therefore brings a long term view to its work and establishes stable, transparent and predictable processes, although it remains open to change where change will better meet consumers' needs. While it takes account of shorter term issues, those are considered in a long term context in decision making.

At the same time, where they intersect with its work, the Commission promotes the achievement of the goals of the South Australian Strategic Plan and 10 Economic Priorities for the State.

Regulatory Approach

The Commission actively works towards being a high performing and responsive agency, administering a principles-based regulatory and advisory framework with a focus on outcomes, not inputs.

The Commission promotes a culture in which Commissioners and staff are independent, consultative, ethical, professional, accountable and transparent. This is reflected in its corporate values, which are supportive of, uphold and promote the values and conduct requirements of the South Australian Public Sector.

It is important that the Commission works within the overall policy and legislative framework established by the Parliament for the performance of its roles and responsibilities, and does not act in isolation from that framework. That is particularly so in relation to its inquiry and advisory functions, where the Commission is not a decision maker but

instead provides expert, balanced and impartial advice to Government.

Regulatory Functions

The Commission performs a range of functions across the different industries it regulates, including pricing, licensing, performance monitoring and reporting, compliance and scheme administration. For each industry, the relevant industry regulation Act specifies the scope of the Commission's role, as summarised in Table 1.

request, in relation to any matter (section 5(f) of the ESC 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 ESC 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.

Advisory Functions

The Commission has two broad advisory functions. The first is to provide advice to the Treasurer, on

Table 1: Commission Regulatory Functions by Industry

LEGISLATION	REGULATORY FUNCTIONS
Water Industry Act 2012	Water and sewerage retail service providers: <ul style="list-style-type: none">• Licensing• Retail price regulation• Consumer protection• Service/reliability standard setting• Performance monitoring and reporting
Electricity Act 1996	Electricity retail operations: <ul style="list-style-type: none">• Determination of the retailer Solar Photovoltaic Feed-in Tariff• Preparation and publication of Ministerial Energy Retail Pricing reports• Retailer Energy Efficiency Scheme administration Electricity generation, transmission, distribution and off-grid suppliers: <ul style="list-style-type: none">• Licensing• Network service/reliability standard setting• Performance monitoring and reporting
Gas Act 1997	Gas retail operations: <ul style="list-style-type: none">• Preparation and publication of Ministerial Energy Retail Pricing reports• Retailer Energy Efficiency Scheme administration Licensing of retail and distribution LPG gas operations Licensing of natural gas network operations, standard setting, performance monitoring and reporting
AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997	Regulation under the AustralAsia (Third Party Access) Code for the Tarcoola–Darwin railway Access regulator for specified intra-state rail lines
Maritime Services (Access) Act 2000	Pricing and access regulator for specified port services

ACHIEVEMENT OF 2014-15 GOALS

The Commission produces an annual Strategic Plan, with a three year timeframe. The Strategic Plan 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 future.

The Strategic Plan also outlines the goals developed by the Commission, consistent with its legislative framework, and explains how the Commission intends to meet those goals.

The Commission's goals in 2014-15 were:

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

2. Consumers pay the lowest sustainable prices.
3. Stakeholders trust us.
4. Our people, culture and processes enable us to best serve our primary objective.

The Commission also produces an annual Performance Plan, which sets out the Commission's goals, major projects and priorities with respect to the full range of the Commission's functions for each financial year.

The Commission's achievements against its goals and Performance Plan project targets in 2014-15 are summarised on the following pages.

KEY INITIATIVE	ACHIEVEMENT
Consult on the potential development of a Water Metering Code	Completed
Develop and implement the service standards framework for SA Water for the next regulatory period 2016-2020	Completed
Finalise the specific targets and metrics for the service standard to apply to SA Water for 2016-2020 in accordance with the service standards framework (described above)	Commenced, and scheduled for completion in 2015-16. Service standards targets and metrics will be developed as part of SA Water Regulatory Determination 2016 process
Review the operation and efficiency of the non-price regulatory framework for the water sector	Completed
Develop the expenditure templates for use by SA Water in the Second Price Determination, 2016-2020	Completed
Review methodology for setting SA Water's regulatory rate of return, tax and working capital	Regulatory rate of return review completed. Other elements to be completed as part of SA Water Regulatory Determination 2016
Finalise the framework and approach to regulating SA Water's prices and service standards during the Second Regulatory Period, 2016-2020	Completed
Develop service standards to apply to Australian Gas Networks for the regulatory period 2016-2021	Completed

KEY INITIATIVE	ACHIEVEMENT
Develop service standards to apply to ElectraNet for the regulatory period 2018-2023	Commenced, and scheduled for completion in 2015-16
Review the need for and, where needed, currency of, the Commission's existing electricity and gas metering codes	Completed
Develop and publish Ministerial Retail Energy Pricing Report for 2014	Completed
Review the status of competition for solar customers to determine the need for ongoing regulation of the Retailer Feed-in Tariff.	Completed
Issue a new Retailer Feed-in Tariff determination to apply from 1 January 2015, if the benefits of ongoing regulation exceed the costs	Completed
Undertake audit for National Water Commission – National Performance Report Audit	Not undertaken, as audit only required every three years under new governance arrangements. Scheduled for 2015-16
Review all licences and related regulatory instruments for currency	Completed
Review and update the REES Code to deal with scheme expansion from 1 January 2015	Completed
Upgrade the REES Information Technology System to provide for seamless data transfers between retailers and the Commission	Completed
Ensure that the consumer engagement work undertaken by SA Water in the lead up to the price determination for the next regulatory period is robust and can be relied on for regulatory decision making purposes	Completed
Deliver Minor and Intermediate Water Retailer Engagement Program to embed the operation of the Commission's consumer protection framework	Completed
Commence Minor and Intermediate Water Retailer Customer Survey to understand the preferences customers for the purposes of reviewing/revising the regulatory framework and setting service standards for the next regulatory period	Not commenced. Scheduled to commence in 2015-16 in line with price determination process timing
Review the administration requirements of REES for implementation in 2015	Completed
Review the Charter of Consultation and Regulatory Practice	Completed
Upgrade and enhance the Commission website	Commenced

KEY INITIATIVE	ACHIEVEMENT
Complete the Inquiry into the Reform Options for SA Water's Drinking Water and Sewerage Prices, referred to the Commission by the Treasurer in September 2012	Completed
Commence the formal process for the National Energy Customer Framework review pursuant to the National Energy Retail Law	Commenced, and scheduled for completion in 2015-16
Commence review of Tarcoola to Darwin railway revenues and profits pursuant to section 50 of the AustralAsia Railway (Third Party Access) Act 1999	Commenced, and scheduled for completion in 2015-16
Commence five year review of access regulation of intra-state railways pursuant to section 7A of the Railways (Operations and Access) Act 1997	Commenced, and scheduled for completion in 2015-16
Conduct Part 7 ESC Act Inquiries as referred from SA Government	Nil received in 2014-15
Support an independent review of Commission regulatory activities	Not Completed
Develop and publish a strategic plan, performance plan and budget	Completed
Review internal workflow planning systems	Completed
Publish corporate Annual Report in accordance with legislative requirements	Completed
Undertake end of year financial quality review and finalisation of end of year accounts	Completed
Undertake an information review and develop an electronic document records management system transition plan in line with State Records requirements	Commenced, scheduled for completion in 2015-16
Review and refine corporate library functions	Completed
Ensure finance, procurement, human resources, work health and safety, information management and risk management policies and procedures are regularly reviewed and fully implemented	Completed
Undertake a staff culture survey	Not completed. Survey deferred as organisational restructure, including staff survey, undertaken instead. Staff culture survey scheduled in 2015-16
Develop a Workforce Strategy	Completed
Organise and conduct activities to strengthen internal relationships and teams	Completed, with quarterly activities undertaken for all staff

ADDITIONAL INITIATIVES	
Develop framework for SA Water Regulatory Determination Financial Viability Assessment	Commenced, and scheduled for completion as part of SA Water Regulator Determination 2016
Researching and considering alternatives for deriving cost of equity	Commenced, and scheduled for completion in 2015-16
Provide advice to Treasurer on Weighted Average Cost of Capital to apply to SA Water Regulatory Determination 2016 under Pricing Order	Completed
Research - The value of imputation credits and MRP. Researching matters of potential significance that may need to be addressed during SA Water Regulatory Determination 2016	Commenced, and scheduled for completion in 2015-16
Research - The cost of debt - Consideration of a process to implement annual updates and whether to transition to a 10 year trailing average	Commenced, and scheduled for completion in 2015-16
Provide advice to Treasurer on Water Industry Act licence fees to apply from 1 July 2016	Commenced, and scheduled for completion in 2015-16
Internal review of Commission's licence and exemption registers conducted	Completed
Provide assistance to State Government on implementation of revised REES Scheme	Completed
Commence Better Regulation Project to review Commission's regulatory approach and performance	Commenced, and scheduled for completion in 2015-16
Undertake and implement organisational restructure	Completed

ORGANISATION STRUCTURE

The Commission comprises a Chairperson and four Commissioners. The Commission is supported by 28 staff (24.8 full time equivalent) as at 30 June 2015 led by the Chief Executive Officer.

The Chairperson and Commissioners are appointed by the Governor, pursuant to section 12 of the ESC Act. 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 2015, the Commission comprised Dr Patrick Walsh as Chairperson and Commissioner, Dr Lynne Williams as Acting Chairperson and Commissioner, and Ms June Roache, Professor David Round and Mr Geoff Knight as Commissioners.

Mr John Hill's appointment as a Commissioner expired in July 2014.

Chairperson

Dr Pat Walsh

Dr Walsh commenced in the role of Chairperson of the Commission in April 2005; that initial appointment expired in October 2010. His responsibilities throughout that period included those of Chief Executive Officer. Dr Walsh was reappointed to the position of Chairperson in February 2011 for a period of five years.

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

Prior to his appointment as Chairperson Dr Walsh has held senior positions in the energy regulation and reform area, including Director, Licensing and Performance Monitoring with the Commission, Senior Regulation Advisor with the Electricity Reform and Sales Unit (Department of Treasury and Finance), and Director, Microeconomic Reform Branch (Cabinet Office, Department of the Premier and Cabinet).

Dr Walsh is a Science graduate (majoring in mathematics), and worked as a Research Scientist with the CSIRO during the 1970s. He also holds a PhD in Applied Mathematics and a Masters of Business Administration from the University of Adelaide.

Commissioners

Dr Lynne Williams

Dr Williams was appointed to the Commission in September 2013, and was appointed Acting Chairperson in September 2014.

Dr Williams has worked as an economist in the public sector for over 30 years. She has held senior executive positions in both the Victorian and Federal public services, including Under Secretary in the Victorian Department of Treasury and Finance.

Dr Williams holds degrees in economics from the University of Melbourne, the London School of Economics and Monash University.

Dr Williams is currently on a number of boards related to public policy. She 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 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 as a Commissioner in May 2014.

Ms Roache is an independent director with extensive business experience having held several senior executive roles including Chief Executive of SA Lotteries, and a number of governance roles

including Vice President of the World Lottery Association and Chair of the Asia Pacific Lottery Association.

Ms Roache currently holds board positions with ForestrySA, the SA Health and Medical Research Institute, the SA Football Commission, the History Trust of SA and is Chair of the Adelaide Football Club's Professional Standards and Integrity Committee.

Ms Roache is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Australian Institute of Management.

Professor David Round AM

Professor Round was appointed as a Commissioner in May 2014.

Professor Round is an Adjunct Professor in the School of Commerce at the University of South Australia and Adjunct Professor 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, and a number of universities in the United States.

