

Energy Safe Victoria Annual Report 2021–22

We're powering towards a safer energy future that is sustainable for all Victorians and our climate.

We need energy safety systems that are sustainable into the future so Victorians can continue to use energy for many generations. We also need energy systems to be modern and reliable, so our families, towns, cities and lands are kept safe.

We aim to create a future where Victorians and the environment they live and work in can flourish because of the safe, reliable delivery of sustainable energy.

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

Authorised and published by the Victorian Government, Melbourne

October 2022

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ISSN 2653-5092 (print)

ISSN 2653-5106 (online)

This document is also available online at www.esv.vic.gov.au

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2021–22 Snapshot

Preventing harm



3 fatalities

161 ground fires

11 serious injuries

93 installation, equipment and appliance fires

Employee engagement



68% Engagement score

↓ down from **71%** in 2021

79% Participation score

↑ up from **77%** in 2021

Stakeholder engagement



Regulated entity
satisfaction measure

74.3%



customer experience
(up from 73.2% in 2021)

75.5%



overall effectiveness as a regulator
(up from 71.6% in 2021)

Strengthening ESV's role



17 prosecutions completed

12 disconnection notices

18 improvement notices

205 warning letters

48 Victorian Building Authority referrals

161 infringement notices

35 rectification notices

16 Chairperson Directions issued

Compliance and enforcement priorities



Vegetation clearance around power lines:

7,495 high bushfire risk area inspections

5,250 low bushfire risk area inspections

42 notices issued under section 86(1) of the *Energy Safety Act 1998* for non-compliant vegetation

211 residential solar installation inspections

99.9% compliance rate unsafe installations: solar homes scheme

Gas appliance safety

0.8 ratio of injuries to incidents

4,060 Gas applications received

3,875 Accepted

2,377 Conducted inspections

84% of applications accepted on the initial inspection

Audits of renewable energy and new technology

4 solar installations

1 wind installations

Licensed Electrical Worker compliance

578 spot inspections

Electrical equipment and appliances

57 audits



Responsible body's declaration

As Chief Executive Officer of Energy Safety Victoria, in accordance with the *Financial Management Act 1994*, I present the Energy Safe Victoria Annual Report for the year ending 30 June 2022.



Leanne Hughson
Chief Executive Officer
Energy Safe Victoria

18 October, 2022

SECTION 1

Year in Review

Foreword from Chairperson and Chief Executive Officer

Victoria's energy landscape is changing rapidly and renewable energy will be at the centre of the Victorian Government's emission reduction plan. These major changes mean that Energy Safe Victoria (ESV) must respond to ensure that energy – in all its forms – can be generated safely and delivered safely to all Victorians.

During the 2021–22 financial year, ESV undertook work which will prepare us as an organisation and our stakeholders for the considerable task ahead.

Continuing professional development

This year delivered one of the most significant structural changes to the safety of licensed electrical workers with the introduction and implementation of continuing professional development (CPD). In turn, this will also make the community safer as electrical workers will keep up to date with changes to technology, standards, regulations and legislation. Electrical workers are now required to do eight hours of CPD as a pre-requisite for licence renewal. CPD has been welcomed and championed by government, unions and employer groups. Its development was a genuine collaboration across the industry with a steering committee providing input and advice led by ESV and including the Electrical Trades Union (ETU), the National Electrical and Communications Association (NECA), the Institute of Electrical Inspectors and experts in adult learning.

The CPD Skills Maintenance component of the program will address the three 'C's – complacency, competency fade and currency. Currency simply refers to keeping up-to-date with all the latest skills and knowledge while competency talks about how well we all do our jobs. Revisiting and sometimes rehearsing key tasks will improve both. Complacency, on the other hand, is an invisible hazard, and a significant cause of workplace accidents.

The Victorian Government has provided \$7.9 million to ensure that the CPD will be free to electrical workers in the first five years of its introduction; that is the first licence renewal cycle for each worker. Electrical workers have embraced CPD – feedback from those to have gone through or participated in the one day course already has been extremely positive. Considerable effort has gone into ensuring CPD courses are accessible across the state with rural and regional TAFEs and other Registered Training Organisations (RTOs) delivering the program. The work of ESV's Head of Electrical Licensing and Training, Sue Sizer and her team, has been fundamental to the success of this program.

In terms of significant leaps in the safety of the industry, CPD is almost as important as the introduction of apprenticeships (1930s) and licensing (from 1918). CPD ensures electrical workers stay up-to-date with regulations and safe work processes. In 2023 we will launch a Skills Development component of CPD. This will equip electrical workers with new skills, which will be fundamental in the context of a rapidly changing energy landscape including new renewable energy systems and processes.

Open Flued Gas Heaters

The phase out of open flued gas space heaters (OFGSHs) that do not meet safety standards is now assured. Such heaters can no longer be sold in Victoria, with other jurisdictions following our lead to phase them out.

The Coroner flagged in her findings as part of the inquiry into the death of Sonia Sofianopoulos that open flued gas space heaters should be phased out. Due to the work done by ESV, Australian Standards have now changed to require open flued gas space heaters to 'shut down' if they spill carbon monoxide. Once shut down occurs, a qualified gasfitter must use a special tool to reset the heater.

An agreement was reached with industry, following the introduction of the new safety standards in early 2022 that the sale of old model OFGSH stock would cease by 30 June 2022. To ensure this took place, a decision was made by the Commission to prohibit their sale in Victoria, and decertify them. The Victorian Government subsequently made regulations that prevent the installation of OFGSHs that do not meet the new safety standards.

The prohibition is a major milestone in efforts to keep Victorians safe from carbon monoxide poisoning. Our multi-faceted approach has included working with Victorian Building Authority (VBA) and Master Plumbers to provide resources and educate gasfitters on their responsibilities, especially as amendments to the Residential Tenancies legislation now requires landlords to ensure gas heaters in their properties are serviced regularly. We have also championed carbon monoxide safety through Be Sure – our community awareness campaign that has been hugely successful in educating the community on the dangers of carbon monoxide poisoning. During the winter 2022 campaign, a focus was on hard to reach cohorts including people aged 18-35 and culturally and linguistically diverse (CALD) communities. Larger investment in a CALD-specific strategy increased engagement from 31 per cent to 58 per cent, and greater impact with the social media component of the campaign was partly responsible for an increase in engagement among young people from 37 per cent to 59 per cent. Unprompted awareness of the campaign was at 52 per cent.

Transformation of ESV

The Transformation program was established to capture and coordinate a portfolio of major projects which when complete, will make ESV a fit-for-purpose, modern, world class regulator for Victorians. Our ambition is that we become a safety-first, data-driven, customer-centric regulator. 2021-2022 was primarily a design and planning phase but some major projects were delivered including a new Customer Experience (CX) strategy, as well as a refreshed vision and updated values for the organisation. Work commenced on a new operating model enhancing and strengthening our approach to regulating and strengthening our regulatory processes and effectiveness in addressing breaches of energy safety regulations. We are improving our use of data to inform where we focus our energies and efforts to reduce deaths, serious injuries and property damage arising from energy.

The work done to date on this across the organisation has been enormous and the quiet but effective commitment of staff has been inspiring. We have implemented a Transformation Program Office which is guiding the process, ensuring smooth delivery of the changes while we continue to meet operational demands.

Stakeholder Sentiment

As part of ESV's stakeholder engagement strategy, we have sought to understand the experience of our key stakeholders (regulated entities) in order to provide a better service and regulatory experience to them.

During 2021 we surveyed regulated entities and found that while our regulated entities generally appreciate ESV, they wanted more support to achieve compliance. Many of the recommendations from our subsequent action plan have been addressed as part of the Transformation program – including (but not limited to) better guidance on regulatory obligations. Improving our guidance will be supported by a further program of work to improve our website and make it more accessible to all users.

The research project was repeated in 2022 and our performance indices increased, reflecting high confidence that ESV's activities reduce risk among electricians (91 per cent) and distributors (97 per cent). Confidence among gasfitters (88 per cent) decreased and this will be addressed in the ensuing action plan.

- Overall effectiveness as a regulator increased from 71.6 per cent (2021) to 75.5 per cent (2022)
- Customer experience increased from 73.2 per cent (2021) to 74.4 per cent (2022)

Internally, the 2022 People Matters Survey delivered an engagement index of 68, which is slightly down on 2021. Notwithstanding the significant changes and ongoing uncertainty resulting from COVID-19, employee wellbeing is one of the highest priorities for the organisation and steps have been taken to examine the pain points and seek solutions. We are confident that the experience of ESV people will improve as we introduce new systems, processes and support to lift capability as part of the Transformation program. We have fostered a more inclusive workplace with the introduction of our Diversity and Inclusion Strategy and our Gender Equality Action Plan.

Looking forward to 2023

ESV is grateful to all our stakeholders and partners, including the Minister for Energy Lily D'Ambrosio, the Department of Energy, Land, Water and Planning (DELWP), industry bodies, other regulators, unions, major energy companies and employer groups. Our successes during 2021–22 in ensuring compliance, enforcement and education are testament to the quality of our employees and their ability to work with stakeholders across the spectrum.



Marnie Williams

Marnie Williams
Commissioner and Chairperson
Energy Safe Victoria



Leanne Hughson

Leanne Hughson
CEO
Energy Safe Victoria



SECTION 2

About Energy Safe Victoria

The Victorian Energy Safety Commission is established under the *Energy Safe Victoria Act 2005* (ESV Act) and is known as Energy Safe Victoria (ESV). ESV is Victoria's independent safety regulator for electricity, gas and pipelines. Our role is to ensure Victorian gas and electricity industries are safe and meet community expectations.

The Minister for Energy, Environment and Climate Change and Minister for Solar Homes is responsible for ESV. We are required to perform functions and exercise powers in such a manner as we consider best achieves our objectives under the *Electricity Safety Act 1998*, *Pipelines Act 2005*, *Gas Safety Act 1997* and any other relevant Acts.

Minister for Energy Lily D'Ambrosio was the responsible Minister from 1 July 2021 to 30 June 2022.

The nature and scope of our activities are defined by our mission, objectives, functions and responsibilities which are described in the Acts mentioned above, and in Regulations made under those Acts. We operate within, and monitor and enforce compliance with, this legislation.

ESV comprises three Commissioners who hold statutory appointments responsible to the Minister and the Victorian Parliament for ensuring that we perform our functions and exercise our powers in such a manner as they consider best achieves the objectives of ESV as stated in the Acts. The Commissioners also provide strategic direction and leadership to the CEO and management team.

Under the *Electricity Safety Act 1998* and the *Gas Safety Act 1997*, our Chairperson may give directions and has additional powers in the event of emergencies.

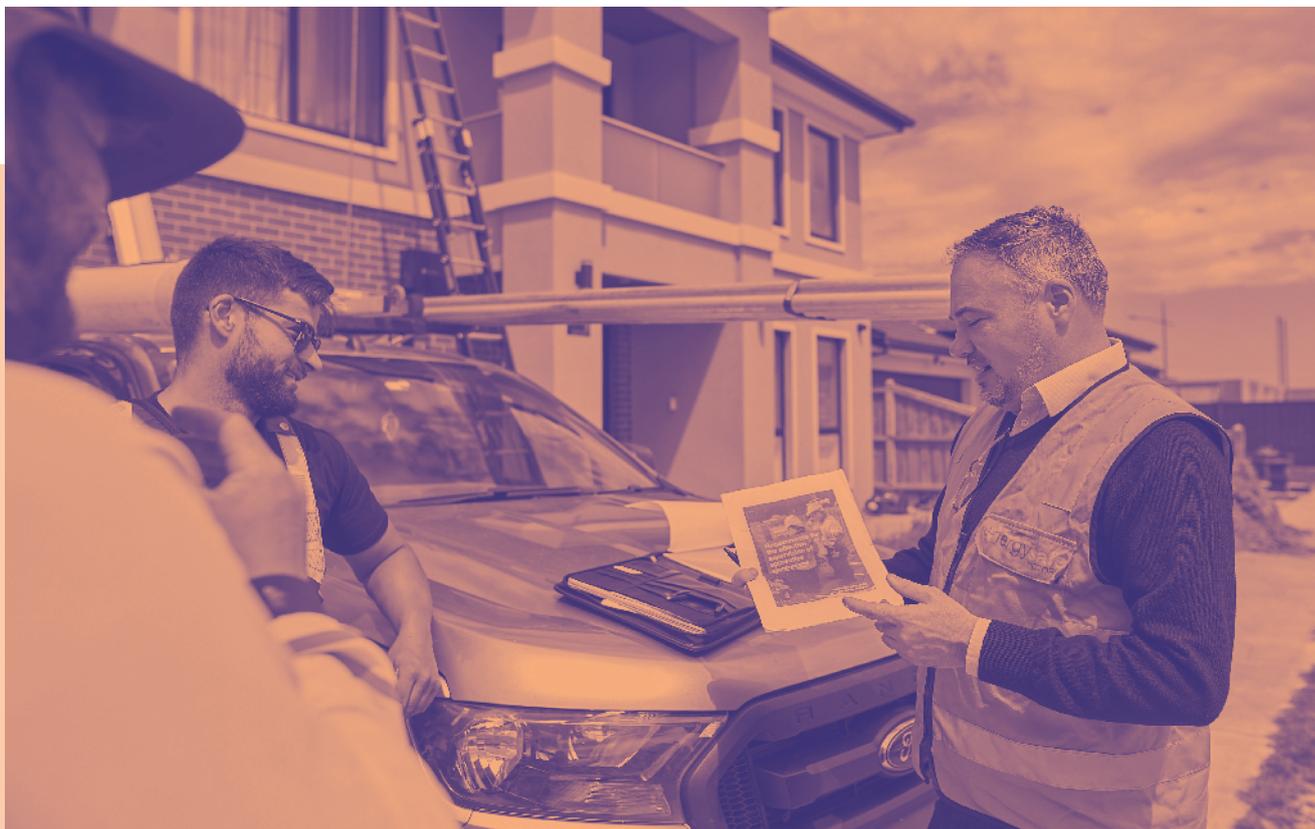
We act in line with our Corporate Plan, which includes a Statement of Corporate Intent and the annual business plans, financial plans and Charter of Consultation and Regulatory Practice, as specified in the Energy Safe Victoria Act. We also deliver on the Minister's Statement of Expectations and report our progress in this report.

Our objectives

We are an independent statutory body responsible for the safe generation, supply and use of electricity, gas and pipelines in Victoria. We oversee the regulatory safety frameworks that prevent death, injury, damage or loss due to electrical, gas and pipeline safety hazards.

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

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



ESV's core regulatory functions

License, approve and accept

We ensure that appliances meet stringent safety and energy-efficiency standards before they are sold. We administer licensing, registration and approval systems that maintain safety standards and skills.

- We license electricians and electrical workers (including line workers). We register electrical contractors.
- We approve, register and audit cathodic protection systems for the owners and operators of major infrastructure.
- We assess, approve, accept and audit safety plans for major companies, such as electricity distribution businesses for:
 - electric line clearance
 - bushfire mitigation
 - electricity safety management schemes (ESMS).
- We administer the gas acceptance scheme for complex gas installations.
- We ensure gas and pipeline companies have safety cases, construction safety management plans and receive consent to operate.
- We process applications for acceptance of Type A gas appliances that are not able to be certified under an ESV authorised acceptance scheme such as emerging technologies.
- We assess approve and certify electrical equipment that complies with prescribed standards.

Monitor and audit

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

- We audit the 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 it is safe, efficient and meets the minimum standards.
- To ensure public safety, we audit gas products at point of sale and gas appliance usage at public events.
- We, in collaboration with the Joint Accreditation System of Australia and New Zealand (JAS-ANZ), audit certification bodies that have been authorised by ESV to certify Type A gas appliances and gas components

Educate and encourage

We 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 work with event organisers to ensure entities are aware of and mitigate risk relating to gas and electricity usage.
- We provide a technical helpline to support professionals in the gas and electricity industries.
- We receive complaints about unsafe or non-compliant industry activities from the public and carry out associated compliance and enforcement.
- We participate in, and chair a range of committees:
 - Partnering 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.
 - Victorian Government committees concerning emergency-response and infrastructure resilience.
 - Specific technical and safety energy committees including relevant industry participants, technical experts, and union representation that address specific safety hazards.
- We work cooperatively with DELWP, other departments and other agencies to ensure consistency and alignment with cross-government policies and arrangements.

Enforce compliance

We take appropriate enforcement action (based on the severity of risk and harm) and, while accounting for responsible behaviour, will act if negligence was shown and others have been placed at risk.

- We facilitate the issue of certificates of electrical safety (COES) which assures the community that electrical work is conducted by appropriately licensed and insured electrical contractors and meets appropriate safety standards.
- Where failures occur, we provide notices to rectify or improve, warning letters and infringement notices for gas and electrical installations, equipment and infrastructure.
- We use non-compliance data to develop enforcement strategies to change behaviour and where appropriate seek amendments to Australian Standards.
- We conduct recalls on deficient or unsafe installations, appliances or equipment.
- We prohibit the sale and supply of dangerous products.
- Where the breach of energy safety is significant enough, we prosecute.

Vision, purpose and values

Our vision

We're powering towards a safer energy future that is sustainable for all Victorians and our climate.

We need energy safety systems that are sustainable into the future so Victorians can continue to use energy for many generations. We also need energy systems to be modern and reliable, so our families, towns, cities and lands are kept safe.

We aim to create a future where Victorians and the environment they live and work in can flourish because of the safe, reliable delivery of sustainable energy.

Our purpose

We keep Victorians energy safe and ensure energy is used confidently.

Energy and the technology that harnesses it are essential to our quality of life. However, these technologies can be complex and powerful, and the potential for harm is significant to our customers and the environment.

Through education, regulation and enforcement, we work to ensure that energy safety, supply and efficiency are a priority in Victoria and something our customers can be confident in.

Our values

At ESV the following values are embraced and expressed in our day-to-day actions, decisions and interactions with others.

Integrity

We act with impartiality and uphold the importance of unbiased, equitable treatment. We do this in a way that is transparent, accountable, open, and trustworthy.

Engagement

We actively engage with our customers and each other to achieve safer outcomes. We believe in cooperation, listening and succeeding together to improve safety outcomes.

Adaptive

We are flexible and maintain effectiveness in the face of changing environments. We know that improving energy safety for Victoria means being at the forefront of change.

Respect

We treat everyone with respect and uphold the importance of diversity, experience and skills. We care about the safety of Victorians and demonstrate respect through our actions.

Excellence

We aspire to the best standards of practice by ensuring an evidence-based, data-informed, best practice-led approach to our work. We continue to grow our capability to deliver excellent outcomes.



Responding to government priorities – Statement of Expectations

The Statement of Expectations, which applies from 1 July 2021 to 30 June 2023, was issued by the Minister for Energy, Environment and Climate Change to establish clear expectations of ESV's performance and improvements. We report on the work we have delivered in relation to the Statement of Expectations in our annual report.

Renewable energy transition

We are committed to supporting the Victorian Government in progressing an orderly transition to renewable energy, ensuring a safe and sustainable energy future through renewable energy programs.

In August 2021, we published our compliance and enforcement priorities to set clear expectations about regulatory compliance and take proportionate regulatory action to protect community safety. Two of our nine compliance and enforcement priorities focussed on renewable energy safety.

By March 2022, we had formalised the process for identifying emerging safety trends and risks. We conducted environmental scanning and documented risk processes in a risk manual. We also completed seven audits of renewable energy and new technology. In June 2022, we presented an adaptive strategic roadmap to the Commission and this will be published after consultation with DELWP.

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

We have completed implementing the 23 recommendations applicable to ESV from the *Independent Review of Victoria's Electricity and Gas Network Safety Framework* (Grimes Review). We will meet the ongoing intent of the Grimes Review by building our organisational capability through the Transformation Program.

Risk-based regulation

A strong and effective regulator needs to continually adapt to its changing regulatory landscape and focus activities to address the greatest risks.

We pay particular regard to risk mitigation of bushfire risks, and risks associated with gas appliances and domestic solar, while maintaining active monitoring and core service delivery to ensure we respond to emerging issues or risks. (See pages 21–24 for more about mitigating bushfire risks, pages 33–34 for more about gas appliance safety and pages 24–26 for more about domestic solar safety.)

In relation to gas appliances, we provide technical and operational support for regulatory and policy reform. During 2021–22, we worked with DELWP on the regulatory impact statement mandating AS 4575, the standard for Type A gas appliances. The amended *Gas Safety (Gas Installation) Regulations 2018* were made on 1 June 2022.

We also supported DELWP with their development of the regulatory impact statement on the phasing out of open-flued gas space heaters and the consultation process that followed.

In addition, we introduced periodic safety critical testing every two years for certified Type A gas equipment considered high risk on 1 July 2022. This new regulatory reform was introduced and implemented through the updating of the Gas Technical Regulators of Australia Scheme Rules, which is managed by ESV. The GTRC is chaired by ESV.

We also mandated, through relevant Australian standards, the transition to the safer LCC27 appliance connection for appliances manufactured from 1 April 2022. This appliance connection complements the safer LCC27 cylinder valve on 9kg cylinders, which will not allow gas to flow when the valve spindle is open unless the connection to the appliance is made.

We have worked with VBA and Master Plumbers to hold a series of free gas safety webinars to support compliance with the new requirements for AS4575 and the upcoming publication of the revision of the gas installation standard AS/NZS5601.1. (See page 38). We also continued to raise public awareness through campaigns, such as the Be Sure campaign which raises awareness about the risks of carbon monoxide with gas heaters. (See page 20).

In relation to domestic solar installations, we conducted 208 inspections in the financial year. We collaborated with Solar Victoria on solar installations to ensure they complied with applicable standards and were safe. We also collected non-compliance data to inform our regulatory actions and educate the industry. (See page 29).

We also ensure regulated entities mitigate bushfire risk. To this end, a report on the pole management practices of United Energy had been drafted by 30 June 2022 and was expected to be published in the next financial year. This follows similar reports on both Powercor (published March 2020) and AusNet Services (March 2022). Meanwhile, we commenced an investigation into Jemena's wood pole management practices. See pages 23–24 for more information.

We are also ensuring the continued rollout of the Rapid Earth Fault Current Limiters (REFCL) program by electricity businesses and we are delivering a vegetation line clearance and asset inspection program covering 16,000 powerline spans each year. See pages 22 and 23 respectively.

Compliance-related assistance and advice

Our functions include providing advisory and compliance guidance about energy safety to regulated industry participants and community recognising the different audience requirements. In August 2021, we published our updated Compliance and Enforcement Policy for industry participants. (See page 28.) Work also started during 2021–22 to develop improved guidance material.

In June 2022, we started work to upgrade our website to ensure regulatory information is easily accessible to regulated parties and provides easily accessible safety information to the Victorian community. In December 2021, we published a community and stakeholder engagement framework. (See page 40). Meanwhile, we published the results from the Stakeholder Insights 2021 survey in August 2021 and implemented an action plan. (See page 40).

Timeliness

ESV recognises the importance of timely decision-making as a key element of providing customer centred service delivery, which is one of the six ESV priorities identified in the *Corporate Plan 2021-2024*. As such, ESV is working closely with industry to reduce the time taken between when a domestic solar installation occurs and the certification by the Licensed Electrical Inspector.

Our priorities

Preventing harm

ESV will:

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

Reduction in fatalities and serious incidents

Victoria continues to have low numbers of deaths and injuries. Two people died during 2021–22 as a result of electricity-related incidents. Tragically, both incidents were preventable. There is more detail about these fatalities below.

The upward trend in electricity-related fatalities in recent years was halted in 2021–22 with a reduction on 2020–21. Since 2015–16, there have been 24 fatalities which remains unacceptable.

