

Essential Services Commission
of South Australia
2019-20 Annual Report

Essential Services Commission of South Australia
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To:

The Hon. Rob Lucas MLC, Treasurer

The Hon. David Speirs MP, Minister for Environment and Water

The Hon. Corey Wingard MP, Minister for Infrastructure and Transport

The Hon. Eva Lawler MLA, Minister for Infrastructure, Planning and Logistics (NT)

This annual report will be presented to Parliament to meet the statutory reporting requirements of the *Essential Services Commission Act 2002*, *Public Sector Act 2009*, *Water Industry Act 2012*, *Railways (Operations and Access) Act 1997*, *AustralAsia Railway (Third Party Access) Act 1999* and the requirements of Premier and Cabinet Circular PC013 Annual Reporting.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.


Submitted on behalf of the Essential Services Commission of South Australia by:

Mr Brett Rowse

Chairperson

Date: 25 September 2020

Signature



From the Chairperson

On behalf of the Essential Services Commission, I am pleased to present the Commission's 2019-20 Annual Report.

The Commission is a statutory authority, with regulatory and advisory functions in essential services industries and related areas. Its objective is to protect the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

Over the past year, the Commission has met that objective by:

- meeting the legislative requirements placed on it: as a statutory authority; as a regulator in the water, electricity, gas, ports and rail infrastructure industries; and, in providing advice and conducting Inquiries
- establishing consumer protection frameworks that promote the cost-efficient delivery of essential services at levels valued by consumers
- keeping regulated entities accountable to their customers through transparent monitoring and public reporting on performance, and
- adding value to the South Australian economy by delivering impartial, credible and robust regulatory decisions and economic advice.

During 2019-20, the Commission delivered on the priorities outlined in its Strategy 2018-2021 and the projects and programs set out in the Performance Plan 2019-20, as approved by the Treasurer under the *Essential Services Commission Act 2002*. Of note, the Commission completed the SA Water Regulatory Determination 2020, which set maximum revenues for SA Water's drinking water and sewerage services for the coming four years.

I thank my fellow Commissioners and all of our staff for their continued support and contributions over the past year.

Looking forward, the Commission will continue to focus on adding long-term value to the South Australian community by meeting its objective through its independent, ethical and expert regulatory decisions and advice.



Brett Rowse

Chairperson

Essential Services Commission of South Australia

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Overview: about the Commission

Our strategic focus

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

Our Objective	The Commission’s objective under the ESC Act is the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.
Our Purpose	The Commission will add long-term value to the South Australian community by meeting its objective through its independent, ethical and expert regulatory decisions and advice.
Our Values	<p>We will be responsive and accountable.</p> <p>We will challenge and be open to innovation.</p> <p>We will build inclusive relationships.</p>
Our Functions	<p>Regulatory</p> <p>As an independent economic regulator, our role encompasses licensing, consumer protection, service standards, pricing, monitoring, compliance and public reporting in the water, electricity and gas industries, as well as access regulation of essential ports and rail infrastructure. For each industry, the relevant industry regulation Act specifies the scope of the Commission’s role, as summarised on page 10 and 11.</p> <p>Advisory</p> <p>The Commission has two broad advisory functions.</p> <p>The first is to provide advice to the Treasurer of South Australia, on request, in relation to any matter (section 5(f) of the ESC Act). In that capacity, the Commission acts as an advisor to the South Australian Government, providing independent advice on economic and regulatory matters.</p> <p>The second is to conduct public inquiries (Part 7 of the ESC Act). Such inquiries can be initiated by the Commission into any matters within its regulatory scope. In addition, the Treasurer of South Australia can initiate an inquiry into any matter, and an industry Minister can initiate an inquiry into any matter concerning a regulated industry. Inquiries are conducted through a formal public process and final reports are tabled in Parliament.</p>

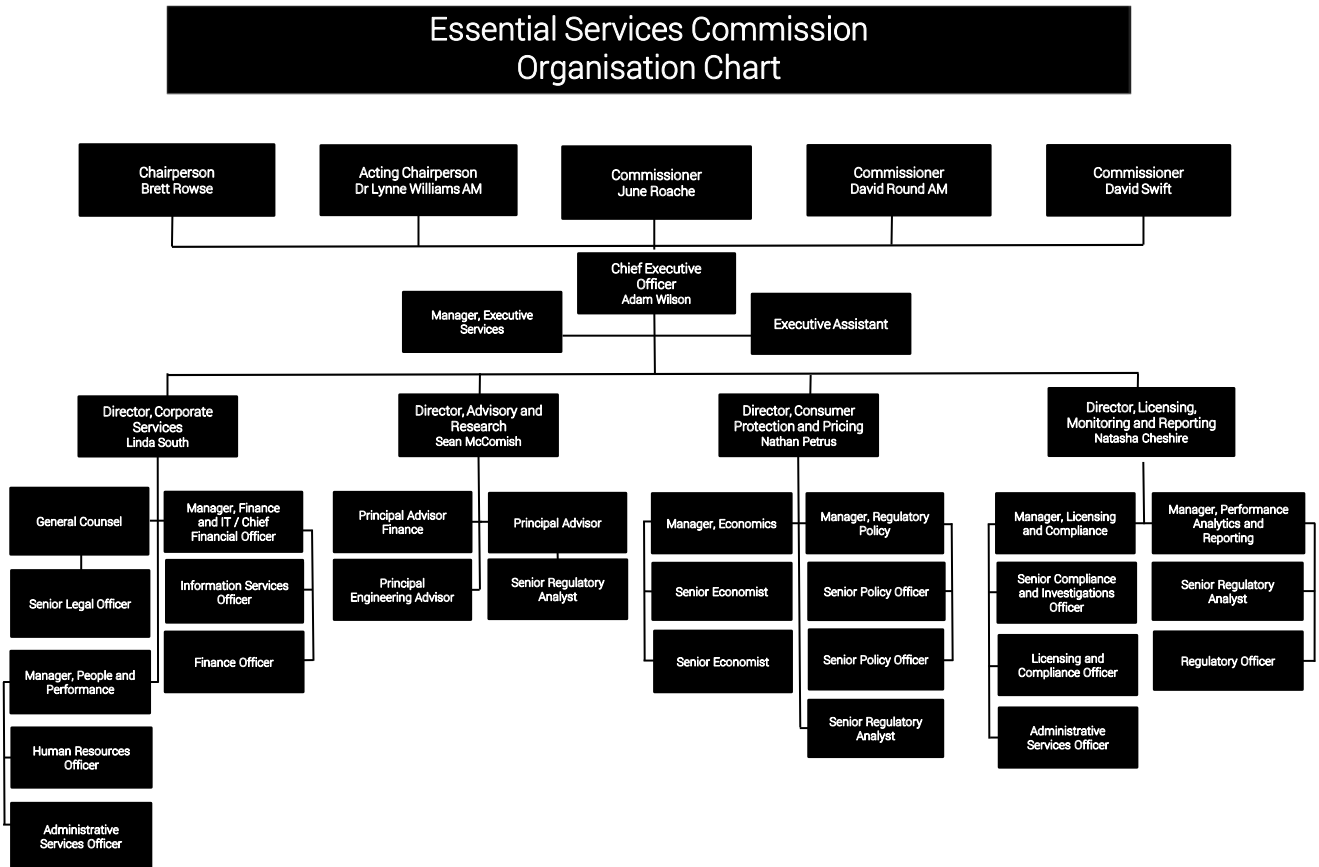
<p>Our Strategy</p>	<p>The Commission produces a rolling three-year strategy which sets out its strategic priorities. The priorities guide it in meeting its primary objective of protecting the long-term interests of consumers with respect to the price, quality and reliability of essential services.</p> <p>Strategy 2018-2021</p> <p>For the 2019-20 financial year, the Commission’s three priorities were:</p> <ul style="list-style-type: none"> • To establish consumer protection frameworks to promote the delivery of service levels valued by consumers at an efficient cost. • To keep regulated entities accountable to their customers through transparent monitoring and public reporting on performance. • To add value to South Australia by delivering impartial, credible and robust regulatory decisions and economic advice. <p>The Commission has achieved these priorities, as explained in the Commission’s performance section of this report.</p> <p>Strategy 2020-2023</p> <p>In June 2020, the Commission released its Strategy 2020-2023, which outlined five areas of focus over the next three years. These strategies will consolidate and strengthen its economic regulatory and advisory functions, while contributing to the achievement of its objective. The five areas of action are:</p> <ul style="list-style-type: none"> • building stakeholder engagement and providing for consumer inputs and challenge • design of regulation • analytical capability • regulatory performance, and • evaluation capability.
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Our organisational structure

The Commission comprises a Chairperson and four Commissioners.

As at 30 June 2020, the Commission employed 32 staff (30.60 full-time equivalents) possessing a diverse range of professional and technical qualifications and skills, including in economics, finance, engineering and law.

The Commission’s organisational structure as at 30 June 2020 was as set out below.



Changes to the Commission

During 2019-20, the Commission established the Office of the Chief Executive Officer led by the Chief Executive Officer, with direct reports of the Manager, Executive Services and Executive Assistant. This was achieved through changes in the roles of existing staff.

Our Commissioners

The Chairperson and Commissioners are appointed by the Governor of South Australia, pursuant to section 12 of the ESC Act. The Governor may appoint persons as Commissioners based on their knowledge of, or experience in, industry, commerce, economics, law and/or public administration.



Mr Brett Rowse was appointed as **Chairperson** of the Commission in July 2016.



