

Energy Safe Victoria

Annual Report

2018–19

 energy**safe**
VICTORIA

Creating a
safer state with
electricity and gas

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SECTION 1

About Energy Safe Victoria

Energy Safety Victoria (ESV) is established under the *Energy Safe Victoria Act (2005)*. ESV is responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria. The Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change is responsible for administering the *Electricity Safety Act (1998)*, the *Gas Safety Act (1997)* and the *Pipelines Act 2005* (the Acts). Minister D'Ambrosio was the responsible Minister for the period from 1 July 2018 to 30 June 2019.

The nature and scope of our activities are defined by our mission, objectives, functions and responsibilities, which are described in the Acts, and corresponding regulations. ESV operates within, and enforces compliance with, this legislation.

The Director of Energy Safety (the Director) holds the statutory appointment responsible to the Minister for Energy, Environment and Climate Change and the Victorian Parliament for the safe generation, supply and use of electricity, supply and use of gas, and the safe operation of pipelines in Victoria. The Director ensures that the Acts and regulations are effectively administered, maintained for currency, and appropriately communicated so that all users comply. The Director also provides executive direction and leadership of ESV.

Under the *Electricity Safety Act* and the *Gas Safety Act*, the Director may give directions and has additional powers in the event of emergencies.

ESV acts in accordance with our annual Corporate Plan, which includes a Statement of Corporate Intent and the annual business and financial plans, as specified in the *Energy Safe Victoria Act*.

ESV statutory objectives

ESV is established as the independent regulator to achieve the highest standards of community safety by ensuring safety risks arising from energy supply and use are minimised, pipeline safety hazards are mitigated and energy safety and efficiency promoted. It performs its functions and exercises its powers to best achieve our statutory objectives.

Gas safety

Ensure the safety of the conveyance, sale, supply, measurement, control and use of gas. Control the safety standards of gas work.

Electrical safety

Ensure the safety of electrical generation, transmission and distribution systems, electrical installations and electrical equipment. Control the safety standards of electrical work carried out by licensed electrical workers. Promote the prevention and mitigation of bushfire danger.

Promote safety awareness

Promote awareness of energy efficiency through labelling of electrical equipment and regulation of electrical equipment and gas installations, appliances and components. Maintain public and industry awareness of electrical and gas safety.

Ensure pipeline safety

Protect underground and underwater structures from corrosion caused by stray electrical currents. Protect the public from health and safety risks resulting from the construction and operation of pipelines.

ESV's core regulatory functions

ESV's core regulatory functions align with the reporting and assessment frameworks for regulators promulgated by the Productivity Commission and the Victorian Auditor-General's office.

License, approve and accept

Ensure that appliances meet stringent safety and energy efficiency standards before they are sold. Administer licensing, registration and approval systems that maintain safety standards and skills.

- We license electricians and electrical workers.
We register electrical contractors and line workers.
- We register and inspect cathodic protection systems and ensure electrolysis mitigation for the owners and operators of major infrastructure and key entities, such as train and tram operators.
- We approve, accept and audit safety plans for major companies, such as distribution businesses for:
– electric line clearance – bushfire mitigation – Electricity Safety Management Schemes (ESMS).
- We accept applications for complex gas installations.
- We ensure gas and pipeline companies have safety cases, construction safety plans and receive consent to operate.

Monitor and audit

Inspect and audit safety systems (including safety management systems, safety cases and plans) and also safety practices in relation to the design, construction and maintenance of all electricity, gas and pipeline networks and installations. Monitor, audit and enforce compliance with standards and requirements.

- We audit training provided by registered training organisations (RTOs) and work with them to ensure apprentices receive appropriate levels of skills and knowledge.
- We assess licensed electrical inspectors.
- We audit electrical equipment available for sale to Victorians, ensuring they are efficient and meet minimum environmental standards.

- To ensure public safety we audit gas products at point of sale and gas arrangements at public events.

Educate and encourage

Cooperatively engage with industry and the community to facilitate safety outcomes. We conduct comprehensive public awareness campaigns to educate the community and industry on the hazards associated with electricity, gas and pipelines.

- We partner with training organisations, industry organisations and unions to provide educational seminars and professional development opportunities.
- Our marketing campaigns and media relations functions target safety issues or behaviour that cannot be addressed by regulation or enforcement.
- We provide a technical helpline to support professionals in the gas and electricity industries.
- We receive complaints from the public and carries out associated enforcement and compliance.
- We participate in, and chair a range of different committees:
 - With other regulators, such as the Electrical Regulatory Authorities Council (ERAC) and the Gas Technical Regulators Committee (GTRC), to continually improve safety and national consistency of standards.
 - By participation in relevant Standards Committees along with other regulators and industry we facilitate ongoing safety improvements applicable to energy installations, equipment and appliances to protect the community.
 - Government committees with respect to emergency response and infrastructure resilience.
 - Specific technical and safety energy committees including relevant industry participants, technical experts, union representation that address specific safety hazards.

- We work cooperatively with Department of Environment, Land, Water and Planning (DELWP), other departments and other regulatory agencies to ensure consistency and alignment with cross-government policies and arrangements.

Enforce compliance

Take appropriate enforcement action (based on the severity of risk and harm) and, while accounting for responsible behaviour, may take action anyway if negligence can be shown and others have been placed at risk.

- We issue certificates of electrical safety (COES) that provide assurance to the community that electrical work meets appropriate safety standards.
- Where failures occur, we provide warning letters and infringement notices for gas and electrical installations, equipment and infrastructure.
- We conduct recalls on deficient or unsafe installations, appliances or equipment.
- We can prohibit the sale and supply of dangerous products.
- As a last resort and where the breach of energy safety is significant enough, we will prosecute.

Mission, purpose and values

Our mission

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

Our purpose

ESV protects and assists the community by:

- working in consultation with the industry and community to facilitate safety outcomes
- developing and communicating safety and efficiency requirements and programs
- monitoring, auditing and enforcing compliance with the safety regulations and Acts
- administering licensing, registration and safety systems that maintain standards and skills.

Our values

At ESV the following values are embraced and expressed in our 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 objectives.

ACCOUNTABILITY

Accountable for all our actions.

Responsible body's declaration

As Director of Energy Safety for Victoria, in accordance with the *Financial Management Act (1994)*, I present the Energy Safe Victoria (ESV) Annual Report for the year ending 30 June 2019.

This report outlines how we have performed our functions and exercised our powers to achieve the objectives under the Acts and regulations ESV administers.

This is my final Annual Report as Director of Energy Safety. It has been a privilege to serve in this role for over ten years.

I would like to thank the Minister for Energy, Environment and Climate Change, the Hon Lily D'Ambrosio MP, and the Department of Environment, Land, Water and Planning (DELWP) for their support. I also thank ESV's Audit and Risk Committee who also act as my Advisory Board, ESV staff and my executive team for all their effort and commitment in making a real and substantial difference to safety outcomes in Victoria over the last decade.



A handwritten signature in blue ink, appearing to read 'P. Fearon'.

Paul Fearon

5 September 2019

The year in review

Director's Report

Safety regulation in the spotlight

This year marked the 10-year anniversary of the devastating Black Saturday Bushfires that saw the loss of 173 lives and many more injured. In addition to the immense human suffering it also caused an economic loss to the state estimated to be \$4 billion. In its final report to the Victorian Government, the Royal Commission stated that ESV should play a more prominent role in reducing the risk of catastrophic fire caused by electricity assets.

In 2018 as part of the Government's response to the independent Review of Victoria's Electricity and Gas Network Safety Framework (the Review), recommendations were supported that, when fully implemented, will significantly increase ESV's organisational capability, analytical capacity, and technical expertise to take firm and constructive action as a regulator. The review also made recommendations that would improve the way we engage with the industries we regulate and the communities impacted by harms associated with electricity, gas and pipelines.

ESV is not alone as a regulator of which much more is expected. Other recent royal commissions have reinforced the fact that the community expects its regulators to regulate, to hold duty holders to account and keep raising the standards associated with the way risks are managed and safe outcomes are achieved. This is even more critical in the face of climate change, emerging technologies and a transforming energy industry. To meet these challenges regulators must anticipate and constantly refine the tools and powers at their disposal.

Electricity distribution company prosecuted

This year, electricity distribution company Powercor was prosecuted and convicted for numerous powerline clearance breaches and three fires caused in 2017. This brought to a close a technical and legal investigation that took over two years to complete. It is the first prosecution of its type of a major electricity company (MEC). It has been a very important milestone. It recalibrated ESV's understanding of the disciplines and processes required to build capability and reinforced an expectation that, when warranted, major electrical companies (MECs) will be prosecuted in the courts.

ESV undertook an even more complex legal investigation into two St Patrick's Day fires in the south west of Victoria in 2018. A decision to prosecute is pending. This action followed a number of comprehensive technical investigations conducted over the past year.

Prosecution is however, not our goal. It is an admission that there has been a failure to achieve an acceptable level of compliance to avoid actual or potential harm. Our main work is directed at prevention. This report documents our progress on delivering those many things that will maintain our status as a national leader and a regulator that is at the forefront of regulatory practice to prevent harm and investigate and take action when it does happen.

Powerline bushfire safety

Mitigating the risk of catastrophic fire remained a key focus of ESV throughout the year. The acceptance of all expected Safety Cases and Electrical Safety Management Schemes (ESMS) was completed including the acceptance of Bushfire Mitigation Plans and Electric Line Clearance Management plans. An unprecedented level of audits and inspections of assets were carried out.

A number of incident dashboards were created to better inform those audits and inspections. Greater focus and resource was applied to assessing and investigating the electricity distribution businesses' asset management practices and the delivery of sustainable safety outcomes for the medium to longer term.

With ESV's increased focus on data-driven decision-making, regulatory targeting and reporting has improved. We now collect data on vegetation compliance, equipment audits, events and investigations, fires, asset failures and present this information in new ways. The information is also geospatially available to better inform ourselves and the community where events and non-compliance hotspots exist. We have also established working groups with CSIRO, MFB and CFA to develop and share data and develop new approaches to further improve the way our decisions are made.

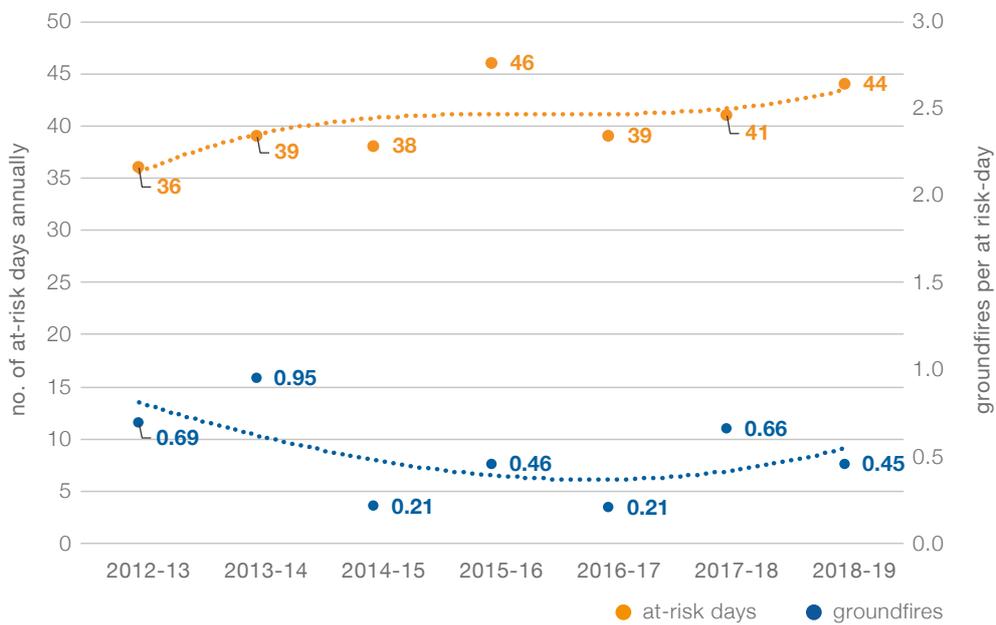
ESV's oversight and administration of the Acts and regulations covering bushfire mitigation was a priority throughout the year. Rapid Earth Fault Current Limiters (REFCLs) were commissioned by distributors Powercor and AusNet Services at 11 sites and were in operation at some level of sensitivity over the 2018-2019 summer. While REFCLs will not prevent all fires, there is evidence that they have been effective in preventing fires that would have otherwise occurred on total fire ban (TFB) days.

The full impact and effectiveness of this new, highly prospective and world leading technology will only be fully known after some years of operation. Together with the large number of other initiatives and substantial investment made in bushfire mitigation, the early indications are that incidents and fires on extreme weather days are reducing. The statistical significance of this trend cannot yet be confirmed, but more refined analysis and a longer time series will make this picture more clear. Ultimately the real test of the unprecedented investment and effort across government, industry and regulators over the last ten years will be the absence of the over-representation of electricity-ignited catastrophic fires on the worst of the worst days. It was this exhortation that underpinned the six electricity related recommendations from the 2009 Victorian Bushfire Royal Commission (VBRC) nearly a decade ago.

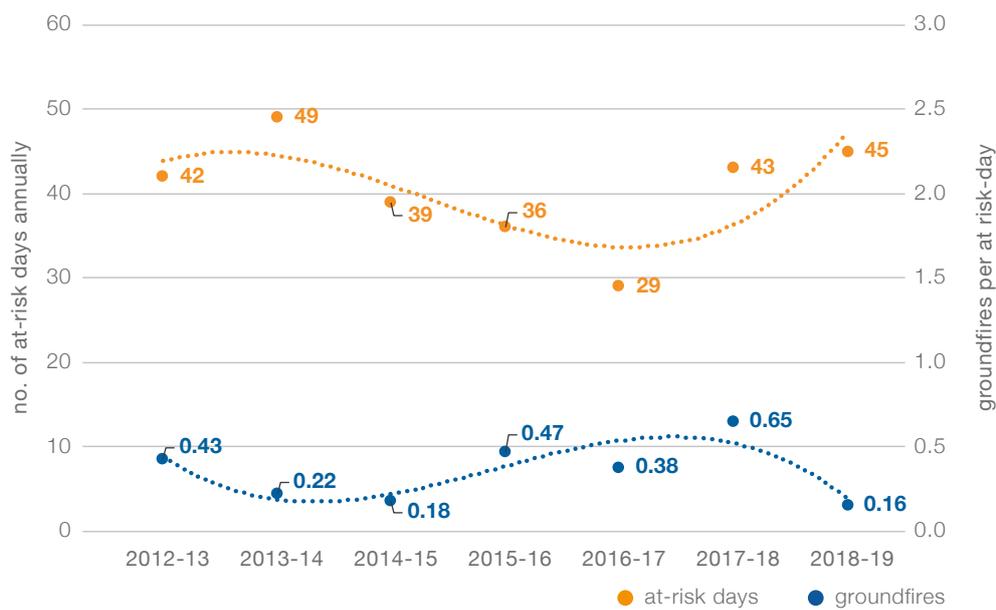
Bushfire data and analytics case study

Understanding the influence of weather allows ESV to engage with the network businesses regarding their preparedness to manage their assets under changing weather and climatic conditions. ESV has used machine learning algorithms to analyse this influence on ground fires in hazardous bushfire risk areas, with the focus being on those at-risk days when conditions are most conducive to fires occurring. The number of at-risk days annually for asset failure fires has been slowly increasing, while the rate of fires occurring has generally decreased. The at-risk days for contact event fires shows greater variability and the rate of fires occurring is variable but stable. More data and a longer times series will help resolve short-term changes but, in the meantime, ESV will continue to maintain its strong focus on vegetation clearance and asset management practices.

GROUND FIRES IN HBRA DUE TO ASSET FAILURES



GROUND FIRES IN HBRA DUE TO CONTACT EVENTS



Note: The dotted line represents a trend over the reporting period.

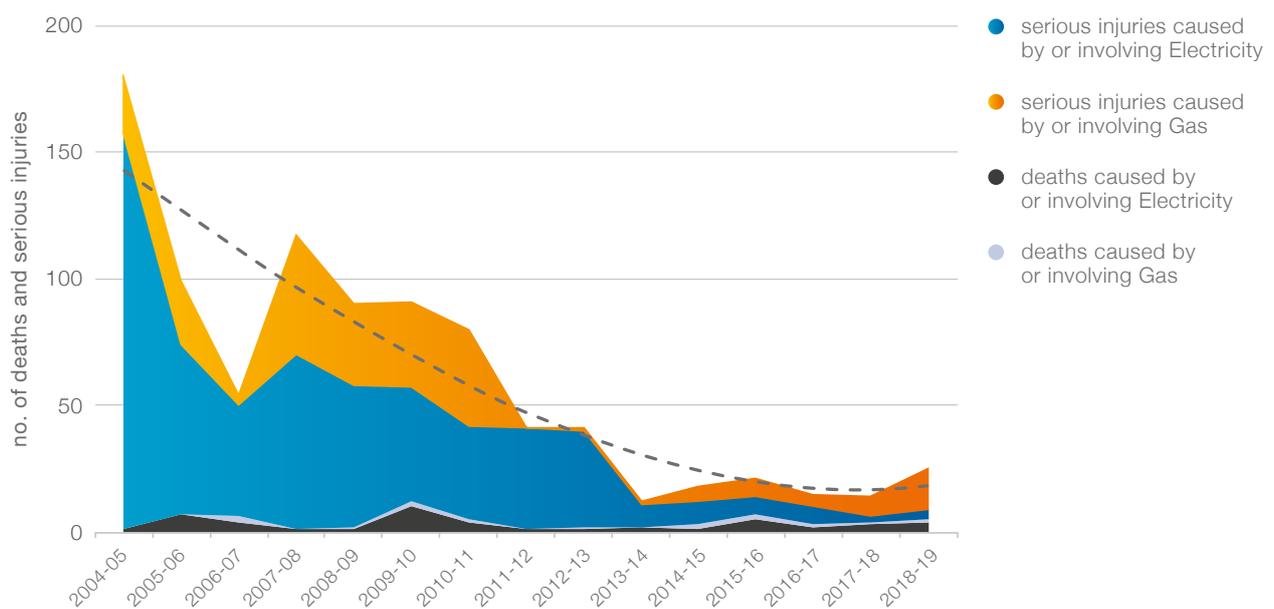
Community Safety Outcomes

This year we completed a number of multi-year major projects and initiatives that will, over time, ensure that Victoria maintains its safety record for the lowest number of incidents, deaths and injuries across Australia. Despite these efforts, five people died during the year as a result of electricity or gas related incidents. This is unacceptable. All these were avoidable. We have also observed an increase in gas related injuries this year. 16 gas related injuries have been recorded in total. Nine injuries resulted from carbon monoxide exposure from gas heater installations. The increase in reported injuries is directly attributed to the increased awareness in the community on the dangers of carbon monoxide from gas fuelled appliances.

Seven injuries resulted from burns and are attributed to BBQs and gas cooker fires and explosions. To help reduce the incidence of burns relating to gas cylinders and BBQs, ESV is driving the replacement of LPG cylinder valves with a safer alternative that will reduce the frequency of injuries related to BBQ / gas cylinder fires.

ESV is continually focussed on improving safety outcomes for the community and this was reflected in ongoing awareness campaigns, gasfitter training and changes made to Australian Standards to reduce the harms related to gas heaters.

DEATHS AND SERIOUS INJURIES CAUSED BY OR INVOLVING ELECTRICITY AND GAS (EXCLUDES WILLFUL DEATHS)



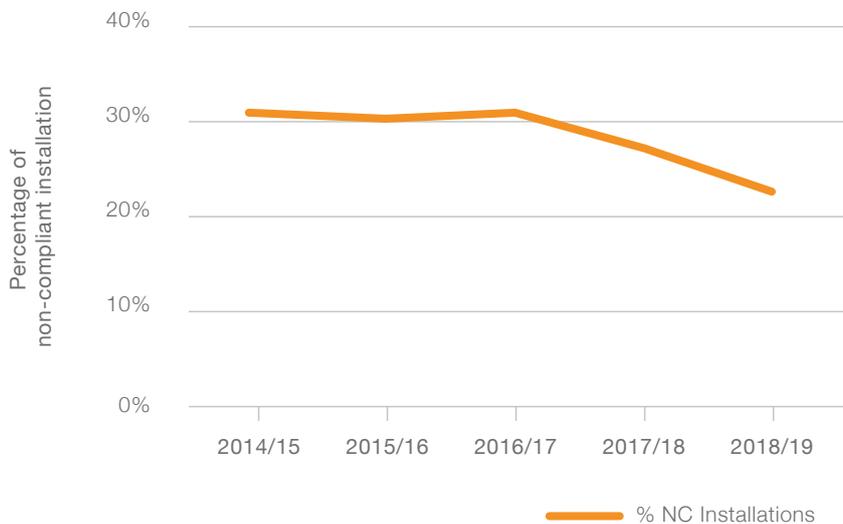
Note: The dotted trend line shows total deaths and serious injuries in decline over the last 14 years.

Gas installation non-compliance cut by 27 per cent since 2015

ESV uses a risk-based approach to currently inspect 74 per cent of the nearly 5000 complex and Type B gas installation applications it receives each year. The non-compliance rate at first inspection of these installations has been cut from 30 per cent in 2014/15 to 22 per cent in 2018/19. This has resulted from targeted education, compliance and enforcement strategies using the data from ESV's GasTrac system (for the processing and oversight of complex and Type B gas installation applications).

ESV is targeting a further reduction of this non-compliance rate to 15 per cent by 2022.

COMPLEX GAS INSTALLATIONS NON-COMPLIANCE



Understanding the high level of non-compliance identified during the initial inspection of gas installations was required to identify areas of harm and their causes. This information is used to develop technical guidance for industry which assist them to achieve compliance on the first inspection. Non-compliance information is also utilised to drive change in the prescribed standards. Being able to present evidenced based arguments has strengthened our influence on Standards Australia AG006 committee. 27 infringement notices were issued this year.