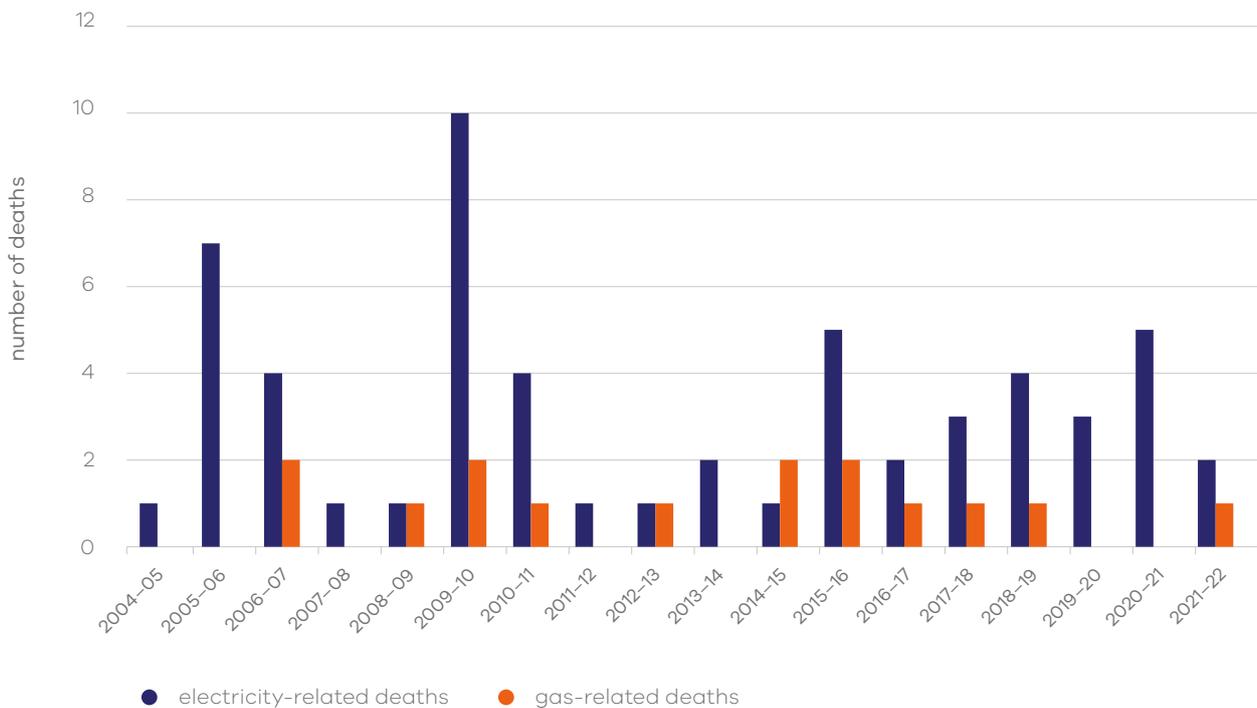
Since 2015, five apprentices and five electricians have died while working live, four householders have died from do-it-yourself electrical works and three farmers and truck operators have died when the vehicle or equipment they were operating made contact with overhead powerlines.

During the same period, serious injuries have also been trending up.

Sadly, we recorded a gas-related fatality in 2022. This was the first carbon monoxide fatality since October 2018 due to the use indoors of a modified portable outdoor appliance.

We saw an increase in gas-related injuries, with four people injured this year. This included one incident where three members of the same family had to be treated for carbon monoxide poisoning.

We continue to target awareness campaigns at vulnerable groups and supplement these campaigns with initiatives such as our carbon monoxide campaign, Be Sure, and encouraging the installation of sensors on trucks and cranes to provide an audible alert when close to powerlines. Through these activities we aim to halt these increases and drive these numbers down.



Electricity-related fatalities

On 26 October 2021, a licensed electrician was killed while working with a first-year apprentice installing a down light at a restaurant when the electrician contacted a live (taped) conductor he was in the process of baring. The circuit should have been disconnected from supply or protected by a residual current (earth leakage) device. We are continuing our ongoing campaign warning electrical workers of the dangers of working live.

On 5 February 2022, a man was killed while pruning a tree near powerlines on his suburban property. The man was electrocuted after he made contact with powerlines while using a pole to pull branches from the top of the tree. We issued a media release to warn people about the dangers of clearing trees near powerlines. We also continue our Look Up and Live campaign to ensure other members of the community do not forget this important message.

Electricity-related serious incidents

A homeowner was seriously injured on 30 October 2021 when they cut through an electrical service cable with secateurs while clearing vegetation. This resulted in a flash over. The homeowner was taken to hospital for burns treatment and monitoring for electric shock.

On 28 December 2021, a crane operator relocating a shed in Scotsburn was injured when the truck-mounted crane made contact with a high-voltage (HV) overhead line, on a rural property. The man was taken to hospital and treated for electric shock. Four other people assisting in the relocation were fortunate that they did not receive shocks.

On 20 December 2021, a transport worker assisting with loading cattle onto a B-double truck made contact with a HV overhead line. While the clearance between the ground and the powerlines met regulatory requirements, the ground level locally may have been raised to create a ramp

for the cattle. When combined with the height of the truck, this placed the worker dangerously close to the powerlines. We are continuing to investigate this incident.

On 5 January 2022, a man was using a crane to retrieve a drone from a 66kV powerline when the crane contacted the powerlines. He was taken to hospital by ambulance with serious injuries.

A child was seriously injured on 19 April 2022 when a beanbag caught fire due to an overheated mobile phone or charger. The phone was under the beanbag while connected to a charger. Product warnings state devices should be charged in the open where heat from the phone and charger can dissipate. We investigated and found no similar incidents with the model of phone.

On 9 May 2022, a farmer was seriously injured at a rural property after an agricultural sprayer made contact with an overhead single-wire earth return (SWER) line. The farmer was taken to hospital with burns to his foot. We conducted interviews with relevant people and are currently reviewing information and documents before deciding on any further action.

Gas-related fatality

On 6 June 2022, we were contacted by Victorian Police about the death of an elderly woman who was found deceased in a campervan in late February 2022. We were asked to check and test a portable gas fridge designed for outdoor use, which was modified for use inside the campervan. A report has been prepared for the Coroner.

Gas-related injuries

On 15 March 2022, a man was left with 30 per cent burns to his body after the explosion of an LPG cylinder. The LPG cylinder had been laid on its side and connected to a ring burner to heat liquid in a 200-litre drum. The cylinder had instructions on it to only use it in an upright position. Laying the cylinder on its side, contrary to the instructions, allowed liquid and vapour to leak from the cylinder where it was ignited by the ring burner. This then resulted in the cylinder exploding.

There were also three carbon monoxide-related injuries in 2021–22, the same number as the year before. All three injuries occurred in a single incident. In July 2021, two children and an adult were hospitalised for CO poisoning due to an old gas ducted heater with inadequate ventilation and an unsealed return air plenum.

CASE STUDY **Be Sure campaign**

The 2021–22 financial year was the fourth year of our Be Sure campaign about the dangers of carbon monoxide poisoning. The campaign continues to meet its objectives of prompting people to take action to stay safe from the risk of CO poisoning caused by open-flued gas space heaters. The campaign urges Victorians to have their open-flued gas space heaters serviced by a licensed plumber or gasfitter at least once every two years.

The campaign ran between July and August 2021 and recommenced for winter 2022 in June. This included television and radio advertisements, digital videos, social media and display advertising. Our focus on hard-to-reach groups was successful with significant increases in awareness among CALD communities (27 per cent) and young people (22 per cent).

This year, Be Sure also won its second industry award – the Communicator Award of Excellence in the integrated campaign category. Our campaign evaluation in June showed that 89 per cent of Victorians know carbon monoxide poisoning can cause death, 86 per cent know to use a licensed gasfitter for servicing and 66 per cent know that open-flued gas space heaters must be serviced at least once every two years.

Strengthening ESV's role

ESV will:

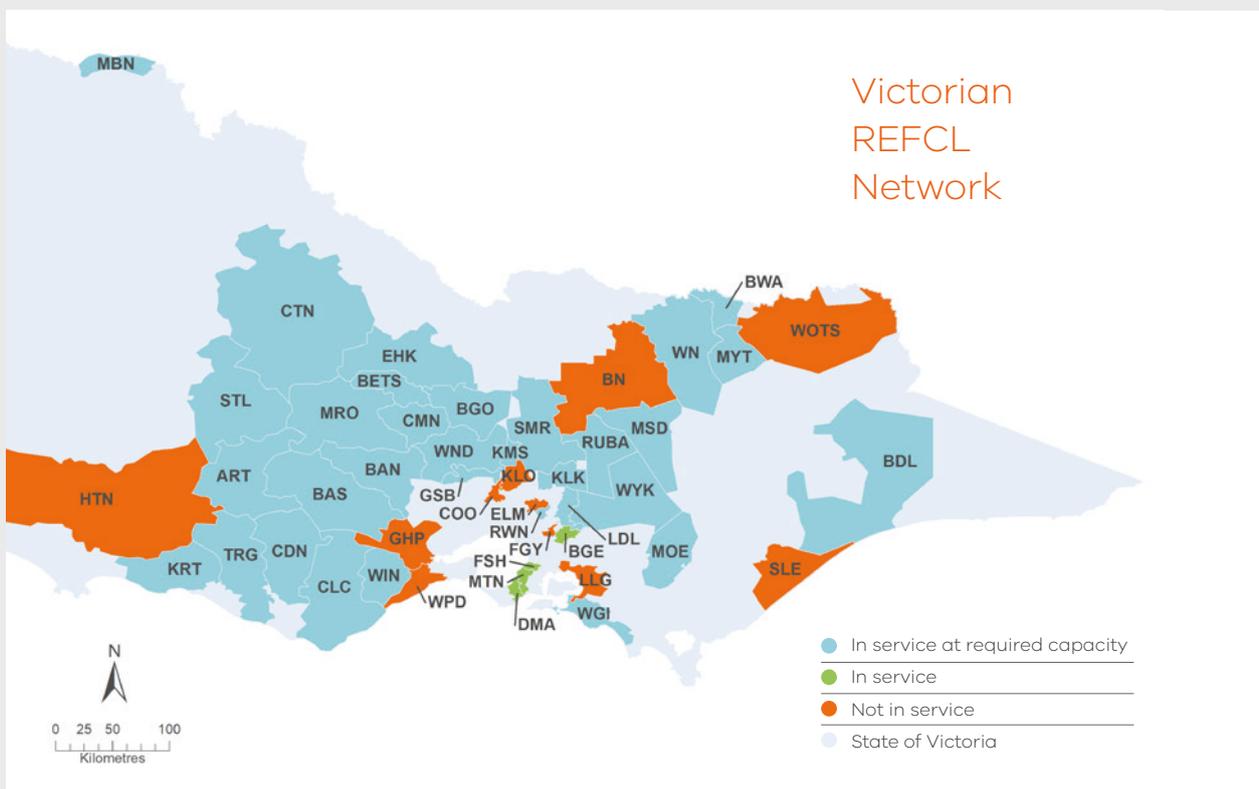
- Support our people with skills development training to take regulatory action where required to achieve compliance and promote safety.
- Increase regulatory activity to target poor practice with the better use of data.
- Provide assurance to government and the community that the energy safety framework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

Bushfire mitigation

ESV has a role in mitigating against the risk of bushfire in Victoria. We undertake an annual comprehensive monitoring and inspection program on practices and activities of Victorian electricity distribution businesses before and during the bushfire season. We promote the prevention and mitigation of bushfire risk from electrical assets through the oversight of bushfire mitigation plans (BMPs), Electric Line Clearance Management Plans and annual Bushfire Mitigation Program reports.

We did not receive any reports of electrical assets causing a major bushfire during the 2021–22 summer or the previous 2020–21 summer.





Monitoring the Rapid Earth Fault Current Limiter rollout

Rapid Earth Fault Current Limiter (REFCL) is a technology that reduces the risk of powerline faults igniting catastrophic bushfires. REFCLs detect faults in powerlines and greatly limit the energy at the fault location without interrupting supply. However, if the fault is ongoing, such as a fallen or broken powerline, the REFCL instructs the entire powerline to be switched off until it can be repaired.

Major electricity companies are installing REFCLs at mandated zone substations across Victoria. The REFCL rollout is due for completion on 1 May 2023, when all REFCLs must be installed. We have granted specific exemptions and time extensions to the major electricity companies to facilitate the rollout and maximise community benefits of REFCLs.

The REFCL rollout continued in compliance with the prescribed schedule. Over the 2021–22 summer, there were 35 networks protected by REFCLs for

part or whole of the bushfire season. The previous two mild summers have limited the number of times that REFCLs were called upon to operate and, as a result of this lack of operational data, we delayed the review into the functional performance of the technology that was due to start in 2022.

As of 30 June 2022, AusNet Services had delivered REFCL protection at 14 substations, equating to 47 regulatory points, with eight substations remaining (17 points) to be delivered by 1 May 2023. Powercor had delivered REFCL protection at 18 substations (59 points), with four substations (11 points) remaining. Jemena is due to deliver REFCL protection at one substation (one point) by 1 May 2023.

United Energy does not have a legislative obligation to install REFCLs anywhere on its network but has voluntarily installed REFCLs at three substations.

Vegetation clearance around powerlines

In the lead-up to and during the bushfire season of 2021–22, we conducted various risk-based hazardous bushfire risk area (HBRA) audit and inspection programs designed to test the performance of the major electricity companies against the requirements of *Electricity Safety (Electric Line Clearance) Regulations 2020* and their approved electric line clearance management plans.

The audits focused on the effectiveness and accuracy of the processes and systems the major electricity companies use to meet their vegetation management duties and obligations. We began preparations for this work two months earlier than in previous years.

In the past year, we inspected more than 12,700 spans for vegetation clearance; physically confirming application of the major electricity companies' and councils' processes and systems were producing the necessary safety outcomes. Of these spans, 7,400 were in HBRA and 5,300 were in low bushfire risk areas (LBRA).

All non-compliances identified during our inspections are issued to the responsible person by notice made under section 86(1) of the Act, which requires action to make each site compliant in timeframes that we specify in the notices. The following is a summary of our inspections:

- Jemena had very high compliance rates and was the best performing of Victoria's electricity distribution businesses.
- AusNet Services Distribution's performance improved when compared to its previous year's performance, however, ongoing improvement was still needed.
- United Energy and Powercor's performance in HBRA is worse than the previous year and continues to decline.
- An investigation is underway into the performance of Powercor, United Energy and AusNet Services distribution to identify appropriate enforcement action.

In 2021–22, we conducted inspections of 12 councils, in both regional and metropolitan Melbourne. We found the non-compliance rates of the regional councils had reduced at a higher rate than those of the metropolitan councils. We continue to work closely with councils to educate them on the safety risks created when they fail to keep vegetation appropriately clear of the electricity networks and take enforcement action where necessary.

After the investigation of a fire last summer, we identified that VicTrack and its rail service partners, V/Line and Australian Rail Track Corporation, were unaware of their electric line clearance responsibilities. Having safety concerns, we inspected these networks and identified considerable non-compliance. However, most did not create immediate risks and all have now been cleared. Throughout the year we worked closely with each organisation to aid their development of electric line clearance management plans and all have now allocated additional resources to ensure they better manage their electric line clearance responsibilities.

Power pole management practice

Power pole management practice is one of our compliance and enforcement priorities. During 2021–22, we inspected 4,635 structures and completed three detailed pole failure investigations.

In December 2021, Powercor was convicted and fined \$130,000 for a fire in Terang that destroyed nearly 6,000 hectares on 17 March 2018. The fire was caused by the clashing of high-voltage conductors near the tee of a pole on the south side of High Street in Terang. The grass fire burnt through the localities of Dixie, Cobrico, Cobden, Elingamite, North Elingamite, Glenfyne, Jancourt and Scotts Creek. The total area burnt was estimated to be 5,797 hectares with an estimated perimeter of more than 80 kilometres.

We laid charges against Powercor under section 98 of the *Electricity Safety Act 1998* after the fires at Terang and Garvoc for failing to comply with its general duty and exposing individuals to hazards and risks including bushfire risk. This case was the first of its kind under the Act.

We appreciated the contributions of victims of that fire who, in some cases, relived the trauma of the fire when they read victim impact statements to Warrnambool Magistrates Court. The prosecution was successful.

Since then, we have provisionally accepted Powercor's revised Bushfire Mitigation Plan subject to annual commitments and the provision of further detail relating to yearly pole interventions. The provisional acceptance of the Bushfire Mitigation Plan was extended to 31 October 2022.

When we completed the comprehensive investigation into the wood pole management practices of Powercor in 2019, we also committed to a review of the wood pole management practices of other Victorian major electricity companies. These reviews were prioritised according to risk.

The draft report on the review of wood pole management practice for AusNet Services was released for consultation in August 2021. We contacted each of the respondents to the consultation on the draft to communicate the publishing of the final report on our website in February 2022. We were satisfied that the wood pole management systems and practices undertaken by AusNet Services had historically resulted in low safety risk to the community.

However, we identified several actions that, when fully implemented, would ensure that the safety risk remains low moving forward. As an outcome of this investigation, we will meet with AusNet Services to implement the recommendations of the report.

By 30 June 2022, we were finalising the draft report into United Energy's wood pole management practices. The draft report included the findings and recommendations from the investigation and will be presented for consultation later in 2022.

The investigation into Jemena's wood pole management practices was delayed to allow us to investigate some wood pole failures on the Powercor network. However, investigation began in June 2022 with the publication of draft findings for the Jemena investigation expected in late 2022.

Renewables

Renewable energy and new technology

While our main area of focus during the year has been domestic solar, we are also responsible for ensuring the safety of solar farms, wind and battery farms. Our remit also covers hydrogen and biomethane, and other renewable alternatives to natural gas.

We focus on renewable energy installation compliance through three key activities: site inspections; large-scale facility audits; education; and enforcement. Our aim is to reduce the rate of renewable energy installation and facility non-compliance thereby improving safety performance.

During the 2021–22 financial year, we conducted four audits of solar farms and one audit of a wind farm. There were two incidents involving battery installations and three involving solar installations.

We also supported the Australian Competition and Consumer Commission (ACCC) in the recall of LG solar energy storage batteries that pose a serious fire risk. Consumers were urged to check their LG, SolaX and Opal home energy solar systems that have been affected by the LG solar energy storage batteries, which can overheat and catch fire, potentially leading to serious injuries, death and property damage.

LG has recalled 7,256 batteries.

Domestic solar panel installation

We work closely with Solar Victoria on domestic solar system installation safety. Our role is to ensure domestic solar systems are safe and we do this through a combination of site inspections, education and enforcement. The effectiveness of our combined approach delivered a significant increase in compliance, almost eliminating unsafe findings.

Working closely with Solar Victoria, we used its daily installation data which was collected as part of the Solar Homes program. This data enabled our team to attend sites when an installation is taking place in real-time. This allowed us to identify breaches of the *Electrical Safety Act 1998* and educate industry about key obligations, including apprentice supervision, licensing, and inspection requirements. We used an online mapping tool to highlight where high-risk installations occurred as well as an online data-gathering tool that allowed us to instantly collect data from site inspection findings.

During the 2021–22 financial year, we visited 208 solar and battery installations against a target of 300 solar installation inspections. The site inspections were again impacted by travel restrictions in relation to the pandemic. During these visits, we identified 17 breaches of the *Electricity Safety Act* or regulations:

- three solar installations being carried out by unlicensed workers
- five sites where apprentices or L Class workers were not correctly supervised
- several sites had been energised prior to inspection
- some had technical non-compliances.

We took enforcement action by issuing 58 infringement notices in relation to renewable installations during the 2021–22 financial year. There were four unsafe installations identified through audits conducted by Solar Victoria during 2021–22. The rate of unsafe domestic solar installations observed at audits undertaken by Solar Victoria was reduced to zero per cent in 2021–22, which is an improvement on the previous year.

The Solar Homes audit program data was crucial to our education program as it identified the knowledge gaps and the installation areas posing the highest risk. As a result, we released targeted publications and published various articles about renewable energy in the *ESV* magazine. We also held several industry presentations.

We presented to about 100 solar installers at a Solar Energy Installers Association (SEIA) conference. We were joined by Solar Victoria, Worksafe Victoria and the Clean Energy Regulator. Our presentation focused on the changes in the installation standard that came into effect this year, as well as the importance of documentation and system maintenance.

We chaired a committee that delivered a new Australian Standard which will strengthen the safety of solar photovoltaic installations. The new standard came into effect on 20 May 2022 and allows solar installers different options on how solar panel systems can be isolated and no longer mandates an isolator on the roof for all installations.

Our education work included training the industry on relevant standards through the National Electrical Contractors Association and Master Electricians, giving industry presentations through the Institute of Electrical Inspectors and working with the Clean Energy Council and the SEIA to educate industry on the revised installation standard.

During 2021–22, we focused on documentation to make inspections quicker and easier. In October 2021 we published an industry alert to all licensed workers outlining the document requirements for solar installations. The intention was to help inspectors obtain critical information about the solar installation prior to attending the site. This will enable the inspector to minimise the physical inspection time by being able to review the information before visiting the site. We also delivered a webinar to licensed electrical inspectors in November 2021 about the documentation requirements for solar installation.

We worked with the National Electrical and Communications Association (NECA) and the Institute of Electrical Inspectors (IEI) to pilot an alternative approach to solar installation inspections. The aim of the pilot was to reduce the number of days between the installation of the solar panels and the inspection and certification of the system by a licensed electrical inspector. Delays associated with the energisation of newly installed systems (which can only occur once inspected) had been observed in the sector and were exacerbated by an increase in solar uptake and a shortage of licensed electrical inspectors. The approach had other potential benefits including reducing the exposure to fall-from-height risks for inspectors who are required to work on roofs and improvements to documented product information provided to consumers at installation. We conducted a pilot program and the results were inconclusive as licensed electrical inspectors were not provided with the necessary documentation from electricians in order to utilise the adapted inspection approach. As a result, the pilot did not deliver the outcome we anticipated. However, programs are now being developed to support NECA and IEI members in obtaining the requisite documentation from installers.

Solar Victoria, in partnership with ESV has also undertaken an initiative to train and mentor inspectors to help increase the number of licensed electrical inspectors in the market and reduce to time taken to have a solar system inspected.

CASE STUDY

Campaign to reduce the risk of domestic solar

ESV partnered with Solar Victoria in a campaign to encourage solar owners to get their solar systems serviced by an accredited electrician every two years. The *Show Your Solar Some Love* campaign was launched in March.

There is a perception that solar is 'set and forget' and a lot of people do not understand that regular servicing is required. Servicing should be done by a Clean Energy Council-accredited electrician not just an A-Grade electrician.

If a system is poorly maintained, there is the potential for a faulty DC isolator or other electrical equipment to cause a fire. This is the most common cause of fire from solar installations but improvements to the design made since 2018 have reduced the risk. The best way to identify faults and avoid house fires is regular servicing, especially for those systems installed before 2018.

Technical advice for filming of the campaign was given on location by an ESV solar inspector and WorkSafe inspector. The \$200,000 campaign was shown on streaming services, such as 9Now, 7Plus and 10Play, as well as Foxtel and Kayo. It also ran on radio, social media, online digital and in regional print publications.

Gas network strikes have decreased

Gas distribution networks and licensed pipelines are constantly at risk due to the third-party activities near gas assets leading to the potential damage of licensed pipelines, distribution gas pipes and services.

We aim to achieve our targets to reduce the third-party interference leading to gas asset damage. The targets are 25 per cent reduction in gas main strikes, a 10 per cent reduction in gas services and a 10 per cent reduction in pipeline encroachments by 2024, compared to 2019–20 rates.

