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**ESSENTIAL SERVICES COMMISSION OF
SOUTH AUSTRALIA
2021-22 Annual Report**

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

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2021-22 ANNUAL REPORT for the Essential Services Commission of SA

To:

The Hon. Stephen Mullighan MP, Treasurer

The Hon. Susan Close MP, Minister for Climate, Environment and Water

The Hon. Tom Koutsantonis 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:



David Swift AM

Chairperson

Date: 28 September 2022

From the Chairperson

On behalf of the Essential Services Commission, I am pleased to present the Commission's 2021-22 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 and monitoring consumer protection frameworks that promote the economically-efficient delivery of essential services at levels valued by consumers
- keeping regulated entities accountable to their customers through transparent monitoring and public reporting on industry performance, and
- adding value to the South Australian economy through impartial, credible and robust regulatory decisions and economic advice.

During 2021-22, the Commission delivered on the areas of action outlined in its Strategy 2021-2024 and the projects and programs set out in the Performance Plan 2021-22, as approved by the Treasurer under the *Essential Services Commission Act 2002*. Of note, the Commission implemented the findings of its Inquiry into regulatory arrangements for small-scale and off-grid water, sewerage and energy services and finalised its framework and approach to be used for its new advisory role under the *Local Government Act 1999*. The Commission also significantly progressed work in relation to the next SA Water Regulatory Determination (commencing in July 2024), the review of the State-based economic and consumer protection regulatory frameworks applying to SA Power Networks and to small-scale and off-grid energy suppliers, and internal improvements in analytical capacity and regulatory action, supported by our Regulatory Intelligence System.

I thank my fellow Commissioners and all of our staff for their continued support and contributions over the past year, working to achieving continuous improvement in outcomes for South Australian consumers.



David Swift AM

Chairperson

Essential Services Commission of South Australia

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Overview: about the Commission

Our strategic focus

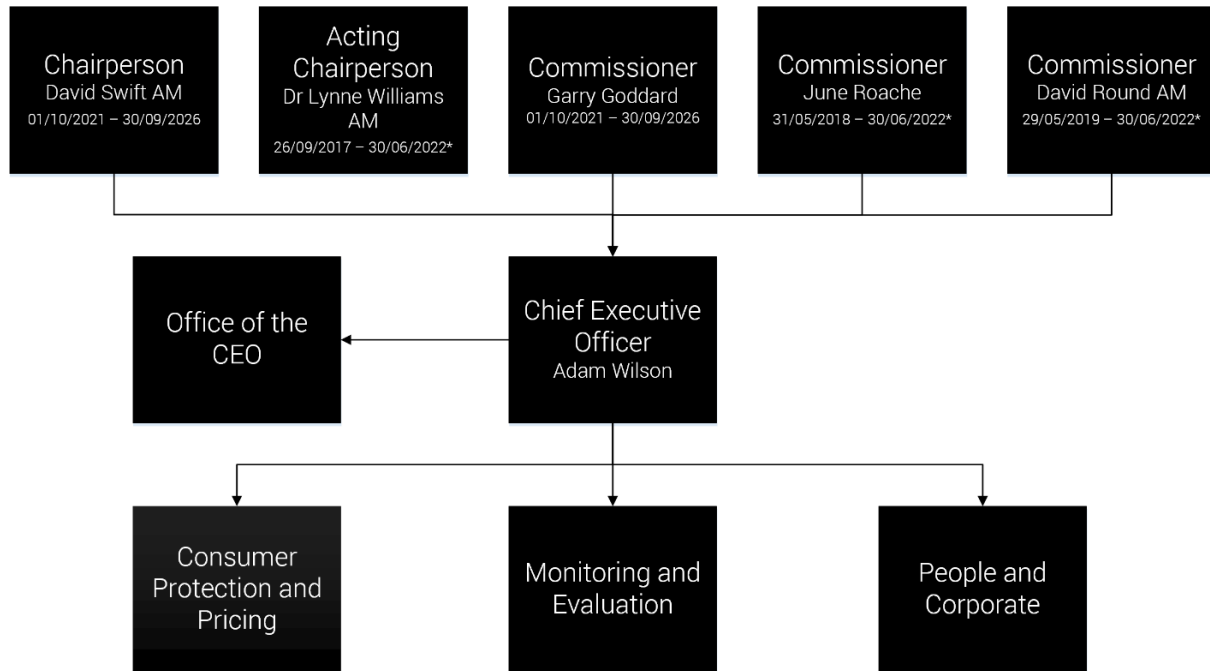
The Essential Services Commission (**Commission**) is a statutory authority, established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (**ESC Act**).

<p>Our Objective</p>	<p>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.</p>
<p>Our Purpose</p>	<p>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.</p>
<p>Our Values</p>	<p>We will be responsive and accountable. We will challenge and be open to innovation. We will build inclusive relationships.</p>
<p>Our Functions</p>	<p>Regulatory 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 pages 10 and 11.</p> <p>Advisory The Commission has two 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 the provision of advice to local councils under section 122 of the <i>Local Government Act 1999</i> on the appropriateness of the following matters:</p> <ul style="list-style-type: none"> • material amendments made, or proposed to be made, to a council’s long-term financial plan and infrastructure and asset management plan and the reasons for those amendments • revenue sources as outlined in a council’s funding plan, and • any other matter prescribed by regulation.

	<p>The Commission also has the function of conducting 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).</p>
<p>Our Strategy</p>	<p>The Commission produces a rolling three-year strategy which sets out its strategic priorities, which guide it in meeting its objective.</p> <p>The strategy for 2021-2024 continued to consolidate and strengthen the Commission’s economic regulatory and advisory functions, while contributing to the achievement of its objective by focusing on five areas of action:</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. <p>The Commission operates with a carefully developed and tested business model, which provides a framework for delivering value and adapting to challenges. It reflects its key functions of regulatory design, gathering market intelligence, undertaking analysis and taking appropriate regulatory action, all of which are underpinned by continuous evaluation and refinement of our regulatory performance and operational systems.</p>

Our organisational structure

As at 30 June 2022, the Commission comprised a Chairperson and four Commissioners. It employed 40 staff (38.40 full-time equivalents) possessing a diverse range of professional and technical qualifications and skills, including in economics, industry, finance, data analysis, commerce, public administration and law. The organisational structure is presented below.



* Commissioners' appointments were extended in July 2022 for various terms.

Changes to the Commission

During 2021-22, the Commission undertook a structural change, to align with its business model, outlined in its Strategy. This resulted in staff from the former Research and Advisory group moving into different teams and the creation a new Regulatory Data and Analysis team within the People and Corporate group.

The Commission's licensing team was also moved from the People and Corporate group to the Consumer Protection and Pricing group.

These changes resulted in some new positions being created, mostly in the data, analysis and monitoring functions, providing the Commission with the technical skills and experience necessary to achieve its Objective. Some positions were also moved/created within the People and Corporate group, providing project and corporate support to other groups.

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.

Brett Rowse was appointed as **Chairperson** of the Commission in July 2016. Brett's term of appointment ceased on 3 July 2021.



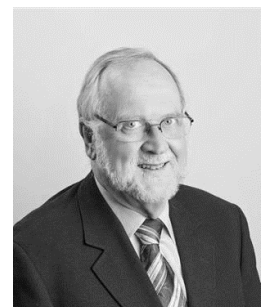
David Swift AM was appointed as a **Commissioner** in August 2019 and as **Chairperson** on 1 October 2021.



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



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



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



Garry Goddard was appointed as a **Commissioner** in October 2021.

Our Leadership Team

The Leadership Team of the Commission comprises of the Chief Executive Officer and Directors.



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 Strategy and Performance Plan, corporate governance framework, and stakeholder management. As the lead of the Office of the CEO, his team is responsible for corporate governance, legal, strategic planning, monitoring and reporting, specialist economic advice and executive support.



Julia Oakley, Director, Consumer Protection and Pricing, is responsible for all pricing, access, consumer protection and policy matters. She is also responsible for developing and implementing regulatory instruments (such as industry codes) and developing and administering licensing and authorisation arrangements for regulated businesses



Natasha Cheshire, Director, Monitoring and Evaluation, is responsible for the Commission’s regulatory programs relating to compliance, audit, enforcement, performance evaluation and reporting. She is also responsible for the administration of the Retailer Energy Productivity Scheme (REPS) and the provision of advice to councils on their strategic management plans.



Rachel Thamm, Director, People and Corporate, is responsible for providing support to the Commission, including finance, workforce, information technology, information management, media and communication, administration and data analytics.

