



CORPORATE PLAN

2021–2024



This report has been endorsed by the Victorian Energy Safety Commission.

Authorised and published by the Victorian Government, Melbourne

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Contents

| | |
|---|-----------|
| About this corporate plan | 02 |
| Message from the Victorian Energy Safety Commission | 03 |
| Message from the Chief Executive Officer | 04 |
| Executive Summary | 05 |
| PART ONE: ESV AND ENERGY SAFETY | 08 |
| 1.1 ESV's Vision, Values, and Objectives | 09 |
| 1.2 ESV's role and responsibilities | 10 |
| 1.3 ESV's jurisdiction | 11 |
| PART TWO: PRIORITIES FOR ENERGY SAFETY | 12 |
| 2.1 The strategic environment | 13 |
| 2.2 ESV's priorities for 2021-24 | 14 |
| PART THREE: FUNDING ESV | 32 |
| 3.1 Funding for 2021-22 | 33 |
| PART FOUR: ESV'S FINANCIAL STRATEGY | 34 |
| 4.1 Financial strategy, statements and position 2021-22 | 35 |
| 4.2 2021-22 budget | 36 |
| 4.3 Financial statements and position - Income statement | 39 |
| 4.4 Financial statements and position - Expenses statement | 40 |
| 4.5 Financial statements and position - Balance sheet | 41 |
| 4.6 Financial statements and position - Statement of cash flows | 43 |
| 4.7 Approved fees and levies for 2021-2024 | 44 |
| 4.8 Fees | 45 |
| 4.9 Levies | 50 |
| 4.10 Financial management and accounting policies | 55 |

About this corporate plan

The *Energy Safe Victoria Act 2005* establishes Energy Safe Victoria's (ESV's) corporate plan (the plan) as the key operational instrument ESV is held accountable for by the Minister for Energy, Environment and Climate Change and must be submitted for approval to the Minister and Treasurer by 31 May each year.

The plan includes ESV's statement of corporate intent, which specifies ESV's objectives, the nature and scope of its activities (including performance targets and measures), the applicable accounting policies, and other matters agreed between the Minister and ESV.

The plan's development accounts for ESV's statutory objectives and functions for regulating gas, electricity and pipelines, the Minister's Statement of Expectations (SoE), and broader government initiatives and policy.

ESV's Annual Report provides the Victorian Parliament with information about ESV's regulatory activities, outcomes and outputs, and its financial results (in accordance with the *Financial Management Act 1994*).

In the 2021-24 corporate plan:

- **Part 1** outlines ESV's vision, purpose and values, and jurisdictional reach, as well as describing ESV's strategic environment.
- **Part 2** summarises:
 - ESV's key priorities for the next three years including the underpinning initiatives, activities, and progress measures specific to each.
 - the business activities underpinning ESV's core responsibilities for the next 12 months, including ESV's key regulatory and organisational activities and initiatives and their performance measures.
- **Part 3** outlines ESV's funding for 2021-22.
- **Part 4** details ESV's financial strategy, statements, and the 2021-22 financial position and budget.

Message from the Victorian Energy Safety Commission

On 1 January 2021, ESV became the Victorian Energy Safety Commission (the Commission) and will continue to be known as Energy Safe Victoria (ESV).

The Commission is responsible for providing leadership and strategic guidance and leading ESV's transformation as a safety first, data driven, customer centric regulator, capable of effective, best practice regulation to achieve the highest standard energy safety outcomes for Victorians.

The Commission has statutory responsibilities to achieve the objectives and functions as specified in the *Electricity Safety Act 1998*, the *Gas Safety Act 1997* and the *Pipelines Act 2005*. These include certain statutory objectives that ESV must fulfil to prevent serious electrical, gas, and pipeline safety incidents.

ESV's core mission is to prevent harm. New priorities and initiatives are being pursued this year that will increase ESV's transparent and visible use of compliance and enforcement powers. We will also provide compliance guidance for different energy industry sectors and their relevant regulated entities.

ESV will continue to work with government to ensure community safety with appropriate regulatory action on open flued gas space heaters while enabling renewable energy programs including Solar Homes, Solar for Business, energy efficient heating and cooling, wind generation, and big battery storage. It will also support the State Government's Victorian Hydrogen Investment Program.

ESV will maintain its unwavering focus on bushfire mitigation through the implementation of rapid earth fault current limiter (REFCL) technology and asset inspections. This work includes major electricity company (MEC) pole management practices, and vegetation

clearance practices around power lines, as well as implementing new industry-wide processes (including ESV as a referral authority) for land development around pipelines.

In consultation with key stakeholders and government, ESV will work to improve worker and community safety by developing the continuing professional development (CPD) scheme to provide fit-for-purpose courses tailored for licensed electrical workers.

ESV will strengthen stakeholder and community engagement by ensuring we have constructive relationships with our stakeholders that provide opportunities for greater collaboration and have a clear process in place to manage any stakeholder concerns. This will be supported with advice from statutory committees involving safety and technical regulatory matters, workforce electrical and gas safety, and future energy trends.



L-R: Commissioner, Sarah McDowell; Commissioner and Deputy Chair, Michelle Groves; and Commissioner and Chair, Marnie Williams

Message from the Chief Executive Officer

It is an exciting time to join Energy Safe Victoria as their newly appointed Chief Executive Officer (CEO), particularly with the Victorian Government's announcement that it intends to reduce carbon emissions by 45 per cent to 50 per cent by 2030.

Victoria's energy landscape is changing and renewable energy lies at the heart of the Victorian Government's emissions reduction plan. This means we must be able to respond to the increasing use of renewable energy in its various forms to ensure it continues to be safely generated and delivered to all Victorians.

For the coming year, we will be focusing on strengthening our role to prevent harm and elevate ESV as a strategic leader through, delivering a highly professional service experience, greater community and stakeholder engagement – making it easier for Victorians to engage with us, and being an employer of choice.

Now the Commission and CEO roles are in place, we will continue our transformation to being a safety first, data driven, customer centric regulator. We will maintain a strong focus on preventing injury and death, and use ESV's enforcement tools to ensure the highest priority is given to community safety. We will focus on building and enhancing our regulatory role by training our staff and providing them with the tools and equipment they need to ensure compliance with the energy safety laws, and enforce the law where non-compliance occurs. Our ongoing focus on collecting and analysing data will assist us to allocate resources to areas of greatest risk.

This is an exciting new chapter for ESV as we transform with the energy industry as a whole, and we look forward to working with the committees that assist us with our work, to ensure that we are prepared for the challenges that will come with the changing energy landscape. However, while we are transforming, we must not take our eye off the ball. ESV is clear that we must continue to focus on our role as the energy safety regulator to ensure that the means by which energy is generated, transmitted, distributed, and used in Victoria will be safe.



*Leanne Hughson,
Chief Executive Officer*

Executive Summary

ESV'S PRIORITIES

ESV has identified six priorities for the 2021-2024 corporate plan:

-  **Preventing harm.**
-  **Strengthening ESV's role.**
-  **ESV as a strategic leader.**
-  **Customer centred service delivery.**
-  **Community and stakeholder engagement.**
-  **ESV as an employer of choice.**

Preventing harm

ESV will:

- Target regulatory action, informed by technical safety expertise and data, to achieve the safest outcomes.
- Act to prevent imminent and longer term energy-related harms to people and property – including but not limited to the regulation of open flued gas space heaters.
- Improve the rate of compliance amongst regulated entities.
- Promote competent and safe practices relating to energy use, generation, conveyance, supply and trade practices.
- Ensure the safety of renewable energy programs: hydrogen industry development, gas appliances, solar installations (including direct current (DC) isolators), big batteries, renewable energy zones, and wind farms
- Reduce bushfire risk by assessing the implementation of rapid earth fault current limiters (REFCL), and auditing the asset management practices (including vegetation line clearance practices) of major electricity companies and other regulated entities.
- Implement new industry-wide processes, including the establishment of ESV as a referral authority for land development around pipelines.
- Modernise the audit function to enable Certificate of Electrical Safety (COES) auditors to better target the highest risk installations and electrical work carried out by electricians.
- Undertake check testing of targeted electrical equipment that is offered for supply to ensure it is safe to use and complies with the relevant Australian standards.

Strengthening ESV's role

ESV will:

- Support ESV's people with skills and development training to take regulatory action where required to achieve compliance and promote safety.
- Increase regulatory activity to target poor practice with the better use of data.
- Provide assurance to government and the community that the energy safety framework is effective.
- Support legislative reviews for more effective energy safety policy.
- Establish enforcement policy responses that match community expectations and government priorities.
- Improve enforcement-focus, with more targeted responses to non-compliant conduct.
- Strengthen its expertise to address emerging safety risks.

ESV as a strategic leader

ESV will:

- influence and lead the identification and improvement of minimum energy safety standards, and regulatory safety plans – including future energy scenarios
- strengthen the organisation's expertise to address significant safety risks by:
 - identifying risks to commercial renewable wind and solar installation, due to poor safety management systems and practices
 - partnering with Solar Victoria to promote regular servicing of domestic and commercial solar installations
 - continuing to promote gas appliance safety, including open flued gas heater safety
 - advising Victoria's Renewable Hydrogen Industry Development Plan

- provide national and international leadership for defining and acting on emerging energy safety compliance issues
- support the State Government's Victorian Hydrogen Investment Program.

Customer centred service delivery

ESV will:

- Educate and guide regulated entities to understand what they must do to comply with their energy safety obligations.
- Partner with industry representatives to design and deliver a continuing professional development (CPD) scheme which will ensure licensed workers' skills and knowledge remain up to date with contemporary practice and ultimately improve safety outcomes.
- Deliver a professional service experience to customers in the administration of systems including ESVConnect, technical helpline, safety concern reports and complaints and FOI request management.

Communications and stakeholder engagement

ESV will:

- Strengthen stakeholder engagement to build confidence in the Victorian energy safety framework and ESV's reputation as an effective regulator.
- Increase community trust in ESV and awareness of ESV's role and objectives, to improve audience reach of important consumer safety messages about energy safety.
- Co-design with industry and publish timely, accessible guidance for regulated entities.
- Collaborate with other regulators to promote compliance and safety across the Victorian energy sector to minimise complexity.

ESV as an employer of choice

ESV will:

- Continue to build on the diversity and capability of ESV's workforce to support a modern, professional and inclusive workplace culture.
- Invest in tools and systems that empower ESV's people, particularly in the field, to be more efficient and customer centred.
- Undertake a staff led refresh of organisational values to align culture with strategy.
- Implement an ESV accommodation strategy to provide a workplace that better meets the needs of ESV's staff and regulatory activities now and into the future.

SUPPORTING DELIVERY

To enable these priorities ESV will:

- Increase inspection, compliance, and audit capability.
- Meet new governance requirements.
- Build new systems (Enterprise Architecture).
- Investigate emerging energy technologies.
- Enhance its capability for stakeholder engagement.

FUNDING DELIVERY

Since its formation in 2005, ESV's activities have been fully funded by a combination of fee-for-service income, licence fees, and levies on the electricity, gas, and pipeline industries.

All fee increases have been capped at 1.5%. This ensures a measured and fair approach to increases related to electrical work (refer to 4.8.1 for a list of the affected fees). These fees were capped in 2019-20 at \$14.45 to support electrical workers transitioning to ESVConnect. No fee rises occurred in 2020 as part of the Government's response to coronavirus (COVID-19). We have

taken the view that increasing fees to the current unit value of \$15.03 would have a negative impact on electrical workers. As such, all fees that have not risen since 2019-20 will increase to an assumed fee unit value of \$14.67. We will incrementally increase the fees to ensure they align with the unit fee rate over time, subject to the economic recovery, from 2022-23. Non-electrical fees that did rise in 2019-20 to \$14.81 will rise to \$15.03

ESV has budgeted for a cash inflow of \$58.7 million for 2021-22, comprising \$31.7 million in levies and \$21.8 million in fees. Total expenditure for 2021-22 is budgeted at \$64.0 million, comprising \$4.5 million in capital expenditure and operating expenditure of \$59.4 million. The projected cash deficit of \$4.9 million will be funded out of existing cash reserves, as ESV does not foresee a requirement for debt financing in the short term. ESV maintains its strategy of utilising cash reserves built up from previous years to invest in growth and capital expenditure. As a result, the projected cash balance at the end of the 2021-22 financial year will decrease to \$7.0 million from the \$12.2 million forecast on 30 June 2021.

ESV AND ENERGY SAFETY

PART ONE:

1.1 ESV's Vision, Values, and Objectives

1.1.1 VISION

ESV will make a real difference in the safe supply and use of energy, and will be recognised nationally as the leader in the regulation of electricity, gas and pipeline safety.