Professor Round has authored some 150 papers published in leading Australian and international economic and legal journals, on a variety of industrial economics, competition policy and antitrust topics.

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

Mr Geoff Knight

Mr Knight was appointed as a Commissioner in October 2014. Mr Knight has served the South Australian public sector in a diverse range of senior policy, finance and leadership roles over three decades.

Mr Knight has performed leadership roles in central and line agencies, including the Department of

Treasury and Finance and Department of the Premier and Cabinet, before being appointed Chief Executive of Primary Industries and Resources (PIRSA) in 2006, leading its emergence as a key economic agency.

Mr Knight was subsequently appointed Chief Executive of the Department of Manufacturing, Innovation, Trade, Resources and Energy when it was created in 2011.

Mr Knight is a member of the Board of Renewal SA and in 2014 was a recipient of the Institute of Public Administration Australia (IPAA) National Fellow Award.

Chief Executive Officer

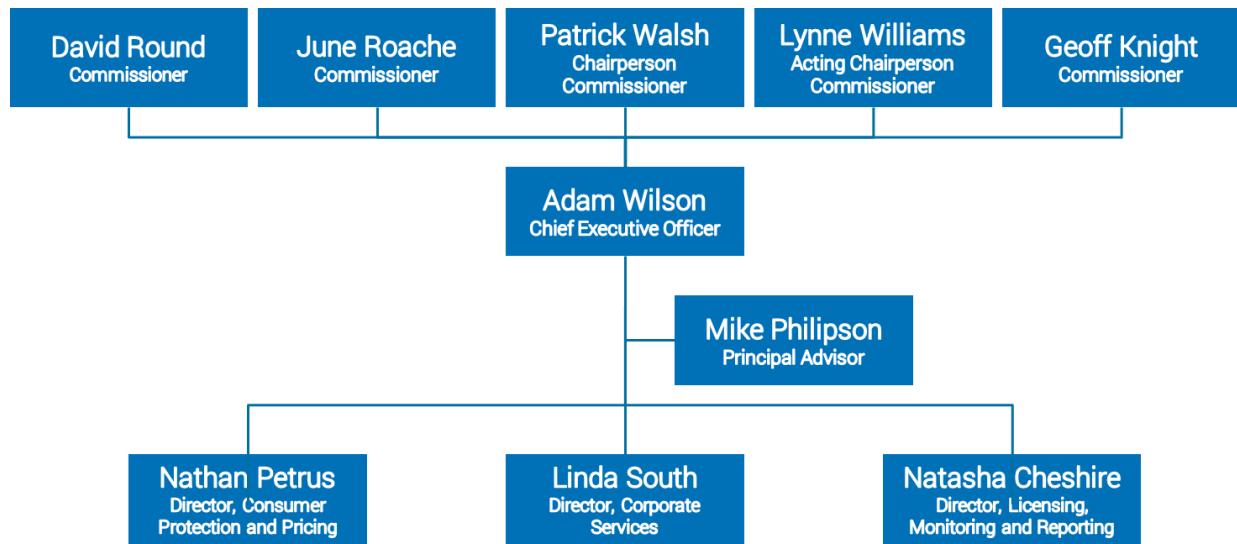
Mr Adam Wilson

Mr Wilson was appointed as Chief Executive Officer in August 2014, having acted in the role since April of the same year. Mr Wilson has served in the South Australian public sector for nearly 20 years in a range of legal, consumer protection and regulatory roles.

Mr Wilson has been employed by the Commission since 2002, holding a range of posts, most recently Director Consumer and Regulatory Affairs. Prior to his employment with the Commission, Mr Wilson was employed in the Attorney General's Department, including within the Office of Consumer and Business Affairs.

Management Structure

The Commission's management structure (as at 30 June 2015) is set out in the following chart.



The Commission's regulatory staff are qualified in a range of professions including 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 Commission has responsibility for the economic regulation of water and sewerage retail services in South Australia. Those services include water (including recycled water and stormwater), and sewerage services offered by SA Water, councils and private businesses across the State.

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

These include the licensing of water and sewerage retail service providers, service standard setting, consumer protection, retail price regulation and performance monitoring and reporting.

Water Price Regulation

Administration of Price Determinations

Following the making of the SA Water Revenue Determination 2013-2016 and the Minor and Intermediate Retailer Price Determination 2013-2017 (both undertaken in 2013-14), the Commission focused on the administration of those price determinations.

The Commission reviewed SA Water's compliance with the SA Water Revenue Determination 2013-2016, with SA Water providing an annual revenue compliance statement, explaining how its proposed schedule of rates and charges complied with maximum average revenue allowances. The Commission reviewed the statement and confirmed that SA Water's prices were compliant with the requirements of the determination.

The Commission also worked with, and provided guidance to, Minor and Intermediate Retailers (those providing retail services to 50,000 or fewer connections), who are required to comply with pricing principles under the Minor and Intermediate Retailer Price Determination 2013-2017.

Those principles, which are based on the National Water Initiative Pricing Principles, focus on promoting cost-reflective prices. The Commission requires Minor and Intermediate Retailers to complete an annual pricing policy statement,

explaining how their prices were developed, and a pricing policy questionnaire, demonstrating whether retail prices are compliant with the pricing principles set out in the Price Determination.

During 2014-15, the Commission received the first set of completed pricing policy questionnaires. Minor and Intermediate Retailers are at different stages of implementing the pricing principles, with around 60 per cent stating that their water or sewerage service prices had been set to recover the full costs of supplying the retail service.

Economic Regulation of SA Water from 1 July 2016 - Framework and Approach

In November 2014, following a public consultation process, the Commission released a report setting out the framework and approach that it intends to apply in determining SA Water's service standards and drinking water and sewerage revenues for the period 1 July 2016 to 30 June 2020.

The report covered the principles and approach to setting service standards, explaining the key issues and process for setting service measures and targets to apply from 1 July 2016.

It also set out the nature of the information to be included in SA Water's Regulatory Business Proposal, due in 2015-16, including information requirements for its proposed capital and operating expenditure.

SA Water Regulatory Rate of Return 2016-2020 - Report to the Treasurer

As a part of the statutory framework for the regulation of SA Water's revenues, on 31 March 2015, the Commission submitted a report to the Treasurer setting out a proposed approach to the calculation of the rate of return to be applied to SA Water's regulated assets from 1 July 2016.

The proposed approach is consistent with the statutory framework within which the SA Water Regulatory Determination will be conducted and also with recent trends in regulatory practice within Australia.

Water Inquiries

No new Inquiries were referred to the Commission in 2014-15. However, the Commission concluded its work on the Inquiry into pricing reform for drinking water and sewerage retail services provided by SA Water, as outlined below.

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 Part 7 of the ESC Act.

The Terms of Reference required the Commission to investigate pricing reform options that may improve economic efficiency and water security. Overall, the Inquiry identified opportunities for reform that would improve South Australia's productivity. They involve improving the cost-reflectivity of pricing structures and changing the nature of associated charging arrangements over time.

The Terms of Reference required 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 finalised the Inquiry in accordance with those timeframes.

The underlying purpose of the Inquiry was to inform future policy consideration of water pricing structures and associated matters; the Commission's advisory task was to investigate the matters raised in the Terms of Reference and to provide advice on those matters to the Government for consideration.

The Inquiry report provided findings and recommendations to the Government on the following issues:

- ▲ 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 Commission consulted extensively with stakeholders during the course of the Inquiry. Its findings presented by far the most detailed and transparent discussion of the long run marginal cost of supply for potable water in South Australia; it demonstrated that, given the significant investments made in water security infrastructure over the past few years, long run marginal cost is now significantly less than values previously considered appropriate (likely having reverted to the levels of between \$1 to \$2 per kilolitre as estimated by the Government prior to the drought).

The questions put to the Commission through the Inquiry were framed in a context of economic efficiency. That is, the Commission was asked to identify and explore options which might lead to more economically efficient outcomes as compared with the status quo.

As the Commission expressly acknowledged throughout the Inquiry (including in the draft and final reports), while economic efficiency is a very important consideration, other considerations, particularly issues of social equity, are also relevant to the matters which were under review.

The Commission was careful to note that its findings were not a set of recommendations to be implemented without reference to or further debate about those other considerations.

Further, the Commission emphasised the need for a transition period and pathway, were the Inquiry's recommendations to be implemented. In doing so it

noted that transitional reform options could be implemented, which would produce an overall economic benefit to the State while reducing some of the transitional costs that may be experienced by some customers. For example, the Commission noted that reverting from the current three-tiered usage charge arrangements for residential customers back to a two-tier model could be considered in the short term.

Water Licensing

Under the Water Industry Act the Commission issues licences and approves exemptions for water retail services. These services include, but are 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 2014-15, the Commission issued two new licences, two exemptions from the requirements to hold a licence, and seven variations to existing licences. As at 30 June 2015, the Commission was in the process of assessing two water retail licence applications.

A list of all water licence holders, as at 30 June 2015, can be found in Appendix 1.

Water Codes and Guidelines

Under the Water Industry Act the Commission has established a consumer protection framework through the use of industry codes (made under Part 4 of the ESC 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.

The Commission consulted on and/or amended the following regulatory documents in 2014-15:

- ▲ Water Retail Code – Minor and Intermediate Retailers
- ▲ Water Industry Guideline No 1 – Compliance Systems and Reporting
- ▲ Water Industry Guideline No 3 - Information Requirements for Minor and Intermediate Retailers.

Water Metering Code

During 2014-15, the Commission consulted on the need (or otherwise) to introduce regulatory consumer protection provisions in relation to water metering. The review focussed on whether or not additional regulation of water metering is beneficial to consumers.

The review included consideration as to whether or not the combined operation of the existing Water Retail Codes, together with other technical standards (such as mandatory standards developed by the National Measurement Institute), would provide sufficient consumer protections in respect to water metering arrangements.

The Commission received submissions in response to an Issues Paper on this matter, released in May 2014 and a Draft Decision, released in August 2014. The Final Decision, released in September 2014, concluded that there is no need to introduce further regulatory requirements by way of a Water Metering Code at this time, given the existing regulatory measures in this area.

Regulatory Information Sessions - Minor and Intermediate Retailers

During 2014-15 the Commission held information sessions for all Minor and Intermediate Retailers, to assist their understanding of the Commission's annual regulatory reporting requirements. Sessions were held across the State in the Southern and Hills Regions, the Eyre Peninsula and Metropolitan Adelaide.

Simplifying Annual Reporting Requirements - Minor and Intermediate Retailers

During 2014-15, the Commission sought comment on proposed changes to the regulatory reporting requirements for Minor and Intermediate Retailers.

The proposed changes aimed to reduce red tape and address matters raised by stakeholders by:

- ▲ simplifying and aligning the sign-off requirements for all annual reporting to the Commission
- ▲ streamlining the price monitoring reporting requirements relating to compliance with the pricing principles.

The submissions received have been considered and the Commission's Final Decision will be released in early 2015-16.

Minor and Intermediate Retailer Restriction Thresholds - Debt and Flow Rate

During 2014-15 the Commission sought feedback from interested parties in setting the following thresholds, which form part of the Water Retail Code - Minor and Intermediate Retailers:

- ▲ the minimum outstanding debt amount on which a retailer may seek to restrict water services
- ▲ the minimum flow rate to apply when a customer's water services are restricted.

Following consultation through a Consultation Paper released in October 2014, and taking into account the feedback received, the Commission has decided that it will not set regulatory thresholds at this time, until it has more detailed data on the specific circumstances of the retail services provided by Minor and Intermediate Retailers across the State.