Dr Lynne Williams AM was appointed as a **Commissioner** in September 2013 and as **Acting Chairperson** in September 2014.



Ms June Roache was appointed as a **Commissioner** in May 2014.



Mr David Round AM was appointed as a **Commissioner** in May 2014.



Mr David Swift was appointed as a **Commissioner** in August 2019.

Our Leadership team



Mr Adam Wilson, Chief Executive Officer, is responsible for the achievement of the Commission's strategic and corporate objectives. He oversees the leadership and management of the Commission's office, which includes achieving the Commission's budget, ensuring compliance with legislative requirements, the development and implementation of the regulatory work program, corporate governance framework (including strategic planning), and stakeholder management.

Ms Linda South, Director, Corporate Services, is responsible for leading the corporate and business functions of the Commission. That includes legal services, finance, workforce, WHS and wellbeing, corporate governance, risk management, internal audit and compliance, information management, media and communication, operational planning and performance and administrative support.



Mr Nathan Petrus, Director, Consumer Protection and Pricing, is responsible for all pricing, access, consumer protection and policy matters. He is also responsible for developing and implementing regulatory instruments (such as industry codes).

Ms Natasha Cheshire, Director, Licensing, Monitoring and Reporting, is responsible for developing and administering licensing and authorisation arrangements for regulated businesses, regulatory compliance, performance monitoring and reporting (including developing reporting and related guidelines) and the Retailer Energy Efficiency Scheme.



Mr Sean McComish, Director, Advisory and Research, is responsible for providing a range of advisory and research services, both within the Commission and to the South Australian Government. These services cover regulatory, economic and related matters. He provides a single internal point of contact and management for requests for advice and for undertaking inquiries.

Legislation administered by the Commission

Legislation	Regulatory Functions
<i>Water Industry Act 2012</i>	<p>Water and sewerage retail service providers:</p> <ul style="list-style-type: none"> • licensing • retail price regulation • consumer protection • service/reliability standard setting • performance monitoring and reporting <p>Third party access regime regulator</p>
<i>Electricity Act 1996</i>	<p>Electricity retail operations:</p> <ul style="list-style-type: none"> • monitoring and, if necessary, determination of the retailer solar photovoltaic feed-in tariff • preparation and publication of Ministerial energy retail price offerings comparison reports • retailer energy efficiency scheme administration <p>Electricity generation, transmission, distribution and off-grid retailers:</p> <ul style="list-style-type: none"> • licensing • network service/reliability standard setting • performance monitoring and reporting
<i>Gas Act 1997</i>	<p>Gas retail operations:</p> <ul style="list-style-type: none"> • preparation and publication of Ministerial energy retail price offerings comparison reports • retailer energy efficiency scheme administration <p>Retail and distribution LPG gas operations:</p> <ul style="list-style-type: none"> • licensing <p>Natural gas distribution operations:</p> <ul style="list-style-type: none"> • licensing • standard setting • performance monitoring and reporting

Legislation	Regulatory Functions
<i>AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997</i>	Access regulation of: <ul style="list-style-type: none"> • Tarcoola–Darwin railway infrastructure • Intrastate rail infrastructure
<i>Maritime Services (Access) Act 2000</i>	Ports services pricing and access regulator
<i>* Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the State Government (role not yet commenced, as the enabling regulations are not in place)

The Commission's performance

Performance at a glance

The Commission delivered on the three priorities outlined in its Strategy 2018-2021 (Strategy) through its strategic approach and delivery of the Performance Plan 2019-20 (Plan), as approved by the Treasurer in accordance with Section 23 of the ESC Act.

For 2019-20, the Plan set out 17 key regulatory and advisory projects, which comprised the Commission's annual statutory work program. During the year, seven new projects were added to that original program, leading to an overall program of 24 projects. Of the 24 projects, as at the end of June 2020, all but three had either been completed or progressed as planned. Those three projects were reprioritised due to the additional seven projects, and will continue into 2020-21. The regulatory and advisory work undertaken by the Commission is supported by the corporate work program.

Further information about all the projects listed below can be found on the Commission's website.

Commission specific priorities and performance

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

During 2019-20, the Commission finalised two key regulatory reviews, which demonstrated evidence-based, logical decision making, based on the relevant statutory frameworks. A summary of the outcomes of those reviews is provided below. The Commission also continued to focus on consumer confidence in the outcomes of its work, including through regular meetings of the Consumer Advisory Committee.

SA Water Regulatory Determination 2020

The Commission released a draft (March 2020) and final (June 2020) regulatory determination to apply to SA Water for the period 1 July 2020 to 30 June 2024.

The determination process challenged SA Water to explain to customers how its business plans for the four-year period would provide water and sewerage services at the lowest sustainable price for the quality and reliability levels valued by customers, based on having in place sound long-term asset management, operating and financing strategies, which support the provision of those services for customers of today and tomorrow.

The Final Determination, released in June 2020, established reductions to the total revenue that SA Water may recover during the four-year period commencing 1 July 2020, of 16 percent (\$494 million) and 4 percent (\$54 million) for drinking water and sewerage retail services respectively, in real terms, as compared to the amounts determined for the previous four-year period (2016-2020).

On the Commission's analysis, the revenue outcomes will provide SA Water with sufficient revenue to fund efficient operations, finance prudent investments on a long-term basis and meet the health, safety, environmental and customer service standards that will apply to SA Water over the coming four years.

The Final Determination is consistent with the expectation that SA Water should deliver drinking water and sewerage retail services at the quality and reliability levels that customers value for the lowest sustainable long-term cost to them.

The Commission acknowledges the strong stakeholder engagement and inputs received through the process, which added considerable value to the outcomes of the regulatory determination. This included the work of the Consumer Experts Panel, the Customer Negotiation Committee and the Regulators Working Group during 2019-20.

Further detail on the process, including the workings of those groups and the review of the Water Retail Code, can be found on the Commission's website.

Australian Gas Networks regulatory framework review 2021 – 2026

The Commission undertook a review on the effectiveness of its regulatory framework for Australian Gas Networks (**AGN**) prior to the commencement of a new regulatory determination by the Australian Energy Regulator (1 July 2021 to 30 June 2026).

The purpose of this review was to determine whether or not jurisdictional service reliability standards were required to ensure that AGN provides gas distribution services at the quality and reliability levels valued by customers. The review also considered the effectiveness of each of the Commission's AGN regulatory instruments, including: AGN's Gas Distribution Licence, the Gas Metering Code, the Gas Distribution Code and the Gas Industry Guideline No. 1.

A draft decision was released in November 2019 and the final decision released in April 2020. Six submissions were received during the review period.

The Final Decision has three broad elements:

- The Commission will continue to not set jurisdictional service reliability standards in the form of performance targets, as the safety requirements prescribed by the Technical Regulator continue to deliver appropriate levels of network security and reliability, and customers are satisfied with AGN's level of service.
- The current monitoring and reporting regime will be retained. The regime requires AGN to monitor and report quarterly on several metrics, against three performance indicators:
 - responsiveness to the leaks and emergencies telephone number
 - responsiveness to public reports of gas leaks, and
 - trends in unplanned interruptions.
- The Commission made minor amendments to each of AGN's regulatory instruments to improve clarity and alignment with the national framework.

The variation to AGN's gas distribution licence came into effect on 14 April 2020, with the amendments to the remaining regulatory instruments taking effect from 1 July 2020.

Summary of Priority 1 key regulatory and advisory projects performance

The below table shows the key regulatory and advisory projects, as outlined in the Plan, together with one additional project, and a summary of the outputs and outcomes achieved in 2019-20.

Note: * highlights additional projects

Water

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
SA Water Regulatory Determination 2020	<p>Make the SA Water regulatory determination to apply from 1 July 2020 to 30 June 2024 that will challenge SA Water to:</p> <ul style="list-style-type: none"> • provide water and sewerage services at the lowest sustainable price for the quality and reliability levels valued by customers, and • have in place sound long-term asset management, operating and financing strategies, which support the provision of those services for present and future customers. 	<p>Completed.</p> <p>As detailed above, the Commission released a draft and final regulatory determination to apply to SA Water for the period 1 July 2020 to 30 June 2024.</p>
* Making of a Regulatory Determination for Robusto Investments Pty Ltd (Robusto)	Commence the process of making a regulatory determination that will apply to Robusto for the provision of water retail services.	The determination process commenced in February 2020 and the Commission plans to make a final determination during 2020.

Energy

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
SA Power Networks electricity distribution reliability standards 2020-2025	Use latest reliability performance data to set the reliability standards to apply to SA Power Networks from 1 July 2020 to 30 June 2025, using the methodology set out in the Commission's final decision on SA Power Networks' reliability standards 2020-2025.	Completed. The review addressed the methodological issues left open in the final decision released in January 2019. After public consultation, the final framework and revised code and guideline were released in June 2020.
Review of ElectraNet's electricity transmission reliability standards 2023-2028	Commence review of electricity transmission reliability standards to apply to ElectraNet from 1 July 2023 to 30 June 2028. The standards should promote reliability benefits to customers that are greater than the costs of delivering them.	Commenced. Initial research commenced, with a draft decision to be published for public consultation in mid-2021, with a final decision due in late 2021.
Review of Australian Gas Networks' gas distribution service standards 2021-2026	Finalise the review of service standards to apply to Australian Gas Networks from 1 July 2021 to 20 June 2026. The review should deliver service standards that customers are willing to pay for.	Completed. The review on the effectiveness of the Commission's regulatory framework for Australia Gas Networks was finalised with updates made in June 2020, as summarised above.