ESV has identified that commercial kitchen installations form a large component of failed inspections due to incorrect clearances to grease filters, gas leaks, and inappropriate use of flexible hoses. The first two matters have been addressed by a zero-tolerance enforcement approach. A change to the Australian Standards will also be incorporated into ESV's education program, which includes commercial kitchen self-audit check sheet for qualified gasfitters, a training package including video animation, and an installation guidance note for the use of flexible hoses.

Open flued gas space heaters and carbon monoxide spillage

Following the death of Sonia Sofianopoulos in 2017 we continued to address the risk to the public from carbon monoxide spillage from open flued gas space heaters. Testing to determine the safety of all 22 certified open flued gas space heaters on the market was completed, leading to four models being subject to remedial or replacement action. This brought the number of open flued gas space heaters that are subject to rectification or removal to six.

ESV has been at the forefront of changing the way open flued gas space heaters and Type 2 decorative effect gas heaters are being tested, after having identified problems with the testing and certification regime that involved both methodology and repeatability.

Australian Standards provide the basis for the safety testing of appliances so they can be sold to the public, and for the safety testing at installation and servicing by qualified gasfitters. ESV staff chair the standards committee that will issue a new draft servicing standard for public consultation.

ESV has worked extensively with the Victorian Building Authority (VBA) and Master Plumbers to provide qualified gasfitters with educational seminars and supporting materials ahead of winter to support their effective safety testing of open flued gas appliances.

With the support of the Victorian Government, the *Be Sure* campaign was launched to drive action and behavioural change in the community to regularly service gas heating appliances.

Carbon Monoxide: Be Sure

A specific recommendation of the Coroner's report into the death of Sonia Sofianopoulos was that Energy Safe Victoria conduct a statewide awareness campaign on the dangers of open flued gas heaters and the importance of servicing.

ESV has run an awareness campaign since the deaths of Chase and Tyler Robinson in 2010 but given the public health issues, a cross-government decision was taken to increase the investment for the 2019 campaign.

While ESV research showed awareness of the dangers of carbon monoxide was high (67 per cent), people's willingness to take action and get their heater serviced was low (48 per cent). Our research showed that a majority of Victorians had gas heating in their home (65 per cent).

The challenge was to prompt people to take action.

ESV developed a new campaign called *Be Sure*, calling on Victorians to get their heater serviced at least once every two years as the safest way to protect their families and loved ones from carbon monoxide poisoning.

The campaign addressed the serious issue of negative pressure – where the operation of exhaust fans in energy efficient houses can draw carbon monoxide into living areas – by asking people to ensure they had adequate ventilation through their house. Not to make them cold but prevent exhaust gases from entering living areas. Going into the campaign ESV was well aware that many more people die from the effects of cold weather than from CO poisoning.

The campaign also asked people to understand the symptoms of CO poisoning (which are similar to flu) and be aware of the warning signs – such as everyone in the house suffering the same symptoms at the same time.

Be Sure was on prime time TV during July and August. It was also featured on social media, high profile real estate websites (REA Group) and outdoor posters and billboards.

The campaign will recommence for winter 2020.



Investigations and enforcement

ESV has developed a number of investigation and enforcement strategies to respond to higher frequency incident types consistently and efficiently.

ESV strives to balance education and encouragement with strong deterrence to improve safety. We are able to apply different compliance and enforcement measures depending on the circumstances. These include seeking voluntary compliance, issuing a warning letter or infringement notice, and prosecution. Enforcement strategies were implemented by ESV during the year to address the following issues:

- Gas mains and services asset damage, which involves a third party asset strike on the gas distribution network
- Transmission pipeline encroachment, which involves excavation within three metres of a Gas Transmission Pipeline or a Licensed Pipeline.

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Community engagement and awareness

ESV takes a multi-faceted approach to community engagement, utilising a variety of channels to talk to both community and industry:

COMMUNITY SPONSORSHIPS

- Canteen Grants (\$25,000): grants of \$1000 were offered to football/netball club canteens to replace old, dangerous or inefficient gas/electrical appliances
- Clown Doctors (\$50,000): provided two Clown Doctors for the Royal Children's Hospital burns clinic once a week for 50 weeks of the year
- Field days: ESV hosted a stand at various field days across rural and regional Victoria.

INDUSTRY

- The Victorian Tree Industry Organisation (VTIO): access to arborists
- Municipal Work Association (Victoria): access to municipal workers
- Future Energy Skills: sponsor a mobile education centre for electrical apprentices in remote areas
- The World Plumbing Conference: gold sponsor of the conference that brings gasfitters and plumbers together
- Various TAFEs and RTOs: access to plumbing and electricity teachers and apprentices.

SOCIAL MEDIA

Facebook and Messenger enabled ESV to have real time conversations with our key stakeholders. We responded to people with a variety of consumer and technical issues each week through social media. Social media is a key channel for our safety awareness campaigns:

Major campaigns social media reach

Campaign	Reach
Be Sure (carbon monoxide awareness)	1,402,605 people*
Know The Drill Before You Grill (BBQ awareness)	1,701,609 people

*Postcode targeting was used on metro and regional lines

COMMUNITY AND INDUSTRY CONSULTATION

ESV seeks the views and opinions of key stakeholders on statutory issues, particularly regulatory change. During the reporting period we consulted on:

- ESV's prohibition of RCBO (discussion paper)
- The Electrical Equipment Safety Scheme (EESS) regulations (issues paper)
- Cathodic Protection regulations (issues paper)
- Electricity Safety Management regulations (issues paper)
- Gas Safety (Gas Installation) Regulations (consultation paper)
- Gas Safety (Safety Case) Regulations (consultation paper)
- ESV's technical report into the Safety of powerlines in south west Victoria (consultation paper).

Electrical Equipment Safety Scheme

After a decade of policy development by ESV and inter-jurisdictional work by safety regulators the Victorian Government passed legislation that created the Electrical Equipment Safety Scheme (EESS). This scheme – already adopted in law by Queensland and soon by other states – radically changes the way new, largely imported equipment is certified, registered and sold by responsible suppliers. The EESS is supported by a national database of responsible suppliers and registered electrical equipment. The ability to trace specific products back to the original manufacturer will allow better targeted enforcement action when safety issues arise.

The scheme is risk based and ensures that duty holders can be held accountable for the equipment they supply, and the efficient recall of defective and unsafe equipment. The scheme also provides for a significant increase in check testing capability to ensure compliance, especially products that present new or emerging risks such as residual current devices and energy storage devices. This scheme provides a useful model for other regulators to examine in the context of the safety and quality of imported products being used in the community and by industry.

Public understanding of Australian safety requirements is also improved through the use of a single regulatory compliance mark nationally. The EESS database also allows the public to verify whether goods being offered for sale, particularly those being sold on-line, are legal for supply in Australia.

Solar installations

ESV is working closely with Solar Victoria to ensure the Government's Solar PV Panel Rebate Scheme is rolled out safely. The government incentive scheme for the installation of small scale solar panel systems in Victoria has seen a 75 per cent increase of renewable energy systems installed over the last two years.

Oversight and monitoring are key to ensure risks can be identified early, managed and electrical safety maintained. Solar Victoria advises ESV of the installations supported by the scheme and any non-compliant or unsafe installations of which it is aware. Our strategy is to prioritise the unsafe over the non-compliant; our enforcement approach is to remove the ability of the incompetent or the repeat offender to undertake further work by restricting their licences until they have undertaken further training and demonstrated their competency. When this fails, infringement notices are issued or prosecution is pursued.

ESV has established a dedicated team to support the solar initiative and has redeployed compliance officers with specific solar and renewable energy experience to ensure the program gets the support it requires. Development of education programs has also been undertaken to provide specific support for this growing segment of the electrical industry.

Regulatory technology solutions

ESV continued to invest in new systems to support more efficient and effective regulation. This year the electronic Certificate of Electrical Safety (COES) system in Victoria was rebuilt and together with a rebuilt Licensing and Registration system was successfully launched on our customer facing ESVConnect platform.

When an electrician (A grade) performs non-prescribed electrical work they must self-certify the work, give a copy of the COES to the person the work was done for and submit one to ESV. ESV then samples 8-10 per cent of the submitted certificates and, through its external auditor, checks the work for compliance and safety. The results of these audits are then used to inform the education of the trade, standards development as well as enforcement focus and actions. Currently 800,000 COES are issued by 9000 practitioners each year. Even small improvements in user experience or savings in time can aggregate to significant economic benefits as well as better safety outcomes and more reliable and timely certificates issued to the public. Some of the other benefits already identified include:

- reduced regulatory burden from quantifiable time savings for every certificate processed estimated at \$7.3M pa
- enabling the attaching of photos, graphs and test results
- improved information verification through date and time stamping
- greater administrative flexibility by allowing operators and administrator access
- greater work efficiency by enabling status of work-in-progress and employee work load to be reported
- greater efficiency and accuracy by making it easier to amend and validate certificates
- industry benefits include greater visibility, transparency and validation of work.

Regulatory benefits included:

- improved processing speed and efficiency
- better targeting of audits and inspection
- all information sought is actually required by the regulations
- improving data security and privacy.

Within three weeks of the launch 5300 electrical workers and 3400 registered electrical contractors (RECs) had upgraded their status and 19,000 certificates had been purchased and lodged. Industry has responded warmly to the new system.

Future scenario planning

ESV has undertaken a detailed project to consider the emerging technical, socio-economic, demographic and environmental risks that will impact the industries we regulate. A scenario planning approach allowed ESV to consider the range of futures that may emerge and to begin developing responses and risks.

We identified four major global trends that were plausible with divergent futures. These scenarios were tested with an executive steering committee and thirteen national and international experts.

This work is the first stage in articulating the roadmap recommended in the Review of Victoria's Electricity and Gas Network Safety Framework and will also inform the Future Trends Advisory Committee that will be established in the coming year. The project report will be published shortly.

Our people

The increasing demands of technical and safety regulation have required a substantial increase in capacity and capability.

In ten years ESV staffing has increased from 88 people to 162. This almost doubling in size has also seen audit and inspection resources on the ground grow substantially. For example total electrical infrastructure engineering, audit and analytical resources have increased from eight to 28 people.

At the same time the growth in the capability of ESV has seen the establishment of new regulatory capabilities such as:

- data and analytics
- solar inspection and compliance auditing
- alternative fuels and energy storage
- enhanced vegetation systems audit and inspection.

Complementing the increase in resources has been greater emphasis on learning and development and a progression framework that recognises the diversity of technical, legal and regulatory skills required of a modern regulator.

A highly capable regulator also requires its workforce to be engaged and motivated. The People Matter Survey is run annually by the Victorian Public Sector Commission. The survey results tell us how employees see their workplace, including views on equal employment opportunity, discrimination, fair and reasonable treatment and diversity and inclusion.

The survey aids ESV's understanding of employee engagement and job satisfaction. ESV uses the results to improve the working environment for our people.

Whilst significant changes to the 2019 survey make year on year comparisons difficult, these results illustrate ESV's favourable positioning and improvements against comparable organisations and the wider VPS.

People Outcomes	2019 Score	Variance to		2018
		All VPS	Comparator Group	
Participation in survey	91%	+45%	+21%	+9%
Human rights	85%	+4%	+6%	N/A
Respect	84%	+9%	+7%	N/A
Safety	80%	+5%	-1%	N/A
Integrity	76%	+7%	+4%	N/A
Diversity & inclusion	74%	-4%	-4%	+2%
Equal employment opportunity	74%	-4%	-6%	N/A
Learning and development	68%	-1%	+1%	N/A
Psychosocial safety climate	59%	+11%	+7%	+2%

These results were influenced by the action plan developed in response to the 2017 survey that focussed on psychological wellbeing, merit, equal employment opportunity, bullying, leading change and career opportunities.

We also continued to deliver against our Health and Wellbeing Strategy, introducing mindfulness sessions and a range of medical checks and greater exercise opportunities for staff.

Addressing gender diversity

ESV has formed a partnership with Monash University's Department of Material Science and Engineering to sponsor a female graduate in the field of corrosion relating to stray electrical currents. The scholarship will be named in recognition of the chair of ESV's Audit and Risk Committee and Advisory Board for Energy Safe Victoria, Dr Anne Astin PSM. Dr Astin is a distinguished food scientist and company director who has previously held a number of senior executive positions in the Victorian public sector, working in food policy and regulation, public health, agriculture, minerals and petroleum, natural resources and environment, land administration and forensic science.

This year ESV also appointed the first women to the following roles:

- gas safety officer (inspector),
- team leader, gas operations,
- electrical engineer and
- electronics engineer.

Independent Review of Victoria's Electricity and Gas Network Safety Framework (Grimes Review)

UPDATE ON PROGRESS

The Independent Review of Victoria's Electricity and Gas Network Safety Framework (Grimes Review) recommended significant reforms focused on strengthening the capabilities and regulatory approach of ESV.

The implementation of the Government Response to the Grimes Review is being overseen by an integrated, multi-department government committee to ensure the reforms are being implemented effectively. Through this approach, critical improvements are being made to transform ESV towards best practice regulation to improve the safety outcomes for Victorians.

During 2018-2019, ESV made significant progress on the implementation of the Government Response including:

- Updating the Conflict of Interest policy and commencing the preparation of guidance material and training for staff (recommendation 3)
- Progressing the development of a workforce strategy to support attraction and retention of high performing staff, including development of a new progression framework (recommendation 5)
- Substantially enhancing ESV's audit and inspection staff resources in both the gas and electricity sectors to increase the numbers of inspection and audits (recommendation 6)
- Updating the ESV Charter of Consultation and Regulatory Practice and its Compliance and Enforcement Policy (recommendation 9)
- Commencing work to improve guidance to regulated businesses on ESV's expectations for safety cases, including the development of safety case policy and guidelines for gas companies (recommendation 42)
- Updating and publishing the Electricity Hazards and Safety Handbook for Emergency Service Personnel (recommendation 19)
- Continuing to provide advice on the need for exemptions from performance standards in the Electricity Safety (Bushfire Mitigation) Regulations (recommendation 28)
- Commencing establishment of an integrated plan of action to strengthen ESV's data management and analytical capabilities. The implementation of this plan will form the basis for enhancing ESV's risk-based regulation (recommendations 8 and 14)
- Engaging an international consultant to initiate the development of a roadmap of potential and emerging safety issues and proposed actions in consultation with Australian and international experts. An internal steering committee and working group have also been established for the project (recommendation 33).

Achieving our energy safety objectives

The following outlines key ESV objectives which meet our obligations under:



The Statement of Expectations issued by the Minister for Energy, Environment and Climate Change



ESV's Corporate Plan 2018-21



The Independent Review of Victoria's Electricity and Gas Network Safety Framework

Bushfire safety

Objective: Prevention and mitigation of bushfire danger from electricity assets



RAPID EARTH FAULT CURRENT LIMITER (REFCLs)

Outputs

- REFCLs: Administering legislation, involved granting exemptions against regulations, making recommendations to the Minister around the technical elements for exemption requests to the the Act and granting of time extensions to the Act. Extensive testing programs were undertaken by the major electrical companies (MECs) to demonstrate the achievement of the capacity required by legislation. ESV issued conditional approvals as MECs worked to implement this new technology. Time extensions were granted to some MECs that were unable to meet the performance required in the specified timeframe.
- Auto circuit reclosers (ACRs): ESV monitored Powercor's program for deployment of ACRs on all single wire earth return (SWER) powerlines.
- Powerline replacement: ESV reviews and accepts design standards on all powerline replacements in Electric Line Construction Areas (ELCA). ESV has monitored the amount of powerline replaced areas of high bushfire risk that were not included in the Government's Powerline Replacement program.
- F-Factor Scheme: ESV validates the data provided to the AER from the MECs against the incident data that has been separately reported to ESV. The validations inform the AER's funding decisions.

Outcomes

- ESV has ensured that MECs are complying with bushfire safety legislation thereby ensuring Government expectations are met.
- The first tranche of REFCLs were commissioned and were in operation at varying levels of the required capacity.
- The implementation of this technology will take several years before the full safety benefits are achieved.

2018 bushfires in south west Victoria



Outputs

On 17 and 18 March 2018, high winds in Victoria's south west led to six fire starts that involved electricity distribution assets and resulted in serious property damage and stock loss. ESV completed investigation reports on all six fires. Four were started by trees or branches from outside the prescribed clearance space contacting powerlines, one involved clashing powerlines and one involved a broken power pole. The last two fires are the subject of ongoing legal and enforcement investigations.

Since the fires, there has been community concern about the potential for further fires due to distribution assets (specifically pole failures).

ESV has been working with Powercor, the community and independent experts to determine whether Powercor's pole inspection and maintenance process is fit for purpose or requires modification, and whether there is an immediate and systemic risk of further pole failures in the south west.

Powercor undertook visual inspections and 'hammer' tests of 19,000 poles. ESV independently undertook the same inspections and tests of 1200 poles (with a sub-sample overlapping the Powercor sample). ESV undertook an independent analysis of the raw data from all Powercor inspections and tests. ESV also carried out sonic tomography and electronic impedance testing of 112 poles (within the ESV sample) to determine whether there were internal cavities. Further, ESV and an independent technical expert analysed the conclusions of breaking point tests conducted on 13 poles removed from the area. Throughout the process, ESV met several times with community members (with some meetings attended by the Minister and Department) and attended Powercor's community forum in Warrnambool.

Outcomes

Powercor's pole inspection and maintenance process was changed to increase the frequency of inspections for limited life poles and increase the safety factor applied to all poles on Powercor's network from 1.25 to 1.40. This will reduce the likelihood of unanticipated failures.

ESV will continue investigations to assure itself and the public that Powercor replaces poles at an appropriate rate and that the right poles are replaced to ensure sustainable asset performance.

MAINTAINING CLEARANCE SPACE BETWEEN ELECTRIC LINES AND VEGETATION

Outputs

Before and during the 2018-2019 fire season, ESV inspected approximately 9800 spans in Hazardous Bushfire Risk Areas (HBRA), 5800 spans in regional and peri-urban Low Bushfire Risk Areas (LBRA) and 3300 spans in LBRA across nine municipalities.

ESV has worked with the CFA and all distribution businesses to develop and secure funding to reinstate cyclic reviews of HBRA and LBRA classifications across the state. This work has commenced for the Powercor network with other networks to follow.

Outcomes

ESV was satisfied with the clearing standards that had been achieved by AusNet Services, Jemena and Powercor in HBRA, by AusNet Services and Jemena in regional and peri-urban LBRA and by AusNet Services, CitiPower, Jemena and Powercor in urban LBRA.

ESV was not satisfied with the clearing standards achieved by United Energy in HBRA and LBRA. United Energy was directed to clear all non-compliant spans identified. The matter is currently the subject of an ongoing investigation and enforcement action.

ESV was also not satisfied with Powercor clearance in regional and peri-urban LBRA, and this too is the subject of an ongoing investigation and enforcement action.

ESV investigation of United Energy and Powercor for this poor performance resulted in an independent audit of their vegetation management functions and systems. ESV required United Energy and Powercor to embed the improvement opportunities identified through the independent audits into their electric line clearance management plans, making them enforceable. ESV is closely monitoring the implementation of the improvement opportunities through its reporting, audit and inspection regimes.

ESV investigated nine councils that failed to meet their line clearance obligations. ESV is requiring each council to address the non-compliances and has closely monitored their progress.

Pipeline safety



PROTECTING THE PUBLIC FROM SAFETY RISKS FROM PIPELINE CONSTRUCTION AND OPERATION

Outputs

ESV delivered an awareness program to over 40 councils and council planners, created a series of fact sheets for ESV's website, and developed an options paper outlining how the planning system can better recognise pipelines.

ESV also advanced other initiatives, including ongoing involvement in the planning scheme amendment process and assistance with a planning panel, and finalising the preferred methodology for identifying pipelines, and a common list of 'notifiable developments'. ESV also continued to advocate for state-wide recognition of pipelines in the planning system, building on the government response to the Major Hazard Facilities Advisory Committee's recommendations.

ESV surveyed all council planning departments to better understand their awareness of licensed pipelines. The results helped ESV develop an education program to increase the awareness among planners of this critical infrastructure.

A summary of initial survey results shows:

- 43 councils participated in the survey
- Over 58% of respondents do not know what a licensed pipeline is
- Over 35% of respondents do not know whether there are licensed pipelines in their municipality
- More than half of all respondents are not aware of the Pipelines Act or other regulations relating to pipelines
- Over 70% of respondents do not know how to find the location of licensed pipelines

- Over 80% of respondents are unaware of the Australian Mapping Database
- Over 80% of respondents said they would find it beneficial for ESV to present to planning staff on matters relating to planning around licensed pipelines.

Outcomes:

A follow up survey will help ESV to understand the effectiveness of the awareness program and identify any gaps that may need to be addressed.

PIPELINE AUDIT PROGRAM



Output

The 2018-19 audit program focused on mains insertion works, emergency management and pipeline patrols, and cathodic protection systems.

The type of data captured involving mains insertion works and emergency management and pipeline patrols included information about the asset owner and the contractor performing the work as well as the detailed categorisation of the defects identified and monitoring of the defect reports issued.

Outcomes

The program saw a material increase in ESV's compliance and inspection activities. Our enhanced cathodic protection audits captured valuable data that confirmed that as far as possible:

- pipelines are protected, meeting AS2832 requirements
- cathodic protection recommendations are being recorded, reviewed, and tracked to completion
- cathodic protection work is being conducted by trained and competent personnel
- reports produced by cathodic protection contractors are being internally reviewed, verified and approved by the licensees.