These targets are achieved through:

- regulatory oversight of controls implemented by gas distribution businesses to prevent third-party interference
- administration of regulation to deter undesirable behaviour by third parties and take prompt action against offenders by using its regulatory powers.

During 2021–22, we continued to monitor the industry performance to achieve reduction in gas main and service hits and encroachment on licensed pipelines through investigation of reportable incidents, quarterly monitoring of key performance indicators and site visits.

We recorded 31 reportable incidents in 2021–22 compared to 41 incidents in 2020–21 involving licensed pipelines, a 24 per cent reduction of reportable incidents on licensed pipelines.

Most reportable incidents were due to third-party excavation within three metres of licensed pipelines. Some 30 incidents were recorded as near misses involving excavation on licensed pipeline compared to 36 incidents in 2020–21. This is a 17 per cent reduction in reportable incidents related to third-party interference.

We used our compliance and enforcement policy to support the appropriate enforcement action and issued four infringement notices and one warning letter to the offending parties.

During 2021–22, there were reports of 122 incidents on gas distribution mains and 2,656 incidents on gas services compared to 114 main hits and 2,232 services hits in 2020–21.

A total of 29 reportable incidents on gas mains were as a result of third-party activities compared to 47 third-party related incidents in 2020–21. This is a 38 per cent reduction in reportable incidents related to third-party activities.

Gas distribution companies continue to focus on minimising leaks from integrity loss and third-party damage. The mains replacement program is underway to replace old mains which contribute to gas leaks due to asset failure.

Comparing the year-on-year data, third-party damage to distribution mains and services, and encroachment on licensed pipelines is decreasing. This continues to be a primary focus for us and gas companies. We will continue to work with asset owners, third-party contractors, Before You Dig Australia and the industry research participants, including the Future Fuels CRC, to ensure that third-party strikes continue to decrease.

CASE STUDY

Cohuna Solar Farm fire

Cohuna Solar Farm is located 8km from Cohuna and began commercial operations in 2021. On 18 October 2021, three minor grass fires were reported at the farm that originated from the solar panel rotational control boxes. These boxes allow the solar panels to track the movement of the sun.

We issued a direction to disconnect the tracker boxes as a result of initial investigations carried out after the fire. Further investigation uncovered other issues with the T4 connectors connecting the solar panels and with the T7 connectors connecting the fuse boxes to the direct current harness cables. We issued a second direction to stop the use of T4 connectors. This meant that the farm could not operate.

We worked with manufacturers Enel and Soltec to rectify the issue and ensure the farm was safe to be operated. The T4 direction remained in place until a solution was implemented. As of 30 June 2022, the direction for the tracker controller boxes was still in place. The supplier has re-designed the product and is in the process of getting it safety tested to show compliance to the relevant standard and that it is safe to be connected to the supply.

We also issued a safety alert to warn other solar farms about the importance of maintaining electrical installations and clearing vegetation to minimise the risk of fire. An owner or operator of a solar farm should have a plan in place that minimises the risk of fire.

Regulatory practice

Compliance and enforcement priorities

In August 2021, we released our nine compliance and enforcement priorities for 2021–22. This is the first time ESV has issued such information. We highlighted these priorities to signal to the energy industry the key targets of our compliance and enforcement activities across the electricity, gas, renewable energy and pipeline sectors.

The release of the priorities gives a clear indication to the energy sector we regulate, as well as our inspectors and regulatory staff what we want to address during the financial year

Three of the nine priorities are focused on bushfire mitigation including vegetation clearance around powerlines, power-pole management practices of major electricity companies and monitoring the implementation and operation of rapid earth fault current limiter (REFCL) rollout.

Two of the priorities focus on renewable energies, including solar panel installation, which continues to increase in line with the Victorian Government's Solar Homes program.

The remaining four priorities address ESV's continued focus on the safe delivery and maintenance of gas and electricity. These include gas appliance safety, licensed electrical worker compliance, electrical equipment and appliances safety and finally gas network strikes and pipeline encroachment.

Compliance and enforcement policy

In July 2021, we published a new compliance and enforcement policy describing our approach to promoting and enforcing compliance with the energy safety legislative framework in Victoria.

The policy sets out our compliance and enforcement objectives, which are:

- rectify unsafe situations to prevent harms
- prevent or contain harms where the unsafe situation has not been rectified
- remediate non-compliances

- require the cause of non-compliances to be addressed
- penalise offenders for proven misconduct, and deter them from future non-compliant conduct
- deter others from engaging in similar contraventions through general education on the consequences of non-compliance
- meet community expectations and act in the public interest with respect to the enforcement of the law.

The policy also outlines our principles and criteria for decision-making, including consideration of the significance of harms and risks involved, and the behaviour and motivations of the regulated entity.

We have a range of tools that we can use to promote and enforce compliance, which are also set out in the policy. These tools include educating and supporting regulated entities to understand their obligations, warnings or notices requiring corrective actions, infringement notices, prohibitions or recalls, and prosecution for more serious, repeated or wilful non-compliance.

Prosecution guideline

In December 2021, we also published a new prosecution guideline to complement our compliance and enforcement policy. The guideline communicates why and how we prosecute and the types of factors we consider in determining whether prosecution is the most appropriate course of regulatory action for offences against Victoria's energy safety laws. Factors considered include:

- if correct decision-making processes have been followed
- advice received from the Director of Public Prosecutions
- timing of the alleged offence in relation to specified statutory time limits
- if there is reasonable prospect of a conviction (such as the reliability and credibility of evidence)
- if prosecution is in the public interest (such as the seriousness of the alleged offence)
- the existence of improper considerations (such as political advantage).

We publish information about the nature and outcomes of prosecutions on our website.

CASE STUDY Using data to improve safety

Our Renewable Energy team worked with Solar Victoria to use data to improve energy safety in both domestic and commercial solar/battery installation. During 2021–22, we attended about 200 sites to ensure solar workers are appropriately licensed, providing appropriate supervision of electrical apprentices, carrying out correct testing, understand their obligations under the Act and electrical work compliance checks.

By using the Solar Victoria QR code system, we were able to schedule inspections at the time the systems were being installed. This data was also used to identify high-risk installations and contractors who had not already been visited by ESV. Additionally, the data was used to map the location of installations (using ArcGIS) enabling

opportunistic site visits when we were in the vicinity for other activities. These tactics allowed us to interact directly with the installers, which gave us a greater insight into the work being done. It also allowed us to help the industry understand the safety risks and increased our exposure to the industry.

We saw a dramatic improvement in the standard of domestic solar installation work. The rate of unsafe solar systems dropped from 4 per cent in late 2021 to zero per cent in early 2022.

Similar opportunities to use data to improve energy safety are being investigated by other teams at ESV.

ESV as a strategic leader

ESV will:

- influence and lead the identification and improvement of minimum energy safety standards, and regulatory safety plans – including future energy scenarios
- strengthen the organisation's expertise to address significant safety risks by:
 - identifying risks to commercial renewable wind and solar installation, due to poor safety management systems and practices
 - partnering with Solar Victoria to promote regular servicing of domestic and commercial solar installations
 - continuing to promote gas appliance safety, including open-flued gas heater safety
 - advising Victoria's Renewable Hydrogen Industry Development Plan
- provide national and international leadership for defining and acting on emerging energy safety compliance issues
- support the State Government's Victorian Hydrogen Investment Program.

Hydrogen safety

The Victorian Government is committed to reducing greenhouse gas emission by 28–33 per cent by 2025 and 45–50 per cent by 2030. There are many stakeholders working in this area to achieve these goals in the gas sector. Our role is to ensure that the decarbonisation of gas is achieved safely.

We are working with stakeholders to gain insights into this new sector. We are also providing technical advice to support the development of the sector.

During 2021–22, we provided technical support to DELWP to ensure that safety issues are considered when developing policy. Through DELWP, our advice was provided to the Department of Industry, Science, Energy and Resources as the Australian Government department developed an issues paper on hydrogen in the National Gas Regulatory

Framework and considered changes to the national gas laws to capture hydrogen, hydrogen blended natural gas and biomethane under the National Gas Regulatory Framework.

We are a member of the Future Fuels Cooperative Research Centre (FFCRC), which aims to enable the energy sector to adapt its infrastructure by providing new knowledge and facilitating their use by industry. We sat on two of the three research program panels. Our participation gave us access to intellectual property developed from research and the allowed us to influence research carried out. Our membership of FFCRC also allows us to liaise and collaborate with overseas experts.

We are a member of the Australian Standards ME093 Hydrogen Technologies Committee, which is responsible for collaborating to develop the technical standards and guidance required for the hydrogen industry to enable delivery of safety and technical performance outcomes. We chair the ME-093 working group 8 which is responsible for hydrogen safety with respect to Type A and B appliances.

We also chair the Gas Technical Regulators Committee and the National Regulators Forum which are forums for the Australian regulators of the downstream and upstream elements of the gas supply chain respectively. Through these forums ESV has fostered the exchange of information (both research and field experience from pilot projects) to support coordinated development of regulatory understanding of risks and controls.

We are also working to support the pilot projects such as the Hydrogen Park Murray Valley project (see case study) which are of strategic importance for the Victorian Government. The success of the project will impact the growth of hydrogen production and play an important role in developing the social licence for hydrogen.

CASE STUDY

Ensuring the safety of Hydrogen Park Murray Valley

ESV is working to ensure the safety of new blended gas projects such as Australian Gas Networks' new project, Hydrogen Park Murray Valley. AGN, which owns and operates the distribution network that supplies gas to Albury and Wodonga, is developing the project in partnership with energy generator ENGIE.

Located alongside North East Water's West Wodonga Wastewater Treatment Plant (WWWTP), the 10MW electrolyser would use water from the WWWWTP and renewable electricity from AusNet's electricity distribution network to produce renewable hydrogen.

The renewable hydrogen will be blended with natural gas, at volumes of up to 10 per cent for supply into the existing gas distribution networks across Albury and Wodonga, delivering a cleaner energy future to more than 40,000 business and residential connections. Industrial gas users would also receive the renewable gas blend.

There are a number of specific areas of risk that the Hydrogen Park Murray Valley will need to consider and mitigate before it is able to proceed.

Hydrogen can be used much like natural gas to heat homes, power vehicles and produce electricity. Importantly, when burned, it produces only water vapour and energy as heat, with no carbon emissions. It is anticipated that it will be blended safely with natural gas and supplied to customers using our existing network for blends of up to 10 per cent hydrogen without requiring changes to infrastructure including gas appliances.

The project will be a significant low carbon innovation for Australia – and has received up to \$32.1 million in funding from the Australian Renewable Energy Agency.

The project is undergoing regulatory and development approvals. Construction is due to start in late 2022 and renewable gas is anticipated to be supplied to customers from 2024.

Victorian Big Battery investigation

On 30 July 2021, the Victorian Big Battery at Moorabool experienced a fire that occurred during commissioning and involving two Megapacks. The blaze was brought under control by the Country Fire Authority and the site was handed to ESV for investigation to determine the cause of the fire and the actions needed to prevent it happening again.

We conducted a two-month investigation into the fire, during which Neoen International SAS and its contractors UGL Engineering and Tesla Motors Australia, who respectively own and operate the site, cooperated. The statement of technical findings was released in September 2021.

After extensive enquiries, we found a Megapack cooling system leak caused a short circuit resulting in overheating that led to a fire in a nearby battery compartment, which consequently damaged two Megapacks.

There were further contributory factors with the Megapack in question being switched into an off-line service mode, which meant the protection systems were inactive.

A 24-hour delay in connecting the batteries to the supervisory control and data acquisition (SCADA) system also meant there was no active monitoring of the Megapack alarms.

We required the site's owners and operators to implement additional safety measures, which were put in place, including:

- Megapack cooling systems are fully pressure-tested when installed on site
- Megapack cooling systems are inspected for leaks after testing
- shorter connection times to the SCADA system to help alert Tesla with specific alarms
- a new battery module isolation loss alarm has been added
- procedure changes for Megapack protection systems.

ESV was satisfied that the site could safely recommence commissioning on 29 September 2021 as the changes had been made.

Further work has continued to ensure the Megapacks are engineered to fully mitigate the risk of fire spread from one unit to another under Victorian conditions. This includes the fitment of vent shield covers to reduce the risk of future fire propagation between Megapacks.

New standards for open-flued gas space heaters

On 1 January 2022, new Australian Standards came into effect for open-flued gas space heaters. The new standards were introduced to reduce the threat of potentially fatal carbon monoxide poisoning.

We have been advocating for carbon monoxide safety awareness around open-flued gas space heaters for more than a decade.

The new standards, as well as ESV's Safety Alerts for several models of heaters, were prompted by the carbon monoxide-related death of Greensborough woman Sonia Sofianopoulos in 2017.

The new Australian Standards mandate that open-flued gas space heaters and energy-efficient Type 2 decorative effect appliances will shut down within 15 minutes in homes with inadequate ventilation which cause a negative pressure environment. Type 2 decorative effect appliances look like open-flued gas space heaters, however their primary purpose is decorative and not to produce heat.

The change will prevent carbon monoxide spillage into the living space due to negative pressure created by extraction fans such as bathroom fans or kitchen rangehoods. Once the appliance has shut down, a homeowner will need a qualified gasfitter to reset the appliance to introduce ventilation throughout the home to overcome the negative pressure. To help the industry prepare for the new standards, we notified gas appliance certification bodies about the new standard's requirements. We also alerted all gasfitters via email of the new requirements and informed them that any appliance they are installing requires a current certification.

We also continued to promote carbon monoxide safety through our Be Sure campaign, urging Victorians to have open-flued gas space heaters serviced by a licensed gasfitter at least once every two years.

We have also published Safety Alerts for six open-flued gas space heaters. In addition, we still have four Deeds of Undertaking in place requiring suppliers of specific open-flued gas space heaters to complete rectification action to test and make the appliances safe. The deeds are now more than three years old and consequently, there is currently very low public response to the safety alerts.

Open-flued gas space heaters without the shutdown mechanism, made before 1 January 2022, were still available for sale. The industry wanted to continue to sell these legacy stock after 30 June 2022. ESV consulted with industry on the draft prohibition and non-acceptance notices between 26 May and 9 June 2022 to prevent the sale and supply of these legacy appliances.

We prohibited the sale and installation of old, unsafe open-flued gas space heaters that did not meet the new standard safety requirements from 1 August 2022 and declared these appliances to be unaccepted (that is, uncertified). This means any of these heaters, including second hand heaters that do not have safety shutdown features cannot be sold or installed in Victoria. Also, DELWP drafted regulations to prohibit the installation of open-flued gas space heaters that do not meet the new requirements.

Australia and New Zealand Standards Committees

Electrical equipment safety

ESV continued to engage the standards committees in discussion pertaining to improving safety standards.

ESV has been a substantial contributor to the development and updating of electrical equipment safety standards and has contributed to the publication of numerous new editions and amendments.

This financial year, ESV has contributed to the publications of the following electrical equipment safety standards:

- 22 amendments or new editions of the standards under EI-002 – Safety of household and similar electrical appliances, small power transformers and power supplies
- 6 amendments or new editions of the standards under EI-041 – Lamps and Related Equipment
- 7 amendments or new editions of the standards under EI-005 – Secondary Batteries
- 1 new edition of the standard under EL036 – In-service Testing of Electrical Equipment
- 5 amendments or new editions of the standards under EL004 – Electrical Accessories and related sub committees
- 1 new edition of the standard under TE-001 – Safety of electronic equipment
- 6 identical adoption of international standards under EL-003 – Electric Wires and Cables.

ESV has also actively led and contributed to international standardisation for lighting and household electrical equipment. This enables less variations of national standards, reducing trade barriers while ensuring our level of safety is maintained.

Gas appliance safety

ESV has been actively involved in the development of gas safety standards including the following projects:

- AG001 Gas Appliance Committee and its subcommittee AG001-002 with the publication of the revised commercial catering standard AS4563:2022 and the drafting of amendments to five Type A appliance standards to include a natural gas limit gas with 13 per cent hydrogen
- AG006 chairing the Gas Installation committee to revise the gas installation standard AS/NZS5601.1 with publication due in late October 2022 subject to Standards New Zealand approval

- AG011 with the drafting of a revised AS1375 for industrial fuel fired appliances which will include an informative appendix on hydrogen safety
- AG013 Gas Components Committee to revise the standard AS 1869 for flexible hose assemblies and AS4629 for automatic shut off valves and vent valves
- ME-093 Hydrogen Technologies with the chairing of the end use applications working group developing a draft Australian Technical Specification for 100 per cent hydrogen Type A appliances to supplement the existing Type A gas appliance standards

Also, the Head of Type A Gas Appliance and Component Safety was appointed by Standards Australia as its regulatory representative on its Standards Development and Accreditation Committee (SDAC) which reports to the Standards Australia board.

Strengthening organisational experience

Technical Advisory Committee

Membership:

- Christine Williams (Chair)
- Arron Harris
- Bill Tabourlos
- Emma Germano
- Gary Bath
- Liz Perrone
- Tine Hogarth-Clarke
- Marnie Williams

In January 2022, the Victorian Government created an expert Technical Advisory Committee which will advise us on important issues impacting the electrical and gas industries and drive improvements. The committee will provide expert advice on our functions, including issues relating to network safety and bushfire prevention and mitigation. It will also focus on safety standards

and compliance requirements for energy equipment, installations and electrical and gas fitting work and safety implications arising from the operation of renewable energy sources.

The creation of the committee was one of 43 recommendations delivered by the *Independent Review of Victoria's Electricity and Gas Network Safety Framework* (Grimes Review). The review was chaired by Dr Paul Grimes and focused on significant reforms aimed at strengthening our capabilities and regulatory approach to the state's electricity and gas network safety framework.

The committee will provide advice based on their experience, considering risks, hazards and consultation with the sectors and communities they represent.

Future Trends Committee (FTAC)

Membership:

- Michelle Groves (Chair)
- Anthony Seipolt
- James Seymour
- Fiona Simon
- Noriko Wynn
- Peter Daly
- Arie Freiberg
- Lynne Gallagher
- Fiona Haines
- Bruce Mountain
- Claire Noone

In response to recommendation 32 from the *Independent Review of Victoria's Electricity and Gas Network Safety Framework*, we announced the establishment of the Future Trends Advisory Committee in December 2021. The committee will provide us with expert advice on matters relating to future energy trends that may impact the electricity and gas sectors (across production, distribution and equipment/appliances) in Victoria, and have regard to possible approaches to manage changes and new sources of risk.

Deputy Chairperson and Commissioner, Michelle Groves chairs the 10-member committee. The committee members are considered leaders in their respective fields. Including, but not limited to, the committee will help to identify and assess trends in:

- new and disruptive electricity and gas technologies and products
- new and disruptive enabling technologies and products (such as hydrogen)
- new business models arising from those technologies
- socioeconomic, geopolitical, demographic, market and workforce changes
- new approaches and methodologies for asset and safety management.



CASE STUDY

Continuing professional development

ESV and the Victorian Government continued to develop the state's first Continuing Professional Development (CPD) program for electrical workers during 2021–22.

In early 2022, we ran a CPD pilot involving 66 electricians across regional and metro areas. The first component of the CPD program, skills maintenance, was launched in August 2022 and will be required for electrical workers to review their electrical licence.

The CPD program was developed by ESV and education provider Future Energy Skills and supported by a committee including members from ESV, the Electrical Trades Union, the National Electrical and Communications Association, the Institute of Electrical Inspectors and experts in adult education.

It is made up of two components, Skills Maintenance, which started in August 2022 and Skills Development, which will be available in 2023. The eight-hour Skills Maintenance course will also be free to all renewing licence holders thanks to \$7.2 million in funding from the Victorian Government over the next five years.

The training will contribute to better trained electrical workers, enhancing skills and preserving high levels of professionalism.

It addresses the 'Three Cs' that can lead to unsafe work practices – Currency, Competency, and Complacency. Currency refers to keeping up to date with all the latest skills and knowledge and Competency talks about how well we all do our jobs.

Safety experts believe that Complacency is one of the most common causes of workplace injury and death.

We will continue to consult with industry to ensure that the course training content is relevant.

Under the program, Victorian electricians will have to undergo eight hours of training in order to renew their electrical license every five years.

Customer-centred service delivery

ESV will:

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

Customer experience strategy

Our customers are directly affected by the quality and availability of our services. Our stakeholder insights and other similar research undertaken in the past suggest there is a gap between the needs and wants of customers, and what they actually experience.

Customer experience is the sum of all the interactions that a customer has with ESV and the customer's feelings, emotions, and perceptions of us over the course of those interactions. Understanding how our customers interact with us holistically and across their whole journey is crucial to delivering a better customer experience.

Customer experience has a big impact on our reputation, as it can strengthen as well as undermine it. By creating consistent, tailored and impactful experiences, we are better placed to positively influence perceptions and behaviour in regulated entities and the broader community.

To fulfil the goal of becoming a customer-centric regulator, we set out to collaboratively design a customer experience strategy and roadmap.

Our approach used a co-design approach to meaningfully engage staff and allow them to develop a sense of ownership and understanding of customer-centricity.

The final Customer Experience Strategy was launched in May 2022 and includes:

- a shared vision and promises that sets out our aspiration for customer experience and aligns to our organisational purpose
- a customer experience strategy that describes the focus areas, goals, outcomes and a set of metrics to measure success
- a roadmap including the actions that must be undertaken to achieve the outcomes detailed in the Customer Experience Strategy.

ESVConnect accessibility

ESVConnect is the online system used to regulate Victoria's electrical industry. It includes licensing, contractor registrations, certificates of electrical safety (COES) and registration of cathodic protection systems. As old paper-based systems are moved online, we are streamlining processes for industry participants and aligning them to current regulatory requirements.

All licence applications, renewals of electrical licences and electrical contractor registrations must be completed in ESVConnect. ESVConnect is designed to help electrical practitioners and ESV to ensure:

- only trained and experienced people are licensed
- they install compliant electrical equipment in accordance with the required standards, and
- they certify and test the installation and record compliance through COES.

Our focus during 2021–22 was to make ESVConnect more accessible. This meant making it available to more people and making it easier to use. We achieved a major milestone for the system this year by migrating the system to the cloud which improved user access and the performance of the system, enabling a seamless user experience. The move also means that ESVConnect sessions have improved security, no downtime and we are able to provide continuous improvement and delivery.

On 1 January 2021, the *Electricity Safety (Registration and Licensing) Regulations 2020* commenced. The new regulations provide the legal framework for ESV to introduce continuing professional development requirements for electrical workers. As part of this project, we started issuing continuing professional development reminders for electrical license holders through ESVConnect. The reminders detailed the specific requirements licence holders needed to be compliant. The program will be further rolled out to industry in the 2022–23 financial year.

In November 2021, we delivered a project to engage electrical worker employers with ESVConnect. The project allowed about 500 employers to provide their workers with access to certificates of electrical safety (COES) managed by them.

The change removed the bureaucratic burden for licensed electrical workers who previously had to buy a COES at their expense before they sought reimbursement from their employer. Consequently, the change helps licensed electrical workers comply with their requirement to issue COES for the electrical work they perform.

Companies and businesses eligible to purchase COES on behalf of their employees include:

- A manufacturer of goods or products that employs licensed electrical workers to maintain the manufacturing facility, on one or more sites owned or occupied by the employer.
- An owner/occupier of residential, commercial and or industrial properties that employs licensed electrical workers, in the regular course of business, to maintain the owned/occupied sites only for the owner/occupier.
- A company that provides other primary (non-electrical) services and employs tradespersons or others who hold Restricted Electrical Licences to perform disconnect/reconnect of appliances or equipment ancillary to the person's primary trade (for example plumbing – hot water service or air conditioner company).