Rail

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Review of revenues under the Tarcoola-Darwin rail access regime 2013-2018	Finalise the five-year review of revenues under the Tarcoola-Darwin rail access regime. This will assess whether or not the railway operator earned excessive revenues between 1 July 2013 and 30 June 2018.	Reprioritised. The review will continue and be finalised in 2020-21.
Review of intrastate rail access regime 2020-2025	Commence the five-year review of the effectiveness of the intrastate rail access regime. This will involve providing advice to the Government on whether or not the regime should continue from 31 October 2020 to 30 October 2025.	Commenced. An issues paper and draft report were released during the first half of 2020, with a final report due to be released in August 2020. The draft report proposed the continuation of the SA intrastate rail access regime for another five-year period, and noted for the Government's consideration potential other improvements to the regime.

Priority 2: We will keep regulated entities accountable to their customers through transparent monitoring and public reporting on performance

In 2019-20, the Commission continued to engage and inform consumers and stakeholders through stakeholder meetings, public consultations, and publications on its website. The Commission consulted on 34 projects/stages of projects, received 178 submissions and published 101 new articles and 180 documents on its website.

Significant stakeholder engagement continued through the SA Water Regulatory Determination 2020 project, resulting in 79 submissions received and constructive lessons learnt, which will be used to improve future stakeholder engagement.

Reporting

As a part of driving regulated entities' performance accountability to their customers, and to improve general community engagement and understanding on those issues, the Commission undertook public monitoring and reporting of service standard and licence requirement outcomes.

In 2019-20, it published annual Regulatory Performance Reports for:

- SA Water
- Minor and Intermediate water and sewerage service retailers
- SA Power Networks (electricity distribution)
- ElectraNet (electricity transmission)
- Australian Gas Networks (gas distribution), and
- Off-grid electricity and liquefied petroleum gas retailers and distributors.

Compliance

The Commission has in place a compliance and enforcement framework that is designed to promote and facilitate compliance. Regulated entities are required to demonstrate compliance with regulatory obligations on an annual basis.

To verify whether entities are complying with their obligations, the Commission uses a broad range of sources and tools to elicit information. The information is then used to provide feedback to entities and inform the Commission's compliance and enforcement work.

In that context, entities are required to have and utilise robust compliance and reporting systems, the effectiveness of which is demonstrated to the Commission each year, along with the provision of regular compliance reports. The Commission expects regulated entities to meet all regulatory obligations and, for instances of non-compliance, to rectify those swiftly with limited customer impact.

Where evidence shows that regulated entities have failed to meet regulatory requirements (or are at risk of doing so) and are not being accountable to their customers, the Commission will use its verification, compliance and enforcement powers.

In addition to the Commission's ongoing compliance monitoring, the following compliance reviews were undertaken during the 2019-20 reporting year:

- District Council of Coober Pedy's non-compliance with its water and electricity regulatory obligations.
- SA Water's reported instances of non-compliance with the Water Retail Code.
- Minor and Intermediate Water Retailer compliance with administrative obligations.
- SA Power Networks' reported incidences of non-compliance with its electricity distribution licence, the National Energy Retail Rules, the Electricity Act 1996.

Further information on these compliance matters is published in the Commission's annual regulatory performance reports, available on the Commission's website.

Refine and Implement Verification and Enforcement Framework

The Commission commenced a review of its compliance monitoring and evaluation framework, based on the understanding that the community expects a strong compliance focus and verification of regulated entities' performance. Alongside this project, the Commission also commenced a review of its compliance and auditing framework to consider ways to encourage compliance culture and performance within regulated entities.

Given the overlap of those projects, they have been merged into one project - Refine and Implement Verification and Enforcement Framework - which has been included on the 2020-21 work program. This project, which will draw on national and international experience, aims to update refine the Commission's compliance principles, objectives, indicators of success, resource materials, system, process and control requirements and a stakeholder engagement program.

Retailer Energy Efficiency Scheme

In 2019-20 the Commission continued to administer the Retail Energy Efficiency Scheme (**REES**) and reported to the Minister for Energy and Mining on retailers' compliance requirements. In 2019, the overall annual REES targets were achieved and all obliged retailers met their individual targets.

EnergyAustralia failed to meet its electricity priority group target in 2018 and the Commission undertook enforcement action relating to that non-compliance during 2019-20. The Commission issued a Warning Notice to EnergyAustralia, in accordance with the Electricity Act 1996, requiring it to publicly advise customers of the shortfall and to establish and implement a plan to meet all targets, including its 2018 electricity priority group target shortfall. In addition, the Commission required monthly reporting from EnergyAustralia on its progress towards meeting this target.

The Commission has assessed EnergyAustralia as having satisfied those enforcement requirements and has noted that it met all REES targets for 2019, including the 2018 electricity priority group target shortfall.

Further information is published in the REES regulatory performance report, available on the Commission's website.

Regulatory Intelligence Project

The Commission's Strategy 2020-2023 and business model highlighted the need for a review of its market intelligence gathering and analysis. The purpose of the review is to critically analyse the Commission's current information requirements and presentation methods to ensure that:

- information collected is relevant and useful, minimising reporting requirements and red tape for regulated businesses while still providing a sound evidence base for regulatory assessment and work, and
- reporting is targeted and relevant to the needs of stakeholders.

Given this, the Commission commenced the Regulatory Intelligence Project, which will build a data platform and create a critical thinking, data and intelligence environment consistent with the Commission's regulatory and strategic direction.

Summary of Priority 2 key regulatory and advisory projects performance

The table below shows the key regulatory and advisory projects, as outlined in the Plan, together with five additional projects, and a summary of the outputs and outcomes achieved in 2019-20.

Note: * highlights additional projects

Water

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
* Discovery Project – Water Retailers	Identify water retailers not currently licensed or exempted to ensure appropriate authorisation to retail.	Continuing into 2020-21.

Water and Energy

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Administer the Commission's regulatory reporting framework	Enable enhanced consumer understanding of regulated entities' performance.	Completed. Annual regulatory performance reports for regulated entities were published.
Administer the Commission's compliance and auditing framework	Ensure there is effective monitoring of, and compliance by, regulated entities.	Completed. All known and identified matters of non-compliance have been satisfactorily resolved, with a summary of issues provided above.

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Administer the Commission's licensing and authorisation framework	Ensure licence and authorisation arrangements for regulated entities across industries are robust and protect consumers.	<p>Completed. The Commission issued:</p> <ul style="list-style-type: none"> • one water retail licence • two water retail licence exemptions • 12 electricity generation licences • one electricity licence transfer • 47 variations to existing electricity licences • one electricity generation licence exemption, and • three gas distribution licence variations. <p>A class exemption was also granted to any organisations participating in the Virtual Power Plant Demonstration Program being run by the Australian Energy Market Operator, which commenced on 1 December 2019 and is expected to run for 12-18 months.</p> <p>A list of all licences and exemptions can be found on the Commission's website.</p>

Energy

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
* Licensing arrangements for generators in South Australia	Review the implications of the changes to the technical standards in the National Electricity Rules and how they relate to the licence conditions for new generators.	<p>Completed. The review found that 12 of the existing 15 model technical licence conditions (introduced in 2017) could be removed for electricity generators.</p> <p>The changes applied for new generator licence applications from 13 December 2019. The conditions in place within existing licences remain unchanged.</p>
* Develop and publish Energy Retail Offer Comparison Report 2018-19 on energy retail offer prices	Meet requirements of regulation 12 (1)(c) of the Electricity (General) Regulations 2012 and submit to the Minister a report that compares electricity and gas retail offer prices, including retailer-paid feed-in tariffs, available to South Australian residential and small business customers.	<p>Completed. The Commission provided to the Minister for Energy and Mining the Energy Retail Offers Comparison Report covering the period 30 June 2018 to 30 June 2019.</p> <p>The report found that standing offer prices for electricity remained relatively unchanged but market offer prices decreased. In the gas market, both the standing and market offer prices decreased over the 12-month period. Customers had the option to shop around for a better retail price offer.</p> <p>The report also found that customers had a reasonable choice of retailer-paid feed-in tariffs.</p>

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Administer REES	Ensure the efficient administration of REES.	Completed. A report was provided to the Minister for Energy and Mining outlining retailers' progress in achieving the required targets, with all obliged retailers meeting their individual targets.
REES 2021	Participate in Department for Energy and Mining's review of REES and implement any changes as a result of the review.	Continuing.

All industries

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
* Review and enhance the Commission's reporting framework (Regulatory Intelligence Project)	Monitoring and reporting framework to drive and facilitate customer-focussed performance by regulated entities.	Continuing into 2020-21 as planned, as outlined above.
New Reporting Regime	<p>This project will critically analyse and challenge current information requirements and presentation methods to ensure:</p> <ul style="list-style-type: none"> • information collected is relevant so as to reduce reporting requirements and red tape, and • reporting is targeted and relevant to the needs of stakeholders. 	This project has been incorporated into the Regulatory Intelligence Project (above), which is continuing into 2020-21.

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
* Review and enhance compliance and auditing framework	Compliance and auditing framework to drive and facilitate customer-focussed performance by regulated entities.	This project has been incorporated into the Refine and Implement Verification and Enforcement Framework, as outlined above.
Monitoring and Evaluation Framework	The Commission understands that the community expects a strong compliance focus and verification of regulated entity performance. The Commission is reviewing and enhancing its compliance monitoring and evaluation framework, which will be applicable to all regulated entities.	This project has been incorporated into the Refine and Implement Verification and Enforcement Framework, as outlined above.