Legislation administered by the agency

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 Productivity 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 Productivity 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>Local Government Act 1999</i>	The Commission has functions relating to the provision of advice to local councils on the appropriateness of amendments to, and revenue sources for, their long-term financial and infrastructure and asset management plans (commenced 30 April 2022).
<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 agency's performance

Performance at a glance

The Commission continued to focus on the five areas of action outlined in its Strategy in meeting its Performance Plan 2021-22 (as approved by the Treasurer in accordance with Section 23 of the ESC Act). The Plan, and the way in which the Commission delivers outcomes under the Plan, are aimed at protecting consumers' long-term interests with respect to the price, quality and reliability of essential services.

For 2021-22, the Plan set out 21 statutory regulatory, advisory and corporate projects and programs for the annual work program. That regulatory and advisory work was supported by the corporate work program.

During the year, four new projects have been added to the original Plan, together with two projects which have continued from 2020-21, leading to an overall program of 27 projects. Of the 27 projects and programs of work, as at the end of June 2022:

- 18 projects were completed as planned
- 1 additional project was completed
- 2 projects are continuing as planned
- 5 additional projects are continuing, and
- 1 project has been reprioritised due to the additional six projects added.

The key projects and programs of work completed in 2021-22 include:

- Verified trust and accountability framework implementation (implementing the findings from the Small-Scale Network Inquiry)
- Review of revenues under the Tarcoola-Darwin rail access regime 2013-2018, and
- Retailer Energy Productivity Scheme Code Review.

Significant work has also been undertaken to progress the following projects or programs of work during 2021-22:

- SA Water Regulatory Determination 2024
- SA Power Networks 2025 regulatory framework review
- Review of the consumer protection framework for small-scale and off-grid energy suppliers
- Ports pricing and access review, and
- Local Government Advice – Framework and Approach.

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

Commission-specific objectives and performance

The Commission worked to further consolidate and strengthen its economic regulatory and advisory functions, while contributing to the achievement of its objective by focusing on five areas of action:

- building stakeholder engagement and providing for consumer inputs and challenge
- design of regulation
- analytical capability
- regulatory performance, and
- evaluation capability.

The Commission also identified four key change drivers in 2021-22, leading to an increased scope in its work program in order to effectively deliver its statutory objective and functions. Those were:

- making an early start on the SA Water Regulatory Determination 2024 program, including implementing the findings of the ex-post review of SA Water Regulatory Determination 2020
- implementing the Small-Scale Networks (Verified Trust and Accountability Framework) Inquiry findings
- a significant increase in the number of licence applications, and
- an increased focus, from the Commission and stakeholders, on regulatory monitoring, evaluation, compliance and enforcement.

A more detailed discussion of each is provided later in this report, but the Commission notes that addressing them resulted in further investment in the people, data and information systems and tools its uses to support analysis, decision making and regulatory action processes and functions. For example, it further developed the Regulatory Intelligence and Regulatory Action Systems, which strengthen regulatory decision making and compliance and audit functions.

Building stakeholder engagement and providing for consumer inputs and challenges

Genuinely engage with all of our stakeholders to facilitate understanding of consumer and regulatory issues, obtain the best and wide range of evidence for our work and provide opportunities for consumers to input to and challenge service providers' business plans

The Commission continued its commitment to engaging and consulting with stakeholders. Information, evidence and views gained through stakeholder and community engagement enhance the quality of the Commission's regulatory decisions and advice.

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 South Australia 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 federal and state agencies to provide a coordinated approach to regulation and advice.

CONSUMER ADVISORY COMMITTEE

The Consumer Advisory Committee (**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.

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.

The insights gained from CAC members, representative bodies and the broader networks accessed through those bodies is therefore of the utmost importance to the Commission.

The CAC considered and provided valuable input during the year in a number of the projects listed on the Plan, including development of the SA Water Regulatory Determination 2024 Framework and Approach.

The membership of CAC is outlined in the financial statements at Note 3.2.

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 statutory objective. There were no grants applied for or made during 2021-22.

POWER LINE ENVIRONMENT COMMITTEE

The Power Line Environment Committee (**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). SA Power Networks carries out this work.

The Commission's website contains further information on the PLEC, including its [charter](#) and previous [annual reports](#).

The Commission provided secretarial services to, and funded the operation of, PLEC, including member remuneration and annual report costs, up until 31 December 2021. From 1 January 2022, the Office of the Technical Regulator took responsibility for the secretariat functions for PLEC with all functions and official records being transferred.

OTHER ACTIONS AND ACTIVITIES

The below table shows the key projects, as outlined in the Plan, and a summary of the outputs and outcomes achieved in 2021-22.

Performance Plan 2021-22		Outputs and outcomes
Project	Requirement/outcome	
Stakeholder Consultation	Undertake stakeholder consultation in line with the Commission’s Charter of Consultation and Regulatory Practice.	In 2021-22, the Commission continued to engage and inform consumers and stakeholders through stakeholder meetings, public consultations, and publications on its website. The Commission consulted on 49 projects/licence applications, received 73 submissions and published 102 news articles and 193 documents on its website.

Design of regulation

Deliver fit-for-purpose regulatory design and implementation, using evidence-based processes and pursuing efficiency and effectiveness in regulatory design, implementation and outcomes

During 2021-22, the Commission continued to undertake significant work in this area, including finalising three regulatory reviews and commencing six new reviews as detailed below. The work undertaken has demonstrated evidence-based, logical decision making, based on statutory frameworks.

A summary of the outcomes of some of those reviews is provided below.

REVIEW OF REVENUES UNDER THE TARCOOLA-DARWIN RAIL ACCESS REGIME 2013-14–2017-18

The Commission must, for five-year periods, review below-rail freight revenues on the Tarcoola to Darwin rail line, where no sustainable competitive prices exist. It must determine if those relevant revenues are excessive, having regard to the factors outlined in the AustralAsia Railway (‘Third Party Access’) Code (**Code**).

The Commission undertook a review of the revenues during 2021-22 and concluded that, based on the Depreciated Optimised Replacement Cost asset value adopted in this review, excessive revenues had not been earned over the period 1 July 2013 to 30 June 2018.

The results were highly sensitive to the asset valuation, the cost allocation methodology and the rate of return adopted. Sensitivity analysis in relation to various key parameters indicates that the revenues earned were still well below any of the possible maximum revenue limits calculated.

As a result, the Commission commenced a review into the options to determine the most appropriate asset valuation for the Tarcoola – Darwin rail line, to inform future statutory reviews. That review will continue into 2022-23.

REVIEW OF THE RETAILER ENERGY PRODUCTIVITY SCHEME CODE

The Commission completed a review of the Retailer Energy Productivity Scheme (**REPS**) Code during 2021-22, to facilitate improved outcomes under, and administration of REPS within, the Government's policy framework.

The REPS Code was amended to improve consumer protections (primarily through the provision of better information to customers) and clarify retailers' obligations (with respect to providing appropriate oversight of activity provider behaviour and record keeping requirements).

The Commission will continue to undertake audits on different areas of the REPS each year, in addition to any external audit the Commission requires an obliged retailer to undertake.

The new REPS Code will come into effect at the start of the new reporting year on 1 January 2023.

SA WATER REGULATORY DETERMINATION 2024

The Commission will make a new regulatory determination to apply to SA Water from 1 July 2024 to 30 June 2028: SA Water Regulatory Determination 2024 (**SAWRD24**).

The regulatory determination sets the maximum revenues that SA Water can earn from its customers over that four-year period, and the service standards it must deliver for its customers. The regulatory determination, while for a four-year period, is made in a long-term context:

- The four-year expenditure proposals must relate to (and should be drawn from) SA Water's existing long-term asset management, financing and service delivery plans.
- Those plans, in turn, should have been developed through ongoing, transparent and genuine customer, community and stakeholder engagement.

The Commission released the SAWRD24 Framework and Approach in September 2021, which set out the key timing, process and governance matters for the regulatory determination process. This was developed with the outcomes of the SAWRD20 ex post review and issues raised by stakeholders during consultation over the course of the development.

The Commission also developed three guidance papers to clarify the Commission's expectations for SA Water for all stakeholders. The first guidance paper outlined the high-level expectations for the matters to be addressed in SA Water's Regulatory Business Plan. Guidance Paper 2 set out the Commission's expectations for how SA Water will engage with stakeholders in the development of its Regulatory Business Plan. The third guidance paper, which will be released in July 2022, outlines how the Commission will approach the assessment of SA Water's Regulatory Business plan.

REVIEW OF SA POWER NETWORKS 2025 REGULATORY FRAMEWORK

The Commission commenced its review of the Electricity Distribution Code (**Code**). The Code sets out consumer protections that apply to the distribution of electricity to customers in South Australia. It includes customer service standards, network reliability standards and a Guaranteed Service Level (**GSL**) scheme. In practice, the Code applies only to the distribution network operated by SA Power Networks.

