

Energy Safe Victoria

Annual Report
2012–13



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VICTORIA

Creating a
safer state with
electricity and gas

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About ESV

Creating a safer state with electricity and gas

THE ORGANISATION

Energy Safe Victoria (ESV) is responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria.

The nature and scope of our activities are defined by our mission, objectives, functions and responsibilities. The objectives, functions and responsibilities of ESV are described under the *Energy Safe Victoria Act 2005*, the *Electricity Safety Act 1998*, the *Gas Safety Act 1997* and the *Pipelines Act 2005* (the Acts), and the corresponding regulations. ESV operates within, and enforces compliance with, this legislation.

ESV acts in accordance with its Corporate Plan, which includes a Statement of Corporate Intent and the annual business and financial plans, as specified in the *Energy Safe Victoria Act 2005*.

As Victoria's safety regulator, ESV's principal role is to ensure the safe and efficient supply of energy to all Victorians. Safety is our top priority and it is a responsibility we take very seriously.

To meet our responsibilities ESV:

- audits safety systems (including safety management systems, safety cases and plans), and also safety practices in relation to the design, construction and maintenance of all electricity, gas and pipeline networks and installations
- ensures that appliances meet stringent safety and energy efficiency standards before they are sold
- monitors, audits and enforces compliance with standards
- administers licensing, registration and approval systems that maintain safety standards and skills
- cooperatively engages with industry and the community to facilitate safety outcomes
- conducts comprehensive public awareness campaigns to educate the community and industry on the hazards associated with electricity, gas and pipelines.

OUR VISION

Victoria will be a state where the community, industry and regulators share a strong commitment to the safe and efficient supply and use of electricity and gas, and the safety of pipelines.

OUR VALUES

At ESV, the following core values are expected from all our team and these values are expressed in our day-to-day actions, decisions and interactions with others.

Respect:

We treat all stakeholders and staff with respect.

Integrity:

We will always act with integrity.

Partnerships:

We work cooperatively with external and internal stakeholders and customers to achieve objectives.

Accountability:

We are accountable for all of our actions.

The objectives of ESV as stated in the Acts are to:

- ensure the electrical safety of electrical generation, transmission and distribution systems, electrical installations and electrical equipment
- ensure the safe conveyance, sale, supply, measurement, control and use of gas
- control the electrical safety standards of electrical work carried out by electrical workers
- control the safety standards of gas work
- promote awareness of energy efficiency through energy efficiency labelling of electrical equipment and energy efficiency regulation of electrical equipment and gas installations, appliances and components
- promote the prevention and mitigation of bushfire danger
- protect underground and underwater structures from corrosion caused by stray electrical currents
- maintain public and industry awareness of electrical and gas safety requirements
- protect the public from environmental, health and safety risks resulting from the construction and operation of pipelines.

MINISTERIAL STATEMENT OF EXPECTATIONS

The Hon. Nicholas Kotsiras, Minister for Energy and Resources, is responsible for administering the *Electricity Safety Act*, *Gas Safety Act* and *Pipelines Act*. The Minister's predecessor, Michael O'Brien, provided ESV with his Statement of Expectations in December 2011, which together with the approved Corporate Plan for 2012–13 is reported against in this Annual Report.

Ministerial Statements of Expectations are formal, public documents that articulate the Victorian Government's priorities and objectives and are about improving performance and governance. They target specific priorities in matters of regulatory governance and practice and apply until the end of the Parliamentary term, or until amended.

The Minister's expectations for ESV include:

- developing and maintaining the capacity and capability to deliver on the Corporate Plan
- implementing the recommendations of the 2009 Victorian Bushfires Royal Commission in an affordable and practical manner
- testing, challenging and exposing the performance of the businesses whose responsibility it is to design, build, maintain and operate gas and electricity infrastructure and pipelines
- applying a range of regulatory tools, including risk-based approaches, to achieve ESV's objectives
- maintaining a leadership role in facilitating industry and community awareness, knowledge, technical support and information to ensure the very best safety outcomes
- taking a leading role in influencing the national regulatory agenda to the benefit of Victorians where it is more efficient, without diluting Victoria's current position
- participating in national and international fora to develop standards to support effective risk-based regulation across the energy and pipeline sectors, and protecting consumers from imported equipment and appliances that are unsafe
- contributing to and supporting other government initiatives taking into consideration the role and responsibilities of ESV
- working closely in the ongoing development of effective and efficient regulation with the Department of State Development, Business and Innovation (previously the Department of Primary Industries)
- considering the views of community and industry stakeholders in ESV's capacity as regulator
- keeping the Minister informed of existing and emerging issues.

Report from the Director of Energy Safety

I am pleased to present *ESV's Annual Report for 2012–13, which outlines ESV's continuing work and initiatives to make Victoria a safer place to work and live with gas and electricity.*

In the past year, ESV has increased its focus on improving its own productivity, delivering more responsive regulatory services and taking into account wider cost, amenity and reliability considerations when pursuing safety objectives.

Community

ESV's work in building community awareness, educating industry, and investigating and enforcing compliance continues to be reflected in improving long-term incident, fatality and injury levels across the state.

During 2012–13 there was one confirmed death due to electricity and one death due to gas, with the Coroner still to consider evidence in two house fires that claimed two lives. The Coroner will determine if electricity or gas played any role in these incidents.

The 2012–13 year saw continued improvement in the overall satisfaction of ESV's delivery of safety messaging, which rose by 4 per cent from last year to 90 per cent. This reflected refreshed safety campaigns such as barbecuing with gas, look up and live as well as carbon monoxide poisoning.

Greater use of electronic means to target the communication of safety alerts and an ongoing focus on targeted online advertising with direct links to safety messaging on the ESV website saw web traffic increase by 10 per cent over 2012 statistics.

ESV continued to increase its direct community engagement through its sponsorship of regional football through AFL Victoria (previously the VCFL), attendance at the Royal Melbourne Show and other branding initiatives.

These increased levels of recall and recognition were achieved with a 5 per cent reduction in overall communications spending.

Energy infrastructure

ESV's capacity to oversee electricity and gas infrastructure was substantially enhanced with the infrastructure divisions reaching the establishment levels necessary to effectively test, challenge and expose the performance of those energy businesses whose legal responsibility it is to ensure the safety of its workers and the community.

ESV published its third public report on the safety performance of the Victorian electricity and transmission networks. After two positive years safety performance declined, reflecting more

adverse weather but also an increasing rate of in-service asset failure for some businesses. It was noted that the anticipated safety investment consistent with pricing determinations made by the Australian Energy Regulator (AER) was also mixed with some businesses ahead or meeting ESV's targets but others behind in some key areas.

During the year ESV continued to provide technical support to departments, industry and the AER as part of the implementation of the State Government's Powerline Bushfire Safety Program.

ESV increased its focus on ensuring councils and distribution businesses kept vegetation clear of powerlines while at the same time addressing community concern about maintaining amenity and reliability.

ESV has enhanced its capacity to arbitrate on complaints and deal with queries on tree clearing and is trialing alternate schemes of compliance that maintain safety outcomes without requiring strict compliance to the Electric Line Clearance Code of Practice. Greater community communication and engagement has been pursued as well as contact and advice being provided to Members of Parliament, councils and property owners on their rights and responsibilities.

The challenge to address long-standing non-compliance with line clearance is still significant and has continued to create pressure on the price and reliability of electricity supply. While some councils and distribution businesses are taking this issue seriously and working cooperatively, others still have room to improve. ESV will continue to take a facilitating role through the provision of expert advice and assistance.

Victoria's electricity and gas infrastructure is regulated through outcomes-based regimes, either through Safety Management Schemes or Safety Cases submitted by businesses and then reviewed, accepted and audited by ESV. The quality of Electricity Safety Management Schemes was observed to be high as was the businesses' level of general compliance with their own plans, including Bushfire Mitigation Plans.

The quality of Gas Safety Cases was, by comparison, less than satisfactory. While the process of establishing Gas Safety Cases is more mature within the gas distribution and transmission industry, greater scrutiny by ESV during the year identified a number of gaps in the quality of supporting documentation necessitating a number of iterations between some gas businesses and ESV prior to acceptance. ESV will commence public reporting of gas distribution and pipelines' performance in 2013-14.

Other matters of significance during the year included the increasing number of building developments encroaching near and on pipelines. To address the growing number of issues with the intensification of land use and public safety, ESV established

an inter-governmental and industry working group to assist in the coordination and resolution of issues, while also increasing the awareness and understanding of regulatory requirements early in the planning cycle.

Energy installations and equipment

The high level of safety outcome performance in electricity and gas installations and equipment was maintained during the year, notwithstanding increasing rates of complaints by consumers as a result of increasing awareness of ESV. It was pleasing to see that areas that had previously experienced poor records of safety, or were perceived as problematic, were now substantially addressed including solar installations and smart meters.

The increasing rates of direct online importing of electrical and gas equipment has raised a number of issues around certification, compliance and, in some cases, public safety. ESV has worked closely with other jurisdictions and industry to establish national registers that will more effectively address these issues and empower consumers to take greater responsibility for understanding the status of equipment imported for use.

Over the 2012–13 year, ESV has noted a deteriorating trend in the quality of apprentices graduating, as measured by the low pass rates for the regulator's independent licensing exams. In coming years ESV will focus additional resources on assisting registered training organisations and the TAFE sector, and assisting governments to audit the quality and conduct of trade curricula.

Organisation

ESV achieved important organisational objectives set out in its corporate plan for 2012–13. A number of major IT systems were implemented during the year including HR, payroll and finance, as well as the ongoing Works Management System that is based on the Pega platform. These systems will enable material productivity gains to be achieved in future years as ESV improves the rigor by which it plans, executes and monitors work outcomes.

Significant immediate financial savings were achieved in 2012–13 through the renegotiation of the vehicle fleet management and insurance contracts, with further gains to be made as ESV transitions from a large sedan fleet to small Australian-made and specialist vehicles consistent with ESV's business and operational use requirements.

Objectives around building the capability and capacity of staff were achieved including reaching the increased establishment levels for technical staff at the same time that a significant number of long-serving employees retired.

The participation rate in the 2013 People Matter Survey increased by 59 per cent compared to 2012, with survey results improving across most categories. Of note, 97 per cent of staff agreed that ESV provided high quality services to the Victorian community,

97 per cent agreed that their workgroup strives to achieve customer satisfaction and 99 per cent agreed that they encourage people in their workgroup to act in ways that are consistent with ESV's values.

These results are pleasing and they speak to the high levels of responsiveness, integrity and leadership that ESV strives for.

On a final note I would like to acknowledge the efforts of all ESV staff who have worked with passion and dedication to create a safer state with electricity and gas. In particular, I pay tribute to Mike Ebdon who, as Deputy Director since ESV's formation, will be retiring this year. For almost 40 years Mike has dedicated himself to public service and striving for the highest standard of energy safety within the community and industry. Mike's achievements and outstanding record were recognised in the 2013 Queen's Birthday Honours list when he was awarded the Public Service Medal.

I thank all my staff and executive team for a successful year and the many achievements that would not have been possible without them.



Paul Fearon
Director of Energy Safety



Performance measures

ESV strives to ensure that no Victorians are killed or injured in accidents involving gas or electricity and is aiming to achieve long-term reductions in the number of incidents reported.

Performance is driven and monitored by the measures illustrated below (including indicators) that reflect outcomes, measure industry performance and monitor compliance.

While ESV aims to achieve the best possible safety outcomes, it is unfortunate that, despite our best efforts to educate and regulate, a number of Victorians lose their lives or are injured every year. These tables of performance measures include the targets for 2012–13 (where applicable), plus the reported numbers for the year and the previous two reporting periods.

SAFETY MEASURES

Outcomes and measures	2010–11	2011–12	2012–13
Electricity—supply and use			
Electricity caused deaths (number)	4	1	1
Electricity involved deaths (number)	0	0	0*
Electricity suicides (number)	3	0	1
Electricity involved serious injuries (number)	37	40	38
Electricity involved non-serious injuries (number)	591	297	647
Electricity involved serious incidents without injury (number)	96	334	239
Electricity involved non-serious incidents without injury (number)	606	1252	932
Electricity related fires (number)	263**	606	777

Notes:

* There were two fatalities in domestic residential premises during the year for which the Coroner is still to determine if electricity or gas were involved.

** The reporting basis for electricity related fires changed in 2010-11. Since then reporting has been based on data from ESV's Incident Management System, which aligns with ESV's monthly reporting basis.

Outcomes and measures	2010–11	2011–12	2012–13
Gas—supply and use			
Gas caused deaths	1	0	1
Gas involved suicides	0	0	0
Gas involved injuries	38	0	18
Gas related fires (number)	102	183+	160

+ The introduction of the new PEGA/CIMS system has improved ESV's ability to capture data.

SAFE MATERIALS, COMPONENTS AND APPLIANCES

Outcomes and measures	2010–11	2011–12	2012–13	2012–13
Electricity—supply and use			Target	Actual
Electricity recalls (number)	11	9	11	12
Compliant equipment submitted for safety approval (percentage)	100	100	100	100
Compliant equipment check-tested for safety (percentage)	10	2	10	1
Electrical appliances on display in retail outlets with an accurate approvals marking (percentage)	97	91	97	88
Compliant equipment submitted for energy efficiency approval (percentage)	100	100	100	100
Electrical appliances on display in retail outlets with an accurate energy rating label (percentage)	98	96	98	96*

* Adoption of GEMS Legislation means ESV ceased audits in December 2012

CORPORATE PERFORMANCE MEASURES

Outcomes and measures	2010–11	2011–12	2012–13	2012–13
Safe and efficient appliances and safe installations			Target	Actual
Compliance of Type B appliances inspected and audited (percentage)	84.5	84	85	80
Compliance of other complex gas installations inspected and audited (percentage)	84.1	83.8	85	81
Compliance of standard gas installations audited by VBA (percentage)	91.1	94.8	NA	92

SKILLED WORKFORCE

Outcomes and measures	2010–11	2011–12	2012–13	2012–13
Electricity			Target	Actual
Workers working on the installations				
Compliant licensed electrical inspectors (percentage)	72	72	81	68
Compliant registered electrical contractors (percentage)	70	61	81	75
Compliant licensed electrical installation workers (percentage)	79	67	81	68
Compliant inspection companies (percentage)	96	96	95	98
Compliant prescribed electrical work (percentage)	85	88	92	91
Compliant non-prescribed electrical work (percentage)	90	91	92	93

Community safety

Goals

- To increase awareness of electricity, gas and pipeline safety.
- To increase awareness of ESV's important role among industry, the public and government, and improve brand health.