Employers are also able to download tax invoices, keep track of certificate use, access certificates and manage their employer operator, licensed electrical workers list and site address list.

Webinars for gasfitters

ESV, the Victorian Building Authority (VBA) and Master Plumbers held a series of free Gas Safety webinars for registered and licensed gasfitters and Type A Servicing gasfitters in June and July 2022. The six seminars were hosted by experts from each organisation. They provided expert advice to ensure practitioners were up to date with current, significant changes happening in the gas regulatory landscape.

The webinar covered:

- the 2020 Be Sure campaign
- the proposed regulatory action on unsafe open-flued gas space heaters
- amendments to the gasfitting standards [AS/NZS 5601](#) – Gas Installations Part 1 General Installations
- complying with the requirements of [AS 4575](#) – Servicing Type A gas appliances
- lodging a record of servicing work with the Victorian Building Authority through the gas servicing record portal
- an update on hydrogen
- updates to the Residential Tenancies Regulations.

In total, we held six seminars for gasfitters during 2021–22, which were attended by 1,858 people. We also presented a video and held a question and answer session in October 2021 on common non-compliances in high rise complex gas installations.

CASE STUDY

Human-centred design in transformation projects

This year, we delivered two key projects as part of the transformation of ESV to a safety-first, data-driven, customer-centric regulator. The vision and values refresh and Customer Experience strategy projects both used a human-centred design approach. Human-centred design is an approach to problem-solving that puts the people for whom we are designing at the heart of the process. A human-centred design approach aligns our services with the needs and desires of people. Involving end users in the overall design process leads to greater buy-in, uptake and impact.

Our vision, purpose, values and behaviours were developed with our people using an iterative human-centred design approach. A cascading workshop approach engaged multiple levels of staff to iterate and refine the draft vision and values statements. The approach enabled our commitment to engage all levels of staff and ensure the vision and values were refined and tested from multiple perspectives and were a true reflection of our people.

The final output was a concise, meaningful vision and purpose statement that can be used in various ways by different parts of our organisation to build momentum, cohesion and buy-in. It reflects the thoughts and language of all participants.

Meanwhile, we also put people at the heart of the development of our Customer Experience strategy. Our customers are directly impacted by the quality and availability of our services. Our past stakeholder insights and other similar research suggested there is a gap between the needs and wants of customers and what they experience.

We started by undertaking a thorough discovery activity followed by opportunity identification through ideation workshops. We examined these opportunities in multi-functional workshops and co-designed solutions. We tested these solutions and developed actionable recommendations which were presented to our executive leaders and Commission.

The result of the project is a shared vision of customer experience that aligns with our organisational purpose. This is supported by a set of promises we make to all the people who interact with us to create good experiences in their dealings with us.

Community and stakeholder engagement

ESV will:

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

Stakeholder and Engagement Framework

To deliver our strategic, statutory and ministerial obligations, we need effective stakeholder engagement. Our stakeholder engagement framework, published in December 2021, sets out our commitment to how engagement activities are planned, designed and delivered. The framework outlines our commitment to five principles of engagement with our stakeholders. These key principles guide our work and ensure we cultivate consistent, strong and effective relationships with our stakeholders.

Our engagement approach, as outlined in the framework, is informed by the key engagement pillars, processes and standards developed by the International Association for Public Participation (IAP2) Quality Assurance Standard, the draft Victorian Government Public Engagement Framework and the Victorian Auditor General's Better Practice Guide. The framework also draws on recognised good practice from across the Victorian Public Service and regulators in other states.

Stakeholder Insights

In July 2021 we finalised our first Stakeholder Insights research report. This quantitative research piece focused on awareness and perceptions of ESV among those we regulate, including electrical workers and gas workers. It was developed in collaboration with our people, who helped develop the survey tool and supplied the contacts for the sample.

The results provided a new layer of analysis on our reputation and our standing among the organisations, businesses and individuals that we regulate.

The report found there were improvements to be made in several areas, including:

- lifting confidence that our activities effectively minimise risks, particularly among electrical workers
- increasing the perception that there is a high risk of inspection to detect non-compliance
- improving the experience regulated entities have of dealing with us
- improving access to regulatory guidance ensuring that it is consistent, easily accessible and easily understood.

Two key satisfaction indices were established to enable measurement over time: overall effectiveness as a regulator and satisfaction with the customer experience delivered. These indices represent the average percentage of respondents who strongly or mildly agreed with several statements including attributes of independence, consistency, fairness, respect, accountability and integrity.

We held a series of workshops with key team members from the operational divisions to review the quantitative report findings and develop a suite of business improvement actions.

At the end of 2021–22, only two of the 22 actions had not been started.

Work has started on the Stakeholder Insights research (regulated entities) for 2022. Further in-depth analysis is required, but high-level findings show there has been an improvement on the key stakeholder satisfaction indices established in 2021.

| Indices | 2021 | 2022 |
|--------------------------------------|-------|-------|
| Overall effectiveness as a regulator | 71.6% | 75.5% |
| Customer experience | 73.2% | 74.3% |

Field days

Field days give us the opportunity to speak to industry and the public about energy safety and hand out guidance to people about specific topics of interest.

From June to December 2021, we did not attend any field days as events were cancelled due to COVID-19. From January to July 2022, we attended three field days:

- Seymour Alternative Farming Expo (1–3 April)
- East Gippsland field days, Bairnsdale (8–9 April)
- Mildura field days (20–21 May).

On these days, we have quality engagements about 20–30 times per day and have general conversations between 50 and 100 times per day.

The key issues discussed on these field days include:

- solar installations, going off the grid and Private Overhead Electric Lines
- solar and battery installations requirements
- operating machinery on farms (stickers and signs were provided)
- continuing professional development requirements for electricians
- farms seeking reflective markers on poles to help with working at night
- aerial markers to identify powerlines
- the Dial Before You Dig process
- discussion around gas supply shortages

- general safety when operating machinery on farms and in the construction industry
- know the drill gas barbecue safety discussions
- questions about minimum powerline heights on farms
- questions about the transmission lines proposed to support wind farms
- applying the principles of Look Up and Live where appropriate.

Development of industry guidance

ESV has helped electrical and gas workers, and other regulated entities, comply with regulatory requirements through targeted guidance. By publishing industry guidance, our aim is to support better outcomes both for tradespeople and the community by assisting them to understand the regulatory requirements that ensure energy safety.

The key guidance released during 2021–22 included:

- changes to Residential Tenancy regulations and new requirements on both electrical and gas workers – we published toolkits for both industries
- guidance to licensed electrical workers and licensed electrical inspectors on how to meet the testing requirements in AS/NZS 3000 Electrical Installations (Wiring Rules) for residual current devices (RCDs) and RCBOs (safety switches) that are part of new electrical installations which are yet to be connected to an electricity supply
- guidance to manufacturers, suppliers and registered electrical contractors to ensure grid-connected inverters meet Australian Standards (AS/NZS 4777.2:2020).
- amendments to Australian Standards that require open-flued gas space heaters and energy efficient Type 2 decorative log fires to be designed so they will shut down within 15 minutes when subjected to a negative pressure environment

- changes to the Wiring Rules for Installation and safety requirements for photovoltaic (PV) arrays
- requirements to provide proper documentation to PV system owners as required by AS/NZS 5033
- our approach to compliance and enforcement of clause 3(1) of the Electric Line Clearance Code (maintaining the minimum clearance space) given the introduction of infringements as an additional enforcement tool from 27 June 2022.

Regulatory roadshows

In August 2021, we completed our internal Stakeholder Engagement strategy. This strategy sets out how we will engage with stakeholders to strengthen our regulatory role, improve energy safety outcomes and help us reach our strategic objectives.

One of the strategy's five goals was to develop communication and engagement activities to improve industry compliance. A qualitative survey of regulated entities in the energy distribution industry showed that some of our key stakeholders were unclear about the change to our regulatory posture and how this might impact on their businesses. As a result, we acted to improve engagement with the sector.

From October 2021 to June 2022, we delivered six presentations to major electricity companies and gas and pipeline distribution companies. Our Commissioner and Chairperson, CEO and the relevant General Manager presented to senior executives of each organisation. In addition to the presentations to industry, the Commissioner and Chairperson, CEO and several executives engaged with two key community groups to discuss ESV's regulatory role and performance.

Campaigns

We delivered our suite of advertising campaigns for 2021–22, including developing a new solar safety campaign. The Love Your Solar campaign was a collaboration with Solar Victoria and was designed to prompt Victorians to get their solar systems serviced at least once every two years.

The Be Sure campaign has won its second industry award since it commenced in 2018 – the 2022 Communicator Award of Excellence in the Campaign-Integrated category. The campaign continues to track well reaching heights of 52 per cent for unprompted awareness, with key message recall as high as 85 per cent. The campaign was successful at engaging hard to reach audiences with significant awareness lift among culturally and linguistically diverse (CALD) audiences (27 per cent increase) and younger Victorians (22 per cent).

Along with electricity distribution businesses and WorkSafe, ESV formed a working group on 'no go zones' to boost the effectiveness of the Look Up and Live (LUAL) campaign. LUAL prompts behaviour change in heavy/large machinery operators to observe no go zones and avoid overhead powerlines. The working group has produced a cross-agency stakeholder engagement plan which will inform changes to the campaign going forward.

Social media

The most popular Facebook post for the 2021–22 financial year was our Continuing Professional Development introduction to electricians. This was a big milestone for ESV and huge news in the industry. The post sparked mostly neutral and negative sentiment from the audience, mainly because industry was not aware of the program and the fees related to it. Once we clarified the content with the audience and more promptly directed them to the website to read more information and educate themselves on the program, there was less negative feedback.



The top post on Twitter was a collaboration with WorkSafe on its end-of-the-year campaign: Put 2021 safely behind us. The brand awareness for WorkSafe is a big contributing factor to the high impressions of this post. The topic also highly resonated with our audience.



On Instagram, the most popular post was about Certificates of Electrical Safety (COES). This type of content tends to perform particularly well, as it gives our audience guidance and advice.



On LinkedIn, our post showing our ESV team attending the Plumbing and Fire Industry Awards was the top performing. This content, that shows the people behind ESV, highlights our involvement and achievements in the industry.



Overview of impressions for the year*

ESV Social media impressions — Organic vs paid



Organic social media is content, such as posts, video and photographs, that has not been paid to share on feeds. Paid social media is advertising. It is where we paid for content to be shared.

November 2021 was our best-performing month due to the range of content we published then. In addition to our regular content, there was a lot of safety and weather advice, Canteen Hero announcement, Victorian Blind Football League season launch and new career opportunities with ESV.

Partnerships

Industry sponsorships

During 2021–22 we invested \$50,300 in industry sponsorships as part of our ongoing support of registered training organisations and industry representative associations. The amount spent was slightly up on 2020–21 but still well below pre-COVID-19 levels.

We have introduced the new role of Sponsorships Advisor to manage the governance of partnerships and sponsorships and ensure alignment with our key strategic objectives.

Sponsored groups included:

- Municipal Works Australia
- South West TAFE
- Future Energy Skills
- Bendigo Kangan Institute
- Master Plumbers – Plumbing and Fire
- Industry Awards 2021.

Safer Canteens

Our Safer Canteens grants program invests in new safe equipment for local football and netball canteens and ensures our ongoing support of community sports clubs. Clubs could apply for a grant to replace old, faulty or inefficient equipment in their canteen. We received 95 applications for an initial 30 grants of \$1,000. The number of available grants was increased to 40 by reallocating funds from other sponsorship areas.

This was the third year of the Safer Canteens program. With canteens closed, we decided that Safer Canteens should continue given the financial impact COVID-19 restrictions had on community sport. A supporting social media campaign to promote our safety messages resulted in 137,939 impressions and a total reach of 93,672. We distributed \$30,432 in Safer Canteens grants to 32 Victorian clubs (as some clubs requested less than the full \$1,000).

We also opened our Canteen Hero award again in 2021 which recognises the hard work of canteen volunteers with an additional grant of \$1,000 which can be used towards the purchase of new gas or electrical equipment in the winner's canteen. We received more than 100 nominations and recognised Karen 'Pinky' Graham from Mount Pleasant Football Netball Club as our Canteen Hero in 2021.

Victorian Blind Football League

In 2021 ESV was the first and sole sponsor of the Victorian Blind Football League. The season was interrupted by COVID-19 but a grand final was played in early December. In a hard-fought contest between St Kilda and the Western Bulldogs, the Saints came out on top 135 to 71.

VBFL is Australian Rules football adapted to provide opportunity for people with low or no vision to participate in competitive sport. It is played indoors on a flat surface with modified rules and additional support tools such as a specially developed 'beeping' ball and flashing lights in the goals.

The \$15,000 sponsorship supports our intention to ensure accessible information and resources for people living with disabilities.

2021 Successful Safer Canteens grant recipients

| Club | Grant |
|---|--------------------|
| Avoca Football Netball Club | \$884 |
| Bannockburn Football Netball Club | \$1,000 |
| Boronia Hawks Football Netball Club | \$1,000 |
| Clyde Football Netball Club | \$789.82 |
| Darebin Women's Sports Club | \$1,000 |
| Diggers Rest Football Netball Club | \$1,000 |
| Dimboola Sporting Club | \$849 |
| Hamilton Kangaroos Football Netball Club | \$1,000 |
| Heywood Football Netball Club | \$1,000 |
| Hill End and Grove Rovers Football Netball Club | \$730 |
| Kiewa Sandy Creek Football Netball Club | \$1,000 |
| Korumburra Bena Football Netball Club | \$760 |
| Lexton Football Netball Club | \$1,000 |
| Maryborough Football Netball Club | \$1,000 |
| Milawa Football Netball Club | \$1,000 |
| Moonee Valley Football Club | \$1,000 |
| Mount Eliza Junior Football Club | \$1,000 |
| North Footscray Football Netball Club | \$1,000 |
| North Sunshine Football Club | \$1,000 |
| Old Collegians Football Netball Club | \$1,000 |
| Sea Lake Football Netball Club | \$900 |
| Simpson Football Netball Club | \$1,000 |
| Skye Football Netball Club | \$988 |
| South Colac Sports Club | \$1,000 |
| Taylors Lake Football netball club | \$1,000 |
| Tungamah Football Netball Club | \$1,000 |
| Upper Ferntree Gully Football Club | \$1,000 |
| Violet Town Football Netball Club | \$1,000 |
| Wangaratta Junior Magpies Football Club | \$1,000 |
| Warrack Eagles Football and Netball Club | \$696 |
| Wyndham Suns Football Club | \$1,000 |
| Yallourn Yallourn North Football Netball Club | \$837 |
| Total grant funding | \$30,432.62 |

ESV as an employer of choice

ESV will:

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

Purpose, vision and values

We reviewed our purpose, vision and values to ensure they reflected our ambition and ongoing transformation towards being a safety-first, data-driven, customer-centric regulator, capable of consistently delivering best-practice regulatory efforts and outcomes to prevent harm across Victoria.

Our overarching direction is set by our vision and purpose that outlines our aspirations for the future. Underpinning these are the values and behaviours that all at ESV will follow to support the actions throughout the organisation.

Our purpose, vision and values are the three pillars which we will use to become a modern regulator. See page 14 to see our purpose, vision and values.

Our purpose shows our role in the community.

Our vision is new and describes how we will fulfil our purpose today and into the future. Our rationale explains the need for this change as the energy industry evolves and our customer expectations increases. Our strategy frames how we will become a proactive safety-first, data-driven, customer-centric regulator. The new vision was launched in May.

Our values describe how we behave to ensure we achieve our vision and purpose in the right way. Our new values are Integrity, Engagement, Adaptability, Respect and Excellence.

The behaviours are outlined in terms of what behaviour is displayed and what behaviours should be avoided.

The new values retain key themes of our previous values (respect, integrity, partnership and accountability) and the Victorian public sector values. They also align with our new vision and purpose. The values, which were also launched in May, set out what we expect of all our people and are shown in our day-to-day actions, decisions and interactions with others.

The project also includes an actionable plan which aligns with ESV's internal programs and outlines how the values will be rolled out across the organisation.

See the case study on page 39 for more about how we worked with our people to design our new vision and values.

People matter survey

The 2021 People Matter Survey was conducted in June 2021 and results were made available in September 2021. This survey included new questions on diversity and inclusion, based on consultation with employee networks, and gender equality, which will assist public sector organisations to comply with requirements and annual reporting of progress against the *Gender Equality Act 2020*.

We received a response rate of 77 per cent (155 respondents). The average response rate across comparable Victorian Public Service agencies was 72 per cent. The feedback obtained via the survey and through collaboration with a working group consisting of key stakeholders across the business helped us to formulate a People Matter Action Plan for 2021. The People Matter Action Plan focused on five key areas:

- discrimination experienced
- learning and development
- manager and senior manager leadership
- public sector values
- workplace flexibility.

The action plan supported informed decisions to improve and build on changes already made to our workplace and culture.

Gender Equality Action Plan

The *Gender Equality Act 2020* is the first of its kind in Australia and came into effect on 31 March 2021.

It promotes gender equality by:

- requiring the Victorian public sector, local councils and universities to take positive action towards achieving workplace gender equality
- requiring these organisations to consider and promote gender equality in their policies, programs and services
- establishing the Public Sector Gender Equality Commissioner to provide education, support, and enforce compliance.

Under the Act, defined entities, including ESV, are required to develop and implement a Gender Equality Action Plan (GEAP) every four years, which includes:

- the results of a workplace gender audit
- strategies and measures for achieving workplace gender equality in the workplace based on the audit results.

ESV completed a Gender Audit in November 2021 and submitted data to the Commission for Gender Equality in the Public Sector. We then engaged Diversity Partners to help us evaluate the Workplace Gender Audit Data and develop our GEAP. We undertook extensive consultation with staff to develop our GEAP.

The GEAP was submitted to the Commission for Gender Equality in the Public Sector on 31 March 2022. The GEAP will help plan, implement and measure change in order to achieve workplace gender equality.

Our vision for gender equality at ESV is that:

- We achieve a level of organisation-wide understanding of diversity, equity and inclusion that sets the foundations for a supportive environment for all genders.
- Everyone contributes to a respectful, safe and inclusive environment where all genders have access to equal opportunities and resources.
- We all recognise that gender equality benefits everyone.

Our GEAP has four strategic themes that align with and support the requirements of the *Gender Equality Act*:

1. Visible leadership commitment and accountability for diversity and inclusion
2. develop inclusive leadership capability
3. embed diversity and inclusion principles into HR policies and practices
4. improve gender balance in leadership and at all levels of the organisation through talent attraction, development and retention strategies.

Each of these focus areas align with the four pillars of our People Strategy and will support ESV to make reasonable and material progress in relation to the workplace gender equality indicators as required by the Act.



Five-year financial summary

Overview

ESV operates by fully recovering its costs from industry. We generate 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, we earn income from the sale of certificates of electrical safety and the issue of electrical licences. The most significant element of our expenditure base relates to employee cost. We aim to generate sufficient accumulated cash surpluses to renew and enhance our asset base and improve the efficiency of the services we provide to industry.

Five-year financial summary

| | 2021-22 \$'000 | 2020-21 \$'000 | 2019-20 \$'000 | 2018-19 \$'000 | 2017-18 \$'000 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total income | 57,877 | 51,978 | 47,551 | 40,868 | 38,089 |
| Total expenses | (54,588) | (47,061) | (45,812) | (38,846) | (36,835) |
| Net result from transactions | 3,289 | 4,917 | 1,739 | 2,022 | 1,254 |
| Other economic flows | (59) | (72) | (27) | (322) | (145) |
| Comprehensive result | 3,230 | 4,845 | 1,712 | 1,700 | 1,109 |
| Total assets | 35,149 | 32,710 | 25,344 | 22,050 | 15,524 |
| Total liabilities | (14,783) | (15,574) | (13,053) | (11,471) | (6,645) |
| Net assets | 20,366 | 17,136 | 12,291 | 10,579 | 8,879 |

Current-year financial review

In the five-year period to 2021–22, our income has increased at a compound annual growth rate of 8.7 per cent per annum, reflecting agreed increases in levy rates and prices, coupled with an increase in economic activity, notably in the Victorian housebuilding sector.

In the same period, expenses have increased at a compound annual growth rate of 8.2 per cent per annum, reflecting agreed annual pay increases under our Enterprise Agreement, and the additional costs of servicing higher regulatory activity levels.

The cash flow surpluses generated in the recent years have enhanced the organisation’s net assets, which will now be applied towards implementing a series of transformation initiatives including the upgrade of core systems and operational effectiveness.

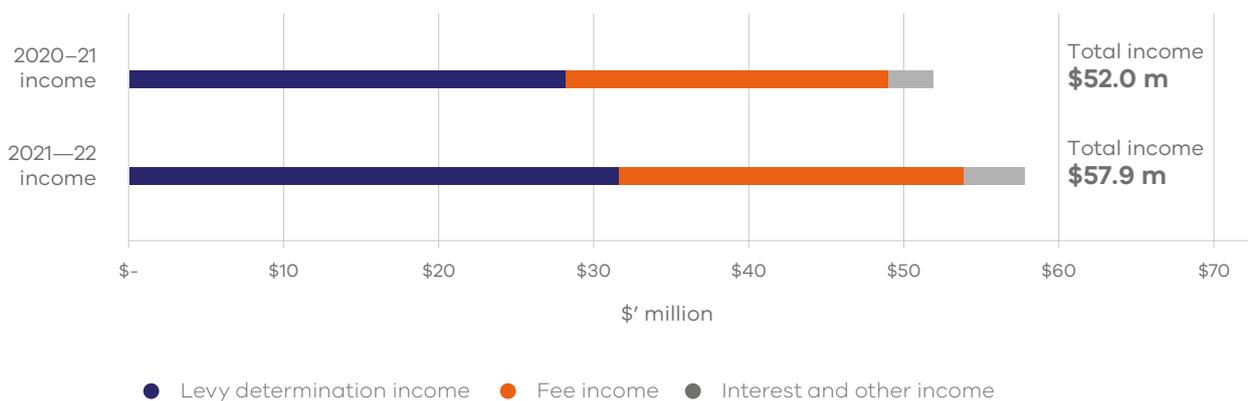
2021–22 Comprehensive operating statement

Income from transactions

In 2021–22, 55 per cent of our income was raised through levies, consistent with previous years. Overall, levy income was 12.2 per cent higher than in 2020–21, reflecting the agreed rate of increase. Fee income was 7.1 per cent higher than 2020–21 reflecting stronger economic activity followed by the removal of strict restrictions from the ongoing coronavirus (COVID-19) impact.

Overall, income was 11.3 per cent higher than 2020–21 and 1.2 per cent better than the 2021–22 budget.

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



Expenses from transactions

Employee benefits increased by 10.5 per cent, reflecting the impact the Enterprise Agreement increases and increase in staffing levels.