The Commission published an issues paper in April 2022 which highlighted four areas that are likely to result in changes to the Code and requested input on these and on any other matters considered important. The four areas were:

- Application of the Code - The Code may be amended to apply only to SA Power Networks, to clarify that the Code operates alongside the national framework, as it already does in practice.
- Distributed energy resources (**DER**) - Duplication or inconsistency between existing Code provisions for the connection of embedded generation units and national and state instruments will be addressed. The Commission's analysis has shown that other risks to consumers arising from DER in the distribution network are dealt with elsewhere in the state and national frameworks.
- Minimum network reliability standards - The review will focus on considering customer's expectations for reliability in Adelaide's CBD, and how standards will apply to stand-alone power systems.
- Obligations for the timely repair of streetlights - The review will consider whether there continues to be a role for the Code to set street light repair obligations, which include an obligation for SA Power Networks to make a GSL payment for delayed repairs.

The Commission plans to publish a draft decision on any proposed changes to the Code in January 2023 and a final decision in June 2023.

REVIEW OF THE CONSUMER PROTECTION FRAMEWORK FOR SMALL-SCALE AND OFF-GRID ENERGY SUPPLIERS

The Commission is reviewing the effectiveness of the off-grid energy consumer protection framework, which applies to around 11,000 customers located in regional and remote areas of the state. These energy services are provided by nine electricity distributors, four of which are also licensed to retail electricity, five gas distributors and two gas retailers.

The off-grid energy consumer protection framework applies in regional and remote areas of the state where the National Energy Customer Framework does not apply.

This review is assessing the existing off-grid energy consumer protection framework and will make changes if needed. Off-grid energy service provider performance data has not highlighted any major problems with the current consumer protection framework. However, the Commission is seeking feedback on some proposed changes to enhance the clarity and consistency of obligations between the off-grid gas and electricity markets.

The Commission has looked at three areas of the off-grid consumer protection framework for possible reform:

- A comparison of consumer protections across off-grid gas and electricity. There are currently some differences between the protections offered to off-grid gas consumers and off-grid electricity consumers. Where practical, changes are proposed so that consumers have a more consistent set of core protections across the two fuel types. This would result in some additional protections being introduced for both off-grid gas and electricity consumers.
- A comparison of off-grid hardship consumer protections and the National Energy Customer Framework. There are a range of protections for off-grid customers experiencing hardship, with some differences to those offered under the National Energy Customer Framework for on-grid customers.
- Changes to the Prepayment Meter System Code, in response to submissions received which highlighted some areas for possible change.

The Commission considered all submissions received in preparing its draft decision which will be published in August 2022.

LOCAL GOVERNMENT ADVICE – FRAMEWORK AND APPROACH

Through amendments to the *Local Government Act 1999*, the South Australian Government has introduced a role for the Commission to provide advice to each of the state's 68 local councils (under a Schedule on a four-yearly rotational basis). The advice relates to the appropriateness of the council's long-term financial plans, infrastructure and asset management plans, and revenue sources as outlined in the council's funding plan.

Advice on the relevant matters is to be provided in the context of the council's long-term financial plan and infrastructure and asset management plan. In providing advice, the Commission must have regard to the following objectives:

- the objective of councils maintaining and implementing long-term financial plans and infrastructure and asset management plans, and
- the objective of ensuring that the financial contributions proposed to be made by ratepayers under the council's long-term financial plan and infrastructure and asset management plan are appropriate and any material amendments made, or proposed to be made, to these plans are appropriate.

During 2021-22, the Commission prepared a draft Framework and Approach which proposed how it will give effect to the scheme in practice, a schedule of councils across the four years and an information provision guideline. The final Framework and Approach will be released in August 2022.

PORTS PRICING AND ACCESS REVIEW

The Commission commenced a review of the South Australian ports access and pricing regime as required by the *Maritime Services (Access) Act 2000*.

After careful consideration of stakeholder submissions and the National Competition Council's recommendations in relation to the recent re-certification of the ports regime, the Commission intends to undertake a two-stage review.

The first stage will review:

- the access regime with a view to making a recommendation to the Minister as to whether the regime should continue in operation for a further five-year period, and
- the ongoing need for and, if needed, form of a price determination to be made by the Commission under the *Essential Services Commission Act 2002*.

The stage one draft report, released in May 2022, recommended that the access regime should continue in operation for a further five years as the Commission considers a form of protection for customers is still appropriate and the access regime provides this at a relatively low cost. It also proposes price and financial performance monitoring, which expands the current price monitoring scheme, to enable more information collection, public reporting and a greater level of transparency, thereby helping to facilitate competitive markets, promote efficiency and protect the long-term interests of users of maritime services.

Stage one will be finalised by October 2022.

The second stage will involve a general review with a view to determining whether or not regulation (or further regulation) is required.

LICENSING OF WATER, ELECTRICITY AND GAS ENTITIES

The Commission has continued its ongoing work in accordance with the licensing framework. The volume of licensing work before the Commission continued to grow for the first half of 2021-22 but decreased for the second half as a result of the Commission approving fixed-term class exemptions from the requirement to hold a licence under the Electricity Act for a period of two years for the following:

- electric vehicle charging station operators
- virtual power plant operators, and
- electricity generation operations of less than 5MW.

Also, this year the Commission approved a licence variation to Cowell Electric regarding prepayment by default consumer protections, in line with the changes made by the South Australian Government in the *Electricity (General) (Payment Condition) Variation Regulations 2021*.

OTHER ACTIONS AND ACTIVITIES

The table below shows the key regulatory and advisory projects, as outlined in the Plan, together with five additional project/s, and a summary of the outputs and outcomes achieved in 2021-22.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the licensing regime (including exemptions) that applies to water, electricity and gas entities, as established under the <i>Water Industry Act 2012</i> , <i>Electricity Act 1996</i> and <i>Gas Act 1997</i>			
Water, Electricity and Gas	Licence regime administration	Issue, vary and transfer licence and exemptions.	The Commission approved 8 licence applications, 23 variations, 5 exemptions and transferred one licence during 2021-22.
Making of price determinations , pursuant to section 35 of the <i>Water Industry Act 2012</i> and <i>Essential Services Commission Act 2002</i> , to allow for regulating of prices, conditions relating to prices, and price-fixing factors for water retail services.			
Water	SA Water Regulatory Determination 2024	Continue to work towards making a regulatory determination to apply to SA Water for the period 1 July 2024 to 30 June 2028 including: <ul style="list-style-type: none"> a price determination that sets four-year revenue caps for drinking retail services and sewerage retail services specific pricing principles for excluded retail services, and establishment of service standards and other customer service obligations that SA Water must meet during the four-year regulatory period. 	Continuing into 2022-23. Progress outcomes provided above. The regulatory determination will be released in 2024.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Water	# Price Determination to apply to Robusto Investments Pty Ltd	Research and analysis to be undertaken to inform the making of a second price determination for Robusto Investments Pty Ltd in 2022.	Completed. Subsequent determination finalised for the 2022-23 financial year.
<p>Making of industry codes and rules, pursuant to part 4 of the <i>Essential Services Commission Act 2002</i>, to regulate the conduct or operations of a regulated industry or regulated entity, including reviewing existing codes.</p>			
Water	SA Water Regulatory Determination 2020: Monitoring and evaluating performance framework	Implement and embed the enhanced reporting regime to ensure that: <ul style="list-style-type: none"> • SA Water’s ongoing investment planning and evaluation processes are transparent, and • an appropriate level of independent oversight of SA Water’s ongoing progress in developing, monitoring, evaluating and reporting on how its operational and longer-term investment decisions are delivering benefits to its customers, stakeholders and its owners. 	Completed. Framework implemented and is now part of the regular day-to-day work of the Commission.
Electricity and Gas	Retailer Energy Productivity Scheme Code Review	Review the code to address any issues with administration of the scheme that could not be captured through the limited review in 2020-21.	Completed. Outcomes provided above.