Ensuring equipment safety standards to protect consumers



GAS HEATER SAFETY

Outputs

- ESV instructed the conformity assessment bodies recognised as operating gas appliance acceptance schemes to conduct testing of all 22 certified open flued gas space heaters on the market to confirm they were both safe and compliant. Four models were subject to remediation or replacement action. This brought the number of open flued gas space heaters that are subject to rectification or removal to six
- the GTRC (chaired by ESV) is leading a project that aimed to align methodology in AS/NZS 5601.1 Appendix R (Combustion Product Spillage Testing for Open-Flued Appliances) with the improved testing methodology included in AS4575 (Type A Appliance Servicing)
- ESV is a key participant in the revision of the Australian Standard to improve the downdraught test for open flued gas space heaters, which simulates the effect of downdraughts caused by wind conditions. A key feature of the improvements was developed and implemented by ESV in its investigation of the Vulcan/Pyrox Heritage and the subsequent coronial inquest
- the Gas Technical Regulators Committee (GTRC - chaired by ESV) approach to testing and certification is now being examined by the GTRC with the aim to emphasise and establish safety rather than strict compliance

- the Carbon Monoxide Safety Program (with VBA) delivered training to licensed plumbers on CO and CO testing; and requires all plumbers who carry out gasfitting and/ or Type A appliance servicing and/ or appliance conversion work to complete an online learning module covering carbon monoxide spillage and negative pressure testing. Throughout August 2018, ESV, the Victorian Building Authority, and the Master Plumbers performed a series of carbon monoxide safety seminars attended by 2535 gasfitters. At the end of June 2019, 16,688 qualified gasfitters had completed the program
- led by ESV, the Victorian Government campaign Be Sure was launched to drive awareness and behavioural change in the community to regularly service gas heaters.

Company/Appliance	Units Rectified/ Replaced	Estimate of Units Sold
Sampford IXL - Cannon space heaters	1826	12,000
Climate Technologies - Vulcan/ Pyrox Heritage	604	4000*
Fire Place Products Australia - Regency model I31	107	869
Fireplace Products Australia - Regency model F38/FG38	168	1136
Glen Dimplex Australia – Real Flame Pyrotech	226	815
Glen Dimplex Australia - Nectre 2000	36	338

*a national estimate only.

NOTES

The rectification work for the Cannon and the Pyrox/Vulcan Heritage gas space heaters started following safety alerts issued by ESV in April 2016 and April 2018 respectively. The figures for units sold are estimates only given the number of years these products have been on the market and changes in the suppliers

for these products over time. Also, these estimates may be higher than the number of units still installed due to decommissioning of units for various reasons over time. The rectification work for the Regency Pyrotech and Nectre models started following safety alerts in February 2019. Estimates of units sold for these models are more accurate given the shorter period for which they have been on sale. In all cases rectification work is actively ongoing.

Installation safety



GAS SAFETY

Outputs

ESV took a risk-based approach to inspect 74 per cent of the nearly 5000 complex and Type B gas installation applications it received, which identified a high level of non-compliance (30 per cent in 2015-16). Further analysis established some common factors of non-compliance including: location (commercial kitchens), gas leaks, grease filter clearance, and the inappropriate use of flexible hoses. This resulted in the development of zero tolerance strategies that comprised a targeted education campaign and compliance and enforcement strategies, development of a commercial kitchen animation and training module, self-audit compliance check sheets, and changes to the Australian standard.

Outcomes

The non-compliance rates of new gas installations at first inspection has now been reduced from 30 per cent in 2014-15 to 22 per cent in 2018-19, and ESV aims to halve this non-compliance rate to 15 per cent by 2022. The reduction of non-compliant and potentially unsafe new gas installations at the first inspection has released resources (due to fewer re-inspections), enabling ESV to focus on other activities with the potential to cause harm to the community.

Electrical equipment safety



Outputs

The Electrical Equipment Safety Scheme (EESS) legislation was passed by the Victorian Parliament on 8 September 2018. *The Electricity Safety Act* was amended and the *Electricity Safety (Equipment) Regulations (2009)* were replaced on 1 April 2019 by the *Electricity Safety (Equipment Safety Scheme) Regulations (2019)*. This gives force to the EESS in Victoria and, together with the implementation of similar legislation in Queensland, we now have the backbone of a national system.

Since April, ESV has been working with suppliers of electrical equipment to inform them of their obligations under the EESS and to help them transition smoothly onto the EESS.

Outcomes

The EESS provides a nationally-consistent approach to the certification of household electrical goods. It supports a robust regime of approved, independent certification organisations and clear accountability for responsible suppliers to ensure the safety of the goods they manufacture or import. The EESS facilitates a single national certification system, reducing the costs to manufacturers and suppliers. It also ensures the safety of the public by providing a system of registered certification organisations applying common risk-based standards that are mutually-recognised in each state.

The EESS is supported by a national database of responsible suppliers and registered electrical equipment. The ability to trace specific products back the original manufacturer will allow us to better target and coordinate enforcement action when faults arise.

Public understanding of Australian safety requirements is improved through the use of a single regulatory compliance mark nationally. The EESS database also allows the public to verify whether goods being offered for sale, particularly those being sold online, are legal for supply in Australia.

Case studies

E-cables

In 2015 ESV issued a mandatory recall notice to E Cables Pty Ltd for copper clad aluminium (CCA) power cable with RE110 insulation supplied since 2011. There was a defect with the insulation manufacturing process, meaning that the cable's mechanical properties were reduced with the increase of temperature. This can allow access to live parts if the cable is subject to pressure like cable ties, the weight of other cables or accidental penetration from foreign objects.

Over 200 installations were identified to have this cable. We believe that all installation owners have been made aware of the existence of the cable in their installation and the actions that they need to take to mitigate the safety risk. In many instances ESV had to write to owner corporations advising them of the existence of E-cable in their installations.

In order to verify that the remediation work has taken place as required, an inspection program was undertaken by an engineering company to assess 21 sites that were reported as being remediated. This program assessed the status of the cable and identified safety defects.

The results of the inspection showed that there had been no cable deterioration that requires immediate remediation action. While this investigation has been ongoing for a number of years, we have persisted and done all we can to ensure the safety of the community.

Evaporative air conditioners

ESV purchased and submitted six models of evaporative coolers from five different brands for check testing. The testing was to assess compliance with specific clauses of AS/NZS 60335.2.98 safety requirements for humidifiers, where non-compliances could render the equipment unsafe. All the check tested models showed non-compliances to varying degrees.

ESV communicated with the suppliers, and all suppliers have agreed to modify their range of evaporative coolers to make them compliant with AS/NZS 60335.2.98. Considerable time and effort has been put in to working with these companies to ensure compliance is achieved, whilst not going down enforcement routes such as prohibition, which could result in substantial financial losses or unnecessary closure of companies. To date all but two companies (Air Group and Omega) are now selling compliant products. The two companies hold a comparatively small market share, and have been informed that they can no longer supply their products.

RCBOs

A new 12 month prohibition was issued for Compact residual current circuit breakers with overcurrent protection (RCBOs) on 3 July 2019 with an updated test method.

The updated test method resulted from an ESV investigation into a group of townhouses where 30 RCBOs were wired incorrectly and then failed when the test button was pressed. During this investigation ESV identified that some products that comply with the original test method were still prone to fail if they were installed incorrectly. A revised test method was then developed in conjunction with an expert nominated by the Australian Industry Group (AIG) in their role as an industry representative.

A discussion paper on the extension of the Compact RCBO prohibition and the updated test method was issued for industry consultation on 2 April 2019. Three responses were received from industry. There were no new concerns raised by industry that would warrant a reconsideration of the decision to issue a new prohibition. With the implementation of the new prohibition, a further 86 models of RCBOs have been removed from the list on the ESV website.

During this process ESV has consulted with industry which has not been easy due to strongly differing opinions in relation to acceptable tolerances to risk. However, it has demonstrated that good results can be achieved without compromising safety.

Online marketplace operators

ESV has been investigating complaints relating to non-compliant, unapproved and potentially unsafe electrical equipment being offered for supply on various internet platforms or marketplaces. A marketplace is essentially a virtual store where the owner or operator of the website will let other sellers sell their products and profit from it. Marketplaces that are popular in Australia are: Amazon, eBay, Catch.com.au, Facebook, Alibaba and Gumtree. Additionally, other e-commerce businesses such as Gray's Online and Kogan are also launching marketplaces.

ESV has been working with some of the larger online marketplaces (eBay and Amazon Australia) that have cooperated with ESV to remove reported, unapproved and non-compliant equipment. ESV also issued a notice to comply letter to Catchoftheday.com.au regarding unapproved items that were being offered for supply. As a result, they conducted a desktop audit of the listings on their platform and removed more than 600 items, which were believed to be non-compliant and unapproved. While further work in this field has to be developed, it is encouraging to see good cooperation and subsequent action being taken.

Outcomes

In all four cases, ESV has sought to work with industry groups and individual companies to resolve concerns regarding unsafe equipment. ESV has engaged with industry cognisant of the need to balance community safety with the commercial impacts on individual businesses. While there have been challenging discussions due to strong and differing opinions in relation to acceptable risk tolerances and who is responsible for addressing such risks, we have always sought to ensure that the safety of the Victorian public remains paramount.

Ensuring relevant technical and safety standards

ELECTRICITY

Output

- ESV has been a substantial contributor to the development and update of electrical equipment safety standards and has contributed to 48 new editions and amendments being published. In particular ESV has driven the following safety outcomes.
- As a result of incidents with children putting foreign objects in socket outlets, there is current work being undertaken by EL4-11 for the introduction of child resistant socket outlets. Even though there will be a significant cost impact, manufacturers have agreed to proceed with a review of the standard.
- ESV has been investigating numerous recalls of power supplies with integral pins that have had their enclosures split open allowing access to live parts. The failure mode has been attributed to poor quality assurance and design. ESV has been instrumental in developing a technical solution that can be adopted by standards Australia committees EL004, EL-002, TE001 and EL041. ESV has participated in joint working groups for the committees that have undertaken the development of a test method to ensure adequate performance of equipment with integral plug pins.
- Following safety concerns raised in relation to the risk of electric shock that may result from extra low voltage (ELV) self-ballasted light emitting diode (LED) lamps fitted with a mains lamp cap that may be inadvertently inserted into 240V, ESV has led a project to adopt IEC 62838 to address the issue. A fast track adoption project has been approved to ensure a quicker adoption.

Outcome

- We have led the introduction of the change to the electronic switch standard AS/NZS 60669.2.1 as a result of an incident that we investigated. This change has been adopted by the International standard.

GAS

Output

- AS/NZS 5601.1 (General gas installations) and AS/NZS 5601.2 (caravans and boats) are progressing, with the public comment drafts due to be published in late 2019 or early 2020.
- The Safe+Connect project is actively amending or revising a range of standards related to LP Gas, gas appliances, gas cylinders and cylinder valve in order to allow for the introduction of a new LPG cylinder valve that features a back check function.
- DR AS/NZS 5263.1.11 (small gas engines) was released for public comment. Due to a significant number of comments submitted, it will be released for a second round of public comment.
- The revision of AS 4632 (over-pressure shut-off and under-pressure shut-off devices) has completed public comment.
- The specification for natural gas (AS 4564) is currently being revised in light of identified issues and to align with modern standards.
- Revisions of AS/NZS 5263.10 (Gas direct fired air heaters) and AS/NZS 5263.1.12 (Gas pool heaters) have been published.
- Revisions of AS 4618 (Gas appliance regulators) and AS 4621 (Regulators for use with liquefied petroleum – Vapour phase) have been published.
- ISO/TC 161 has completed revision of ISO 23551-2:2018 (Pressure regulators) and ISO 23551-4:2018 (Valve proving systems for automatic shut-off valves). ISO 23551-8 (Multi-functional controls) has been amended with regards to overheating safety devices.

Outcome

ESV continues to contribute its technical expertise to Australian and international gas safety standards. Robust safety standards underpin all assurances of safety from an end-user perspective, and it remains critical that these documents remain fit for this purpose. The Safe+Connect project is a notable example, and will result in the implementation of a new safety valve for LPG cylinders following on from a Coronial recommendation and significant work by ESV to reduce the number of incidents involving LPG cylinders.

A strong regulatory framework



MANAGE AND CONTINUOUSLY IMPROVE THE REGULATORY FRAMEWORK AND GOVERNANCE

Outputs

ESV remade the *Gas Safety (Safety Case) Regulations (2018)* and the *Gas Safety (Installation) Regulations (2018)* following industry and public consultation. In addition, the requirements of the *Gas Safety (Gas Quality) Regulations (2017)* were included in both sets of regulations, and these regulations were subsequently revoked.

We undertook extensive policy work and preliminary consultation for remaking of the *Electricity Safety (Management) Regulations (2009)*, the *Electricity Safety (Cathodic Protection) Regulations (2009)*, the *Electricity Safety (Installations) Regulations (2009)* and the *Electricity Safety (Electric Line Clearance) Regulations (2015)*.

We established a consistent approach to the safety case framework. Following the review and remaking of the *Pipeline Regulations (2017)* and the *Gas Safety (Safety Case) Regulations (2018)*, ESV published its safety case policy and guidelines for the preparation and submission of safety cases and safety management plans.

ESV consolidated the Gas Safety Case Evaluation Acceptance Panel and the Electricity Safety Management System Evaluation Acceptance Panel, and their supporting terms of reference to strengthen consistent assurance processes.

Outcomes

This work brings into alignment the assurance processes and underpinning regulatory principles across the gas and electricity sectors. The panels met routinely to consider proposed acceptance decisions and the adequacy of planned activities to address risks.

Better guidelines encourage consistency of safety case and safety management plan development by industry participants and streamline the subsequent review and acceptance processes within ESV. They also provide transparency and clarity around requirements leading to more efficient compliance by the gas, pipeline and electricity businesses and enforcement by the regulator.

Activity and performance reporting

POWERLINES & BUSHFIRE MITIGATION

Measure	Target	Total
Statutory Plans – Bushfire Mitigation		
BFM Plans evaluated (< 3 months)	100%	100%
BFM Plans accepted	11	17
Electricity Safety Management Schemes & Safety Cases		
ESMS / SC schemes accepted	5	10
Exemptions – Bushfire Mitigation		
Exemptions from regulations approved	-	23
Exemptions determined (< 3 months)	100%	100%
Orders in Council – Electric lines on public land		
No. of exemptions applications assessed	-	565
Audits – Bushfire mitigation		
Major electricity company audits	9	9
Specified operator audits	-	-
Compliance actions from audits	-	79
Electricity safety management schemes		
Number of audits	5	13
Work practice audit program		
Number of field observation audits	14	23
Number of office based audits	-	-
Compliance actions from audits	-	35
Electricity investigations		
Number of new investigations	-	5
Number completed	N/A	9

NOTES

- 17 Bushfire Mitigation Plans (BFMP), including nine MECs and eight Specified Operator BFMPs were assessed and accepted
- 10 Electricity Safety Management Schemes & Safety Cases including all distribution businesses and TransGrid Transmission assessed and accepted
- 23 exemptions were assessed and accepted against the *Electricity Safety (Bushfire Mitigation) Regulations (2013)* for Rapid Earth Current Fault Limiter (REFCL) - seven from AusNet Services and sixteen from Powercor related to tranche 1 REFCL program for insulated or underground cable sections downstream of isolation transformers supplying High Voltage Customers
- Order in Council – Electric lines on public land – 565 exemptions assessed and accepted
- Pre-summer BFM inspections were conducted on all nine MECs. 79 new maintenance items were identified during these audits. The majority of these were of a minor nature and minimal safety impact
- 23 Work Practice Observations (WPO) were conducted including multiple audits of the nine MECs and their key sub-contractors, and the key rail businesses (MTM and Yarra Trams), identifying 35 practice compliance actions requiring further action by the audited businesses
- 21 electricity safety (including No Go Zone) awareness sessions to various industry groups, and attended nine major farming expo events sharing knowledge and guidance material
- Key investigations included:
 - South West pole condition
 - Salt Creek Windfarm transmission line insulator failure
 - Tree Failure - Sago Hill Rd, Bunkers Hill fire
 - Tramway pole installation.

EVALUATION AND APPROVAL OF ELECTRIC LINE CLEARANCE MANAGEMENT PLANS

	Target	Total
MEC	9	9
Council	12	12
ORP	-	5

NOTES

- A review of the major electrical companies (MECs) electric line clearance management plans found them to be mature and of good quality, however ESV identified the need for minor amendments before the plans could be recommended for approval.
- Extensive consultation occurred with councils and Other Responsible Persons (ORP) throughout the year to improve their understanding of what is required to prepare a quality plan and to ensure the plan complies with the requirements of the regulations and meets the minimum ESV expectation.

LINE CLEARANCE AUDITS

	Target	Total
MEC	5	9
Council	10	11
ORP	5	4
Compliance actions from audit	N/A	157

NOTES

- Pre-summer auditing by ESV occurred to validate compliance of the nine MECs against the requirements of the *Electricity Safety (Electric Line Clearance) Regulations (2015)* and their approved plans. Auditing focussed on the accuracy of vegetation management systems and the clearance standards being achieved by the MEC; particularly in high consequence fire areas. Systemic non-compliance was not found by the audit regime that included the audit of approximately 1,800 spans.
- Auditing of municipal councils and ORPs found their vegetation management systems are less mature than those of the MEC. Of particular note was that for a number of councils and ORPs the management oversight of the contractors they use to perform electric line clearance is deficient. This includes the auditing regimes used to ensure appropriate clearance standards are achieved when the contractors complete electric line clearance work. ESV has worked closely with the audited councils to implement more effective vegetation auditing regimes to drive improved standards of compliance.

GAS AND PIPELINE INFRASTRUCTURE SAFETY

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Construction Safety Management Plan (SMP) construction and repair plans accepted	24	16	34	23	11
SMP construction and repairs audits/ field inspections completed	495	451	238	357	100
Consent to operate	18	19	44	29	6

OPERATIONAL GAS SAFETY CASES (SC) AND PIPELINE SMP

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Field compliance audits completed	36	77	67	345	765
Compliance/effectiveness audits completed	7	1	79	32	60
New and revised SC/SMP accepted	7	1	7	16	10

CATHODIC PROTECTION SYSTEM REGISTRATIONS 2018-19

Impressed Current CPs registered	Galvanic Anodes registered	10-year registration renewal of systems	Total systems registered
35	163	15	213

ELECTROLYSIS MITIGATION

Program 2018-19	Target	Actual
Co-ordinated Area Tests	22	40
Drainage Bond (DB) inspections	12,000	12,332
Thyristor Drainage Unit (TDU) inspections	870	833
Variable Conductance DB (VCDB) inspections	520	551

TESTING RESULTS: ELECTROLYSIS DRAINAGE BONDS (DB), THYRISTOR DRAINAGE UNITS (TDU), VARIABLE CONDUCTANCE DRAINAGE BONDS (VCDB) 2018/19

DBs Tested	DBs Non-compliant	DBs Faulty	VCDBs Tested	VCDBs Faulty	TDUs Tested	TDUs Non-compliant
12,332	259	75	551	10	833	119

ELECTRICAL LICENSING AND REGISTRATIONS

Licence type	2016-17	2017-18	2018-19
Electrician's licence (A class) New	1613	1768	2371
Electrician's licence (A class) Renewed	7041	5764	5217
Supervised worker's licence (L) New	185	140	133
Electrician (supervised) worker's licence (ES) Renewed	48	234	127
Restricted electrical worker's licence (REL) New	348	334	297
Restricted electrical worker's licence (REL) Renewed	1033	1030	907
Licensed electrical inspector's (LEI) New	13	12	9
Licensed electrical inspector's (LEI) Renewed	31	23	13
Occupier's Licence (O) Renewed	2	9	6
Switchgear Worker's licence (SG) New	1	9	3
Total number of licences issued New	2160	2263	2813
Total number of licences in place	45,020	46,212	47,630
Registered Electrical Contractors (REC) New	1099	1094	994
Registered Electrical Contractors (REC) Renewed	2785	2307	2287
Total Electrical Contractor Registrations in place	14,771	15,400	15,797
Registered Spotters	20,211	22,982	26,997
Registered Lineworkers	3934	3995	4043

COES & LICENSING

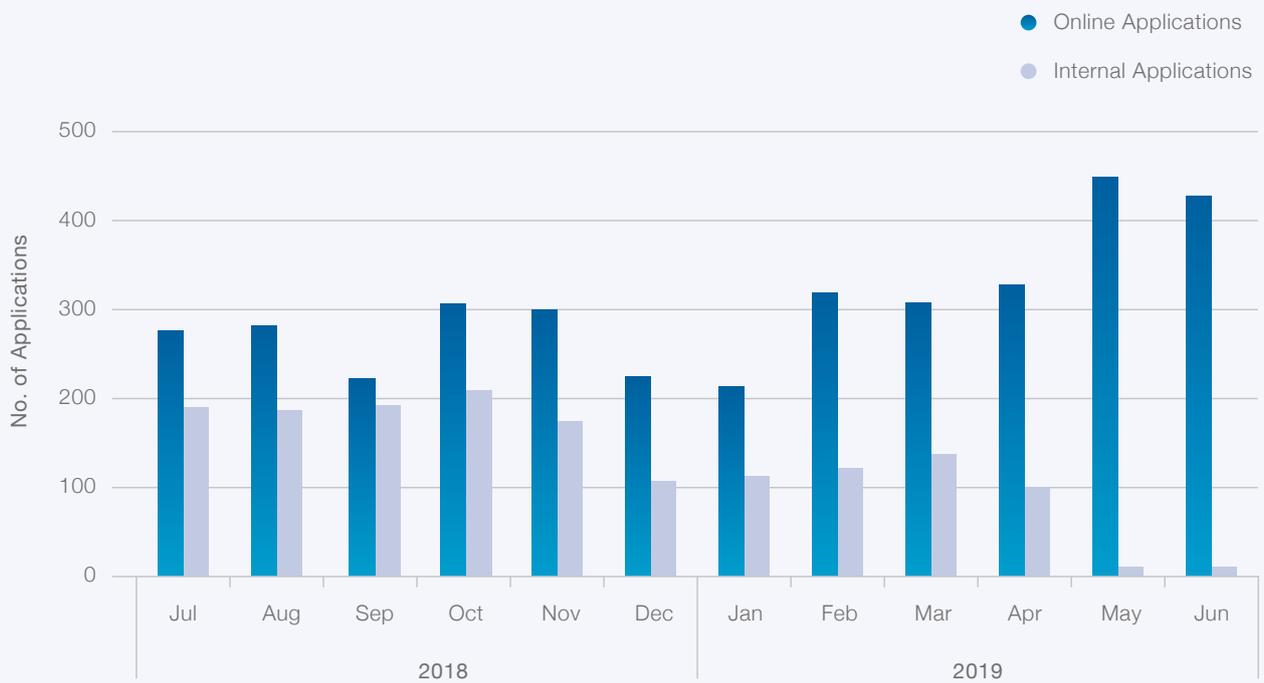
Measure	Target	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Total YTD
Licensing														
No. renewals processed	N/A	727	767	522	559	642	573	836	840	861	735	841	695	8598
New applications completed	N/A	175	378	328	526	370	248	254	316	331	336	267	275	3804
Average turnaround time (days)	7 days	18	19	18	18	18	22	20	19	20	19	21	22	22
Spotters and lineworkers issued	N/A	428	455	486	449	265	356	188	310	322	254	247	312	4072
Certificates of Electrical Safety														
No. sold	N/A	73,628	73,398	62,319	77,338	77,019	64,632	63,116	72,516	73,833	65,193	79,107	67,943	850,042
No. lodged	N/A	66,199	64,863	57,315	69,318	69,153	63,206	54,551	67,177	65,299	59,205	71,400	60,638	768,324
No. scanned	N/A	21,824	21,233	22,920	21,831	23,730	12,195	25,984	17,512	20,379	14,211	25,395	16,419	243,633
Audits of completed COES	8% of COES lodged in previous month	9%	9%	9%	9%	9%	9%	9%	8.5%	9%	9%	9%	9%	9%
Audits of wholesalers	50% of 230 electrical wholesalers	0	0	0	0	0	0	31	5	7	15	10	13	81*
% of compliance COES	100%	96	97	96	96	95	96	95	95	95	96	95	95	95

*Less than target due to working on ESVConnect development, until full time SME was appointed.