Priority 3: We add value to South Australia by delivering impartial, credible and robust regulatory and economic advice

As discussed above, the Commission completed or progressed as planned 21 of 24 key regulatory and advisory projects, with the remaining three being reprioritised to 2020-21 due to the unanticipated additional projects added to the 2019-20 program.

In 2019-20, the Commission continued to receive requests for advice from the South Australian Government and progressed the self-initiated inquiry into small-scale and off-grid water, gas and electricity services.

Request for Advice - Competitive Neutrality

In January 2019, the Treasurer of South Australia requested advice of the Commission to assist in the investigation of two competitive neutrality complaints under the Government Business Enterprises (Competition) Act 1996.

The Commission finalised the advice on those matters during 2019-20.

Inquiry into regulatory arrangements for small-scale and off-grid water, gas and electricity services

The Commission continued its Inquiry into the regulation of small-scale utility operations. This Inquiry aims to ensure the Commission's regulatory frameworks applied under industry regulation Acts are consistent with its statutory objective, are proportionate, and are responsive to recent and emerging issues.

The Commission commenced this Inquiry with the release of an issues paper in August 2016 to consider the appropriate regulatory arrangements to apply to small-scale water supplies, sewerage services, non-national market electricity and reticulated liquefied petroleum gas supplies.

The Inquiry was subsequently reprioritised due to other inquiries and statutory work. A Framework and Approach paper was released in June 2019 with submissions received in August 2019. Again, due to other inquiries and statutory work, this Inquiry was reprioritised with a draft Inquiry report due to be published in August 2020.

The Inquiry will be completed in 2021, with the implementation to take place from that time.

Summary of Priority 3 key regulatory and advisory projects performance

The below table shows the key regulatory and advisory projects, as outlined in the Plan, together with one additional project, and a summary of the outputs and outcomes achieved in 2019-20.

Note: * highlights additional projects

All industries

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Conduct Part 7 ESC Act Inquiries	Conduct public inquiries initiated by the Commission (into any matters within our regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).	No new inquiries were received.
Undertake research for internal purposes	Build on knowledge, experience and relationships to support the delivery of our overall regulatory program.	Completed. Internal research undertaken in 2019-20 supported the development of the changes proposed to the regulatory regime in the Small Scale Network Inquiry and advisory work undertaken by the Commission.
Provide advice to South Australian Government under section 5(f) of the ESC Act	Provide independent advice on economic and regulatory matters.	* Three pieces of advice were completed, including two competitive neutrality matters, at the request of the Treasurer of South Australia.

Energy and Water

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Small-scale Network Inquiry (Implementation)	Ensure regulated entities are complying with the revised regulatory framework.	Implementation has been reprioritised as the Inquiry is still to be finalised.

Ports

Performance Plan 2019-20		Outputs and Outcomes
Project	Requirement/outcome	
Access disputes	Conciliation and arbitration for disputes over access to Regulated Services that cannot be otherwise resolved between the parties.	No access disputes were conciliated, or referred for arbitration, by the Commission in 2019-20.

Corporate performance summary

As stated earlier, the regulatory and advisory work undertaken by the Commission is supported by a corporate work program. That program incorporates a number of key projects and ongoing statutory work in the following areas:

- strategic and performance planning and reporting
- finance, budget management, procurement and risk management
- legal and corporate governance, including internal audit and compliance
- workforce, work health safety and wellbeing
- information technology and system support and records management
- media and communications, and
- executive and administration support.

Consultation and stakeholder engagement

The Commission continues its strong commitment to engaging and consulting with stakeholders. The information and advice gained through stakeholder and community engagement enhances the quality of the Commission's regulatory decisions and advice. The Commission is committed to acting on the best available data and information to it at the time.

As well as informing and contributing to decision making, genuine and effective engagement can also build the community's understanding of the sectors the Commission regulates, and of the regulatory issues that are important to this state and specific communities. Given this, the Commission uses a variety of methods to engage and consult with the community, depending on the work it is undertaking.

To be most effective, the Commission recognises that its regulatory and decision-making processes must be sound, rigorous and in accordance with the legal obligations placed on it by the South Australian Parliament. The Commission's Charter of Consultation and Regulatory Practice outlines the way in which the Commission delivers those outcomes and also the variety and scope of its decision-making and consultation practices and processes.

Within the wider legislative and policy context, the Commission works with various agencies to provide a coordinated approach to regulation and advice. These include the:

- Technical Regulator
- Australian Energy Regulator
- Australian Energy Market Operator
- Australian Energy Market Commission
- SA Health
- Department for Environment and Water
- Department for Energy and Mining
- Department of Infrastructure and Transport
- Environment Protection Authority, and
- Department of Human Services.

Charter of Consultation and Regulatory Practice Review

During 2019-20, the Commission reviewed its Charter of Consultation and Regulatory Practice (Charter), which (as explained above) outlines the Commission's role and approach as an economic regulator and advisor on regulatory and economic matters. The Charter outlines the principles the Commission is committed to, and will apply, in:

- undertaking its regulatory and advisory roles, and
- stakeholder consultation and engagement through its work program, including how the Commission will be informed by, and involve, its stakeholders in inquiries, advice and decisions.

The Commission finalised the review of the Charter in November 2019, with seven stakeholders providing submissions.

The submissions received supported the Commission's principles-based approach to stakeholder engagement, and supported flexibility in engagement approaches that are fit-for-purpose (that is, meeting the needs of different stakeholders), to facilitate better regulatory practice.

The review simplified the Charter, while ensuring it reflects the current approach of:

- promoting better regulation practice
- taking a principles-based approach to stakeholder engagement, and
- ensuring fit-for-purpose engagement.

A copy of the Charter is available on the Commission’s website.

Summary of stakeholder engagement initiatives

The table below provides a summary of the stakeholder engagement initiatives undertaken during 2019-20.

Program	Summary/outcome	Performance
<p>Consumer Advisory Committee (CAC)</p>	<p>To assist in engagement and consultation, the Commission convenes a CAC (constituted formally under the ESC Act, and as required under the <i>Electricity Act 1996</i>, the <i>Gas Act 1997</i> and the <i>Water Industry Act 2012</i>).</p> <p>CAC comprises representatives from a broad range of consumer groups, including those representing general consumers, specific consumer groups, business interests, primary production, local government and the environment.</p>	<p>CAC is an essential part of the overall regulatory framework. It allows community involvement in regulatory decisions and processes, and affords the Commission (and other bodies such as other Government regulatory agencies, government departments and regulated businesses), direct access to consumer and community views.</p> <p>The insights gained from CAC members, representative bodies and the broader networks accessed through those bodies is therefore of the utmost importance.</p> <p>The CAC considered and provided valuable input into the SA Water Regulatory Determination 2020, as part of the Consumer Experts Panel, during the year.</p> <p>The membership of CAC is outlined in the financial statements at Note 3.2.</p>

Program	Summary/outcome	Performance
Small Grants Program	The Commission makes provision in its budget for a Small Grants Program. This program assists CAC members in undertaking programs, activities and/or research that benefit water and energy consumers, aligning this work with the Commission's primary statutory objective.	The South Australian Council of Social Services was granted \$15,000 (inclusive of GST) to undertake consultation in relation to the challenges that some parts of the Aboriginal community face in getting reliable access to essential services. The grant was applied for and reported in 2018-19 but financed and undertaken in 2019-20.
Power Line Environment Committee (PLEC)	<p>PLEC recommends to the Minister for Energy and Mining projects related to the undergrounding of electricity power lines (in accordance with the Electricity (General) Regulations 2012). SAPN carries out this work.</p> <p>The Commission's website contains further information on the PLEC, including its charter and annual report.</p>	The Commission provided secretarial services to, and funded the operation of, PLEC, including member remuneration and annual report costs.

Employment opportunity programs

The Commission does not currently have any employment opportunity programs.

Commission performance management and development systems

Performance management and development system	Performance
<p>The Commission is committed to fostering a positive workplace culture. Employee performance standards and expectations are mutually understood.</p> <p>This commitment is underpinned by a Performance Development Policy and Procedure.</p>	<p>Active preparation and participation by all managers and employees in a process of performance management is expected and achieved.</p> <p>At 30 June 2020, 100 percent of staff had participated in performance development.</p>

Work health, safety and return to work programs

The Commission is committed to the health, safety and wellbeing of Commissioners and all staff. Work health, safety and wellbeing initiatives are included in the annual Workforce Plan. This includes an Employee Assistance Program, available to Commissioners and all staff.

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.

Work Health and Safety audit

Independent work health and safety audits of the Commission's compliance are undertaken periodically and monitored in accordance with the Commission's Internal Compliance Testing Plan. An independent, external audit commenced in April 2020 and was completed in July 2020. No non-compliances were identified in the independent audit.

Wellbeing and COVID-19 pandemic agency response

The Commission responded to the COVID-19 pandemic event and followed all Government advice, including a transition to remote working for all employees. The safety and wellbeing of employees was and remains a priority and the Commission continues to work in a supported remote/in-office hybrid arrangement.

The work program of the Commission continued through the pandemic event with no material impact on agency outcomes. The Commission also continued to fully engage with stakeholders through virtual communication channels.

White Ribbon accreditation

As part of the Commission's commitment to health, safety and wellbeing of all staff, the Commission achieved White Ribbon accreditation through White Ribbon Australia.

To achieve the accreditation, the Commission demonstrated adherence to the 15 criteria across three standards:

- Leadership and commitment
- Prevention of violence against women, and
- Responses to violence against women.