Note: # The Robusto price determination is subject to external review by SACAT which has not concluded

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Electricity and Gas	Energy Prepayment Meter System Code Review	Review the code to ensure the adequacy of the consumer protections provided for by the code.	Review being undertaken as part of the review of the consumer protection framework for small-scale and off-grid energy suppliers
Electricity and Gas	* Review of the consumer protection framework for small-scale and off-grid energy suppliers	Review will assess and amend, if required, the Commission’s existing off-grid energy consumer protections framework. This project incorporates the Energy Prepayment Meter System Code Review.	Continuing into 2022-23 and incorporates the review of the Electricity Metering Code and Energy Prepayment Meter System Code
Electricity	* SA Power Networks 2025 Regulatory Framework Review	Review to assess and amend, if required, the existing Electricity Distribution Code (incorporating the review of chapter 3 of the EDC – embedded generation).	Continuing into 2022-23 and incorporates the review of chapter 3 of the Electricity Distribution Code (embedded generation)
Ongoing administration of the water industry third party access regime , under the <i>Water Industry (Third Party Access Amendment) Act 2015</i> , which provides a framework for the negotiation of access to certain water and sewerage infrastructure services, with the potential for arbitration should negotiations fail.			
Water	Administer the water industry third party access regime	Undertake negotiation, as required, of access to certain water and sewerage infrastructure services.	Completed. No access requests received.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Review of South Australian ports access regime and price determination under the <i>Maritime Services (Access) Act 2000</i>			
Maritime	Ports Pricing and Access Review	5-yearly review of the South Australian ports pricing and access regime to determine: <ul style="list-style-type: none"> • if the current price determination, from 1 October 2017 to 30 October 2022, has been effective • if the access regime should continue for a further five-year period from 31 October 2022, and • if the ports price regime should continue for a further five-year period from 31 October 2022 and if so, what form of price regulation should be adopted? 	Continuing into 2022-23. Progress outcomes provided above.
Conciliate and arbitrate individual infrastructure access disputes, under the relevant industry Acts.			
Maritime, Rail and Water	Conciliation and arbitration	Conciliate access disputes and refer disputes to arbitration for SA Rail, Tarcoola-Darwin Rail, proclaimed Ports and Water industries.	Completed. One ports dispute referred to arbitration in 2020-21 and was finalised in 2021-22. Another ports dispute was referred to the Commission but it was determined that it did not have jurisdiction to act in respect of the particular dispute.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
<p>Arrangements for access to the Tarcoola-Darwin railway are provided under the AustralAsia Railway (Third Party Access) Code (the Code), which is a Schedule to the AustralAsia Railway (Third Party Access) Act 1999 (SA & NT)</p>			
Rail	* 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 has earned excessive revenues between 1 July 2013 and 30 June 2018.	Completed. Outcomes provided above.
Rail	* Asset valuation for Tarcoola-Darwin Railway	Review of options to determine the most appropriate asset valuation methodology for the Tarcoola – Darwin rail line, to inform future statutory reviews.	Continuing into 2022-23. Progress outcomes provided above.
<p>Undertake an advice scheme under the <i>Statutes Amendment (Local Government Review) Act 2021</i></p>			
Local Government	* Local Government Advice – Framework and Approach	<p>Develop the following to allow for the commencement of the scheme in July 2022:</p> <ul style="list-style-type: none"> • A schedule for assessing councils • An assessment framework to apply to all councils, and • A guideline for councils, if necessary. 	Continuing into 2022-23. Progress outcomes provided above.

Note: * highlights additional projects

Analytical capability

Enhance our analytical capacity and capability and the use of market intelligence to underpin our regulatory design, monitoring of performance outcomes and the regulatory actions that we take.

The strategy and business model highlighted the need for an increased focus on the Commission's market intelligence gathering and analysis. Given this, the development and implementation of its Regulatory Intelligence System continued during 2021-22. This system will provide stronger foundations for the development, implementation, monitoring and improvement of the Commission's regulatory frameworks and better evidence-based regulatory/consumer outcomes, information provision and interactions for stakeholders.

The key system outcomes over the past year include:

- Minor and intermediate water retailers, ElectraNet and Australian Gas Networks (**AGN**) information and dashboard completed for internal use.
- AGN and ElectraNet dashboards were published on the Commission's website for external use.
- The minor and intermediate water retailers dashboard was used in the Small-Scale Network Inquiry implementation to provisionally categorise 67 retailers and is used in the assessment of licence variations.
- Operational and compliance data (2015 - 2021) for six gas retailers and nine electricity retailers were consolidated, visualised and was used in the Small-Scale Network Inquiry implementation to provisionally categorise retailers.
- SA Water 2016 - 2021 quarterly and annual operational data and 2013 - 2021 annual financial data have been consolidated and will be visualised to identify trends and outliers in performance.
- Financial data (2012 - 2021) for One Rail and financial and operational data for Tarcoola-Darwin (2004 - 2021) have been consolidated and will be visualised to identify trends and outliers in performance.

The Regulatory Intelligence System's ongoing development and implementation will continue into 2022-23 as business as usual.

The below table shows this project, as outlined in the Plan.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the monitoring and reporting framework , that applies to water, electricity and gas entities, as established under the <i>Water Industry Act 2012</i> , <i>Electricity Act 1996</i> and <i>Gas Act 1997</i> to assist consumers in understanding the nature and levels of service which have been provided to them, and ensure regulated businesses' compliance with their reporting obligations.			
All	Regulatory Intelligence System	Development and implementation of an internal regulatory intelligence system which focuses on reconfiguring and/or building upon existing data sets, analytical tools and economic models in a more centralised and structured manner to allow for increased monitoring functionality.	Completed. Progress outcomes provided above.

Regulatory performance

Use market monitoring outcomes to provide performance information to consumers, guidance and performance feedback to regulated entities, and reshaping our compliance and enforcement approach to ensure that it is efficient and effective in driving positive consumer outcomes.

VERIFIED TRUST AND ACCOUNTABILITY FRAMEWORK IMPLEMENTATION (IMPLEMENTING THE FINDINGS FROM THE SMALL-SCALE NETWORK INQUIRY)

During 2021-22, the Commission released its Small-Scale Network Inquiry report and completed the implementation of the Verified Trust and Accountability Framework as recommended in the Inquiry report.

The Inquiry reviewed appropriate regulatory arrangements and price regulation arrangements to apply in relation to small-scale water supplies, sewerage services, non-national market electricity and reticulated Liquid Petroleum Gas supplies (small-scale water, sewerage and energy services), for the purposes of carrying out its functions.

In July 2021, the Commission released its Small-Scale Network Inquiry report which, in addition to a continuing focus on compliance, outlined changes to the regulatory framework for small-scale networks. These changes are designed to place more transparency and emphasis on licensed small-scale networks providing assurance to their customers and the Commission that the services they provide are sustainable over the medium-to-longer term.

This will occur through the adoption of a verified trust and accountability regulatory approach to small-scale networks, as well as requiring all small-scale network licensees to become members of the Energy and Water Ombudsman (SA) Limited scheme.

During the implementation, the Commission engaged with licensees throughout the implementation to enable an understanding of the changing framework, together with consulting on specific issues related to the changes, including:

- verifying operational, financial and performance information previously submitted
- developing varied reporting arrangements in consultation with licensees
- providing provisional categorisations to licensees for comment, and
- ensuring all licensees were members of EWOSA by 30 June 2022.

RESIDENTIAL ENERGY PRODUCTIVITY SCHEME

The Retailer Energy Productivity Scheme (**REPS**) is a South Australian Government initiative intended to support households and businesses to reduce their energy costs while also maximising the benefits to the power system to deliver a smarter, more affordable, reliable and sustainable energy future.

During 2021-22, the Commission consulted on and finalised a REPS code variation (see page 16) and the reporting requirements for energy retailers, which reduced reporting requirements on retailers for the purposes of determining REPS obligations.

The Commission also released the REPS – Annual Report 2021 which provided an overview of the activity of obliged retailers under the REPS in 2021 as well the Commission's observations on costs, competition in activity delivery and any identified barriers to competition. In particular, the report assessed the achievement of each obliged retailer against the 2021 ministerial targets for undertaking energy productivity activities in South Australian households and businesses.

The key outcomes for 2021 were:

- The overall annual REPS targets were achieved, and all obliged retailers met their individual targets.
- Approximately 2.4 million GJ of deemed energy savings were delivered to 31,813 households and businesses.
- Approximately 538,989 GJ of deemed energy savings from 22,903 activities were delivered to priority group households (for example, residential premises in which a person resides who is experiencing hardship or holds an eligible concession or health card).
- The average cost of activities delivered in 2021 was \$14.42.
- There appears to be limited indicators of barriers to competition in activity delivery. Cost and reputation have been the primary considerations for the majority of retailers in engaging activity providers.

REPORTING

As a part of facilitating 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 standards and licence requirement outcomes.

In 2021-22, it published annual regulatory performance outcomes for:

- SA Water
- Small-scale water networks (councils and private businesses that provide water and sewerage services to 50,000 or fewer customers)
- SA Power Networks (electricity distribution)
- ElectraNet (electricity transmission)
- Australian Gas Networks (gas distribution)
- Small-scale electricity networks (off-grid electricity supply services), and
- Small-scale gas networks (Liquefied Petroleum Gas retailers and distributors).

COMPLIANCE AND ENFORCEMENT

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 ongoing basis. This program of work is aimed at protecting consumers' long-term interests and the actions taken by the Commission in this area are founded on that principle.