GAS INSTALLATION SAFETY AND COMPLIANCE

	Target 2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
RTO presentations	22	30	28	30	23	28
Industry presentations		24	19	20	3	50
Applications Received		4845	4945	4873	5017	4751
Applications Inspected		3692	3339	3976	3666	3528
Complex gas installation applications accepted		3412	3912	3609	3841	3250
Type B appliance applications accepted		1062	1039	916	840	758
Compliance of Type B and Complex appliances on initial inspection (%)		69	70	70	73	77
Point of sale audits	100	130	103	125	107	107
Public event audits	80	83	124	85	84	91
Product Certification Compliance Audits		-	-	24	6	1

GASTRAC APPLICATION SUBMISSIONS – ONLINE VS INTERNAL



NOTES

There has been a steady rise in on-line gas applications since the implementation of GasTrac in 2016. All gas applications are now received from the online portal:

- all gas applications from April 2019 received via GasTrac
- all gas exemptions from April 2019 received via GasTrac
- 1605 licenced gasfitters signed up as GasTrac users.

ELECTRICAL INSTALLATION SAFETY AND COMPLIANCE

Measure	Target	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Total YTD
Education														
No. sessions planned in month	30 pa	1	10	-	1	8	1	-	1	-	32	-	-	54
No. session achieved in month		3	10	14	9	7	4	1	5	8	2	10	14	87
Total attendees reached	1*	125	308	491	558	375	45	6	520	188	57	600	954	4227
Technical helpline														
No. of enquires	N/A	692	754	786	708	670	375	549	801	814	596	679	592	8016**
Registered training organisations														
No. RTO checks	> 20 RTO visits	3	-	4	6	5	2	-	-	3	-	-	-	23
Assessments performed														
LEI G Practical	N/A	6	4	6	7	4	-	-	-	7	4	10	3	51
LEI Safe Approach	N/A	5	2	9	4	6	-	-	-	9	7	9	6	57
LEI H Class Practical	N/A	1	3	-	-	-	-	-	-	-	-	-	-	4
LEI H Class Theory	N/A	-	3	-	-	-	-	-	-	-	-	-	-	3
Reviews	N/A	2	1	3	1	1	-	-	-	1	-	1	3	13
Switchgear		-	1	-	-	3	-	-	-	5	3	-	-	12
ESMS audits														
Audits/site visits	N/A	1	-	-	-	1	-	1	-	-	-	-	1	4
Installation Safety Compliance														
POEL Referrals (DB)	N/A	28	26	33	58	28	16	31	17	10	17	25	19	308
Installation exemption requests														
No. submitted	N/A	9	8	10	11	3	5	9	10	9	10	11	4	99
No. granted	N/A	2	1	3	2	1	4	3	3	5	6	6	1	37
No. refused	N/A	1	1	-	-	-	-	-	1	-	-	1	-	4
Average turnaround time (days)	10 days	12.5	7	14.3	6	13	6	10.3	11	12	15	11.5	15	11.1

* Third-year apprentices as notified by RTOs ** Phone calls only – Emails were not recorded

Measure	Target	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Total YTD
Electrical Installation Safety Investigations														
No. new investigations	N/A	13	15	8	7	11	26	7	14	5	13	14	9	142
Investigations in progress	N/A	63	76	72	67	70	86	78	70	60	57	52	52	803
No. closed	N/A	10	2	12	8	10	15	22	15	16	16	19	9	154
Solar Victoria Unsafe Investigation														
No. new investigations									1	-	1	2	4	8
Education									1	-	1	2	-	4
Formal Warning									-	-	-	-	-	-
License Restrictions									-	-	-	-	-	-
Prosecution									-	-	-	-	-	-
Installation Enforcement														
Warning letters	N/A	7	21	12	8	20	10	10	14	5	14	15	11	147
Infringement notices	N/A	5	3	2	6	2	2	3	7	3	5	3	1	42
Rectification notice (S45AB)	N/A	-	1	-	-	-	2	-	-	-	-	-	-	3

NOTES

- ESV closed 154 electrical installation investigations, dealing with a broad range of technical non-compliance and unlicensed electrical work
 - The three core presentations delivered were:
 - Don't Work Live - messaging targeting the risk of working on or in the vicinity of live electrical equipment
 - Supervisor and Apprentices - advising the obligations of being a supervisor with a particular emphasis on supervision of apprentices
 - Your Responsibilities - helping electrical workers understand their legal obligations required by the Electrical Safety Act.
- Investigations also identified 92 instances of people receiving an electric shock, of which 31 were electrical workers and 12 electrical apprentices, investigations into the incidents have identified failure to isolate electricity supply as the common contributing factor to electrical workers receiving an electric shock injury
- ESV is continually reviewing areas of improvement and working closely with WorkSafe and industry to improve worker safety
- ESV continues to develop education material for the electrical industry to ensure electrical worker safety. We delivered 87 presentations to 4227 attendees across the state at industry forums.

ELECTRICAL EQUIPMENT EFFICIENCY, SAFETY AND COMPLIANCE

Measure – numbers	Target 2018-19	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	2018- 2019	Average
Electrical equipment approvals processed	80 p/m	846	784	758	730	738	717	762
Equipment efficiency approvals processed	1500	2208	1888	2011	1845	1848	2350	1960
Electrical equipment safety market surveillance audits	180	2254*	101	130	170	117	183	554
GEMS Market Surveillance Audits	12	N/A	N/A	14	29	14	21	19
BEED commercial building Audits	N/A	N/A	N/A	N/A	N/A	53	88	53

*Reporting for equipment safety audits changed from number of appliances to number of stores in 2014-15.

NOTES

- Target for Electrical equipment approvals processed is 80 per month
- Equipment safety staff audited 183 retailers, targeting those least likely to comply. ESV identified a 25 per cent non-compliance rate. Smaller retailers and markets were a focus during the year. Due to the continued number of evaporative cooler failures during this summer, ESV has selected six different models for check testing.
- *Greenhouse and Energy Minimum Standards (GEMS) Act (2012)* market surveillance audits began in 2015-16
- Building Energy Efficiency Disclosure (BEED) commercial building audits began 2017-18

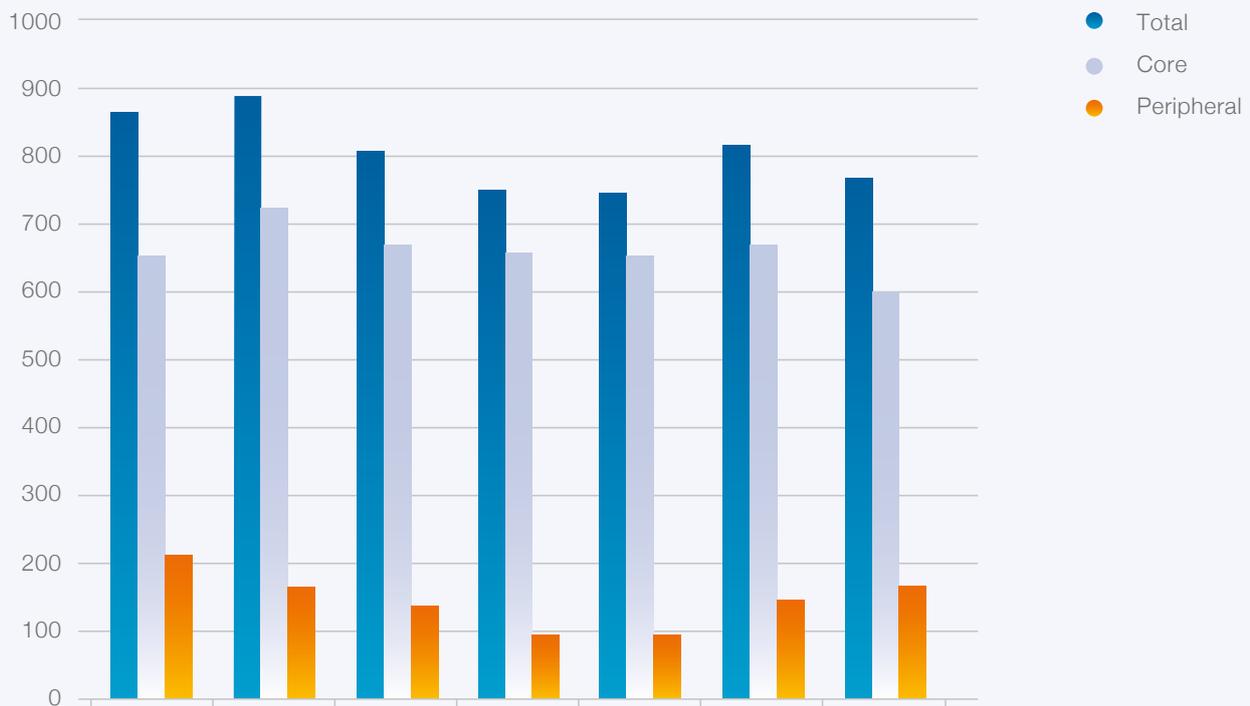
TECHNICAL HELPLINE ENQUIRIES

Technical Helpline – no. of calls	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Average
Gas	11,422	13,200	11,875	11,215	10,049	11,928
Electrical	16,310	17,297	20,733	16,456	8,016	15,762

NOTES

- In March 2018 the rationale for recording technical helpline call information changed and ESV is now capable of collecting information with far greater detail.
- In 2017-18 ESV changed the measure from number of phone calls to number of discrete enquiries.
- ESV responded to over 800 email inquiries and 8016 phone calls.

COMPLAINTS



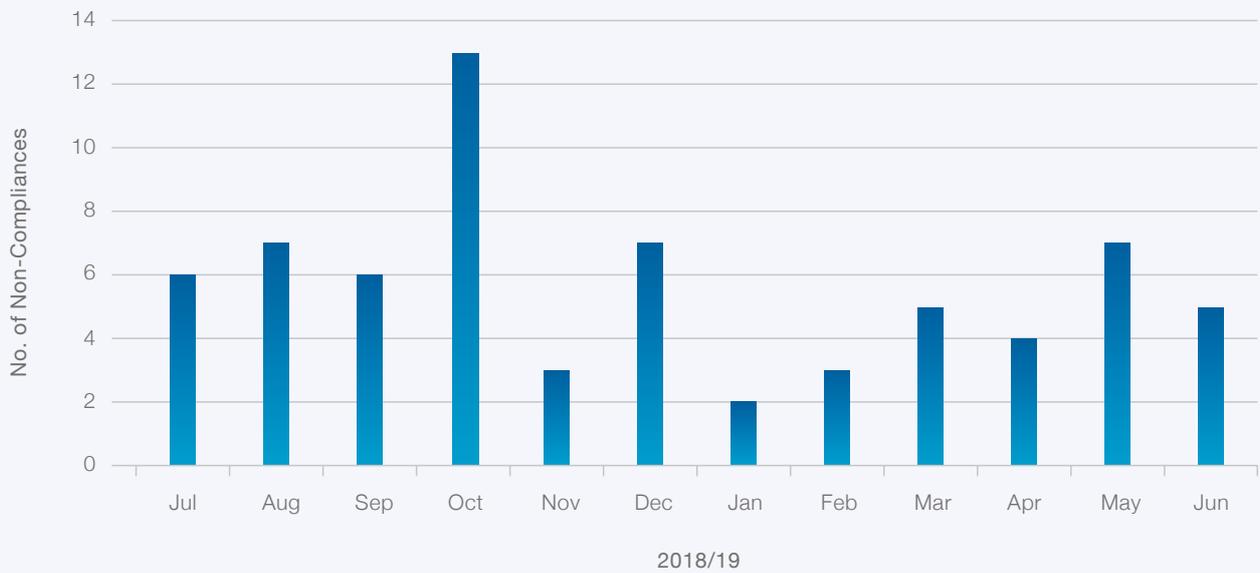
NOTES

- Core consists of complaints regarding electrical equipment, electrical installations and Certificates of Electrical Safety.
- Core includes complaints from the public and electrical industry participants about installation of air conditioners, solar installation, compliance with wiring rules and unregistered and unlicensed work.
- Peripheral consists of complaints referred externally and complaints regarding infrastructure and gas equipment and installation.
- External referrals comprise 9% of the total complaints to ESV. The majority of these complaints are referred to the Victorian Building Authority regarding plumbing or gasfitting work and Consumer Affairs Victoria regarding financial disputes or consumer law matters.
- Overall the trend of complaints continues downwards.

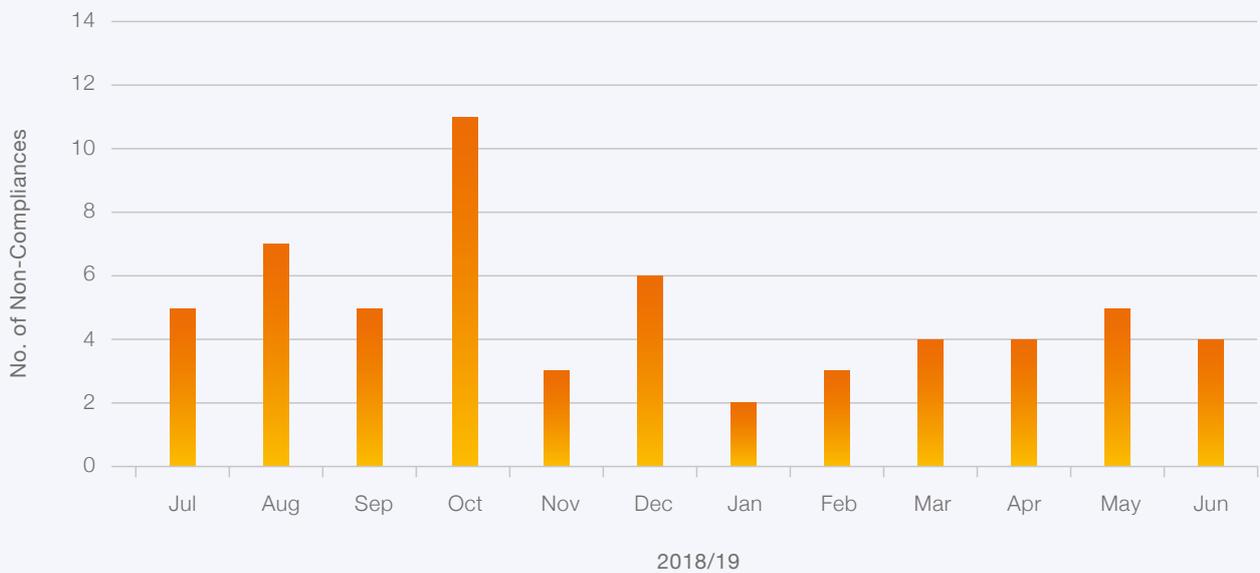
ENFORCEMENT ACTIVITIES UNDERTAKEN BY ESV

Enforcement Measure - numbers	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Warning letters issued (total)	59	75	233	169	175
– Gas installations/ appliances	10	30	39	30	14
– Gas and pipeline infrastructure	8	11	15	22	18
– Electrical infrastructure	-	-	2	1	-
– Electrical installations	38	30	176	115	139
– Electrical equipment	3	4	1	1	4
Improvement notices (total)	67	25	82	46	42
– Gas installations/ appliances	67	25	44	32	36
– Gas and pipeline infrastructure	-	-	1	1	-
– Electrical installations (rectification notices)	-	-	37	13	6
Electrical Notices to comply (S54/57)	169	113	76	26	36
Gas safety reg. 37 disconnections	16	21	11	23	6
Recalls (total)	37	32	8	10	20
– Gas installations/ appliances	3	4	3	1	5
– Electrical equipment	34	28	5	9	15
Prohibitions (total)	-	2	1	-	1
– Gas installations/ appliances	-	-	-	-	-
– Electrical equipment	-	2	1	-	1
Infringement notices (total)	94	97	68	86	71
– Electrical	57	72	24	43	39
– Gas	37	25	44	43	27
Prosecutions	22	21	31	20	25
– Convictions	6	11	12	5	12
– Costs awarded (number)	20	19	23	20	18
– Costs awarded (\$)	50,487	37,224	45,782	35,453	199,255
– Penalties issued (number)	20	19	28	14	18
– Penalties issued (\$)	43,900	157,600	91,750	37,500	420,683

CLEARANCE TO GREASE FILTERS NON-COMPLIANCES



CLEARANCE TO CHAR GRILLS 1350 MM NON-COMPLIANCE ACTIVITY 2018-19
 CLEARANCE BETWEEN CHAR GRILLS AND GREASE FILTERS



Fatalities

There were five instances where electrical or gas workers lost their lives during the reporting period:

- A high voltage operator was placing a high voltage circuit breaker into service within a switchboard at Yallourn power station. A major arcing fault occurred that resulted in a large electrical explosion.
- A 20 year old, third year electrical apprentice was found deceased on the roof of a domestic installation the apprentice was working alone on a split system air-condition.

In both instances additional educational material was relayed to industry articulating the importance of safety and supervision of electrical workers.

- In February 2019 worker clearing nature strip trees on behalf of the City of Monash made contact with uninsulated, low voltage (LV), overhead electric lines, resulting in his electrocution. ESV supported the Worksafe investigation by providing subject matter advice as the work being completed was governed by the installations regulations and the Electricity Safety (Electric Line Clearance) Regulation 2015. Both of these regulations are administered by ESV. Following the ESTR investigation of this matter and taking into consideration the information it has received from Worksafe it has been determined that a breach of Regulation 318(3) of the installations regulations and the ESV safety rules has occurred. The breach has been attributed to the direct actions of the worker that has been electrocuted.

Subsequent to its investigation of this matter the Director of Energy Safety has required all council organisations with electric line clearance responsibilities to demonstrate they are managing the risks associated with clearing trees from electric line. This has included:

- a review of the work practices used to complete their electric line clearance work.
- a review of the training and competency standards of all people doing electric line clearance work on their behalf.
- foster a work place culture of collaboration, listening to each other and willingly accepting advice from colleagues for the purpose of maintaining safety standards in the work place.
- On 5 October 2018, Victoria Police notified ESV of a suspected carbon monoxide (CO) fatality at Rye. Further investigations found that the appliance appears to be a modified Gasmate 3020 (with the primary guarding removed). This is a portable outdoor appliance for which ESV has an active public safety campaign. ESV has now acquired a new Gasmate 3020 and has submitted it and the appliance involved in the incident for laboratory testing. Tests conducted by ESV in 2015 confirmed that the Gasmate appliance complied with the Australian Standard. The matter is ongoing.
- On 31 August 2018 a 27 year old man was electrocuted whilst felling a tree on private property at 170 Milners Rd, Lang Lang East. The preliminary investigation indicates that the victim was in the process of clearing trees close to the fence line when a tree he cut, that was approximately 13.5m away from the overhead conductor, fell towards the road, contacting and resting on a 22 kV overhead powerline that ran down the centre of the road adjacent to the property. It is believed that the victim tried to dislodge the tree resulting in the fatal electric shock.

Responses to the coroner

ESV is responding to a series of recommendations from two coronial inquiries:

INQUEST INTO THE DEATH OF SONIA SOFIANOPOULOS

Details of ESV's responses to the Coroner's recommendations are available on page 25.