Water Performance Reporting

In 2014-15, the Commission prepared the 2013-14 Regulatory Performance Report for the South Australian water industry. The Regulatory Performance Report uses data collected through

the Commission's guidelines, from water and sewerage retailers, and will be released in 2015-16.

The Regulatory Performance Report reports on both financial and non-financial aspects of water and sewerage retailers performance. It highlights 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.

Copies of previous Performance Reports and detailed historical Performance Report data are available on the Commission's website to assist the public, researchers and other persons with an interest in examining results and trends.

ENERGY

On 1 February 2013, national regulatory arrangements for the retail energy market commenced in South Australia, referred to as the National Energy Customer Framework.

The National Energy Customer Framework was developed from previously operating state-based regulatory frameworks, with the Commission having administered the South Australian regulatory framework up until February 2013. From that date, retail energy market regulatory roles transferred from the Commission to the Australian Energy Regulator. As a result, the Commission now has only a limited role in relation to the national energy retail market in this State.

While the Australian Energy Regulator is the body primarily responsible for economic regulation of the energy industry in South Australia, the Commission has certain regulatory powers and functions in the sector. The ESC Act with the Electricity Act 1996, the Gas Act 1997, and regulations made under those Acts, establish these regulatory powers and functions.

These responsibilities include:

- ▲ setting and varying from time to time the retailer solar feed-in tariff (under the Electricity Act)

- ▲ preparing annual Ministerial Energy Pricing Reports (under the Electricity Act and the Gas Act)
- ▲ conducting a one-off review of the effectiveness of the new regulatory arrangements under National Energy Retail Law (to be finalised in 2015-16)
- ▲ licensing and monitoring of off-grid suppliers.

In the network sector, the Commission remains the licensing authority and sets reliability standards.

Finally, in the generation sector, the Commission is the licensing authority for all electricity generation sources (including wind and solar).

Review of the National Energy Customer Framework

The National Energy Customer Framework, administered by the Australian Energy Regulator, supports residential and small business electricity and natural gas customers through a range of customer protections.

Key areas covered by the framework include: billing; hardship and disconnection obligations; access to dispute resolution and service connection.

The National Energy Customer Framework complements other general consumer protection laws, such as the Australian Consumer Law (for example, in the area of energy marketing), and privacy legislation. Small energy customers continue to have access to a free, independent dispute resolution scheme - in South Australia this is the Energy and Water Ombudsman SA.

The Commission has a statutory obligation to conduct a review of the operation of the National Energy Retail Framework in South Australia.

The review is required to focus on the impact of this law on consumers of energy and, specifically, whether its implementation has:

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

The review may also include other matters as the Commission thinks fit.

The review commenced in February 2015, and is being conducted in accordance with the Commission's National Energy Retail Law Review Methodology Final Decision, released in March 2014.

The Commission released an Issues Paper in February 2015, and nine submissions were received. The Commission also held forums in Adelaide and Melbourne in May 2015, and provided an online Customer Questionnaire to assist respondents. The Commission will complete this review in 2015-16.

Energy Price Regulation

2014 Ministerial Report on Energy Retail Offer Prices in South Australia

Annually, the Commission prepares and provides to the Minister for Mineral Resources and Energy a comparison report on electricity and gas retail offer prices available to small customers (residential and small business customers).

The key findings of the 2014 Report were:

- ▲ Based on Market Offers available to consumers at 30 June 2013 and 30 June 2014:
 - ▲ average electricity price offerings available to residential customers increased by 1.7 per cent, and for small business customers fell by 0.3 per cent
 - ▲ average price offerings available to gas residential and small business customers increased by 14 and 12 per cent respectively.
- ▲ There were considerable variations in offers from different retailers and between offers from the same retailer.
- ▲ There was potential for small customers to reduce their annual energy bills by moving from Standing Offers to Market Offers or, if already on a Market Offer, by considering alternative Market Offers.

2014 Retailer Feed-in Tariff Adjustment for Carbon Price Repeal

Effective 1 July 2014, the Parliament of Australia repealed the Clean Energy Act 2011, removing the statutory carbon price. The 2014 minimum Retailer Feed-In Tariff (R-FiT) price determination incorporated a mechanism to allow the minimum R-FiT payment amount to be varied in the event of the carbon price being removed.

As a result of the repeal, the carbon price component of that minimum R-FiT payment amount no longer applied and the payment amount was adjusted to 6.0 cents/kWh (previously 7.6 cents/kWh).

2015-16 Minimum Retailer Solar Feed-in Tariff

In December 2014, the Commission made a price determination in respect to the minimum R-FiT payable by electricity retailers to customers with solar photovoltaic units, for electricity fed into the distribution network from those units.

Under that determination, which is for two years, commencing 1 January 2015, the minimum R-FiT for 2015 is 5.3 cents per kWh. That value will be reviewed for 2016 and, if the forecast value lies on or within ± 10 per cent of 5.3 cents per kWh, the Commission will leave it unchanged. If the forecast value lies outside of that range, the forecast value will apply for 2016.

Although the signs of competition for solar photovoltaic customers are encouraging, a further period of setting a minimum R-FiT and monitoring is appropriate. This will provide the market with stability and time to absorb the changes arising from the deregulation of the energy markets, the transition to the National Energy Customer Framework, and the removal of the carbon price. It will also provide the Commission with the opportunity to collect further evidence about the potential costs and benefits to photovoltaic customers, and energy customers more generally, of deregulating the R-FiT.

Energy Licensing

Electricity

Under the Electricity Act 1996, the Commission has responsibility for administering the licensing regime that applies to electricity entities. This includes 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 operating outside of the National Electricity Market).

During 2014-15, the Commission issued two new electricity generation licences, and cancelled one electricity generation licence (as the entity ceased to operate).

A list of all electricity licence holders as at 30 June 2015 can be found in Appendix 1.

Gas

Under the Gas Act 1997, the Commission has responsibility for administering the licensing regime that applies to gas entities. This includes issuing, varying or transferring licences to participants in the gas supply industry where those participants engage in the retailing of reticulated liquefied petroleum gas (LPG) and the distribution of reticulated LPG or natural gas. These responsibilities are limited to retailers not operating in the National Gas Market.

During 2014-15, the Commission received one application to vary an existing LPG Distribution Licence.

A list of all gas licence holders as at 30 June 2015 can be found in Appendix 1.

Energy Codes and Guidelines

SA Power Networks Service Standard Framework 2015 to 2020

In 2013-14, the Commission reviewed the electricity distribution jurisdictional service standards, prior to

the commencement of a new price regulation period for SA Power Networks in 2015-2020.

The Commission released a Final Decision in May 2014 that set out the framework and approach for setting the jurisdictional service standards and following this, assessed SA Power Networks' reliability data for the five year period 2009-10 to 2013-14 to set the final targets to apply for the regulatory period in October 2014.

Based on South Australian customers' continuing high levels of satisfaction with average reliability and customer service performance, the Commission's review concluded that there was not a need to increase the levels of service set, and hence the cost associated with meeting those levels, during the 2015-2020 regulatory period.

During 2014-15, the Commission amended the Electricity Distribution Code to give effect to its earlier decision, which will apply from 1 July 2016.

Electricity Transmission Code Review - 2018-2023 Regulatory Period

During 2014-15 the Commission commenced a review of the Electricity Transmission Code. The review forms the basis for ElectraNet's (the State's Transmission Network Service Provider) regulatory revenue proposal for the 2018-2023 regulatory period and will determine the transmission exit point reliability standards that will set the level of reliability for which ElectraNet is funded.

The assessment is being carried out in conjunction with major stakeholders: the Australian Energy Market Operator; the Australian Energy Regulator; SA Power Networks; and ElectraNet. The Commission will consult publicly on proposed amendments to the Code.

The review will be finalised by early 2016, to provide the necessary time for ElectraNet to carry out customer engagement and to compile its submission to the Australian Energy Regulator.

Australian Gas Networks' Jurisdictional Service Standards for the 2016-2021 regulatory period

The Commission is responsible for developing,

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

In March 2014, the Commission commenced a review of the jurisdictional service standards to apply to Australian Gas Networks for the next regulatory period 2016-2021, with the release of an Issues Paper. The Commission delayed the release of its Draft Decision to allow Australian Gas Networks to undertake customer consultation to inform the service standard setting process.

Following receipt of a further submission from Australian Gas Networks in February 2015, the Commission released its Draft Decision in March 2015 for public consultation.

The Final Decision was released in June 2015.

The review determined that Australian Gas Networks had performed satisfactorily over the five year period 2009-10 to 2013-14 and that current service levels are appropriate and should be maintained for the 2016-2021 regulatory period. This decision was supported by participants in Australian Gas Networks' stakeholder engagement program, who were generally satisfied with Australian Gas Network's gas distribution services and reluctant to pay for improvements to current service levels. High levels of customer satisfaction were further supported by the consistently low number of complaints received by Australian Gas Networks and the low proportion of complaints that required escalation to the Energy and Water Ombudsman SA.

Energy 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), Australian Gas Networks (gas distribution) and ElectraNet (electricity transmission).

In November 2014, the Commission released its Energy Annual Performance Reports for 2013-14.

A copy of the Annual Performance Report is available on the Commission's website. The key findings of the Annual Performance Report, are set out below.

Electricity Distribution

State-wide electricity distribution network performance deteriorated compared to 2012-13, driven by more (and more intense) severe weather events in 2013-14, particularly in the southern parts of the State.

Nevertheless, SA Power Networks met all reliability service standards in all regions, and in doing so, it was assessed as meeting best endeavours for some reliability targets it did not meet.

SA Power Networks also met its customer responsiveness standards in 2013-14.

Summer 2014-2015 Electricity Distribution Network Performance

In 2014-15, the Commission published a summary report containing statistics collected from SA Power Networks during the summer of 2014-15. The Commission found that SA Power Networks' distribution network coped well with demand during the summer of 2014-15. Fewer interruptions and fewer transformer failures were reported compared with the average since summer reporting began in 2006-07. Notably, no heatwaves occurred during that summer.

Electricity Transmission

ElectraNet's network reliability performance in 2013-14 was similar to that in 2012-13, and it met the Electricity Transmission Code service standards for mandated exit point reliability.

Gas Distribution

The level of gas lost through the distribution network (known as 'unaccounted for gas') fell again in 2013-14, and Australian Gas Networks is on track to meet the 2016 unaccounted for gas targets in the Gas Distribution Code.

There was a low number of unplanned interruptions to gas customers in 2013-14.

Reticulated LPG

From 1 January 2014, those who engage in the activity of distributing and retailing of LPG through reticulated networks in South Australia are required to be licensed by the Commission. It is a licence condition that LPG licensees comply with the Reticulated LPG Industry Code which includes reporting and compliance obligations.

The first reporting period for LPG licensees was 1 July 2014 to 30 June 2015, with annual reports required to be lodged by 31 August 2015.

During 2014-15, the Commission developed information to assist Reticulated LPG licensees in meeting ongoing reporting and compliance obligations under the Reticulated LPG Industry Code.

Retailer Energy Efficiency Scheme

The Retailer Energy Efficiency Scheme (REES) is a South Australian Government energy efficiency scheme that provides incentives for South Australian households and businesses to save energy. It does this through establishing energy efficiency and audit targets to be met by electricity and gas retailers.

REES was established through Regulations under the Electricity Act and Gas Act and commenced on 1 January 2009 as the Residential Energy Efficiency Scheme. In November 2013, the Minister for Mineral Resources and Energy announced that REES would be extended to 2020 as the Retailer Energy Efficiency Scheme and that it would be expanded to include small businesses.