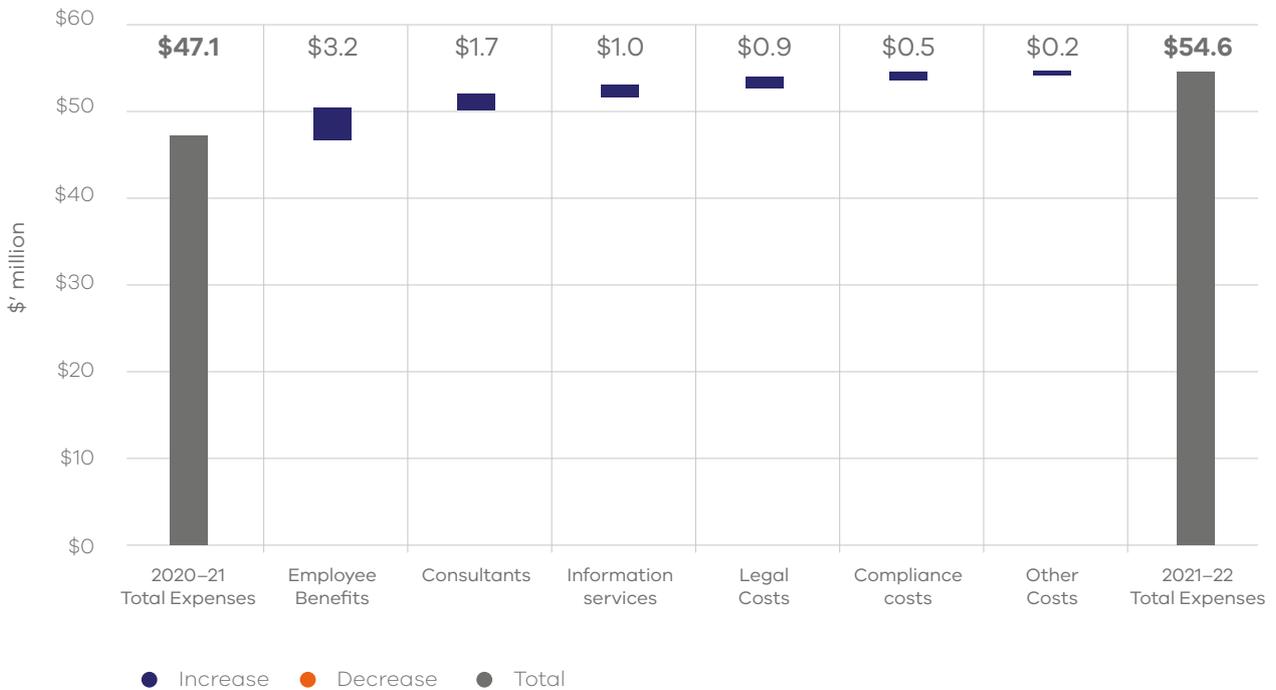
Consultants increased due to the implementation of additional government projects and the establishment of the transformation program.

Expenditure in information services increased due to the enhancement of existing software applications.

Legal costs increased due to expenditure in significant prosecution including external legal support.

Expenditure in compliance audits increased due to a service provider change.

Other costs included several elements such as travel, contractors, public relations and advertising which increased from last year.



Balance sheet at 30 June 2022

Assets

Net assets increased by \$3.2 million to \$20.4 million. Increase in total assets was mainly due to an increase in investment in intangible assets of configured software and cash flow.

Liabilities

Our most significant liability was provision for employee-related costs such as long service and annual leave, reflecting the impact of new joiners.

We had no borrowings at 30 June 2022.

Commitments

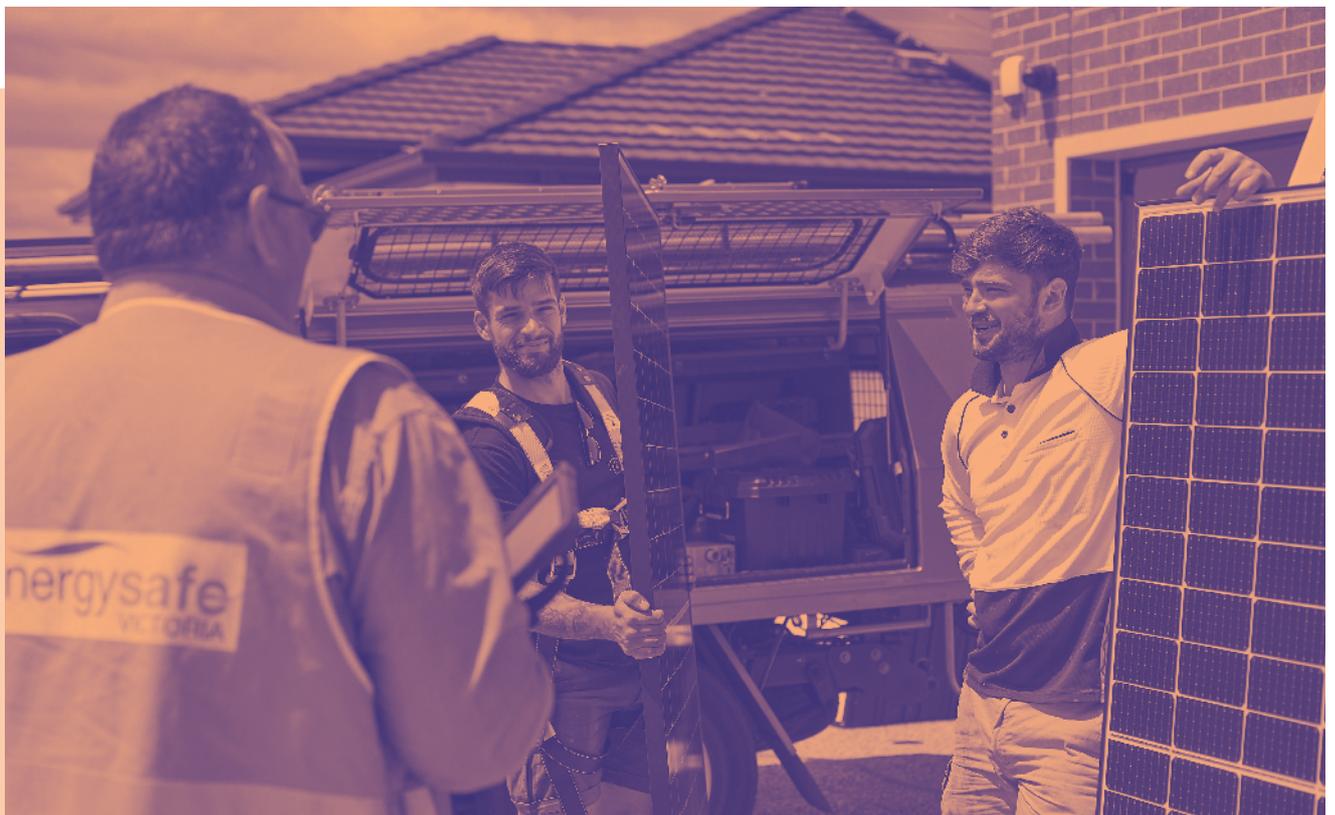
At 30 June 2022, we had commitments for future expenditure of \$4.1 million, primarily comprising obligations in respect of vehicles and property leases and government projects.

2021–22 Cash flow statement

We generated \$7.94 million (net) from operating activities in the year. Of this, \$3.3 million was spent on the purchase of non-financial, largely intangible, assets. Our cash holdings are invested according to the requirements of the Department of Treasury and Finance.

Looking forward

We will continue to focus on sound financial management and ensuring that our expenditure demonstrates value for money. The strategic reinvestment of accumulated surpluses into business improvement initiatives will continue in 2022–23, reflecting the intent of our *Corporate Plan 2022–2025* and the rationale for the 2022–23 levy determinations, approved by the Minister for Energy, Environment and Climate Change.



SECTION 2

Governance and organisational structure

Organisational structure

Our structure as at 30 June 2022



Commissioners

Conflict of interest

The Commissioners are governed in respect of conflicts of interest by the relevant provisions of the *Public Administration Act 2004* and binding codes issued by the Victorian Public Sector Commission. They are required to declare any pecuniary interest in any matter being considered by the Commission or in any other matter in which we are concerned. The Commissioners are also required to complete a declaration of private interests upon appointment and annually thereafter, as well as a declaration of related party transactions on an annual basis.

Marnie Williams (Chairperson)

A former senior executive at WorkSafe and CEO of the Taxi Services Commission, Ms Williams is a Commissioner and Chairperson of the three-person Commission (Victorian Energy Safety Commission), which replaced the role of Director of Energy Safety. Ms Williams has a Bachelor of Applied Science, Master's degree in Applied Chemistry and a Graduate Diploma in Occupational and Environmental Health.

Committee Membership

- Chair of Remuneration Committee
- Member of Audit and Risk Committee
- Non-voting member of Technical Advisory Committee.

Michelle Groves (Deputy Chairperson)

Prior to becoming a Commissioner of ESV, Ms Groves was the Chief Executive of the Australian Energy Regulator for nearly 15 years and was, previously, a director at the National Competition Council. Ms Groves has a Master of Laws degree.

Committee Membership

- Chair of Future Trends Advisory Committee.

Sarah McDowell

Ms McDowell has 15 years' experience in energy regulation, serving as the Energy Executive Director at the Essential Services Commission before being appointed as an ESV Commissioner. Ms McDowell has a Graduate Diploma in Law, a Bachelor of Commerce and a Bachelor of Arts. She also serves on the board of Sustainability Victoria.

Committee Membership

- Chair of Workforce Engagement Consultative Committee

Commission and Commission committee meeting attendance for 2021–22

| Commissioner | Commission meetings | Commission committees | |
|--------------|---------------------|-----------------------|--------------|
| | | Audit and Risk | Remuneration |
| M Williams | 11/11 | 4/4 | 2/2 |
| M Groves | 11/11 | N/A | N/A |
| S McDowell | 10/11 | N/A | N/A |

Executive Leadership Team

Leanne Hughson, Chief Executive Officer (CEO)

Ms Hughson was responsible for the day-to-day running of Energy Safe Victoria and worked closely with the Commission to develop and implement our strategic vision, mission and objectives. Ms Hughson worked at WorkSafe Victoria for 13 years in a range of senior roles including General Counsel, Executive Director of Health and Safety and Chief of Transformation, and as the Commander of Enforcement of Compliance in the COVID-19 response at the Department of Health, prior to joining ESV. She holds both a Bachelor of Arts and Laws, a Master of Taxation and is a graduate of the Harvard Business School and the Australian Institute of Company Directors.

Roanne Allan, General Manager Strategy, Performance and Risk

Dr Allan was responsible for strategy considering future trends, corporate planning, enterprise risk management and our performance monitoring and reporting. She has worked in ESV for 10 years in a range of roles including policy and legislation. She holds a PhD in organic chemistry and is a graduate member of the Australian Institute of Company Directors. Dr Allan is Chair of the Electric Line Clearance consultative committee.

Ian Burgwin, General Manager Electrical Safety and Technical Regulation

Mr Burgwin was responsible for the safety of electrical networks (including bushfire mitigation and vegetation management), installations, equipment, licensing, continuous professional development. Mr Burgwin joined ESV after extensive international engineering and senior management experience in the energy sector. In Australia, he served as Operations Director during the construction and commissioning of Basslink and as a senior consultant with AECOM. Mr Burgwin holds a British Higher National Certificate in Electrical and Electronic Engineering.

Michelle McCorkell, General Counsel and General Manager Legal, Policy and Governance

Ms McCorkell was responsible for providing legal advice, representing ESV in prosecutions and other litigated matters, managing compliance requirements including FOI, privacy and public interest disclosures, overseeing our regulatory policy framework and providing governance advice and secretariat services to the Commission and the statutory and other committees that advise the Commission. She holds a Bachelor of Laws (Hons) and a Bachelor of Arts.

Steve Cronin, Acting Chief Operating Officer

Mr Cronin leads the corporate services team, consisting of finance and business services, people services, information technology, communications and marketing and the project management office. Mr Cronin is Chair of the Victorian Electrolysis Committee and Chair of the Gas Emergency Management Consultative Forum for the gas industry, the emergency services and government. Mr Cronin joined ESV after extensive experience in the energy sector, including the Australian Energy Market Operator (AEMO) and VenCorp. Mr Cronin has a Bachelor of Science in Engineering.

Anastasia Kontogiorgis, Acting General Manager Gas and Pipeline Safety and Technical Regulation

Ms Kontogiorgis was responsible for the safety of gas appliances, installations, infrastructure, licensed pipelines, investigations and electrolysis mitigation. She has worked for ESV for 17 years in several roles in gas and pipeline infrastructure. She is the Chair of National Gas Regulators Forum and Chair of the Gas Emergency Management Consultative Forum for the gas industry. She holds a Bachelor of Science in Biochemistry.

Commission Committees

The Commission has two standing committees – the Audit and Risk Committee and the Remuneration Committee. Both committees have governance and oversight responsibilities under legislation.

Audit and Risk Committee

The Audit and Risk Committee is established in accordance with the requirements of Standing Directions 2018 under the *Financial Management Act 1994* (Direction: 3.2.1: Audit Committee).

Members of the Audit and Risk Committee are:

- Steve Schinck (Chair)
- Laurinda Gardner (Member)

- Elizabeth Grainger (Member)
- Marnie Williams (Member and Commission Chairperson).

ESV's Audit and Risk Committee oversees and reviews the processes of management and the internal and external audit functions with a view to assisting the Commission in achieving their governance responsibilities.

The committee assists the Commission in the discharge of responsibilities for risk management, financial reporting, compliance, internal control systems, audit activities, and any other matters referred to it by the Minister or the Victorian Government.

The committee provides independent oversight of ESV for:

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

Remuneration Committee

Members of the Remuneration Committee are:

- Marnie Williams (Chair and Commission Chairperson)
- Laurinda Gardner (Member)
- Phil Ulrich (Member).

The Remuneration Committee assists the Commission to fulfil its governance responsibilities by ensuring that it has executive remuneration policies, guidelines and practices that are consistent with government policy.

Major Committees

Workforce Engagement Consultative Committee

(Section 8 *Energy Safe Victoria Act 2005*)

The Workforce Engagement Consultative Committee commenced in November 2020. This committee of 17, plus the Chair, ESV Commissioner Sarah McDowell, meets three times per year and is tasked with providing strategic advice to us in relation to its broader workforce engagement strategies, including the promotion and sharing of best practices between gas and electricity network businesses, their workforce and contractors.

Future Trends Advisory Committee

(Section 8 *Energy Safe Victoria Act 2005*)

The Future Trends Advisory Committee commenced in March 2022. This committee of 10, plus the Chair, ESV Deputy Chairperson and Commissioner Michelle Groves, meets twice a year and provide expert advice on matters relating to future energy trends that may impact the electricity and gas sectors (production, distribution and equipment/appliances) in Victoria, and have regard to possible approaches to manage changes and new sources of risk.

Electric Line Clearance Consultative Committee

(Section 87 *Electricity Safety Act 1998*)

The Electric Line Clearance Consultative Committee provides advice to us 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*)

the Victorian Electrolysis Committee provides advice to us 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 the mitigation of stray-current corrosion.

Technical Advisory Committee

(Part 2, Division 3A, *Energy Safe Victoria Act 2005*)

The Technical Advisory Committee commenced in March 2022. The committee of eight, including independent Chair Christine Williams and Chairperson and Commissioner Marnie Williams as a non-voting member, meets four times a year, providing advice to us on regulatory functions within its scope pursuant to section 22C of the Act. This includes but is not limited to:

- improving safety outcomes through the use of electricity safety management schemes, gas safety cases and pipeline safety management plans
- prevention and mitigation of bushfires arising from electrical infrastructure/installations
- safety standards and compliance requirements for energy equipment, installations and electrical and gas fitting work
- safety implications arising from the operation of renewable energy sources
- investigation of events and incidents with implications for energy safety
- advice and guidance to the electrical and gas industry sectors and community in relation to energy safety
- advice on energy safety for the community, where this advice is not already provided by the Electric Line Clearance Consultative Committee, Victorian Electrolysis Committee or any committees established by ESV under Section 8 of the *Energy Safe Victoria Act 2005*.

Other consultative committees

In addition to formal committees, we have members who sit on various industry working groups, technical committees, forums and advisory groups, all of which provide additional support and guidance to our Executive Leadership Team on industry-wide areas of subject matter expertise.

Occupational health and safety

The health, safety and wellbeing of our people is a fundamental responsibility in our workplace and is integral in helping us achieve excellence in what we do. We are committed to ensuring we have a harm-free working environment for our people and visitors who come into our workplace.

Our strategy is to ensure action is taken to remove any risks to health, safety and wellbeing. Where injury or illness occurs, we implement measures to support recovery. Collecting feedback through our Occupational Health and Safety (OHS) Committee and reporting tool has allowed us to address any trends and take preventative and proactive action to respond to concerns.

Our newly published OHS policy statement highlights what our Executive and Senior Management will have in place to lead a prevention-first approach, with focus on continuous improvement and integration of safe systems and best practice into all activities, so far as reasonably practicable. The strategy also outlines the obligation of our people to play their part in contributing to a harm-free workplace as we are all responsible for our own safety, and the safety of those around us.

We rolled out initiatives under the Victorian Public Sector's Leading the Way program to promote mental health and wellbeing while strengthening our safety management system. This year, we focused on psychological first aid, and occupational violence and aggression. We also enhanced our internal practices and processes, providing transparent information to improve our health and safety performance.

We refined our COVIDSafe plan in response to our obligations under the *Occupational Health and Safety Act 2004*, ensuring we continue to monitor and manage the risks to health arising from COVID-19 while performing our essential regulatory functions. We continued with a range of programs in response to the pandemic, including ergonomic assessments, working-from-home guidance, promoted the use of Employee Assistance Programs, providing health and wellbeing days, COVID-19 special leave and working-from-home funds to have an ergonomic set-up at home.

Incident management

We had seven incident reports, with two of those as a result of injury due to a fall and repetitive entering and exiting of a vehicle. The five remaining incidents included a staff member becoming ill, staff being exposed to a customer threatening self-harm, vehicle occupational violence and aggression, and attending the scene of a fatality.

All incidents were reported to management in accordance with ESV procedures and staff were supported accordingly. Incidents were also reported through the OHS Committee and appropriate controls considered. We conducted refresher training, produced and implemented supportive policies and guidelines, identified appropriate equipment and tools, and supported our staff to prioritise their safety and undertake safe work practices.

We offer our staff, and their immediate family, access to an Employee Assistance Program which provides confidential, professional counselling for personal or work-related issues.

There was one premium impacting WorkCover claim for 2021–22 which also contributed to a lost time case. An additional four standard WorkCover claims included payments for compensation, medical, and legal, with two being former employees seeking follow-up treatment.

| Hazards/Incidents (per 100 full-time equivalent) | | | Lost time claims* | | | Average cost/claim | | | Fatalities/serious injuries | | |
|--|-------|-------|-------------------|------|------|--------------------|----------|----------|-----------------------------|------|------|
| 2022 | 2021* | 2020 | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| 3.50 | 4.76 | 11.78 | 2 | 1 | 3 | \$41,410 | \$25,970 | \$38,976 | 0 | 0 | 0 |

* All years on table are financial years, from 1 July to 30 June.

Employment and conduct principles

We are committed to applying merit and equity principles when appointing staff. Our selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

SECTION 3

Workforce data

Workforce diversity and inclusion

We are committed to fostering a diverse and inclusive culture consistent with our values, increasing the diversity of our workforce and strengthening the culture of inclusiveness.

The Diversity and Inclusion Advisory Group, continued to deliver initiatives, events and programs aimed at raising awareness and removing the stigma surrounding differences.

This included:

- participating in RUOK Day
- celebrating International Week of Deaf People
- celebrating International Day of People with a Disability
- celebrating the International Day of Action Against Homophobia, Biphobia and Transphobia (IDAHOBIT)
- celebrating NAIDOC Week
- celebrating Cultural Diversity Week
- acknowledging Reconciliation Week.

In November 2021, ESV started to develop a new Diversity and Inclusion strategy. This strategy will complement and broaden the activities outlined in our Gender Equality Action Plan. ESV's aim over the life of this strategy is to move to a leader-led approach which is typically characterised by committed leaders challenging the status quo and addressing barriers to inclusion, role modelling positive behaviours and creating the conditions that influence employee behaviours and mind-sets.

As of 30 June 2022, ESV's workforce comprised 214 employees with an overall gender composition of 41 per cent women and 59 per cent men. All three Commission roles and the CEO role are held by women. The representation of women at the Executive Leadership team level is 67 per cent.

Addressing gender diversity

We are committed to fulfilling our obligations under the *Gender Equality Act 2020*. In November 2021, we submitted our Gender Audit and in March 2022, we submitted our Gender Equality Action Plan to the Gender Equality Commissioner in the Public Sector.

Our Gender Equality Action Plan has four strategic themes that align with and support the requirements of the Act:

- visible leadership commitment and accountability for gender equality, diversity and inclusion
- develop inclusive leadership capability for all our people
- embed gender equality, diversity and inclusion principles into HR policies and practices
- improve gender balance in leadership and at all levels of the organisation through talent attraction, development and retention strategies.

Strategies and measures for achieving workplace gender equality

In 2021–22, we appointed women to the following key Senior Manager positions:

- Head of Regulatory Policy
- Head of Legal Services
- Head of People Services
- Head of Electrical Licensing and Training.

Public sector values and employment principles

We are committed to and apply the Public Sector Values and Employment principles. This is displayed through:

- the provision of core compliance training for all new staff including Public Sector Code of Conduct and Charter of Human Rights and Responsibilities
- updating of our Conflict of Interest and Gifts Benefits and Hospitality policies and supporting documentation
- aligning our recruitment practices with Victorian

Public Service on various aspects which include equal employment opportunity, merit in employment, fair and reasonable treatment and human rights

- ensuring the implementation of policies and practices provide fair treatment, career opportunities and the early resolution of workplace issues
- rolling out initiatives from the Victorian Public Sector's approach to wellbeing Leading the Way to educate and equip our leaders and key staff members with the knowledge and practical tools to deal with mental health and wellbeing.

Comparative workforce data

Details of employment levels in June 2022

| | All employees | | Ongoing | | | Fixed term and casual | |
|------------------------|--------------------|--------------|-----------------------|-----------------------|--------------|-----------------------|------------|
| | number (headcount) | FTE | full time (headcount) | part time (headcount) | FTE | number (headcount) | FTE |
| Gender | | | | | | | |
| Male | 126 | 125.4 | 124 | 2 | 125.4 | 0 | 0 |
| Female | 88 | 80 | 65 | 22 | 79.5 | 1 | .5 |
| Self-described | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Age | | | | | | | |
| 15-24 | 1 | 1 | 1 | 0 | 1 | 0 | 0 |
| 25-34 | 23 | 23 | 23 | 0 | 23 | 0 | 0 |
| 35-44 | 72 | 68.2 | 62 | 10 | 68.2 | 0 | 0 |
| 45-54 | 53 | 50.8 | 45 | 7 | 50.3 | 1 | .5 |
| 55-64 | 55 | 52.9 | 50 | 5 | 52.9 | 0 | 0 |
| 65+ | 10 | 9.5 | 8 | 2 | 9.5 | 0 | 0 |
| Role | | | | | | | |
| Executive | 8 | 6.2 | 6 | 2 | 6.2 | 0 | 0 |
| Senior manager | 18 | 18 | 18 | 0 | 18 | 0 | 0 |
| Administration | 84 | 78.5 | 65 | 18 | 77.8 | 1 | .5 |
| Field staff | 90 | 90 | 90 | 0 | 90 | 0 | 0 |
| Customer service | 14 | 12.9 | 10 | 4 | 12.9 | 0 | 0 |
| Total employees | 214 | 205.4 | 189 | 24 | 204.9 | 1 | 0.5 |

Details of employment levels in June 2021

| | All employees | | Ongoing | | | Fixed term and casual | |
|------------------------|-----------------------|--------------|--------------------------|--------------------------|--------------|-----------------------|-----------|
| | number (headcount) | FTE | full time (headcount) | part time (headcount) | FTE | number (headcount) | FTE |
| Gender | | | | | | | |
| Male | 122 | 121.8 | 113 | 1 | 113.8 | 8 | 8 |
| Female | 83 | 76.3 | 47 | 17 | 59.3 | 19 | 17 |
| Self-described | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Age | | | | | | | |
| 15–24 | 2 | 1.6 | 0 | 1 | 0.6 | 1 | 1 |
| 25–34 | 20 | 18.8 | 11 | 4 | 13.8 | 5 | 5 |
| 35–44 | 70 | 67.6 | 57 | 6 | 61.5 | 7 | 6.1 |
| 45–54 | 58 | 56.5 | 47 | 4 | 49.7 | 7 | 6.8 |
| 55–64 | 45 | 43.7 | 36 | 2 | 37.6 | 7 | 6.1 |
| 65+ | 10 | 9.9 | 9 | 1 | 9.9 | 0 | 0 |
| Classification | | | | | | | |
| Executive | 10 | 8.2 | 0 | 0 | 0 | 10 | 8.2 |
| Senior manager | 17 | 17 | 16 | 0 | 16 | 1 | 1 |
| Administration | 74 | 70.6 | 45 | 13 | 54.8 | 16 | 15.8 |
| Field staff | 90 | 90 | 90 | 0 | 90 | 0 | 0 |
| Customer service | 14 | 12.3 | 9 | 5 | 12.3 | 0 | 0 |
| Total employees | 205 | 198.1 | 160 | 18 | 173.1 | 27 | 25 |

SECTION 4

Other disclosures

Electricity safety directions

ESV did not issue any directions under section 141A of the *Electricity Safety Act 1998* during 2021–22.