INQUEST INTO THE DEATH OF A CARNEVALE

On 29th December 2015 a rental truck carrying three LPG cylinders exploded resulting in the death of the driver, Mr A Carnevale. The Coroner delivered their findings on 30 September 2018, which determined that the cause of the fatality was a number of LPG cylinders with open cylinder valves that vented LPG into the truck. The gas then ignited explosively while the truck was being driven. A round table meeting held by the Coroner on 29 May 2017, attended by ESV and other industry stakeholders, noted the current cylinder valve design allows gas flow when the cylinder valve is open, even if gas tight connection is not made. It was also observed that alternative cylinder valves available overseas include a safety device that will only permit gas to flow if a connection is made.

The Coroner directed two recommendations to ESV.

The first recommendation was that Energy Safe Victoria consider implementation of a public awareness campaign about the need to ensure that LPG gas cylinders valves are closed whenever they are not in use, particularly when they are being transported, and that, wherever possible, they are transported in an open or vented vehicle compartment. In response ESV expanded the barbecue safety awareness campaign, *Know The Drill Before You Grill*, launched on 4 November 2018. The safety campaign was expanded to include additional information on the safe transport of LPG cylinders and warnings that gas cylinder valves must be closed when not in use. The safety campaign remained active throughout the summer of 2018/19 on ESV's website and social media.

The second recommendation was that, the Victorian Government consider legislating to require that all LPG cylinders intended for domestic use are fitted, as a minimum, with a safety valve that will not allow the flow of gas unless the cylinder is coupled to an appliance, and, optimally, that they are also fitted with a thermal fuse or other mechanism that will prevent the flow of gas in the face of extreme heat or fire. ESV is working with the relevant Australian Standard committees, with the objective of introducing changes that will enable a safe transition to the new cylinder connection. The projects are ongoing and publication of revised standards is projected to be completed in 2020.

Governance

Advisory Committees

Electricity Network Safety Case & ESMS Evaluation

Panel: Gas & Pipeline Safety Case Evaluation Panel:

these panels provide assurance advice to the Director (and the Director's regulatory delegates) in relation to the safety case, ESMS and SMP acceptance decisions of ESV. Safety cases, ESMSs and SMPs are documents provided by a licensed network operator/owner (LNO) to ESV for acceptance of a safety proposition that outlines how the LNO plans to manage risk and achieve the safety objectives of relevant legislation. The panels test that ESV officers have followed appropriate assessment and validation processes and that the findings and conclusions are impartial, robust and defensible. The panel also offers a broader ESV perspective in advising on what future regulatory action should be taken/planned to test and confirm the validity and effectiveness of a safety proposition accepted by ESV.

Compliance and Enforcement Panel: chaired by a member of the Audit and Risk Committee, the panel provides assurance advice to the Director (or delegates) regarding significant enforcement decisions and planning of regulatory audits and inspection

The Risk Management Committee: chaired by a member of the Audit and Risk Committee, the committee provides advice to the Director (via the Audit and Risk Committee) in relation to ESV's enterprise risk management, including processes, emerging risks and significant enterprise risks.

The Information Management Governance

Committee: chaired by a member of the Audit and Risk Committee, the committee provides advice to the Director (via the Audit and Risk Committee) in relation to data governance and major ICT systems.

The Remuneration Committee: chaired by a member of the Audit and Risk Committee and includes other members with expertise in human resources and Victorian public sector remuneration governance. This committee provides advice to the Director on assessment and remuneration in relation to new or revised executive and senior ESV roles.

ESV capability and capacity

ESV has been working on the Progression Framework since 2015 and is in the development phase of the project. This updated Progression Criteria Framework provides a robust framework to support a fair and transparent progression process across all ESV Divisions and workgroups.

The Progression Criteria Framework incorporates the key components that make up a job and provides 15 criteria which can be applied to a role or position description. It outlines a clear and ESV-wide process and criteria for movement between salary grades on the basis of improved job performance. By aligning work capability to salary progression this is providing a clear motivation for staff to enhance their work based competencies; thereby enhancing their ability to deliver against ESV's corporate commitments.

The framework will increase the knowledge, capability and skill of our workforce.

Regulatory Training Program

34 of ESV's people have completed the two week Certificate IV in Government Investigation course. This represents all investigatory staff and select subject matter experts who may be involved in investigations. Course content has been tailored specifically to reflect the circumstances that ESV's investigations address. This will be further rolled out to other subject matter experts across the organisation.

This program will deliver a common understanding of best practice regulatory investigation process.

ESV staff with key involvements in investigations will now be aware of the requirements of all parties involved and the appropriate steps to follow to ensure efficient and correct regulatory investigation processes.

Five year financial summary

Overview

ESV operates by fully recovering its costs from industry; it does not receive any government appropriation. ESV generates income from levies raised on industry, in accordance with relevant legislation and determinations made by the Minister for Energy, Environment and Climate Change. In addition, ESV earns income from the sale of

certificates and the issue of licences. The most significant element of ESV's expenditure base relates to employee cost. ESV aims to generate sufficient accumulated cash surpluses to renew and enhance its asset base, and improve the efficiency of the services it provides to industry.

FIVE YEAR FINANCIAL SUMMARY

	2018-19 \$'000	2017-18 \$'000	2016-17* \$'000	2015-16 \$'000	2014-15 \$'000
Total income	40,868	38,089	36,357	35,333	32,938
Total expenses	(38,846)	(36,835)	(35,230)	(33,585)	(31,482)
Net result from transactions	2,022	1,254	1,127	1,748	1,456
Other economic flows	(322)	(145)	(43)	(238)	(110)
Comprehensive result	1,700	1,109	1,084	1,510	1,346
Total assets	21,975	15,524	13,274	12,342	10,341
Total liabilities	(11,396)	(6,645)	(5,503)	(5,650)	(5,339)
Net assets	10,579	8,879	7,771	6,692	5,002

*Restated figures

Current year financial review

In the five-year period to 2018-19, ESV's income has increased at a compound annual growth rate of 4.4 per cent per annum, reflecting agreed increases in levy rates and prices, coupled with an increase in economic activity, notably in the Victorian house-building sector.

In the same period, expenses have increased at a compound annual growth rate of 4.5 per cent per annum, reflecting agreed annual pay increases under ESV's Enterprise Agreement, and the additional costs of servicing higher regulatory activity levels.

Other economic flows largely reflect adjustments to the valuation of assets and liabilities and are not expected to follow a pattern year-on-year.

The surpluses generated in the last four years, and their related cash-flows, have enhanced the organisation's net assets. Further resources will be applied to replace and upgrade ESV's key business systems including the introduction of more online transactions and digital channels and also to the employment of more frontline staff.

The results for 2018-19 have tracked positively against budgetary objectives. This was achieved by focusing on creating value through prudent spending on key initiatives outlined in the corporate plan.

2018-19 Comprehensive operating statement

INCOME FROM TRANSACTIONS

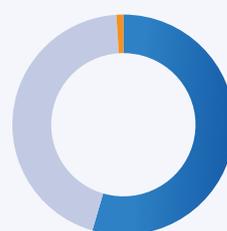
In 2018-19, 54 per cent of ESV's income was raised through levies, consistent with previous years. Overall, levy income was 5.9 per cent higher than 2017-18, reflecting the agreed rate of increase. Fee income was 7.2 per cent higher than 2017-18 reflecting continued strong economic activity and approval rates for new dwellings.

Overall, income was 7.3 per cent higher than 2017-18 and 3.5 per cent better than the 2017-18 budget.

There were no other significant changes or factors affecting ESV's financial performance during the reporting period.

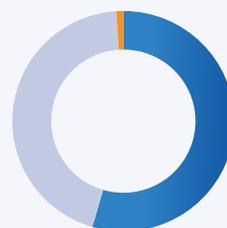
EXPENSES FROM TRANSACTIONS

Employee costs increased by 8 per cent, reflecting the impact of increased staff members due to increased focus on inspections and audit and the Enterprise Agreement increases. Depreciation decreased significantly due to computer software being fully depreciated during the year. Expenditure in compliance audits decreased by reducing the sample size over the previous year. This was to ensure sufficient funding for the configured computer software (ESVConnect COES project) which allows the organisation to focus on a more targeted audit scope. Other costs comprise several elements such as travel, outsourced audits, and computer expenses which increased from last year.



2018-19 income

Total income
\$40.9 m



2017-18 income

Total income
\$38.1 m

- Levy determination income
- Fee income
- Interest and other income

Balance sheet as at 30 June 2019

ASSETS

Net assets increased \$1.7m to \$10.6m. Increase in total assets of \$6.5 million was mainly due to an increase in receivables because of the timing of recognition on levy invoices; an increase in cash holdings, reflecting savings from operational efficiencies; and an increase in investment in intangible assets of configured software.

LIABILITIES

ESV's most significant liability related to unearned income, reflecting the timing of recognition on levy income and grant income; and provisions for employee-related costs such as long service and annual leave, reflecting the impact of new joiners.

ESV had no borrowings at 30 June 2019.

COMMITMENTS

As at 30 June 2019, ESV had commitments for future expenditure of \$6.4m, including GST. This is mainly due to obligations in respect of vehicles and property leases.

2018-19 Cash flow statement

ESV generated \$4.0 million (net) from its operating activities in the year. Of this, \$2.1 million was expended on the purchase of non-financial, largely intangible, assets. ESV's cash holdings are invested in accordance with the requirements of the Department of Treasury and Finance.

LOOKING FORWARD

ESV will continue to focus on sound financial management and ensuring that its expenditure demonstrates value-for-money. The strategic reinvestment of accumulated surpluses into business improvement initiatives will continue in 2019-20, reflecting the intent of ESV's Corporate Plan 2019-2022 and the rationale for the 2019-20 levy determinations, approved by the Minister for Energy, Environment and Climate Change.

SECTION 2:

Organisational structure and corporate governance

ESV's mission and objectives are achieved through the commitment and collaborative efforts of its leadership team and people. ESV's corporate structure is led by the Director of Energy Safety (the Director) and CEO, Paul Fearon, who is appointed pursuant to the *Energy Safe Victoria Act (2005)*. The Executive Management Board (EMB) is the primary means of executive control and coordination in ESV. Its role is to make recommendations to the Director regarding delivery against ESV's objectives and the Minister's Statement of Expectations. The members of the EMB, both individually and collectively, support the Director in the operational performance of ESV including the establishment of strategy, budgets and corporate policies.

Members of the EMB

Director of Energy Safety and CEO

Paul Fearon

- Executive direction and leadership of ESV and exercise of powers under the Acts
- Chair of the Industry Gas Emergency Management Group.

Deputy Director of Energy Safety

Neil Fraser

- Administration of Licensing and Certificates of Electrical Safety (COES)
- co-ordination of ESV's representation on 35 Standards technical committees and three Technical Advisory Committees
- representing Electrical Regulatory Authorities Council (ERAC) and ESV on the Electrotechnologies Industry Reference Committee to ensure the national Cert III Electrician meets Victoria's needs
- representing ESV on the Victorian Skills Commissioner's Electrotechnologies Industry Advisory Group to oversee the development and accreditation on specialist training in new and emerging technologies

- leading ESV's major IT enabled projects.

External appointments and positions

- Chair Australian Electrical Regulatory Authorities Council (ERAC)
- Councillor for Standards Australia representing the Victorian Government
- Member of Standards Australia EL-011 Smart Meter Committee
- Member of Standards Australia EM-001 Electric Vehicles
- Member of IEC National committee.

Chief Operating Officer

Sharife Rahmani

- Leading Corporate Services which provides organisational services including business support, finance, organisational strategy, information services, people services, occupational health and safety, marketing and communications.

External positions

- Member of the IPAA Victoria People and Culture Community of Practice
- Member of the VPSC People Matter Survey Reform Design and Advisory Group
- Judge on IPAA Innovative Regulation Award judging panel.

Risk, Regulatory Planning and Policy, General Manager

Dr Roanne Allan

- Risk, Regulatory Planning and Policy provides legal support to ESV activities, and oversees the organisational risk, planning, regulatory practice and policy functions.

External appointments

- Chair and Member of the Electric Line Clearance Consultative Committee.

Electrical Safety and Technical Regulation,
General Manager

Ian Burgwin

- Electrical Safety and Technical Regulation is responsible for the safety of electrical networks, installations and equipment. The position is also responsible for the data and analytics capability that services all of ESV.

External appointments

- Member of Infrastructure Reference Panel under the *Road Management Act (2004)*
- Member of the Senior Council of Officials overseeing the delivery of the Australian Electrical Equipment Safety Scheme.

Gas and Pipeline Safety and Technical Regulation,
General Manager

Steve Cronin

- Gas and Pipeline Safety and Technical Regulation is responsible for the safety of gas installations, infrastructure and supply, pipelines, electrolysis mitigation and gas appliances.

External appointments

- Member of the Infrastructure Advisory Panel for the Minister of Transport
- Chair of Gas Emergency Management Consultative Forum
- Statutory Chair of the Victorian Electrolysis Committee
- Member of the Program Steering Committee for Research Program 2 (Social Acceptance, Public Safety and Security of Supply) of the Future Fuels CRC
- Member of Australian Standards Committees ME-038 and ME-092.

AUDIT COMMITTEE MEMBERSHIP

The requirement for ESV to establish an Audit and Risk Committee is contained within the Standing Directions of the Minister for Finance 2016 under the *Financial Management Act (1994)*. The role of the Committee is to provide independent oversight of the organisation. This includes:

- risk management
- internal controls and systems
- financial statements
- legislative and policy compliance
- internal and external audit
- governance arrangements.

During 2018–19, ESV’s Audit and Risk Committee consisted of the following independent members:

- Bob Scott, Independent member, (Chair until August 2018)
- Dr Anne Astin, PSM, Independent member (Chair from November 2019)
- Joh Barker, Independent member
- Steve Schinck, Independent member
- Laurinda Gardner, Independent member.

Committees

Information Management Governance Committee (IMGC)

The IMGC provides assurance to the Audit and Risk Committee on information and technology governance. This committee is chaired by Joh Barker of the Audit and Risk Committee.

Risk Management Committee (RMC)

The RMC provides assurance to the Audit and Risk Committee on governance of risk management by ESV. This committee is chaired by Steve Schinck of the Audit and Risk Committee.

Internal governance and advisory committees

In 2017–18 ESV's governance was enhanced by four internal governance advisory committees:

- Remuneration Committee (Laurinda Gardner, Chair)
- Enforcement and Compliance Panel (Bob Scott, Chair)
- Safety Case Review Panel (Neil Fraser, Chair)
- Stakeholder and Industry Committees (statutory committees established by ESV)

ELECTRICITY SAFETY COMMITTEES

The Minister appoints members for committees established under the Electricity Safety Act. There may be requirements for particular technical expertise or agency representation for specific committees. The functions of the committee may be specified under the Act.

Electric Line Clearance Consultative Committee

(Section 87 *Electricity Safety Act (1998)*)

Provides advice to ESV or the Minister on matters relating to the clearance of electric lines, including preparation and maintenance of the Code of Practice for Electric Line Clearance. This committee provides an annual report to the Minister.

Victorian Electrolysis Committee

(Section 91 *Electricity Safety Act (1998)*)

Provides advice to ESV on any matter related to electrolysis and the regulations relating to cathodic protection and the mitigation of stray current corrosion. This includes the establishment and maintenance of standards for systems for cathodic protection and for the mitigation of stray current corrosion.

Powerline Bushfire Safety Committee

(Section 8 *Energy Safe Victoria Act (2005)*)

Established under Section 8 of the Energy Safe Victoria Act to provide specialist advice to the Director on the implementation of technologies required under bushfire mitigation regulations.

CONSULTATIVE/TECHNICAL COMMITTEES

Electrical Regulatory Authorities Council (ERAC)

Coordinates liaison between the safety and electrical regulatory functions including licensing of Australia and New Zealand to encourage a uniform regulatory environment in Australia and New Zealand.

Gas Technical Regulators Committee (GTRC)

Association of government agencies responsible for the safe use of gas with representatives from each state and territory in Australia and New Zealand.

Standards Australia Technical Committees

Reviews and develops relevant Australian and international Standards in relation to electricity, gas and pipelines.

State Fire Management Planning Committee

Provides leadership and development of tools and processes for consistency and continuous improvement in fire management planning. This committee obtains authority under the *Emergency Management Act (1986)*.

Plumbing Advisory Council

Industry advisory group established under the *Building Act (1993)* to provide advice to the Minister for Planning and the Victorian Building Authority.

National Appliance and Equipment Energy Efficiency Committee (E3 Committee)

Manages the Australian end-use energy efficiency program and consists of representatives from Australian and New Zealand government agencies.

Gas pipeline and distribution, and LPG

ESV coordinates separate meetings for the industry representatives of gas pipelines and distribution and LPG to share information and discuss industry issues.

Pipeline (non-natural gas) Consultative Meeting

ESV coordinates meetings to share information and discuss industry issues.

Gas Emergency Management Consultative Forum

ESV chairs the Committee together with the Australian Energy Market Operator (AEMO), which provides the secretariat function. It is a planning and coordination forum of industry representatives to consider issues relating to the effective management of emergencies related to the Victorian gas system.

Victorian Electricity Emergency Committee

The Victorian Electricity Emergency Committee (VEEC) includes representatives from the electricity industry, the Victorian Government and emergency services.

Its charter is to develop policies and procedures to ensure the coordination of electricity emergency events in Victoria. The committee also oversees the

Operations Working Group, Technical Working Group and Communications Working Group.

Gas appliances

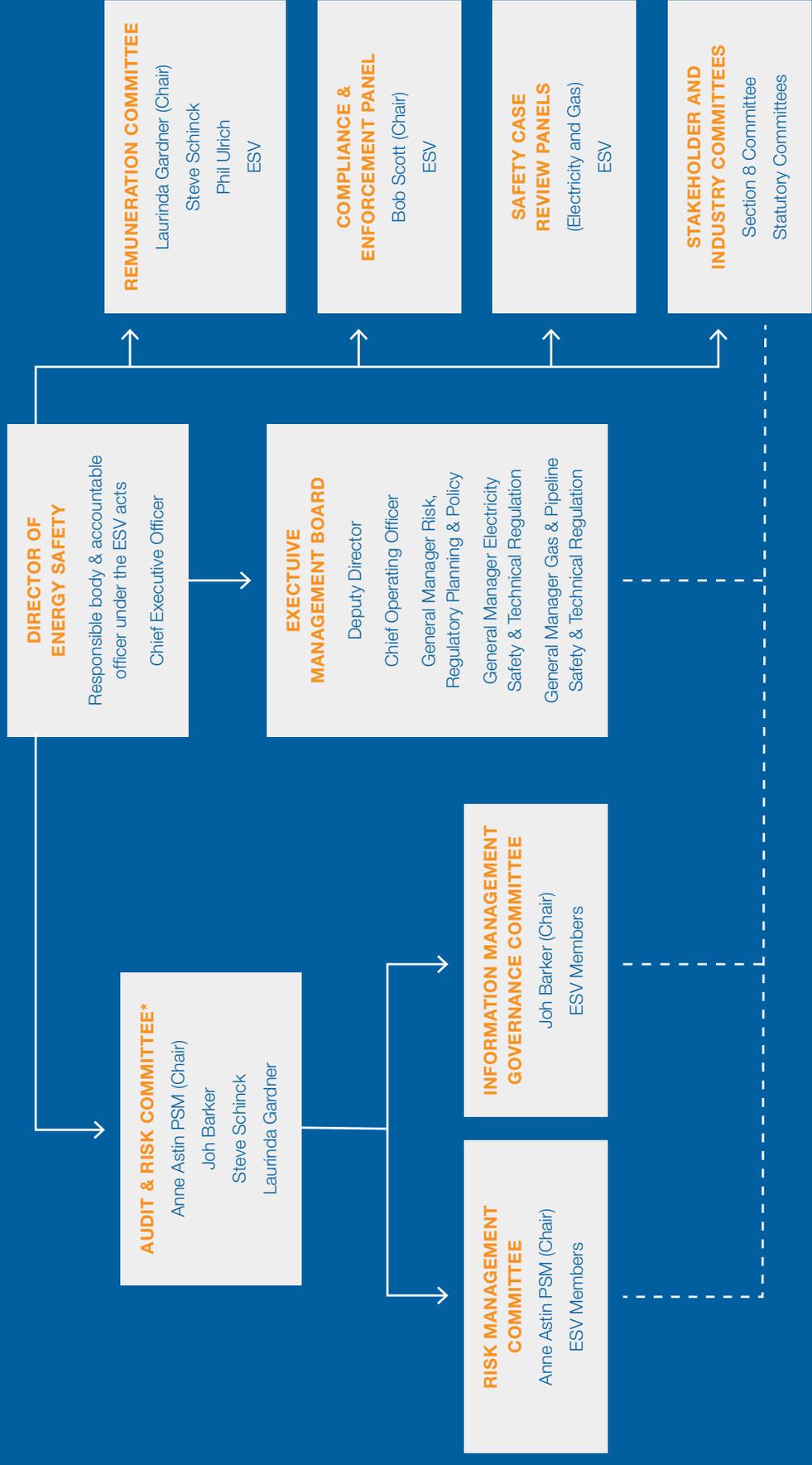
ESV participates in separate consultative committees with the plumbing industry, gas distributors and gas appliance certifying bodies.

Gas – Building Industries Regulators’ Forum

Representatives from government agencies share information and develop protocols with respect to gas safety issues.

LPG Safety Committee

Provides advice and develops guidance materials to support the safety of the LPG industry.



* Members of the Audit & Risk Committee also separately sit as an Advisory Committee to the Director

Occupational Health & Safety

ESV has an Occupational Health and Safety statement describing its commitment to provide a healthy work environment, and the expected behaviours and leadership required to provide a safe and healthy workplace. An active Occupational Health and Safety Committee supports the ESV workplace. During the 2018-19 financial year, ESV implemented a number of initiatives to improve the health and safety, including a health and well-being program aimed at improving the physical and psychological health of our workforce. ESV has also instituted an extensive program of defensive driver training to support safe driving practices in the field.