1.1.2 VALUES

ESV embraces and expresses the following values in day-to-day actions, decisions, and interactions with others.



Respect

Treat all staff and stakeholders with respect.



Integrity

Always act with integrity.



Partnerships

Work cooperatively with internal and external colleagues, stakeholders, and customers to achieve ESV's objectives.



Accountability

Be accountable for all ESV's actions.

1.1.3 OBJECTIVES

Energy Safe Victoria (ESV) is an independent statutory body responsible for the safe generation, supply and use of electricity, gas and pipelines in Victoria. Established under the *Energy Safe Victoria Act 2005*, ESV oversees the regulatory safety frameworks that prevent death, injury, damage or loss due to electrical, fuel gas and pipeline product safety hazards.

ESV has statutory responsibilities to achieve the objectives and functions as specified in the *Electricity Safety Act 1998*, *Gas Safety Act 1997* and the *Pipelines Act 2005*. These include certain statutory objectives that ESV must fulfil to prevent serious electrical, gas, and pipeline safety incidents by ensuring that:

- Energy installations are safely operated, and energy infrastructure and pipelines are safe during their construction, operation, and decommissioning.
- Bushfire danger prevention and mitigation is promoted.
- Only competent licensed and registered individuals and businesses undertake gas and electrical work in accordance with prescribed safety standards.
- Electrical currents do not cause loss or damage to existing structures.
- Electrical equipment and gas appliances supplied or purchased in Victoria are safe to operate.
- The community and industry are aware of electricity and fuel gas safety requirements.

1.2 ESV's role and responsibilities

Our role is to ensure gas and electricity is supplied safely for the community to use, and we undertake a range of important regulatory activities to achieve this.

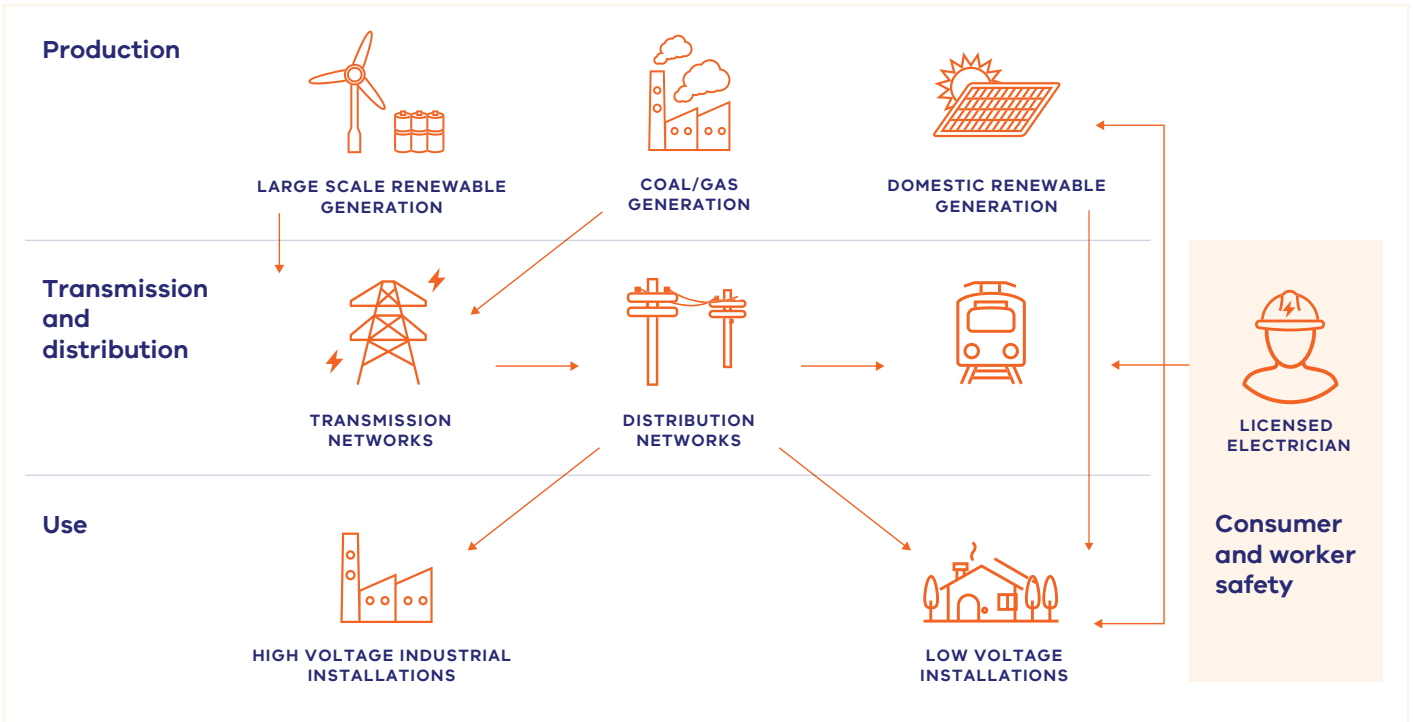
Implementing the recommendations of the Independent Review of Victoria's Electricity and Gas Network Safety Framework (the Review) is building a stronger and more active presence leading to safer outcomes for the community.

Strengthening data analytical capabilities based on risk analysis will also provide robust information to inform audits, inspections, and enforcement action when required.

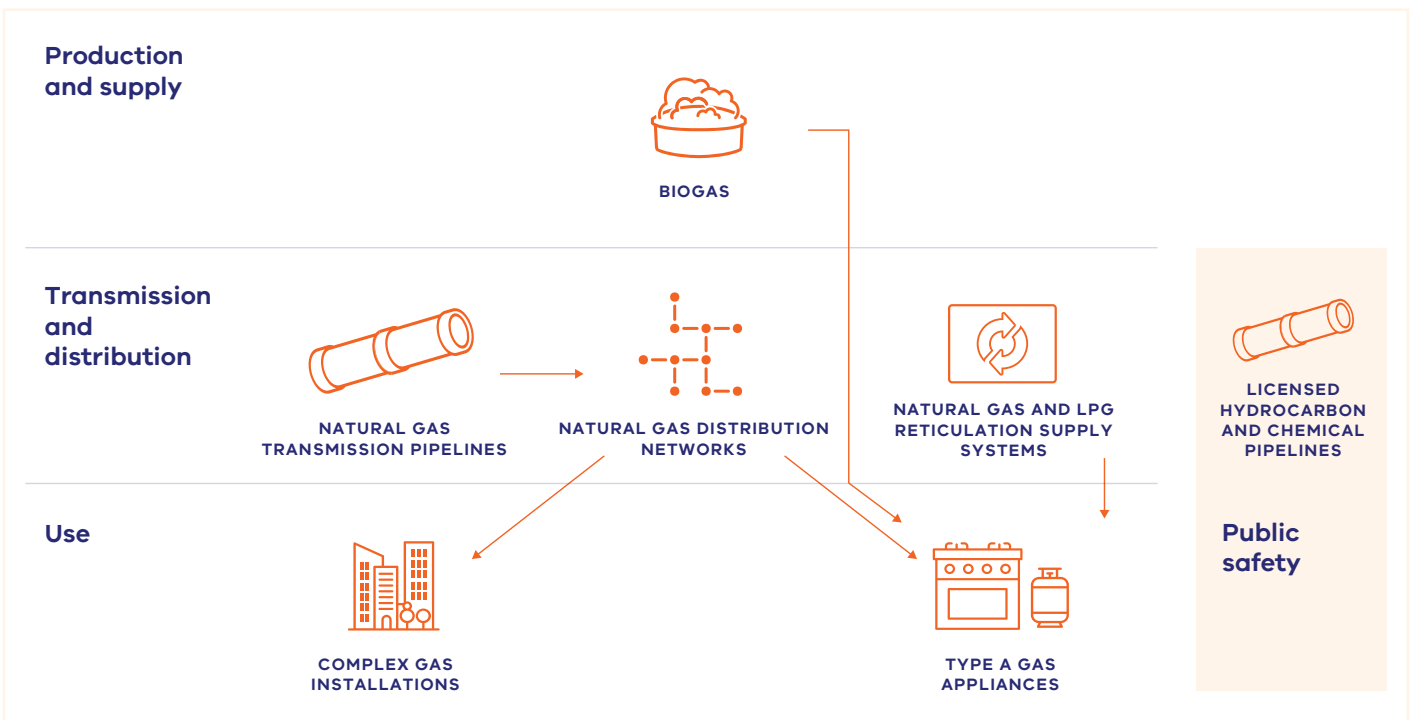
The Commission will play a key role in providing direction and governance to ESV in delivering its role and meeting community expectations.

1.3 ESV's jurisdiction

ELECTRICITY



GAS AND PIPELINES



PRIORITIES FOR ENERGY SAFETY

PART TWO:

2.1 The strategic environment

ESV faces an evolving strategic environment, as we continue to develop as a modern, efficient, and independent regulator, our strategic framework needs to account for the Australian energy sector's changing horizons.

Driven by climate change, new technologies, society's demands for affordable, safe and reliable energy supplies, like hydrogen, as well as the electricity sector's transition towards a greater use of renewables, the energy sector is facing increasing uncertainty.

2.1.1 HORIZON SCANNING

Enhancing effectiveness and efficiency has taken a prominent place in our forward thinking, as has a process of active horizon scanning. As a part of this development, an ESV survey informed the plan by identifying:

- Our vital leadership role as a safety and technical expert through participation in national and international standards bodies and communities of practice.
- The benefits of an active horizon scanning process enabling effective responses to emerging trends.
- A need to educate and engage the community about ESV's role, the causes of electrical and gas-related safety incidents and necessary corrective actions, and the application of risk principles.

2.1.2 THE VICTORIAN GOVERNMENT'S PRIORITIES

We have identified a number of key government priorities that will be addressed:

- Electrical safety of renewable energy programs.
- Hydrogen industry development.
- Rapid earth fault current limiters (REFCL).
- Open flued gas space heater safety.
- Continuing professional development (CPD) for electrical workers.
- Land development around pipelines.
- Adopt and comply with new and updated government requirements and obligations.

2.1.3 DELIVERING ON ESV'S PRIORITIES

Progress against delivery (and the outcomes achieved) will be detailed through:

- Routine reporting provided to the Minister for Energy, Environment and Climate Change, and the Department of Environment, Land, Water and Planning (DELWP).
- ESV's Annual Report, tabled in Parliament and published annually.
- Published safety performance and other safety and technical reports.
- Published compliance and enforcement policy and guidance, and technical guidance for industry.

2.2 ESV's priorities for 2021-24

We have six priorities – including the underpinning initiatives and business plan activities specific to each priority, for 2021-24:

- ✓ Preventing harm.
- ✓ Strengthening ESV's role.
- ✓ ESV as a strategic leader.
- ✓ Customer centred service delivery.
- ✓ Community and stakeholder engagement.
- ✓ ESV as an employer of choice.

2.2.1 PREVENTING HARM

Priority objectives

- Prevent harm caused by energy generation, conveyance, supply, trade practices or use by:
- Targeting regulatory action (informed by technical safety expertise and data) to achieve the safest outcomes.
- Acting to prevent imminent and longer term energy-related harms to people and property (including but not limited to the regulation of open flued gas space heaters).
- Reducing the rate/s of non-compliant regulated entity conduct, with the potential to cause harm due to energy.
- Promoting competent and safe practices relating to energy generation, conveyance, supply, trade practices, and use.
- Ensuring the safety of renewable energy programs (hydrogen industry development, gas appliances, solar installations (including direct current (DC) isolators), big batteries, renewable energy zones and wind farms).
- Reducing bushfire risk by assessing the implementation of rapid earth fault current limiters (REFCL), and auditing the asset management practices (including vegetation line clearance practices) of major electricity companies and other regulated entities.
- Implementing new industry-wide processes, including ESV as a referral authority, for land development around pipelines.
- Enabling Certificate of Electrical Safety (COES) auditors to better target high-risk installations and electrical work carried out by electricians through a modernised audit function.
- Undertaking check testing of targeted electrical equipment, offered for supply to ensure it is safe to use, and complies with the relevant Australian Standards.

Key measures

Our mission is to prevent energy-related fatalities, serious injuries, and damage to property.

Victoria is the national leader for minimising gas and electricity-related fatalities and serious injuries. This involves the combined efforts of the regulator, the regulated, and the community, as each has an energy safety role to play, and ESV will continue to strive to prevent harm.