Regulated 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 to enhance consumer welfare.

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 ongoing compliance monitoring, in 2021-22 the Commission's compliance focus included reviewing:

- the District Council of Coober Pedy's compliance with its electricity licence, legislation and codes
- REPS activities relating to the installation of water heaters and air-conditioners, due to customer complaints received, and
- small-scale water and energy networks compliance with information provision obligations, such as publishing information for consumers on pricing and consumer protection requirements.

Further information on these compliance matters is available on the Commission's website.

OTHER ACTIONS AND ACTIVITIES

The below table shows the key regulatory and advisory projects, as outlined in the Plan and a summary of the outputs and outcomes achieved in 2021-22.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Administer the monitoring and reporting framework , that applies to water, electricity and gas entities, as established under the <i>Water Industry Act 2012</i> , <i>Electricity Act 1996</i> and <i>Gas Act 1997</i> to assist consumers in understanding the nature and levels of service which have been provided to them, and ensure regulated businesses' compliance with their reporting obligations.			
Water, Electricity and Gas	Verified trust and accountability implementation framework	Implementation of the verified trust and accountability framework for small-scale network providers in line with the Final Inquiry report released in February 2021.	Completed. Progress outcomes provided above.
Water, Electricity and Gas	Regulatory performance reporting	Release regulatory performance reports for: <ul style="list-style-type: none"> the water industry which focus on customer service and operational performance against applicable service standards the energy industry which focus on network service, reliability performance outcomes and consumer protection measures, and the retailer energy productivity scheme which focuses on the performance of obliged retailers under the scheme. 	Completed. Annual regulatory performance outcomes for regulated entities published on the website.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Electricity and Gas	Ministerial energy pricing reports	Provide to the Minister for Energy and Mining reports on energy retail price offerings available to South Australian small customers (residential and small business) for the previous financial year.	Completed. The report was provided to the Minister in August 2021.
Water	National Performance Reports	Release national performance reports which benchmark various indicators regarding the pricing and service quality of Australian water utilities.	Function transferred to the Technical Regulator from July 2021.
Administer the monitoring and enforcement of compliance with, and promotion of improvement in, standards and conditions of service and supply under relevant industry regulation Acts, as established under the <i>Essential Services Commission Act 2002</i> ,			
All	Administer the Commission's compliance and enforcement frameworks	Ensure: <ul style="list-style-type: none"> regulated entities are aware of their regulatory obligations and the possible consequences of non-compliance the monitoring of compliance through regular reporting and review arrangements (including auditing of business operations), and appropriate enforcement action is taken in cases where non-compliance is detected. 	Completed. All known and identified matters of non-compliance resolved.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
All	Regulatory Action System	<p>The compliance and enforcement framework includes the implementation of an enhanced regulatory action system that allows:</p> <ul style="list-style-type: none"> • both regulatory and operational effectiveness for the Commission • evidence-informed regulatory and consumer outcomes, and • effective and evidence-based tools for compliance action. 	<p>Completed.</p> <p>During 2021-22, the Regulatory Action System has been embedded within the Commission and ensures:</p> <ul style="list-style-type: none"> • safeguarding of consumers' interests • a culture of compliance • a risk-based and proportionate methodology is applied • utilisation of market intelligence for evidence-informed action, and • transparent, efficient and fair behaviour.
<p>Administer the Retailer Energy Productivity Scheme, as established under the <i>Electricity (General) Regulations 2012</i> and <i>Gas Regulations 2012</i></p>			
Electricity and Gas	Retailer Energy Productivity Scheme administration	<p>Administer the scheme to ensure retailers comply with:</p> <ul style="list-style-type: none"> • the Minister for Energy and Mining's Specifications for the scheme, and • the Commission's Retailer Energy Productivity Scheme Code. 	<p>Completed.</p> <p>Progress outcomes provided above.</p>

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
Conduct Inquiries under part 7 of the <i>Essential Services Act</i> .			
All	Part 7 Inquiries	Provide independent advice on economic and regulatory matters.	Completed. No Inquiries referred.
Provide advice to SA Government under section 5(f) of the <i>Essential Services Act</i> .			
All	Section 5(f) advice	Conduct public inquiries initiated by: <ul style="list-style-type: none"> • the Commission (into any matters within our regulatory scope) • the Treasurer (into any matter), or • an industry Minister (into any matter concerning a regulated industry). 	Completed. 2 requests for advice were received with 1 being withdrawn.

Evaluation capability

Embed evaluation of our performance – both regulatory and operational – across all of our work

The Commission commenced a post-project review into the Ports Access Dispute undertaken during 2021-22. This review is currently in progress and will be completed during 2022-23. The outcomes of the review will be documented, with any outcomes implemented ready for any further disputes received.

The below table shows there were no key regulatory and advisory projects outlined in the Plan but included the post-project evaluation as an additional project.

Performance Plan 2021-22			Outputs and outcomes
Industry	Project	Requirement/outcome	
All	*Post-project evaluation reviews	Undertake post-project evaluation reviews.	Continuing into 2022-23. One review currently being undertaken.

Note: * highlights additional projects

Corporate performance summary

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:

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

The below table shows the corporate statutory work program, as outlined in the Plan, and a summary of the outputs and outcomes achieved in 2021-22.

Performance Plan 2021-22		Outputs and outcomes
Project	Requirement/outcome	
Corporate statutory work program	Ensure all corporate statutory work is completed within the required timeframes, including but not limited to:	
	Annual Report 2020-21 (including Third Party Water, Rail and Ports) and financial statements	Completed. Submitted to the Treasurer and relevant Ministers on 30 September 2021.
	Annual and quarterly reporting to SA Government	Completed. Achieved all statutory requirements within required timeframes.
	Strategy 2022-2025	Completed. Minor updates made and released in January 2022.

Performance Plan 2021-22		Outputs and outcomes
Project	Requirement/outcome	
	Performance Plan and Budget 2022-23	Completed. Submitted to, and approved by, the Treasurer. 18 projects/programs of work within a budget of \$8,096,000.
	Legal and corporate governance (including legislative compliance) advice	Completed. Advice provided as required. 2 internal compliance testing audits were undertaken with actions either continuing or completed.
	Budget management, finance, risk management and procurement	Completed. Summary of key areas provided in this report.
	Workforce, including payroll, learning and development, performance management and work, health and safety	Completed. Summary of key areas provided in this report.
	Administrative support, library, document, publication, and media and communication	Completed.
	Information technology, information management including records management and assets service	Completed. A new Information Management Framework was developed and implemented.
	Corporate policy reviews	Completed. All policies reviewed within review clause timeframes or reprioritised for justifiable reasons.

Performance Plan 2021-22		Outputs and outcomes
Project	Requirement/outcome	
	Executive and secretariat - Commission, Leadership Team, Consumer Advisory Committee and Power Line Undergrounding Committee	<p>Completed, noting PLEC transferred to the Office of the Technical Regulator on 1 January 2022.</p> <p>Commission met 11 times during 2021-22, with all Commissioners attending all meetings, with the exception of:</p> <ul style="list-style-type: none"> • Garry Goddard was appointed on 30 September 2021 so did not attend meetings prior to that date, and • Dr Lynne Williams AM and David Round AM were apologies for one meeting each but provided comments on the papers for that meeting. <p>The Leadership Team met every week, apart from the weeks of the Commission meetings.</p> <p>CAC and PLEC summary provided in this report.</p>

Employment opportunity programs

The Commission does not currently have any employment opportunity programs.

Commission’s 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 2022, 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 with legislative requirements are undertaken periodically and monitored in accordance with the Commission's Internal Compliance Testing Plan. An independent, external audit was completed in July 2020, with no non-compliances identified.

WELLBEING AND COVID-19

The safety and wellbeing of employees was, and remains, a priority and the Commission has embedded its hybrid model of working, enabling staff to work both in the office and remotely following the COVID-19 pandemic event, unless other directives are in place.

The work program of the Commission continues through the hybrid model with no material impact on outcomes. The Commission continues to fully engage with stakeholders, doing so through hybrid communication channels.

WHITE RIBBON ACCREDITATION

In February 2022, the Commission commenced the process of re-accreditation through White Ribbon Australia. This continues the Commission's ongoing 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.

RECONCILIATION ACTION PLAN

In November 2021, the Commission prepared and implemented its first Reconciliation Action Plan (**RAP**), which has been formally endorsed by Reconciliation Australia. The RAP represents the Commission's commitment to supporting and contributing to reconciliation in Australia while developing respectful relationships with Aboriginal and Torres Strait Islander People. Several RAP actions were completed in 2021-22, some of which include:

- identifying Aboriginal and Torres Strait Islander stakeholders that the Commission could engage with on its reconciliation journey
- increasing staff's understanding of the purpose and significance behind cultural protocols, including Acknowledgments of Country and Welcome to Country protocols

- implementing an Acknowledgement of Country in all staff meetings and when appropriate, and
- consulting with Traditional Owners around updating our meeting rooms to respectfully utilise local Aboriginal Language.