Outcomes

Community awareness

In addition to ESV's important regulatory role, education plays a key part in helping to keep Victorians safe from incidents involving gas and electricity.

ESV's Media and Communications team works to raise awareness about gas and electricity safety among the public and industry through a range of different activities, while also striving to educate stakeholders about ESV's important role in Victoria.

During 2012–13, ESV completed 10 safety campaigns, which incorporated both paid advertising and public relations activity.

Advertising research showed continuing high levels of satisfaction with ESV's campaigns and awareness of our important safety messages. Overall satisfaction with ESV's delivery of safety messaging rose slightly, with 91 per cent of people very or somewhat satisfied. This was an increase of 4 per cent from the previous survey.

The annual carbon monoxide (CO) awareness campaign continued to save lives across the state with thousands of Victorians getting their gas heaters serviced. Research showed more than 67 per cent of Victorians said they were likely to have or had considered having their appliances serviced. The total campaign budget was \$245,000.

The long-running summer barbecue safety campaign was given a new look with the adoption of a catchy campaign slogan - look before you cook. This is designed to remind people to check for gas leaks before starting to barbecue. In addition to paid advertising, ESV staff took this message directly to the public by holding a number of community barbecue events that were extremely successful and resulted in direct contact with more than 1000 people at each event.

The new slogan proved a clear and succinct way to get this message across with research showing that 77 per cent of people who own a barbecue indicated they would probably or definitely test their barbecue for leaks after hearing the campaign. The campaign cost \$150,000.

ESV partnered with the Victorian Country Football League (VCFL) in 2012 to help spread the look up and live message across regional Victoria. The Father's Day round of the VCFL competition was promoted as the look up and live round, and more than 30,000 campaign bracelets were distributed to rural children so they could give their dad a Father's Day present that contained this vital safety message. The total campaign, including sponsorships and promotional materials, cost \$350,000.

The messaging in this campaign was also found to be clear with 92 per cent of people indicating they were more likely to be careful around powerlines after seeing ESV's ads, which were perceived to be understandable, believable and got people's attention.

Other campaigns run during the year included warning Victorians of the perils of buying electrical and gas products from overseas that don't meet Australian safety standards, reminding of the need to get airconditioners serviced, and a new campaign that targeted houseboat owners to ensure that their vessels met electrical and gas safety standards.

Electronic communications

ESV used electronic communications to deliver important safety information to stakeholders during 2012–13. Existing stakeholder information was incorporated into a single database that could be used to send targeted information including safety alerts and product recall notices to electricians and gasfitters. More than 170,000 emails were sent during the year.

ESV's website continued to be an important way to impart community safety information to the public. Web traffic grew by 10 per cent during the year with the number of page visits rising from 370,800 to 408,000.

EnergySafe magazine

Four editions of ESV's EnergySafe magazine were produced during the year, offering a range of gas and electrical news to stakeholders. One of the aims for the year was to reduce the number of printed copies by 3 per cent and to increase the number of people receiving an electronic copy of the magazine. This target was met with a 7 per cent reduction achieved.

Brand awareness

Since the adoption of ESV's tagline in 2011–12 (Creating a safer state with electricity and gas), the Communications and Media team has been working to raise awareness about the important role the organisation plays in Victoria.

ESV enjoys strong support for its role in the community with research showing that 90 per cent of Victorians feel very or somewhat positive about the organisation. This is a rise of 1 per cent from last year.



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Greater awareness about ESV's role will increase the credibility and impact of safety messaging and community awareness campaigns, helping ESV to continue to achieve its aims of reducing death and injury as a result of electrical and gas-related accidents.

Direct stakeholder engagement is a key part of this strategy as it not only helps to raise awareness of specific campaigns but also educates the public that ESV is the organisation behind the messages.

For the first time, ESV had a community safety stand at the Royal Melbourne Show that enabled staff to talk to thousands of Victorians about its role and to also answer a range of safety questions.

Enforcement activity

ESV prosecuted 30 cases relating to electrical installations during the year. Of these, 11 cases resulted in fines with conviction and one in a fine without conviction. In 13 cases defendants were released on an undertaking. ESV subsequently prosecuted a further five cases for failing to meet the terms of the undertakings imposed by the courts.

ESV issued 68 infringement notices, mainly relating to electrical installation work and to third party activities in the vicinity of gas pipelines. ESV received five applications to review notices and subsequently withdrew two.

ESV also appeared in three Coronial hearings and in one appeal in the County Court against an original Magistrates' Court conviction. The appeal has been adjourned to October 2013.

Prosecution levels are not significantly different from last year but there has been an increase in the number of infringement notices issued. This increase was part of a specific enforcement strategy aimed at reducing the frequency of unauthorised excavations in the vicinity of pipelines.

Energy Safety Legislation

The Energy Legislation Amendment (Feed-in Tariffs and Other Matters) Act 2013 received Royal Assent on 18 June and amended the *Electricity Safety Act*, the *Gas Safety Act* and the *Energy Safe Victoria Act* to make improvements to the safety of gas and electrical installations and to enable information sharing between ESV and the AER.

ESV completed its review of the bushfire mitigation regime under the *Electricity Safety Act* and proposed a number of amendments to improve its effectiveness and efficiency. In addition, the *Electricity Safety (Bushfire Mitigation) Regulations 2013* were made to replace the 2003 regulations from June 2013.

National regulatory reform

Energy Networks Industry Safety Committee

ESV has provided the Victorian jurisdictional representation on the Energy Networks Industry Safety Committee (ENISC), which was established under the Intergovernmental Agreement (IGA) on Energy Supply Industry Safety. One of the first tasks on the ESISC works program was the development of a national standard for Safety Management Systems for electricity networks and ESV participated in Standards Australia committee EN004 that produced AS 5577: Electricity network safety management systems. In accordance with the IGA, ESV has commenced the process of amending the Electricity Safety (Management) Regulations to prescribe compliance with AS 5577.

Electrical Equipment Safety Systems

ESV has worked with other jurisdictions on the establishment of the national database for the registration of electrical equipment suppliers and of high and medium risk electrical equipment. The database, which ESV developed and is hosting, was operational from 1 March 2013 allowing suppliers to register for the purposes of meeting the Australian Communications and Media Authority's (ACMA) electromagnetic compliance requirements and for the purposes of compliance with current Queensland legislation. ESV is currently working with the Victorian Government on the development of equivalent Victorian legislation.

ESV governance

ESV continued the development of its integrated management system and governance processes including the publishing of ESV's updated Compliance and Enforcement Policy, commissioning an externally facilitated due diligence review, strengthening ESV's internal compliance assurance processes and conducting a formal review of ESV's three statutory committees in support of the work of the Better Services Implementation Taskforce of the Department of Premier and Cabinet.

Electrical Infrastructure Safety

Goals

- To ensure that the owners of energy infrastructure and other Responsible Persons in Victoria operate safely.
- To investigate incidents and conduct analyses that influence Energy Safe Victoria policy, procedures and regulatory direction.
- To provide industry, government and the public with information and technical regulatory support regarding the safety of electrical infrastructure.
- To ensure that the Electrical Infrastructure Safety Division has access to adequate capacity with the skills and qualifications necessary to fulfill the roles it is assigned to undertake.

Outcomes

Powerline Bushfire Safety Program

ESV continued to provide technical regulatory support to the Department of State Development, Business and Innovation, the Fire Services Commissioner, electrical distribution businesses and the AER to assist in the implementation of the government's initiatives adopted following the findings of the 2009 Victorian Bushfires Royal Commission. This matter will continue to be a significant focus for ESV in the coming year.

Safety Performance Report

ESV prepared its third report on the safety performance of Victoria's electricity distribution and two licensed electricity transmission businesses. This report focused on the operation of Electricity Safety Management Schemes, key performance indicators, and detailed the results of ESV's audit programs developed from the businesses' accepted Electricity Safety Management Schemes, inclusive of their Bushfire Mitigation Plans and Electric Line Clearance Management Plans.

The report analysed the safety performance by:

- monitoring the safety performance trend of the industry and each business
- reporting on how the industry and each business is performing against targets and initiatives emerging from the 2009 Victorian Bushfires Royal Commission and government's response to the Powerline Bushfire Safety Taskforce recommendations
- identifying potential systemic issues in the industry and each business that need to be addressed; and
- assisting stakeholders to hold the network businesses accountable for delivering their primary legal accountability to plan, design, maintain and operate their assets in a manner that minimises safety risk and reduces the likelihood of bushfires initiated by network assets to a level as low as practicable.

Overall, ESV noted that the safety performance of the network has deteriorated, with increasing asset failure rates reported by certain electrical distribution businesses during the period, in comparison to the 2010 and 2011 calendar years. This may be partly attributed to the weather in 2012, which was hotter and drier, with an above-average number of total fire ban days and below-average rainfall in comparison to the two previous years.

However, the deterioration in safety performance is not only weather-dependent but also caused by an increasing rate of in-service asset failures for certain electrical distribution businesses reflecting the increasing average age of the infrastructure.

Although the overall management of networks is good and improvements have been made in a number of areas, such as database systems, other investment and outcome indicators suggest that performance across each of the electrical distribution businesses is mixed and a number of concerning trends have emerged.

Works Practice Observation Program

The Works Practice Observation Program was established and staff recruited during the period so ESV would have the capacity to assess how each of the electricity distribution businesses are complying with each of the technical standard elements in their Electrical Safety Management System.

Using field-based audits that focus on electrical work being performed by electrical distribution business workers and contractors, ESV will be in a position to identify areas of compliance with the Code of Practice for work on or near high voltage electrical apparatus and potential improvements. The information collected during the observation program is expected to form the basis of evidence-based advocacy for improvements in work practices throughout the industry.

Powerlines and vegetation management

Significant effort has been applied by ESV during the period regarding vegetation clearance around powerlines, with ESV working with the electricity businesses, contractors, government and municipal councils to be better informed on both compliance to the established Code of Practice, and the balance sought between amenity and electrical safety.

The first of the alternative compliance programs to the Code of Practice were developed in partnership with the electricity businesses and submitted to ESV for formal approval.

Work has also begun to better educate key stakeholders, such as local councils, MPs and their constituents, about the responsibilities and rights of stakeholders, and the nature of the regulatory environment.

The first stage in this process was the development and publication of a new guide to powerlines and vegetation management, which details residents' rights and the responsibilities of the parties undertaking tree clearance.

The Blue Book

The Electrical Safety Committee, established under Section 8 of the *Energy Safe Victoria Act 2005*, was assigned the task of revising the Code of Practice For Work On Or Near High Voltage Electrical Apparatus (otherwise known as the Blue Book).

A number of significant amendments were made in the new edition, which was released in October, including changes to safe approach distances, removing ambiguity surrounding earthing requirements, and the addition of new provisions for training electrical operators.

A new subsection was included that introduces safety rules for vegetation management work near overhead powerlines by non-electrical workers. Subsequently, and in conjunction with representatives from electricity companies and vegetation management contractors and municipal councils, ESV developed and published a new electrical safety guide for vegetation management work near overhead powerlines by non-electrical workers.

Electricity Infrastructure Safety 2012–13 Audit Program

The Electricity Infrastructure Safety 2012–13 Audit Program assessed major electricity businesses' compliance against certain elements of their accepted Electricity Safety Management Schemes, Bushfire Mitigation Plans and Electric Line Clearance Management Plans.

Following completion of the Bushfire Mitigation and Electric Line Clearance audits, ESV concluded that the plans were well presented, clear and were supported by a comprehensive set of mature policies and procedures that were regularly updated.

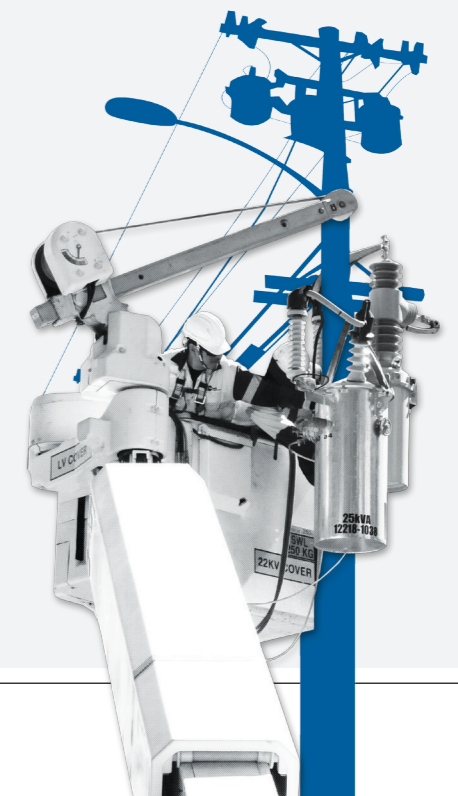
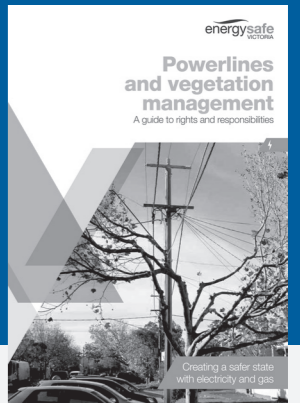
Through the participation of well-prepared and cooperative businesses' preparedness in high bushfire risk areas for the coming fire season was in line with their plans. Further, this year's audits included a review of safety programs, including Bushfire Mitigation Directions given by ESV, and concluded that they were deployed down through the business.