The Regulations establish the Commission as the administrator of REES. The Commission administers the scheme within the parameters defined by the policy framework to ensure that energy retailers comply with REES obligations. The Commission is also responsible for reporting to the Minister for Mineral Resources and Energy annually on retailers' progress in achieving the required targets.

Table 1: 2014 REES Targets and Achievements

	2014 TARGET	ACCEPTED REPORTS	CREDITS APPLIED	TOTAL 2014 ACHIEVEMENT
Energy audits (number of audits)	5,667	5,605	2,016	7,621
Greenhouse gas reduction (tCO ₂ -e)	410,000	304,396	288,395	592,791
Priority group greenhouse gas reduction (tCO ₂ -e)	143,500	129,102	169,255	298,357

Residential Energy Efficiency Scheme 2014 Outcomes

The Commission's REES Annual Report 2014 assesses the scheme outcomes for 2014. In particular, it provides analysis of achievement against the 2014 Ministerial targets and makes observations on REES Stage Two (2012-2014) overall.

The Ministerial targets were met in aggregate for 2014, and all REES-obliged retailers met their allocated targets for greenhouse gas reductions and energy audits, as detailed in Table 1 above.

Retailer Energy Efficiency Scheme 2015

The Government's stated objective for the scheme from 2015 is to reduce household and business energy use, with a focus on low income households (implemented through priority group targets). Energy retailers that exceed certain thresholds are set annual targets for the delivery of energy efficiency activities to households and/or businesses. In addition, retailers with larger residential customer bases are set targets for ensuring that a certain amount of the energy efficiency activities they deliver go to priority group households; and providing energy audits to priority group households.

In August 2014, the Department of State Development consulted on proposed REES thresholds, metrics and activity specifications to apply from 1 January 2015. The expanded scheme was enacted through amendments to the Regulations made on 6 November 2014. The final

thresholds, metrics and activity specifications were gazetted on 11 December 2014.

Key Changes to REES from 1 January 2015

The key changes to REES from 1 January 2015 were:

- ▲ REES was renamed the Retailer Energy Efficiency Scheme and expanded to allow retailers to meet their targets by delivering energy savings to small businesses as well as homes
- ▲ the Minister for Mineral Resources and Energy assumed the role of setting, reviewing and gazetting REES activity specifications (a role previously undertaken by the Commission) and energy audit minimum specifications from 1 January 2015
- ▲ the Minister for Mineral Resources and Energy is responsible for publishing the REES Ministerial Protocol, setting out the principles to be used in maintaining and reviewing the list of calculation methods, eligible activities and their specification
- ▲ the number of approved energy efficiency activities expanded from 13 to 28 and includes activities that can be undertaken in commercial premises
- ▲ the scheme targets have changed from a greenhouse gas metric (tonnes of carbon dioxide equivalent (tCO₂-e)) to an energy metric (expressed in GJ).

The methodology to be used by the Commission to apportion REES annual targets to obliged retailers was also revised. The Minister for Mineral Resources and Energy set the REES thresholds to apply from 1 January 2015.

Retailer Energy Efficiency Scheme Code

In October 2014, the Commission reviewed and proposed changes to the REES Code in line with the changes to the scheme from 1 January 2015.

The Commission held stakeholder discussions on the proposed amendments to the REES Code with no written submissions received on the Draft Decision. The Commission released its Final Decision in January 2015.

The amended version of the REES Code (REESC/08) became effective from 1 January 2015. The Commission has also issued a Guideline on the statistical information requirements for the purposes of determining a retailer's obligations under REES.

Updated REES Bulletins

The Commission publishes REES Bulletins which provide interpretation and advice on REES issues. The Commission released one new REES Bulletin in 2014-15 and updated several existing Bulletins to reflect the changes to the Scheme from 1 January 2015.

Table 2: Summary of purpose of Energy Efficiency Fund Initiative allocations

COMPANY	PURPOSE
Uniting Care Wesley Country SA	Distribute 5,000 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

Energy Efficiency Fund Initiative

In 2011, a REES-obliged retailer did not meet its greenhouse gas reduction target, priority group greenhouse gas reduction target and energy audit target. Accordingly, the Commission issued a shortfall penalty notice for \$243,750. The Commission used these funds to establish the Energy Efficiency Fund Initiative (EEFI); a scheme that provides energy efficiency benefits to energy consumers in financial stress, through grants delivered to not-for-profit organisations.

In 2014-15, the grant organisations spent the funds provided as detailed in Table 2 above.

Under the terms of the grant Deeds with each grant organisation, 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 in the Residential Energy Efficiency Scheme Annual Report.

All EEFI grant organisations completed their program rollout during 2014-15. The programs

offered by grant organisations met the objective of providing energy efficiency benefits for low income households in innovative ways as explained above.

Power Line Environment Committee

The Commission is responsible for providing administrative support to the Power Line Environment Committee.

The Committee, comprised of various industry and community representatives, is responsible for assessing submissions from local councils for funding projects to underground power lines for general community benefit.

The Power Line Environment 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 prescribed funding for the undergrounding program to be carried out during 2015-16, calculated in accordance with the Electricity (General) Regulations 2012, is \$6.62 million. To meet this funding requirement, the Power Line Environment Committee recommended seven projects to the value of \$6.62 million during the 2014-15 financial year, which were approved for the undergrounding program. The installation of five kilometers of underground cables will replace the existing overhead power lines on these projects.

The approved program comprises a mix of 90 per cent of funding for projects to be carried out in the metropolitan area and 10 per cent in regional areas. Seventy per cent of the total funding has been allocated for local council projects to be carried out on arterial roads that are under the jurisdiction of the Department for State Development.

Since 1990, a total of \$178 million has been committed by SA Power Networks and local councils to undergrounding power lines around South Australia. Approximately two-thirds of project funding has been spent in the metropolitan area.

The Power Line Environment Committee prepares an Annual Report to the Minister of Mineral Resources and Energy in accordance with the requirements of the Power Line Environment Committee Charter (a copy of which can be accessed on the Commission's 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 (South Australia and Northern Territory). The railway line subject to the Code comprises both the line from Alice Springs to Darwin and the line south of Alice Springs to Tarcoola.

The 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. In 2014-15 there were no access disputes notified to the Commission.

The Commission prepares a separate Annual Report covering its activities as the access regulator for the Tarcoola-Darwin railway, in accordance with clause 7 of the Code. The Commission provided the 2013-14 Annual Report to the Minister for Transport and Infrastructure (South Australia) and Minister for Transport (Northern Territory) on 30 September 2014 (a copy of which can be accessed on the Commission's website).

Tarcoola to Darwin Railway - 10 Year Review of Revenues

The AustralAsia Railway (Third Party Access) Act requires that the Commission must, following the first 10 years of operation, and at five yearly intervals thereafter, review the revenues paid or payable by access holders to the access provider for railway infrastructure services where no sustainable competitive prices exist. If excessive

new scheme revenues have been earned for below-rail services that are not subject to a sustainable competitive market, the Commission must put in place more targeted regulatory measures which will ensure that excessive revenues are not earned in the future.

As January 2014 marked the tenth anniversary of the commencement of operation of the Darwin-Tarcoola railway, the Commission commenced work on the Review in 2014-15.

The Commission's Draft Report on the Review was released for consultation in May 2015. Its draft finding was that excessive revenues had not been earned in respect to non-competitive railway infrastructure services for the period 15 January 2004 to 30 June 2013. The Final Report for the Review will be published in 2015-16.

Intra-State Railway

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

The access regime provides for third-party access to South Australian railway infrastructure services as defined under the Act. This applies to the major intra-state railways in South Australia; namely 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 Act
- ▲ monitoring the costs of rail services
- ▲ 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 Act.

No access disputes were notified in 2014-15.

In accordance with the requirements of section 9(4) of the Act the Commission prepares a separate Annual Report covering its activities as regulator for the intra-state railway. The Commission provided the 2013-14 Annual Report to the Minister for Transport and Infrastructure on 30 September 2014 (a copy of which can be accessed on the Commission website).

2015 South Australian Rail Access Regime Review

Under the Railways (Operations and Access) Act the Commission is responsible for conducting five yearly reviews into the SA Access Regime. In February 2015, the Commission commenced its 2015 SA Rail Access Review. As required in the Act, the Commission must recommend whether the SA Access Regime should continue for another five years, or expire on 30 October 2015. Following consideration of submissions to the Issues Paper and consultations held with stakeholders, the Commission prepared a Draft Report on the 2015 SA Rail Access Regime Review in June 2015.

The main draft recommendation of the review is that the current regime should continue for a further five year period. The Commission also noted that there are some areas where the SA Access Regime could be improved to make it more effective by clarifying the scope of regulated infrastructure services, and investigating opportunities for greater integration of transport access regimes.

The Commission invited written submissions to the Draft Report and will consider all comments received. The Final Report is due for release in 2015-16.

MARITIME

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 2000 provides for access to South Australian ports, ports services on fair commercial terms, and price regulation of essential ports services. Essential ports services are declared to be regulated industries for the purpose of the ESC Act.

The Commission regulates three types of port services:

- ▲ essential maritime services - subject to price regulation with price monitoring
- ▲ regulated services - subject to the ports access regime
- ▲ maritime 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 Maritime Services' (for example,

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 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 2014-15.

Ports Price Monitoring Report

Under the current ports price regulatory regime, Flinders Ports Pty Ltd may adjust its prices for services subject to price regulation with a requirement to 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 December 2014, the Commission finalised its 2014 Ports Price Monitoring Report. This was the second annual Ports Price Monitoring Report published by the Commission following its 2012 Ports Price Determination. The price monitoring regime involves an evaluation of Flinders Ports Pty Ltd price increases as compared to changes in the Consumer Price Index, with the expectation of adequate justification for any rise in charges above this index.

The report observed that charges for both Cargo Services and Harbour Service charges increased on average by 2.9 per cent and Navigational Service charges increased by 3.9 per cent. Pilotage Service charges increased by 7.5 per cent.

The Commission examined information presented by Flinders Ports to justify the price increases for Essential Maritime Services and Pilotage Services 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 to meet expected future demands and efficiency gains.

COMPLIANCE ACROSS INDUSTRIES

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

The ESC 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 ESC 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 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.

These 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), 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.

Compliance 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.

Compliance Reporting and Auditing

The compliance reporting and auditing frameworks established by the Commission are intended to ensure compliance by regulated entities with all relevant regulatory obligations and, in turn, assure the Commission that South Australian consumers are receiving the benefits intended by the regulation of essential services. The Commission's approach

is aimed at minimising costs and disruptions to regulated entities, while ensuring that compliance systems that reflect the Australian Standard on Compliance Programs exist and operate efficiently and effectively.

The Commission has developed Guidelines for each industry on its compliance function which specifies requirements for licensees in relation to:

- ▲ the establishment and maintenance of appropriate and robust compliance systems and processes in respect to standards and conditions of service and supply in the electricity, gas and water supply industries
- ▲ the reporting of information to the Commission to assist in the performance of its compliance and enforcement statutory functions, and
- ▲ operational and compliance audits in respect to the operations carried out by licensees under the authority of their licences.

The Commission adopts a multi-tiered approach to compliance reporting, based on 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
- ▲ type 2: regulatory obligations of an importance that a breach must be identified in a retailer's Quarterly Compliance Report
- ▲ 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.

The specific reporting requirements for each industry are set out in the relevant guideline.