The Commission has continued to focus on building awareness and capability of staff to respond to disclosures of family and domestic violence, and provide opportunities to learn and develop our responses to those issues through the workplace.

Work, Health and Safety programs

Program name	Performance
Incident/injury management	Achieved – nil notifiable incidents during 2019-20
Hazard management	Achieved – hazards responded to within required timeframes
WHS policies	Achieved – all policy and procedure reviews completed
Training	Achieved – WHS training plan in place
Safe work systems	Achieved – scheduled activities undertaken as required
Workplace inspections	Achieved – workplace inspections conducted quarterly
Consultation with staff	Achieved – staff actively consulted on WHS issues and WHS policy reviews
Return to work	Achieved – nil incidents during 2019-20
Induction	Achieved – all new employees and contractors undertook a safety induction on their first day in 2019-20
Employee Assistance Program	Achieved – available to all staff for 2019-20
Psychological health strategies	Achieved – strategies implemented in 2019-20
Wellbeing Plan	Achieved – activities undertaken during 2019-20

Workplace injury claims	2019-20	2018-19	% Change (+ / -)
Total new workplace injury claims	0	0	0
Fatalities	0	0	0
Seriously injured workers*	0	0	0
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	0

*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	2019-20	2018-19	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	0

Return to work costs**	2019-20	2018-19	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0
Income support payments – gross (\$)	0	0	0

**before third party recovery

Data for previous years is available at [data.sa](http://data.sa.gov.au).

Executive employment in the Commission

Executive classification	Number of executives
Level A	2
Level B	2
Level D	1

Data for previous years is available at [data.sa](http://data.sa.gov.au).

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by the Commission.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the Commission. The 2019-20 deficit reflects an ongoing strategic reduction in the equity balances. This is being achieved through reduced licence fees for electricity and gas regulated entities, with the benefits passed through to consumers. The information is unaudited. Full audited financial statements for 2019-20 are attached to this report.

Statement of Comprehensive Income	2019-20 Actual \$000s	Past year 2018-19 Actual \$000s
Total Income	\$ 5,016	\$ 5,229
Total Expenses	\$ 6,291	\$ 5,814
Net Result	(\$ 1,275)	(\$ 585)
Total Comprehensive Result	(\$ 1,275)	(\$ 585)

Statement of Financial Position	2019-20 Actual \$000s	Past year 2018-19 Actual \$000s
Current assets	\$ 8,794	\$ 9,629
Non-current assets	\$ 175	\$ 321
Total assets	\$ 8,969	\$ 9,950
Current liabilities	\$ 913	\$ 583
Non-current liabilities	\$ 870	\$ 906
Total liabilities	\$ 1,783	\$ 1,489
Net assets	\$ 7,186	\$ 8,461
Equity	\$ 7,186	\$ 8,461

Consultants disclosure

The following is a summary of external consultants that have been engaged by the Commission, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	\$15,157

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Taptu Pty Ltd	Advice on Regulatory Intelligence project	\$ 16,120
Incenta Economic Consulting	Peer review of SA Water Regulatory Determination 2020	\$ 18,623
Ernst and Young	Review of the Commission's regulatory models	\$ 33,200
KPMG	Cybersecurity review and advice on regulatory rate of return	\$ 43,577
Cardno (Qld) Pty Ltd	Review work on SA Water Regulatory Determination 2020	\$ 223,912
	Total	\$ 335,431

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-report-consultants>

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken, and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$6,650

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
BDO Advisory (SA) P/L	Assurance work on SA Water Regulatory Determination 2020	\$84,066
	Total	\$84,066

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-report-contractors>

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts.](#)

The website also provides details of [across government contracts.](#)

Risk management

Fraud detected in the Commission

Category/nature of fraud	Number of instances
Nil	Nil

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

The Commission's strategy is to have a comprehensive framework for detecting, mitigating and managing risk and fraud. This framework 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.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-report-instances-of-fraud-recorded>

Public interest disclosure

The Commission developed and implemented a Public Interest Disclosure policy during the period and appointed a Responsible Officer as required by the *Public Interest Disclosure Act 2018*.

The Commission had no occasions where public interest information was disclosed to a Responsible Officer under the *Public Interest Disclosure Act 2018* during 2019-20.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/annual-report-whistleblowers-disclosure>.

Note: Disclosure of public interest information was previously reported under the *Whistleblowers Protection Act 1993* and repealed by the *Public Interest Disclosure Act 2018* on 1/7/2019.

Reporting required under any other act or regulation

Water Industry Third Party Access Regime

Act or Regulation	Requirement
Water Industry Act 2012	Part 9A - report annually to the Minister on the work the Commission has carried out relating to its role under the third party access regime.

Part 9A of the Water Industry Act 2012 establishes a South Australian water industry third party access regime and appoints the Commission as the regulator. The access regime provides a framework for the negotiation of access to certain of SA Water's water and sewerage infrastructure services, with the potential for arbitration should negotiations fail.

As the regulator of the access regime, the Commission has the function of monitoring and enforcing compliance with the requirements of the regime. The Commission's role includes monitoring regulatory compliance to ensure that SA Water:

- has a sound and effective compliance program
- reports non-compliances of the type required to be reported during the relevant reporting period, and
- addresses the impact of any non-compliance on customers and other entities.

SA Water did not receive any formal requests for third party access under the Water Industry Act in 2019-20. However, SA Water advised that it established nineteen new commercial agreements for third party access outside of the access regime during the year.

In 2019-20, the third party access information brochure was downloaded on three occasions from SA Water's website. According to SA Water, none of those external downloads resulted in further consultation regarding third party access.

Outcomes

Requirement	Performance
Monitor and enforce compliance with the requirements of the regime	The Commission was not notified of any non-compliance in 2019-20.
Undertake negotiation of access to certain water and sewerage infrastructure services and refer to arbitration if needed	The Commission was not notified of any access disputes in 2019-20, and therefore did not refer any disputes to arbitration.

SA Intrastate Rail Access Regime

Act or Regulation	Requirement
<i>Rail (Operations and Access) Act 1997</i>	Section 9A - report to the Minister on the work carried out by the Commission under this Act.

The Commission regulates South Australia's intrastate rail access regime, as set out in the *Rail (Operations and Access) Act 1997*.

The current South Australian rail access regime is set to expire on 30 October 2020, unless subordinate legislation is made to extend the application of the regime beyond that date for a further five-year period. During the year, the Commission commenced a review to determine whether or not the regime should continue to apply.

That review is scheduled to conclude in August 2020; however, the Commission's draft conclusion was that the South Australian intrastate rail access regime should continue to apply, and the draft recommendation to the Minister for Transport was that, if it does continue to apply, it should do so for a further five-year period.

In addition to the five-yearly regime reviews, the Commission's administration of the regime has two major components. First, providing information and transparency through compliance monitoring and maintaining information on its website. Second, considering any reported access disputes or related inquiries that may arise.

The Commission's role also includes monitoring regulatory compliance to ensure the rail operators:

- have a sound and effective compliance program
- report non-compliances of the type required to be reported during the relevant reporting period, and
- address the impact of such non-compliance on customers and other entities.

The Rail Commissioner confirmed that it had no access agreements in place with any rail operators during the period, and that it maintained an information kit for any potential operators if access was requested.

Outcomes

Requirement/Project	Performance
Provide information and transparency through compliance monitoring and maintaining information on its website	The Commission did not receive any notifications of material non-compliance during 2019-20.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive any access notifications or access disputes during 2019-20.

Requirement/Project	Performance
Finalised the review of rail guidelines for the South Australia's intrastate rail access regime.	The review identified opportunities to improve the Guidelines so they may better assist commercial negotiation of railway access, are up-to-date and relevant for existing and prospective railway users, and do not impose undue regulatory costs.
Review of intrastate rail access regime 2020-2025.	<p>Commenced the five-year review of the effectiveness of the intrastate rail access regime.</p> <p>This will involve providing advice to the Government on whether or not the regime should continue to apply from 30 October 2020.</p> <p>An issues paper and draft report have been released during the first half of 2020 with a final report due to be released in August 2020.</p> <p>The draft report proposed the continuation of the SA intrastate rail access regime for another five-year period, and suggested consideration of potential improvements to the regime.</p>

Financial information

The South Australian Government funds the Commission's intrastate rail regulatory activities. The table below summarises revenues and expenses for these activities for 2019-20, together with comparative figures for the previous regulatory period.

Both revenue and expense amounts vary due to timing of regulatory reviews.

The Commission will continue to undertake its regulatory activities as efficiently and effectively as possible, and will not accumulate surpluses to unnecessary levels.

	2019-20 \$'000	2018-19 \$'000
Opening surplus	67	60
Revenue		
SA Government contribution	155	90
Total revenue	155	90
Expenses		
Salaries and on-costs	152	60
Administration	54	23
Total expenses	206	83

	2019-20 \$'000	2018-19 \$'000
Annual surplus/(deficit)	(51)	7
Closing surplus	16	67

Tarcoola-Darwin Rail Access Regime

Act or Regulation	Requirement
<i>AustralAsia Railway (Third Party Access) Act 1999</i>	Clause 7 of the AustralAsia Railway (Third Party Access) Code contained in the schedule of the <i>AustralAsia Railway (Third Party Access) Act 1999</i> - report to the Minister on the work carried out by the Commission under this Act.

The access regime, as set out in the AustralAsia Railway (Third Party Access) Code, is intended to ensure that access to railway infrastructure services provided by a monopoly operator is available on reasonable commercial terms.

The Commission's administration of the regime has two major components. First, providing information and transparency through compliance monitoring and maintaining information on its website. Second, by considering any reported access disputes or related inquiries that may arise.