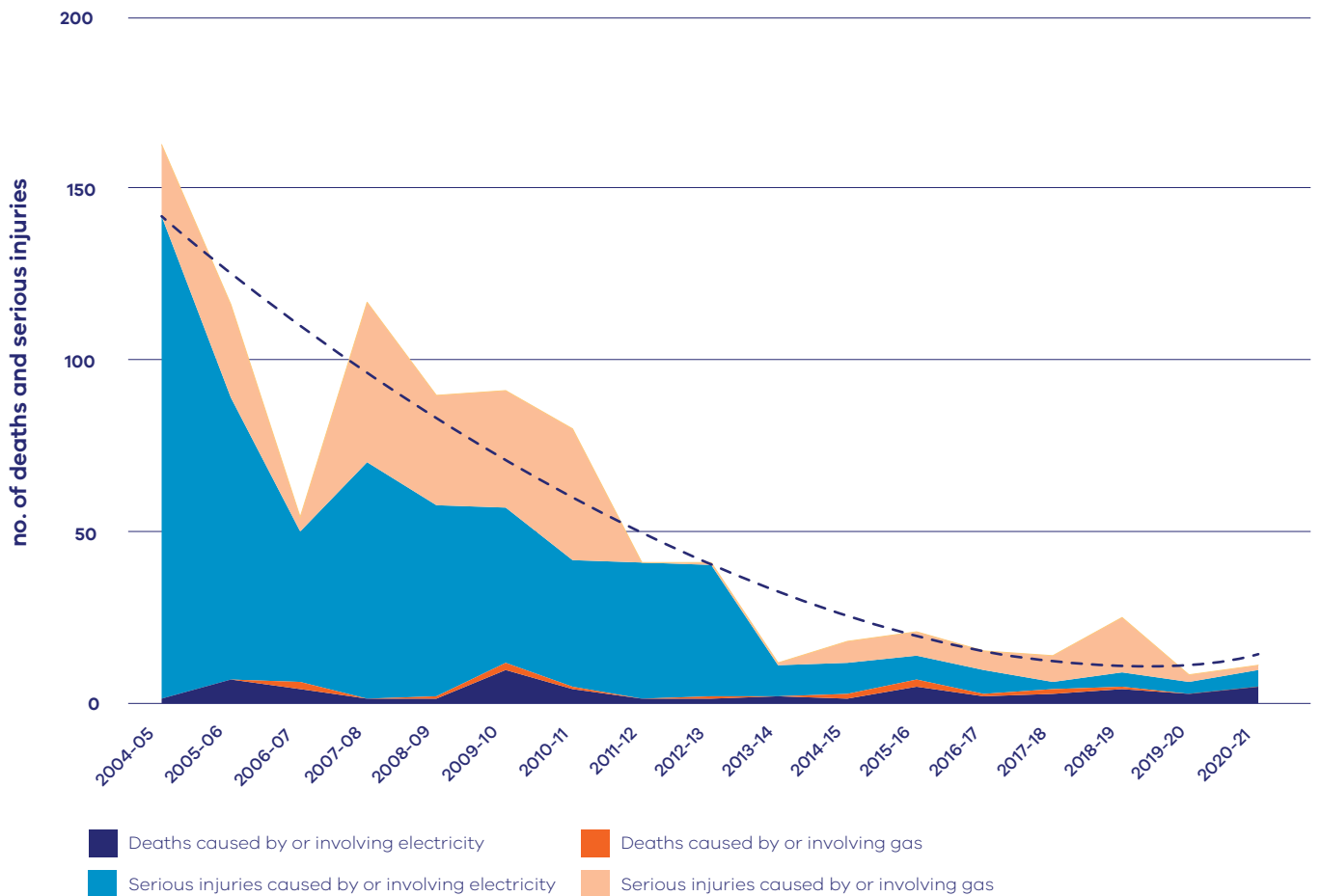
Key ESV performance measures include:

- Reducing:
 - deaths and serious injuries,
 - installation and equipment fires,
 - ground fires,
 - carbon monoxide (CO) injuries.

- Responding promptly to safety concerns raised by the community.
- The publication of:
 - risk based approaches to compliance and enforcement,
 - risk bow ties and risk controls,
 - audit plans (including target areas and activities).
- Reducing instances of third party damage to pipelines and gas supply networks.
- Identifying bushfire safety critical non-compliant spans (vegetation clearance).
- Increasing the percentage of complex gas installations and Type B appliances accepted on initial inspection.

Deaths and serious injuries

Deaths and serious injuries caused by or involving electricity and gas (excludes willful deaths and injuries)



Initiatives

| Initiative | Outcome | Performance measure |
|--|---|--|
| <p>Inspecting electric line spans throughout Victoria to ensure trees are cleared from lines.</p> | <ul style="list-style-type: none"> Reduced non-compliance rate of vegetation relating to spans in hazardous bushfire risk areas. Reduced safety critical non-compliance vegetation issues. | <ul style="list-style-type: none"> Non-compliant vegetation on (line clearance) inspection reduced by 20% (over three years). Safety critical non-compliant vegetation on (line clearance) inspection reduced by 20% (over three years). |
| <p>Renewing the audit program, and requirements for audits and inspections of Certificates of Electrical Safety (COES).</p> | <ul style="list-style-type: none"> Improved data collection practices to ensure audit results can be more effectively used to inform planned enforcement programs and industry on emerging trends. Electricians informed of issues associated with their work to ensure non-compliant installations are remedied in a timely manner. Real-time audit data will inform and maintain the effectiveness of regulatory activities. | <ul style="list-style-type: none"> New contracted auditing services established. Implementation of a modernised audit function. Implementation of a risk-based sampling methodology to target areas of safety concern, including a higher number of audits of prescribed installations. Identification of repeat offenders and bad practice within the electrical industry, with targeted actions to reduce its occurrence. Implementation of the accepted recommendations of the Licensed Electrical Inspection Regime Review. |
| <p>Collaborating with government to support government commitments to renewable energy programs by enforcing electrical safety with: solar installations (including direct current (DC) isolators); big batteries; renewable energy zones; wind farms; and air conditioners.</p> | <ul style="list-style-type: none"> Reduced number of installations identified as unsafe or requiring rectification through the Solar Victoria auditing program. Industry understands and remediates issues in support of producing compliant solar installations. | <ul style="list-style-type: none"> Six hundred and fifty inspections of residential solar installations performed. Six inspections of wind farms and big batteries performed. Quarterly technical guidance material on solar installations (including DC isolators), wind farms, and air conditioners, produced and available to stakeholders. |
| <p>Working with government and industry to ensure appropriate regulatory action for the safety of open flued gas space heaters (OFGSH).</p> | <ul style="list-style-type: none"> Increased safety outcomes for the community. | <ul style="list-style-type: none"> A decision on mandating compliance with Australian Standard 4575 – Type A Appliance Servicing (AS 4575) through amendment of the Gas Safety (Gas Installation) Regulations 2018. Implementation of the Regulatory Impact Statement (RIS) OFGSH outcome. |

| Initiative | Outcome | Performance measure |
|--|---|---|
| Ongoing installation and service of rapid earth fault current limiters (REFCLs) by major electricity companies (MEC). | <ul style="list-style-type: none"> • Sufficient data is available to inform future reviews. • REFCLs are: <ul style="list-style-type: none"> – delivered on time, – operated to deliver the greatest practicable benefit to the community. | <ul style="list-style-type: none"> • Implementation of a reporting regime for REFCL operations. • Completion of the compliance assessment process review. • Implementation of recommendations from the independent REFCL performance review. • Observing REFCL compliance testing to support outcome delivery. |
| Implementing new industry-wide processes, including ESV as a referral authority, for land development around pipelines. | <ul style="list-style-type: none"> • Stakeholders understand how to apply the newly developed and approved Buffer Area Overlay (BAO) to licensed pipelines. • ESV acts as a referral authority for planning permit applications to councils. • Pipeline Licensees understand the necessary requirements to allow ESV to act as a referral authority. | <ul style="list-style-type: none"> • Published guidance material and schedules to ensure the successful implementation and use of the BAO. • Established capability and processes for the referral function. • Development of a protocol with Pipeline Licensees (in relation to resourcing, sharing of information, and response timeframes for planning applications). |
| Investigating the effectiveness of two pole management regimes of major electricity companies (MECs) to ensure sustainable long-term community safety outcomes. | <ul style="list-style-type: none"> • A clear understanding of pole management practice. • Clearly planned timeframes and monitoring of improvement delivery, as per recommended pole management practices. • Community assurance that recommendations have been delivered. • Community assurance that poles are managed to minimise failures as far as practicable. | <ul style="list-style-type: none"> • Published findings with recommendations and remedial actions. • Ongoing monitoring of improvement delivery and the remedial actions required to address investigation findings and recommendations. • Ongoing monitoring beyond initial recommendations if required. |
| Developing an electrical infrastructure asset management audit framework, based on the ISO 55001 asset management standard, that is tailored to consider ESV and community expectations for acceptable safety outcomes. | <ul style="list-style-type: none"> • ESV's approach to MEC asset management system audits is clear and visible. • Asset management systems give the appropriate consideration and prioritisation to: <ul style="list-style-type: none"> – the community as stakeholders – community safety outcome expectations – the requirements of Victoria's energy safety framework. | <ul style="list-style-type: none"> • Documented and published requirements for ESV asset management system audits. • A completed and published audit of one MEC asset class with identified remedial actions. |

Business plan activities

| Activity | Outcome | Performance measure |
|---|--|---|
| Assessing submitted bushfire mitigation plans (BMPs) for acceptance. | <ul style="list-style-type: none"> Accepted BMPs address key risks and explain how the organisation fulfils its duties to minimise bushfire risks. | <ul style="list-style-type: none"> BMPs assessed for nine major electricity companies and 20 specified operators. BMPs assessed within 90 days of submission. |
| Assessing submitted (mandatory and voluntary) electricity safety management schemes (ESMSs) for acceptance. | <ul style="list-style-type: none"> Accepted ESMS submissions address key risks, explaining how the organisation fulfils its duties to minimise risks associated with networks, installation, and/or operations. | <ul style="list-style-type: none"> Fourteen ESMS submissions assessed. |
| Assessing submitted gas safety cases (SCs) and pipeline safety management plans (SMPs) for acceptance. | <ul style="list-style-type: none"> The accepted SCs and SMPs address key risks and explain how the organisation fulfils its duties to minimise risks arising from its facilities. | <ul style="list-style-type: none"> Eight SCs assessed. Six SMPs assessed. SCs and SMPs assessed within 90 days of submission. |
| Assessing submitted electric line clearance management plans (ELCMPs) by MECs and local councils for approval | <ul style="list-style-type: none"> The ELCMP submissions meet the requirements and describe how the responsible person will manage tree pruning to prevent contact between trees and powerlines. | <ul style="list-style-type: none"> Published guidance to assist MECs and councils to meet ELCMP requirements. Twenty-three ELCMPs for nine MECs and 14 local councils approved. |
| Assessing gas applications submitted for complex gas installations and Type B appliances for acceptance (approximately 70% inspected) before use. | <ul style="list-style-type: none"> Increased compliance rate from gas installation application acceptance. | <ul style="list-style-type: none"> Approximately 4,500 gas applications assessed and accepted. Meeting ESV's service level agreements (SLA) for application processing. Eighty-five percent of complex installations and Type B appliances accepted on initial inspection. |
| Registering cathodic protection (CP) systems. | <ul style="list-style-type: none"> All CP system systems are registered and their conditions of operation are clearly understood; to avoid interference to nearby metallic structures. | <ul style="list-style-type: none"> Register all (100%) CP systems in operation. Issue certificates of registration within five days of approval. |