DISABILITY ACCESS AND INCLUSION PLAN

The Commission is committed to supporting and promoting access and inclusion for all members of the South Australian community, including those living with disability. In line with that, in October 2020, the Commission released its first Disability Access and Inclusion Plan 2020 – 2024 (**DAIP**). Along with ongoing DAIP actions, the following actions were also completed in 2021-22:

- The Commission website will be independently reviewed against the Web Content Accessibility Guidelines. As an addition to this action, the Commission has engaged the services of a software provider to regularly assess and report on the accessibility of the Commission’s corporate website.
- An e-learning module regarding disability awareness is added to the induction program as a mandatory requirement for all new employees.
- The Commission will review the key conditions of employment policies relevant to recruitment to confirm that recruitment processes are accessible and responsive to the needs of all applicants and employees, including those living with disability.

During 2021-22, the following DAIP action was delayed due to the limited availability of appropriately qualified service providers:

- Commission publication templates will be reviewed to assess their accessibility for people who live with a range of disabilities, including vision impairment.

Program name	Performance
Incident/injury management	Achieved – nil notifiable incidents during 2021-22
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

Program name	Performance
Return to work	Achieved – nil incidents during 2021-22
Induction	Achieved – all new employees and contractors undertook a safety induction on their first day in 2021-22
Employee Assistance Program	Achieved – available to all staff for 2021-22
Psychological health strategies	Achieved – strategies implemented in 2021-22
Wellbeing plan	Achieved – activities undertaken during 2021-22

Workplace injury claims	Current year 2021-22	Past year 2020-21	% 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	Current year 2021-22	Past year 2020-21	% 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**	Current year 2021-22	Past year 2020-21	% 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](https://data.sa.gov.au)

Executive employment in the agency

Executive classification	Number of executives
Level A	3
Level B	1
Level D	1

Data for previous years is available at: [data.sa](https://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 agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2021-22 are attached to this report.

Statement of Comprehensive Income	2021-22 Actual \$000s	Past year 2020-21 Actual \$000s
Total Income	\$7,151	\$7,256
Total Expenses	\$6,891	\$5,816
Net Result	\$ 260	\$1,440
Total Comprehensive Result	\$ 260	\$1,440

Statement of Financial Position	2021-22 Actual \$000s	Past year 2020-21 Actual \$000s
Current assets	\$9,574	\$9,790
Non-current assets	\$ 986	\$ 432
Total assets	\$10,560	\$10,222
Current liabilities	\$1,171	\$ 903
Non-current liabilities	\$ 503	\$ 693
Total liabilities	\$1,674	\$1,596
Net assets	\$8,886	\$8,626
Equity	\$8,886	\$8,626

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, 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	\$26

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

Consultancies	Purpose	\$ Actual payment
Straight Lines Consultancy Pty Ltd	Local Government Advice scheme	\$12,707
Farrier Swier Consulting Pty Ltd	Ports pricing and access regime review	\$12,980
BDO Services Pty Ltd	Internal audit	\$20,000
Jac Comrie Pty Ltd	Local Government Advice scheme	\$22,763
BDO Advisory (SA) Pty Ltd	Internal audit	\$24,438
Engevity Advisory Pty Ltd	Review the technical clauses in the EDC	\$31,830
NERA Australia Pty Ltd	Asset valuation of rail infrastructure for the Tarcoola to Darwin railway	\$37,115
Common Capital Pty Ltd	REPS activity compliance advice	\$41,779
Sapere Research Group Limited	SAWRD24 – demand management mechanism	\$45,000
Ernst & Young	Market scan for regulatory case management system	\$46,000
Incenta Economic Consulting	Specialist advice on infrastructure pricing and regulation	\$64,597
Houston Kemp Pty Ltd	Review and appeal of the Robusto Investments Pty Ltd Regulatory Determination	\$173,868
	Total	\$533,076

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
Nil		

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

Contractors	Purpose	\$ Actual payment
Nil		

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 agency

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*.

There were no occasions where public interest information was disclosed to a Responsible Officer under the *Public Interest Disclosure Act 2018* during 2021-22.

Data for previous years are 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
<i>Water Industry Act 2012</i>	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 regime's requirements.

SA Water did not receive any formal requests for third party access under the *Water Industry Act 2012* in 2021-22. However, SA Water advised that it established six new commercial agreements for third party access during the year, outside of the access regime.

In 2021-22, there were no downloads of the third party access information brochure from SA Water's website.

OUTCOMES

Requirement	Performance
Monitor and enforce compliance with the requirements of the regime	The Commission was not notified of any non-compliance in 2021-22.
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 2021-22, 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 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.

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 2021-22.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive any access notifications or access disputes during 2021-22.

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 2021-22, together with comparative figures for the previous regulatory period, noting the information provided in the table below is consolidated into the full financial information provided for in this report.

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.

	2021-22 \$'000	2020-21 \$'000
Opening surplus	59	16
Revenue		
SA Government contribution	250	310
Total revenue	250	310
Expenses		
Salaries and on-costs	161	195
Administration	77	72
Total expenses	238	267
Annual surplus/(deficit)	12	43
Closing surplus	71	59

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 2021-22.
Consider any reported access disputes or related inquiries that may arise	The Commission did not receive notification of any access disputes during 2021-22.
Review of revenues under the Tarcoola-Darwin rail access regime 2013-2018	The five-year review of revenues under the Tarcoola-Darwin rail access regime was finalised in 2021-22. The Commission determined that the Tarcoola-Darwin railway operator has not earned excessive revenues between 1 July 2013 and 30 June 2018.

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 2021-22, together with comparative figures for the previous regulatory period, noting the information provided in the table below is consolidated into the full financial information provided for in this report.

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.

	2021-22 \$'000	2020-21 \$'000
Opening surplus	174	(7)
Revenue		
SA Government contribution	155	335
NT Government contribution	60	322
Total revenue	215	657
Expenses		
Salaries and on-costs	184	347
Administration	88	129
Total expenses	272	476
Annual surplus/(deficit)	(57)	181
Closing surplus/(deficit)	117	174

Appendix: Audited financial statements 2021-22

OFFICIAL



Government of South Australia
Auditor-General's Department

Our ref: A22/033

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Mr D Swift AM
Chairperson and Commissioner
Essential Services Commission of South Australia
Level 1
151 Pirie Street
ADELAIDE SA 5001
email: David.swift@escosa.sa.gov.au

Dear Mr Swift

Audit of the Essential Services Commission for the year to 30 June 2022

We have completed the audit of your accounts for the year ended 30 June 2022. Two key outcomes from the audit are the:

- 1 Independent Auditor's Report on your agency's financial report
- 2 audit management letters.

1 Independent Auditor's Report

We are returning the financial report 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 report will be published on that website on Tuesday, 18 October 2022.

2 Audit management letters

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

What the audit covered

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

OFFICIAL

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



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

28 September 2022

enc

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairperson Essential Services Commission of South Australia

Opinion

I have audited the financial report of the Essential Services Commission of South Australia for the financial year ended 30 June 2022.

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 2022, 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 – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chairperson, the Chief Executive Officer and the Senior Manager Finance and Information Technology.

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 the Australian Accounting Standards – Simplified Reporting Requirements, 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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 the Essential Services Commission for the financial year ended 30 June 2022.