As water is the most recent addition to the Commission's regulatory remit, in 2014-15 it produced a series of industry Fact Sheets and checklists, as well as holding information sessions, to facilitate retailers compliance.

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.

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. A systematic and genuine approach to consultation and engagement 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 addition to the Commission's role as an economic regulator, other agencies form part of the overall regulatory framework. These agencies include the Office of the Technical Regulator, Australian Energy Regulator, Australian Energy Market Operator, Australian Energy Market Commission, Department of State Development, SA Health, Department of Environment, Water and Natural Resources, Environmental Protection Agency and Department for Communities and Social Inclusion. The Commission also works with these agencies to provide a coordinated approach to regulation.

In 2014-15, the Commission undertook extensive stakeholder engagement on the water and sewerage pricing reform options Inquiry. This included providing briefings to consumer organisations and industry associations.

A series of information sessions were also held in rural and regional locations around the State to consult with water retailers on proposed

amendments to the Water Retail Code - Minor and Intermediate Retailers.

Industry information sessions were held with energy retailers and energy efficiency product and service providers to prepare for the changes to the Retail Energy Efficiency Scheme.

Public forums were held to assist members of the community to understand the Commission's draft decisions and provide feedback. Six public forums were held around the State in July and August 2014 in relation to the Draft Inquiry Report for the Inquiry into Reform Options for SA Water's Drinking Water and Sewerage Prices. A public forum was held in Adelaide in May 2015, to gain stakeholder views on the effectiveness of the National Energy Customer Framework. A forum was also held with retailers to gain their insights into the operation of the framework.

The Commission continued to use the print media as a method of advising the community of consultations underway, with public notices being placed in The Advertiser, regional newspapers and industry journals.

In addition, the Commission's consultation processes included:

- ▲ regular meetings of the Consumer Advisory Committee, licensees, other regulators and stakeholders
- ▲ releasing 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 ESC 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 2014-15, with the revised Charter 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.

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.

Appointments to the Consumer Advisory Committee are made for a period of two years. The term of appointment for all current members commenced on 1 July 2014. The current membership of the Consumer Advisory Committee is listed in Table 3 below.

The Consumer Advisory Committee considered and provided input in all major regulatory decisions and issues considered by the Commission during the year. This included acting as a reference group for the Australian Gas Networks' stakeholder engagement program to inform its regulatory proposal for the Australian Energy Regulator for the period 2016 to 2021.

Table 3: Consumer Advisory Committee Members 1 July 2014 to 30 June 2016

REPRESENTATIVE	ORGANISATION
Andrew McKenna	Business SA
Tim Kelly	Conservation Council of SA
Elaine Attwood	Consumers SA
Jane Mussared (from 4 May 2015) Jessie Byrne (until 13 April 2015)	COTA SA
Sandy Canale	Energy and Water Ombudsman SA
Jill Whittaker	Local Government Association of SA
Heather l'Anson	Primary Producers SA
David Hossen	Property Council of Australia, SA Division
Ross Womersley	South Australian Council of Social Services
Mark Henley	Uniting Communities

Small Grants Program

The Commission makes provision in its budget for a Small Grants program to assist Consumer Advisory Committee members to undertake programs, activities and research of benefit to water and energy consumers and which will assist the Commission in meeting its statutory objectives.

Two Small Grants were provided in 2014-15:

- ▲ PhotoVoice public exhibition (Uniting Communities) - to allow for a public exhibition of photos , taken by individuals for various socio-economic backgrounds showing their

experience of energy bills, to be shared with the community at the State Library from December 2014 to January 2015, and

- ▲ SACOSS Consumer Engagement in Energy and Water Regulation Conference – a contribution towards the costs of hosting a conference to identify opportunities to further develop the processes and arrangements for more effective consumer engagement by water and energy businesses in regulatory processes.

CORPORATE GOVERNANCE

The Commission is committed to a high standard of corporate governance. The Commission's Corporate Governance Framework sets out the means by which it ensures compliance with legislative responsibilities.

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

Ethical Behaviour

The Commission has a Code of Conduct and Code of Ethics that establishes standards of duty for Commissioners, Chief Executive Officer and staff.

The Code of Ethics seeks to:

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

As employees of the Public Sector, Commission staff comply with South Australian public sector ethical standards, as contained in the South Australian Public Sector Code of Ethics.

As an independent economic regulator, the Commission also considers it important to articulate its own Code of Conduct for its employees, as the independence of the Commission brings with it specific obligations regarding managing relationships with stakeholders and staff performance. The Code supplements the South Australian Public Sector Code of Ethics.

The Code of Conduct 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.

Conflict of Interest

Staff and Commissioners must comply with the Commission's Conflict of Interest Policy and Gifts and Hospitality Policy. These policies set high ethical standards for the management of interests, gifts, benefits and hospitality. The Commission maintains a register of the financial and other interests of Commissioners, Chief Executive, staff and related others. The register is updated yearly, and as necessary as new issues arise. It ensures potential conflicts of interest are managed appropriately. Commissioners and the Chief Executive Officer report any potential conflicts of interest to the Treasurer in accordance with the ESC Act.

Risk Management

The Commission is committed to maintaining integrity in all its dealings and demonstrating responsible risk management through the implementation of a Risk Management Policy, Management Plan and Register that are in line with Australian/New Zealand Standard AS/NZS ISO 3100:2009 Risk Management Principles and Guidance.

Risk management is proactively considered by the Commission and Management at each of their meetings, with the Risk Register reviewed quarterly.

Freedom of Information

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

Policy Review

In 2014-15, the Commission reviewed the following governance policy documents:

- ▲ Delegation of Authority and Use of Common Seal
- ▲ Whistleblowers Policy
- ▲ Risk Register Policy and Management Plan.

FINANCIAL PERFORMANCE

Revenue

The Commission's revenue from all sources in 2014-15 was \$4.67 million. This was \$0.21 million less than 2013-14. Revenue was sourced from the following industries: Water \$2.51 million; Energy (Electricity and Gas) \$1.68 million, Ports, Rail and Other Sources \$0.48 million.

Each year, the Commission invoices and collects funds which it is required to transfer to various parties, including the Office of the Technical Regulator. Such transfers are termed 'Administered Items'. The Commission invoiced licence and administration fees of \$11.75 million in 2014-15 (\$11.84 million in 2013-14) and transferred \$7.55 million as Administered Items (refer to Note 10 and 29 in Appendix 4 for further details).

The Commission invoiced water licence fees totalling \$3.39 million (\$3.40 million in 2013-14). The SA Water licence fee was the largest, at \$3.10 million. Further licence fees totalling \$0.29 million were contributed by smaller water licencees. After the required transfers of \$0.88 million as Administered Items, the water licence fee revenue was \$2.51 million.

The Commission invoiced energy licence fees of \$7.74 million in 2014-15 (\$7.93 million in 2013-14) and retail energy administration fees of \$0.61 million in 2014-15 (\$0.52 million in 2013-14). After the required transfer of \$6.67 million as Administered Items, the Commission's energy licence and administration fee revenue was \$1.68 million (\$2.06 million in 2013-14).

The Commission's regulation of ports and intra-state rail are funded by the South Australian Government, while its Tarcoola-Darwin rail activities are funded equally by the South Australian and Northern Territory Governments. In total, in 2014-15, the South Australian Government provided \$0.38 million (\$0.23 million in 2013-14) funding for ports and rail activities while the Northern Territory Government provided funding of \$0.09 million (\$0.05 million in 2013-14).

Expenses

In 2014-15, the Commission maintained a focus on appropriately managing its expenditure and was successful in decreasing expenses by \$0.32 million (6.4 per cent below 2013-14). The total expenditure in 2014-15 was \$4.67 million (\$4.99 million in 2013-14).

The area of most significant expense reduction was in supplies and services, which includes the use of consultants. The supplies and services expense was \$1.26 million (\$1.74 million in 2013-14), a 28 per cent reduction. The consultant expense was \$0.21 million (\$0.48 million in 2013-14), a 57 per cent reduction.

Result

The Commission's 2014-15 net result was a surplus of \$0.01 million, compared to a deficit of \$0.10 million in 2013-14.

Other Financial Matters

Capital Expenditure

The Commission's capital expenditure in 2014-15 was \$0.31 million (\$0.05 million in 2013-14), most of which related to the development of a reporting system for the Retailer Energy Efficiency Scheme (REES).

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.

Table 4: Consultant projects 2014-15

VALUE BELOW \$10,000	NUMBER: 3	AMOUNT: \$7,789
VALUE \$10,000 AND ABOVE	NUMBER: 7	AMOUNT: \$198,103
ACIL Allen Consulting	Advice on the Regulatory Feed-in Tariff Determination	
BDO Audit Pty Ltd	Audit of the new Retailer Energy Efficiency Scheme (REES) system	
Cardno Pty Ltd	Advice on expenditure proposal for 2016 SA Water Revenue Determination	
Houston Kemp	Research review of regulatory rate of return, cost of debt, cost of equity, imputation credits and market risk premium	
iedex Pty Ltd	Advice to assist the development of Commission KPIs	
KPMG	Review of Tarcoola to Darwin railway revenues and profits	
OzTrain Pty Ltd	Organisational Review	
TOTAL	NUMBER: 10	AMOUNT: \$205,892

The Commission entered into consultant contracts to the value of \$0.21 million during 2014-15 (\$0.48 million in 2013-14), representing approximately 4.4 per cent of total expenses (9.6 per cent in 2013-14).

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 total amounts paid or payable to these consultants, are summarised in Table 4 above.

Contractual Arrangements

Details of the Commission's procurement contracts for 2014-15 are disclosed on the South Australian Tenders and Contracts website at <http://www.tenders.sa.gov.au/>.

Fraud

The Commission has established a comprehensive framework for detecting and managing risk and

fraud. This includes maintaining and reviewing a robust internal control environment with mechanisms for detecting, reporting and dealing with instances or suspicions of dishonesty or internal fraud.

No instances of fraud were detected within the Commission during 2014-15.

Overseas Travel

The Commission discloses all information relating to overseas travel of employees and Commissioners. Information for 2014-15 can be found on the Commission website at <http://www.escosa.sa.gov.au/about-us.aspx>.

WORKFORCE

Commission staff are employed under the ESC 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 a framework for the Commission's strategic workforce planning initiatives in the areas of resourcing and working arrangements, performance and professional development.

In 2014-15, the development of the Workforce Strategy was informed by a Staff Engagement Survey and post survey workshops conducted in early 2014.

The Commission refreshed its organisation structure during 2014-15. The revised structure retains two functional regulatory groups and a Corporate Services Group. It also augments the Commission's internal economic research with an Advisory and Research Group. The new structure came into effect on 1 February 2015.

The Commission is committed to fostering a positive workplace culture, where employee

performance standards and expectations are mutually understood, and where employees are provided with the appropriate leadership, feedback, and development to undertake their work to the best of their ability. Active preparation and participation by all managers and employees in a process of Performance Management is expected. As at 30 June 2014, 100 per cent of staff had a Performance Agreement in place.

During the 2014-15 year, training and development expenditure was 3.7 per cent of total salaries. This compares with 4.6 per cent of total salaries spent in 2013-14.

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 129 of the Return to Work Act 2014. The Commission must comply with the South Australian Public Code of Practice for Crown Self-insured Employers.

In 2014-15, the Commission completed all actions identified by an independent Work Health and Safety audit undertaken in 2013-14.

The Commission is pleased to report that there were no reportable Work Health and Safety incidents or accidents during the year. Appendix 3 provides details of Work Health and Safety and Welfare and Injury Management statistics for the 2014-15 period.