Audits of the technical standard element of the electrical distribution businesses' Electricity Safety Management Schemes determined that the minimum separation distance for outdoor electrical substations and buildings applied in Victoria is significantly less than that specified in the current relevant Australian standard. ESV has initiated work with Victorian electrical distribution businesses and the relevant Australian Standards Committee to seek a resolution to this matter.

Recruitment and skills development

ESV has undertaken an extended and methodical recruitment program to increase its capacity in the Electrical Infrastructure Division following the Victorian Government's acceptance of the 2009 Victorian Bushfires Royal Commission's recommendation to strengthen ESV's mandate in relation to the prevention and mitigation of electricity-caused bushfires.

At the close of this period, the section's organisational structure had reached the milestone of capacity in its technical functions. This allows the division the ability to apply resources to accurately analyse data trends and, using these discoveries, implement paramount incident response, investigation and reporting capability.



Gas and Pipeline Infrastructure Safety

Goals

- To ensure that the owners and operators of energy infrastructure and other responsible persons in Victoria operate safely.
- To investigate incidents and conduct analyses that influence ESV policy, procedures and regulatory direction.
- To ensure that underground structures in Victoria are protected from the influence of stray electrical current from DC traction systems and cathodic protection systems.
- To provide industry and the public with information and technical regulatory support regarding the safety of energy infrastructure.
- To ensure that the division has access to adequate capacity with the skills and qualifications necessary to fulfil the roles it is assigned to undertake.

Outcomes

Test, challenge and expose

The foreshadowed implementation of a revised audit framework in 2012–13, together with the division's increased establishment in that year, saw a significant rise in audit activity over the previous year, confirming compliance with Safety Cases and Safety Management Plans. Audit activities also included the review and acceptance of project specific safety management plans for licensed pipeline construction and repair works.

In all, ESV conducted around 120 audits of Safety Cases and Pipeline Safety and Environment Management Plans. This included 22 five-yearly reviews, seven acceptances, including accepting cases from two new entrants, 85 compliance audits and 28 field compliance audits.

New performance-based field audits are an extension of the division's auditing activities and have highlighted a number of observations and non-conformances, particularly regarding LP gas facilities, gas meter rooms and company engineering processes generally.

ESV considers design a critical element of all non-retail facilities and will continue to focus its attention on design process control and engineering, and operational inputs to ensure that all risks are identified and that design takes account of them to achieve ALARP risk status.

Licensed pipeline construction and repair work

Due to an increasing number of licensed pipeline projects, ESV was required to spend significant effort on the review and acceptance of project-specific Safety Management Plans for pipeline construction and repairs, requiring the balancing of available resources with the audit program.

For the Regional Rail Link project alone, ESV accepted 16 plans for pipeline construction and other building construction proposals within 3m of existing pipelines. There were 25 Safety Management Plans for construction and repair projects, 122 construction site inspections and 22 pipeline construction projects completed for the year.

Reducing mains damage

In 2012–13, 2976 gas mains and services were damaged by third party civil works, which is slightly down on the previous year when 3081 services sustained damage. While the number of incidents is trending down, too many services are still being damaged each year.

ESV received reports on 138 of the mains incidents and investigated 36 of these. This resulted in ESV issuing 28 infringement notices for damaging gas mains or performing unauthorised work within 3m of licensed high pressure gas pipelines.

In nearly every instance investigated, ESV found the parties involved did not understand the correct process for gaining approval to work near gas assets. There is often a failure to understand or adhere to specific conditions of work advised to them in writing by the gas company as part of its Dial Before You Dig response.

This is a worrying trend and ESV has commenced discussions with Dial Before You Dig and industry with the aim of improving the process and education so that the public understands that a Dial Before You Dig response is not an approval for work to commence but "the essential first step" only.

Electrolysis

The Victorian Electrolysis Committee (VEC) completed its coordinated monitoring program across Melbourne's metropolitan area of the underground metallic structures, including water, gas and oil pipelines, and telecommunication and power cables. ESV's electrolysis mitigation section coordinated with industry to conduct 22 combined area field tests and also tested more than 12,000 drainage bonds and other electrolysis units to confirm they were operating as required to provide protection to the underground assets.

Safety cases

Of note is the difference between the number of Safety Cases submitted and the number accepted in the same period. This figure in part represents the increased focus by ESV on the quality of Safety Case documentation, requiring an iterative process with each company.

ESV firmly holds the view that safety assurance commences with a Safety Case of high standard, which is in concordance with regulatory requirements and articulates concisely the "case" put forward by companies that they have systems in place to operate their facility safely and therefore why ESV should give them acceptance to operate their facility.

ESV previously published a set of guidelines to assist companies in the document preparation process but it has taken a sustained effort by ESV to get the quality of submissions elevated to a level considered acceptable. ESV has also required a higher level of focus on companies' internal compliance programs to establish robust internal monitoring, auditing and reporting to executive levels within the company. For lower-risk facilities, ESV is considering utilising such compliance programs to introduce self-monitoring and reporting instead of periodic auditing.

As with Safety Cases (including Safety Management Plans), ESV also published guidelines for the preparation and development of licensed pipeline construction and repair project documentation.

ESV continued to reiterate to all licensees its expectations that documents concisely articulate an accurate representation of policies, processes and procedures for the project, thus providing safety assurance and a detailed record of how pipelines are constructed or repaired for sustained safe operation and long life integrity.

ESV has found that in most cases licensees are willing to meet the requirements but at times find it difficult to conform, causing the need for multiple iterations for acceptance. Allowing enough time in project schedules to ensure appropriate care at the internal review stage before submission to ESV is often all that is required to prevent any subsequent impact on project timing.

Reporting damage to gas assets

As planned, ESV reached agreement with gas distribution businesses on a revised set of standard information to be provided to ESV when reporting damage to gas assets. This will assist ESV to investigate incident causes and will also assist with future trend analysis.

Asset management

ESV provided input regarding safety to the AER's assessment of each gas distribution company's five-year mains replacement program. Following final approval of the gas access arrangements, ESV has set out clearly its reporting requirements commencing July 2013 for ESV to monitor mains replacement progress against approved plans.

Land development around pipelines

To address the management of land use intensification around pipelines and thereby pipeline safety, particularly in Melbourne's growth corridors, ESV formed the Land Development Around Pipelines (LDAP) Working Group, which held its first meeting on 2 May.

The group has representation from Growth Areas Authority, Municipal Association of Victoria, Department of Planning, Community and Development, Department of State Development and Business Innovation, and the Australian Pipeline Industry Association.

Risk-based approaches to regulation

In line with ESV's objective to further implement risk-based approaches to regulation, the division has developed a strategic audit plan based on risk. The plan's framework considers asset exposure to risk, and an organisation's willingness and capacity to comply with regulations. The division's strategy to plan with a five-year outlook provides it with the ability to more accurately develop a prioritised risk-ranked annual audit program.

Technology and capability

To improve ESV's record management and strengthen the regulatory monitoring of licensed pipelines, the division commenced building a new software application to go live in 2013.

The application will store the history of events on all licensed pipelines including repairs, and monitor the reporting performance of licensed pipeline companies, including operating KPIs and cathodic protection reports.

During the year, the division also incorporated its audit program into ESV's new Works Management System. To improve efficiencies and records management, the Division implemented a Geographical Information System for electrolysis mitigation. Implementation will continue in the 2013–2014 financial year to establish business processes with industry for the upkeep of the system and to prepare for area tests.

With other technology projects taking priority, the migration of the existing cathodic protection system database to ESV's Work Management System, including a public web-based interface, did not eventuate as planned. Prioritisation will again be considered for 2013–14.

Mobile site office

The division designed and took delivery of a new mobile site office for its electrolysis mitigation function, which replaced the current caravan that was more than 35 years old.

Electrical Installations, Licensing and Equipment Safety

Goals

- To ensure that all electrical installations and equipment in Victoria are safe and that all electrical installation work is carried out in a safe manner.
- To respond to incidents and investigations in a timely manner in accordance with ESV policy and procedures.
- To provide industry with appropriate knowledge to enable it to carry out and maintain safe electrical installations and equipment.
- To provide industry and the public with the technical support and information to enable the safe use of electricity.
- To provide appropriate, timely, consistent, unbiased and quality customer service to licence and registration holders, licensing enquiries and prospective applicants.

Outcomes

Incidents

Unfortunately one fatality was reported during the year that involved electrical equipment. A man was electrocuted attempting to extract worms from the ground while using a probe that was attached to a 240V generator.

Three people received serious flash burns from HV and LV they were exposed to in the course of their work, with several near misses also reported.

There were also a number of fires associated with evaporative coolers during the warmer months, with the majority involving Brivis coolers that have been subject to a recall. ESV conducted a public relations campaign to remind Victorians to have their coolers serviced prior to summer to reduce the risk of fire.

Resources

EILES is now at capacity and has the right mix of highly motivated and competent staff with a sense of purpose. The division is beginning to reap the benefits of improved technologies and processes, and has achieved most of its targets for the year.

Equipment Safety recruited two experienced test engineers to enhance its ability to provide technical advice to industry and the public, examine and approve applications for product certification, point of sale audits including online and investigate incidents and complaints.

The retirement and pending retirement of senior and experienced staff reinforced the need for knowledge transfer and retention, which was accomplished using a mentoring and buddy system.

National reforms

Uncertainty in the timing and adoption of national reforms including the Electrical Equipment Safety System (EESS), National Energy Customer Framework (NECF) and National Occupational Licensing Scheme (NOLS) led to mixed expectations of stakeholders and a need to ensure compliance with current requirements.

Work continued to ensure that the proposed National Occupational Licensing Scheme, if adopted, is the best model possible to maintain the high standard of electricians and installations in Victoria and interfaces to our compliance system.

The NECF, if adopted, will work with the current Victorian Service and Installation Rules and the EESS, which is already operating in Queensland and Tasmania, will ensure increased safety of electrical equipment and traceability of responsible suppliers.

EILES continued its involvement in developing these schemes as well as standards for electrical equipment, solar systems, electric cars and installations, a replacement program for the now ceased Trades Recognition System and international electrical equipment standards through the International Electrotechnical Commission.

Economic environment

The predicted downturn in activity in the building sector led to a reduction in the number of Certificates of Electrical Safety that were sold, and pressure on margins tempted some people to cut corners by using unapproved or non-compliant equipment or to hire unlicensed workers.

Overall COES sales were down by 2.5 per cent this financial year, which impacted ESV's income. Of these, the greatest drop was in Prescribed Certificates due to a decline in the number of solar installations.

Audits

To improve the efficiency and value of audits of electrical installation work, two new contracts were awarded to companies based on revised geographical areas. These are now aligned to distribution areas and there will be improved reporting and follow up.

ESV sold 673,242 Certificates of Electrical Safety with 40,700 audited (6 per cent). Every seller was audited to ensure correctness and security of their stock and no sellers experienced supply shortages.

Licensing and registration applications and renewals decreased by 22 per cent because some contractors chose not to renew their registrations and some electricians left the trade. Application processing time improved to an average of less than 10 days.

Training

Staff in Licensing and Equipment Safety received training in how to deal with customers on the phone, plus how to handle difficult customers, which improved their already high level of customer service. Further training and process improvement will be provided in 2013–14.

Equipment safety approvals

Equipment safety approvals were 13 per cent lower than last year, and efficiency approvals were down by 16 per cent, which again reflects tougher economic conditions. Safety approvals commenced the year with a 30-day turnaround time and this has been reduced to less than seven days, making ESV a preferred approvals body with overseas suppliers thanks to the improved customer service.

Efficiency registration turnaround is now seven to eight days.

Point-of-sale safety and marking audits of 2040 items of electrical equipment offered for sale at traditional stores showed a compliance rate of 87.5 per cent. This was below the 96 per cent target as the focus of the year's audit activity moved to online sellers.

The outcome of incident investigations is reported nationally through ERAC hazard alerts and incident reports. Investigation of complaints leads to prohibition of sales and, in some cases, product recalls.

Incident investigation

Installation safety provided response to serious incidents 24 hours a day, seven days a week throughout the year and investigated complaints and incidents received directly from NRC and the public. Investigation of numerous switchboard fires confirmed that advanced meters (smart meters) were not the cause and that these new meters are safe and being installed correctly.

The capacity of the technical helpline has been increased to provide improved response to industry and the public regarding matters of compliance and interpretation of the Wiring Rules.

Ongoing education and training

Ongoing education of the trade is important to ESV and Installation Safety staff regularly addressed first and third-year apprentices, reminding them of the need to be licensed, use COES and to work safely.

ESV has also provided input, oversight and audit into the content and assessment of the national Certificate III in Electrotechnology course, benchmarked apprentice progression and LEA preparation and assessment.

It was noted towards the end of this year that the number of apprentices failing the LEA on their first attempt increased dramatically. This is a worrying trend that will be a focus for next year.

More than 6000 tradespeople engaged with ESV during the year at a range of events including 140 trade nights for wholesalers, NECA information and award nights, LEI seminars and industry events including Clean Energy Week and the EPIC Renewable Technologies Conference.

It is pleasing to see an improvement in the compliance of solar installations with audits conducted by the Clean Energy Regulator finding no unsafe installations.

The division has also worked closely with government to provide assistance and support to other initiatives including rooming house safety, VEET lighting and controller schemes, and private overhead electric line replacement.