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
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- 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.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

28 September 2022

Essential Services Commission

Financial Statements

For the year ended 30 June 2022

Essential Services Commission
Certification of the Financial Statements
for the year ended 30 June 2022

We certify that the:

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

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

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



Mr David Swift AM
Chairperson
28 September 2022



Mr Adam Wilson
Chief Executive Officer
28 September 2022



Mr Nick Mahon
Senior Manager Finance and Information Technology
28 September 2022

Essential Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Revenue from licence and administration fees	2.1	5 630	5 857
SA Government grants, subsidies and transfers		1 418	890
Revenue from services	2.2	60	322
Resources received free of charge	2.3	43	26
Other income	2.4	-	161
Total income		<u>7 151</u>	<u>7 256</u>
Expenses			
Employee benefits expenses	3.3	4 693	4 182
Supplies and services	4.1	2 076	1 544
Depreciation and amortisation	5.1, 5.2	121	88
Other expenses	4.2	1	2
Total expenses		<u>6 891</u>	<u>5 816</u>
Net result		<u>260</u>	<u>1 440</u>
Total comprehensive result		<u>260</u>	<u>1 440</u>

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 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents		8 829	8 707
Receivables	6.1	745	1 083
Total current assets		9 574	9 790
Non-current assets			
Property, plant and equipment	5.1	130	91
Intangible assets	5.2	856	341
Total non-current assets		986	432
Total assets		10 560	10 222
Current liabilities			
Payables	7.1	492	298
Employee benefits	3.4	434	434
Provisions	7.2	7	4
Other liabilities	7.3	238	167
Total current liabilities		1 171	903
Non-current liabilities			
Payables	7.1	43	58
Employee benefits	3.4	442	623
Provisions	7.2	18	12
Total non-current liabilities		503	693
Total liabilities		1 674	1 596
Net assets		8 886	8 626
Equity			
Retained earnings		8 886	8 626
Total equity		8 886	8 626

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 2022

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2020	7 186	7 186
Net result for 2020-21	1 440	1 440
Total comprehensive result for 2020-21	1 440	1 440
Balance at 30 June 2021	8 626	8 626
Net result for 2021-22	260	260
Total comprehensive result for 2021-22	260	260
Balance at 30 June 2022	8 886	8 886

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

Essential Services Commission
Statement of Cash Flows
for the year ended 30 June 2022

	2022 (Outflows) Inflows \$'000	2021 (Outflows) Inflows \$'000
Cash flows from operating activities		
Cash inflows		
Receipts from licence and administration fees	6 072	5 939
Receipts from SA Government grants, subsidies and transfers	1 418	890
Receipts from other services	60	322
Other receipts	-	161
Cash generated from operations	7 550	7 312
Cash (outflows)		
Employee benefits payments	(4 866)	(4 459)
Payments for supplies and services	(1 864)	(1 496)
Cash (used in) operations	(6 730)	(5 955)
Net cash provided by / (used in) operating activities	820	1 357
Cash flows from investing activities		
Cash (outflows)		
Purchase of intangible assets	(591)	(229)
Purchase of property, plant and equipment	(107)	-
Cash (used in) investing activities	(698)	(229)
Net cash provided by / (used in) investing activities	(698)	(229)
Net increase/ (decrease) in cash and cash equivalents	122	1 128
Cash and cash equivalents at the beginning of the period	8 707	7 579
Cash and cash equivalents at the end of the period	8 829	8 707

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 2022

1. About the Essential Services Commission

1.1. Reporting entity

The Essential Services Commission (Commission) is a not for profit statutory authority established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (ESC Act).

1.2. Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987* (PFAA)
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the PFAA, and
- relevant Australian Accounting Standards applying simplified disclosures.

These are the first financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year, the financial statements were prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. There has been no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the Commission as a result of the change in the basis of preparation.

The financial statements are prepared based on a 12-month reporting period and are presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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.

Banking arrangements

The Commission uses the banking arrangements of the Department of Treasury and Finance (DTF) 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 PFAA, is used for the purpose of recording all of the financial transactions of the Commission, including the collection of licence and administration fees.

Tax arrangements

The Commission is not subject to income tax but is liable for fringe benefits tax (FBT), goods and services tax (GST) and payroll tax. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the Statement of Financial Position.

Material accounting policies are set out throughout 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 10.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2022

1.4. Objectives and programs

The Commission undertakes economic regulation in the water and sewerage, electricity, gas, maritime and rail industries, provides advice to local councils under the *Local Government Act 1999* (a new function commenced on 30 April 2022), conducts formal public inquiries and provides advice to the South Australian Government on economic and regulatory matters. The ESC Act and various other 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
- 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 the provision of advice to local councils under section 122 of the *Local Government Act 1999* on the appropriateness of the following matters:

- material amendments made, or proposed to be made, to a council's long-term financial plan and infrastructure and asset management plan and the reasons for those amendments
- revenue sources as outlined in a council's funding plan, and
- any other matter prescribed by regulation.

The Commission also has the function of conducting 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 2022

1.4 Objectives and programs (continued)

The following table summarises such roles for the year ended 30 June 2022.

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 Productivity 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 Productivity 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 railway
<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)
<i>Local Government Act 1999</i>	The Commission has functions relating to the provision of advice to local councils on the appropriateness of amendments to, and revenue sources for, their long-term financial and infrastructure and asset management plans (commenced 30 April 2022).

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 2022

2. Income

2.1. Revenue from licence and administration fees

	Note	Electricity \$'000	Gas \$'000	Water \$'000	2022 \$'000	2021 \$'000
Licence fees		6 350	2 396	8 597	17 343	17 157
Administration fees		1 263	296	-	1 559	1 278
Administered items	10	(6 042)	(2 488)	(4 742)	(13 272)	(12 578)
Total revenue from licence and administration fees		1 571	204	3 855	5 630	5 857

Revenue from the issuing of license and administration fees is recognised at the point in time the license is issued and upon annual renewal. License and administration fees are set by the relevant Minister in accordance with the relevant Act. 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. Revenue from services

	2022 \$'000	2021 \$'000
Contribution to rail regulatory costs by Northern Territory Government	60	322
Total revenue from services	60	322

Contributions are recognised as revenues upon receipt.

2.3. Resources received free of charge

	2022 \$'000	2021 \$'000
Services received free of charge - Shared Services SA	29	26
Services received free of charge - ICT	14	-
Total resources received free of charge	43	26

Contributions of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated.

The Commission receives financial accounting, taxation, payroll, accounts payable and accounts receivable services from Shared Services SA and receives ICT services from the Department of the Premier and Cabinet.

2.4. Other income

	2022 \$'000	2021 \$'000
Other income	-	161
Total other income	-	161

No other income for 2022. 2021 includes salary reimbursement of \$80 000 and Water for Fodder Advice funding of \$81 000.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3. Commission, committees and employees

3.1. Key management personnel

Key management personnel of the Commission include the Commissioners, Chief Executive Officer and three 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 \$1 292 000 (2021: \$1 396 000) and excludes salaries and other benefits by the Minister. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

The Commission did not enter into any transactions with key management personnel or their close family during the reporting period.

3.2. Commission and committee members

Members that were entitled to receive remuneration (directly and indirectly) for membership during the 2022 financial year were:

Essential Services Commission

Mr Brett Rowse (appointment as Chairperson and Commissioner concluded 3 July 2021)

Mr David Swift AM (appointment as Chairperson commenced 1 October 2021)

Dr Lynne Williams AM

Mr Garry Goddard (appointment commenced 1 October 2021)

Ms June Roache

Mr David Round AM

Consumer Advisory Committee

Mr David Swift AM (Chairperson)**

Ms Elaine Attwood (appointment concluded 17 December 2021)

Ms Sue Avery (appointment concluded 31 December 2021)

Mr Sandy Canale **

Ms Jodie van Deventer (appointment commenced 26 November 2021)

Mr Mark Henley

Mr Glenn Hordacre (appointment commenced 7 October 2021)

Mr Kevin Kaeding (appointment commenced 28 September 2021)

Ms Helena Kyriazopoulos OAM (appointment commenced 28 September 2021)

Mr Andrew McKenna (appointment concluded 18 March 2022)

Ms Kay Matthias (appointment commenced 28 September 2021)

Mr Ron Shanks (appointment commenced 20 January 2022)

Ms Jodi Slater (appointment commenced 24 January 2022)

Ms Heather Smith

Mr Ross Womersley

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3.2 Commission and committee members (continued)

Power Line Environment Committee***

Mr Kevin Hamilton (appointment as Chairperson concluded 27 August 2021)

Mr Kim Steinle (acting Chairperson)

Mr Andrew Burnell*

Mr Klinton Devenish

Ms Jo Davidson*

Ms Margaret Lee

Ms Kerry McConnell*

Mr Mike Magin

* In accordance with the Premier and Cabinet Circular No016 government employees did not receive any remuneration for committee duties during the reporting period.

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

***From 1 January 2022 the Technical Regulator was responsible for appointing and making payments to the Power Line Environment Committee (PLEC) members. PLEC member payments and contracts with the Commission ceased on 31 December 2021.

Commission and committee remuneration

The number of members* whose remuneration received or receivable falls within the following bands:	2022	2021
\$1 - \$19 999	15	15
\$20 000 - \$39 999	1	-
\$40 000 - \$59 999	3	3
\$60 000 - \$79 999	1	2
Total number of members	20	20

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

The total remuneration received or receivable by members was \$272 000 (2021: \$295 000). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any related fringe benefits tax paid.