The Commission's role includes monitoring regulatory compliance to ensure the rail operator:

- has a sound and effective compliance program
- reports non-compliances of the type required to be reported during the relevant reporting period, and
- addresses the impact of such non-compliance on customers and other entities.

Outcomes

Requirement/Project	Performance
Provide information and transparency through compliance monitoring and maintaining information on its website	The Commission did not receive any notifications of material non-compliance during 2019-20.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive notification of any access disputes during 2019-20.
Finalised the review of rail guidelines for the Tarcoola-Darwin rail access regime.	The review identified opportunities to improve the Guidelines so that they may better assist commercial negotiation of railway access, are up-to-date and relevant for existing and prospective railway users, and do not impose undue regulatory costs.

Requirement/Project	Performance
Review of revenues under the Tarcoola-Darwin rail access regime 2013-2018	<p>The five-year review of revenues under the Tarcoola-Darwin rail access regime was commenced and will be finalised in 2020-21.</p> <p>The review will assess whether or not the railway operator has earned excessive revenues between 1 July 2013 and 30 June 2018.</p>

Financial information

The South Australian and Northern Territory Governments fund the Commission's Tarcoola-Darwin rail regulatory activities.

The table below summarises revenues and expenses for these activities for 2019-20, together with comparative figures for the previous regulatory period.

Both revenue and expense amounts vary due to timing of regulatory reviews.

Over time, funding is shared equally between the South Australian and Northern Territory Governments. However, the funding contributions made by each Government may differ in any one year. The Commission records each Government's contribution in a separate account. The Commission's expenses are apportioned equally to each of these accounts.

The Commission will continue to undertake its regulatory activities as efficiently and effectively as possible, and will not accumulate surpluses to unnecessary levels.

	2019-20 \$'000	2018-19 \$'000
Opening surplus	71	84
Revenue		
SA Government contribution	15	45
NT Government contribution	90	26
Total revenue	105	71
Expenses		
Salaries and on-costs	135	61
Administration	48	23
Total expenses	183	84
Annual surplus/(deficit)	(78)	(13)
Closing surplus/(deficit)	(7)	71

Public complaints

Number of public complaints reported for 2019-20

Complaint categories	Sub-categories	Example	Number of Complaints
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	0
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	0
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	0
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	0

Complaint categories	Sub-categories	Example	Number of Complaints
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another Commission; insufficient information to investigate	0
		Total	0

Additional Metrics	Total
Number of positive feedback comments	0
Number of negative feedback comments	0
Total number of feedback comments	0
% complaints resolved within policy timeframes	0

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/escosa-annual-report-public-complaints>

Service Improvements resulting from complaints or consumer suggestions over 2019-20

The Commission has not had any complaint or consumer-driven service improvement initiatives, as non were received.

Appendix: Audited financial statements 2019-20



Our ref: A20/033

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24 September 2020

Mr B Rowse
Chairperson
Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

Dear Mr Rowse

Audit of Essential Services Commission for the year to 30 June 2020

We have completed the audit of your accounts for the year ended 30 June 2020. Two key outcomes from the audit are the:

- 1 Independent Auditor's Report on your agency's financial report
- 2 audit management letters recommending you address identified weaknesses.

1 Independent Auditor's Report

We are returning the financial statements for the Essential Services Commission, with the Independent Auditor's Report. This report is unmodified. The *Public Finance and Audit Act 1987* allows me to publish documents on the Auditor-General's Department website. The enclosed Independent Auditor's Report and accompanying financial statements will be published on that website on Tuesday, 13 October 2020.

2 Audit management letters

As the audit did not identify any significant matters requiring management attention, we will not issue any audit management letters.

What the audit covered

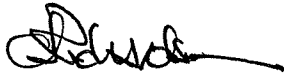
Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.

Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- revenue from licence and administration fees
- employee benefit expenses and liabilities
- supplies and services expenses
- general ledger.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely



Andrew Richardson

Auditor-General

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To the Chairperson Essential Services Commission

Opinion

I have audited the financial report of Essential Services Commission for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Essential Services Commission as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairperson, the Chief Executive Officer and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Essential Services Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive Officer and the Commissioners of the Essential Services Commission for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The Commissioners of the Essential Services Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 24(2) of the *Essential Services Commission Act 2002*, I have audited the financial report of Essential Services Commission for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

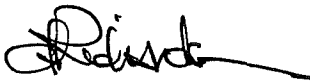
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Essential Services Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Commissioners of the Essential Services Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

24 September 2020

Essential Services Commission

Financial Statements

For the year ended 30 June 2020

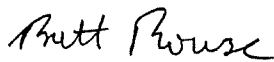
Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Essential Services Commission:

- are in accordance with the accounts and records of the Essential Services Commission
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*
- comply with relevant Australian Accounting Standards
- present a true and fair view of the financial position of the Essential Services Commission as at 30 June 2020 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Essential Services Commission over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year.

Signed in accordance with a resolution of the Essential Services Commission.



Mr Brett Rowse
Chairperson
23 September 2020



Mr Adam Wilson
Chief Executive Officer
23 September 2020



Mr Nick Mahon
Chief Financial Officer
23 September 2020

Essential Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Revenue from licence and administration fees	2.1	4 617	4 707
Contributions from South Australian Government	2.2	250	421
Revenue from services	2.3	90	26
Other income	2.4	59	75
Total income		5 016	5 229
Expenses			
Employee benefits expenses	3.3	4 459	4 245
Supplies and services	4.1	1 686	1 415
Depreciation and amortisation	4.2	146	146
Other expenses	4.3	-	8
Total expenses		6 291	5 814
Net result		(1 275)	(585)
Total comprehensive result		(1 275)	(585)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the South Australian Government as owner.

Essential Services Commission
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents		7 579	8 483
Receivables	6.1	1 215	1 146
Total current assets		8 794	9 629
Non-current assets			
Property, plant and equipment	5.1	151	211
Intangible assets	5.3	24	110
Total non-current assets		175	321
Total assets		8 969	9 950
Current liabilities			
Payables	7.1	169	177
Employee benefits	3.4	519	364
Provisions	7.2	4	4
Other liabilities	7.3	221	38
Total current liabilities		913	583
Non-current liabilities			
Payables	7.1	73	76
Employee benefits	3.4	789	825
Provisions	7.2	8	5
Total non-current liabilities		870	906
Total liabilities		1 783	1 489
Net assets		7 186	8 461
Equity			
Retained earnings		7 186	8 461
Total equity		7 186	8 461

The accompanying notes form part of these financial statements. The total equity is attributable to the South Australian Government as owner.

Essential Services Commission
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings	Total equity
	\$'000	\$'000
Balance at 30 June 2018	9 046	9 046
Net result for 2018-19	(585)	(585)
Total comprehensive result 2018-19	(585)	(585)
Balance at 30 June 2019	8 461	8 461
Net result for 2019-20	(1 275)	(1 275)
Total comprehensive result 2019-20	(1 275)	(1 275)
Balance at 30 June 2020	7 186	7 186

The accompanying notes form part of these financial statements. All changes to equity are attributable to the South Australian Government as owner.

Essential Services Commission
Statement of Cash Flows
for the year ended 30 June 2020

	2020	2019
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Receipts from licence and administration fees	4 713	4 669
Receipts from SA Government	250	421
Receipts from other services	90	26
Receipts for paid parental leave scheme	-	13
Other receipts	59	75
Cash generated from operations	<u>5 112</u>	<u>5 204</u>
Cash outflows		
Employee benefits payments	(4 309)	(4 085)
Payments for supplies and services	(1 707)	(1 442)
Payments for paid parental leave scheme	-	(13)
Cash used in operations	<u>(6 016)</u>	<u>(5 540)</u>
Net cash provided by / (used in) operating activities	<u>(904)</u>	<u>(336)</u>
Cash flows from investing activities		
Purchase of intangible assets	-	-
Cash used in investing activities	<u>-</u>	<u>-</u>
Net cash provided by / (used in) investing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>(904)</u>	<u>(336)</u>
Cash and cash equivalents at the beginning of the period	<u>8 483</u>	<u>8 819</u>
Cash and cash equivalents at the end of the period	<u>7 579</u>	<u>8 483</u>

The accompanying notes form part of these financial statements.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Essential Services Commission

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1. About the Essential Services Commission

1.1. Reporting entity

The financial statements and accompanying notes cover the Essential Services Commission (Commission) as an individual reporting entity. The Commission is a statutory authority of the State of South Australia, established under the *Essential Services Commission Act 2002* (ESC Act).

The Commission uses the banking arrangements of the Department of Treasury and Finance under a Service Level Agreement. A non-interest bearing Special Deposit Account (SDA) entitled 'Essential Services Commission Operating Account', established by the Treasurer of South Australia (Treasurer) under the *Public Finance and Audit Act 1987* (PFAA), is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence and administration fees.

1.2. Basis of preparation

The financial statements are prepared based on a 12-month reporting period and are presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out in the notes.

1.3. Administered items

Section 22 of the ESC Act requires that, except as otherwise directed by the Treasurer, fees or other amounts received by the Commission under that or any other Act will be paid into the Consolidated Account. The Treasurer has directed the use of the SDA for the purpose of recording all the financial transactions of the Commission.

The amounts transferred to the Consolidated Account are administered items held on behalf of the South Australian 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. 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 2.1 and 11. The accrual basis of accounting has been used in accounting for administered items.

1.4. Objectives and programs

The Commission is a statutory authority established as an independent economic regulator and advisory body under the ESC Act.