| Activity | Outcome | Performance measure |
|--|---|--|
| <p>Liaising with online platforms and online marketplaces to prohibit unregistered electrical appliance suppliers.</p> <p>Ensuring all Level 2 and 3 electrical equipment is registered.</p> | <ul style="list-style-type: none"> • Online platforms enabling the supply of compliant electrical equipment. • Less non-compliant electrical equipment sold online. | <ul style="list-style-type: none"> • Issue notices to 100% of identified stores with non-compliant appliances/equipment in accordance with ESV's enforcement processes. • Stop the supply of all identified non-compliant or unregistered appliances/equipment. |
| <p>Auditing bushfire mitigation plans (BMP).</p> | <ul style="list-style-type: none"> • Provide assurance that BMPs are implemented | <p>Complete audits on:</p> <ul style="list-style-type: none"> • six accepted BMPs of major electricity companies • 6,000 network assets • five specified operators. |
| <p>Auditing Electricity Safety Management Schemes (ESMS)/ voluntary ESMSs.</p> | <ul style="list-style-type: none"> • Provide assurance that ESMSs are implemented | <ul style="list-style-type: none"> • Audit 12 accepted and mandated major electricity company ESMSs. • Publish an Annual Electrical Infrastructure Safety Performance Report about industry performance informed by audits and inspections, incidents, and data analysis. • Audit 18 voluntary ESMSs. |
| <p>Auditing gas safety cases (SCs) and pipeline safety management plans (SMPs).</p> | <ul style="list-style-type: none"> • Assure implementation of gas SCs and SMPs. | <ul style="list-style-type: none"> • Perform 70 SC/SMP audits for acceptance and compliance. • Publish an annual Gas and Pipeline Safety Performance Report about industry performance (informed by audits, inspections, incidents, and data analysis). |
| <p>Auditing systems and inspecting broad populations of electric line spans throughout Victoria in:</p> <ul style="list-style-type: none"> • low bushfire risk areas (LBRAs) • hazardous bushfire risk areas (HBRAs). | <ul style="list-style-type: none"> • Increased compliance and safety due to monitoring and enforcement to ensure trees and powerlines remain physically separated. | <p>Complete audits on:</p> <ul style="list-style-type: none"> • five major electricity companies • 10 councils • five specified operators. <p>Complete inspections on:</p> <ul style="list-style-type: none"> • 6,000 HBRA spans • 10,000 LBRA spans. |

| Activity | Outcome | Performance measure |
|---|---|---|
| <p>Monitoring electrolysis mitigation systems to:</p> <ul style="list-style-type: none"> • assess adequacy of stray current minimisation measures • identify repair requirements • coordinate area testing. | <ul style="list-style-type: none"> • Rail operators minimise stray current from operations. | <p>Conduct:</p> <ul style="list-style-type: none"> • 1,150 drainage bond inspections (each inspected 10 times) • 89 (all) thyristor drainage unit inspections (each inspected 10 times) • 30 substation area tests. |
| <p>Auditing solar installations.</p> | <ul style="list-style-type: none"> • A reduced solar installation defect rate. | <ul style="list-style-type: none"> • A reduced number of unsafe findings from solar installation site inspections from a 2020/21 baseline. |
| <p>Auditing split-cycle air conditioning installations.</p> | <ul style="list-style-type: none"> • A reduced split cycle air-conditioner system installation defect rate. | <ul style="list-style-type: none"> • A reduced number of unsafe findings from split system air conditioning system site inspections from 2020/21. |
| <p>Inspecting gas company pipelines including new installations, replacements, and repair works.</p> | <ul style="list-style-type: none"> • All work complies with standards and workers are competent for the tasks being undertaken. | <ul style="list-style-type: none"> • Inspect five percent of works. • Gas company acknowledgment and action to address non-compliances, undertaken within 15 business days of receipt of an audit report. |
| <p>Support Joint Accreditation System of Australia and New Zealand (JAS-ANZ) with the auditing of appliance certification assessment bodies (CABs).</p> | <ul style="list-style-type: none"> • JAS-ANZ audits: <ul style="list-style-type: none"> – ensure CABs comply with safety-critical requirements – are more effective and efficient due to ESV's involvement as accredited assessors. | <ul style="list-style-type: none"> • ESV audit reports issued to JAS-ANZ within five days of audit completion. • ESV has JAS-ANZ accredited assessors. |
| <p>Inspecting new gas supply network installation, replacement or repair works to assess worker competency and test compliance with standards.</p> | <ul style="list-style-type: none"> • A reduction in damage to pipelines and gas (pipeline) supply networks. • Fewer non-compliances on inspection relating to location of gas supply networks. | <ul style="list-style-type: none"> • A 25% reduction in gas main strike rates per kilometre by third parties compared to the 2019/20 rate. • A 10% reduction in gas services strike rates per kilometre by third parties compared to the 2019/20 rate. • A 10% reduction in pipeline encroachment rates per kilometre by third parties compared to the 2019/20 rate. |

| Activity | Outcome | Performance measure |
|--|---|---|
| Auditing high energy electrical installations (many not included in voluntary ESMS). | <ul style="list-style-type: none"> Improved high energy electrical installation safety management, and increased awareness of owner/operator responsibilities. | <ul style="list-style-type: none"> Conduct 12 audits Produce and issue audit reports within 28 days of site attendance. |
| Auditing electrical worker licence holders including: <ul style="list-style-type: none"> registered electrical contractors electrical inspectors electricians. | <ul style="list-style-type: none"> Only appropriately licensed persons undertake electrical work. | Conduct: <ul style="list-style-type: none"> 1000 general inspections and 650 site inspections during solar system installations[^] 20 licence audits. |
| Auditing registered cathodic protection (CP) systems. | <ul style="list-style-type: none"> CP systems operate safely without affecting the integrity of nearby underground and underwater metallic structures. | <ul style="list-style-type: none"> Fewer occurrences of corrosion damage to buried pipelines caused by CP system owners compared to 2020/21 figures. 240 high risk registered cathodic protection systems audited, to ensure compliance with registration conditions. |

[^]Amended August 21. Incorrectly stated as 100 general audits in original published version.

2.2.2 STRENGTHENING ESV'S ROLE

Priority objectives

- Support ESV's people to take regulatory action where required to achieve compliance and promote safety.
- Use audit data to pursue compliance and take appropriate action.
- Provide assurance to government and the community that the energy safety framework is effective.
- Support legislative reviews for more effective energy safety policy.
- Establish enforcement policy responses that match community expectations and government priorities.
- Become more enforcement-focused with more targeted responses to non-compliant conduct.

- Increase data use to target regulatory activities that prevent safety risks.
- Strengthen ESV's expertise to address emerging safety risks.

Key measures

Key measures applied to assess ESV's performance include:

- Published compliance and enforcement policies, strategies and guidance.
- Performing investigations in accordance with ESV policies (reviewed quarterly).
- Completing corrective safety actions and related enforcement actions within specified time periods.
- Enforcement action consistent with ESV's Compliance and Enforcement Policy.
- The number and type of enforcement activities undertaken.

Initiatives

| Initiative | Outcome | Performance measure |
|--|---|---|
| <p>Improving ESV's regulatory practice – new field operational guidance and training for authorised officers to deliver new enforcement and compliance approaches.</p> | <ul style="list-style-type: none"> Increased staff capability to enable and enforce compliance and safety. | <ul style="list-style-type: none"> Documented internal guidance. Staff attendance at relevant training and education. |
| <p>Re-developing a suite of compliance and enforcement policy, strategy and guidance and for regulated entities.</p> | <ul style="list-style-type: none"> Transparent and appropriate responses to unsafe and non-compliant behaviours. | <ul style="list-style-type: none"> Published Compliance and Enforcement Policy. Published compliance and enforcement strategies and guidance. |
| <p>Investigating serious electrical, gas, and pipeline incidents with greater effectiveness and efficiency.</p> | <ul style="list-style-type: none"> Reduce unsafe electrical and gas work. Reduce number of incidents involving unsafe infrastructure, installations, equipment and appliances | <ul style="list-style-type: none"> Perform investigations in accordance with ESV policies (reviewed quarterly). Complete corrective safety actions and related enforcement actions within specified time periods. Enforcement action is consistent with ESV's Compliance and Enforcement Policy. |
| <p>Verifying that employers have appropriate and effective supervision of electrical apprentices in place as part of an apprentice safety program.</p> | <ul style="list-style-type: none"> Employers well informed of their safety responsibilities to apprentices. | <ul style="list-style-type: none"> Identified and categorised safety risks associated with the use of apprentices in the workplace that inform targeted education. Implemented targeted education to inform employers of their responsibilities to apprentices and employers directly engaged. |
| <p>Building the relationship with Solar Victoria.</p> | <ul style="list-style-type: none"> Analysis of data to support timely and targeted intervention when poor performing electricians and electrical inspectors are identified. | <ul style="list-style-type: none"> An implemented data interface between Solar Victoria and ESV. |

Business plan activities

| Activity | Outcome | Performance measure |
|--|---|--|
| Developing and implementing ESV's incident response and emergency management system. | <ul style="list-style-type: none"> ESV's response to incidents and emergencies is consistently proportionate, timely, and appropriate. Comprehensive identification of regulatory breaches with appropriate rectification and enforcement measures. | <ul style="list-style-type: none"> Implementation of ESV's incident response and emergency management system. |

2.2.3 ESV AS A STRATEGIC LEADER

Priority objectives

- Influence/lead the identification and improvement of minimum energy safety standards and regulatory safety plans (including future energy scenarios).
- Strengthen the organisation's expertise to address significant safety risks by:
 - identifying commercial renewable wind and solar installation risks due to poor safety management systems and practices
 - partnering with Solar Victoria to promote regular servicing for domestic and commercial solar installations
 - continuing to promote gas appliance safety, including open flued gas space heater safety
 - advising Victoria's hydrogen safety industry development plan.
- Provide national and international leadership for defining and acting on emerging energy safety compliance issues.
- Support the State Government's Victorian Hydrogen Investment Program.

Key measures

Key measures applied to assess ESV's performance include:

- A stakeholder insights survey.
- A systematic approach to anticipating future energy safety challenges and opportunities.
- Key matters tabled at external committees, forums and workshops to influence/lead the reduction in energy safety risks.

Initiatives

| Initiative | Outcome | Performance measure |
|--|---|--|
| <p>Establishing a systematic approach to anticipating future energy safety challenges and opportunities.</p> | <ul style="list-style-type: none"> • Four scenarios to anticipate future energy risks. • An early warning system (EWS) to monitor key stakeholder preferences relating to scenarios and emerging risks. • A Future Trends advisory committee to advise the Commission. | <ul style="list-style-type: none"> • Scenarios developed and reviewed. • A completed EWS survey. • A completed horizon scanning exercise. • The established advisory committee that has met twice and the Commission informed of the meeting outcomes. |
| <p>Leading, both nationally and internationally, to define and act on emerging energy safety.</p> | <ul style="list-style-type: none"> • The State Government’s Victorian Hydrogen Investment Program is supported, and safe outcomes are achieved. | <ul style="list-style-type: none"> • Tabling key matters of interest for the Future Fuels Cooperative Research Centre agenda, and attendance at all meetings and workshops. • Tabling key matters of interest for the Gas Technical Regulators Committee agenda, and attendance at all meetings. |
| <p>Improving the Electrical Equipment Safety System (EESS) – develop a new database to ensure appliance safety in a global supply environment by providing a national framework for making suppliers accountable for safety of products sold to customers, and establishing certification requirements for higher risk equipment.</p> | <ul style="list-style-type: none"> • Suppliers and community are able to check the EEES database to determine if an electrical product has been registered and certified for supply in Victoria and is safe. | <ul style="list-style-type: none"> • Participate in the Standing Committee of Officials (SCO) of the EESS. • Establish a new database by June 2022 (in collaboration with other States and Territories). |
| <p>Supporting energy safety legislation to remain fit for purpose, and supporting ESV to remain a strong regulator.</p> | <ul style="list-style-type: none"> • Regulatory framework evolves to meet changing safety requirements. | <ul style="list-style-type: none"> • Provide a report identifying opportunities for improving the regulatory framework in preparation for remaking the Electricity Safety (Bushfire Mitigation) Regulations 2023 to the Commission and DELWP. • Identify and publish for consultation the options to address direct current (DC) isolators for solar roof panel installations. |

Business plan activities

| Activity | Outcome | Performance measures |
|--|--|--|
| <p>Participate in and influence key ISO and Australian/ New Zealand Standards Committees including:</p> <ul style="list-style-type: none"> • ME093 Hydrogen Technologies • AG001 Gas Appliances • AG006 Gas Installations • AG011 Industrial and Commercial Gas-Fired appliances • EL-001 Wiring Rules Committee • EL-002 Electrical Equipment safety Chaired by ESV • EL-036 – In-service Testing of Equipment • EL-042 Renewable Energy Co-chaired by ESV. | <ul style="list-style-type: none"> • Standards reflect community safety expectations. | <ul style="list-style-type: none"> • Engaging in and tabling the key matters of interest for the committee agenda. • Attendance at all meetings. |

2.2.4 CUSTOMER CENTRED SERVICE DELIVERY EXPERIENCE

Priority objectives

- Partner with industry representatives to design and deliver a continuing professional development (CPD) scheme which will ensure licensed workers' skills and knowledge remain up to date with contemporary practice and ultimately improve safety outcomes.
- Deliver a professional service experience to stakeholders in the administration of systems including ESV Connect, technical helplines, complaints and FOI request management.
- Collaborate with other regulators to promote compliance and safety across the Victorian energy sector to minimise complexity.