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

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3.3. Employee benefits expenses

	2022	2021
	\$'000	\$'000
Salaries and wages	3 336	3 077
Targeted voluntary separation packages	109	-
Long service leave	(10)	49
Annual leave	301	259
Skills and experience retention leave	7	(8)
Employment on-costs - superannuation	408	340
Employment on-costs - other	207	167
Commission and committee fees*	247	271
Other employee related expenses	88	27
Total employee benefits expenses	4 693	4 182

* 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. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Essential Services Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2022

3.3 Employee benefits expenses (continued)

Remuneration of employees

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

	2022	2021
	No.	No.
\$154 001 - \$157 000*	-	1
\$157 001 - \$177 000	1	-
\$177 001 - \$197 000	2	-
\$197 001 - \$217 000	2	2
\$317 001 - \$337 000	-	1
\$337 001 - \$357 000	1	1
Total remuneration of employees	6	5

*This band has been included for purpose of reporting comparative figures based on the executive base level remuneration rate for 2020-21.

The total remuneration received by these employees for the year was \$1 331 000 (2021: \$1 235 000).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year, of which 5 (2021: 4) are executive and 1 (2021: 1) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits and any related fringe benefits tax paid.

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 3 (2021: 0).

2022 TVSP's include separation resulting from the Public Sector Workforce Rejuvenation scheme.

	2022	2021
	\$'000	\$'000
Amounts paid to separated employees:		
Targeted voluntary separation packages	109	-
Leave paid to separated employees	19	-
Net cost to the Commission	128	-

Essential Services Commission
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3.4. Employee benefits liability

	2022	2021
	\$'000	\$'000
Current		
Accrued salaries and wages	-	102
Annual leave	286	222
Long service leave	134	99
Skills and experience retention leave	14	11
Total current employee benefits	434	434
Non-current		
Long service leave	442	623
Total non-current employee benefits	442	623
Total employee benefits	876	1 057

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.

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3.4 Employee benefits liability (continued)

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.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave, as all sick leave is non-vesting and the average sick leave to be taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave liability - measurement

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.

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

The actuarial assessment performed by the DTF 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 increased from 1.25% in 2021 to 3.5% in 2022.

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

The actuarial assessment performed by DTF has kept the salary inflation rate at 2.5% for long service leave liability. As a result, there is no net financial effect resulting from the changes in the salary inflation rate.

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 \$107 000 and employee benefits expense of \$117 000. 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.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

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4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2022	2021
	\$'000	\$'000
Accommodation	468	442
General administration*	805	554
Information technology charges	244	292
Consultants	533	201
Contractors	-	40
Other supplies and services	26	15
Total supplies and services	2 076	1 544

Total Supplies and services includes GST where the amount of GST incurred by the Commission as a purchaser is not recoverable from the ATO.

*Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$22 300 (2021: \$16 900). No other services were provided by the Auditor-General's Department.

Accommodation

The Commission's accommodation is provided by the Department for Infrastructure and Transport (DIT) under a Memorandum of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of lease and are expensed (included in Accommodation).

4.2. Other expenses

	2022	2021
	\$'000	\$'000
Doubtful debts expense	1	2
Total other expenses	1	2

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5. Non-financial assets

5.1. Property, plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value of \$15 000 or more 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 9.1.

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 2022.

Reconciliation 2021-22	Building fit-outs	Furniture and fittings	Total
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	91	-	91
Additions	-	107	107
Depreciation and amortisation	(60)	(8)	(68)
Carrying amount at the end of the period	31	99	130

Gross carrying amount

Gross carrying amount	566	107	673
Accumulated depreciation	(535)	(8)	(543)
Carrying amount at the end of the period	31	99	130

Reconciliation 2020-21

	Building fit-outs	Furniture and fittings	Total
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	151	-	151
Depreciation and amortisation	(60)	-	(60)
Carrying amount at the end of the period	91	-	91

Gross carrying amount

Gross carrying amount	566	-	566
Accumulated depreciation	(475)	-	(475)
Carrying amount at the end of the period	91	-	91

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5.2. Intangible assets

The following table shows the movement in value of intangible assets for the year ended 30 June 2022.

Reconciliation of intangible assets

Reconciliation 2021-22	Internally developed software	Externally developed software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	157	-	184	341
Additions	90	-	478	568
Capital transfers from work in progress	372	-	(372)	-
Amortisation	(53)	-	-	(53)
Carrying amount at the end of the period	566	-	290	856
Gross carrying amount				
Gross carrying amount	863	184	290	1 337
Accumulated amortisation	(297)	(184)	-	(481)
Carrying amount at the end of the period	566	-	290	856

Reconciliation 2020-21	Internally developed software	Externally developed software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	20	4	-	24
Additions	161	-	184	345
Amortisation	(24)	(4)	-	(28)
Carrying amount at the end of the period	157	-	184	341
Gross carrying amount				
Gross carrying amount	401	184	184	769
Accumulated amortisation	(244)	(184)	-	(428)
Carrying amount at the end of the period	157	-	184	341

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5.2 Intangible assets (continued)

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.

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.

Impairment

There were no indications of impairment of intangible assets at 30 June 2022.

Depreciation and amortisation

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	3-10

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.

Essential Services Commission
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6. Financial assets

6.1. Receivables

	2022	2021
	\$'000	\$'000
Current		
Trade receivables	245	719
Less impairment loss on receivables	(4)	(3)
Total trade receivables	<u>241</u>	<u>716</u>
Accrued revenue	407	303
Prepayments	97	64
Total current receivables	<u>745</u>	<u>1 083</u>
Total receivables	<u><u>745</u></u>	<u><u>1 083</u></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 Commission has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

Impairment for receivables

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the period	3	1
Increase / (decrease) in allowance recognised in profit or loss	1	2
Carrying amount at the end of the period	<u><u>4</u></u>	<u><u>3</u></u>

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 9.2 for details regarding credit risk and the methodology for determining impairment.

Essential Services Commission
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7. Liabilities

7.1. Payables

	2022	2021
	\$'000	\$'000
Current		
Creditors and accrued expenses	431	237
Employment on-costs	61	61
Total current payables	492	298
Non-Current:		
Employment on-costs	43	58
Total non-current payables	43	58
Total payables	535	356

Payables are measured at nominal amounts.

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 and are settled when the respective employee benefit that they relate to are discharged. The Commission makes contributions to the South Australian Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the DTF, the percentage of the proportion of long service leave taken has remained at 42% in 2022 and the average factor for the calculation of the employer superannuation on-costs has increased from 10.1% in 2021 to 10.6% in 2022. 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.

Essential Services Commission
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7.2. Provisions

	2022	2021
	\$'000	\$'000
Current		
Workers' compensation	7	4
Total current provisions	<u>7</u>	<u>4</u>
Non-current		
Workers' compensation	18	12
Total non-current provisions	<u>18</u>	<u>12</u>
Total provisions	<u><u>25</u></u>	<u><u>16</u></u>
	2022	2021
	\$'000	\$'000
Reconciliation of workers compensation		
Carrying amount at the beginning of the period	16	12
Additional provisions recognised	9	4
Carrying amount at the end of the period	<u><u>25</u></u>	<u><u>16</u></u>

The Commission is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Commission is responsible for the management of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector Employment.

7.3. Other liabilities

	2022	2021
	\$'000	\$'000
Current		
Unearned revenue	238	167
Total current other liabilities	<u>238</u>	<u>167</u>
Total other liabilities	<u><u>238</u></u>	<u><u>167</u></u>

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

Essential Services Commission
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For the year ended 30 June 2022

8. Outlook

8.1. 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:

	2022	2021
	\$'000	\$'000
Within one year	697	894
Later than one year but not later than five years	1 350	268
Later than 5 years	167	-
Total expenditure commitments	2 214	1 162

8.2. 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.

The Commission is not aware of any contingent assets or contingent liabilities as at 30 June 2022.

8.3. COVID-19 pandemic outlook for the Commission

The Commission does not expect any material impact on its operations in 2022-23.

8.4. Events after the reporting period

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

Essential Services Commission
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9. Measurement and risk

9.1. 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. 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

Property, plant and equipment are subsequently measured at fair value after allowing for depreciation.

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. The carrying value of these items are deemed to approximate fair value.

Essential Services Commission
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9.2. 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 insignificant based on the nature of the financial instruments held and the current assessment of risk. Financial instruments are measured at amortised cost.

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 2022 was \$4 000 (2021: \$3 000).

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.

The total financial assets consisting of cash and cash equivalents are \$8 829 000 (2021: \$8 707 000). Total financial liabilities comprising payables are \$250 000 (2021: \$207 000).

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

Receivables and payables

The amount of payables disclosed above 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.

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10. 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 2022 \$2 321 000 (2021: \$2 426 000) 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 2022 \$298 000 (2021: \$294 000) 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 2022 \$9 405 000 (2021: \$8 903 000) 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 2022 \$855 000 (2021: \$571 000) 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 2022 \$393 000 (2021: \$384 000) was transferred.