APPENDIX 1: LICENSED AND EXEMPTED ENTITIES

As at 30 June 2015

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
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 The Copper Coast	Licence – Water Retail Intermediate
District Council of Elliston	Licence – Water Retail Minor
District Council of Franklin Harbour	Licence – Water Retail Minor

ENTITY NAME	LICENSING TYPE
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
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
FB Pipeline Pty Ltd	Licence – Water Retail Minor
Foothills Water Co Pty Ltd	EXEMPTION – Water Retail
Glendambo and 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

ENTITY NAME	LICENSING TYPE
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
Yattalunga Association	Exemption – Water Retail

Electricity

ENTITY NAME	LICENSING TYPE
AGL Hydro Partnership and Hallett 5 Pty Ltd - Bluff Wind Farm (Hallett Stage 5)	Licence - Electricity Generation 30MW < 100MW
AGL Hydro Partnership and Brown Hill North Pty Ltd - North Brown Hill Windfarm	Licence - Electricity Generation 100MW < 200MW

ENTITY NAME	LICENSING TYPE
AGL Hydro Partnership and Hallett Hill Pty Ltd - 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 and B	Licence - Electricity Generation > 200MW
AGL South Australia Pty Ltd - Wilpena Pound Power Station and Cooper Brewery Generator Facility	Licence - Electricity Generation 5MW < 30MW
AGL South Australia Pty Ltd - Wilpena Pound Power Station and 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
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

ENTITY NAME	LICENSING TYPE
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
Flinders Power Holdings GmbH, Flinders Labuan (No 1) Ltd, Flinders Labuan (No 2) Ltd and Flinders Operating Services Pty Ltd	Exemption – Electricity Distribution Retail
Flinders Power Holdings GmbH, Flinders Labuan (No 1) Ltd, Flinders Labuan (No 2) Ltd and Flinders Operating Services Pty Ltd – Port Augusta Power Station – Northern and Playford Power Stations	Licence - Electricity Generation > 200MW
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 and 3)	Licence - Electricity Generation > 200MW
Lofty Ranges Power Pty Ltd and SA Water Corporation – Terminal Storage Reservoir Hope Valley	Licence - Electricity Generation 100kVA<5MW
Lumo Generation SA Pty Ltd - Angaston, Lonsdale, Pt Stanvac A and B Power Stations	Licence - Electricity Generation 100MW < 200 MW
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 – Off-grid 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
OneSteel Manufacturing Pty Ltd	Licence - Regional Electricity Generation Distribution

ENTITY NAME	LICENSING TYPE
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 and Quarantine Power Stations	Licence - Electricity Generation > 200MW
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 and Horticultural Society of SA Inc.	Licence - Electricity Generation 100kVA<5MW
SA Power Networks	Licence – 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)	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 – Bolivar	Licence - Electricity Generation 1.35MW
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 and Dry Creek Power Stations	Licence - Electricity Generation > 200MW

ENTITY NAME	LICENSING TYPE
The Bear Clan Pty Ltd	Licence - Electricity Generation > 200MW
The Minister who is administratively responsible for carrying out retailing under the scheme known as the Remote Areas Energy Supply scheme	Exemption - Electricity Retail (Remote Areas Energy Supply)
Transfield Services (Australia) Pty Ltd	Exemption - Electricity Retail Generation Distribution Transmission
TRUenergy Torrens Island Pty Ltd - Torrens Island Power Station A and B	Exemption – Electricity Generation
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 and AGL Hydro Partnership – Wattle Point Wind Farm	Licence - Electricity Generation 30MW < 100MW

Gas

ENTITY NAME	LICENSING TYPE
AGL Wholesale Gas Ltd	Exemption - Gas Retail
Australian Gas Networks Ltd	Licence - Gas Distribution
Elgas Limited	Licence – Liquefied Petroleum Gas Distribution Retail Exemption - Gas Retail 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

APPENDIX 2: SIGNIFICANT COMMISSION PUBLICATIONS

Released during 2014-15

Water

PUBLICATION NAME	DATE PUBLISHED
Inquiry into Reform Options for SA Water's Drinking Water and Sewerage Prices - Draft	July 2014
Water Financial and Operational Reporting Responsibility Statement for Minor and Intermediate Retailers Template	August 2014
Water Material Breach Compliance Report for Minor and Intermediate Retailers Template	August 2014
Water Annual Compliance Report for Minor and Intermediate Retailers Template	August 2014
Water Pricing Policy Questionnaire Proforma PM3.1 for Minor and Intermediate Retailers Template	August 2014
Water Price Monitoring Reporting for Minor and Intermediate Retailers Template	August 2014
Water Financial and Operational Performance Reporting Minor and Intermediate Retailers Template	August 2014
Water Price Monitoring Responsibility Statement for Minor and Intermediate Retailers Template	August 2014
Water Industry Guideline No 3 - Minor and Intermediate Retailers WG3/03 - Explanatory Memorandum	August 2014
Draft Inquiry Report: Appendix 8 - Metering Benefit Analysis and Other Options	August 2014
Water Metering Code - Draft Decision	August 2014
Water Retail Code - Minor and Intermediate Retailers Restriction Thresholds - Debt and Flow Rate - Consultation Paper	October 2014
Water Metering Code - Final Decision	November 2014
SA Water Price Determination 1 July 2016 - 30 June 2020 - Final Framework and Approach	November 2014
SA Water Regulatory Rate of Return 2016 - 2020 - Draft Report to the Treasurer	November 2014
Inquiry into Reform Options for SA Water's Drinking Water and Sewerage Prices - Final	January 2015
Water Retail Code - Customer Charter	
Water and Sewerage Retail Services	March 2015
Water Retail Code	March 2015

PUBLICATION NAME	DATE PUBLISHED
Minor and Intermediate Retailers - Final Decision	
Standard Customer Sale Contract - Water Retail Service	
Standard Customer Sale Contract - Water and Sewerage Retail Services	
Standard Customer Sale Contract - Sewerage Retail Service	
Minor and Intermediate Retailers	
SA Water Regulatory Rate of Return 2016 - 2020 - Final Report to the Treasurer	May 2015
Pricing Policy Questionnaire Proforma PM3.1 - Draft for Consultation	May 2015
Simplifying Annual Reporting Requirements for Minor and Intermediate Retailers - Draft Decision	May 2015

Energy

PUBLICATION NAME	DATE PUBLISHED
Energy Retail Prices in SA - Ministerial Pricing Report 2014	August 2014
Energy Retail Prices in SA - Ministerial Pricing Report 2014 - Fact Sheet	August 2014
Annual Performance Reports	
Energy Network Businesses Overview 2013-2014 - Report 1	
Performance of SA Power Networks 2013-2014 - Report 2	
Performance of ElectraNet 2013-2014 - Report 3	
Performance of Australian Gas Networks 2013-2014 - Report 4	
Distribution Network Time Series Data 2013 - 14	November 2014
Review of the Operation of the National Energy Customer Framework in South Australia - Issues Paper	February 2015
NERL Review Issues Paper - Time Series Data	February 2015
Review of the Operation of the National Energy Customer Framework in South Australia - Consolidated Set of Questions	March 2015
Review of the Operation of the National Energy Customer Framework in South Australia - General Customer Questions	March 2015
Effectiveness of the National Energy Retail Laws - Public Forum	April 2015

Electricity

PUBLICATION NAME	DATE PUBLISHED
SA Power Networks Summer Performance December 2013 to March 2014	July 2014

PUBLICATION NAME	DATE PUBLISHED
2015-2016 Retailer Feed-in Tariff Draft Price Determination	October 2014
SA Power Networks Jurisdictional Service Standards for 2015-2020 Regulatory Period - Implementation of Service Standard Targets	October 2014
2015-2016 Retailer Feed-in Tariff - Final Price Determination	December 2014
SA Power Networks Summer Performance December 2014 to March 2015 Infographic	April 2015

Power Line Environment Committee

PUBLICATION NAME	DATE PUBLISHED
PLEC Annual Report 2013-14	January 2015

REES

PUBLICATION NAME	DATE PUBLISHED
2013 Energy Efficiency Fund Initiative (EEFI) - Fact Sheet	August 2014
REES Code REESC/08 - Draft	October 2014
REES Code Proposed Amendments 2014 - Draft Decision	October 2014
REES Code Proposed Amendments 2014 - Final Decision	December 2014
REES Guideline - Statistical Information (EG6/1)	December 2014
REES Code REESC/08	December 2014
REES Bulletin No 19 - REES Activities in Government Owned Housing	May 2015

Gas

PUBLICATION NAME	DATE PUBLISHED
Reticulated LPG Industry Code - Fact Sheet	July 2014
Annual Return Checklist - Reticulated LPG Licensees - Fact Sheet	July 2014
Reporting and Important Dates Reticulated LPG Licensees - Fact Sheet	July 2014
Australian Gas Networks Jurisdictional Service Standards for 2016-2021 Regulatory Period - Draft Decision	March 2015
Australian Gas Networks Jurisdictional Service Standards for 2016-2021 Regulatory Period - Final Decision	June 2015

Rail

PUBLICATION NAME	DATE PUBLISHED
Annual Report 2013-14	
South Australian Rail Regulation	
Tarcoola-Darwin Rail Regulation	November 2014
South Australian Rail Access Regime Review - Draft Report	June 2015

Ports

PUBLICATION NAME	DATE PUBLISHED
2014 Ports Price Monitoring Report	December 2014

Corporate Governance

PUBLICATION NAME	DATE PUBLISHED
ESCOSA Annual Report 2013-14	November 2014
ESCOSA Strategic Plan 2015-18	March 2015
ESCOSA Performance Plan 2015-16	June 2015

APPENDIX 3: HUMAN RESOURCE STATISTICAL INFORMATION

Further human resources information for 2014-15 is available from the Commissioner for Public Sector Employment website at <http://publicsector.sa.gov.au>.

Workforce Diversity

Table 1: Age and Gender 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	0	0	0	9.7
25-29	1	5	6	21.5	11.2
30-34	0	2	2	7.1	10.7
35-39	4	3	7	25	9.6
40-44	2	1	3	10.7	11.4
45-49	3	1	4	14.3	11.1
50-54	1	0	1	3.6	11.4
55-59	2	1	3	10.7	9.1
60-64	1	1	2	7.1	6.7
65+	0	0	0	0	3.6
Total	14	14	28	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 Super Table, South Australia at November 2013

Table 2: Total Number of Employees with Disabilities

	MALE	FEMALE	TOTAL
Employees identifying with a disability	0	0	0

Executives

Table 3: Executives by Gender, Classification and Status

Classification	CONTRACT UNTENURED			ONGOING			TOTAL		
	M	F	Total	M	F	Total	M	F	Total
Level A	0	2	2	0	0	0	0	2	2
Level B	1	0	1	0	0	0	1	0	1
Level D	1	0	1	0	0	0	1	0	1
Total Executive	2	2	4	0	0	0	2	2	4

Leave Management

Table 4: Average Days Leave per Full Time Equivalent Employee

LEAVE TYPE	2014-15	2013-14	2012-13	2011-12
Special Leave With Pay	0.6	0.6	1.0	1.1
Sick Leave	5.9	7.5	10.4	12.7
Family Carer's Leave	1.8	1.4	1.6	1.2
Total Sick/Carer's Leave	7.7	8.9	12.0*	13.9*

* 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.