The Commission undertakes economic regulation in the water and sewerage, electricity, gas, maritime and rail industries, conducts formal public inquiries and provides advice to the South Australian 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. The Commission's role under the *Planning, Development and Infrastructure Act 2016* has not commenced, as the enabling regulations are not in place.

Under the ESC Act the Commission has the primary objective of the '...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

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4 Objectives and programs (continued)

- 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.

The Commission has two broad advisory functions. The first is to provide advice to the Treasurer, on request, in relation to any matter (section 5(f) of the ESC Act). In that capacity the Commission acts as an adviser to the South Australian Government, providing independent advice on economic and regulatory matters.

The second is to conduct formal public inquiries (Part 7 of the ESC Act). Such inquiries can be initiated by the Commission (into any matters within its regulatory scope), by the Treasurer (into any matter) or by an industry Minister (into any matter concerning a regulated industry).

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.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4 Objectives and programs (continued)

The following table summarises such roles for the year ended 30 June 2020.

Legislation	Regulatory functions
<i>Water Industry Act 2012</i>	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 Third Party Access Regime regulator
<i>Electricity Act 1996</i>	Electricity retail operations: <ul style="list-style-type: none"> • Monitoring and, if necessary, determination of the retailer Solar Photovoltaic Feed-in Tariff • Preparation and publication of Ministerial Energy Retail Price Offerings Comparison reports • Retailer Energy Efficiency Scheme administration Electricity generation, transmission, distribution and off-grid retailers: <ul style="list-style-type: none"> • Licensing • Network service / reliability standard setting • Performance monitoring and reporting
<i>Gas Act 1997</i>	Gas retail operations: <ul style="list-style-type: none"> • Preparation and publication of Ministerial Energy Retail Price Offerings Comparison reports • Retailer Energy Efficiency Scheme administration Retail and Distribution LPG gas operations: <ul style="list-style-type: none"> • Licensing Natural gas operations: <ul style="list-style-type: none"> • Licensing • Standard setting • Performance monitoring and reporting
<i>AustralAsia Railway (Third Party Access) Act 1999; Railway (Operations and Access) Act 1997</i>	Access Regulator of: <ul style="list-style-type: none"> • Tarcoola–Darwin railway • Intrastate rail lines
<i>Maritime Services (Access) Act 2000</i>	Ports services pricing and access regulator
<i>Planning, Development and Infrastructure Act 2016</i>	Determine funding arrangements for any infrastructure delivery schemes established by the State Government (not yet commenced, as the enabling regulations are not in place)

1.5. Impact of COVID-19 pandemic on the Commission

The COVID-19 pandemic has not had an impact on the operations of the Commission.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2. Income

2.1. Revenue from licence and administration fees

	Note	Electricity \$'000	Gas \$'000	Water \$'000	2020 \$'000	2019 \$'000
Licence fees		5 305	2 396	9 872	17 573	17 493
Administration fees		857	217	-	1 074	905
Administered items	11	(5 522)	(2 284)	(6 224)	(14 030)	(13 691)
Total fees		640	329	3 648	4 617	4 707

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 standard, or where offsetting reflects the substance of the transaction or other event.

Licence and administration fees are measured at the fair value of consideration received or receivable. The licence and administration fees are set by the relevant Minister in accordance the relevant Act. Licence and administration fee revenue is recognised when it is received or receivable. Unearned revenue is recognised where cash is received by the Commission for licence or administration fees prior to the date of renewal or issue.

2.2. Contributions from South Australian Government

	2020 \$'000	2019 \$'000
Contributions from South Australian Government	250	421
Total contributions from South Australian Government	250	421

Contributions are recognised as revenues when the Commission obtains control over the funding. Control over contributions is normally obtained upon receipt.

2.3. Revenue from services

	2020 \$'000	2019 \$'000
Contribution to rail regulatory costs by Northern Territory Government	90	26
Total revenue from services	90	26

Contributions are recognised as revenues when the Commission obtains control over the funding. Control over contributions is normally obtained upon receipt.

2.4. Other income

	2020 \$'000	2019 \$'000
Other income	59	75
Total other income	59	75

Includes salary reimbursement of \$48 000 (2019: \$54 000) and overseas travel reimbursement of \$11 000 (2019: \$20 000).

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3. Commission, committees and employees

3.1. Key management personnel

Key management personnel of the Commission include the Commissioners, Chief Executive Officer and members of the Leadership Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$1 519 113 (2019: \$1 410 043).

Transactions with key management personnel and other related parties

Related parties of the Commission include all key management personnel and their close family members as defined in AASB 124 *Related Party Disclosures*. There were no reportable transactions between the Commission and any key management personnel and their related parties.

3.2. Commission and committee members

Members that were entitled to receive remuneration (directly and indirectly) for membership during the 2020 financial year were:

Essential Services Commission

Mr Brett Rowse (Chairperson)
Dr Lynne Williams AM
Ms June Roache
Mr David Round AM
Mr David Swift (Appointment commenced 1 August 2019)

Consumer Advisory Committee

Mr Brett Rowse (Chairperson)**
Ms Elaine Attwood
Ms Sue Averay (Appointment commenced 12 July 2019)
Mr Sandy Canale **
Mr Mark Henley
Mr Andrew McKenna
Ms Heather Smith
Mr Ross Womersley

Power Line Environment Committee

Mr Kevin Hamilton (Chairperson)
Ms Pam Andritsakis
Ms Jo Davidson*
Mr Amit Dua*(Appointment concluded 4 March 2020)
Ms Margaret Lee
Ms Kerry McConnell* (Appointment commenced 5 March 2020)
Mr Mike Magin
Mr Kim Steinle

Customer Negotiation Committee (SA Water Regulatory Determination 2020)

Mr John Hill (Chairperson) (Appointment concluded 28 February 2020)
Ms Margaret Clarke (Appointment concluded 5 December 2019)
Mr Mark Henley (Appointment concluded 5 December 2019)

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.2 Commission and committee members (continued)

* In accordance with the Department of the Premier and Cabinet Circular PC016 – Remuneration for Government Appointed Part-Time Boards and Committees, South Australian Government employees did not receive any remuneration for South Australian Government board / committee duties during the financial year.

** No remuneration was received by Mr Brett Rowse in the role of Chairperson of the Consumer Advisory Committee and Mr Sandy Canale has elected to not be remunerated.

Commission and committee remuneration

	2020	2019
	Number	Number
The number of members* whose remuneration received or receivable falls within the following bands:		
\$0 - \$19 999	16	16
\$20 000 - \$39 999	2	1
\$40 000 - \$59 999	2	3
\$60 000 - \$79 999	2	2
Total number of Commission and committee members	22	22

The total remuneration received or receivable by members was \$298 637 (2019: \$329 866). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

* If members sit on multiple committees they are only counted once.

3.3 Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	3 217	2 920
Long service leave	30	186
Annual leave	289	263
Skill and experience retention leave	25	-
Employment on-costs - superannuation	372	339
Employment on-costs - other	182	171
Commission and committee fees*	295	308
Other employee related expenses	49	58
Total employee benefit expenses	4 459	4 245

* Commission and committee fees only include direct payment to members. Superannuation payments including salary sacrifice payments are included under Employment on costs - superannuation. See note 3.2 for details of remuneration for Commission and committee members.

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the Commission's contributions to superannuation plans in respect of current services of current employees.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.3 Employee benefits expenses (continued)

Executive Remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2020 Number	2019 Number
\$151 000 - \$154 000	n/a	1
\$154 001 - \$174 000	2	1
\$174 001 - \$194 000	-	1
\$194 001 - \$214 000	1	-
\$214 001 - \$234 000	1	2
\$234 001 - \$254 000	1	-
\$334 001 - \$354 000	-	1
\$394 001 - \$414 000	1	-
Total	6	6

The \$151 000 to \$154 000 band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, of which 4 (2019: 5) are executive and 2 (2019: 1) are non-executive staff. 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 paid or payable in respect of these benefits.

The total remuneration received by these employees for the year was \$1 391 892 (2019: \$1 308 383).

Targeted voluntary separation packages

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

3.4. Employee benefits liability

	2020 \$'000	2019 \$'000
Current		
Accrued salaries and wages	135	59
Annual leave	286	220
Long service leave	73	85
Skills and experience retention leave	25	-
Total current employee benefits	519	364
Non-current		
Long service leave	789	825
Total non-current employee benefits	789	825
Total employee benefits	1 308	1 189

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

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

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.4 Employee benefits liability (continued)

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months and are 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. Details about the measurement of long service leave liability is provided at note 10.1.

4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Accommodation	432	414
General administration	540	586
Information technology charges	258	258
Consultants	351	100
Contractors	91	43
Other supplies and services	14	14
Total supplies and services	1 686	1 415

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.

Accommodation

The Commission's accommodation is provided by the Department of Planning, Transport and Infrastructure under Memorandum of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB 16.

In prior years, expenses associated with MoAA were classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative.

Consultants

The number and dollar amount of consultancies paid or payable (included in Consultants expense shown above) fell within the following bands:

	2020		2019	
	No	\$'000	No	\$'000
Below \$10 000	3	15	6	31
\$10 000 or above	5	336	3	69
Total paid / payable to the consultants engaged	8	351	9	100

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

4.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Building fit-out	60	60
Total depreciation	<u>60</u>	<u>60</u>
Amortisation		
Intangible assets	86	86
Total amortisation	<u>86</u>	<u>86</u>
Total depreciation and amortisation	<u><u>146</u></u>	<u><u>146</u></u>

All non-current assets that have limited useful lives are systematically depreciated / amortised 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.