Electrical Installations, Licensing and Equipment Safety

INSTALLATION SAFETY STATISTICS

Activity	2010-11 Total	2011-12 Total	2012-13 Total
Applications granted under Regulation 416 / 401 of the Electricity Safety (Installations) Regulations	104	205	185
Breaches of regulatory requirements investigated	868	1047	970
Warning letters sent	30	75	79
Investigations actioned within five days	308	420	356
Investigations—final action instigated within 30 days	235	318	245
Infringement notices issued	22	11	31
Site audits of licensed electrical installation workers	198	227	183
Audits of licensed electrical inspectors	64	85	106
Field audits of registered electrical contractors	192	329	198
Construction site audits	81	125	89
Information sessions	81	169	136
Attendees at sessions	4140	5639	5981

EQUIPMENT SAFETY STATISTICS

Activity	2010-11 Total	2011-12 Total	2012-13 Total
Approvals submitted	994	840	737
Total number of approvals in place	4361	4372	2983
Number of products audited (approval)	981	1386	2040
Notices to comply issued	41	36	76
Safety investigations	120	279	307
Safety recalls initiated	11	9	12
Hazard alerts raised	1	2	6
Incident reports raised	16	19	46
Public safety warnings initiated	0	1	1
Number of days taken to approve fully compliant approvals applications	23.8	19.6	16
Number of inquiries	16,240	19,450	23,690
Infringement notices	0	6	0

WORKER STANDARDS

Activity	2010-11 Result	2011-12 [^] Result	2012-13 Result
Electrician's licence A Class – New	1621	1727	1762
Electrician's licence A Class – Renewed	6443	5921	4688
Supervised worker's licence L – New	192	237	220
Electrician (supervised) licence ES – Renewed	70	66	320
Disconnect/reconnect worker's licence D – New	393	379	375
Disconnect/reconnect worker's licence D – Renewed	1060	984	1173
Total number of licences issued	2206	2362	2360
Total number of licences in place	39,522	40,767	41,429
Total number of inspector's licences issued	360	37 [^]	28
Total number of inspector's licences in place	364	383	410
Registration of electrical contractor – New	853	867	920
Registration of electrical contractor – Renewed	9662	3228	1946
Total number of registrations issued	10,515	4095	2866
Total number of registrations in place	10,522	11,132	11,975
No. of meetings of the Electrical Licensing Registration Advisory Committee	6	6	6
Total number of electrician licences	30,072	31,511	32,910
Total number of supervised worker's licences	1417	1419	1305
Total number of disconnect/reconnect licences	7638	7425	7188
Total number of occupiers licences	31	29	26
Total number of registered spotters	9257	11,225	12,537
Total number of registered lineworkers	2702	3065	2962

[^] Figures from 2011-12 reflect a change from yearly renewals to five-yearly renewals.

ENERGY EFFICIENCY STATISTICS

Activity	2010-11	2011-12	2012-13
Number of days taken to approve fully compliant equipment efficiency applications	24.4	10.2	4.8
Models registered for labelling *	1506	1439	1213
Number of inquiries	2182	2851	2989
Retail outlets visited	22	30	52

* Denotes individual registrations, some of which are grouped as families of models.

Gas Installation and Appliance Safety

Goals

- To ensure that all gas installations and appliances in Victoria are safe and that all gas installation work is carried out in a safe manner.
- To respond to incidents and investigations in a timely manner in accordance with ESV policies and procedures.
- To communicate with industry, the public and learning centres with regard to gas safety requirements to enable the safe installation and use of gas.
- To ensure that all our staff are adequately skilled and appropriately qualified to fulfil their roles.

Outcomes

Unfortunately there was one gas-related death during the year. A man died from CO poisoning while using a patio heater inside his lounge room in August. In response to this tragic event, ESV produced a radio ad warning about the dangers of using gas appliances designed for outdoor use inside the home. It was written, produced and playing on radio stations across Victoria within five days of the tragedy.

Inspections

Throughout the year all targets set for the inspection of Complex gas installations and Type B gas appliances were exceeded.

Complex gas installation jobs were set at a target of one job per day and inspectors were able to average 2.4 jobs per day. Type B appliance inspections were set at a target of three inspections per week and the inspectors were able to achieve an average of 4.3 inspections per week.

Of those, 81 per cent of complex gas installations and 80 per cent of Type B gas appliances achieved compliance by meeting the requirements of the relevant Australian standards. Exceeding these targets has allowed GIAS inspectors to focus on presentations, training and other safety issues.

AS/NZS 5601 Gas Installations Standard

ESV is playing a major role in the development of Australian standards. ESV's Type A Engineering Manager is chairing the AG006 Committee that is overseeing the development of the next generation of AS/NZS 5601 Gas Installations Standard.

The previous version has been redrafted and the recommended changes accepted. The revised standard is expected to be published at the end of September 2013. This standard has been updated to stay in line with the requirements of the Australian Building Code and abreast of technological changes for gas appliances.

Incident response and investigations

ESV works closely with Victoria's emergency services, government and community groups to maintain ongoing public education and compliance reviews of identified at-risk groups. Some examples include joint public awareness campaigns such as the danger of using outdoor gas appliances indoors, the need for regular houseboat gas appliance checks to ensure safety, and also assisting organisations such as the Australian Defence Force with its catering equipment needs at public events.

Throughout the year ESV's investigators have carried out approximately five gas-related investigations each month. These investigations have included inspecting alleged unsafe gas installations and issuing Improvement Notices and Prohibition Notices to ensure gas installations are brought into line with relevant standards.

Investigators have also played a major role in point-of-sale audits, with 111 carried out throughout the year. This was more than double the set target of 50.

Investigators also audit gas appliances at public events with 36 audits completed throughout the year.

Minor investigations are completed within 12 weeks and major investigations are completed within 24 weeks.

Industry education

ESV places great effort in visiting and providing training at all RTOs in Victoria to ensure they maintain their currency of technical gas information.

ESV set a target of 22 presentations at RTOs and 16 presentations to plumbing and gasfitting organisations for the year. GIAS was able to exceed its targets and presented at 35 RTOs and 20 plumbing and gasfitting organisations. A total of 1300 people attended.

Topics included carbon monoxide testing, changes to AS/NZS 5601 and compliance requirements for Complex gas installations and Type B gas appliances.

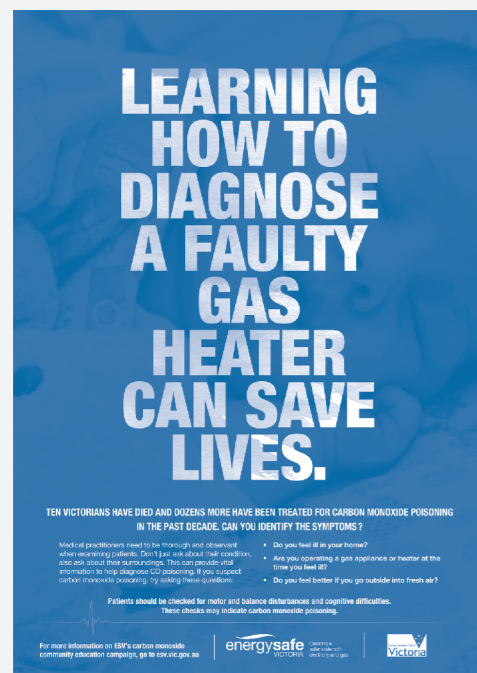
ESV has also been working in conjunction with the Master Plumbers' Association, the Victorian Building Authority (previously known as the Plumbing Industry Commission) and the Plumbing Industry Climate Action Committee (PICAC) to provide CO training for gasfitters. Two courses were held that focused on the use of CO testing equipment and included demonstrations of testing gas appliances for CO emissions.

Promoting CO testing and detection training will go a long way towards reducing the risk of CO poisoning from faulty heaters.

Gas Technical Regulators' Committee

This year ESV's Executive Manager of Gas Installations and Appliance Safety was elected Chair of the Gas Technical Regulators' Committee (GTRC). This committee is an association of government departments and regulators responsible for the safe use of gas and is represented by every state and territory in Australia and New Zealand.

Victoria is Australia's largest domestic consumer of natural gas and holding this leadership position will enable ESV to more effectively contribute to the development and improvement of gas standards and regulations.



Human Resources

Goals

- To ensure ESV has a sustainable, flexible workforce that is able to meet service delivery needs in a timely, responsive and cost-effective manner.
- To ensure ESV provides a safe, healthy environment for employees in line with contemporary occupational health and safety standards, including the delivery of health and welfare services.
- To ensure learning and development is fully integrated into the business planning process to deliver the skills and competencies required to meet service delivery outcomes.
- To ensure all complaints received by ESV are handled in a professional, sensitive, impartial and timely manner.

Outcomes

Human Resource Information System

ESV transferred the payroll function from Finance to HR and implemented CHRIS21, a fully integrated human resource information system. The introduction of CHRIS21 has enabled the comprehensive management of employee information, sophisticated workforce reporting and analysis, empowerment of ESV leadership through real-time access to employee information and the ability for staff to access and update personal details.

Occupational health and safety

ESV is committed to providing and maintaining a safe and healthy working environment and has a network of trained occupational health and safety (OHS) representatives who form the OHS Committee along with appointed fire wardens and first aid officers. The OHS Committee met quarterly throughout the year with members of the executive team to discuss health and safety matters.

Health and wellbeing support includes reimbursement for flu vaccinations, expert confidential employee counselling (EAP) and WorkSafe health checks. Staff members who work in the field are provided with first aid and other relevant training to mitigate and minimise the risks associated with their work environments.

Performance planning

ESV continued the Quality (Q)-Time program to facilitate performance planning and review. All employees developed formal performance plans in conjunction with their managers and met monthly to discuss outcomes, KPIs, challenges and achievements.

Learning and development

Employee training was a priority for ESV during the year with staff undertaking a range of technical, customer service and professional development courses.

The Four Quadrant Leadership (4QL) professional development program was also offered to new staff, along with diversity and compliance training.

Recruitment, selection and retention

ESV's workforce has continued to expand, with 32 employees recruited throughout the year to backfill vacancies created through attrition, long-term leave, short-term projects and newly established roles.

Nineteen employees separated from ESV throughout the year. Several of these were retirements while others were resignations or redundancies. ESV's retention rate for the year was 91.33 per cent.

Complaints handling

ESV recorded 865 complaints for the year, a significant 20 per cent increase from 2011–12. This is the second consecutive year that ESV has had a considerable increase in recorded complaints.

The majority of complaints were about electrical installations (53 per cent) while other main areas for complaints were electrical equipment (14 per cent) and Certificates of Electrical Safety (9 per cent). Complaints continue to be seasonal with 56 more received during winter compared to summer. Of the 865 complaints, 76 per cent have been closed with 15 per cent referred to other bodies.

People Matter Survey

ESV participated in the State Services Authority People Matter Survey for the fifth consecutive year with an increased response rate of 59 per cent. Results are positive and ESV scored particularly high in the categories of workplace wellbeing, respect, responsiveness, fair and reasonable treatment, integrity and equal opportunity employment.

COMPARATIVE WORKFORCE DATA AS AT 30 JUNE 2013

Table 1:
Ongoing employees

Number (headcount)	Vacant (positions)	Full-time (headcount)	Part-time (headcount)	FTE
119	1	116	3	117.55

Table 2:
Fixed-term and casual employees

Number (headcount)	FTE
8	8.00

Table 3:
Headcount breakdown by gender, age and classification

	Ongoing Employees (headcount)	Ongoing FTE	Fixed-term and casual FTE
Gender			
Male	88	87.6	3
Female	31	29.95	5
TOTAL	119	117.55	8
Age			
Under 25	2	2.00	1.00
25 – 34	27	27.00	2.00
35 – 44	15	13.95	2.00
45 – 54	40	40.00	-
55 – 64	29	29.00	2.00
Over 65	6	5.60	1.00
TOTAL	119	117.55	8.00

Finance, Business Services, ICT and Project Management

Goals

- To ensure compliance with statutory governance obligations, maintain ESV's financial viability and provide efficient, effective and accurate accounting for ESV.
- To provide reliable, timely and secure ICT services that are aligned to the strategic needs of internal and external stakeholders.
- To provide timely, efficient, effective and accurate business support services across ESV.
- To provide efficient and effective project management service across ESV.

Outcomes

Finance

The Finance division has delivered upon its goals for compliance with all ESV's statutory requirements and additionally played an integral role in the development and rollout of the new Business Management System and its end-user acceptance throughout ESV.

The system's broader capabilities and the improved analysis it provides will enable Finance to become even more customer and business focussed in its service provision. This will entail ongoing user education in use of the new financial system and how to derive maximum benefit from it, engaging with executive and line managers in development of their financial requirements, and leading the planning of ESV's financial resources allocation.

Information technology (ICT)

The ICT section has delivered a constantly high level of timely and secure ICT services throughout the year, coupled with the provision of ICT project services and improvements for the business.

The ICT program has seen the deployment of systems that will further enhance ESV's business processes. Systems deployed during the year were Human Resource Self Service System (HRSS), Business Management System (BMS), Geographic Information System (GIS), Business Intelligence Exchange (BIX) and hosting services for the Electrical Equipment Safety Scheme (EESS). A project on infrastructure business continuity has been commenced to ensure ESV systems are even more reliable and secure.

New capabilities were also introduced that deliver automated email archive and de-duplication of attachments, while backend architecture was also upgraded to improve email performance and reduce storage footprints.

Two projects that were planned for this year, the redevelopment of ESV's intranet and a new licensing and compliance system, have been deferred as system architecture stabilisation of the Pega application was given priority during the year.

Business Services

The Business Services section was created last year with the aim of developing a comprehensive support services model that is focused on achieving core service delivery and organisational objectives in records management, procurement, fleet, building services, business continuity and reception. The section has delivered the anticipated improvement in services, particularly in procurement compliance, fleet management and insurance areas, and has achieved strong financial outcomes in requiring cost-effective services for ESV. It has also taken the lead role in reviewing ESV customer service standards and will be a key driver in this improvement process.