Hazards/Incidents (per 100FTE)			Lost time claims			Average cost/claim			Fatalities/serious injuries		
2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
3.06	10.07	0.69	1	0	0	\$1600	0	\$62	0	0	0

SECTION 3:

Workforce Data

Public sector values and employment principles

Energy Safe Victoria is committed to, and applies policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. ESV has advised its staff on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct in accordance with the Public Sector Values and Employment Principles. This commitment is demonstrated through:

- The provision of core compliance training for all new staff including Public Sector Code of Conduct and Charter of Human Rights and Responsibilities.
- The updating of the ESV's Conflict of Interest and Gifts Benefits and Hospitality policies and supporting procedures. All ESV staff completed online training to support the understanding of these policies.
- The provision of customised conflict of interest training delivered by the Victorian Ombudsman to all ESV managers in May 2019.
- The continued use of policies and practices that are consistent with the VPSC's employment standards and provide fair treatment, career opportunities and the early resolution of workplace issues.
- This year ESV contact officers have been provided with training to assist them to deal with family violence issues, which may present in the workplace.

Workforce data

		JUN-19														
		All employees						Ongoing						Fixed term and casual		
		Number (Headcount)		FTE		Full-time (headcount)		Part-time (Headcount)		FTE		Number (headcount)		FTE		
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Gender																
Man		106	99	105.6	98.4	100	96	2	2	101.6	97.4	4	1	4	1	
Woman		56	50	51.66	46.4	38	37	13	5	47.42	40.5	5	8	4.24	5.9	
Age																
15-24		1	0	0.8	0	0	0	0	0	0	0	1	0	0.8	0	
25-34		25	22	24.2	21.2	20	20	2	1	21.4	20.6	3	1	2.8	0.6	
35-44		50	43	47.2	41.6	41	38	8	2	46.56	39.4	1	3	0.64	2.2	
45-54		43	44	42.36	42.5	36	37	3	2	38.36	38.4	4	5	4	4.1	
55-64		37	33	36.7	32.9	35	32	2	1	36.7	32.9	0	0	0	0	
65+		6	7	6	6.6	6	6	0	1	6	6.6	0	0	0	0	
Classification ^(M)																
Executive		5	5	5	5	5	5	0	0	5	5	0	0	0	0	
Senior Manager		17	15	17	15	17	15	0	0	17	15	0	0	0	1	
Administration		54	34	51.16	32.1	36	24	11	4	44.72	26.9	7	6	6.44	4.24	
Field Staff		74	85	74	84.4	73	83	0	2	73	84.4	1	0	1	0	
Customer Service		11	10	9.1	8.3	6	6	4	1	8.3	6.6	1	3	0.8	1.66	
Total employees		162	149	157.26	144.8	138	133	15	7	149.02	137.9	9	9	8.24	6.9	

Workforce inclusion policy

ESV is working towards creating a balanced working environment where equal opportunity and diversity are valued. During the 2018-19 financial year ESV have conducted a number of awareness sessions and celebrated key diversity events including International Women's Day, Cultural Diversity Week and the International Day of Action Against Homophobia, Biphobia and Transphobia (IDAHOBIT). It has commenced work on the development of a Diversity and Inclusion Framework to define targets and initiatives to deliver these.

SECTION 4:

Other disclosures

Local Jobs First – Victorian Industry Participation Policy

ESV has not been required to apply the Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP). There has not been any metropolitan Melbourne or statewide procurement or project activities valued at \$3 million or more. There has not been any procurement activities in regional Victoria valued at \$1 million or more.

Government advertising expenditure

Campaign	Description	Start/end date	Media buy ('000)	Creative ('000)	Merchandise ('000)	TOTAL ('000)
Be Sure (CO Awareness)	Educating Victorians on the dangers of carbon monoxide	16-30 June	380	216	3	599
Household Wiring	Warning Victorians of the dangers of old wiring and encouraging the installation of a safety switch	N/A	0	74	0	74
Know the Drill Before You Grill	Reducing BBQ fires by teaching people BBQ maintenance	4 November – 27 Jan	183	0	35	218
DIY=DIE	Warning of the dangers of DIY electrical work	N/A	0	15	2	17
Industry campaigns	Encouraging industry to never work live and beware of overhead powerlines	1 Jul – 9 Sept, 31 March – 30 June	210	166	44	420
Apprentice safety (LOTO Kits)	Teaching apprentices an important safety procedure	N/A	0	0	210	210
						1538

NOTES

- Merchandise expenses generally refer to the production of brochures.
- The *Be Sure* was funded by a \$1.7 million Treasury allocation. The outstanding spend will occur during FY20. \$273,000 of this spend was outside ESV's Master Agency Media Services (MAMS) allowance and absorbed by MAMS underspend in other DELWP agencies.
- The *Household Wiring* campaign will commence in FY20.
- *Know the Drill Before You Grill* was previously called *Look Before You Cook*.
- *DIY=DIE* did not run in FY19 but new creative was developed for FY20.
- Industry campaigns include *Look Up and Live* and *Never Work Live*.
- New creative was developed for *Look Up and Live* and *Never Work Live* during FY19.
- Apprentice Safety did not include any MAMS spend.

REACH & RECALL

Key findings:

- The large majority of Victorians felt favourably toward ESV (58 per cent very positive, 34 per cent somewhat positive); which is consistent with previous surveys.
- Overall, the level of familiarity with ESV remained stable (47 per cent know at least a bit about them), reinforcing the recovery of ESV's brand recognition since 2017.

SPONSORSHIPS

ESV partners with AFL Victoria to deliver the Energy Safe Victoria Safer Canteen Grants program. In FY19 we provided \$25,000 to football and netball clubs across the state to replace ageing or dangerous electrical appliances. Clubs applied for a grant of up to \$1000. Recipients of grants are required to display ESV safety messages through branded counter mats, canteen menus and corflutes. We received 109 applications. 30 clubs received a grant, eight of them from metropolitan area and 22 from regional and country areas.

ESV also partners with the Clown Doctors charity. The Clown Doctors use laughter to treat children undergoing significant trauma while in hospital. We provided \$50,000 that provides two Clown Doctors twice a week for a burns clinic at the Royal Children's Hospital in Melbourne.

Consultancy expenditure

In 2018–19, 31 consultants received total fees payable of greater than \$10,000. The total expenditure incurred during 2018–19 in relation to these consultancies is \$1,840,000 (excluding GST). Details of individual consultancies are listed below.

Consultant	Purpose of Consultancy	Total Approved Project Fee (ex. GST) (\$'000)	2018-19 YTD Exp. (ex. GST) (\$'000)	Future Exp. (ex. GST) (\$'000)	Total Projected Cost (ex. GST) (\$'000)
Maddocks	Professional service regarding prosecution of Powercor	620	438	0	438
SJS Consulting Partners PTY Ltd	Future energy project	275	201	68	269
Workforce Advantage Pty Ltd	Consultancy relating to Enterprise Agreement planning	100	152	0	152
Sarah Auld t/as Auld Planning & Projects	Development of land	117	118	0	118
Mercer Consulting (Australia) Pty Ltd	Advice regarding progression criteria framework	80	80	0	80
Pitcher Partners Consulting Pty Ltd	Advice on complex gas installation	80	80	0	80
CNC Project Management Pty Ltd	Professional service for CNC project	67	67	0	67
Justitia	Provision of legal advice	64	64	0	64
RSM Australia Pty Ltd	Review of network security, financial control and internal audits	60	60	0	60
Grosvenor Performance Group Pty Ltd	Reviewing of effectiveness of gas & pipeline infrastructure	56	56	0	56
Bureau Veritas Australia Pty Ltd	Professional service regarding advice on emergency management system	45	45	0	45
Regulatory Impact Solutions Pty Ltd	Professional service on regulatory impact for safety regulation	50	45	0	45
International Economics Pty Ltd trading	Providing cost benefit analysis for safety products	44	44	0	44
Resilient Services Pty Ltd	Consulting on emergency management framework	32	32	0	32
Hays Specialist Recruitment (Aust) Pty L	Professional service on regulatory impact for safety regulation	35	31	0	31
Electrix Pty Ltd	Conducting of BFM and ELS summer audits	30	30	0	30

Consultant	Purpose of Consultancy	Total Approved Project Fee (ex. GST) (\$'000)	2018-19 YTD Exp. (ex. GST) (\$'000)	Future Exp. (ex. GST) (\$'000)	Total Projected Cost (ex. GST) (\$'000)
Consortio Pty Limited	Technical advice for Technology One system	36	29	0	29
Future Fuels CRC Ltd	Future fuel project	105	29	76	105
Escient Pty Ltd	Professional service regarding IT effectiveness review	27	27	0	27
Deloitte Access Economics Pty Ltd	Professional advice on ELC safety regulation	26	26	0	26
Investigation Management Australia Pty L	COMtrac pilot project	50	24	0	24
Guava Insights Guava PTY LTD as trustee	Professional service regarding data & analytics strategy review	20	20	0	20
GPA Engineering Pty Ltd	Preparation of position paper for La trobe city council safety study	20	19	0	19
Ross Gilmour	Professional service on regulatory impact for safety regulation	50	19	31	50
Dimension Data Australia Pty Ltd	Review for Skype business high level design	19	19	0	19
Marxsen Consulting Pty Ltd	Professional service regarding Powerline Bushfire Safety Committee project	17	17	0	17
EE Forensic Engineers Pty Ltd	Professional service regarding engineering advice	16	16	0	16
Garry De Vercelli	Advising regulatory impact on safety regulation	50	15	35	50
Daniel Bouras	Development and building ERAC and EESS website	14	14	0	14
PricewaterhouseCoopers	Providing car parking analytics	13	13	0	13
Whereto Research Based Consulting	RCBO market research	10	10	0	10
Total		2,228	1,839	210	2,049

Details of consultancies under \$10,000

In 2018–19, 16 consultants received total fees payable of less than \$10,000.

The total expenditure incurred in 2018–19 in relation to these consultancies is \$64,500 (excluding GST).

ICT expenditure

For the 2018–19 reporting period, Energy Safe Victoria had a total ICT expenditure of \$5,482,225 with the details shown below:

Business as usual (BAU) ICT Expenditure	Non-business as usual (non-BAU) ICT expenditure (Total = Operational expenditure and Capital expenditure)	Operational expenditure	Capital expenditure
\$3,729,205	\$1,753,020	\$42,319	\$1,710,701

ICT expenditure refers to ESV's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing ESV's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Major contracts

ESV has not entered into any contracts over \$10 million.

Statement of availability of other information

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by ESV and are available (in full) on request, subject to the provisions of the *Freedom of Information Act (1982)*:

- Details of publications produced by ESV about itself and how these can be obtained
- Details of any major external reviews carried out on ESV
- Details of major research and development activities undertaken by ESV
- Details of all contracts and consultancies
- Details of major promotional, public relations and marketing activities undertaken by ESV to develop community awareness of the entity and its services; and
- Details of changes in prices, fees, charges, rates and levies charged.

The information is available on request from:

The FOI Officer
 Energy Safe Victoria
 Tel: (03) 9203 9700
 Email: foi@energysafe.vic.gov.au

Freedom of Information

The *Freedom of Information Act (1982)* (Vic) allows the public a right of access to documents held by ESV. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has the right to apply for access to documents held by ESV. This comprises documents both created by ESV or supplied by ESV by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and video tapes. Information about the type of material produced by ESV is available on its website under Part II Information Statement.

The Act allows ESV to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to ESV in-confidence.

FOI processing times for requests are 30 days. In some cases, this time may be extended for the purposes of consultation.

If any applicant is not satisfied by a decision made by ESV, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

MAKING A REQUEST

FOI requests can be lodged online at www.foi.vic.gov.au.

An application fee of \$28.90 applies. Access charges may also be payable if the document pool is large and the search for material, time consuming.

Access to documents can also be obtained through a written request to the ESV FOI Officer as detailed in section 17 of the FOI Act.

When making a request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents should be addressed to:

The FOI Officer
Energy Safe Victoria
PO Box 262
Collins Street West VIC 8007
Email: foi@energysafe.vic.gov.au

FOI STATISTICS/TIMELINES

During the 2018-2019 period, ESV received 51 freedom of requests. Of these:

- 40 were received from legal firms/insurance companies
- 11 were from the general public

ESV made 48 decisions during the 12 months ending 30 June 2019. Of these:

- 34 requests were granted in full
- 6 granted in part
- 2 were denied in full
- 1 was processed outside the FOI Act.
- 29 decisions were made within the statutory 30 day time period
- 12 decisions were made within an extended 30-45 day time period
- 4 decisions were made within 46-90 days; and
- 3 decisions made greater than 90 days.

The average time to finalise the requests in 2018-2019 was 30 days.

During the 12 month period ending 30 June 2019, ESV had two decisions that were subject to OVIC's review. One decision which was carried over from the 2017-2018 period was finalised in August 2018. The other decision that was subject to review by OVIC occurred in November 2018. A decision had not been finalised by 30 June 2019.

ESV was not involved in any VCAT proceedings during the period.

FURTHER INFORMATION

Further information regarding the operation and scope of an FOI can be obtained from the Act and through the OVIC website (ovic.vic.gov.au).

Building Act 1993

ESV is exempt from notifying its compliance with the building and maintenance provisions of the Act.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service. ESV continues to comply with the requirements of the Competitive Neutrality Policy.

Protected Disclosures Act

The *Protected Disclosures Act (2012)* enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a ‘protected disclosure’?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. ESV is a ‘public body’ for the purposes of the Act.

What is ‘improper or corrupt conduct’?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a ‘protected disclosure’?

Please note that ESV is not able to receive protected disclosures.

You can make a protected disclosure about ESV, officers or employees by contacting IBAC on the contact details provided below.

How can I access ESV’s procedures for the protection of persons from detrimental action?

ESV has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about ESV or its employees. You can access ESV’s procedures on its website at: www.esv.vic.gov.au.

Independent Broad-Based Anti-Corruption Commission (IBAC)

Victoria Level 1, North Tower 459 Collins Street
Melbourne Victoria 3000.

IBAC, GPO Box 24234,
Melbourne Victoria 3001

www.ibac.vic.gov.au

Phone 1300 735 135

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Carers’ Recognition Act

ESV supports the principles set out in the *Carers Recognition Act (2012)* to recognise the importance of carers and care relationships in our community. The principles and obligations of the Act are encompassed within ESV’s Enterprise Agreement and Flexible Working Arrangement Guidelines.

Disability Act

The *Disability Act (2006)* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The Act requires that public sector bodies (including all government departments) prepare a disability action plan and report on its implementation in their annual report.

Absolutely everyone: state disability plan for 2017-2020 is the Government’s framework for enabling people with a disability to participate and contribute to the social, economic and civic life of their community. The proposed ESV Diversity and Inclusion Framework will consider possible ways ESV can support this plan.

DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at <http://www.data.vic.gov.au/> in electronic readable format.

Financial management compliance attestation

I, Paul Fearon, on behalf of the Responsible Body, certify that Energy Safe Victoria has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and instructions.



Paul Fearon

Director of Energy Safety
5 September 2019

Financial statements

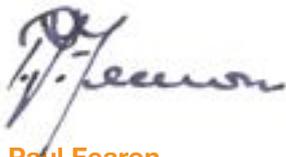
Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for Energy Safe Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act (1994)*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of Energy Safe Victoria at 30 June 2019.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 5 September 2019.



Paul Fearon
Director of Energy Safety

5 September 2019



Shawn Leong
Chief Financial Officer

5 September 2019

Comprehensive operating statement

for the financial year ended 30 June 2019

		(\$ thousand)	
	Notes	2019	2018
CONTINUING OPERATIONS			
Income from transactions			
Levy determination income	2.1.1	21,980	20,764
Fee income	2.1.2	18,158	16,942
Grant income	2.1.3	349	51
Interest	2.1.4	313	225
Other income	2.1.5	68	107
Total income from transaction		40,868	38,089
Expenses from transactions			
Employee benefits	3.1.1	23,388	21,650
Compliance audit expenses		2,781	3,367
Public relations and advertising	3.2	1,933	2,169
Motor vehicles		1,386	1,320
Rent and outgoings		1,165	1,146
Computer expenses		1,496	1,082
Consulting fees		1,236	769
Contractors		1,318	907
Depreciation	4.1.1	508	844
Other operating expenses	3.3	3,635	3,581
Total expenses from transactions		38,846	36,835
Net result from transactions (net operating balance)		2,022	1,254
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on non-financial assets		-	23
Other loss from other economic flows		(322)	(168)
Total other economic flows included in net result		(322)	(145)
Net result from continuing operations		1,700	1,109
NET RESULT		1,700	1,109
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>		-	-
Changes in physical asset revaluation surplus		-	-
Total other economic flows - other comprehensive income		-	-
COMPREHENSIVE RESULT		1,700	1,109

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

Balance sheet

as at 30 June 2019

(\$ thousand)

	Notes	2019	2018
ASSETS			
Financial assets			
Cash and cash equivalents	6.1	10,732	8,790
Receivables	5.1	4,194	925
Total financial assets		14,927	9,715
Non-financial assets			
Plant and equipment	4.1	959	1,145
Intangible assets	4.2	5,436	3,879
Prepayments		727	785
Total non-financial assets		7,123	5,809
Total assets		22,049	15,524
LIABILITIES			
Employee related provisions	3.1.2	4,180	3,615
Payables	5.2	2,885	2,799
Other liabilities	5.3	4,406	231
Total liabilities		11,471	6,645
Net assets		10,579	8,879
EQUITY			
Accumulated surplus/(deficit)		6,793	5,093
Physical asset revaluation surplus	8.1	176	176
Contributed capital	8.8	3,610	3,610
Net worth		10,579	8,879

The above balance sheet should be read in conjunction with the notes to the financial statements.

Cash flow statement

for the financial year ended 30 June 2019

(\$ thousand)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from other entities		42,448	37,073
Goods and Services Tax recovered from the ATO		1,608	1,287
Interest received		369	264
Total receipts		44,425	38,624
Payments			
Payments to suppliers and employees		(40,602)	(35,646)
Total payments		(40,602)	(35,646)
Net cash flows from operating activities	6.1.1	3,823	2,979
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non financial assets		(1,880)	(2,130)
Sale of non-financial assets		-	23
Net cash flows used in investing activities		(1,880)	(2,107)
Net increase in cash and cash equivalents		1,943	871
Cash and cash equivalents at the beginning of the financial year		8,790	7,919
Cash and cash equivalents at the end of the financial year	6.1	10,732	8,790

(i) Goods and Services Tax received from the ATO is presented on a net basis.

The above cash flow statement should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

for the financial year ended 30 June 2019

(\$ thousand)

	Physical asset revaluation surplus	Accumulated surplus/ (deficit)	Contributions by owner	Total
Balance at 1 July 2017	176	3,985	3,610	7,771
Net result for the year	-	1,109	-	1,109
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2018	176	5,093	3,610	8,879
Net result for the year	-	1,700	-	1,700
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2019	176	6,793	3,610	10,579

The above statement of changes in equity should be read in conjunction with the notes to the financial statements.

Notes to the financial statements for the financial year ended 30 June 2019

1. About this report

Energy Safe Victoria (ESV) is given the authority to operate by way of the *Electricity Safety Act (1998)*, the *Gas Safety Act (1997)*, the *Pipelines Act (2005)* and the *Energy Safe Victoria Act (2005)*. ESV is a statutory authority acting on behalf of the Crown. Its principal address is: Level 5, 4 Riverside Quay, Southbank Victoria, 3006.

ESV is responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria. Its objectives, functions and responsibilities are defined by legislation. A description of the nature of the ESV's operations, and its principal activities, is included in the Report of Operations which does not form part of these financial statements.

BASIS OF PREPARATION

These financial statements cover ESV as an individual reporting entity and include all its controlled activities.

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 specific item measured on a different basis.

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

The exercise of judgement, and the making of assumptions and estimates, is required in the preparation of financial statements. Judgements and assumptions made by management in applying Australian Accounting Standards (AAS) that have significant effects on the financial statements, and estimates, are disclosed in the notes under the heading: 'Significant judgement or estimates'.

Estimates are based on professional judgement, historical experience, and other factors considered reasonable under the circumstances. Actual results may differ from these estimates. Revisions to estimates are recognised in the period in which the estimate is revised, and in future periods that are affected by the revision.

Amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

COMPLIANCE INFORMATION

These general purpose financial statements have been prepared in accordance with the *Financial Management Act (1994)* and applicable AAS, including Interpretations, issued by the Australian Accounting Standards Board (AASB). The financial statements

are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs relevant to not-for-profit entities have been applied.

Accounting policies are selected and applied in these financial statements to ensure 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.

Notes to the financial statements for the financial year ended 30 June 2019

2. How income is generated

INTRODUCTION

ESV's primary source of revenue is levy determination and fee income. This includes industry levies and fees from the provision of licences and other services. These are levied, or charged, by ESV on a full cost recovery basis. ESV does not receive any appropriation from the State Government of Victoria.

Levy determination income is raised in accordance with the *Electricity Safety Act 1998*, the *Gas Safety Act 1997*, and the *Pipelines Act 2005*. Levy determinations are approved by the Minister for Energy, Environment and Climate Change.

Fees are generated from the sale of Certificates of Electrical Safety, the issue of electrical licences, and the provision of similar services.

STRUCTURE

2.1 Income from transactions

- 2.1.1 Levy determination income
- 2.1.2 Fee income
- 2.1.3 Grant income
- 2.1.4 Interest income
- 2.1.5 Other income

2.1 INCOME FROM TRANSACTIONS

Income from transactions is recognised when:

- ESV no longer has any significant risks and rewards of ownership, or goods and services have been transferred to the customer
- ESV no longer has continuing managerial involvement to the degree usually associated with ownership or has effective control over any goods sold the amount of income, and the costs incurred, or to be incurred, in respect of the transactions, can be reliably measured it is probable that the economic benefits associated with the transactions will flow to ESV.