Gas safety directions

ESV did not issue any directions under section 107 of the *Gas Safety Act 1997* during 2021–22.

Local Jobs First – Victorian Industry Participation Policy

The *Local Jobs First Act 2003* brings together the Victorian Industry Participation Policy (VIPPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately. Our procurement objective was to incorporate Local Jobs First requirements into its procurement activity.

We have applied the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria.

We had no procurement activity or projects that fell into the dollar spend requiring Local Jobs First initiatives to be incorporated.

Major contracts

We have not entered into any contracts over \$10 million.

Information communication technology expenditure

For 2021–22, we had a total information communication technology (ICT) expenditure of \$5,298,981 with the details shown below.

Total ICT expenditure

| | Expenditure (\$) ('000) |
|---|-------------------------|
| Business as usual (BAU) ICT Expenditure | \$5,299 |
| Non-business as usual (non-BAU) operational expenditure | \$2,497 |
| Non-BAU capital expenditure | \$2,410 |
| Total non-BAU ICT expenditure | \$4,908 |

ICT expenditure refers to our costs in providing business-enabling ICT services. It consists of business as usual (BAU) ICT expenditure and non-business as usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing our 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.

Advertising expenditure

Government advertising expenditure

| Campaign | Description | Start/ end date | Media buy (\$) ('000) | Creative (000) | Research and evaluation (\$) ('000) | Print and collateral (\$) ('000) | Other campaign expenditure (\$) ('000) | Total (\$) ('000) |
|-----------------------------------|--|---|--------------------------|-------------------|--|--|---|----------------------|
| Be Sure | Encourages people to get their open-flued gas heaters serviced at least once every 2 years. Builds awareness around carbon monoxide and its potentially lethal impact. | 1 Jul – 30 Aug 2021 20 Apr – 30 Jun 2022 | 500 | 10 | 50 | 0 | 40 | 600 |
| Don't Do It Yourself (Electrical) | Warns people against doing their own electrical work, prompting them to always use a licensed electrician. | 25 Sep – 6 Nov | 300 | | 20 | 0 | 0 | 320 |
| Know The Drill | Warns people of the dangers of poorly maintained BBQ gas bottles and connections. | 1 Nov – 31 Jan | 200 | 10 | 20 | 0 | 0 | 230 |
| Test. Reset. Protect | Encourages people to test their safety switches (RCBO) regularly and install one if they don't have one. | 12 Feb – 27 Mar | 150 | 25 | 20 | 0 | 0 | 195 |
| Look Up and Live | Raises awareness of the dangers of operating large machinery under powerlines | 27 Mar – 30 Jun | 100 | 5 | 0 | 0 | 0 | 105 |
| Never Work Live | Warns electricians to never work with live electricity. | 25 Sep – 18 Dec | 100 | 5 | 0 | 0 | 0 | 105 |
| Show Your Solar Some Love | Encourages people with rooftop solar to get their solar systems serviced by a licensed electrician once every two years | 6 Nov – 18 Dec | 150 | 100 | 20 | 0 | 50 | 320 |

Consultancy expenditure

Details of consultancies more than \$10,000

In 2021–22, 28 consultants received total fees payable of more than \$10,000. The total expenditure incurred during 2021–22 from these consultancies was \$2,857,147 (excluding GST). Details of individual consultancies are listed below.

| Consultant | Brief Summary | 2021–22 YTD Exp (ex GST) (\$) | Total project fees approved (ex GST) (\$) | Any future expenditure committed to the consultant for the project (\$) |
|---|--|-------------------------------|---|---|
| Areteans Technology Solutions Australia | Development of in-house software on EESS and ESVConnect projects | 579,850.00 | 579,850.00 | - |
| Future Energy Skills (previously EPI) | Development of course material on electrician CPD Phase 1 Skills Maintenance program | 502,823.65 | 802,824.00 | 300,000.35 |
| IM Systems | Data reconciliation - data profiling, strategy and architecture, analysis and framing | 368,844.77 | 368,844.77 | - |
| Deloitte Risk Advisory | Delivery the Information security project phase 1, including governance, information access, information security framework, information assets register, risk management and vulnerability. | 293,810.94 | 293,810.94 | - |
| Paper Giant | Staff co-design Customer Experience strategy, refresh ESV Vision and Value, including facilitate ELT, SLT and staff workshops | 120,780.00 | 120,780.00 | - |
| Jones Lang LaSalle Corporate Property | Review of property strategy and potential office sites | 115,320.00 | 115,320.00 | - |
| Mott MacDonald Australia | Review and develop of renewable strategy | 93,956.00 | 103,956.00 | 10,000.00 |
| Creative Strategic Thinking | Workplace observation audits (WPO) Enhancement Project involving new software platform to assist with field audits, COES iauditor dashboard development | 84,430.00 | 161,530.00 | 77,100.00 |
| Business Aspect Group | Security review including roles and responsibilities, with reports on current state and future state. | 72,100.00 | 72,100.00 | - |
| Monash University | Online Sales research | 70,773.00 | 70,773.00 | - |
| Creature Consulting trading as AgileXpe | Strategy review of Pega engagement for EESS project | 67,500.00 | 67,500.00 | - |

| Consultant | Brief Summary | 2021–22 YTD Exp (ex GST) (\$) | Total project fees approved (ex GST) (\$) | Any future expenditure committed to the consultant for the project (\$) |
|---|--|----------------------------------|---|---|
| GHD | Bushfire bowtie workshop, technical paper and presentation | 63,980.00 | 63,980.00 | - |
| Landell ICT, Procurement and Advisory Service | Procurement advisory on information security project phase 1 and CPD commercial modeling | 80,000.00 | 80,000.00 | - |
| ANATAS | Smartsheet implementation | 60,003.38 | 60,003.38 | - |
| Brennan IT | Exchange and Teams Hybrid Migration | 54,112.00 | 54,112.00 | - |
| Energy Market Consulting Associates | United Energy pole management review | 33,820.00 | 83,820.00 | 50,000.00 |
| Diversity Partners | Staff co-design of ESV diversity and inclusion strategy, gender equality action plan including workshops, and CPD gender impact assessment | 23,000.00 | 23,000.00 | - |
| Silverstone Edge | ESV Strategy Workshop design, facilitation and insight Report | 22,500.00 | 22,500.00 | - |
| Direct Focus Consulting | Procurement support on Transformation projects | 22,275.00 | 22,275.00 | - |
| Altis Consulting | Data Ingestion Framework | 20,041.23 | 20,041.23 | - |
| Spatial Vision Innovations | Geospatial Consulting on ArcGIS | 20,000.00 | 20,000.00 | - |
| Sherpa Consulting | ESV bow tie on risk engineering services and control strategy discussion | 17,829.83 | 17,829.83 | - |
| Consumer-wise Consulting | Commission strategic planning and senior management meetings, including interviews with senior management, and implementation on new commission paper template | 15,340.91 | 15,340.91 | - |
| WSP Australia Limited | Review of ESV internal model to inform pole intervention levels ESV would require of Powercor | 15,000.00 | 15,000.00 | - |
| Regulatory Impact Solutions | Discussion Paper – Solar DC isolator | 13,484.97 | 13,484.97 | - |
| Pitcher Partners Consulting | Review on employee taxation of superannuation | 13,000.00 | 13,000.00 | - |
| Frontier Software | Payroll system specifications | 12,571.00 | 12,571.00 | - |
| Total | | 2,857,146.68 | 3,294,247.03 | 437,100.35 |

Details of consultancies under \$10,000

In 2021–22, 25 consultancies received total fees payable of less than \$10,000.

The total expenditure incurred in 2021–22 in relation to these consultancies is \$121,034 (excluding GST).

Freedom of Information

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to documents held by us. The purpose of the FOI 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 FOI Act.

An applicant has the right to apply for access to documents held by us. This comprises documents both created by us or supplied to us from 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 FOI Act allows us 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 us in confidence.

Once we receive a valid request, a decision on whether to grant access to the documents will be provided within 30 days. However, when external consultation is required the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement, this may occur any number of times.

If any applicant is not satisfied by a decision made by us, they have the right, as set out under Section 49A of the FOI Act, 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 electronically at foi@energysafe.vic.gov.au or as a written request to the ESV FOI Officer as detailed in section 17 of the FOI Act. An application fee of \$30.10 applies. Access charges may also be payable if the document pool is large and the search for material time-consuming. We have the discretion to waive application fees in cases of financial hardship and can waive access charges in prescribed circumstances.

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 in our possession 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

During 2021–22, we received 27 FOI requests. Of these:

- eight were received from legal firms or insurance companies
- 19 were from the general public.

We made 28 decisions in 2021–22. Of these:

- 10 requests were granted in full
- eight granted in part
- three were denied in full
- five were decided as 'no documents'
- two were treated as outside the FOI Act.

FOI timelines

For the 28 FOI decisions in 2021–22:

- 14 decisions were made within the statutory 30 days
- five decisions were made within an extended 30–45-day period
- nine decisions were made within 46–90 days
- no decisions were made in more than 90 days.

The average time to finalise the requests in 2021–22 was 38 days.

In 2021–22, we had one decision that was subject to OVIC’s review. OVIC handed down its decision in June 2022.

We were not involved in any Victorian Civil and Administrative Tribunal proceedings in 2020–21.

Further information

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

Public Interest Disclosures Act

The purpose of the *Public Interest Disclosures Act 2012 (Vic)* (PIDA) is to encourage and facilitate disclosure of improper conduct by public officers and public bodies and to provide protection for persons who make those disclosures. The PIDA also aims to ensure that disclosures are properly assessed and investigated and that the confidentiality of a disclosure and the identity of the person making the disclosure is maintained.

The PIDA was amended with effect from 1 January 2020 to improve access for those making public interest disclosures and to provide greater flexibility for investigating entities. The title of the legislation, and the terminology used under the legislation, was also changed from 'protected disclosures' to 'public interest disclosures'.

ESV is a public body for the purposes for the PIDA and disclosures under the PIDA can therefore be made about us or our members, officers or employees. A public interest disclosure can be made about “improper conduct” which includes corrupt conduct, the dishonest performance of public functions, a breach of public trust, substantial mismanagement of public resources or conduct that constitutes a substantial risk to health, safety or the environment.

We do not tolerate improper conduct by employees nor the taking of detrimental action in reprisal for the disclosure of such conduct. We are supportive of public interest disclosures being made and recognise that the protection of persons in connection with public interest disclosures is essential for the effective implementation of the PIDA. We will take all reasonable steps to protect our employees and others from any detrimental action as a result of a public interest disclosure being made.

Reporting procedures

We are not able to receive protected disclosures. However, you can make a protected disclosure about us or our members, officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission (IBAC) as follows:

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

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

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

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

Further information

Our Public Interest Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by us or any of our employees and/or officers, are available on our website at: www.esv.vic.gov.au.

Building Act

We do not own or control any government buildings and consequently are exempt from notifying our compliance with the building and maintenance provisions of the *Building Act 1993*.

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.

We continue to fulfil our requirements on competitive neutrality against the enhanced principles as required under the Competition Principles Agreement.

Compliance with the Carers Recognition Act

We acknowledge and value the contribution that carers make to both workplace and to the broader community and their families. We are committed to creating a workplace where greater flexibility is supported in the way we work in the future. By working flexibly and in a hybrid manner, our people have embraced work life balance. We have taken active steps to support our people with their caring responsibilities under the *Carers Recognition Act 2012*. This encompasses:

- ensuring flexible work arrangements are embedded as part of ESV's working culture and embed a hybrid working model to support diversity, inclusion and a more equitable workplace

- delivering mental health and wellbeing training for all leaders and staff including those with caring responsibilities
- providing support to all staff through the Employee Assistance Program.
- Enterprise Agreement, Leave and Flexible Working Arrangement guidelines.

Compliance with the 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 Disability Act requires that public sector bodies prepare a disability action plan and report on its implementation in their annual report.

The Inclusive Victoria: state disability plan for 2022–2026 is Victoria's plan for making things fairer for people with disability. The plan is an important way to ensure the Victorian Government keeps working to make all parts of the community inclusive and accessible to everyone. Our Diversity and Inclusion strategy incorporates initiatives to 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.

Privacy legislation

We are subject to the *Privacy and Data Protection Act 2014* and the *Health Records Act 2001* and are committed to protecting the privacy of all personal and health information that we handle in the course of performing our functions.

We handle personal information to perform our role as Victoria's independent safety regulator for electricity, gas and pipelines.

Further information is available in our privacy policy which is available on our website esv.vic.gov.au.

Additional information available on request

In compliance with the requirements of the Standing Directions 2018 issued under section 8 of the Financial Management Act, details in respect of the items listed below have been retained by us and are available (in full) on request, subject to the provisions of the FOI Act:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- a general statement on industrial relations within the entity, including details of time lost through industrial accidents and disputes
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.

The information is available on request from:

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

Additional information included in annual report

Details of the following items have been included in this annual report, on the pages indicated below:

- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services – page 64
- details of assessments and measures undertaken to improve the occupational health and safety of employees – pages 58–59
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved – pages 57–58
- a list of consultants paid more than \$10,000 – pages 65–66.

Information that is not applicable to ESV

The following information is not relevant to us for the reasons set out below:

- a declaration of shares held by senior officers – no shares have been issued in ESV's name
- details of any major external reviews carried out on the entity – no major external reviews have been done
- details of major research and development activities undertaken by the entity – no major research and development has been undertaken.

Financial management compliance attestation

I, Marnie Williams, on behalf of the Responsible Body, certify that Energy Safe Victoria has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Marnie Williams

Commissioner and Chairperson
Chief Executive Officer
Energy Safe Victoria

18 October, 2022



Financial statements

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Financial statements

Responsible Body's, Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for the Victorian Energy Safety Commission (referred to as Energy Safe Victoria or ESV) 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 2022 and financial position of Energy Safe Victoria at 30 June 2022.

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.

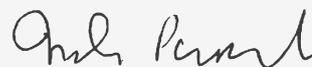
We authorise the attached financial statements for issue on 6 September 2022.



Marnie Williams
Commissioner and Chairperson
6 September 2022



Leanne Hughson
Chief Executive Officer
6 September 2022



Indran Purushothaman
Chief Financial Officer
6 September 2022

Comprehensive operating statement for the financial year ended 30 June 2022

(\$ thousand)

| | Notes | 2022 | 2021 |
|---|-------|---------------|---------------|
| CONTINUING OPERATIONS | | | |
| Income from transactions | | | |
| Levy determination income | 2.1.1 | 31,675 | 28,227 |
| Fee income | 2.1.2 | 22,297 | 20,811 |
| Grant income | 2.1.3 | 3,780 | 2,686 |
| Interest and other income | 2.1.4 | 125 | 254 |
| Total income from transactions | | 57,877 | 51,978 |
| Expenses from transactions | | | |
| Employee benefits | 3.1.1 | 34,162 | 30,926 |
| Compliance audit expenses | | 1,177 | 646 |
| Public relations and advertising | | 2,589 | 2,234 |
| Motor vehicles | | 334 | 361 |
| Rent and outgoings | | 348 | 389 |
| Computer expenses | | 2,727 | 1,717 |
| Consulting fees | | 4,057 | 2,404 |
| Contractors | | 571 | 873 |
| Depreciation | 4.1.1 | 4,124 | 4,027 |
| Other operating expenses | 3.3 | 4,499 | 3,484 |
| Total expenses from transactions | | 54,588 | 47,061 |
| Net result from transactions (net operating balance) | | 3,289 | 4,917 |
| OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT | | | |
| Other loss from other economic flows* | | (59) | (72) |
| Total other economic flows included in net result | | (59) | (72) |
| NET RESULT | | 3,230 | 4,845 |
| COMPREHENSIVE RESULT | | 3,230 | 4,845 |

* Net loss arising from revaluation of long service liability

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

Financial Statements

Balance sheet as at 30 June 2022

(\$ thousand)

| | Notes | 2022 | 2021 |
|------------------------------------|-------|---------------|---------------|
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 6.1 | 21,403 | 18,012 |
| Receivables | 5.1 | 737 | 471 |
| Contract assets | 5.2 | 231 | 554 |
| Total financial assets | | 22,371 | 19,037 |
| Non-financial assets | | | |
| Plant and equipment | 4.1 | 479 | 584 |
| Right-of-use asset | 4.2 | 1,921 | 3,365 |
| Intangible assets | 4.3 | 8,374 | 8,130 |
| Prepayments | | 2,004 | 1,594 |
| Total non-financial assets | | 12,778 | 13,673 |
| Total assets | | 35,149 | 32,710 |
| LIABILITIES | | | |
| Employee related provisions | 3.1.2 | 7,046 | 6,489 |
| Payables | 5.3 | 3,673 | 2,336 |
| Contract liabilities | 5.4 | 1,710 | 2,807 |
| Lease liability | 6.2.8 | 2,354 | 3,942 |
| Total liabilities | | 14,783 | 15,574 |
| Net assets | | 20,366 | 17,136 |
| EQUITY | | | |
| Accumulated surplus | | 16,580 | 13,350 |
| Physical asset revaluation surplus | 8.1 | 176 | 176 |
| Contributed capital | | 3,610 | 3,610 |
| Net worth | | 20,366 | 17,136 |

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 2022

(\$ thousand)

| | Notes | 2022 | 2021 |
|---|--------------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Receipts from other entities | | 54,093 | 49,680 |
| Interest received | | 61 | 53 |
| Total receipts | | 54,154 | 49,733 |
| Payments | | | |
| Payments to suppliers and employees | | (46,274) | (37,172) |
| Total payments | | (46,274) | (37,172) |
| Net cash flows from operating activities | 6.1.1 | 7,880 | 12,561 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of non-financial assets | | (2,708) | (2,785) |
| Net cash flows used in investing activities | | (2,708) | (2,785) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease repayments | | (1,781) | (1,708) |
| Net cash flows used in financing activities | | (1,781) | (1,708) |
| Net increase/(decrease) in cash and cash equivalents | | 3,391 | 8,068 |
| Cash and cash equivalents at the beginning of the financial year | | 18,012 | 9,944 |
| Cash and cash equivalents at the end of the financial year | 6.1 | 21,403 | 18,012 |

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

Financial Statements

Statement of changes in equity for the financial year ended 30 June 2022

(\$ thousand)

| | Physical asset revaluation surplus | Accumulated surplus | Contributed capital | Total |
|--------------------------------|--|------------------------|------------------------|---------------|
| Balance at 1 July 2020 | 176 | 8,505 | 3,610 | 12,291 |
| Net result for the year | - | 4,845 | - | 4,845 |
| Balance at 30 June 2021 | 176 | 13,350 | 3,610 | 17,136 |
| Net result for the year | - | 3,230 | - | 3,230 |
| Balance at 30 June 2022 | 176 | 16,580 | 3,610 | 20,366 |

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 2022

1 About this report

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.

On 1 January 2021 ESV became a three-person commission, appointed under the *Energy Safe Victoria Act 2005*. This Act is administered by the Minister for Energy, Environment and Climate Action, Hon. Lily D'Ambrosio.

A recommendation of the 2018 *Independent Review of Victoria's Electricity and Gas Network Safety Framework*, the Commission replaces the role of Director of Energy Safety and holds all the regulatory powers previously held by the Director.

At the date of this report, the Commission comprises:
Commissioner and Chair, Marnie Williams;
Commissioner and Deputy Chair, Michelle Groves; and Commissioner, Sarah McDowell.
All Commissioners served throughout the year ended 30 June 2022.

Additionally, the Commission is supported by five advisory committees and a CEO, who is not a Commissioner.

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.

Notes to the financial statements for the financial year ended 30 June 2022

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994 (FMA)* 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.

2 Funding delivery of our services

Introduction

ESV is the regulator responsible for electrical and gas safety in the State. This statutory authority audits the design, construction and maintenance of electricity and gas networks and installations and ensures that appliances meet stringent safety and energy efficiency standards before they are sold.

The primary source of revenue is levy determinations 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 Action.

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

Significant judgement: Grant Revenue

Grant revenue is recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities*, except when there are enforceable and sufficiently specific performance obligations. In this case, revenue is accounted as contracts with customers in accordance with AASB 15 *Revenue from Contracts with Customers*. Income from grants to construct the capital assets that are controlled by ESV are recognised progressively as the asset is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

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 and other income

2.1.5 Disaggregated revenue

2.1.6 Transaction price allocated to remaining performance obligations

2.1.7 Details regarding performance obligations

Notes to the financial statements for the financial year ended 30 June 2022

2.1 Income from transactions

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which ESV expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contract.
5. Recognising revenue as and when the performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) ESV satisfies performance obligations by transferring the promised goods or services to its customers.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 5.4). Where the performance obligations is satisfied but not yet billed, a contract asset is recorded (Note 5.2).

2.1.1 Levy determination income

(\$ thousand)

| Levy income | 2022 | 2021 |
|--|---------------|---------------|
| Gas industry levy | 17,020 | 15,349 |
| Electrical industry levy | 13,410 | 11,753 |
| Gas pipeline industry levy | 1,245 | 1,125 |
| Total levy determination income | 31,675 | 28,227 |

Levies on energy sector participants are used to fund regulatory activities. Levies are set for a two-year period with the approval of ESV's responsible Minister and levied each year. The levies are invoiced to the companies once a year.

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 | 2022 | 2021 |
|--|---------------|---------------|
| Sales of Certificates of Electrical Safety | 13,821 | 12,331 |
| Licence fees | 4,969 | 4,800 |
| Electrolysis mitigation fees | 1,972 | 1,978 |
| Equipment and appliance approval fees | 545 | 572 |
| Appliance efficiency approval fees | 990 | 1,130 |
| Total fee income | 22,297 | 20,811 |

Sales of Certificates of Electrical Safety

Performance obligations arising from contracts for sales of certificates of electrical safety are determined to be satisfied at a point in time when the certificates are registered in the name of the buyers (or transfer of title). Accordingly revenue from sales of such certificates is recognised when the sale is completed.

Licence fees

Performance obligations arising under licensing arrangements are satisfied at a point in time when the underlying assets rights are transferred. Accordingly revenue from licensing is recognised at a point in time.