Key measures

ESV has delivered a baseline stakeholder insights report after conducting an independent survey of ESV's key stakeholders. The report aims:

- To measure the level of stakeholder familiarity with ESV's regulatory role.
- To understand stakeholder perceptions of ESV's progress and performance in fulfilling its statutory duties and addressing stakeholder concerns.

Key measures applied to assess ESV's performance include:

- Stakeholder insights survey results.
- The completion of a CPD skills maintenance training program by licence holders for licence renewals from 2023.
- A timely response to technical enquiries and safety concerns from the community and regulated entities.
- A timely response to complaints and freedom of information (FOI) requests and enquiries from the community and regulated entities.

Initiatives

| Activity | Outcome | Performance measures |
|--|---|--|
| <p>Implementing continuing professional development (CPD) for electrical workers, including skills maintenance and development.</p> | <ul style="list-style-type: none"> Licence holders maintain and extend their professional knowledge and skills, including remaining up-to-date with safety, regulatory, technical and other developments relevant to the electrical trade. | <ul style="list-style-type: none"> The completion of a CPD skills maintenance training program by licence holders for licence renewals from 2023. |
| <p>Modernising ESV's online services with external stakeholders and regulated entities.</p> | <ul style="list-style-type: none"> Accessible and efficient online services to regulated entities and the community, for example, ESV Connect. | <ul style="list-style-type: none"> Review stakeholder feedback when online systems directly affect end-users. |
| <p>Educating the solar installation industry on the importance of following manufacturer installation instructions and raising awareness about common non-compliance matters.</p> | <ul style="list-style-type: none"> Reduced safety reports relating to solar installations. | <ul style="list-style-type: none"> Publication of educative material for the solar installation industry on the importance of following manufacturer installation instructions and raising awareness about common non-compliance matters published. Monitor the number of safety reports relating to solar installations over time to determine the effectiveness of published education material. |
| <p>Develop specialist training for solar inspectors.</p> | <ul style="list-style-type: none"> Solar inspectors have the capability to perform their role effectively. | <ul style="list-style-type: none"> Specialist training for solar inspectors developed with Solar Victoria. Input provided to the licensed electrical inspectors training package being developed by Solar Victoria. |
| <p>Provide technical support to solar and general inspectors.</p> | <ul style="list-style-type: none"> Licensed electrical inspectors have the capability to perform their role effectively. | <ul style="list-style-type: none"> Technical support provided to solar and general inspectors to assist them with staying current and identify defects using the correct test methods and standards. |
| <p>Attract and train more licensed electrical inspectors.</p> | <ul style="list-style-type: none"> Licensed electrical inspectors are available to provide support. | <ul style="list-style-type: none"> Work with the Institute of Electrical Inspectors, National Electrical and Communications Association (NECA) and others to attract and train more licensed electrical inspectors. |

Business plan activities

| Activity | Outcome | Performance measures |
|--|---|--|
| <p>Licensing electrical workers annually:</p> <ul style="list-style-type: none"> • registered electrical contractors (average 1,100 new/ 2,455 renewals), • licensed electrical inspectors (10 new/ 80 renewals), • licensed electricians (2,700 new/ 10,600 renewals), • licensed lineworkers. | <ul style="list-style-type: none"> • Licensed industry participants keeping the community safe by being able to undertake electrical work safely. | <ul style="list-style-type: none"> • Process new and renewed applications within 10 days of receipt of all relevant information. |
| <p>Undertaking certification for electrical equipment safety</p> | <ul style="list-style-type: none"> • Ensure that sold and certified electrical equipment is compliant and safe for use. | <ul style="list-style-type: none"> • Issue certificates of conformity or suitability within 10 working days. |
| <p>Providing assistance for technical and compliance enquiries to industry in relation to electrical equipment safety</p> | <ul style="list-style-type: none"> • Provide consistent and timely advice to industry and community requests. | <ul style="list-style-type: none"> • Respond to technical and compliance enquiries within 48 hours. |
| <p>Selling Certificates of Electrical Safety (COES).</p> | <ul style="list-style-type: none"> • Evidence of the nature of electrical work undertaken is always provided to the purchaser of electrical services. | <ul style="list-style-type: none"> • The annual number of COES: • sold averages 1,000,000 • lodged averages 75% of the number sold. |
| <p>Provide telephone help lines - safety and technical advice.</p> | <ul style="list-style-type: none"> • Provide consistent and timely advice to industry and community requests. | <ul style="list-style-type: none"> • Respond to calls within 24 hours and emails within 72 hours. |
| <p>Provide telephone service for reporting safety concerns – for industry and community.</p> | <ul style="list-style-type: none"> • Provide consistent and timely response to industry and community safety concerns. • Take enforcement action when unsafe work or conduct by industry participants is found. | <ul style="list-style-type: none"> • Respond to calls within 24 hours and emails within 72 hours. • Enforcement action is consistent with ESV's Compliance and Enforcement Policy. |
| <p>Respond to Freedom Of Information (FOI) requests.</p> | <ul style="list-style-type: none"> • ESV meets its FOI obligations | <ul style="list-style-type: none"> • Respond to FOI requests within 30 days. |

2.2.5 COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

Priority objectives

- Strengthen stakeholder engagement to improve ESV's reputation as an effective regulator.
- Engage stakeholders to identify, understand and respond to energy safety issues and concerns.
- Explain to stakeholders ESV's decisions, actions and performance.
- Co-design with industry and publish timely, accessible guidance for regulated entities.
- Deliver communications activities that raise awareness of energy safety risks.
- Deliver communications activities that reinforce the obligations of regulated entities.

Key measures

ESV has delivered a stakeholder insights baseline report after conducting an independent survey of ESV's key stakeholders. The report documents:

- The level of stakeholder familiarity with ESV's regulatory role.
- Stakeholder perceptions of ESV's progress and performance in fulfilling its statutory duties and addressing stakeholder concerns.

Key measures applied to assess ESV's performance include:

- A published charter of consultation and regulatory practice.
- A published stakeholder engagement approach.
- Annual stakeholder insights research.
- The number of stakeholder engagement activities held through 2021/24.

Initiatives

| Initiative | Outcome | Performance measure |
|---|--|--|
| Establishing a stakeholder engagement approach to inform the balance between; regulatory practice, and stakeholder needs and expectations. | <ul style="list-style-type: none"> • Stakeholder insights sought, understood and integrated. | <ul style="list-style-type: none"> • Publish a stakeholder engagement approach by June 2022. • A published charter of consultation and regulatory practice |
| Creating tailored third party education and risk management advice to prevent gas supply network damage. | <ul style="list-style-type: none"> • Increased rate and quality of responses to Dial Before You Dig (DBYD) enquiries. | <ul style="list-style-type: none"> • A published (tailored) third party education and risk management advice. |
| Redeveloping the ESV website. | <ul style="list-style-type: none"> • Relevant information will be more human and customer centred to enable easy and ready access information for industry and community. | <ul style="list-style-type: none"> • Website redeveloped by June 2022. |

Business plan activities

| Activity | Outcome | Performance measure |
|--|--|--|
| <p>Running public awareness campaigns:</p> <ul style="list-style-type: none"> • Be Sure • Know the Drill Before You Grill • Don't Do It Yourself (DDIY electrical) • Household Wiring • Solar Safety • Look Up and Live • Never work live. | <p>People understand the:</p> <ul style="list-style-type: none"> • importance of gas heaters being serviced • need to regularly check BBQ gas bottles and fittings • value of engaging a licensed electrician to get household wiring checked and safety switches installed • importance of solar installations being inspected and serviced • importance of taking precautions when using machinery around powerlines. • importance of isolating before starting electrical work. | <p>Each major campaign is evaluated for:</p> <ul style="list-style-type: none"> • community and industry awareness of the safety advertising and messages • response to the key messages • awareness of the ESV brand. |
| <p>Engaging with the community through partnerships with community organisations in metropolitan, regional and rural Victoria.</p> | <ul style="list-style-type: none"> • Partnerships provide ESV access to significant cross-sections of the community. • Community safety effectively promoted. | <p>Established formal arrangements with:</p> <ul style="list-style-type: none"> • rural and regional field days • AFL Victoria – Safer Canteens • Clown Doctors – social responsibility sponsorship • TAFE sponsorship (trade nights, apprentice of the year). |
| <p>Educating industry (gas/electricity) participants via the Energy Safe magazine, industry forums, and training events.</p> | <ul style="list-style-type: none"> • Industry participants are aware of current requirements and safety concerns. | <ul style="list-style-type: none"> • The number of training sessions and attendees. • The number of industry forums and attendees. • Six magazine articles targeted at common non-compliances and Certificate of Electrical Safety (COES) audit findings. |
| <p>Reviewing and updating ESV compliance and enforcement guidance, strategic and industry specific.</p> | <ul style="list-style-type: none"> • Publicly available information transparently describes regulatory requirements for different industry sectors. | <ul style="list-style-type: none"> • Published compliance guidance to specific industry sectors. |

| Activity | Outcome | Performance measure |
|--|--|--|
| <p>Chairing statutory committees including the:</p> <ul style="list-style-type: none"> • Electric Line Clearance Consultative Committee • Victorian Electrolysis Committee • Workforce Engagement Consultative Committee • Blue Book Committee. | <ul style="list-style-type: none"> • Increased engagement with key stakeholders and community representatives able to provide input and be more informed about ESV's regulatory position. | <p>Number of committee meetings attended to include:</p> <ul style="list-style-type: none"> • 4 Electric Line Clearance Consultative Committee meetings • 4 Victorian Electrolysis Committee meetings • 4 Workforce Engagement Consultative Committee meetings • 6 Blue Book Committee meetings. |
| <p>Establishing statutory committees:</p> <ul style="list-style-type: none"> • Technical Advisory Committee • Future Trends Advisory Committee | <ul style="list-style-type: none"> • ESV receives contemporary advice. | <ul style="list-style-type: none"> • Technical Advisory Committee established and operating by September 2021. • Future Trends Advisory Committee established and operating by September 2021. |

2.2.6 ESV AS AN EMPLOYER OF CHOICE

Priority objectives

- Continue to build on the diversity and capability of ESV's workforce to support a modern, professional and inclusive workplace culture.
- Invest in tools and systems that empower ESV's people, particularly in the field, to be more efficient and customer centred.
- Undertake a staff led refresh of organisational values to align culture with strategy.
- Implement an ESV accommodation strategy to provide a workplace that better meets the needs of ESV's staff and regulatory activities now and in the future.

Key measures

Key measures demonstrating ESV's degree of employee engagement involve:

- Responses to the People Matter Surveys (commencing May 2021).
- The People Matter survey engagement index.
- People Matter survey participation.
- WorkCover claim numbers.
- A developed future state architecture design framework for ESV's enterprise architecture and a 5-year project roadmap to consider activity priorities for future business planning cycles.

Initiatives

| Initiative | Outcome | Performance measure |
|---|--|--|
| Improving organisational performance. | <ul style="list-style-type: none"> Clearly defined, understood, and up-to-date roles and responsibilities. | <ul style="list-style-type: none"> Finalise the review and update of Enterprise Agreement covered positions by 30 June 2022. Publication of ESV's Diversity and Inclusion Strategy. |
| Continuing with the People Strategy to develop an engaged and capable workforce. | <ul style="list-style-type: none"> ESV employees have shared values and constructive behaviours working collectively toward a common purpose. Diversity and inclusion initiatives delivered. | <ul style="list-style-type: none"> A People Matter survey employee engagement score greater (or better) than 74%. Participation in the People Matter survey of greater than 80% (which is higher than peer agencies). Submit a Gender Equality Action Plan to the Gender Equality Agency by October 2021. Implement Victorian Government Flexibility Policies by December 2021 to support staff retention and recruitment. |
| Identifying new and more effective ways to do business – innovate business practices. | <ul style="list-style-type: none"> Effective, highly flexible and adaptive business processes, systems and tools. | <ul style="list-style-type: none"> Develop a future state architecture design framework for ESV's enterprise architecture by December 2021. Develop a 5-year project roadmap by December 2021 and consider activity priorities for the 2022/23 business planning cycle. |
| Facilitating a staff and stakeholder led refresh of ESV's values. | <ul style="list-style-type: none"> Adoption of values that support ESV's and: <ul style="list-style-type: none"> strengthen its role as a regulator engage in customer centred service delivery. | <ul style="list-style-type: none"> Adoption and launch of values by January 2022. |
| Implementing ESV's accommodation strategy. | <ul style="list-style-type: none"> A workplace that better meets the needs of ESVs staff and regulatory activities now and in the future. | <ul style="list-style-type: none"> Longer term accommodation options identified and negotiated with the assistance of a specialist property advisor. All staff engaged to co-design future workplaces. Any transition impacts managed by staff and unions. ESV's office space has enlarged and more flexible spaces and facilities, and equipment that supports ESV's workforce and preferred ways of working. |

FUNDING ESV

PART THREE:

3.1 Funding for 2021-22

Since its formation in 2005, ESV's activities have been fully funded by a combination of fee-for-service income, licence fees, and levies on the electricity, gas and pipeline industries.