Performance Development

Table 5: Documented Performance Management

EMPLOYEES WITH	PERSONS	% TOTAL WORKFORCE
A plan reviewed within the past 12 months	28	100
A plan older than 12 months	0	0
No plan	0	0

Training and Development

Table 6: Training Expenditure

TRAINING AND DEVELOPMENT	TOTAL COST	% OF TOTAL SALARY EXPENDITURE
Total training and development expenditure	\$117,855	3.7%

Work Health and Safety and Injury Management

Table 5: Work Health, Safety and Injury Management Statistics

WHS LEGISLATIVE OBLIGATIONS	2014-15	2013-14	2012-13
Number of notifiable occurrences pursuant to Work Health and Safety Act	0	0	0
Number of notifiable injuries pursuant to Work Health and Safety Act	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
WORK COVER ACTION LIMITS			
Number of open claims	0	0	0
Percentage of workers compensation expenditure over gross annual remuneration	0	0	0
Number of Claims			
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
Cost of Workers Compensation			
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 and 44)	\$0	\$0	\$0
Total amount recovered from external sources (s54)	\$0	\$0	\$0
MEETING TARGETS			
Nil Workers compensation claims	Yes	Yes	Yes
Work Health and Safety policies implemented as scheduled	100%	100%	100%
Work Health and Safety Training Program in place	Yes	Yes	Yes
Workplace Inspections Completed	Yes	Yes	Yes

Whistleblowers

There have been no instances of disclosure of public interest information under the Whistleblowers Protection Act 1993 pursuant to Section 7 of the Public Sector Act 2009.

APPENDIX 4: FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT

ESSENTIAL SERVICES COMMISSION

FINANCIAL STATEMENTS

for the year ended 30 June 2015

Certification of the Financial Statements

We certify that the financial statements 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 2015



Adam Wilson
CHIEF EXECUTIVE OFFICER
29 September 2015



Nick Mahon
MANAGER, FINANCE AND INFORMATION TECHNOLOGY
29 September 2015

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
EXPENSES			
Employee benefits expense	5	3 206	3 035
Supplies and services	6	1 255	1 743
Payments to SA Government	7	100	100
Depreciation and amortisation expense	8	104	107
Total expenses		4 665	4 985
INCOME			
Revenue from licence and administration fees	10	4 195	4 589
Contributions from SA Government	11	384	234
Revenue from services	12	92	49
Other income	13	2	14
Total income		4 673	4 886
NET RESULT		8	(99)
TOTAL COMPREHENSIVE RESULT		8	(99)

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 2015

	Note	2015 \$'000	2014 \$'000
CURRENT ASSETS			
Cash and cash equivalents	24	9 013	8 943
Receivables	14	1 205	1 189
Total current assets		10 218	10 132
NON-CURRENT ASSETS			
Property, plant and equipment	15	437	498
Intangible assets	16	338	72
Total non-current assets		775	570
TOTAL ASSETS		10 993	10 702
CURRENT LIABILITIES			
Payables	18	263	185
Employee benefits	19	202	193
Other liabilities	20	125	145
Total current liabilities		590	523
NON-CURRENT LIABILITIES			
Payables	18	61	45
Employee benefits	19	679	479
Total non-current liabilities		740	524
TOTAL LIABILITIES		1 330	1 047
NET ASSETS		9 663	9 655
EQUITY			
Retained earnings	28	9 663	9 655
TOTAL EQUITY		9 663	9 655

TOTAL EQUITY IS ATTRIBUTED TO THE SA GOVERNMENT AS OWNER.

Unrecognised contractual commitments 21

Contingent Assets and Liabilities 22

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

Statement of Changes in Equity for the year ended 30 June 2015

	Retained Earnings
	<u>\$'000</u>
Balance at 30 June 2013	<u>9 754</u>
Net result for 2013-14	(99)
Total comprehensive result for 2013-14	<u>(99)</u>
Balance at 30 June 2014	<u>9 655</u>
Net result for 2014-15	8
Total comprehensive result for 2014-15	<u>8</u>
Balance at 30 June 2015	<u>9 663</u>

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

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

Statement of Cash Flows for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash outflows			
Payments for employee benefits		(2 976)	(3 169)
Payments for supplies and services		(1 231)	(1 811)
Payments to SA Government		(100)	(100)
Payments for paid parental leave scheme		(5)	(18)
Cash used in operations		(4 312)	(5 098)
Cash inflows			
Receipts from licence and administration fees		4 214	4 377
Receipts of grants and contributions		384	234
Receipts from other services		92	49
Receipts for paid parental scheme		8	17
Other receipts		2	14
Cash generated from operations		4 700	4 691
NET CASH PROVIDED BY OPERATING ACTIVITIES	24	388	(407)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash outflows			
Purchase of property, plant and equipment		—	(461)
Purchase of intangible assets		(318)	(41)
Cash used in investing activities		(318)	(502)
NET CASH USED IN INVESTING ACTIVITIES		(318)	(502)
NET (DECREASE) / INCREASE IN CASH		70	(909)
Cash at the beginning of the period		8 943	9 852
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24	9 013	8 943

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

Notes to and forming part of the Financial Statements

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- 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 8 Depreciation and amortisation expense
- Note 9 Auditor's remuneration

Income Notes

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- Note 11 Contributions from SA Government
- Note 12 Revenue from services
- Note 13 Other income

Asset Notes

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- Note 15 Property, plant and equipment
- Note 16 Intangible assets
- Note 17 Fair value measurement

Liability Notes

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- Note 19 Employee benefits
- Note 20 Other liabilities

Other Notes

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- Note 22 Contingent assets and contingent liabilities
- Note 23 Remuneration of Commission and committee members
- Note 24 Cash flow reconciliation
- Note 25 Transactions with SA Government
- Note 26 Financial instruments/financial risk management
- Note 27 Events after the reporting period
- Note 28 Retained earnings
- Note 29 Administered items

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 an independent economic regulator under the *Essential Services Commission Act 2002 (ESC Act)*. The ESC Act is committed to the Treasurer.

The Commission's regulatory 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 (SA) consumers of essential services with respect to price, reliability and quality of those services. It's advisory role includes provision of advice to Government, including through public inquiry processes.

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**

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

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

Except for AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* which the Commission has early adopted, 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 reporting period

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires the exercise of 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;
- that 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; and
- 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 the historical cost convention.

The Statement of Cash Flows 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 2015 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", established by the Treasurer, is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence and administration fees.

(d) Administered items

The Commission receives licence and administration fees which include administered items held on behalf of the 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 otherwise with the prior approval of the Treasurer. The receipt of these administered items is not recognised as revenue. Instead, the subsequent transfer of these items to the Consolidated Account is disclosed in notes 10 and 29. 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 statements unless impracticable.

The Commission has not applied any accounting policy changes retrospectively for the financial year 2015.

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 (GST).

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
- receivables and payables, which are stated with the amount of GST included.

GST amounts payable and recoverable from the Australian Taxation Office are managed via the Department of Treasury and Finance under the Commission's existing Service Level Agreement and are not reported in these statements for 2014-15.

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 calculated in accordance with regulations under the relevant Acts. 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 benefits 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 Commission staff and members. 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 - 6 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 Department of State Development. Details are provided at note 7.

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 are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

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 include 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 and administration 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 and administration fees is obtained on the 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 after allowing for 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 and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. 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.

For revalued assets, an impairment loss is offset against the respective revaluation surplus.

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 Chief Executive Officer 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 estimated useful life that was less than three years' are deemed to approximate fair value.

Refer to notes 15 and 17 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.

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office, Department of Human Services.

Employee benefits on-costs include payroll tax and superannuation contributions in respect of 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 (SERL) and sick leave.

The annual leave liability and the SERL 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 to, 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, and 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

Except for AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* which the Commission has early adopted, 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 2015. 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.

New AASB 1055 Budgetary Reporting, which became effective for the first time in 2014-15, does not have an impact on the financial statements as the Commission's budget is not reported to Parliament separately.

New AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements, which became effective for the first time in 2014-15, does not have an impact on the financial statements as the Commission does not control another entity and does not have any joint arrangements within the scope of AASB 11.

Note 4 Activities of the Commission

The Commission is an independent economic regulator of essential services in SA, with key responsibilities in the water, sewerage, 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 Retailer 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 2015 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, Retailer 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, Retailer Energy Efficiency Scheme administration and other functions as required from time to time.
Rail	<i>AustralAsia Railway (Third Party Access) Act 1999; 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 2000</i>	Pricing and access regulator for specified port services.

Note 5 Employee benefits expense	2015	2014
	\$'000	\$'000
Salaries and wages	2 163	2 159
Long service leave	176	51
Annual leave	184	160
Skill and experience retention leave	—	(2)
Employment on costs - superannuation	257	373
Employment on costs - other	133	113
Board and committee fees*	255	151
Other employee related expenses	38	30
Total employee benefit expenses	3 206	3 035

No employees received a targeted voluntary separation package 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 23 for details of remuneration for Board and Committee members.

Remuneration of employees	2015	2014
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$141 500 - \$151 499	1	—
\$161 500 - \$171 499	—	1
\$191 500 - \$201 499	1	1
\$251 500 - \$261 499	—	2
\$301 500 - \$311 499	1	—
Total	3	4

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 salary sacrifice benefits. The total remuneration received by these employees for the year was \$645 150 (\$873 354).

Note 6 Supplies and services	2015	2014
	\$'000	\$'000
Accommodation	401	420
General administration	493	534
Information technology charges	136	123
Consultants	206	481
Other supplies and services	19	185
Total supplies and services	1 255	1 743

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:

	2015	2014	2015	2014
	Number	Number	\$'000	\$'000
Below \$10 000	3	3	8	17
Above \$10 000	7	8	198	464
Total paid or payable to consultants	10	11	206	481

Note 7 Payments to SA Government	2015	2014
	\$'000	\$'000
Transfer of funds to Department of State Development*	100	100
Total payments to SA Government	100	100

* The funds were utilised for consumer advocacy funding activities.

Note 8 Depreciation and amortisation expense	2015	2014
	\$'000	\$'000
Depreciation		
Office equipment	3	4
Building fit out	58	58
Total depreciation expense	61	62
Amortisation expense		
Intangible assets	43	45
Total amortisation expense	43	45
Total depreciation and amortisation expense	104	107

Note 9 Auditor's remuneration	2015 \$'000	2014 \$'000
Audit fees paid or payable to the Auditor-General's Department relating to the audit of financial statements	16	15
Total audit fees	16	15

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.

Note 10 Revenue from licence and administration fees	2015 \$'000	2014 \$'000		
	Electricity	Gas	Water	
Licence fees	5 344	2 395	3 394	11 133
Administration fees	480	132	—	612
Administered items*	(4 675)	(1 992)	(883)	(7 550)
Total fees	1 149	535	2 511	4 195

* Refer note 29 Administered items.

Note 11 Contributions from SA Government	2015 \$'000	2014 \$'000
Recurrent contribution from SA Government	384	234
Total contributions from SA Government	384	234

Note 12 Revenue from services	2015 \$'000	2014 \$'000
Contribution to rail regulatory costs by Northern Territory Government	92	49
Total revenue from services	92	49

Note 13 Other income	2015 \$'000	2014 \$'000
Other income	2	14
Total other income	2	14

Note 14 Receivables	2015 \$'000	2014 \$'000
Current		
Receivables	1 033	1 071
Accrued revenue	109	109
Prepayments	63	9
Total current receivables	1 205	1 189

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 15 Property, plant and equipment	2015 \$'000	2014 \$'000
Office equipment		
Office equipment at cost (deemed fair value)	34	34
Accumulated depreciation	(32)	(29)
Total office equipment	2	5
Building fit outs		
Building fit outs at cost (deemed fair value)	551	551
Accumulated depreciation	(116)	(58)
Total building fit outs	435	493
Total property, plant and equipment	437	498

Note 15 Property, plant and equipment (continued)**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 Accounting Policy Framework 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 2015.