Where applicable, income from transactions is shown net of returns, allowances, duties and taxes.

2.1.1 LEVY DETERMINATION INCOME

	(\$ thousand)	
Levy income	2019	2018
Gas industry levy	11,846	11,186
Electrical industry levy	9,201	8,688
Gas pipeline industry levy	933	890
Total levy determination income	21,980	20,764

Levy income is recognised when invoiced as this is when the energy supplier is unconditionally obliged, under legislation, to pay the levy. Levies are non-refundable.

2.1.2 FEE INCOME

	(\$ thousand)	
Fee Income	2019	2018
Certificates of Electrical Safety	11,403	10,493
Licence fees	3,865	3,771
Electrolysis mitigation fees	1,954	1,907
Equipment and appliance approval fees	317	411
Appliance efficiency fees	620	361
Total fee income	18,158	16,942

Fee income is earned from the sale of Certificates of Electrical Safety, registration and licence fees, from members of the Victorian Electrolysis Committee to cover electrolysis mitigation costs, and from appliance efficiency service fees. The income is recognised when ESV has provided the good or service, and an invoice has been issued.

Fee income earned from other sources such as the sale of certificates of compliance, and registration and licence fee paid by electrical workers is recognised when the income has been received from the customer and their application has been accepted.

2.1.3 GRANT INCOME

	(\$ thousand)	
	2019	2018
Grant Income from DIIS	50	51
Grant Income from DELWP	299	0
Total Grant	349	51

Grant income mainly relates to the development and production of the 2019 Carbon Monoxide Awareness campaign on behalf of the Government and are recognised in the reporting period when they are earned.

2.1.4 INTEREST INCOME

	(\$ thousand)	
	2019	2018
<i>Interest from financial assets not at fair value through profit or loss</i>		
Interest on cash and cash equivalents	313	225
Total interest	313	225

Interest income comprises interest earned on cash at bank and term deposits. Interest income is recognised using the effective interest method which allocates the interest over the relevant period in which the interest accrued.

2.1.5 OTHER INCOME

	(\$ thousand)	
	2019	2018
Other income	68	107
Total other income	68	107

Other income comprises:

- application fees for exemptions from electricity safety installation regulations recognised upon receipt of the income that accompanies the application
- application fees and review fees for Switchgear Workers licence practical assessments and Licensed Electrical Inspector assessments recognised upon receipt of the income that accompanies the application
- court determinations for the recovery of court costs recognised upon receipt of income as the funds are remitted by Court Services Victoria to ESV
- sales of advertising slots in the EnergySafe Magazine recognised upon invoicing when the terms of sale are finalised
- application fees in respect of Freedom of Information requests recognised upon receipt of income.

Notes to the financial statements for the financial year ended 30 June 2019

3. How costs are incurred

ESV incurs costs in the generation of its income and the provision of its services. The most significant element arises from the costs of employees. Other operating expenses include the day-to-day running costs incurred in normal operations.

STRUCTURE

3.1 Employee benefits

- 3.1.2 Employee benefits in the comprehensive operating statement
- 3.1.3 Employee benefits in the balance sheet
- 3.1.4 Superannuation contributions

3.2 Grant expenses

3.3 Other operating expenses

3.1 EMPLOYEE BENEFITS

3.1.1 EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT

	(\$ thousand)	
	2019	2018
Salaries, wages, annual leave and long service leave	21,397	19,685
<i>Post-employment benefits</i>		
Defined contribution superannuation expense	1,796	1,681
Termination benefits	196	284
Total employee benefits	23,388	21,650

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 contribution for members of defined contribution superannuation plans, paid or payable during the reporting period. ESV is not currently making any contributions in respect of employees who are members of defined benefit plans. This is consistent with advice provided by the plans' administrators.

Termination benefits are payable when employment is terminated before the 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 because of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.1.2 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.

	(\$ thousand)	
	2019	2018
Current provisions		
Annual leave		
Unconditional and expected to be settled within 12 months	1,046	984
Unconditional and expected to be settled after 12 months	291	264
Long service leave		
Unconditional and expected to be settled within 12 months	307	338
Unconditional and expected to be settled after 12 months	1,358	1,114
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months	227	221
Unconditional and expected to be settled after 12 months	269	225
Total current provisions for employee benefits	3,498	3,146
Non-current provisions		
Long service leave	587	403
Employee benefit on-costs	95	65
Total non current provisions for employee benefits	682	468
Total provisions for employee benefits	4,180	3,615
Reconciliation of movement in on-cost provision		
Opening balance	511	
Additional provisions recognised	225	
Reductions arising from payments	(260)	
Unwinding of discount and effect of changes in the discount rate	115	
Closing balance	591	
Current	496	
Non-current	95	
Closing balance	591	

Notes to the financial statements for the financial year ended 30 June 2019

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.

The liability for wages and salaries are recognised in the balance sheet at remuneration rates which are current at the reporting date. As ESV expects the liabilities to be wholly settled within 12 months of the reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as ESV does not have an unconditional right to defer settlement of liability for at least 12 months after the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognized in the comprehensive operating statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

LONG SERVICE LEAVE

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 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.

3.1.3 SUPERANNUATION CONTRIBUTIONS

All superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of ESV. As explained in 3.1.1, these contributions currently only relate to defined contribution plans.

	(\$ thousand)			
	Paid contribution for the year		Contribution outstanding at year end	
	2019	2018	2019	2018
Total defined contribution superannuation contributions	1,796	1,644	0	37

Defined benefit plan provide benefits based on years of service and final average salary. The defined benefit liability in respect of ESV employees is recognised in the balance sheet of the Department of Treasury and Finance, as an administered liability, and not in the balance sheet of ESV.

3.2 GRANT EXPENSES

	(\$ thousand)	
Supplies and services	2019	2018
Specific purpose grants for on-passing	349	51

Included in Public relations and advertising and contractors are *grant expenses* mainly relating to the development and production of the 2019 Carbon Monoxide Awareness Campaign on behalf of the Victorian government.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

3.3 OTHER OPERATING EXPENSES

	(\$ thousand)	
Supplies and services	2019	2018
Printing and stationery	65	433
Telecommunications	320	245
Legal fees	416	145
Administration fees - Certificates of Electrical Safety	253	254
Insurance	413	454
Travel expenses	336	296
Compliance and audit services (including Bushfire Mitigation)	293	354
Conferences and training	566	405
Publication and subscriptions	156	129
Other expenses	819	815
Total other operating expenses	3,635	3,530

Other operating expenses generally represent the day-to-day running costs involved in normal operations.

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Notes to the financial statements for the financial year ended 30 June 2019

4. Major assets

INTRODUCTION

ESV controls physical and intangible assets that are utilised in fulfilling its objectives, and conducting its activities. Physical assets comprise plant and equipment including assets under construction. Intangible assets comprise purchased and configured computer software in use, and computer software currently being configured for use.

FAIR VALUE MEASUREMENT

Where the assets included in this section are carried at fair value, additional information about how these fair values were determined is disclosed in Note 7.3.

STRUCTURE

4.1 Total plant and equipment

4.1.1 Depreciation and impairment

4.1.2 Reconciliation of movements in carrying values

4.2 Intangible assets

4.1 TOTAL PLANT AND EQUIPMENT

Plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. ESV's assets belong to the 'public safety and environment group'. All assets in a purpose group are further categorised according to the asset's 'nature', which each sub-category being classified as a separate class of asset for financial reporting purposes.

CARRYING VALUES OF PLANT AND EQUIPMENT BY PURPOSE GROUP

(\$ thousand)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2019	2018	2019	2018	2019	2018
PUBLIC SAFETY AND ENVIRONMENT						
Nature-based classification						
Plant and equipment at fair value						
Furniture and fittings	509	509	(120)	(76)	389	433
Equipment	505	551	(317)	(254)	188	297
Leasehold improvements	514	1,336	(278)	(963)	236	373
Vehicles	40	40	(7)	(4)	33	36
Assets under construction at cost	113	6	-	-	113	6
	1,682	2,442	(722)	(1,297)	959	1,145

INITIAL RECOGNITION

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

ESV's asset policy sets the minimum asset capitalisation threshold of individual units at greater than \$5,000 (GST exclusive). 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 values do not meet the capitalisation threshold of \$5,000, but, as a group, the total purchase value exceeds \$50,000 (GST exclusive); and
- it is commercially viable to purchase multiple units of the same item under a single transaction.

SUBSEQUENT MEASUREMENT

Plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset), and is summarised below by asset category.

Note 7.3 includes additional information in connection with fair value determination of plant and equipment.

4.1.1 DEPRECIATION AND IMPAIRMENT

	(\$ thousand)	
Depreciation charge for the period	2019	2018
Furniture and fixtures	44	43
Equipment	108	123
Leasehold improvements	164	462
Vehicles	2	2
Intangible assets	190	214
Total depreciation	508	844

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 class for current and prior years are included in the table below:

Asset class	Useful life in years
Furniture and fittings	10 to 15
Equipment	3 to 15
Leasehold improvements	Shorter of lease term and 7 years
Vehicle (mobile site office)	18

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

Notes to the financial statements for the financial year ended 30 June 2019

4.1.2 RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT OF PLANT AND EQUIPMENT

(\$ thousand)

	Plant and equipment at fair value		Assets under construction at cost		Total	
	2019	2018	2019	2018	2019	2018
PUBLIC SAFETY AND ENVIRONMENT						
Opening balance	1,140	1,492	5	275	1,145	1,767
Additions	0	-	133	8	133	8
Disposals	-	-	-	-	-	-
Transfer in/(out) of asset under construction	26	278	(26)	(278)	0	-
Depreciation	(319)	(630)	-	-	(319)	(630)
Closing balance	847	1,140	112	5	959	1,145

Fair value assessments have been performed for all classes of assets in this purpose group and it was concluded that movements were not sufficiently material (less than or equal to 10 per cent) to warrant a full revaluation. The next scheduled full revaluation for this purpose group is in 2021.

4.2 INTANGIBLE ASSETS

(\$ thousand)

	Computer software		Work in progress		Total	
	2019	2018	2019	2018	2019	2018
Gross carrying amount						
Opening balance	4,564	4,564	3,274	1,280	7,838	5,844
Additions	36	-	1,711	2,091	1,747	2,091
Disposals	(3,599)	-	-	-	(3,599)	-
Transfer in/out of work in progress	-	-	-	(97)	-	(97)
Closing balance	1,002	4,564	4,985	3,274	5,987	7,838
Accumulated depreciation						
Opening balance	(3,959)	(3,745)	-	-	(3,959)	(3,745)
Amortisation of intangible produced assets	(190)	(214)	-	-	(190)	(214)
Disposals	3,599	-	-	-	3,599	-
Closing balance	(550)	(3,959)	-	-	(550)	(3,959)
Net book value at the end of the financial year	452	605	4,985	3,274	5,437	3,879

Intangible assets comprise purchased computer software and configured computer software in use, and computer software currently being configured for use and included in work in progress.

All ESV's intangible assets are produced assets.

Notes to the financial statements for the financial year ended 30 June 2019

INITIAL RECOGNITION

Intangible assets are initially recognised at cost.

Configured software is recognised as an intangible asset if the following can be demonstrated:

- the technical feasibility of completing the configuration so that the software will be available for use in ESV
- an intention to complete the configured software and use it in ESV
- the ability to use the configured software in ESV
- the configured software will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the configuration and use the software in ESV
- the ability to measure reliably the expenditure attributable to the software's configuration.

SUBSEQUENT MEASUREMENT

Intangible assets with finite useful lives are amortised as an 'expense from transactions' on a straight-line basis over the asset's useful life, which is generally between two and five years.

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation method and useful life are reviewed annually at each financial year-end.

IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets with finite useful lives (including work in progress) are tested for impairment whenever an indication of impairment is identified (See Note 4.1.1).

SIGNIFICANT INTANGIBLE ASSETS

As at 30 June 2019, ESV recognised the following configured computer software as part of its ongoing information and technology investment:

Configured software	Carrying amount Remaining	Configured software useful life	Remaining depreciation period
GasTrac	\$351,773	5 years	2.34 years
ESV website	\$65,720	5 years	2.70 years

5. Other assets and liabilities

INTRODUCTION

This section describes those assets and liabilities, including receivables and payables that arose from ESV's controlled operations.

STRUCTURE

5.1 Receivables

5.2 Payables

5.2.1 Maturity analysis of contractual payables

5.3 Other liabilities

5.1 RECEIVABLES

	(\$ thousand)	
	2019	2018
Contractual		
Certificate of Electrical Safety agents	640	476
Other receivables	3,314	209
Statutory		
GST input tax credit recoverable	240	240
Total current receivables	4,194	925

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. ESV holds the contractual receivables with the objective to collect the contractual cash flows and therefore are subsequently 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 for disclosure purposes. ESV applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Notes to the financial statements for the financial year ended 30 June 2019

5.2 PAYABLES

	(\$ thousand)	
	2019	2018
Contractual		
Supplies and services	2,540	2,681
Amounts payable to government and agencies	8	-
Other Payables	87	113
Statutory		
GST payable	176	5
Total current payables	2,811	2,799

Payables comprises:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to ESV prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and are not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days. The terms and conditions of amounts payable to the government and agencies vary according to the agreements and as they are not part of legislative payables, they are not classified as financial instruments.

5.2.1 MATURITY ANALYSIS OF CONTRACTUAL PAYABLES

(\$ thousand)

	Carrying amount	Nominal amount	Maturity dates		
			Less than 1 month	1-3 months	3 months - 1 year
2019					
Other payables	2,635	2,635	2,635	0	0
Total contractual payables	2,635	2,635	2,635	0	0
2018					
Other payables	2,794	2,794	2,491	302	1
Total contractual payables	2,794	2,794	2,491	302	1

5.3 OTHER LIABILITIES

(\$ thousand)

	2019	2018
Lease incentive	171	-
Unearned income	3,850	49
Total current other liabilities	4,021	49
Lease incentive	385	182
Total non-current other liabilities	385	182
Total other liabilities	4,406	231

Other liabilities represent lease incentives in respect of operating leases for office accommodation. Lease incentives will be utilised as a reduction of rental expense over the lease term on a straight-line basis.

Income received or receivable but not earned at the reporting date is recognised as unearned income. The unearned income liability for 2018-19 represents a specific purpose grant received from the Department of Industry, Innovation and Science for the review and development of energy measure standards for gas hot water systems. As the grant conditions have not been fully met, grant income is partially deferred, until such time as the costs the grant is intended to compensate are incurred.

Notes to the financial statements for the financial year ended 30 June 2019

6. Financing our operations

INTRODUCTION

ESV's continuing operations are financed by cash flows generated from operating activities (see consolidated cash flow statement). Investing activities are also generally funded by operating cash flows.

This section includes disclosures of balances that are financial instruments (such as cash balances), including financial commitments at year end. Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

STRUCTURE

6.1 Cash flow information and balances

6.1.1 Reconciliation of net result to cash flow from operating activities

6.2 Commitments for expenditure

6.2.1 Total commitment payable

6.1 CASH FLOW INFORMATION AND BALANCES

Cash and cash equivalents, comprise cash on hand and cash

at bank, deposits at call and term deposits with an original maturity of three months or less, which are:

- held to meet short term cash commitments rather than for investment purposes
- readily convertible to known amounts of cash; and
- subject to an insignificant risk of changes in value.

ESV invests its funds in accordance with the requirements of the Standing Directions of the Minister for Finance.

	(\$ thousand)	
	2019	2018
Total cash and cash equivalents disclosed in the balance sheet	10,732	8,790
Balance as per cash flow statement	10,732	8,790

6.1.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

(\$ thousand)

	2019	2018
Net result for the period	1,700	1,109
Non-cash movements		
Gain on sale or disposal of non-current assets	-	(23)
Depreciation and amortisation of non-current assets	508	844
Movement in assets and liabilities		
(Increase)/decrease in receivables	(3,270)	73
Decrease/(increase) in other current assets	58	(294)
Increase in payables	87	1,053
Increase/(decrease) in other liabilities	4,175	(151)
Increase in provisions	565	367
Net cash flows from operating activities	3,823	2,979

6.2 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating commitments arising from contracts in place at the period end. These commitments are recorded at their nominal value, and inclusive of GST. This future expenditure ceases to be disclosed as a commitment when the related liabilities are recognised in the balance sheet.

The office accommodation commitment includes leases on premises at 4 Riverside Quay, Southbank and at 540 Springvale Road, Glen Waverley. The lease at 4 Riverside Quay, Southbank expires in August 2024 and is subject to an annual increase of 3.75 per cent. The lease at 540 Springvale Road, Glen Waverley expires in October 2021, the lease is fixed for the first three years and is subject to an annual increase of 3.75 per cent for years 4-6.

Notes to the financial statements for the financial year ended 30 June 2019

6.2.1 TOTAL COMMITMENTS PAYABLE

(\$ thousand)

Nominal values	2019	2018
Lease commitments payable		
Motor vehicle operating lease commitments payable		
Less than 1 year	809	656
Longer than 1 year but no longer than 5 years	1,020	1,331
Office accommodation lease commitments payable		
Less than 1 year	973	685
Longer than 1 year but no longer than 5 years	3,790	3,362
5 years or more	142	1,430
Office equipment lease commitments payable		
Less than 1 year	246	173
Longer than 1 year but no longer than 5 years	103	351
Total commitments (inclusive of GST)	7,083	7,987
Less: GST recoverable	(644)	(726)
Total commitments (exclusive of GST)	6,439	7,261

7. Risks, contingencies and valuation judgements

INTRODUCTION

ESV's operations, assets and liabilities, notably its financial instruments, are exposed to various risks. Uncertainty may also inhibit ESV quantifying certain assets and liabilities until certain future events occur. As described in Note 1, it is often necessary to make judgements and estimates associated with the recognition and measurement of items in the financial statements, notably in respect of the fair value of assets and liabilities.

This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for ESV related mainly to fair value determination.

7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

INTRODUCTION

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. For ESV, 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.

From 1 July 2018, the Department applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by ESV to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

ESV recognises the following assets in this category:

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

Notes to the financial statements for the financial year ended 30 June 2019

Categories of financial assets previously under AASB 139

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, receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). ESV recognises the following assets in this category:

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

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost are initially recognised on the date they are originated. 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 the following liabilities in this category:

- payables (excluding statutory payables)

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- ESV retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- ESV has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where ESV has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of ESV's continuing involvement in the asset.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

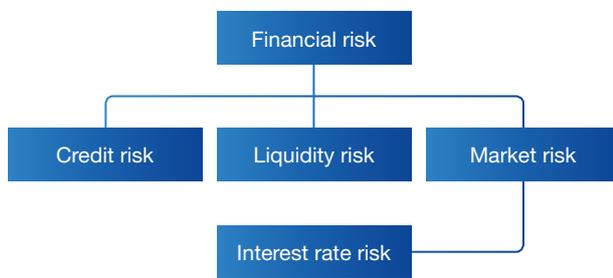
	Note	2019	2018
(\$ thousand)			
Contractual financial assets			
Cash and cash equivalents		10,732	8,790
Receivables	5.1		
Fee income		640	476
Other receivables		3,314	209
Total contractual financial assets (receivables and cash for 2018, amortised cost for 2019)		14,686	9,475
Contractual financial liabilities			
Payables	5.2		
Other payables		2,635	2,794
Total contractual financial liabilities at amortised cost (for 2018 and 2019)		2,635	2,794

The total amounts for receivables and payables disclosed here exclude statutory amounts (e.g. GST input tax recoverable and taxes payable).

Notes to the financial statements for the financial year ended 30 June 2019

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

ESV is exposed to several financial risks, including:



ESV's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3.

The main purpose in holding financial instruments is to prudentially manage ESV's financial risks within government policy parameters.

ESV's main financial risks include credit risk, liquidity risk and interest rate risk. ESV manages these risks in accordance with its financial risk management policy.

ESV uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer of ESV.

7.1.2.1 FINANCIAL INSTRUMENTS: CREDIT RISK

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. ESV's exposure to credit risk arises from the potential default of a counter party on

their contractual obligations resulting in financial loss to ESV. Credit risk is measured at fair value and is monitored on a regular basis.

ESV does not engage in hedging for its contractual financial assets. It mainly obtains contractual financial assets that are on fixed interest, except for cash and cash equivalents which are mainly cash at bank.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that ESV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents ESV's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to ESV's credit risk profile in 2018-19.

CREDIT QUALITY OF FINANCIAL ASSETS

(\$ thousand)

2019	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Other (min BBB credit rating)	Total
Financial assets				
Cash and cash equivalents (with no impairment loss recognised)	10,732	-	-	10,732
Statutory Receivables (with no impairment loss recognised)	-	240	-	240
Contractual receivables (with no impairment loss recognised)	2	197	3,755	3,954
Total financial assets	10,734	438	3,755	14,927

CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

(\$ thousand)

2018	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Other (min BBB credit rating)	Total
Financial assets				
Cash and cash equivalents	1,590	7,200	-	8,790
Contractual receivables	25	27	633	685
Total financial assets	1,614	7,227	633	9,475

The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable)

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

ESV has assessed impairment of financial assets including contractual receivables and statutory receivables. It concludes that no impairment is necessary as all financial assets are recoverable.

Notes to the financial statements for the financial year ended 30 June 2019

7.1.2.2 FINANCIAL INSTRUMENTS: LIQUIDITY RISK

Liquidity risk arises from being unable to meet financial obligations as they fall due. ESV operates under the Victorian Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

ESV is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet.

ESV manages its liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

ESV's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

7.1.2.3 FINANCIAL INSTRUMENTS: MARKET RISK

ESV's exposure to market risk relates primarily to interest rate risk. It does not have, nor intend to have, any exposure to foreign currency risk, or equity price risk.