Fees from electrolysis mitigation, equipment and appliance approval, and appliance efficiency approval

Electrolysis mitigation fee is an annual fee that supports ESV regulatory activities in Electrolysis space.

In respect of these services, performance obligations are satisfied at a point in time and hence revenue from these services is recognised when the services are completed.

2.1.3 Grant income

| | (\$ thousand) | |
|---|---------------|--------------|
| Grant Income | 2022 | 2021 |
| <i>Revenue recognised under AASB 15</i> | | |
| Grant Income from DISER ⁱ | 25 | 25 |
| Grant Income from DELWP | 1,505 | 1,381 |
| Grant Income from DTF | 394 | - |
| Grant Income from EESS ⁱⁱ | 1,856 | 1,280 |
| Total Grant income | 3,780 | 2,686 |

Notes:

- DISER – Department of Industry, Science, Energy and Resources
- EES – Electrical Equipment Safety Scheme

Performance obligations attached to grants received are determined to be satisfied over time in accordance with AASB 15, as ESV has no alternative use of the asset transferred to customer and is entitled to an enforceable payment to date. Therefore, revenue is recognised over time. The output method (involving an assessment of the extent of completion of the activities) is used to estimate the amount of revenue to be recognised on progress of satisfaction of performance obligation.

2.1.4 Interest and other income

| | (\$ thousand) | |
|--|---------------|-------------|
| Interest and Other Income | 2022 | 2021 |
| <i>Interest from financial assets not at fair value through profit or loss</i> | | |
| Interest on cash and cash equivalents | 61 | 53 |
| Other miscellaneous income | 64 | 201 |
| Total interest and other income | 125 | 254 |

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

Other miscellaneous income may arise from application fees, advertising etc. Revenue from such services is recognised at a point in time when the service is completed.

Notes to the financial statements for the financial year ended 30 June 2022

2.1.5 Disaggregated revenue

ESV has disaggregated revenue into various categories in the below table. The revenue is disaggregated by service line, Government and non-Government revenue, and timing of revenue recognition.

(\$ thousand)

| 2022 | Government Bodies | Non-Government organisations | TOTAL |
|---------------------------------------|-------------------|------------------------------|---------------|
| Segments | | | |
| Major good/service lines: | | | |
| Fee income | - | 22,297 | 22,297 |
| Grants income | 3,780 | - | 3,780 |
| Other income | - | 64 | 64 |
| TOTAL | 3,780 | 22,361 | 26,141 |
| Timing of revenue recognition: | | | |
| Goods transferred at a point in time | - | 22,361 | 22,361 |
| Goods/services transferred over time | 3,780 | - | 3,780 |
| TOTAL | 3,780 | 22,361 | 26,141 |

(\$ thousand)

| 2021 | Government Bodies | Non-Government organisations | TOTAL |
|---------------------------------------|-------------------|------------------------------|---------------|
| Segments | | | |
| Major good/service lines: | | | |
| Fee income | - | 20,811 | 20,811 |
| Grants income | 2,686 | - | 2,686 |
| Other income | - | 201 | 201 |
| TOTAL | 2,686 | 21,012 | 23,698 |
| Timing of revenue recognition: | | | |
| Goods transferred at a point in time | - | 21,012 | 21,012 |
| Goods/services transferred over time | 2,686 | - | 2,686 |
| TOTAL | 2,686 | 21,012 | 23,698 |

During the financial year ended 30 June 2022, ESV accounted for \$1,899,000 revenue from the Victorian State Government sources, \$25,000 from Commonwealth Government sources and \$1,856,000 from other state governments.

2.1.6 Transaction price allocated to remaining performance obligations

Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 30 June.

2022 (\$ thousand)

| Type of Obligation | 2023 | 2024 | Total |
|--------------------|--------------|----------|--------------|
| Grants income | 1,571 | - | 1,571 |
| Total | 1,571 | - | 1,571 |

2021 (\$ thousand)

| Type of Obligation | 2022 | 2023 | Total |
|--------------------|--------------|----------|--------------|
| Grants income | 2,677 | - | 2,677 |
| Total | 2,677 | - | 2,677 |

2.1.7 Details regarding performance obligations

| Particulars | Fee income | Grants income | Other income |
|---|--|---|--|
| Nature of goods or services involved | Licence and Certificate fees | Government grant | Licence Assessment fee; Installation Exemption fee |
| Satisfaction of performance obligations | Recognised income when issuing the certificate | Recognised income when services delivered | Recognised income when licence issued |
| Significant payment terms | payment due within 30 days | payment due within 30 days | payment due within 30 days |

Notes to the financial statements for the financial year ended 30 June 2022

3 The cost of delivering services

This section provides an account of the expenses incurred by the ESV in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

- 3.1 Employee benefits**
 - 3.1.1 Employee benefits in the comprehensive operating statement
 - 3.1.2 Employee benefits in the balance sheet
 - 3.1.3 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)

| | 2022 | 2021 |
|--|---------------|---------------|
| Salaries, wages, annual leave and long service leave | 31,081 | 28,135 |
| Post-employment benefits | | |
| Defined contribution plans superannuation expense | 2,997 | 2,791 |
| Termination benefits | 84 | - |
| Total employee benefits | 34,162 | 30,926 |

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

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.

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)

| Employee Benefits in Balance Sheet | 2022 | 2021 |
|---|--------------|--------------|
| Current provisions | | |
| Annual leave | | |
| Unconditional and expected to be settled within 12 months | 1,719 | 1,614 |
| Unconditional and expected to be settled after 12 months | 812 | 731 |
| Long service leave | | |
| Unconditional and expected to be settled within 12 months | 252 | 309 |
| Unconditional and expected to be settled after 12 months | 2,418 | 2,254 |
| Provisions related to employee benefit on-costs | | |
| Unconditional and expected to be settled within 12 months | 334 | 326 |
| Unconditional and expected to be settled after 12 months | 557 | 486 |
| Total current provisions for employee benefits | 6,092 | 5,720 |
| Non-current provisions | | |
| Long service leave | 813 | 662 |
| Employee benefit on-costs | 141 | 107 |
| Total non-current provisions for employee benefits | 954 | 769 |
| Total provisions for employee benefits | 7,046 | 6,489 |
| Reconciliation of movement in on-cost provision | | |
| Opening balance | 919 | 757 |
| Additional provisions recognised | 380 | 332 |
| Reductions arising from payments | (326) | (242) |
| Unwinding of discount rate and effect of changes in the discount rate | 59 | 72 |
| Closing balance | 1,032 | 919 |
| Current | 891 | 812 |
| Non-current | 141 | 107 |
| Closing balance | 1,032 | 919 |

Notes to the financial statements for the financial year ended 30 June 2022

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 recognised 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 | |
| | 2022 | 2021 | 2022 | 2021 |
| Total defined contribution superannuation contributions | 2,997 | 2,791 | 47 | 31 |

3.2 Grant expenses

| | (\$ thousand) | |
|--|---------------|--------------|
| | 2022 | 2021 |
| Supplies and services | | |
| Specific purpose grants for on-passing | 3,780 | 2,686 |
| Total grant expenses | 3,780 | 2,686 |

Included within public relations and advertising, and contractors' expense in the comprehensive operating statement are grant expenses mainly relating to the development of an effective licensing system for electrical lineworker licensing and CPD development program for all licence; and advertising of the 2021 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) | |
|---|---------------|--------------|
| | 2022 | 2021 |
| Supplies and services | | |
| Printing and stationery | 26 | 54 |
| Telecommunications | 281 | 310 |
| Legal fees | 1,415 | 557 |
| Administration fees - Certificates of Electrical Safety | 154 | 166 |
| Insurance | 700 | 506 |
| Travel expenses | 127 | 79 |
| Compliance and audit services | 189 | 130 |
| Conferences and training | 528 | 362 |
| Publication and subscriptions | 119 | 105 |
| Interest expense | 82 | 109 |
| Other expenses | 878 | 1,106 |
| Total other operating expenses | 4,499 | 3,484 |

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 2022

4 Key assets available to support service delivery

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, amortisation and revaluation

4.1.2 Reconciliation of movements in carrying amount of plant and equipment

4.2 Right-of-use assets

4.2.1 Carrying values of Right-of-use assets

4.2.2 Reconciliation of carrying values of Right-of-use assets

4.2.3 AASB 16 Leases related amounts recognised in the comprehensive operating statement

4.3 Intangible assets

4.1 Total plant and equipment

Carrying values of plant and equipment

(\$ thousand)

| | Gross carrying amount | | Accumulated depreciation | | Net carrying amount | |
|--|-----------------------|--------------|--------------------------|----------------|---------------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Plant and equipment at fair value | | | | | | |
| Furniture and fittings | 550 | 550 | (260) | (212) | 290 | 338 |
| Equipment | 751 | 711 | (596) | (538) | 155 | 173 |
| Leasehold improvements | 514 | 514 | (507) | (470) | 7 | 44 |
| Vehicles | 40 | 40 | (13) | (11) | 27 | 29 |
| Total plant and equipment at fair value | 1,855 | 1,815 | (1,376) | (1,231) | 479 | 584 |

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. 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.

Notes to the financial statements for the financial year ended 30 June 2022

4.1.1 Depreciation, amortisation and revaluation

(\$ thousand)

| Depreciation charge for the period | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| Furniture and fixtures | 48 | 48 |
| Equipment | 58 | 94 |
| Leasehold improvements | 37 | 96 |
| Vehicles | 2 | 2 |
| Total plant and equipment | 145 | 240 |
| Intangible assets | 2,424 | 2,173 |
| Right-of-use asset | 1,555 | 1,614 |
| Total depreciation | 4,124 | 4,027 |

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 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.

Revaluation

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

4.1.2 Reconciliation of movements in carrying amount of plant and equipment

(\$ thousand)

| 2022 | Plant and equipment | Assets under construction at cost | Total |
|---|--------------------------------|--|--------------|
| Opening balance 1 July 2021 | 584 | - | 584 |
| Additions | 40 | - | 40 |
| Disposals | - | - | - |
| Transfer in/(out) of asset under construction | - | - | - |
| Depreciation | (145) | - | (145) |
| Closing balance 30 June 2022 | 479 | - | 479 |

(\$ thousand)

| 2021 | Plant and equipment | Assets under construction at cost | Total |
|---|--------------------------------|--|--------------|
| Opening balance 1 July 2020 | 757 | 40 | 797 |
| Additions | 27 | - | 27 |
| Disposals | - | - | - |
| Transfer in/(out) of asset under construction | 40 | (40) | - |
| Depreciation | (240) | - | (240) |
| Closing balance 30 June 2021 | 584 | - | 584 |

Notes to the financial statements for the financial year ended 30 June 2022

4.2 Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and are also subject to revaluations.

Whenever ESV incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset,

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that ESV expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

ESV applies AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

4.2.1 Carrying values of Right-of-use assets

(\$ thousand)

| | 2022 | 2021 |
|---|--------------|--------------|
| Leased buildings | 4,374 | 4,363 |
| Accumulated depreciation | (2,822) | (1,923) |
| Net carrying amount leased buildings | 1,552 | 2,440 |
| Leased motor vehicles | 2,375 | 2,275 |
| Accumulated depreciation | (2,006) | (1,350) |
| Net carrying amount leased motor vehicles | 369 | 925 |
| Net carrying amount | 1,921 | 3,365 |

Lease buildings

ESV leased buildings includes 4 Riverside Quay, Southbank and 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 April 2023, the lease is fixed for the first three years and is subject to an annual increase of 3.75 per cent for years four to six.

Motor vehicles

ESV leased motor vehicles. All motor vehicle leases are for a three-year period and are not subject to annual increases.

4.2.2 Reconciliation of carrying values of Right-of-use assets

(\$ thousand)

| 2022 | Leased Buildings | Leased Motor Vehicles | Total |
|-------------------------------------|------------------|-----------------------|--------------|
| Opening balance 1 July 2021 | 2,440 | 925 | 3,365 |
| Additions | 11 | 100 | 111 |
| Disposals | - | - | - |
| Depreciation | (899) | (656) | (1,555) |
| Closing balance 30 June 2022 | 1,552 | 369 | 1,921 |

(\$ thousand)

| 2021 | Leased Buildings | Leased Motor Vehicles | Total |
|-------------------------------------|------------------|-----------------------|--------------|
| Opening balance 1 July 2020 | 2,990 | 1,078 | 4,068 |
| Additions | 412 | 499 | 911 |
| Disposals | - | - | - |
| Depreciation | (962) | (652) | (1,614) |
| Closing balance 30 June 2021 | 2,440 | 925 | 3,365 |

4.2.3 AASB 16 related amounts recognised in the comprehensive operating statement

(\$ thousand)

| | 2022 | 2021 |
|---|--------------|--------------|
| Depreciation charge related to right-of-use assets | 1,555 | 1,614 |
| Interest expense on lease liabilities (under finance cost) | 82 | 109 |
| Low-value asset leases expense | 279 | 187 |
| Total amount recognised in comprehensive operating statement | 1,916 | 1,910 |

Notes to the financial statements for the financial year ended 30 June 2022

4.3 Intangible assets

(\$ thousand)

| 2022 | Computer software | Work in progress | Total |
|------------------------------------|-------------------|------------------|----------------|
| Gross carrying amount | | | |
| Opening balance 1 July 2021 | 11,427 | 895 | 12,322 |
| Additions | 1,561 | 1,107 | 2,668 |
| Closing balance | 12,988 | 2,002 | 14,990 |
| Accumulated depreciation | | | |
| Opening balance 1 July 2021 | (4,192) | - | (4,192) |
| Amortisation | (2,424) | - | (2,424) |
| Closing balance | (6,616) | - | (6,616) |
| Net book value 30 June 2022 | 6,372 | 2,002 | 8,374 |

(\$ thousand)

| 2021 | Computer software | Work in progress | Total |
|---|-------------------|------------------|----------------|
| Gross carrying amount | | | |
| Opening balance 1 July 2020 | 9,078 | 486 | 9,564 |
| Additions | 1,863 | 895 | 2,758 |
| Disposals | - | - | - |
| Transfer in/(out) of asset under construction | 486 | (486) | - |
| Closing balance | 11,427 | 895 | 12,322 |
| Accumulated depreciation | | | |
| Opening balance 1 July 2020 | (2,019) | - | (2,019) |
| Amortisation | (2,173) | - | (2,173) |
| Closing balance | (4,192) | - | (4,192) |
| Net book value 30 June 2021 | 7,235 | 895 | 8,130 |

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.

Initial recognition

Intangible assets are initially recognised at cost.

Configured software is an internally generated intangible asset arising from development and is only 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 by ESV;
- an intention to complete the configured software and use it;
- 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; and
- the ability to measure reliably the expenditure attributable to the software's configuration.

Subsequent measurement

Intangible produced 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 five years.

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation and are subject to revaluations. 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.

Revaluation of intangible assets

Intangible assets with finite useful lives (including work in progress) are annually assessed for revaluation (See Note 4.11).

Significant intangible assets

ESV has capitalised expenditure for the development of business critical systems for example, GasTrac and ESV Connect. The carrying amount of the capitalised development expenditure is \$6,372,000 (2021: \$7,235,000).

| Configured software | Configured software useful life |
|---------------------|---------------------------------|
| GasTrac | 5 years |
| ESV Connect | 5 years |

Notes to the financial statements for the financial year ended 30 June 2022

5 Other assets and liabilities

Introduction

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

Structure

5.1 Receivables

5.2 Contract assets

5.3 Payables

5.3.1 Maturity analysis of contractual payables

5.4 Contract liabilities

5.1 Receivables

(\$ thousand)

| Receivables | 2022 | 2021 |
|---|------------|------------|
| Contractual | | |
| Certificate of Electrical Safety agents | 274 | 36 |
| Other receivables | 106 | 148 |
| Total contractual receivables | 380 | 184 |
| Statutory | | |
| GST input tax credit recoverable | 357 | 287 |
| Total current receivables | 737 | 471 |

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 *Financial Instruments* 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.

5.2 Contract assets

| | (\$ thousand) | |
|--|---------------|-------------|
| Contract Assets | 2022 | 2021 |
| Contract assets | | |
| Opening balance | 554 | 228 |
| Less: Transfer to receivables | (3,088) | (228) |
| Add: Amounts recognised as contract assets at balance sheet date | 2,765 | 554 |
| Total contract assets | 231 | 554 |
| <i>Represented by</i> | | |
| | - | - |
| Current contract assets | 231 | 554 |
| Non-current contract assets | - | - |

Contract assets relate to performance obligations that ESV's right to consideration in exchange for services transferred to customers, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, at this time an invoice is issued. This usually occurs when the ESV issues an invoice to the customer.

5.3 Payables

| | (\$ thousand) | |
|--|---------------|--------------|
| Payables | 2022 | 2021 |
| Contractual | | |
| Supplies and services | 3,535 | 2,226 |
| Amounts payable to Government and agencies | 6 | 18 |
| Other payables | 125 | 87 |
| Total contractual payables | 3,666 | 2,331 |
| Statutory | | |
| GST payable | 7 | 5 |
| Total current payables | 3,673 | 2,336 |

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.

Notes to the financial statements for the financial year ended 30 June 2022

5.3.1 Maturity analysis of contractual payables

(\$ thousand)

| | Carrying amount | Nominal amount | Maturity dates | | |
|-----------------------------------|-----------------|----------------|-------------------|------------|-------------|
| | | | Less than 1 month | 1-3 months | 3-12 months |
| 2022 | | | | | |
| Other payables | 3,666 | 3,666 | 3,666 | - | - |
| Total contractual payables | 3,666 | 3,666 | 3,666 | - | - |
| 2021 | | | | | |
| Other payables | 2,331 | 2,331 | 2,331 | - | - |
| Total contractual payables | 2,331 | 2,331 | 2,331 | - | - |

5.4 Contract Liabilities

(\$ thousand)

| Contract Liabilities | 2022 | 2021 |
|--|--------------|--------------|
| Contract liabilities | | |
| Opening balance brought forward | 2,807 | 580 |
| Less: Revenue recognised in the reporting period that was included in the contract liability at the start of the accounting period | (2,643) | (455) |
| Add: Amounts received for which performance obligations have not been met | 1,546 | 2,682 |
| Total contract liabilities | 1,710 | 2,807 |
| <i>Represented by</i> | | |
| Current contract liabilities | 1,710 | 2,807 |
| Non-current contract liabilities | - | - |

Contract liabilities include consideration received in advance from customers in respect of services. Invoices are raised once the services are delivered provided to them.

6 How we finance our operations

Introduction

This section provides information on the sources of finance utilised by ESV during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of ESV.

This section includes disclosures of balances that are financial instruments (such as cash balances), including financial commitments at year end. Notes 71 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 Lease Liability

6.2.1 ESV's leasing activities

6.2.2 Right-of-use Assets

6.2.3 Amounts recognised in the Comprehensive Operating Statement

6.2.4 Amounts recognised in the Statement of Cash flows

6.2.5 Identification of a lease

6.2.6 Separation of lease and non-lease components

6.2.7 Recognition and measurement of leases as a lessee

6.2.8 Maturity analysis of lease liability

6.1 Cash flow information and balances

Cash and cash equivalents, comprise cash on hand and cash at bank 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 invest its funds in accordance with the requirements of the Standing Directions of the Minister for Finance.

(\$ thousand)

| | 2022 | 2021 |
|--|---------------|---------------|
| Total cash and cash equivalents disclosed in the balance sheet | 21,403 | 18,012 |
| Balance as per cash flow statement | 21,403 | 18,012 |

Notes to the financial statements for the financial year ended 30 June 2022

6.1.1 Reconciliation of net result for the period to cash flow from operating activities

(\$ thousand)

| | 2022 | 2021 |
|---|--------------|---------------|
| Net result for the period | 3,230 | 4,845 |
| Non-cash movements | | |
| Depreciation and amortisation of non-current assets | 4,124 | 4,027 |
| Interest expense on lease liabilities | 82 | 109 |
| Movement in assets and liabilities | | |
| Decrease in receivables and contract assets | 57 | 440 |
| Increase in prepayments | (410) | (70) |
| Increase in payables | 1,337 | (160) |
| (Decrease)/increase in contract liabilities | (1,097) | 2,227 |
| Increase in provisions | 557 | 1,143 |
| Net cash flows from operating activities | 7,880 | 12,561 |

6.2 Lease Liability

6.2.1 ESV's leasing activities

Lease buildings

ESV leased buildings include 4 Riverside Quay, Southbank and 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 April 2023, the lease is fixed for the total remaining period.

Motor Vehicles

ESV leased motor vehicles. All motor vehicle leases are for a three-year period and are not subject to annual increases.

6.2.2 Right-of-use Assets

Right-of-use assets are presented in note 4.2.1.

6.2.3 Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

(\$ thousand)

| | 2022 | 2021 |
|---|--------------|--------------|
| Interest expense on lease liabilities | 82 | 109 |
| Depreciation charge related to right-of-use assets | 1,555 | 1,614 |
| Expenses relating to leases of low-value assets | 279 | 187 |
| Total amount recognised in the Comprehensive Operating Statement | 1,916 | 1,910 |

6.2.4 Amounts recognised in the Statement of Cash flows

The following amounts are recognised in the Statement of Cash flows for the year ending 30 June 2022 relating to leases.

| | (\$ thousand) | |
|--------------------------------------|---------------|--------------|
| | 2022 | 2021 |
| Total cash outflow for leases | 1,781 | 1,708 |

6.2.5 Identification of a lease

For any new contracts entered into on or after 1 July 2019, ESV considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition ESV assesses whether the contract meets three key evaluations:

- whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to ESV and for which the supplier does not have substantive substitution rights;
- whether ESV has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and ESV has the right to direct the use of the identified asset throughout the period of use; and
- whether ESV has the right to take decisions in respect of ‘how and for what purpose’ the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

6.2.6 Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

6.2.7 Recognition and measurement of leases as a lessee

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

ESV has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of lease liabilities

The lease liability is presented as a separate line in the balance sheet.

Notes to the financial statements for the financial year ended 30 June 2022

6.2.8 Maturity analysis of lease liability

(\$ thousand)

| | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| Maturity analysis: | | |
| Year 1 | 1,365 | 1,744 |
| Year 2 | 892 | 1,305 |
| Year 3 | 141 | 892 |
| Year 4 | - | 141 |
| Year 5 | - | - |
| | 2,398 | 4,082 |
| Less: interest payable | (44) | (140) |
| | 2,354 | 3,942 |
| Analysed as: | | |
| Current | 1,320 | 1,664 |
| Non-current | 1,034 | 2,278 |
| | 2,354 | 3,942 |

ESV does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within ESV's treasury function.

7 Risks, contingencies and valuation judgements

Introduction

ESV is exposed to risks from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with the recognition and measurement of items in the financial statements.

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 relates mainly to fair value determination.

Structure

7.1 Financial instruments specific disclosures

- 7.1.1 Financial instruments: categorisation
- 7.1.2 Financial risk management objectives and policies
- 7.1.3 Financial instruments: credit risk
- 7.1.4 Credit quality of financial assets
- 7.1.5 Financial instruments: liquidity risk
- 7.1.6 Financial instruments: market risk
 - a) Interest rate exposure of financial instruments
 - b) Interest rate risk sensitivity

7.2 Contingent assets and contingent liabilities

7.3 Fair value determination

- 7.3.1 Fair value determination: non-financial physical assets

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*.

Categories of financial assets

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 interest.

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

Notes to the financial statements for the financial year ended 30 June 2022

7.1 Financial instruments specific disclosures

Categories of financial liabilities

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); and
- lease liabilities.

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.

Offsetting financial instruments: Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, ESV has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Reclassification of financial instruments:

Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when ESV's business model for managing its financial assets has changed such that its previous model would no longer apply.