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2014-15.

	Office equipment \$'000	Building fit outs \$'000	TOTAL \$'000
Carrying amount at the beginning of the period	5	493	498
Depreciation expense	(3)	(58)	(61)
Carrying amount at the end of the period	2	435	437

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)
Carrying amount at the end of the period	5	493	498

Note 16 Intangible assets**Internally developed software**

Internally developed computer software at cost (deemed fair value)

Accumulated amortisation

Total internally developed software

Work in progress

At cost (deemed fair value)

Total work in progress

Total intangible assets

2015
\$'000

2014
\$'000

452 212

(232) (189)

220 23

118 49

118 49

338 72

Impairment

There were no indications of impairment of intangible assets at 30 June 2015.

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2014-15.

Carrying amount at the beginning of the period

Additions

Transfers in

Transfers out

Amortisation expense

Carrying amount at the end of the period

Internally
developed
software
\$'000

Work in
progress
\$'000

TOTAL
\$'000

23 49 72

— 309 309

240 — 240

— (240) (240)

(43) — (43)

220 118 338

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

Carrying amount at the beginning of the period

Additions

Amortisation expense

Carrying amount at the end of the period

Internally
developed
software
\$'000

Work in
progress
\$'000

TOTAL
\$'000

68 — 68

— 49 49

(45) — (45)

23 49 72

Note 17 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 statement of financial position are categorised into the following levels at 30 June 2015.

The Commission had no valuations categorised into Level 1.

Fair value measurements at 30 June 2015

Recurring fair value measurements	Level 2 \$'000	Level 3 \$'000	Total \$'000
Office equipment (note 15)	—	2	2
Building fitouts (note 15)	—	435	435
Total recurring fair value measurements	—	437	437

Fair value measurements at 30 June 2014

Recurring fair value measurements	Level 2 \$'000	Level 3 \$'000	Total \$'000
Office equipment (note 15)	—	5	5
Building fitouts (note 15)	—	493	493
Total recurring fair value measurements	—	498	498

There were no transfers of assets between level 1 and level 2 fair value hierarchy levels in 2015. 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 15. 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 2015. 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	5	493	498
Depreciation expense*	(3)	(58)	(61)
Closing balance at the end of the period	2	435	437

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

The impact on the 2013-14 financial year was the depreciation expense as disclosed.

Note 18 Payables

	2015 \$'000	2014 \$'000
Current		
Accrued expenses	229	157
Employment on-costs	31	28
Paid parental leave scheme	3	—
Total current payables	263	185
Non-current		
Employment on-costs	61	45
Total non-current payables	61	45
Total payables	324	230

Based on an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has decreased from the 30 June 2014 percentage rate of 40% to 37% for 30 June 2015 and the average factor for the calculation of the employer superannuation on-costs has remained at the 2014 rate of 10.3%. These rates are used in the employment on-cost calculation. The financial effect of the change in the percentage rate of the proportion of long service leave taken as leave on employment on-costs and employee benefit expense is immaterial.

Under the *Payroll Tax Act 2010*, the payroll tax rate remained at 4.95% in 2015. 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 26.

Note 19 Employee benefits	2015	2014
	\$'000	\$'000
Current		
Accrued salaries and wages	29	13
Annual leave	158	136
Long service leave	15	44
Total current employee benefits	202	193
Non-current		
Long service leave	679	479
Total non-current employee benefits	679	479
Total employee benefits	881	672

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

This estimate for 2015 used a salary inflation rate of 4% for long service leave liability and revised the salary inflation rate down 1% from 4% (2014) to 3% (2015) for annual leave and skills, experience and retention leave liability.

AASB 119 *Employee Benefits* 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 3.5% (2014) to 3% (2015).

This change in bond yield resulted in an increase of \$22 492 in the reported long service leave liability.

Note 20 Other liabilities	2015	2014
	\$'000	\$'000
Current		
Unearned revenue	125	145
Total current other liabilities	125	145
Total other liabilities	125	145

Note 21 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:

	2015	2014
	\$'000	\$'000
Within one year	829	214
Later than one year but not later than five years	1 926	—
Total remuneration commitments	2 755	214

(b) Operating lease commitments

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

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2015	2014
	\$'000	\$'000
Within one year	418	397
Later than one year but not later than five years	641	1 036
Total operating lease commitments	1 059	1 433

(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:

	2015	2014
	\$'000	\$'000
No later than one year	243	127
Total other commitments	243	127

Note 22 Contingent assets and contingent liabilities**Contingent assets**

The Commission is not aware of any material contingent assets in existence as at 30 June 2015.

Contingent liabilities

The Commission is not aware of any material contingent liabilities in existence as at 30 June 2015.

Note 23 Remuneration of Commission and committee members

Members that were entitled to receive remuneration (directly and indirectly) for membership during 2014-15 financial year were:

Essential Services Commission

Dr Patrick Walsh (Chairperson)

Mr John Hill (Appointment concluded 27 July 2014)

Mr Geoff Knight (Appointed 2 October 2014)

Ms June Roache

Professor David Round

Dr Lynne Williams

Consumer Advisory Committee

Dr Patrick Walsh (Chairperson) **

Ms Elaine Attwood (Appointed 1 July 2014)

Ms Jessie Byrne (Appointed 1 July 2014, resigned 13 April 2015)

Mr Sandy Canale

Mr Mark Henley

Mr David Hossen

Ms Heather L'Anson

Mr Timothy Kelly

Mr Andrew McKenna

Ms Jane Mussared (Appointed 4 May 2015)

Ms Jillian Whittaker

Mr Ross Womersley (Appointed 1 July 2014)

Power Line Environment Committee

Hon Rosemary Crowley (Chairperson)

Mr Lachlan Clyne

Mr Alex Duerden (Appointed 23 February 2015)

Mr Kevin Hamilton

Ms Diana Harvey

Ms Margaret Lee

Mr Mike Magin

Ms Gabby O'Neill (Resigned 20 October 2014)*

Mr Tim Wilson*

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

	2015 Number of Members	2014 Number of Members
\$0 - \$9 999	18	16
\$20 000 - \$29 999	1	—
\$30 000 - \$39 999	1	1
\$40 000 - \$49 999	—	1
\$50 000 - \$59 999	2	—
\$60 000 - \$69 999	—	1
\$70 000 - \$79 999	1	1
Total number of Commission and committee members	23	20

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 \$286 935 (\$240 000).

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, SA Government employees did not receive any remuneration for SA Government 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 24 Cash flow reconciliation		2015	2014
		\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position		9 013	8 943
Reconciliation of net cash provided by (used in) operating activities to net result:			
Net cash provided by (used in) operating activities		388	(407)
Add/less non cash items			
Depreciation and amortisation expense of non-current assets		(104)	(107)
Non-current assets accrual in payables		(8)	—
Movements in assets and liabilities			
Increase/(decrease) in receivables		16	(202)
(Increase)/decrease in payables		(95)	525
(Increase)/decrease in employee benefits		(209)	110
(Increase)/decrease in other liabilities		20	(18)
Net result for the year		8	(99)

Note 25 Transactions with SA Government						
Note	SA Government		Non-SA Government		Total	
	2015	2014	2015	2014	2015	2014
EXPENSES	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
5 Employee benefits expense						
Salaries and wages	—	—	2 163	2 159	2 163	2,159
Long service leave	—	—	176	51	176	51
Annual leave	—	—	184	160	184	160
Skill retention leave	—	—	—	(2)	—	(2)
On costs - superannuation	—	—	257	373	257	373
On costs - other	133	113	—	—	133	113
Board and committee fees	—	—	255	151	255	151
Other employee expenses	21	18	17	12	38	30
	154	131	3 052	2 904	3 206	3 035
6 Supplies and services						
Accommodation	382	396	19	25	401	420
General administration	149	162	345	372	493	534
IT charges	8	12	127	111	136	123
Consultants	—	—	206	481	206	481
Other supplies and services	—	—	19	185	19	185
	539	570	716	1 174	1 255	1 743
7 Payments to SA Government	100	100	—	—	100	100
8 Depreciation and amortisation expense						
Office equipment	—	—	3	4	3	4
Building fit out	—	—	58	58	58	58
Intangible assets	—	—	43	45	43	45
	—	—	104	107	104	107
TOTAL EXPENSES	793	801	3 872	4 185	4 665	4 985
INCOME						
10 Revenue from licence fees						
Licence fees	3 103	3 100	8 030	8 224	11 133	11 324
Administration fees	—	—	612	519	612	519
Administered items	(7 550)	(7 254)	—	—	(7 550)	(7 254)
	(4 447)	(4 154)	8 642	8 743	4 195	4 589
11 Contributions from SA Govt	384	234	—	—	384	234
12 Revenue from services	—	—	92	49	92	49
13 Other income	2	14	—	—	2	14
TOTAL INCOME	(4 061)	(3 906)	8 734	8 792	4 673	4 886
FINANCIAL ASSETS						
14 Receivables						
Receivables	2	2	1 031	1 069	1 033	1 071
Accrued revenue	—	—	109	109	109	109
Prepayments	40	—	23	9	63	9
	42	2	1 163	1 187	1 205	1 189
FINANCIAL LIABILITIES						
18 Payables						
Accrued expenses	(40)	(23)	(189)	(134)	(229)	(157)
Employment on-costs	(11)	(11)	(20)	(17)	(31)	(28)
Paid parental leave	—	—	(3)	—	(3)	—
Employment on-costs	(35)	(25)	(26)	(20)	(61)	(45)
	(86)	(59)	(238)	(171)	(324)	(230)
20 Other liabilities						
Unearned revenue	—	—	(125)	(145)	(125)	(145)
	—	—	(125)	(145)	(125)	(145)

Note 26 Financial instruments/financial risk management**26.1 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, and 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
			2015 \$'000	2015 \$'000	2014 \$'000	2014 \$'000
Financial assets						
Cash and cash equivalents	Cash and cash	24	9 013	9 013	8 943	8 943
Loans and receivables	Receivables ⁽¹⁾	14	—	—	—	—
Total Financial Assets			9 013	9 013	8 943	8 943
Financial liabilities						
Financial liabilities at cost	Payables ⁽¹⁾ Other financial liabilities	18 20	165 —	165 —	101 —	101 —
Total Financial Liabilities			165	165	101	101

(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.

26.2 Ageing and impairment analysis of financial assets

The Commission has a debtor who has gone into liquidation. The debt is \$500 and has been proved with the liquidator. It is not material and there is a probability of some recovery. There were no other overdue debtors as at 30 June 2015.

26.3 Maturity analysis of financial assets and liabilities

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

Note 27 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 28 Retained earnings

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

Note 29 Administered items*Australian Energy Market Commission*

From the electricity and gas licence fees received by the Commission, an amount approved by the Treasurer is transferred to the consolidated account for the Australian Energy Market Commission with \$1 692 000 (\$1 627 000) transferred in 2014-15.

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 \$263 000 (\$259 000) transferred in 2014-15.

Office of the Technical Regulator funding

From the electricity and gas 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 \$4 975 000 (\$4 757 000) transferred in 2014-15.

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 \$158 000 (\$155 000) transferred in 2014-15.

Department of Treasury and Finance

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 Treasury and Finance with \$462 000 (\$456 000) transferred in 2014-15.

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.



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**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 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- 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 2015, 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.



Andrew Richardson
Auditor-General
29 September 2015