Business Services has also engaged and contracted a new vehicle fleet service provider, been an integral stakeholder in the rollout of the new BMS (procurement functionality) and commenced a TRIM Data Migration project.

Project Management Office

The Project Management Office (PMO) has delivered project management service to all ESV divisions across the year. It has also created a documented structure for all ESV projects and committees to utilise when developing project plans and business cases. This has assisted in adherence to corporate objectives and ensures oversight and governance is maintained. It has also provided secretariat service to the Executive Management Project Group, which sets the strategic direction for all projects within ESV.

Financial review of operations

	2012-13	2011-12	2010-11	2009-10	2008-09
Total revenue	29,687	29,110	27,437	22,169	20,867
Total expenses	30,275	29,096	29,349	21,412	19,512
Operating surplus/(deficit)	(588)	14	(1,912)	757	1,355
Total assets	12,103	13,197	9,440	9,564	9,301
Total liabilities	8,660	9,166	5,423	3,635	4,129
Net assets	3,443	4,031	4,017	5,929	5,172
Total equity	3,443	4,031	4,017	5,929	5,172

Finance summary

ESV operates on the basis of fully recovering its costs from industry rather than through government appropriation. The overall result for 2012-13, was a deficit of \$0.588m.

Overall revenue has increased by \$0.577m in comparison to 2011-12. The movement has been largely driven by increased levy income (\$1.380m) offset by significantly lower Certificate of Electrical Safety (COES) sales and licensing income due to the downturn in the building and construction industry (\$0.732m) and minor reductions in interest and other income (\$0.070m).

The overall movement in expenditure of \$1.179m in comparison to 2011-12 has been mainly driven by increased employee expenditure (\$2.362m) reflecting increased staff numbers in the gas and electricity divisions, increased depreciation (\$0.300m), interest expense against loan (\$0.126m) and increased expenditure against computers (\$0.344m) in line with improved systems and staffing levels.

The increased costs have been offset by reductions in audit costs associated with reduced demand for Certificates of Electrical Safety (down \$0.067m), improved management of ESV's motor vehicles (and flow on impacts to FBT) (down \$0.190m), reduction in insurance premiums (down \$0.232m), general expenditure decreases (\$0.617m), decreased rents and outgoings (\$0.184m) and other reduced expenditure in respect of the Bushfire Taskforce following the wrap up of that project.

Capital projects were also deferred as business priorities changed during the year.

Discussion and analysis – Comprehensive operating statement

Income

Total income for the 2012-13 year was \$29.7m, which is an increase of \$0.6m over the previous year's total of \$29.1m. The major reasons for this variation are increased levy contributions (\$1.4m) and decreased fee income (\$0.7m). The comprehensive operating statement and note 2 discloses the individual movements over the financial period.

Expenses

Total expenses for the 2012-13 year were \$30.3m compared to \$29.1m for 2011-12. The increase of \$1.2m can be attributed mainly to increased employee benefit payments (\$2.4m), increased depreciation (\$0.3m), interest expense (\$0.1m), increased computing expenditure (\$0.3m) offset by reductions in audit costs (\$0.1m), motor vehicles (\$0.2m), improved insurance premiums (\$0.2m), general expenditure decreases (\$0.6m), decreased rents and outgoings (\$0.2m) and other various expenses (\$0.6m). The comprehensive operating statement and note 3 discloses the individual movements over the financial period.

Finance, Business Services, ICT and Project Management

Discussion and analysis – Balance sheet

Assets

Total assets at 30 June 2013 were \$12.1m compared to the 2011–12 total of \$13.2m. The major elements of the variation (\$1.1m) were a net decrease in plant and equipment and intangible assets (\$0.9m) and financial assets (\$0.2m).

Financial assets

Financial assets totalled \$7.0m (2011–12 \$7.2m). The major decrease was in receivables (\$0.4m) offset by increased cash at bank and deposits (\$0.2m).

Non-financial assets

Non-financial assets totalled \$5.1m (2011–12 \$6.0m). The major decrease being plant and equipment (\$0.8m) and intangible assets (\$0.2m).

Liabilities

Total liabilities at 30 June 2013 amounted to \$8.7m compared to the previous year's total of \$9.2m. The variation of \$0.5m is the result of decreased amounts in relation to fees in advance (\$0.3m) and decreased payables \$(0.2m).

Employee entitlements

A total of \$2.9m (2012 \$2.8m) is accrued for annual leave and long service leave payments to staff. Most of this will become payable at a future date.

Borrowings

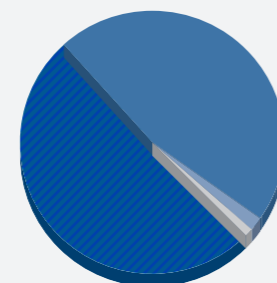
A total of \$4.0m (2012 \$4.0m), with repayments over a four-year period.

Goods or services not yet paid for

At the end of the year a total of \$1.2m was owed for goods or services already provided but not yet paid for. This was a decrease of \$0.2m over the corresponding figure last year.

Income

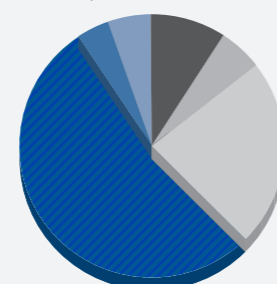
Total income \$29.7m



- Lewy funding \$15.1m
- Fees income \$13.8m
- Other income \$0.5m
- Interest \$0.3m

Expenses

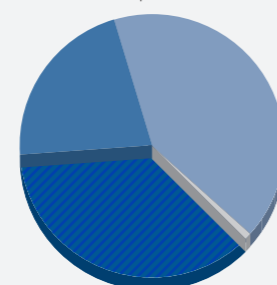
Total expenses \$30.2m



- Employee benefits \$16.0m
- Motor vehicles \$1.2m
- Depreciation \$1.6m
- Compliance audits \$2.8m
- Advertising \$1.6m
- Other operating expenses \$7.0m

Assets

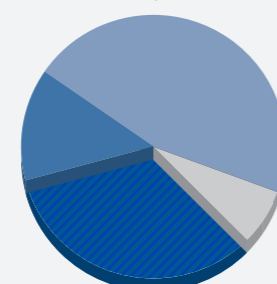
Total assets \$12.1m



- Cash & deposits \$4.4m
- Receivables \$2.6m
- Plant & equipment \$5.0m
- Prepayments \$0.1m

Liabilities

Total liabilities \$8.7m



- Provisions for employee entitlements \$2.9m
- Payables \$1.2m
- Borrowings \$4.0m
- Other liabilities \$0.6m

Financial statements

Accountable Officer's and Chief Finance and Accounting Officer's declaration

The attached financial statements for Energy Safe Victoria have been prepared in accordance with Standing Direction 4.2 of 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 2013 and financial position of Energy Safe Victoria as at 30 June 2013.

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

We authorise the attached financial statements for issue on 2 September 2013.

Paul Fearon
Director of Energy Safety
2 September 2013

Doug Bolam
Chief Financial Officer
2 September 2013

Financial statements

Comprehensive operating statement for the financial year ended 30 June 2013

(\$ thousand)

	Notes	2013	2012
CONTINUING OPERATIONS			
Income from transactions			
Sales of goods and services			
Fee income	2(a)	13,758	14,490
Levy income	2(a)	15,138	13,758
Interest	2(b)	250	205
Other income	2(c)	541	657
Total income from transactions		29,687	29,110
Expenses from transactions			
Employee expenses	3(a)	16,016	13,654
Compliance audit expenses		2,756	2,823
Advertising		1,603	1,698
Motor vehicles		1,246	1,436
Bushfire Taskforce expenditure		-	697
Consulting fees		1,056	1,478
Interest expense		133	7
Depreciation	3(b)	1,597	1,297
Other operating expenses	3(c)	5,758	5,965
Total expenses from transactions		30,165	29,055
Net result from transactions (net operating balance)		(478)	55
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on non-financial assets	4(a)	(66)	(34)
Net gain/(loss) on financial instruments	4(b)	(6)	(7)
Other gain/(loss) from other economic flows	4(c)	(38)	-
Total other economic flows included in net result		(110)	(41)
Net result from continuing operations		(588)	14
NET RESULT		(588)	14
COMPREHENSIVE RESULT		(588)	14

The comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2013

(\$ thousand)

	Notes	2013	2012
ASSETS			
Financial assets			
Cash and deposits		4,365	4,193
Receivables	5	2,643	3,016
Total financial assets		7,008	7,209
Non-financial assets			
Plant and equipment	6	2,512	3,290
Intangible assets	7	2,442	2,635
Prepaid expenditure		141	63
Total non-financial assets		5,095	5,988
Total assets		12,103	13,197
LIABILITIES			
Payables	8(a)	1,192	1,377
Borrowings	9	4,000	4,000
Provisions	10	2,868	2,747
Other liabilities	8(b)	247	295
Fees in advance	1(E)	353	747
Total liabilities		8,660	9,166
Net assets		3,443	4,031
EQUITY			
Accumulated surplus/(deficit)		(167)	421
Contributed capital		3,610	3,610
Net worth		3,443	4,031
Commitments for expenditure	12		
Contingent liabilities and contingent assets	13		

The above balance sheet should be read in conjunction with the accompanying notes.

Financial statements

Statement of changes in equity for the financial year ended 30 June 2013

(\$ thousand)

	Notes	Accumulated surplus/(deficit)	Contributions by owner	Total
Balance at 1 July 2011		407	3,610	4,017
Net result for the year		14	-	14
Balance at 30 June 2012		421	3,610	4,031
Net result for the year		(588)	-	(588)
Balance at 30 June 2013		(167)	3,610	3,443

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement for the financial year ended 30 June 2013

(\$ thousand)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from other entities		28,393	28,833
Goods and Services Tax recovered from the ATO [®]		976	1,771
Interest received		250	205
Total receipts		29,619	30,809
Payments			
Payments to suppliers and employees		(28,471)	(30,157)
Interest and other costs of finance paid		(129)	-
Total payments		(28,600)	(30,157)
Net cash flows from/(used in) operating activities	15	1,019	652
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(847)	(4,013)
Sale of non-financial assets		-	-
Net cash flows from/(used in) investing activities		(847)	(4,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	4,000
Repayment of borrowings		-	-
Net cash flows from/(used in) financing activities		-	4,000
Net increase/(decrease) in cash and cash equivalents		172	639
Cash and cash equivalents at the beginning of the financial year		4,193	3,554
Cash and cash equivalents at the end of the financial year		4,365	4,193

[®] GST received from the ATO is presented on a net basis.

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements for the financial year ended 30 June 2013

Note 1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Energy Safe Victoria (ESV) for the period ended 30 June 2013. The purpose of the report is to provide users with information about ESV's stewardship of resources entrusted to it.

(A) Statement of compliance

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

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 20.

These annual financial statements were authorised for issue by Doug Bolam, Chief Financial Officer of ESV, on 2 September 2013.

(B) Basis of accounting preparation and measurement

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of plant and equipment, refer to Note 1(J)
- the fair value of intangibles, refer to Note 1 (J)
- superannuation expense, refer to Note 1(F) and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates, refer to Note 1(K).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value; and
- financial instruments are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss).

(C) Reporting entity

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

ESV is a statutory authority acting on behalf of the Crown.

The financial statements include all the controlled activities of ESV. A description of the nature of the organisation's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Objectives

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

(D) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from transactions or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

Transactions and other economic flows are defined by the Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 Amendments to Australian System of Government Finance Statistics, 2005 (ABS Catalogue No. 5514.0).

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows in 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. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/ given free of charge or for nominal consideration) or where the final consideration is cash.

Other economic flows are changes in the volume or changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets, and fair value changes of financial instruments.

The net result is equivalent to profit or loss derived in accordance with AAS.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other economic flows – other movements in equity related to transactions with owner in its capacity as owner.

Rounding

Amounts in the financial statements have been rounded to the nearest \$1000, unless otherwise stated. Figures in the financial statements may not equate due to rounding. Please refer to the end of Note 20 for a style convention for explanations of minor discrepancies resulting from rounding.

(E) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

Sale of goods and services

Material ESV revenues arising from fee and levy income.

Fee income

- Sales of Certificates of Electrical Safety are recognised upon invoicing.
- Registration and licence fees paid by electrical workers are recognised upon receipt of income by ESV.
- Fees paid by members of the Victorian Electrolysis Committee to cover mitigation costs in accordance with the *Electricity Safety Act 1998* are recognised upon invoicing.

- Fees paid by manufacturers and importers of electrical equipment for Certificate of Safety approval prior to the goods being made available for sale are recognised upon receipt of income.
- Other sales and services includes appliance efficiency that is recognised upon receipt of income.

Levy income

- Levy charged on the electricity industry to ensure compliance with the *Electricity Safety Act 1998* and associated regulations, income recognised upon invoicing.
- Levies charged on the gas industry to ensure compliance with the *Gas Safety Act 1997* and associated regulations, income recognised upon invoicing.
- Levy charged on the pipelines industry to ensure compliance with the *Pipelines Act 2005* and associated regulations, income recognised upon invoicing.

Interest

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

Other income

Other income comprises income from installation exemptions, workers' compensation and reimbursements, staff contributions to motor vehicle expenses, sundry advertising co-contributions and bad debt reversals.

Income in advance

Income in advance has been invoiced for work to be undertaken in future periods. This includes reciprocal grant arrangements. It is disclosed as a liability (fees in advance) in the balance sheet.