Sensitivity disclosure analysis and assumptions

Considering past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, ESV believes that a movement of 100 basis points up and down in market interest rate is reasonably possible over the next 12 months. Sensitivity analyses shown are for illustrative purposes only.

The tables that follow shows the impact on ESV's net result for each category of financial instrument held by ESV at the end of the reporting period, if the above movements were to occur.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. ESV does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. ESV has minimal exposure to cash flow interest rate risks through cash and cash equivalents that are at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risk are set out in the table that follows.

7.1.2.3 (A) INTEREST RATE EXPOSURE OF FINANCIAL INSTRUMENTS

(\$ thousand)

	Weighted average interest rate%	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2019					
Contractual financial assets					
Cash and cash equivalents	1.7%	10,732	-	10,732	-
Receivables	-	3,954	-	-	3,954
Total contractual financial assets		14,686	-	10,732	3,954
Contractual financial liabilities					
Payables					
Other payables	-	2,635	-	-	2,635
Total contractual financial liabilities		2,635	-	-	2,635
2018					
Contractual financial assets					
Cash and cash equivalents	1.8%	8,790	7,200	1,590	-
Receivables	-	685	-	-	685
Total contractual financial assets		9,475	7,200	1,590	685
Contractual financial liabilities					
Payables					
Other payables	-	2,794	-	-	2,794
Total contractual financial liabilities		2,794	-	-	2,794

The total amounts disclosed here exclude statutory amounts (e.g. GST input tax recoverable and taxes payable).

Notes to the financial statements for the financial year ended 30 June 2019

7.1.2.3 (B) INTEREST RATE RISK SENSITIVITY

(\$ thousand)

	Carrying amount	-100 basis points	+100 basis points
		Net result	Net result
2019			
Contractual financial assets			
Cash and cash equivalents	10,732	(107)	107
Total impact	10,732	(107)	107
2018			
Contractual financial assets			
Cash and cash equivalents	8,790	(16)	16
Total impact	8,790	(16)	16

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by events not wholly within ESV's control. ESV has no quantifiable or non-quantifiable contingent assets.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by uncertain future events not wholly within ESV's control; or
- present obligations that arise from past events but are not recognised because:
 - > it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - > the amount of the obligations cannot be reliably measured.

Contingent liabilities are also classified as either quantifiable or non-quantifiable. ESV has no non-quantifiable contingent liabilities.

7.3 FAIR VALUE DETERMINATION

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on ESV's results and financial position.

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

Plant and equipment are carried at fair value. ESV determines the policies and procedures for determining fair values for non-financial physical assets as required.

In addition, the fair values of other assets and liabilities which are carried at amortised cost, also need to be determined for disclosure purposes. ESV only have short-term financial instruments such as cash at bank, trade receivables and payables and their carrying amount is a reasonable approximation of fair value. As such, a fair value disclosure on financial instruments is not required.

Fair value hierarchy

In determining fair values, several inputs are used.

To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- 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.

How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - > a reconciliation of the movements in fair values from the beginning of the year to the end; and
 - > details of significant unobservable inputs used in the fair value determination.

Notes to the financial statements for the financial year ended 30 June 2019

7.3.1 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS

(\$ thousand)

	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
2019				
Plant and equipment at fair value	847	-	-	847
2018				
Plant and equipment at fair value	1,140	-	-	1,140

These assets have been classified in accordance with the fair value hierarchy, see note 7.3. There have been no transfers between levels during the period. ESV's plant and equipment is held at fair value. For all assets measured at fair value, the current use is considered the highest and best use. There were no changes in valuation techniques throughout the period to 30 June 2019.

RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS

	(\$ thousand)	
	2019	2018
Plant and equipment		
Opening balance	1,140	1,492
Purchases	0	278
Transfers in/(out) of Level 3	-	-
Gains or losses recognised in net result		
Depreciation	(319)	(630)
Subtotal	(319)	(352)
Gains or losses recognised in other economic flows - other comprehensive income		
Revaluation	-	-
Closing balance	821	1,140
Unrealised gains/(losses) on non-financial assets	-	-

DESCRIPTION OF SIGNIFICANT UNOBSERVABLE INPUTS TO LEVEL 3 VALUATIONS

2018 and 2019	Plant and equipment
Valuation technique	Depreciated replacement cost
Significant unobservable inputs	Physical depreciation and obsolescence adjustment

Significant unobservable inputs have remained unchanged since June 2016.

ESV applied AASB 2015-7 *Fair Value Disclosures of Not-for Profit Public Sector Entities*, exempting not-for-profit public sector entities from disclosing 'unrealised gains/(losses) on non-financial assets', quantitative information of significant unobservable inputs and the sensitivity analysis if the assets are held primarily for their current service potential rather than to generate net cash inflows.

Notes to the financial statements for the financial year ended 30 June 2019

8. Other disclosures

INTRODUCTION

This section includes additional material disclosures required by accounting standards or otherwise, to assist in the understanding of these financial statements.

8.1 RESERVES

	(\$ thousand)	
	2019	2018
Physical asset revaluation surplus		
Balance at beginning of financial year	176	176
Revaluation increments/(decrements)	-	-
Disposal or transferred out	-	-
Balance at end of financial year	176	176
Net changes in reserves	-	-

8.2 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Minister and Accountable Officer in ESV are as follows:

Minister for Energy, Environment and Climate Change

The Hon. Lily D'Ambrosio MP
1 July 2018 to 30 June 2019

Director of Energy Safety

Mr Paul Fearon
1 July 2018 to 30 June 2019

Remuneration

Remuneration received or receivable by the Accountable Officer for the management of ESV during the reporting period was in the range: \$340,000 – \$350,000 (2017-18: \$330,000 – \$340,000).

8.3 REMUNERATION OF EXECUTIVES

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as allowances and non-monetary benefits.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long-service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. Several employment contracts were completed and renegotiated and several executive officers resigned in the past year. This has had a significant impact on remuneration figures for the termination benefits category.

REMUNERATION OF EXECUTIVE OFFICERS (INCLUDING KEY MANAGEMENT PERSONNEL DISCLOSED IN NOTE 8.5)

	(\$ thousand)	
	2019	2018
Short-term employee benefits	1,234	1,184
Post-employment benefits	103	100
Other long-term benefits	10	9
Termination benefits	0	0
Total remuneration ^{(i) (ii)}	1,347	1,293
Total number of executives	5	5
Total annualised employee equivalent ⁽ⁱⁱⁱ⁾	5.0	5.0

Notes:

- i. The total number of executive officers includes persons who meet the definition of key management personnel of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 8.5).
- ii. Annualised employee equivalent is based on the time fraction worked over the reporting period.

Notes to the financial statements for the financial year ended 30 June 2019

8.4 RELATED PARTIES

ESV is a wholly owned and controlled entity of the State of Victoria. Related parties of the entity include:

- all key management personnel, their close family members and personal business interests; and
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements

Significant transactions with government-related entities

During the financial year ended 30 June 2019, ESV had the following significant government-related entity transactions:

- on-passed \$63,860 of infringement notice fees to the Consolidated Fund, through the Department of Environment, Land, Water and Planning (2018: \$77,344)
- paid \$501,620 in annual insurance premiums to the Victorian Managed Insurance Authority (2018: \$988,646)
- recognised interest income of \$209,539 for term deposits invested with the Treasury Corporation of Victoria (2018: \$209,454).

As at 30 June 2019, ESV had a balance of \$nil held in term deposits with the Treasury Corporation of Victoria (2018: \$7,200,000).

ESV's key management personnel includes the Portfolio Minister, Director of Energy Safety and members of the Executive Management Board:

- Portfolio Minister - The Hon. Lily D'Ambrosio MP
- Director of Energy Safety - Mr Paul Fearon
- Deputy Director - Mr Neil Fraser

- Chief Operating Officer - Mr Sharife Rahmani
- General Manager, Risk, Regulatory Planning and Policy - Dr Roanne Allan
- General Manager, Electrical Safety and Technical Regulation - Mr Ian Burgwin
- General Manager, Gas and Pipeline Safety and Technical Regulation - Mr Steve Cronin

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services' Financial Report.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

	(\$ thousand)	
	2019	2018
Short-term employee benefits	1,544	1,502
Post-employment benefits	124	120
Other long-term benefits	16	16
Termination benefits	0	0
Total	1,684	1,638

Note that key management personnel are also reported in the disclosure of remuneration of executive officers (Note 8.4).

Transactions and balances with key management personnel and other related parties

Outside of normal citizen type transactions, there were no related party transactions that involve key management personnel, their close family members and their personal business interests.

No provision has been required, nor any expense required for impairment of receivables from related parties.

8.5 REMUNERATION OF AUDITORS

	(\$ thousand)	
	2019	2018
Victorian Auditor-General's Office		
Audit of the financial statements	72	36

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

8.6 SUBSEQUENT EVENTS

There have been no significant events post reporting date.

8.7 CHANGE IN ACCOUNTING POLICIES

ESV has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

- a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings; and
- b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on ESV's financial statements.

8.7.1 CHANGES TO CLASSIFICATION AND MEASUREMENT

On initial application of AASB 9 on 1 July 2018, ESV's management has assessed for all financial assets based on ESV's business models for managing the assets.

Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9.

The accounting for financial liabilities remains largely the same as it was under AASB 139, except for the treatment of gains or losses arising from ESV's own credit risk relating to liabilities designated at fair value through net result. Such movements are presented in other comprehensive income with no subsequent recycle through profit or loss.

ESV's accounting policies for financial assets and liabilities are set out in note 7.1.1. Amount totaling \$3,954k of contractual assets have been classified as amortised cost upon adoption of AASB 9.

8.7.2 CHANGES TO THE IMPAIRMENT OF FINANCIAL ASSETS

Under AASB 9, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.

For other loans and receivables, ESV applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset.

8.7.3 TRANSITION IMPACT

There is no transition impact of AASB9.

Notes to the financial statements for the financial year ended 30 June 2019

8.8 OTHER ACCOUNTING POLICIES

Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of ESV.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to, or contributions by, owners have also been designated as contributions by owners.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, to reflect the risks and rewards incidental to ownership. Leases of infrastructure plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised on a straight-line basis over the lease term.

Foreign currency transactions

All foreign current transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. ESV does not have any foreign monetary items existing at the end of the reporting period.

8.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2019 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2018, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2019. They become effective for the first financial statement for reporting periods commencing after the stated effective date in the table below.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. The assessment is not likely to result in any material changes for ESV.
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 10 Events after the Reporting Period, include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.	1 January 2020	The assessment has indicated that there will be no significant impact for ESV.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
AASB 2018-8 Amendments to Australian Accounting Standards – Right of use asset	This standard amends various AASB standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 January 2019	The assessment has indicated that there will be no significant impact for ESV.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: <ol style="list-style-type: none"> 1. require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and 2. clarifies circumstances when a contract with a customer is within the scope of AASB 15. 	1 January 2019	The assessment has indicated that there will be no significant impact for ESV, other than the impacts identified for AASB 9 and AASB 15 above.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet, which has an impact on net debt.	1 July 2019	<p>The assessment has indicated that most operating leases will come on the balance sheet as the recognition of right-of-use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>ESV has performed a detailed impact assessment of AASB 16 and the potential impact in the initial year of application has been estimated as follows:</p> <ul style="list-style-type: none"> • increase in RoU (\$5.5m), • increase in related depreciation (\$1.0m), • increase in lease liability (\$4.6m), • increase in related interest (\$0.2m) calculated using effective interest method, and • decrease in rental expense (\$2.0m).
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	<p>The assessment has indicated that the revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p> <p>Revenue from capital grants for the construction of assets will need to be deferred. Income will be recognized over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognized at a point in time for acquisition of assets.</p> <p>Revenue from operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants.) Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p>

For the current year, given the number of consequential amendments to AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

Notes to the financial statements for the financial year ended 30 June 2019

8.10 GLOSSARY OF TECHNICAL TERMS

The following is a summary of the major technical terms used in this report.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item generally refers to the capacity of an entity to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

- a) cash;
- b) an equity instrument of another entity
- c) a contractual right:
 - to receive cash or another financial asset from another entity or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

- a) A contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- b) A contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements comprise:

- a) a balance sheet as at the end of the period
- b) a comprehensive operating statement for the period
- c) a statement of changes in equity for the period
- d) a cash flow statement for the period
- e) notes, comprising a summary of significant accounting policies and other explanatory information
- f) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*
- g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statement in accordance with paragraphs 41 of AASB 101.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing are grants paid to one institutional sector (e.g. a State general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Leases are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Net operating balance – net result from transactions:

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. They include plant and equipment, and intangible assets.

Operating result: Refer to 'net result'.

Notes to the financial statements for the financial year ended 30 June 2019

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; and fair value changes of financial instruments.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other AAS. They include changes in physical asset revaluation surplus.

Payables includes short and long-term trade debt and accounts payable, taxes and interest payable.

Produced assets include plant and equipment, and certain intangible assets. Intangible produced assets include configured computer software costs. This definition contrasts with non-produced, or internally generated intangible assets, such as goodwill or brands.

Receivables include short and long-term trade credit and accounts receivable, accrued income, taxes and interest receivable.

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the entity.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided / given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Transactions are those economic flows that are considered to arise because of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

–	zero, or rounded to zero
(xxx)	negative numbers
201x	year period
201x–1x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2018–19 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of ESV's annual reports.

Independent Auditor's Report

To the Director of Energy Safe Victoria

Opinion	<p>I have audited the financial report of Energy Safe Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • Accountable Officer's and Chief Financial Officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Director of the entity is responsible for the Other Information, which comprises the information in the entity's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

Director's responsibilities for the financial report The Director of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Director determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Director is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Simone Bohan

as delegate for the Auditor-General of Victoria

Appendices

Disclosure index

The annual report of Energy Safe Victoria Energy Safe Victoria is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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Note:

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

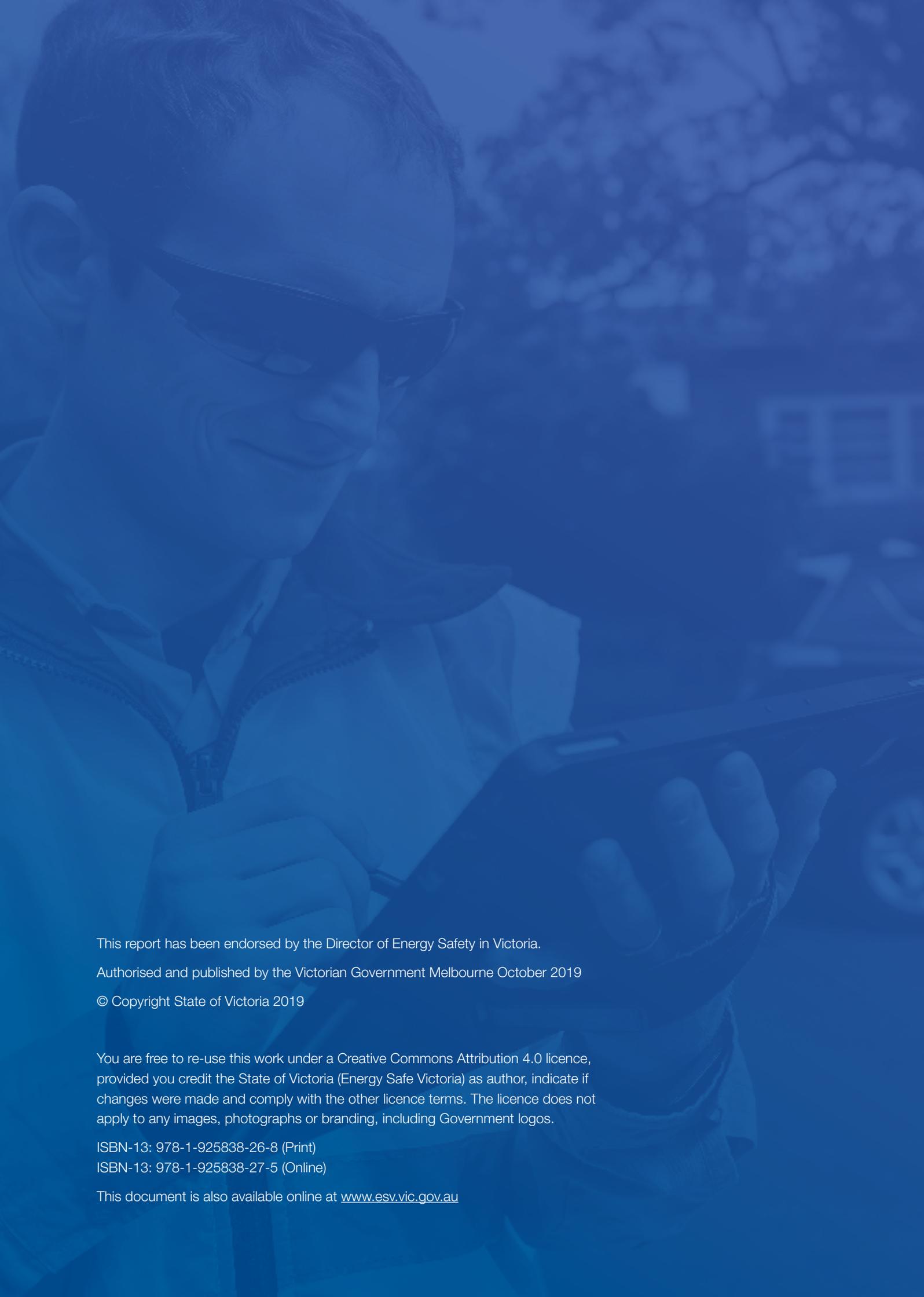
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Abbreviations

ACCC	Australian Competition and Consumer Commission	ESISC	Energy Networks Industry Safety Committee
ACR	Automatic circuit recloser	ESMSs	Electricity Safety Management Schemes
AEMO	Australian Energy Market Operator	ESV	Energy Safe Victoria
AER	Australian Energy Regulator	ETU	Electrical Trades Union
AIG	Australian Industry Group	GEMCF	Gas Emergency Management Consultative Forum
APGA	Australian Pipelines and Gas Association	GEMS	Greenhouse and Energy Minimum Standards
APIA	Australian Pipeline Industry Association	GIAS	Gas Installations and Appliance Safety
ATO	Australian Taxation Office	GPIS	Gas and Pipeline Infrastructure Safety
BEED	Building Energy Efficiency Disclosure	GTRC	Gas Technical Regulators Committee
BFMP	Bushfire mitigation	HR	Human Resources
CCA	Copper clad aluminium	HBRA	Hazardous bushfire risk area
CFA	Country Fire Authority	IBAC	Independent Broad-based Anti-Corruption Commission
CO	Carbon monoxide	ICT	Information communication technology
COES	Certificate of Electrical Safety	IDAHOBIT	International Day Against Homophobia, Transphobia and Biphobia
CPSISC	Construction and Property Services Industry Skills Council	IEC	International Electrotechnical Commission
CSIRO	Commonwealth Scientific and Industrial Research Organisation	IMGC	Information Management Governance Committee
CT	Current transformer	IPAA	The Institute of Public Administration Australia
DB	Distribution business	KPI	Key performance indicator
DB	Drainage bond	LBRA	Low bushfire risk area
DELWP	Department of Environment, Land, Water and Planning	LDAP	Land Development Around Pipelines
DTF	Department of Treasury and Finance	LED	Light emitting diode
EES	Electrical Equipment Safety Scheme	LEI	Licensed electrical inspector
ELCCC	Electric Line Clearance Consultative Committee	LNO	Licensed network operator
ELV	Extra low voltage	MAMS	Master Agency Media Services
EMB	Executive management board	MEC	Major electrical company
EMV	Emergency Management Victoria	MFB	Metropolitan Fire and Emergency Services Board
EPA	Environment Protection Authority	MOU	Memorandum of understanding
ERAC	Electrical Regulatory Authorities Council	MTM	Metro Trains Melbourne
ESC	Essential Services Commission	NA	Not applicable
		NECA	National Electrical Contractors Association

OHS	Occupational health and safety	VBA	Victorian Building Authority
ORP	Other responsible person	VBRC	Victorian Bushfire Royal Commission
OVIC	Office of the Victorian Information Commissioner	VCDB	Variable conductance drainage bond
PBSP	Powerline Bushfire Safety Program	VCEC	Victorian Competition and Efficiency Commission Efficiency Commission
PICAC	Plumbing Industry Climate Action Centre	VEC	Victorian Electrolysis Committee
POEL	Private overhead electric line	VEEC	Victorian Electricity Emergency Committee
PTV	Public Transport Victoria	VPS	Victorian Public Sector
RCBO	Residual current circuit breakers with overcurrent protection	VPSC	Victorian Public Sector Commission
RCD	Residual current device	WPC	Work practice observations
RCM	Regulatory compliance mark		
REC	Registered electrical contractor		
REFCL	Rapid earth fault current limiter		
REL	Restricted electrical worker		
RIS	Regulatory impact statement		
RMC	Risk Management Committee		
RTO	Registered training organisation		
SC	Safety case		
SCO	Senior Committee of Officials		
SCER	Standing Council on Energy and Resources		
SECV	State Electricity Commission of Victoria		
SMP	Safety management plan		
SOE	Statement of Expectations		
SWER	Single wire earth return		
TDU	Thyristor drainage unit		
TFB	Total fire ban		
TSV	Transport Safety Victoria		



This report has been endorsed by the Director of Energy Safety in Victoria.

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Energy Safe Victoria
ABN 27 462 247 657

Head Office
Level 5, 4 Riverside Quay
Southbank VIC 3006

Postal address
PO Box 262
Collins Street West VIC 8007

Telephone 03 9203 9700
Email info@esv.vic.gov.au
www.esv.vic.gov.au