Safety regulation costs are ultimately included in the prices paid by consumers of electricity and gas.

ESV's responsible minister, the Minister for Energy, Environment and Climate Change, reviews and determines levies for industry every two years. Regulated fees and charges are reviewed and reset when they expire.

ESV's strategic financial objectives are to maintain:

- key financial viability ratios by ensuring ESV can pay its debts when they are due
- liquidity and cash viability to account for short-term uncertainties.

The projected cash deficit of \$5.24 million will be funded out of existing cash reserves as ESV does not foresee a requirement for debt financing in the short term. ESV maintains its strategy of utilising cash reserves built up from previous years to invest in growth and capital expenditure. As a result, the projected cash balance at the end of the 2021-22 financial year will decrease to \$6.98 million from the \$12.22 million forecast on 30 June 2021.

3.1.1 BUDGET 2021-22

Since its formation in 2005, ESV's activities have been fully funded by a combination of fee-for-service income, licence fees, and levies on the electricity, gas, and pipeline industries.

ESV has budgeted for a cash inflow of \$58.72 million for 2021-22, comprising \$31.71 million in levies and \$21.76 million in fees.

Total expenditure for 2021-22 is budgeted at \$63.96 million, comprising \$4.52 million in capital expenditure and operating expenditure of \$59.44 million.

ESV'S FINANCIAL STRATEGY

PART FOUR:

4.1 Financial strategy, statements and position 2021-22

4.1.1 STRATEGIC BUSINESS AND FINANCIAL OVERVIEW

ESV's operations are funded through fully recovering capital and operational costs from industry. Costs are recovered through a range of fees and charges on individuals and levies on companies operating in the pipelines, gas and electricity industries. Safety regulation costs are ultimately included in the prices paid by consumers of electricity and gas.

The Minister reviews and determines levies for industry biennially with the levies for 2021-22 having been determined by the Minister in July 2021. The next review will be in 2023 for the financial year 2023-2024 and 2024-2025.

Strategic business and financial overview

The strategic financial objectives for ESV are to maintain:

- key financial viability ratios:
 - Current ratio is ≥ 1.0
 - Assets to liabilities ratio is ≥ 1.0
- liquidity and cash viability to account for short-term uncertainties caused by any of the following unforeseen circumstances:
 - levy determination approval delays
 - major incidents or natural disasters
 - possible legal proceedings
 - variability of Certificates of Electrical Safety (COES) income reflecting market conditions.

4.1.2 ASSET MANAGEMENT STRATEGY

ESV's asset management strategy is reviewed annually to ensure its validity and alignment with ESV's organisational strategy.

ESV's main assets are:

- a leased motor vehicle fleet
- office leases at Southbank and Brandon Office Park (Glen Waverley)
- furniture, fittings and office equipment
- intangible assets, mainly ESVConnect and other software applications.

ESV's vehicle fleet is leased through the Victorian Government endorsed fleet management partner. ESV's strategy is to ensure the vehicles, as a necessary tool of trade, are provided to continually enable the organisation to perform its role as a regulator effectively.

ESV has two long term office leases at Southbank and Glen Waverley. Leases are reviewed periodically to ensure alignment with the future size and requirements of the ESV workforce.

ESV recognises software, ready-made or purpose-built, in its categorisation of intangible assets as well as furniture, fittings and office equipment that support the organisation's objectives and activities.

4.2 2021-22 budget

4.2.1 CASH BUDGET 2021-22

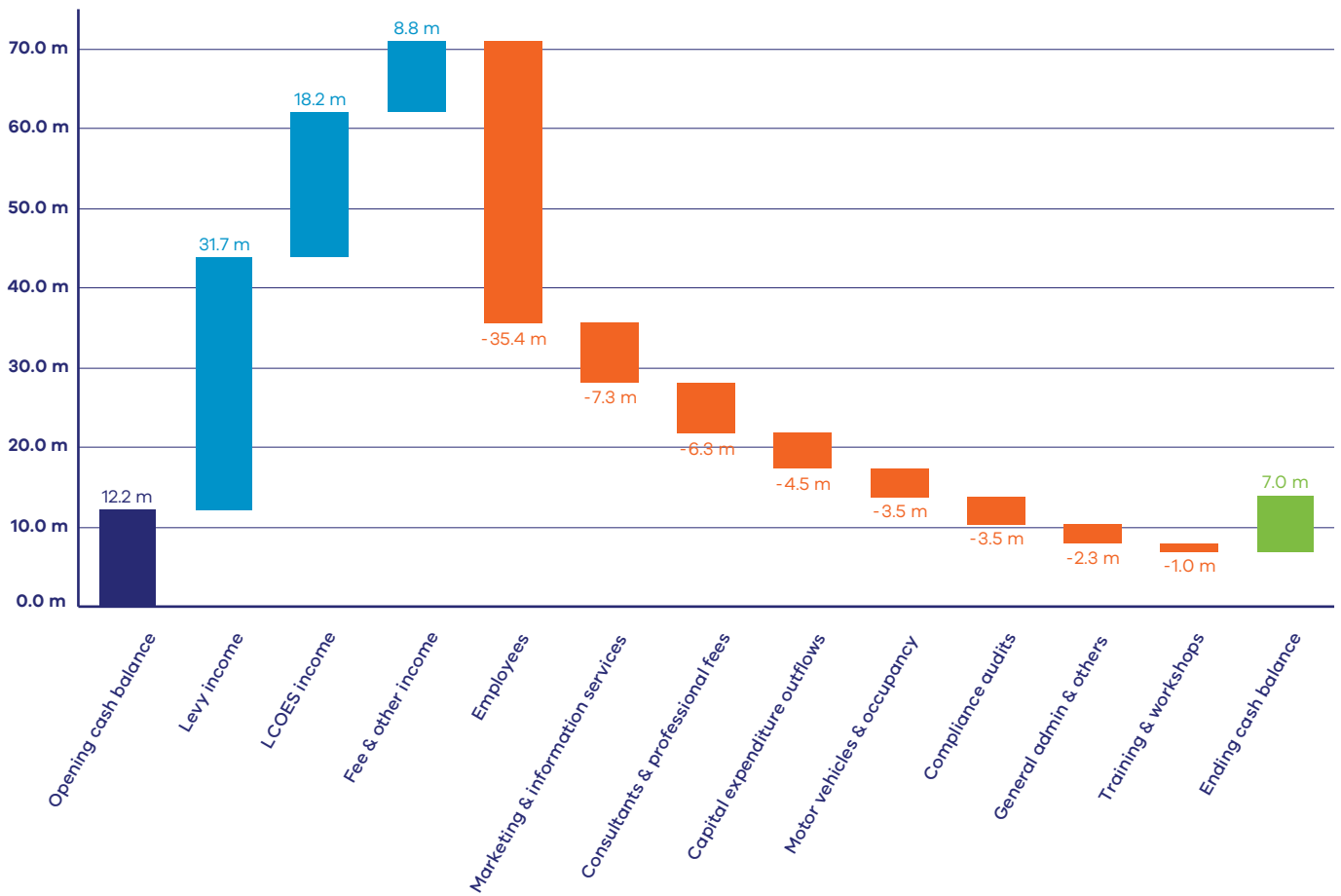
ESV's overall budget for the 2021-2022 financial year is a net cash outflow of \$5.24 million. This reflects ESV's continuing strategy of utilising cash reserves built up from historical efficiencies to invest in ESV's systems and to grow its 'boots-on-the-ground' presence.

The 2021-22 financial year is the first year of the Minister's two year levy determination. This includes further investment in developing ESVConnect, the Enterprise architecture future state project, implementing the CPD scheme for electrical workers, and additional resources for asset management, renewable energy, and the hydrogen industry development plan.

These investments are being undertaken to ensure ESV meets its increased organisational requirements and its enhanced regulatory role.

Levy income is based on cost recovery principles informed by aggregate resourcing levels determined in this plan and approved by the Minister. This will increase rates by 14.1 per cent for electricity and 5.4 per cent for gas and pipelines from 2020-21 to 2021-22.

2021-22 cash balance movement (inflow and outflow)



2021-22 new initiatives by strategic priority

| | | |
|--|---|---|
| <p>Enterprise Architecture Powercor prosecution Legal resourcing Regulatory practice improvement Technology infrastructure upgrade</p> <p>Strengthening ESV's role as a regulator \$3.9 m</p> | <p>ESVConnect enhancement Implementing CPD for electrical workers Solar Safety campaign</p> <p>Client focused service delivery \$2.0 m</p> | <p>REFCL technology Pole inspections People resource for: - Asset management - Planning authority for pipeline - Renewable energy - Hydrogen industry development plan</p> <p>Prevent harm \$1.3 m</p> |
| | | <p>Accommodation Strategy Senior Manager Development ESV Values Review</p> <p>ESV as an employer of choice \$1.0 m</p> |
| | | <p>BeSure campaign ESV website restructure</p> <p>Community and stakeholder engagement \$0.4 m</p> |
| | | <p>ESV as a strategic leader \$0.1 m Future energy project</p> |

4.2.2 FINANCING 2021-22

ESV will maintain its strategy of utilising cash reserves built up from historical efficiencies to invest in growth and capital expenditure. Accordingly, ESV will fund its 2021-22 cash deficit from existing cash reserves.

As a result, ESV's cash balance is expected to decrease to \$6.98 million from the \$12.22 million forecast on 30 June 2021.

ESV does not foresee a requirement for debt financing in the short term.

4.2.3 ASSUMPTIONS FOR 2021-22 THROUGH TO 2023-2025

Looking beyond 2021-22, ESV's financial forecasts are based on the following assumptions:

- A reduction of levies in the later years as ESV consolidates its expenditure and leverages on investments in its technological capability in the current levy period.
- Certificate of Electrical Safety (COES) income to increase due to the air conditioner replacement program.
- Receipt of grant for CPD scheme for electrical workers for \$0.5 million.
- A fully funded enterprise agreement with a 2 per cent annual salary increase.
- Rent increases of 3.75 per cent per year as reflected in the lease agreement.
- Other operational costs to increase by 1.7 per cent per the Consumer Price Index.

4.2.4 FINANCIAL IMPLICATIONS OF CORONAVIRUS (COVID)

ESV has extensively modelled the various cash flow scenarios that may result from the coronavirus (COVID) impact on the wider economy. ESV retains enough flexibility in its cash flow and expense management systems to mitigate all but the most extreme economic impacts at this time.