(F) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

Employee expenses

Refer to the section in Note 1(K) regarding employee benefits. These expenses include all costs related to employment (other than superannuation, which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

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

Notes to the financial statements for the financial year ended 30 June 2013

Compliance audit expenses

Compliance audit expenses relate to payments paid to private inspection companies engaged by ESV to conduct audits, on behalf of ESV, on non-prescribed electrical installation work carried out by registered electrical contractors and licensed electrical workers.

Depreciation

All plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straightline basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1 (J) for the depreciation policy for leasehold improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. The following are typical estimated useful lives for the different asset classes for current and prior years.

Asset	Useful life
Furniture and fittings	2–3 years
Equipment	2–3 years
Leasehold improvements	5–6 years
Capitalised software development costs	3–7 years

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation 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.

On the other hand, the consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as an other economic flow in the net result.

Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

Interest expense

Interest expense is recognised as expense in the period in which it is incurred. Interest expense represents interest on a loan facility provided by the Treasury Corporation of Victoria.

Other operating expenses

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

Supplies and services

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(G) Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

Revaluation gain/(loss) of non-financial physical assets

Refer to Note 1(J) Revaluations of non-financial physical assets.

Disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Amortisation of non-produced intangible assets

Intangible non-produced assets with finite lives are amortised as an other economic flow on a systematic (typically straight-line) basis over the asset's useful life. 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.

Impairment of non-financial assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(J) in relation to the recognition and measurement of non-financial assets.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value
- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1(H)) and
- disposals of financial assets.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

(H) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of ESV's activities, certain financial assets and financial liabilities arise under statute rather than a contract.

Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of ESV are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

(i) Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits, refer to Note 1(I), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

(ii) Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

(iii) Financial liabilities at amortised cost

Financial instrument liabilities 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.

Financial instrument liabilities measured at amortised cost include all of ESV's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

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.

Notes to the financial statements for the financial year ended 30 June 2013

(I) Financial assets

Cash and deposits

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

Receivables

Receivables consist of:

- contractual receivables, which include mainly debtors in relation to goods and services, and
- statutory receivables, which include predominantly amounts owing from GST input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables, refer to Note (H) for recognition and measurement. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified. For the measurement principle of receivables, refer to Note 1(H).

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:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) 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.

Impairment of financial assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written-off by mutual consent are classified as a transaction expense. Bad debts not written-off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

(J) Non-financial assets

Plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost. For plant and equipment, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(G), Impairment of non-financial assets.

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in Other economic flows – other movements in equity, and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised in Other economic flows – other movements in equity to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in Other economic flows – other movements in equity reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets in a class of plant and equipment are offset against one another in that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

Intangible assets

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to ESV.

When the recognition criteria in AASB 138 Intangible Assets are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment. Refer to Note 1(F) Depreciation, Note 1(G) Amortisation of non-produced intangible assets and Note 1(G) Impairment of non-financial assets.

ESV only recognises software, ready-made or purpose-built, in its categorisation of intangible assets and the useful life of each such item is dependent on its actual usage.

Other non-financial assets

Prepayments

Other non-financial assets include prepayments, which represent income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to ESV prior to the end of the financial year that are unpaid, and arise when ESV becomes obliged to make future payments in respect of the purchase of those goods and services; and

(K) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to ESV prior to the end of the financial year that are unpaid, and arise when ESV becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost, refer to Note 1(H). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost because they do not arise from a contract.

Borrowings

All interest bearing liabilities are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether ESV has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

Provisions

Provisions are recognised when ESV has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is almost certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities that are expected to be settled within 12 months of the reporting period are measured at their nominal values. Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Notes to the financial statements for the financial year ended 30 June 2013

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements 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:

- nominal value-component that ESV expects to settle within 12 months; and
- present value-component that ESV does not expect to 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, refer to Note 1(G).

(iii) Termination benefits

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

Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers' compensation and superannuation are recognised separately from the provision for employee benefits.

(L) Operating leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. ESV only utilises operating leases in its activities as it believes that the risk and rewards for the leased items should reside with the lessor.

Operating lease payments are representative of the pattern of benefits derived from the leased asset and accordingly are charged to the comprehensive operating statement in the periods in which they are incurred. The leased asset is not recognised in the balance sheet.

For lease incentives that are received from entering into an operating lease, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

(M) Equity

Contributions by owners

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

(N) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. ESV has the following commitments - a) motor vehicle operating leases, b) office equipment leases and c) property occupancy leases for its offices at 4 Riverside Quay, Southbank and 540 Springvale Rd, Glen Waverley. The above commitments (refer to Note 12), which are at their nominal amounts, are inclusive of GST.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(O) Contingent assets and contingent liabilities

As a regulator, ESV has the responsibility to prosecute for breaches of the Electricity, Gas Safety and Pipelines Acts and associated regulations. Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 13) and are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(P) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments and contingent assets and liabilities are also stated inclusive of GST, refer to Note 1(N) and Note 1(O).

(Q) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between ESV and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events that occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions that arose after the end of the reporting period and that may have a material impact on the results of subsequent years.

(R) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2013, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2013. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on/after	Impact on public sector entity financial statements
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a fair value hierarchy that ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 January 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

ESV has not, and does not intend to adopt these standards early. ESV expects that the application of the said standards in the following year will have an insignificant impact on the financial statements.

(S) Correction of a prior period asset disclosure

The 2011-12 financial statement disclosed all asset work-in-progress within the intangible asset category. A component of that work-in-progress relates to leasehold improvement works that are classified as plant and equipment. This misclassification has no effect on the 2011-12 net result nor net assets.

Net carrying amount	2012 restated	2012
Plant and equipment	3,290	1,504
Intangible assets	2,635	4,421
Total	5,925	5,925

This misstatement has been corrected by restating the plant and equipment and intangible asset line items for the prior year.

Notes to the financial statements for the financial year ended 30 June 2013

Note 2 Income from transactions

	(\$ thousand)	
	2013	2012
(A) SALES OF GOODS AND SERVICES		
Fee income		
Certificates of Electrical Safety	8,646	9,114
Licence fees	3,148	3,451
Electrolysis	1,341	1,294
Approval fees	328	343
Other sales and services	295	288
	13,758	14,490
Levy income		
Industry levy – Gas	7,189	6,059
Industry levy – Electricity	7,290	7,190
Industry levy – Gas pipelines	659	509
	15,138	13,758
Total revenue from sale of goods and services	28,896	28,248
(B) INTEREST		
Interest from financial assets not at fair value through profit or loss		
Interest on bank deposits	250	205
Total interest	250	205
(C) OTHER INCOME		
Other income	539	657
Bad debt reversal	2	-
Total other income	541	657

Note 3 Expenses from transactions

	(\$ thousand)	
	2013	2012
(A) EMPLOYEE EXPENSES		
Salaries, wages and long service leave	13,302	11,749
Salary on-costs	1,381	798
Post-employment benefits		
Defined contribution superannuation expense	1,063	895
Defined benefit superannuation expense	270	212
Total employee benefits	16,016	13,654
(B) DEPRECIATION		
Plant and equipment	872	781
Intangible produced assets	725	516
Total depreciation	1,597	1,297
(C) OTHER OPERATING EXPENSES		
Supplies and services		
Rent and outgoing	1,215	1,399
Printing and stationery	257	296
Telecommunications	276	270
Legal fees	59	124
Administration fees - Certificates of Electrical Safety	359	358
Insurance	848	1,080
Computer expenses	1,092	748
Travel expenses	149	146
Compliance and audit services (including Bushfire Mitigation)	228	77
Other expenses	1,274	1,467
Total other operating expenses	5,758	5,965

Note 4 Other economic flows included in net result

	(\$ thousand)	
	2013	2012
(A) NET GAIN/(LOSS) ON NON-FINANCIAL ASSETS		
Net gain/(loss) on disposal of plant and equipment	(66)	(34)
Total net gain/(loss) on non-financial assets and liabilities	(66)	(34)
(B) NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS		
Impairment of:		
Loans and receivables through provision for doubtful debts	(6)	(7)
Total net gain/(loss) on financial instruments	(6)	(7)
(C) OTHER GAIN/(LOSS) FROM OTHER ECONOMIC FLOWS		
Net gain/(loss) arising from revaluation of long service liability	(38)	-
Total other gain/(loss) from other economic flows	(38)	-
TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT	(110)	(41)

Note 5 Receivables

	(\$ thousand)	
	2013	2012
CURRENT RECEIVABLES		
Contractual		
Distribution Businesses	1,448	1,360
Agent – Certificate of Electrical Safety	927	980
Electrolysis fees	72	24
Other receivables	103	507
Provision for doubtful contractual receivables	(6)	(7)
	2,544	2,864
Statutory		
Fines and regulatory fees	-	8
GST input tax credit recoverable	99	144
	99	152
Total current receivables	2,643	3,016
Total non-current receivables	-	-
TOTAL RECEIVABLES	2,643	3,016
(A) MOVEMENT IN THE PROVISION OF DOUBTFUL CONTRACTUAL LIABILITIES		
Balance at beginning of the year	(7)	(196)
Reversal of unused provision recognised in the net result	3	159
Increase in provision recognised in the net result	(6)	(7)
Reversal of provision of receivables written off during the year as uncollectable	4	37
Balance at end of the year	(6)	(7)

Notes to the financial statements for the financial year ended 30 June 2013

Note 6 Plant and equipment

Table 6.1
Classification by Purpose Groups – Gross carrying amount and accumulated depreciation (\$ thousand)

PUBLIC SAFETY AND ENVIRONMENT	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2013	2012	2013	2012	2013	2012
Nature-based classification						
Plant and equipment at fair value						
Furniture and fittings	467	124	135	84	332	40
Equipment	3,588	3,624	2,945	2,570	643	1,054
Leashold improvements	1,881	625	393	215	1,488	410
Assets under construction at cost	49	1,786	-	-	49	1,786
Net carrying amount of plant and equipment	5,985	6,159	3,473	2,869	2,512	3,290

Table 6.2
Movements in carrying amounts by purpose group (\$ thousand)

PUBLIC SAFETY AND ENVIRONMENT	2013	2012
Opening balance	3,290	1,450
Additions	160	2,406
Disposals	(66)	(34)
Transfers between asset sub-classes	-	249
Depreciation	(872)	(781)
Closing balance at fair value	2,512	3,290

Table 6.3
Aggregate depreciation recognised as an expense during the year (\$ thousand)

	2013	2012
Furniture and fixtures	(51)	(49)
Equipment	(527)	(601)
Leasehold improvements	(294)	(131)
	(872)	(781)

Note 7 Intangible assets

(\$ thousand)

	Computer software		Work in progress		Total	
	2013	2012	2013	2012	2013	2012
Gross carrying amount						
Opening balance	2,917	1,604	815	1,229	3,732	2,833
Additions	22	316	613	1,306	635	1,622
Other – Transfers between asset sub-classes	514	1,471	(617)	(1,720)	(103)	(249)
Disposals	(426)	(474)	-	-	(426)	(474)
Closing balance	3,027	2,917	812	815	3,838	3,732
Accumulated depreciation						
Opening balance	1,097	1,072	-	-	1,097	1,072
Depreciation of intangible produced assets	725	516	-	-	725	516
Disposals	(426)	(491)	-	-	(426)	(491)
Closing balance	1,396	1,097	-	-	1,396	1,097
Net book value at the end of the financial year	1,631	1,820	812	815	2,442	2,635

Significant intangible assets

In 2013, ESV capitalised intangible software of \$514,000 (2012 \$1,471,000) with the main items being the Pega Platform and the Business Management System software.

Note 8(a) Payables

	(\$ thousand)	
	2013	2012
CURRENT PAYABLES		
Contractual		
Amounts payable to other government agencies	7	-
Supplies and services	1,185	1,377
	1,192	1,377
Statutory		
	-	-
Total current payables	1,192	1,377
NON-CURRENT PAYABLES		
Contractual		
	-	-
Statutory		
	-	-
Total non-current payables	-	-
TOTAL PAYABLES	1,192	1,377

Note 8(b) Other liabilities

	(\$ thousand)	
	2013	2012
CURRENT OTHER LIABILITIES		
Contractual		
Supplies and services	247	295
	247	295
Statutory		
	-	-
Total current other liabilities	247	295
NON-CURRENT OTHER LIABILITIES		
Contractual		
	-	-
Statutory		
	-	-
Total non-current other liabilities	-	-
TOTAL OTHER LIABILITIES	247	295

Notes to the financial statements for the financial year ended 30 June 2013

Note 9 Borrowings

	(\$ thousand)	
	2013	2012
CURRENT BORROWINGS		
Unsecured		
Loan from Treasury Corporation of Victoria	1,029	4,000
Total current borrowings	1,029	4,000
NON-CURRENT BORROWINGS		
Unsecured		
Loan from Treasury Corporation of Victoria	2,971	-
Total non-current borrowings	2,971	-
TOTAL BORROWINGS	4,000	4,000

Note 14 discloses the maturity analysis of borrowings and the nature and extent of risks arising from borrowings.

Note 10 Provisions

	(\$ thousand)	
	2013	2012
CURRENT PROVISIONS		
Employee benefits		
Unconditional and expected to be settled within 12 months (annual leave)	908	915
Unconditional and expected to be settled after 12 months (annual leave)	160	161
Unconditional and expected to be settled within 12 months (long service leave)	99	145
Unconditional and expected to be settled after 12 months (long service leave)	1,220	1,062
	2,387	2,283
Provisions related to employee benefit on costs		
Unconditional and expected to be settled within 12 months	252	252
Unconditional and expected to be settled after 12 months	228	210
	480	462
Total current provisions	2,867	2,745
NON-CURRENT PROVISIONS		
Employee benefits	1	2
Employee benefit on-costs	-	-
Total non-current provisions	1	2
TOTAL PROVISIONS	2,868	2,747

Note 11 Superannuation

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

ESV does not recognise any defined benefit liability in respect of the plans because ESV has no legal or constructive obligations to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the state's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in ESV's comprehensive operating statement.