However, ESV is generally unable to change its business model because it is determined by the Victoria's Financial Management Framework and all Victorian Government Agencies are required to comply with the Framework under the Victoria's Financial Management Framework 2018.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

7.1.1 Financial instruments: categorisation

(\$ thousand)

| 2022 | Note | Cash and deposits | Financial assets at amortised cost (AC) | Financial liabilities at amortised cost (AC) | Total |
|--|------|-------------------|---|--|---------------|
| Contractual financial assets | | | | | |
| Cash and deposits | 6.1 | 21,403 | - | - | 21,403 |
| Receivables | 5.1 | | | | |
| Fee income | | - | 274 | - | 274 |
| Other receivables | | - | 106 | - | 106 |
| Total contractual financial assets | | 21,403 | 380 | - | 21,783 |
| Contractual financial liabilities | | | | | |
| Payables | 5.3 | | | | |
| Supplies and services | | - | - | 3,535 | 3,535 |
| Amounts payable to Governments and agencies | | - | - | 6 | 6 |
| Other payables | | - | - | 125 | 125 |
| Borrowings | | | | | |
| Lease liabilities | 6.2 | - | - | 2,354 | 2,354 |
| Total contractual financial liabilities | | - | - | 6,020 | 6,020 |

Notes to the financial statements for the financial year ended 30 June 2022

7.1.1 Financial instruments: categorisation (continued)

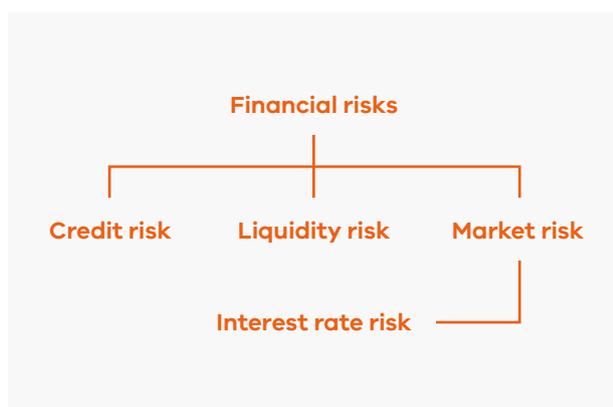
(\$ thousand)

| 2021 | Note | Cash and deposits | Financial assets at amortised cost (AC) | Financial liabilities at amortised cost (AC) | Total |
|--|------|-------------------|---|--|---------------|
| Contractual financial assets | | | | | |
| Cash and deposits | 6.1 | 18,012 | - | - | 18,012 |
| Receivables | 5.1 | | | | |
| Fee income | | - | 36 | - | 36 |
| Other receivables | | - | 148 | - | 148 |
| Total contractual financial assets | | 18,012 | 184 | - | 18,196 |
| Contractual financial liabilities | | | | | |
| Payables | 5.3 | | | | |
| Supplies and services | | - | - | 2,226 | 2,226 |
| Amounts payable to Governments and agencies | | - | - | 18 | 18 |
| Other payables | | - | - | 87 | 87 |
| Borrowings | | | | | |
| Lease liabilities | 6.2 | - | - | 3,942 | 3,942 |
| Total contractual financial liabilities | | - | - | 6,273 | 6,273 |

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

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 71.

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 2021–22.

Notes to the financial statements for the financial year ended 30 June 2022

7.1.2.2 Credit quality of financial assets

(\$ thousand)

| 2022 | Financial institutions (AA credit rating) | Government agencies (AA credit rating) | Other (min BBB credit rating) | Total |
|---|--|---|----------------------------------|---------------|
| Financial assets | | | | |
| Financial assets with loss allowance measured at 12-month expected credit loss | | | | |
| Cash and cash equivalents (not assessed for impairment due to materiality) | 21,403 | - | - | 21,403 |
| Statutory receivables (with no impairment loss recognised) | - | 357 | - | 357 |
| Financial assets with loss allowance measured at lifetime expected credit loss | | | | |
| Contractual receivables (with no impairment loss recognised) | - | - | 380 | 380 |
| Total financial assets | 21,403 | 357 | 380 | 22,140 |

(\$ thousand)

| 2021 | Financial institutions (AA credit rating) | Government agencies (AA credit rating) | Other (min BBB credit rating) | Total |
|---|--|---|----------------------------------|---------------|
| Financial assets | | | | |
| Financial assets with loss allowance measured at 12-month expected credit loss | | | | |
| Cash and cash equivalents (not assessed for impairment due to materiality) | 18,012 | - | - | 18,012 |
| Statutory receivables (with no impairment loss recognised) | - | 287 | - | 287 |
| Financial assets with loss allowance measured at lifetime expected credit loss | | | | |
| Contractual receivables (with no impairment loss recognised) | - | - | 184 | 184 |
| Total financial assets | 18,012 | 287 | 184 | 18,483 |

Statutory receivables

ESV's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Impairment of financial assets under AASB 9

ESV records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the ESV's contractual receivables and statutory receivables. ESV concludes that no impairment is necessary as all financial assets are recoverable.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment however it is immaterial.

7.1.2.3 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.

7.1.2.4 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.

Notes to the financial statements for the financial year ended 30 June 2022

7.1.2.4 (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 |
| 2022 | | | | | |
| Contractual financial assets | | | | | |
| Cash and cash equivalents | 0.3% | 21,403 | - | 21,403 | - |
| Receivables | - | 380 | - | - | 380 |
| Total contractual financial assets | | 21,783 | - | 21,403 | 380 |
| Contractual financial liabilities | | | | | |
| Payables | - | 3,666 | - | - | 3,666 |
| Lease liabilities | 2.6% | 2,354 | 2,354 | - | - |
| Total contractual financial liabilities | | 6,020 | 2,354 | - | 3,666 |
| 2021 | | | | | |
| Contractual financial assets | | | | | |
| Cash and cash equivalents | 0.3% | 18,012 | - | 18,012 | - |
| Receivables | - | 184 | - | - | 184 |
| Total contractual financial assets | | 18,196 | - | 18,012 | 184 |
| Contractual financial liabilities | | | | | |
| Payables | - | 2,331 | - | - | 2,331 |
| Lease liabilities | 2.6% | 3,943 | 3,943 | - | - |
| Total contractual financial liabilities | | 6,274 | 3,943 | - | 2,331 |

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

7.1.2.4 (b) Interest rate risk sensitivity

(\$ thousand)

| | Carrying amount | -100 basis points | +100 basis points |
|-------------------------------------|-----------------|-------------------|-------------------|
| | | Net result | Net result |
| 2022 | | | |
| Contractual financial assets | | | |
| Cash and cash equivalents | 21,403 | (214) | 214 |
| Total impact | 21,403 | (214) | 214 |
| 2021 | | | |
| Contractual financial assets | | | |
| Cash and cash equivalents | 18,012 | (180) | 180 |
| Total impact | 18,012 | (180) | 180 |

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 quantifiable or non-quantifiable contingent liabilities.

Notes to the financial statements for the financial year ended 30 June 2022

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.

7.3.1 Fair value determination: non-financial physical assets

| | Carrying amount as at 30 June | Fair value measurement at end of reporting period using: | | |
|-----------------------------------|----------------------------------|---|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| | | (\$ thousand) | | |
| 2022 | | | | |
| Plant and equipment at fair value | 479 | - | - | 479 |
| 2021 | | | | |
| Plant and equipment at fair value | 584 | - | - | 584 |

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 2022.

Reconciliation of Level 3 fair value movements

| | (\$ thousand) | |
|---|---------------|--------------|
| | 2022 | 2021 |
| Plant and equipment | | |
| Opening balance | 584 | 757 |
| Purchases/transfers | 40 | 67 |
| Gains or losses recognised in net result | | |
| Depreciation | (145) | (240) |
| Subtotal | (105) | (173) |
| Gains or losses recognised in other economic flows - other comprehensive income | | |
| Revaluation | - | - |
| Closing balance | 479 | 584 |
| Unrealised gains/(losses) on non-financial assets | - | - |

Description of significant unobservable inputs to Level 3 valuations

| 2021 and 2022 | Plant and equipment |
|---------------------------------|---|
| Valuation technique | Current 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 2022

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.

Structure

- 8.1 Reserves
- 8.2 Responsible persons
- 8.3 Remunerations of executives
- 8.4 Related parties
- 8.5 Compensation of key management personnel
- 8.6 Remuneration of auditors
- 8.7 Subsequent events
- 8.8 Change in accounting policies
- 8.9 Other accounting policies
- 8.10 COVID-19
- 8.11 Australian Accounting Standards issued that are not yet effective
- 8.12 Glossary of technical terms

8.1 Reserves

(\$ thousand)

| Reserves | 2022 | 2021 |
|---|------------|------------|
| Physical asset revaluation surplus | | |
| Balance at beginning of financial year | 176 | 176 |
| Balance at end of financial year | 176 | 176 |

8.2 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant treasurer under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Names

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

Minister for Energy, Environment and Climate Action

The Hon. Lily D'Ambrosio MP
1 July 2021 to 30 June 2022

Commissioner and Chairperson

Ms Marnie Williams
1 July 2021 to 30 June 2022

Commissioner and Deputy Chairperson

Ms Michelle Groves
1 July 2021 to 30 June 2022

Commissioner

Ms Sarah McDowell
1 July 2021 to 30 June 2022

Chief Executive Officer

Ms Leanne Hughson
1 July 2021 to 30 June 2022

Remuneration

Remuneration received or receivable by the Accountable Officer for the management of ESV during the reporting period was in the range: \$360,000 – \$370,000 (2020-21: \$360,000 – \$370,000).

8.3 Remuneration of executives

The number of senior executives in service, other than and the Accountable Officer, 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 senior executive service over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 *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 LSL, other long-service benefit or deferred compensation.
- Termination benefits include termination of employment payments, such as severance packages.

(including key management personnel disclosed in Note 8.5)

(\$ thousand)

| | 2022 | 2021 |
|---|--------------|--------------|
| Short-term employee benefits | 1,563 | 1,593 |
| Post-employment benefits | 127 | 133 |
| Other long-term benefits | 26 | 14 |
| Termination benefits | 71 | 11 |
| Total remuneration^{(i) (ii)} | 1,787 | 1,751 |
| Total number of executives | 9 | 10 |
| Total annualised employee equivalent⁽ⁱⁱⁱ⁾ | 6 | 6 |

Notes:

- The total number of senior executive service 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 8.4).
- Annualised employee equivalent is based on the time fraction worked over the reporting period.

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

Notes to the financial statements for the financial year ended 30 June 2022

Significant transactions with Government-related entities During the financial year ended 30 June 2022, ESV had the following significant Government-related entity transactions:

- on-passed \$6,323 of infringement notice fees to the Consolidated Fund, through the Department of Environment, Land, Water and Planning (2021: \$232,897)
- paid \$889,864 in annual insurance premiums to the Victorian Managed Insurance Authority (2021: \$507,038)
- received grant of \$92,450 from DELWP, which was recognised \$1,504,955 in 2022 financial year and largely related to grants from previous year.
- Received grant of \$380,565 from DTF, which was recognised \$394,000 in 2022 financial year.

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

- Portfolio Minister – The Hon. Lily D'Ambrosio MP
- Commissioner and Chairperson – Ms Marnie Williams (01/07/21 – 30/06/22)
- Commissioner and Deputy Chairperson – Ms Michelle Groves (01/07/21 – 30/06/22)
- Commissioner – Ms Sarah McDowell (01/07/21 – 30/06/22)
- Chief Executive Officer – Ms Leanne Hughson (01/07/21 – 30/06/22)
- Chief Operating Officer – Mr Sharife Rahmani (01/07/21 – 24/12/21)
- Acting Chief Operating Officer – Mr Steve Cronin (25/12/21 – 30/06/22)
- General Manager, Strategy, Performance and Risk – Dr Roanne Allan (01/07/21 – 30/06/22)
- General Manager, Electrical Safety and Technical Regulation – Mr Ian Burgwin (01/07/21 – 30/06/22)
- General Manager, Gas and Pipeline Safety and Technical Regulation – Mr Steve Cronin (01/07/21 – 24/12/21)

- Acting General Manager, Gas and Pipeline Safety and Technical Regulation – Mr Paul Harris (25/12/21 – 15/04/22)
- Acting General Manager, Gas and Pipeline Safety and Technical Regulation – Ms Anastasia Kontogiorgis (16/04/22 – 30/06/2022)
- General Counsel, Legal, Policy and Governance – Ms Michelle McCorkell (01/07/21 – 30/06/22)

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 State's Annual Financial Report.

8.5 Compensation of key management personnel

(\$ thousand)

| | 2022 | 2021 |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 1,909 | 1,955 |
| Post-employment benefits | 150 | 155 |
| Other long-term benefits | 35 | 19 |
| Termination benefits | 71 | 11 |
| Total | 2,165 | 2,140 |

Note that key management personnel are also reported in the disclosure of remuneration of senior executive service (Note 8.3).

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.

8.6 Remuneration of auditors

(\$ thousand)

| | 2022 | 2021 |
|---|------|------|
| Victorian Auditor-General's Office | | |
| Audit of the financial statements | 35 | 38 |

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

8.7 Subsequent events

There have been no significant events post reporting date.

8.8 Change in accounting policies

ESV has adopted all new accounting standards and interpretations that were effective as at 30 June 2022. Therefore, no impact has been noted.

8.9 Other accounting policies

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.

8.10 COVID-19

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. However, ESV has considered the impact of COVID-19 on its financial assets, non-financial assets and going concern, and has concluded that COVID-19 has not had a material impact.

Notes to the financial statements for the financial year ended 30 June 2022

8.11 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 2022 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2022, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2022. 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 or after | Impact on ESV financial statements |
|--|---|---|--|
| AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i> | This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 <i>Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i> with the intention to defer the application by one year to periods beginning on or after 1 January 2023. ESV will not early adopt the Standard. | 1 January 2023 | ESV is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact. |
| AASB 17 <i>Insurance Contracts</i> | The operative date of this standard has been deferred by AASB 2020-5 <i>Amendments to Australian Accounting Standards – Insurance Contracts</i> to reporting periods beginning on or after 1 January 2023 and will supersede AASB 4 <i>Insurance Contracts</i> . AASB 17 seeks to eliminate inconsistencies and weakness in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard also provides requirements for presentation and disclosure to enhance comparability between entities. | 1 January 2023 | The Australian Accounting Standards Board has currently issued an Exposure Draft (ED) 319 – <i>Insurance Contracts in the Public Sector</i> , proposing public-sector modifications to AASB 17 to facilitate the application by public sector entities. It is proposed that public sector entities would apply AASB 17 to annual periods beginning or after 1 July 2025, with earlier application permitted. |

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, which are relevant to ESV but are considered to have limited impact on the reporting.

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*
- AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.*

8.12 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:

- c) cash;
- d) an equity instrument of another entity
- e) 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
- f) 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.

Notes to the financial statements for the financial year ended 30 June 2022

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 (such as a State general government entity) to be passed on to another institutional sector (such as 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 conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

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'.

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 (such as 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



Victorian Auditor-General's Office

Independent Auditor's Report

To the Commission 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 2022• 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• Responsible Body's, 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 2022 and its 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> |
| Commission's responsibilities for the financial report | <p>The Commission of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commission 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.</p> <p>In preparing the financial report, the Commission 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.</p> |

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 Commission
- conclude on the appropriateness of the Commission'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 Commission 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.

MELBOURNE
8 September 2022



Paul Martin
as delegate for the Auditor-General of Victoria

Disclosure index

The FRV annual report was prepared in accordance with all relevant Victorian legislation and pronouncements. This index aims to help identify of our compliance with statutory disclosure requirements.

| Legislation | Requirement | Page reference |
|---|---|----------------|
| Standing Directions and Financial Reporting Directions | | |
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| FRD 22 | Key initiatives and projects | 18–48 |
| FRD 22 | Nature and range of services provided | 12–13 |
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| FRD 22 | Employment and conduct principles | 59 |
| FRD 22 | Occupational health and safety policy | 58–59 |
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| FRD 22 | Application and operation of the <i>Public Interest Disclosures Act 2012</i> | 68 |
| FRD 22 | Application and operation of the <i>Carers Recognition Act 2012</i> | 69 |
| FRD 22 | Details of consultancies over \$10 000 | 65–66 |
| FRD 22 | Details of consultancies under \$10 000 | 67 |
| FRD 22 | Disclosure of government advertising expenditure | 64 |
| FRD 22 | Disclosure of ICT expenditure | 63 |
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| FRD 29 | Workforce Data disclosures | 60–62 |
| SD 5.2 | Specific requirements under Standing Direction 5.2 | 74 |
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| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | 74 |
| SD 5.2.1(a) | Compliance with Standing Directions | 74 |
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| FRD 9 | Departmental Disclosure of Administered Assets and Liabilities by Activity | 90-100 |
| FRD 11 | Disclosure of Ex gratia Expenses | 117 |
| FRD 21 | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | 116 |
| FRD 103 | NonFinancial Physical Assets | 90-93 |
| FRD 110 | Cash Flow Statements | 77 |
| FRD 112 | Defined Benefit Superannuation Obligations | 89 |
| FRD 114 | Financial Instruments – general government entities and public non-financial corporations | 105-113 |

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

| Legislation | Page reference |
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| <i>Building Act 1993</i> | 69 |
| <i>Public Interest Disclosures Act 2012</i> | 68 |
| <i>Carers Recognition Act 2012</i> | 69 |
| <i>Disability Act 2006</i> | 69 |
| <i>Local Jobs Act 2003</i> | 63 |
| <i>Financial Management Act 1994</i> | 5, 53, 70, 71, 74, 80, 106, 116 |

Abbreviations

AAS Australian Accounting Standards

AASB Australian Accounting Standards Board

ACCC Australian Competition and Consumer Commission

AEMO Australian Energy Market Operator

BAU business as usual

BMP Bushfire Mitigation Plans

CALD culturally and linguistically diverse

CDP continuing professional development

CEO Chief Executive Officer

COES Certificate of Electrical Safety

CRC Cooperative Research Centre

CX Customer Experience

DELWP Department of Environment, Land, Water and Planning

DIIS Australian Government, Department of Industry, Science, Energy and Resources

EES Electrical Equipment Safety Scheme

ERAC Electrical Regulatory Authorities Council

ESMS Electricity Safety Management Scheme

ESV Energy Safe Victoria

ETU Electrical Trades Union

FFCRC Future Fuels Cooperative Research Centre

FOI Freedom of information

FMA Financial Management Act 1994

FTE full-time equivalent

GEAP Gender Equality Action Plan

GST Goods and Services Tax

GTRC Gas Technical Regulators Committee

HBRA Hazardous-bushfire-risk area

IBAC Independent Broad-based Anti-Corruption Commission

ICT Information communication technology

IEI Institute of Electrical Inspectors

ICT information communication technology

IDAHOBIT International Day Against Homophobia, Transphobia and Biphobia

JAS-ANZ Joint Accreditation System of Australia and New Zealand

LBRA Low-bushfire-risk area

LPG liquefied petroleum gas

LSL long service leave

LUAL Look up and live

MPSG Major Project Skills Guarantee

NA Not applicable

NAIDOC National Aborigines and Islanders Day Observance Committee

NECA National Electric and Communications Association

OFGSHs Open flued gas space heaters

OHS Occupational health and safety

OVIC Office of the Victorian Information Commissioner

PIDA Public Interest Disclosures Act

PV photovoltaic

RCBOs a type of safety switch

RDC residual current devices

REFCL Rapid earth fault current limiter

RUOK Are you OK

RTO Registered training organisation

SCADA supervisory control and data acquisition

SDAC Standards Development and Accreditation Committee

SEIA Solar Energy Installers Association

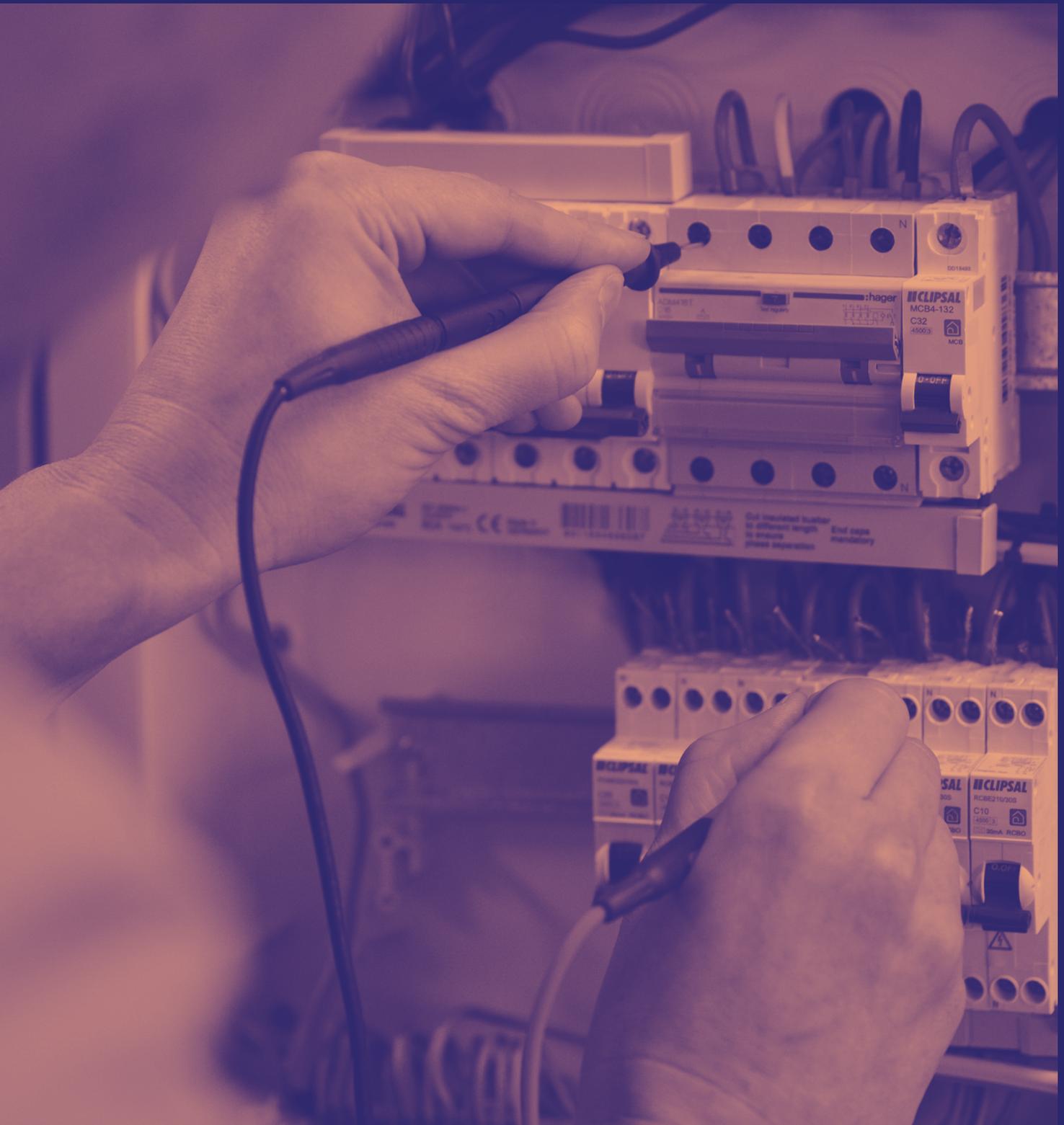
SWER single-wire earth return

TAFE technical and further education

VBA Victorian Building Authority

VIPP Victorian Industry Participation Policy

WWWTP West Wodonga Wastewater Treatment Plant



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