Useful life

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	Useful life (years)
Leasehold improvements	3-10
Furniture and fittings	3-10
Office equipment – Information Technology	3-5
Office equipment - Other	3-5
Intangibles	3-6

Review of accounting estimates

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. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

4.3. Other expenses

	2020	2019
	\$'000	\$'000
Doubtful debts expense	-	8
Total other expenses	<u>-</u>	<u>8</u>

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5. Non-financial assets

5.1. Property, plant and equipment by asset class

	2020	2019
	\$'000	\$'000
Building fit-outs		
Building fit-outs at cost (deemed fair value)	566	566
Accumulated depreciation	(415)	(355)
Total building fit-outs	<u>151</u>	<u>211</u>
Total property, plant and equipment	<u><u>151</u></u>	<u><u>211</u></u>

Property plant and equipment is recorded at fair value. Detail about the Commission's approach to fair value is set out in note 10.2.

5.2. Property, plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value equal to or in excess of \$15 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is recorded at fair value. Detail about the Commission's approach to fair value is set out in note 10.2.

Reconciliation of property, plant and equipment

The following table shows the movement in value of property, plant and equipment for the year ended 30 June 2020.

	Building fit-outs	Total
	\$'000	\$'000
Carrying amount at the beginning of the period	211	211
Depreciation	(60)	(60)
Carrying amount at the end of the period	<u>151</u>	<u>151</u>

5.3. Intangible assets

	2020	2019
	\$'000	\$'000
Internally developed software		
Internally developed computer software at cost (deemed fair value)	240	240
Accumulated amortisation	(220)	(180)
Total internally generated software	<u>20</u>	<u>60</u>
Externally developed software		
Externally developed computer software at cost (deemed fair value)	184	184
Accumulated amortisation	(180)	(134)
Total externally developed software	<u>4</u>	<u>50</u>
Total intangible assets	<u><u>24</u></u>	<u><u>110</u></u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost, less any accumulated amortisation and any accumulated impairment losses.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5.3 Intangible assets (continued)

The acquisition or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$15 000.

The internally developed computer software relates to the Commission's Retailer Energy Efficiency Scheme reporting system, which has a remaining useful life of 0.5 years and carrying amount of \$20 000 (2019: \$60 000).

Impairment

There were no indications of impairment of intangible assets at 30 June 2020.

Reconciliation of intangible assets

The following table shows the movement of intangible assets for the year ended 30 June 2020.

	Internally developed software \$'000	Externally developed software \$'000	Total \$'000
Carrying amount at the beginning of the period	60	50	110
Amortisation	(40)	(46)	(86)
Carrying amount at the end of the period	<u>20</u>	<u>4</u>	<u>24</u>

6. Financial assets

6.1. Receivables

	2020 \$'000	2019 \$'000
Current		
Receivables	839	923
Less impairment loss on receivables	(1)	(41)
Total receivables	838	882
Accrued revenue	319	189
Prepayments	58	75
Total current receivables	<u>1 215</u>	<u>1 146</u>
Total receivables	<u>1 215</u>	<u>1 146</u>

Receivables arise in the normal course of the issue or renewal of energy and water licences to licensees and administration fees to energy retailers. Receivables are normally settled within 30 days after the issue of an invoice. Receivables, prepayments and accrued revenues are non-interest bearing. Collectability of receivables is reviewed on an ongoing basis. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the Australian Taxation Office is included as part of receivables.

Allowance for impairment loss on receivables

	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the period	41	33
Amounts written off	(40)	-
Increase / (decrease) in allowance recognised in profit or loss	-	8
Carrying amount at the end of the period	<u>1</u>	<u>41</u>

Refer to note 10.3 for the methodology for determining impairment.

Essential Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2020

7. Liabilities

7.1. Payables

	2020 \$'000	2019 \$'000
Current		
Creditors and accrued expenses	94	127
Employment on-costs	75	50
Total current payables	<u>169</u>	<u>177</u>
Non-current		
Employment on-costs	73	76
Total non-current payables	<u>73</u>	<u>76</u>
Total payables	<u><u>242</u></u>	<u><u>253</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions. The Commission makes contributions to the State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur.

As a result of an actuarial assessment performed by Department of Treasury and Finance, the percentage of the proportion of long service leave taken has increased from 41% in 2019 to 42% in 2020 and the average factor for the calculation of the employer superannuation on-costs has remained at 9.8% in 2020. These rates are used in the employment on-cost calculation. The net financial effect of the change on employment on-costs and employee benefit expense is immaterial.

Under the *Payroll Tax Act 2009*, the payroll tax rate remained at 4.95% in 2020. The rate is used in the payroll tax calculation for long service leave and annual leave.

7.2. Provisions

	2020 \$'000	2019 \$'000
Current		
Workers' compensation	4	4
Total current provisions	<u>4</u>	<u>4</u>
Non-current		
Workers' compensation	8	5
Total non-current provisions	<u>8</u>	<u>5</u>
Total provisions	<u><u>12</u></u>	<u><u>9</u></u>
Carrying amount at the beginning of the period	9	10
Additional provisions recognised	3	(1)
Carrying amount at the end of the period	<u><u>12</u></u>	<u><u>9</u></u>

A provision has been reported to reflect potential unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020

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7.2 Provisions (continued)

provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Commission is responsible for the payment of workers compensation claims.

7.3. Other liabilities

	2020	2019
	\$'000	\$'000
Current		
Unearned revenue	221	38
Total current other liabilities	<u>221</u>	<u>38</u>
Total other liabilities	<u><u>221</u></u>	<u><u>38</u></u>

Unearned revenue is recognised where cash is received by the Commission for licence and administration fees prior to the date of renewal.

8. Changes in accounting policy

8.1. Presentation of financial statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Commission. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

9. Outlook

9.1. Unrecognised contractual commitments

Commitments arise from contractual or statutory sources and are disclosed at their nominal value.

Expenditure commitments

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

	2020	2019
	\$'000	\$'000
Within one year	458	420
Later than one year but not later than five years	635	1 074
Total expenditure commitments	<u><u>1 093</u></u>	<u><u>1 494</u></u>

9.2. Contingent assets and contingent liabilities

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.

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The Commission is not aware of any contingent assets or contingent liabilities as at 30 June 2020.

9.3. COVID-19 pandemic outlook for the Commission

The Commission does not expect any material impact on its operations in 2020-21.

9.4. Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2020 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2020.

Note disclosure is made about events between 30 June 2020 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2020 and which may have a material impact on the results of subsequent years.

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

10. Measurement and risk

10.1. Long service leave liability - measurement

AASB 119 *Employee Benefits* describes the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data across the South Australian Government.

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 decreased from 1.25% in 2019 to 0.75% in 2020.

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The actuarial assessment performed by Department of Treasury and Finance has decreased the salary inflation rate from 4% to 2.5% for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$68 946 and employee benefits expense of \$104 294. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

The unconditional portion of the long service leave provision is classified as current as the Commission does not have an unconditional right to defer settlement of the liability for at least 12-months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

10.2. Fair value

AASB 13 *Fair Value Measurement* 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.

Initial 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.

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10.2 Fair value (continued)

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

All non-current tangible and intangible assets with a value equal to or in excess of \$15 000 are capitalised.

Revaluation

All non-current assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 500 000 and estimated useful life is greater than three years.

Plant and equipment

All items of plant and equipment had a fair value less than \$1 500 000 at time of acquisition. Plant and equipment has not been revalued in accordance with Accounting Policy Statement 116D. The carrying value of these items are deemed to approximate fair value.

10.3. Financial instruments

Financial risk management

Risk management is overseen by the Commission and the Commission's Leadership Team. The Risk Management Framework set by the Commission is in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commission's exposure to financial risk (liquidity, credit and market) is low due to the nature of the financial instruments held.

There have been no changes in risk exposure since the last reporting period.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Commission uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss allowance on the Commission's receivables at 30 June 2020 was \$1,000.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

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10.3 Financial instruments (continued)

Classification of financial instruments

The Commission measures all financial instruments at amortised cost.

		2020 Carrying amount / FV	2019 Carrying amount / FV
Financial assets	Note	\$'000	\$'000
Cash and cash equivalents		7 579	8 483
Total financial assets		7 579	8 483
Financial liabilities at amortised cost			
Payables	7.1	52	90
Total financial liabilities		52	90

The contractual maturities of all financial instruments are expected to be within 1 year.

Receivables and payables

The amount of payables disclosed excludes amounts relating to statutory payables (Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). The Commission's receivables balance consists entirely of statutory receivables.

11. Administered items

Australian Energy Market Commission

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity and gas licence and administration fees received by the Commission for the Australian Energy Market Commission. In 2020 \$2 148 528 (2019: \$2 096 125) was transferred.

Consumer Advocacy and Research Fund

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Consumer Advocacy and Research Fund. In 2020 \$288 481 (2019: \$284 404) was transferred.

Technical Regulator

An amount approved by the Treasurer is transferred to the Consolidated Account from the electricity, gas and water licence fees received by the Commission for the Technical Regulator. In 2020 \$10 661 756 (2019: \$10 401 713) was transferred.

Department for Environment and Water

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department for Environment and Water. In 2020 \$556 536 (2019: \$542 963) was transferred.

Department of Treasury and Finance

An amount approved by the Treasurer is transferred to the Consolidated Account from the water licence fees received by the Commission for the Department of Treasury and Finance. In 2020 \$374 544 (2019: \$365 407) was transferred.