ESV made contributions (totalling \$1,332,457) to the following major superannuation funds during the year (2012 \$1,107,822):

- EquipSuper
- CBUS Super
- VicSuper
- Australian Super
- AMP
- Macquarie Super
- Care Super
- BT Lifetime Super
- MLC
- Hesta Super Fund

ESV does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The bases for contributions are determined by the various schemes.

Note 12 Commitments for expenditure

	(\$ thousand)	
	2013	2012
(A) LEASE COMMITMENTS PAYABLE		
(i) Motor vehicle operating lease commitments payable		
Less than 1 year	666	707
Longer than 1 year but no longer than 5 years	1,138	235
5 years or more	-	-
(ii) Office accommodation lease commitments payable		
Less than 1 year	990	861
Longer than 1 year but no longer than 5 years	3,081	3,102
5 years or more	110	699
Total lease commitments	5,985	5,604
Other	-	-
Total other expenditure commitments	-	-
Total commitments for expenditure (inclusive of GST)	5,985	5,604

The 2012-13 gross office accommodation commitment includes the lease on premises and outgoings for 4 Riverside Quay, Southbank and 540 Springvale Rd, Glen Waverley. The lease at 4 Riverside Quay, Southbank, expires in 2018 and is subject to annual increase of 5 per cent. The lease at 540 Springvale Road, Glen Waverley expires in 2015 and is subject to annual increase of 4 per cent.

The above commitments are inclusive of GST.

Notes to the financial statements for the financial year ended 30 June 2013

Note 13 Contingent assets and contingent liabilities

	(\$ thousand)	
	2013	2012
CONTINGENT LIABILITIES		
Bank guarantee in favour of the Mirvac Property Group related to L5, 4 Riverside Quay, Southbank, Victoria 3006	338	338
Total contingent liabilities	338	338

Note 14 Financial instruments

(A) Financial risk management objectives and policies Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Table 14.1
Categorisation of financial instruments (\$ thousand)

	2013	2012
CONTRACTUAL FINANCIAL ASSETS		
Cash and deposits	865	3,193
Receivables		
Sales of goods and services	2,441	2,357
Other receivables	103	507
Investments		
Term deposits	3,500	1,000
Total financial assets	6,909	7,057
FINANCIAL LIABILITIES		
Payables at amortised cost		
Other payables	1,192	1,377
Borrowings at amortised cost		
Loans from Treasury Corporation of Victoria	4,000	4,000
Total financial liabilities	5,192	5,377

(B) Credit risk

Credit risk arises from the financial assets of ESV, which comprise cash and deposits and loans and receivables. ESV's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the organisation. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the agency's financial assets at balance date in relation to each class of recognised financial asset is generally the maximum carrying amount, net of any provision for doubtful receivables.

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

Currently ESV does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Table discloses the maximum exposure to credit risk and the ageing of financial assets that are past due but not impaired.

Table 14.2
Ageing analysis of contractual financial assets (\$ thousand)

	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired financial assets
			Less than 1 month	1-3 months	3 months - 1 year	
2013						
Receivables						
Other receivables	2,544	2,331	32	84	97	6
Investments						
Term deposits	3,500	3,500	-	-	-	-
	6,044	5,831	32	84	97	6
2012						
Receivables						
Other receivables	2,864	1,195	919	723	27	7
Investments						
Term deposits	1,000	1,000	-	-	-	-
	3,864	2,195	919	723	27	7

Notes to the financial statements for the financial year ended 30 June 2013

(C) Liquidity risk

Liquidity risk is the risk that ESV would be unable to meet its financial obligations as they fall due. ESV operates under the government's fair payments policy of settling financial obligations within 30 days and, in the event of a dispute, makes payments within 30 days from the date of resolution.

ESV manages its liquidity risk by close monitoring by senior management of its short-term borrowings and maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations.

ESV's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available financial investments.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

Table 14.3 discloses the contractual maturity analysis for ESV's contractual financial liabilities.

Table 14.3
Maturity analysis of contractual financial liabilities

(\$ thousand)

	Carrying amount	Nominal amount	Less than 1 month	Maturity dates		
				1-3 months	3 months - 1 year	1-5 years
2013						
Payables						
Other payables	1,192	1,192	1,191	1	-	-
Borrowings						
Loan from Treasury Corporation of Victoria	4,000	4,000	-	-	-	4,000
	5,192	5,192	1,191	1	-	4,000
2012						
Payables						
Other payables	1,377	1,377	1,156	164	57	-
Borrowings						
Loan from Treasury Corporation of Victoria	4,000	4,000	4,000	-	-	-
	5,377	5,377	5,156	164	57	-

(D) Market risk

ESV's exposure to market risk is primarily through interest rate risk and it does not have, nor intend to have, any exposure to foreign currency risk, or other price risk.

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, therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that 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 its cash and deposits and term deposits that are at floating rate.

ESV manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only significant amounts of financial instruments at floating rate. Management has concluded for cash at bank, as financial assets they can be left at floating rate without necessarily exposing ESV to significant bad risk. Management monitors movement in interest rates on a regular basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 14.4. In addition, ESV's sensitivity to interest rate risk is set out in Table 14.5.

Table 14.4
Interest rate exposure of financial instruments

(\$ thousand)

	Interest rate%	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2013 financial assets					
Cash and deposits	2.6%	4,365	865	3,500	-
Receivables					
Other receivables	-	2,544	-	-	2,544
Total financial assets		6,909	865	3,500	2,544
Financial liabilities					
Payables					
Other payables	-	1,192	-	-	1,192
Borrowings					
Loan from Treasury Corporation of Victoria	3.2%	4,000	-	4,000	-
Total financial liabilities		5,192	-	4,000	1,192
2012 financial assets					
Cash and deposits	3.4%	4,193	3,193	1,000	-
Receivables					
Other receivables	-	2,864	-	-	2,864
Total financial assets		7,057	3,193	1,000	2,864
Financial liabilities					
Payables					
Other payables	-	1,377	-	-	1,377
Borrowings					
Loan from Treasury Corporation of Victoria	3.7%	4,000	-	4,000	-
Total financial liabilities		5,377	-	4,000	1,377

Notes to the financial statements for the financial year ended 30 June 2013

Table 14.5
Interest rate risk sensitivity

Interest Rate Risk (\$ thousand)

	Carrying amount	-100 basis points		+100 basis points	
		Net result	Available-for-sale reserve	Net result	Available-for-sale reserve
2013 contractual financial assets					
Cash and deposits	865	(9)	-	9	-
Investments	3,500	-	-	-	-
Total contractual financial assets	4,365	(9)	-	9	-
Contractual financial liabilities					
Borrowings	4,000	(40)	-	40	-
Total contractual financial liabilities	4,000	(40)	-	40	-
	Carrying amount	-100 basis points		+100 basis points	
		Net result	Available-for-sale reserve	Net result	Available-for-sale reserve
2012 contractual financial assets					
Cash and deposits	3,193	(32)	-	32	-
Investments	1,000	-	-	-	-
Total contractual financial assets	4,193	(32)	-	32	-
Contractual financial liabilities					
Borrowings	4,000	(40)	-	40	-
Total contractual financial liabilities	4,000	(40)	-	40	-

As ESV does not, nor intends to, have exposure to foreign exchange and other price risk, no sensitivity analysis about these items has been made.

(E) Fair value

Due to the nature of cash deposits, the short-term nature of the current receivables and payables, the carrying value is assumed to approximate their fair value and therefore a fair value hierarchy disclosure by levels is not required.

The following table shows that the fair values of most of the financial assets and financial liabilities approximate their carrying values.

Table 14.6
Comparison between carrying amount and fair value

(\$ thousand)

	Carrying amount		Fair value	
	2013	2012	2013	2012
Contractual financial assets				
Cash and deposits	865	3,193	865	3,193
Receivables	2,441	2,864	2,435	2,857
Term deposits	3,500	1,000	3,500	1,000
Total contractual financial assets	6,806	7,057	6,800	7,050
Contractual financial liabilities				
Borrowings	4,000	4,000	4,000	4,000
Payables	1,192	1,377	1,192	1,377
Total contractual financial liabilities	5,192	5,377	5,192	5,377
NET VALUE	1,614	1,680	1,608	1,673

Note 15 Cash flow information

(\$ thousand)

2013 2012

RECONCILIATION OF NET RESULT FOR THE PERIOD

Net result for the period (588) 14

Non-cash movements

(Gain)/loss on sale or disposal of non-current assets	66	34
Depreciation and amortisation of non-current assets	1,597	1,297
Increase/(decrease) in provision for bad and doubtful debts	(2)	(189)

Movements in assets and liabilities

(Increase)/decrease in receivables	374	(238)
(Increase)/decrease in other current assets	(77)	8
(Decrease)/increase in payables	(29)	(399)
(Decrease)/increase in other liabilities	(48)	(592)
(Decrease)/increase in provisions	120	169
(Decrease)/increase in fees in advance	(394)	548

Net cash flows from/(used in) operating activities 1,019 652

Note 16 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding the responsible persons for the reporting period.

Names

The persons who held the positions of Ministers and Accountable Officers at any one time during the financial year are:

Minister for Energy and Resources

The Hon. Michael O'Brien MP 1 July 2012 - 13 March 2013
The Hon. Nicholas Kotsiras MP 13 March 2013 - 30 June 2013

Director of Energy Safety

Mr Paul Fearon 1 July 2012 - 30 June 2013

Remuneration

Remuneration received or receivable by the accountable officer in connection with the management of ESV during the reporting period was in the range \$250,000-\$259,999. (In 2011-12 it was \$250,000-\$259,999).

The Accountable Officer's remuneration for the year 1 July 2012 to 30 June 2013 includes payment of annual leave.

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Other transactions

Other related party transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

Notes to the financial statements for the financial year ended 30 June 2013

Note 17 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Several factors affected total remuneration payable to executives over the year. A number of executives received bonus payments and these bonus payments depend on the terms of individual employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract.

REMUNERATION OF EXECUTIVES

Income band	Total remuneration		Base remuneration	
	2013	2012	2013	2012
	No.	No.	No.	No.
\$100,000 – 109,999	-	1	-	-
\$110,000 – 119,999	-	-	-	-
\$120,000 – 129,999	-	-	1	2
\$130,000 – 139,999	-	-	1	-
\$140,000 – 149,999	2	2	1	2
\$150,000 – 159,999	-	1	1	1
\$160,000 – 169,999	1	1	1	-
\$170,000 – 179,999	1	1	-	2
\$180,000 – 189,999	1	-	1	-
\$190,000 – 199,999	-	-	2	-
\$200,000 – 209,999	1	2	-	-
\$210,000 – 219,999	-	-	-	-
\$220,000 – 229,999	2	-	-	-
Total number of executives	8	8	8	7
Total annualised employee equivalent (AEE) ^(a)	8.2	7.6	8.2	7
Total amount (\$000)	\$1,478	\$1,305	\$1,301	\$1,135

Note: (a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

ESV did not make any payments to contractors charged with significant management responsibilities from 1 July 2012 to 30 June 2013.

Note 18 Remuneration of auditors

	(\$ thousand)	
	2013	2012
Audit or review of the financial statements - VAGO	28	26

Note: This amount is inclusive of GST.

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

Note 19 Subsequent Events

There has been no significant event that has occurred post reporting date.

Note 20 Glossary of terms and style conventions

Glossary

Amortisation

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

Borrowings

Borrowings refer to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria.

Commitments

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Depreciation

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 transaction.

Effective interest method

The effective interest method is 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 instrument or, where appropriate, a shorter period.

Employee benefits expenses

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

A financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual or statutory right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) 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:
 - (i) 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
 - (ii) 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

Depending on the context of the sentence where the term financial statements is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term financial report under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Intangible produced assets

Refer to produced assets in this glossary.



Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Director, Energy Safe Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of Energy Safe Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Director's Responsibility for the Financial Report

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

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial report.

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

Auditing in the Public Interest

Interest expense

Costs incurred in connection with the borrowing of funds includes interest on borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income

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

Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net result

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

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income 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 worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not financial assets. It includes plant and equipment, and intangible assets.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets; and
- fair value changes of financial instruments.

In simple terms, other economic flows are changes arising from market re-measurements.

Payables

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

Produced assets

Produced assets include plant and equipment, and certain intangible assets. Intangible produced assets include computer software costs.

Receivables

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

Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. User charges includes sale of goods and services income.

Supplies and services

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.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in 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. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided or 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.

Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2012-13 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of ESV's annual reports.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Energy Safe Victoria as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Energy Safe Victoria for the year ended 30 June 2013 included both in Energy Safe Victoria's annual report and on the website. The Director of Energy Safe Victoria is responsible for the integrity of Energy Safe Victoria's website. I have not been engaged to report on the integrity of Energy Safe Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
3 September 2013


for John Doyle
Auditor-General

Demonstrating accountability

Accounting policies

Refer to Note 1(a) Summary of Significant Accounting Policies in the Finance section on page 26.

ESV's corporate structure

Director of Energy Safety

Paul Fearon

Executive direction and leadership of Energy Safe Victoria and exercise of all powers under the Act.

Policy and Strategy

Deputy Director

Mike Ebdon PSM

Emergency management, legal/legislation, prosecutions, ESV risk management and national harmonization.

Electrical Infrastructure Safety

Executive Manager

Robert Skene

Electricity infrastructure and infrastructure standards.

Electrical Installations, Licensing and Equipment Safety

Executive Manager

Neil Fraser

Electrical installation and equipment standards, equipment approvals and point of sale audits, energy efficiency of equipment, electrical installation inspections, licensing, Certificates of Electrical Safety administration, investigations and training.

Gas and Pipeline Infrastructure Safety

Executive Manager

Graeme Cook

Gas infrastructure, licensed pipelines and electrolysis mitigation.