4.3 Financial statements and position - Income statement

| | FY21 budget | FY21 latest forecast | FY22 budget | FY23 | FY24 |
|-----------------------------------|----------------|-------------------------|----------------|---------------|---------------|
| Year | 2020-2021 | 2020-2021 | 2021-22 | 2022-23 | 2023-24 |
| Income | | | | | |
| Sale of safety certificates | 10,917 | 11,595 | 13,380 | 13,260 | 12,091 |
| Electrical licensing fees | 4,997 | 4,944 | 4,825 | 5,086 | 4,862 |
| Electrolysis | 1,925 | 1,929 | 1,925 | 1,925 | 1,925 |
| Cathodic protection systems | 120 | 47 | 61 | 62 | 63 |
| Electrical appliance testing fees | 361 | 339 | 366 | 372 | 379 |
| Appliance efficiency fees | 866 | 1,123 | 866 | 881 | 896 |
| Fee Income | 19,186 | 19,977 | 21,424 | 21,586 | 20,216 |
| Electricity industry levy | 11,753 | 11,753 | 13,410 | 13,853 | 14,296 |
| Gas industry levy | 15,362 | 15,353 | 17,019 | 17,496 | 18,003 |
| Pipelines levy | 1,217 | 1,129 | 1,283 | 1,319 | 1,357 |
| Levy Income | 28,333 | 28,236 | 31,712 | 32,667 | 33,656 |
| Grant income | 452 | 3,565 | 3,531 | 503 | 503 |
| Other income | 317 | 428 | 336 | 341 | 348 |
| Advertising space - magazine | 6 | 2 | 6 | 6 | 6 |
| Interest | 75 | 63 | 183 | 105 | 117 |
| Other Income | 850 | 4,058 | 4,057 | 955 | 975 |
| Total income | 48,368 | 52,271 | 57,192 | 55,208 | 54,846 |

4.4 Financial statements and position - Expenses statement

| | FY21 budget | FY21 latest forecast | FY22 budget | FY23 | FY24 |
|--|----------------|-------------------------|----------------|---------------|---------------|
| Year | 2020-2021 | 2020-2021 | 2021-22 | 2022-23 | 2023-24 |
| Expenses | | | | | |
| Employee | 29,493 | 31,432 | 35,917 | 35,703 | 36,369 |
| Compliance audit | 3,150 | 1,532 | 3,150 | 3,204 | 3,259 |
| Marketing | 2,764 | 2,745 | 2,864 | 2,588 | 2,563 |
| Motor vehicle | 1,769 | 1,250 | 1,667 | 1,718 | 1,750 |
| Consultants and contractors | 2,849 | 5,369 | 4,269 | 1,142 | 1,220 |
| Occupancy | 1,465 | 1,447 | 1,304 | 2,169 | 1,945 |
| Information services | 2,324 | 2,261 | 3,241 | 2,857 | 2,923 |
| Insurance | 464 | 493 | 804 | 818 | 832 |
| Training & workshops | 935 | 719 | 953 | 918 | 934 |
| Travel | 437 | 160 | 425 | 432 | 440 |
| Professional fees | 912 | 1,044 | 1,484 | 860 | 885 |
| Memberships & subscriptions | 410 | 209 | 235 | 239 | 243 |
| General administration | 951 | 932 | 936 | 949 | 965 |
| Interest expense | 0 | 0 | 0 | 0 | 0 |
| Total expenses | 47,924 | 49,592 | 57,251 | 53,595 | 54,326 |
| Profit/(loss) before non-cash items | 444 | 2,679 | -59 | 1,613 | 520 |
| Non-cash expenditure | | | | | |
| Depreciation & amortisation | 2,249 | 2,488 | 3,371 | 3,551 | 3,436 |
| Net profit/ (loss) | -1,805 | 191 | -3,429 | -1,939 | -2,915 |

4.5 Financial statements and position - Balance sheet

| | FY21 budget | FY21 latest forecast | FY22 budget | FY23 | FY24 |
|---------------------------------|----------------|-------------------------|----------------|---------------|---------------|
| Year | 2020-2021 | 2020-2021 | 2021-22 | 2022-23 | 2023-24 |
| Current asset: | | | | | |
| Cash | 6,560 | 12,216 | 6,979 | 7,812 | 8,196 |
| Receivables | 1,557 | 609 | 600 | 559 | 537 |
| Prepaid expenses | 1,204 | 1,243 | 1,783 | 1,571 | 1,608 |
| Non-current asset: | | | | | |
| Plant and equipment | 867 | 557 | 453 | 351 | 252 |
| Intangible assets | 8,323 | 8,070 | 8,915 | 6,915 | 4,029 |
| Leased assets | 2,566 | 2,779 | 2,847 | 2,440 | 1,099 |
| Total assets | 21,076 | 25,474 | 21,578 | 19,649 | 15,721 |
| Current liabilities: | | | | | |
| Prepaid income | 233 | 1,117 | 42 | 42 | 42 |
| Payables | 1,448 | 2,384 | 2,649 | 2,747 | 2,794 |
| Provisions - current | 2,222 | 2,729 | 2,957 | 3,014 | 3,074 |
| Leased liabilities current | 1,293 | 1,391 | 1,690 | 1,835 | 754 |
| Other current liabilities | 156 | 0 | 0 | 0 | 0 |
| Non-current liabilities: | | | | | |
| Provisions - non current | 2,888 | 3,476 | 3,740 | 4,114 | 4,525 |
| Leased liabilities non current | 1,847 | 1,895 | 1,447 | 782 | 334 |
| Other non current liabilities | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 10,087 | 12,992 | 12,525 | 12,535 | 11,522 |

| | FY21 budget | FY21 latest forecast | FY22 budget | FY23 | FY24 |
|---|----------------|-------------------------|----------------|---------|---------|
| Year | 2020-2021 | 2020-2021 | 2021-22 | 2022-23 | 2023-24 |
| Net assets | 10,989 | 12,482 | 9,053 | 7,114 | 4,199 |
| Current year profit/ (loss) | -1,805 | 191 | -3,429 | -1,939 | -2,915 |
| Accumulated funds | 9,008 | 8,505 | 8,697 | 5,267 | 3,328 |
| Asset revaluation surplus/ (deficit) | 176 | 176 | 176 | 176 | 176 |
| Contributions by owners | 3,610 | 3,610 | 3,610 | 3,610 | 3,610 |
| Equity | 10,989 | 12,482 | 9,053 | 7,114 | 4,199 |
| Current ratio | 1.74 | 1.85 | 1.28 | 1.30 | 1.55 |
| Assets to Liability ratio | 2.09 | 1.96 | 1.72 | 1.57 | 1.36 |

4.6 Financial statements and position - Statement of cash flows

| | FY21 budget | FY21 latest forecast | FY22 budget | FY23 | FY24 |
|---|----------------|-------------------------|----------------|----------------|----------------|
| Year | 2020-2021 | 2020-2021 | 2021-22 | 2022-23 | 2023-24 |
| Sale of safety certificates | 10,817 | 12,203 | 13,358 | 13,262 | 12,105 |
| Electrical licensing fees | 4,996 | 4,944 | 4,825 | 5,086 | 4,862 |
| Fee Income | 3,535 | 3,691 | 3,578 | 3,516 | 3,541 |
| Levy Income | 28,333 | 28,236 | 31,712 | 32,667 | 33,656 |
| Other Income | 2,455 | 6,683 | 5,245 | 2,632 | 2,563 |
| Total cash inflows | 50,136 | 55,757 | 58,718 | 57,163 | 56,727 |
| Payments to employees | -29,325 | -30,679 | -35,424 | -35,273 | -35,897 |
| Payments to suppliers | -20,395 | -19,755 | -24,008 | -19,462 | -19,950 |
| Total cash outflows | -49,719 | -50,435 | -59,432 | -54,736 | -55,847 |
| Net cash flows from/(used in) operating activities | 416 | 5,323 | -714 | 2,427 | 880 |
| Capital expenditure | -3,801 | -3,050 | -4,523 | -1,595 | -495 |
| Net cash flows from/(used in) investing activities | -3,801 | -3,050 | -4,523 | -1,595 | -495 |
| Net increase/(decrease) in cash and cash equivalents | -3,384 | 2,273 | -5,237 | 832 | 385 |
| cash and cash equivalents at the beginning of the period | 9,944 | 9,944 | 12,216 | 6,979 | 7,812 |
| cash and cash equivalents at the end of period | 6,560 | 12,216 | 6,979 | 7,812 | 8,196 |

4.7 Approved fees and levies for 2021-2024

The *Monetary Units Act 2004* permits fees to be expressed in regulations in fee units. Fee units are indexed on 1 July each year, which ensures they can be updated without the need for continual updates to regulations.

The following table sets out the value of fee units prior to and from 1 July 2021.

| Description | Prior to 1 July 2021 | From 1 July 2021 | Change |
|-------------------|----------------------|------------------|---------------|
| Monetary fee unit | \$14.81 | \$15.03 | Increase 1.5% |

4.8 Fees

4.8.1 ELECTRICITY

The following table sets out the fees payable under the Electricity Safety (Registration and Licensing) Regulations 2020. Electricity fees have not risen since 2019-20. The 2021-22 increase has been restricted to 1.5%, limiting the fee unit to \$14.67.

| Type | Fee 2021-22 |
|--|-------------|
| Electrical contractor application (43.3 fee units) | \$635.21 |
| Electrical contractor renewal (20.8 fee units) | \$305.14 |
| Licence application – Electrical worker (27.8 fee units) | \$407.83 |
| Licence application – Electrical inspector and restricted electrical worker (43.3 fee units) | \$635.21 |
| Licence application – Supervised worker licence (issued up to 3 years) (27.8 fee units) | \$244.69 |
| Licence renewal – Electrical worker (13.9 fee units) | \$203.91 |
| Licence renewal – Electrical contractor (20.8 fee units) | \$305.14 |
| Licence renewal – Electrical inspector and restricted electrical worker (20.8 fee units) | \$305.14 |
| Licence application – Switchgear worker (27.8 fee units) | \$407.83 |
| Licence renewal – Switchgear worker (13.9 fee units) | \$203.91 |

These fees are for licences and registrations for five years.

The following table below sets out the fees payable under the Electricity Safety (General) Regulations 2019.

| Type | Fee 2021-22 |
|---|-------------|
| Electronic Certificate of Electrical Safety form for prescribed electrical work (2.2 fee units) | \$32.27 |
| Paper Certificate of Electrical Safety form for prescribed electrical work (2.4 fee units) | \$35.21 |
| Periodic Certificate of Electrical Safety for relating to non-prescribed electrical work (55.6 fee units) | \$815.65 |
| Any other electronic Certificate of Electrical Safety* | \$8.10 |
| Any other paper Certificate of Electrical Safety* | \$8.90 |
| Application for exemption under Installation Safety Regulation 401 (5.99 fee units)** | \$90.03 |

* Prescribed fees that are less than the value of one fee unit are not tied to the indexing formula set out under the Monetary Units Act 2004 these are set in regulation

** Exemptions charges are based on current fee units that apply for the financial year.

The following table sets out the fees payable under the Electricity Safety (Equipment) Regulations 2019.

| Type | Fee (in fee units) | Fee 2021-22 |
|--|--------------------|-------------|
| Application for a new certificate of suitability | 60 | \$901.80 |
| Application for a new certificate of suitability for equipment previously certified by Energy Safe Victoria | 40 | \$601.20 |
| Application for a variation of a certificate of suitability – change of name or model | 17 | \$255.51 |
| Application for renewal of certificate of suitability | 17 | \$255.51 |
| Application for renewal of certificate of Application for transfer of certificate of suitability | 17 | \$255.51 |
| Application for new certificate of conformity for electrical devices and luminaires | 34 | \$511.02 |
| Application for new certificate of conformity for electrical equipment (other than an electrical devices or luminaires) | 51 | \$766.53 |
| Application for a new certificate of conformity for electrical devices and luminaires previously certified by Energy Safe Victoria | 23 | \$345.69 |
| Application for a new certificate of conformity for electrical equipment previously certified by Energy Safe Victoria (other than an electrical devices or luminaires) | 34 | \$511.02 |
| Application for a variation of a certificate of conformity – change of name or model | 17 | \$255.51 |
| Application for renewal of certificate of conformity | 17 | \$255.51 |
| Application for transfer of certificate of conformity | 17 | \$255.51 |

The following table below sets out the annual fees payable under the Electricity Safety (Cathodic Protection) Regulations 2019.

| Type | Fee 2021-22 |
|--|-------------|
| Registration fee for an impressed current cathodic protection system with a total output up to and including 250 milliamperes (8.77 fee units) | \$131.81 |
| Registration fee for an impressed current or galvanic anode cathodic protection system with a total output over 250 milliamperes and up to and including 2 amperes (21.95 fee units) | \$329.91 |
| Registration fee for an impressed current or galvanic anode cathodic protection system with a total output over 2 amperes (49.57 fee units) | \$745.04 |

The following table sets out the annual fees payable under the Electricity Safety (Management) Regulations 2019.

| Type | Fee (in fee units) | Fee 2021-22 |
|--|--------------------|-------------|
| Voluntary electricity safety management scheme | 965 per annum | \$14,503.95 |

4.8.2 GAS

The following table sets out the fees for safety case applications made under sections 52, 53, and 54 of the *Gas Safety Act 1997* are set out in the Gas Safety (Safety Case) Regulations 2018.

| Type | Fee (in fee units) | Fee 2021-22 |
|--|--------------------|-------------|
| Voluntary safety case (ss52, 53, 54 <i>Gas Safety Act 1997</i>) | 1007 per annum | \$15,135.21 |

The following table sets out two fees payable under the Gas Safety (Gas Installation) Regulations 2018, which relate to the acceptance of appliances and applications for exemptions from prescribed standards.

| Type | Fee (in fee units) | Fee 2021-22 |
|---|--------------------|-------------|
| Acceptance of appliance (s69 <i>Gas Safety Act 1997</i>) | 51 | \$766.53 |
| Application for exemption from standards (s72(3) <i>Gas Safety Act 1997</i>) | 8 | \$120.24 |

4.9 Levies

4.9.1 ELECTRICITY

Determinations made by the Minister for Energy, Environment and Climate Change under section 8 of the *Electricity Safety Act 1998* require electricity distribution companies to pay specified amounts to ESV to cover the reasonable costs and expenses ESV incurs fulfilling its regulatory functions. The following table sets out the levies, which are based on the number of customers in each electricity distribution area.

| Company | Fee 2021-22 |
|--|------------------------|
| Jemena | \$1,609,407.92 |
| Citipower Pty | \$1,520,027.32 |
| Powercor Australia | \$3,787,950.84 |
| SPI Electricity Pty Ltd/ AusNet Services | \$3,408,220.40 |
| United Energy Distribution Pty Ltd/ Alinta | \$3,084,729.59 |
| Total | \$13,410,336.08 |

4.9.2 GAS - NATURAL GAS COMPANIES

Determinations made by the Minister for Energy, Environment and Climate Change under section 11 of the *Gas Safety Act 1997* require gas companies to pay specified amounts to ESV to cover the reasonable costs and expenses ESV incurs fulfilling its regulatory functions. The following table sets out the levies for natural gas companies.

| Company | Type | Companies | Fee 2021-22 |
|--------------------------------|--|---------------------------------------|-----------------------|
| Natural gas companies | Fixed fee | | \$11,780.80 |
| Natural gas pipeline companies | Natural gas distribution pipeline owned in Victoria | | \$50.86 per kilometre |
| | Natural gas distribution pipeline domestic customers in Victoria | Multinet Gas Distribution Partnership | \$6.33 per customer |
| | | Australian Gas Networks Ltd | |
| | AusNet Gas Services Pty Ltd | | |
| | | Enwave Victorian Networks Pty Ltd | |

| Company | Type | Companies | Fee 2021-22 |
|--------------------------------|---|--|------------------------|
| Natural gas pipeline companies | Natural gas transmission pipeline owned in Victoria | <p>Jemena Gas Pipelines Holdings Pty Ltd (EGP and Vic Hub)</p> <p>Tasmanian Pipeline Pty Ltd (TPG)</p> <p>LYB Australia Ltd (Loy Yang B)</p> <p>Gas Pipelines Victoria Pty Ltd</p> <p>APA VTS Australia (Operations) Pty Ltd</p> <p>Beach Energy Resources (licence is in the name of Lattice Energy Ltd)</p> <p>APT Management Services Pty Ltd (APA) / Australian Gas Networks (Vic) Pty Limited</p> <p>South East Australia Pty Ltd</p> <p>APT Pipelines (SA) Pty Ltd (SESA Pipeline)</p> <p>Multinet Gas Distribution Partnership</p> <p>SPI Networks (Gas)/ AusNet services</p> | \$239.70 per kilometre |

4.9.3 GAS - OTHER GAS ENTITIES

Determinations made by the Minister for Energy, Environment and Climate Change under section 11 of the *Gas Safety Act 1997* require other gas companies, including those supplying Liquefied petroleum gas (LPG), to pay specified amounts to ESV. The following table sets out the levies for these companies:

| Company | Type | Companies | Fee 2021-22 |
|---|------------------|---|--------------|
| In the case of a LP or landfill gas company with direct or indirect customers of unreticulated LPG | 2 to 1,000 | Clean Energy Fuels Australia Pty Ltd | \$3,669.66 |
| | 1,001 to 5,000. | | \$7,314.34 |
| | 5,001 to 10,000 | | \$18,321.60 |
| | 10,001 to 20,000 | Origin LPG | \$36,620.29 |
| | 20,001 to 50,000 | Supagas | \$73,215.67 |
| | Over 50,000 | Elgas | \$183,027.35 |
| In the case of a LP or landfill gas company that operates a reticulated LPG system or systems | Service fee | Energy Developments Pty Ltd | \$6,959.04 |
| Other declared gas companies (reticulated LPG) | Service fee | | \$6,959.04 |
| | 2 -1,000 | AusNet Services (Mt Baw Baw) Indigo Shire Council (Buller Gas) Mt Hotham Alpine Resort Management Board Westernport Water & Gas | \$3,669.66 |
| | 1,001 to 5,000 | Elgas (Victorian LP Gas Reticulation Systems) | \$7,314.34 |
| | 5,001 to 10,000 | | \$18,321.60 |
| | 10,001 to 20,000 | | \$36,620.29 |
| | 20,001 to 50,000 | | \$73,215.67 |
| | Over 50,000 | | \$183,027.35 |

4.9.4 NON-GAS PIPELINES

Determinations made by the Minister for Energy, Environment and Climate Change, under section 132A of the *Pipelines Safety Act 2005*, require licensed pipeline companies to pay specified amounts to ESV. The following table sets out the levies payable by non-gas pipeline companies.

| Company | Type | Companies | Fee 2021-22 |
|-----------------------------|---|--|------------------------|
| Licensed pipeline companies | Fixed fee | | \$11,780.80 |
| Licensed pipeline companies | Licensed pipeline owned in Victoria Air | Air Liquide Australia Ltd ASSC Property Custodian Pty Ltd BHP Billiton Petroleum Pty Ltd BOC Ltd BP Australia Pty Ltd Cooper Energy Ltd Elgas Reticulation Pty Ltd Esso Australia Pty Ltd Incitec Pivot Ltd Mobil Oil Australia Pty Ltd Mobil Refining Australia Pty Ltd Orica Australia Pty Ltd Origin Energy Resources Ltd Qenos Pty Ltd Viva Energy Australia United Terminals Pty Ltd | \$696.60 per kilometre |

4.10 Financial management and accounting policies

4.10.1 ACCOUNTING POLICIES

Reporting entity

Energy Safe Victoria is given the authority to operate by way of the *Energy Safe Victoria Act 2005*, and is a statutory authority acting on behalf of the Crown. Its principal address is Level 5, 4 Riverside Quay, Southbank Victoria, 3006.

Basis of preparation

These financial statements are presented in Australian dollars, and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measure on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about financial information being presented. Estimates and associated assumptions are based on professional judgments derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. Unless otherwise stated, amounts in the financial statements have been rounded to the nearest \$1,000.

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS), which includes interpretations issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Victorian Government and General Government Sector Financial Reporting.

Where appropriate, those AASB paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

How funds are raised

As Victoria's independent electricity, gas and pipeline safety and technical regulator, ESV's mission is to ensure safe and efficient supply and use of electricity and gas and the safety of its pipelines for the benefit of all Victorians.

To enable ESV fulfil its objective and service delivery, ESV's primary source of income is from fees and levies. Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Fee income

Sales of Certificates of Electrical Safety (COES) are recognised upon invoicing. Registration and licence fees paid by electrical workers are recognised upon receipt of income by ESV. Fees paid by members of the electrolysis industry to cover mitigation costs, in accordance with the *Electricity Safety Act 1998*, are recognised upon invoicing.

Fees paid by manufacturers and importers of electrical equipment for approval prior to the goods being made available for sale are recognised upon receipt of income. Appliance efficiency income is recognised upon invoicing. Other sales and services are recognised upon receipt of income.

Levy income

Levy income charged on the electricity industry to ensure compliance with the *Electricity Safety Act 1998* and subordinate regulations are recognised upon invoicing.

Levies charged on the gas industry to ensure compliance with the *Gas Safety Act 1997* and subordinate regulations are recognised upon invoicing. Levy income charged on the pipelines industry to ensure compliance with the *Pipelines Act 2005* and subordinate regulations are recognised upon invoicing. Each levy covers a 12-month period and ESV carries out regulatory activities in line with that timeline.

Based on AASB 15, ESV recognises the revenue over the 12-month timeframe.

Interest income

Interest income comprises interest received on bank term deposits. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Grant income

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to ESV without receiving approximately equal value in return.

While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers).

ESV received specific purpose grants from departments and uses these funds as specified in the relevant agreement. ESV recognises revenue when ESV satisfies a performance obligation by transferring a promised good and service (an asset) to a customer as per AASB 15.

Other income

Other income comprises income from installation exemptions, reimbursements, court determinations, sundry advertising co-contributions and bad debt reversals.

How funds are spent

This section provides an account of the expenses incurred by ESV in its service delivery. The funds that enable the provision of services were disclosed above and in this note the cost associated with provision of services are recorded.

Employee benefits

Employee benefits – comprehensive operating statement

Employee benefits include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, and termination payments.

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. ESV recognises termination benefits when it is demonstrably committed to terminating the employment of current employees, according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12-months following the end of the reporting period are discounted to present value.

Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date, and recorded as an expense during the period the services are delivered.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave, and on-costs) are recognised as part of the employee benefit provision as current liabilities, because ESV does not have an unconditional right to defer settlements of these liabilities.

Unconditional LSL is disclosed as a current liability even where ESV does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if ESV expects to wholly settle within 12 months, or
- present value – if ESV does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

Superannuation expense

ESV employees are entitled to receive superannuation benefits and ESV contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debt expenses from transactions that are mutually agreed. Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Major assets

ESV controls infrastructure utilised to fulfil its objectives and conduct its activities, and represents key resources entrusted to ESV to be utilised as part of its service delivery.

Total plant and equipment

Items of plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no cost, or nominal cost, the cost is its fair value at the date of acquisition.

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost. ESV's asset policy sets the minimum asset capitalisation threshold of individual units at greater than \$5,000.

ESV recognises a group of assets as a unit when the following conditions are met:

- Multiple units of the same item are purchased in a single transaction.
- Individual value of the asset does not meet the capitalisation threshold of \$5,000, but as a group the total purchase value exceeds \$50,000 (GST exclusion).
- It is commercially viable to purchase multiple units of the same item under a single transaction.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

Depreciation and amortisation

All plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the following table.

Asset useful life in years

| Asset | Useful life |
|------------------------------|-------------|
| Furniture and fittings | 10 to 15 |
| Equipment | 3 to 15 |
| Leasehold improvements | 4 to 7 |
| Vehicle (mobile site office) | 2 to 20 |

The estimated useful lives, residual values, and depreciation method are reviewed at the end of each annual reporting period and adjustments made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

Intangible assets

ESV only recognises software, ready-made or purpose-built, in its categorisation of intangible assets. Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets are met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation begins when the asset is available for use: when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale or an intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The costs of discovery or research phase of internally-generated intangible assets are expensed.

Intangible assets with finite useful lives are depreciated as an 'expense from transactions' on a systematic (typically straight-line) basis over the asset's useful life. Intangible assets have useful lives of between two and seven years.

Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever an indication of impairment is identified.

4.10.2 OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from ESV's controlled operations.

Receivables

Contractual receivables are classified as financial instruments and categorised as *loans and receivables*. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Payables

Payables consist of:

- Contractual payables, classified as financial instruments and measured at amortised cost, and accounts payable represent liabilities for goods and services provided to ESV prior to the end of the financial year that are unpaid

- Statutory payables that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Lease agreements

ESV has lease agreements in relation to its office premises and motor vehicle fleet. Previously, these were reported as operating leases, hence the expenditure was reflected in the profit and loss statement with no asset and liability recognition.

With the introduction of AASB 16, all material leases will be brought onto the balance sheet from the 2019-20 financial year. The net present value of the lease obligation over the contract period is included as right-of-use asset and current and non-current liability in the balance sheet. The lease payments include interest expense and depreciation.

Other non-financial assets

Other non-financial assets include prepayments, which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering the term extending beyond that period.

4.10.3 FINANCING ESV'S OPERATIONS

ESV's continuing operations are financed from cash flows from operating activities (see the consolidated cash flow statement). Asset investment operations are generally financed from surplus cash flows from operating activities.

Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less. These are held for the purpose of meeting short term cash commitments rather than investment purposes, and are readily convertible to known amounts of cash, which present an insignificant risk of value fluctuation.

Due to the government's investment policy and funding arrangements, ESV does not hold large cash reserves in its bank accounts.

Risk, contingencies and valuation judgements

Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of ESV's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines, and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. Guarantees issued on behalf of ESV are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest rate method (and for assets, less any impairment). ESV recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)
- term deposits.

Financial assets and liabilities at fair value through net result are categories as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition.

Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through net result are initially measured at fair value. Attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Financial liabilities at amortised costs are initially recognised on the date they originate. They are initially measured at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. ESV recognises payables (excluding statutory payables) in this category.

Impairment of financial assets

At the end of each reporting period, ESV assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Fair value determination

Fair value is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating results
- plant and equipment.

Fair value hierarchy

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised by three levels, also known as the fair value hierarchy:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

ESV determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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