Gas Installation and Appliance Safety

Executive Manager

Paul Bonsak

Gas installations and standards, safety inspections and approvals for major events, safety audits of Type-B gas appliances, energy efficiency ratings of gas appliances, audits of retailers of gas appliances and investigations.

Finance and ICT

Chief Financial Officer

Doug Bolam

Finance and administration, information technology.

Media and Communications

Executive Manager

Sharon Rainsbury

Community education and communications, media, publications including brochures, industry communications.

Human resources

Executive Manager

Jana Vihm

Human resources, training and recruitment.

Demonstrating accountability

Audit & Risk Committee

The Audit & Risk Committee's purpose is to overview:

- financial performance and the financial reporting process, including the annual financial statements
- recommending to the Director the engagement and, if required, the dismissal of any internal auditor
- the scope of work, performance and independence of the internal auditor
- the scope of work, independence and performance of the external auditor
- the operation and implementation of ESV's risk management framework
- matters of accountability and internal control affecting ESV's operations
- the effectiveness of ESV's management information systems and other systems of internal control
- the acceptability of and correct accounting treatment for and disclosure of significant transactions that are not part of ESV's normal course of business
- the approval and sign-off of accounting policies and changes in those policies
- ESV's process for monitoring compliance with laws and regulations including the Code of Conduct for the Victorian Public Sector and ESV's own Code of Financial Practice.

During 2012–13, the ESV Audit & Risk Committee consisted of the following independent members:

Ian Cuthbertson (Chair)

A qualified accountant with a background of senior finance positions in Victorian manufacturing, Ian was appointed the inaugural Chief Finance Officer and Secretary of Victorian Power Exchange, a statutory authority established to run the Victorian Electricity Market following major reforms. Ian was later appointed the inaugural Chief Finance Officer and Secretary of another statutory authority established to run the gas market. He is presently a member and Chairman of two other Audit and Risk Committees.

Dr Anne Astin PSM

Anne is a former CEO of Dairy Food Safety Victoria and has held a number of senior executive and management positions in the Victorian public sector. She is Chair of Australia's and New Zealand's Ministerial Forum of Food Regulators Implementation Subcommittee (ISC), Chair of Wellsprings for Women Inc, a not-for-profit organisation that provides integration and training programs to isolated women, and a Director of Australian Dairy Farmers Ltd. She has also held Directorships at Dairy Australia and the Melbourne Royal Botanic Gardens.

Bob Scott

Since graduating from Melbourne University in 1964 as an electrical engineer, Bob has worked in the energy industry in various roles. He spent 30 years with the former SECV, followed by five years as the Retail General Manager of Eastern Energy. In 2002 he accepted a five-year, part-time role as a Commissioner with the Essential Services Commission. He also works as a consultant and has acted as an arbitrator in a commercial contract dispute in Vanuatu's electricity industry.

Joh Barker (from 24 September, 2012)

A certified practising accountant, Johanna (Joh) Barker has been an executive with ANZ Ltd since 2004 with responsibility for a number of departments including risk and performance management across both infrastructure and innovation. Prior to this she held senior roles with leading IT and consulting firms including IBM. Since 2007, Joh has been the Chair of the Royal Showgrounds Joint Venture. For more than 20 years she has been contributing her expertise in business, finance, auditing and risk in both the private and public domain, including executive director for SMS Ltd and independent member of several state and commonwealth committees, including the Victorian Government Shared Services Advisory Board, the North East Catchment Management Authority and risk audit and finance committees across a number of government departments.

Dr Geoff White (1 July - 31 August)

Geoff has more than 40 years' experience in the energy industry, primarily in the areas of system and market operations. He worked for many years with the SECV, primarily on power system network analysis and development of IT systems to support the main electricity grid operations. He has also worked with the Victorian Power Exchange and VENCORP. Since retiring in 2005, he has completed a number of part-time assignments including IT project management, IT strategy development, outsourcing of IT support functions and auditing of metering asset management.

Stakeholders

ESV's success in ensuring safety and compliance outcomes relies on the actions, commitment and cooperation of a range of safety stakeholders in industry, community and government. Each of these parties has a direct interest and stake in achieving electricity, gas and pipeline safety. The key stakeholders are identified in the following table.

STAKEHOLDER	DESCRIPTION
Community	<ul style="list-style-type: none"> - Includes the general community who can be affected by the safety and technical compliance of energy infrastructure, installations, equipment and licensed pipelines, while also directly contributing to safety through their actions.
Parties working on and/or responsible for energy infrastructure, installations and equipment	<ul style="list-style-type: none"> - Electrical workers, including licensed electrical inspectors, registered electrical contractors and licensed electrical installation workers. - Gasfitters, including licensed gasfitters, registered gasfitters and service and maintenance workers. - Electricity generation, transmission, distribution and retail businesses, the traction industry and other network operators. - Gas transmission and retail businesses and other network operators. - Pipeline licensees of non-gas pipelines. - Manufacturers, importers, wholesalers and retailers of electrical equipment and gas appliances. - Stray current mitigation stakeholders (water authorities, gas authorities, oil industry, telecommunications industry, electricity industry, traction companies).
Government and regulatory agencies and departments	<ul style="list-style-type: none"> - Minister for Energy and Resources and associated government departments (Department of State Development, Business and Innovation and others as appropriate). - Standing Council on Energy and Resources (SCER) through bodies such as ERAC and GTRC. - WorkSafe Victoria (Victorian Workcover Authority). - Victorian Building Authority (previously Plumbing Industry Commission). - Building Commission. - Electrical Regulatory Authorities Council (ERAC), Gas Technical Regulators' Committee (GTRC). - Fire authorities – Metropolitan Fire Brigade, Country Fire Authority and the Department of Environment and Primary Industries. - Local municipal authorities, Municipal Association of Victoria and the Victorian Local Governance Association. - Energy and Water Ombudsman (Victoria). - Environment Protection Authority (EPA) Victoria. - Essential Services Commission (ESC). - State Coroner's Office of Victoria. - Australian Economic Regulator (AER). - Australian Energy Market Operator (AEMO). - Commonwealth agencies (ORER, DCE).
Associations and training and education bodies	<ul style="list-style-type: none"> - Tertiary and other education providers (TAFEs, private training providers, Australian technical colleges, Electricity Industry Advisory Group (EIAG), Electroskills Council, EPIC Industry Training Board, EE-Oz. - Unions and industry associations (NECA, ETU and the Institute of Electrical Inspectors).

Demonstrating accountability

Consultancies

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST)	Exp. to 30 June 2012 (ex. GST)	2012-13 expenditure (ex. GST)	Future expenditure (ex. GST)
Battiston Consultancy	ESV Transformation Program	August 2010	September 2012	725,000	617,000	95,000	-
	Supplier selection for emergency call management services	April 2013	September 2013	22,000	-	22,000	-
	Organisational review of ICT and Project Management Office	June 2013	June 2013	14,000	-	14,000	-
Jaguar Consulting	Preparation of Regulatory Impact Statement (RIS) for bushfire mitigation regulation	October 2012	March 2013	45,000	-	33,000	-
	Mitigation of Bushfire Risk White Paper and Business Impact Assessment (BIA)	September 2012	March 2013	59,000	-	59,000	-
	BIA for legislation to introduce the Electrical Equipment Safety System (EESS)	March 2012	October 2012	41,000	16,000	23,000	-
	Review of Bushfire Mitigation Statutory Provisions	December 2011	September 2012	49,000	20,000	29,000	-
	Supplementary EESS paper	February 2013	April 2013	12,000	-	12,000	-
Plato Group	Targeted recruitment services	July 2012	Ongoing as required	180,000	-	90,000	90,000
Frontier Software	CHRIS 21 project	March 2012	May 2013	146,000	69,000	82,000	-
IJM Consulting	Bushfire mitigation	September 2012	April 2013	108,000	-	108,000	-
Glenergy Services	Type B guides, training and standards	May 2012	December 2012	91,000	14,000	59,000	17,000
Pegasystems	Technical advice on PEGA applications	November 2012	June 2013	90,000	60,000	12,000	-
Ausgrid Testing & Certification	Develop test program for bushfire mitigation	December 2012	April 2013	77,000	-	77,000	-
HRL Technology	Auto-reclose ignition research program	March 2013	March 2013	50,000	-	51,000	-
Technology One	Technical advice on Business Management System	December 2012	June 2013	40,000	-	36,000	4,000

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST)	Exp. to 30 June 2012 (ex. GST)	2012-13 expenditure (ex. GST)	Future expenditure (ex. GST)
Page Consulting	Fleet asset selection review	April 2013	May 2013	35,000	-	36,000	-
Utilities Consolidated Holding	Consulting advice on ESV insurance services	July 2012	June 2013	32,000	-	32,000	-
Marxsen Consulting	Arc-ignition research support	March 2013	March 2013	25,000	-	20,000	-
DLA Piper	Investigation of complaint	January 2013	May 2013	26,000	-	18,000	8,000
Portland Group	Motor vehicle fleet sourcing and contract negotiation	July 2012	March 2013	25,000	-	25,000	-
Marksman Consulting Services	Model of electric line clearance plan	October 2012	January 2013	22,000	-	11,000	-
Moore Stephens	Biennial tax review	March 2013	June 2013	20,000	-	20,000	-
RSM Bird Cameron	Drafting of audit manual	July 2012	December 2012	20,000	-	20,000	-
Hay Group	Job Relativity Report	August 2012	August 2012	17,000	-	17,000	-
R2A	Enterprise risk management due diligence review	October 2012	November 2012	17,000	-	17,000	-
iedex online	Provide leadership diagnostic tools, analyse results and report on outcomes	January 2013	March 2013	11,000	-	11,000	-
TOTAL				1,999,000	795,000	1,029,000	119,000

Details of consultancies under \$10,000

In 2012-13, the total for the 13 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000, was \$26,562. All figures are exclusive of GST.

Disclosure of major contracts

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

Pecuniary interests

A declaration of pecuniary interests was completed by all relevant staff for this reporting period.

Demonstrating accountability

Whistleblowers Protection Act 2001 and Protected Disclosure Act 2012

ESV is committed to the aims and objectives of the *Whistleblowers Protection Act 2001* and the *Protected Disclosure Act 2012*. In keeping with the requirements of the Act, ESV reports the following Whistleblower disclosures for 1 July 2012 - 10 February 2013. From 10 February 2013, any disclosures were made to IBAC.

WHISTLEBLOWER DISCLOSURES	
Total disclosures made to ESV 1 July - 10 February 2013	1
Disclosures referred to the Ombudsman	0
Disclosures referred to ESV by Ombudsman	0
Disclosures referred by ESV to the Ombudsman	0
Investigations of disclosures taken over by the Ombudsman from ESV	0
Requests by whistleblower to have their disclosure investigated by the Ombudsman due to dissatisfaction with the way ESV is investigating the matter	0
Disclosures that ESV declined to investigate	0
Disclosed matters that were substantiated on investigation and action taken on completion of the investigation	0
Recommendations made by the Ombudsman that relate to ESV	0

From 10 February 2013, disclosures of improper conduct by ESV must be made to the Independent Broad-based Anti-Corruption Commission (IBAC). IBAC can be contacted as follows:

IBAC
Level 1, North Tower
459 Collins St
Melbourne VIC 3000
Postal address:
GPO Box 24234
Melbourne VIC 3001
Telephone: 1300 735 135

Copies of ESV's Protected Disclosure Act Procedures are available on the website at www.esv.vic.gov.au.

Disclosures may also be made directly to the Ombudsman:

The Ombudsman Victoria
Level 9, North Tower
459 Collins Street
Melbourne Victoria 3000
www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au
Ph: 9613 6222
Toll Free: 1800 806 314

Information Privacy Act 2000

In keeping with the *Information Privacy Act 2000*, ESV has developed and implemented a Privacy Policy.

ESV's Privacy Policy can be obtained from ESV or viewed on the website at www.esv.vic.gov.au.

All staff are progressively being trained in the information privacy principles contained in the *Information Privacy Act 2000* and in ESV's policy.

Freedom of Information

ESV received 29 freedom of information requests from 1 July 2012 to 30 June 2013. Twenty-seven applications were completed within the financial year.

All requests were dealt with in accordance with the *Freedom of Information Act 1982*.

Application fees and access charges received during this reporting period totalled \$700. Fees waived in 2012-13 totalled \$27.90.

Freedom of information requests must be made in writing, accompanied by a \$25.70 application fee payable to Energy Safe Victoria and be addressed to:

Freedom of Information Officer
Energy Safe Victoria
PO Box 262
Collins Street West Vic 8007

Energy Safe Victoria Act committees

ESV may establish committees that consist of employees and other people determined by Energy Safe Victoria under the auspices of the *Energy Safe Victoria Act* (Section 8). ESV must appoint one of the members of the committee as Chair.

Committees established under the *Energy Safe Victoria Act* are:

Incident Review and Prevention Committee

Reviews electrical incidents involving electricity supply networks, equipment and installations and provides advice on the means for preventing incident re-occurrence.

Electrical Safety Committee

Provides advice to ESV on the setting of safety standards for work on or near high voltage electrical installations and to the electricity industry on high voltage electrical safety.

Victorian Foundations for Safety Committee

Provides advice to ESV on safe working methods for electrical installations.

Electricity Safety Act Committees

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

Equipment Advisory Committee (Section 50)

Provides advice to ESV or the Minister on safety standards for electrical equipment and the procedures for monitoring compliance with the safety standards.

Electric Line Clearance Consultative Committee (Section 87)

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

Victorian Electrolysis Committee (Section 91)

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

Other committees

ESV participates in a variety of other consultative committees, with a range of different external stakeholders.

Energy Supply Industry Safety Committee (ESISC)

Provides advice and assists in the development and implementation of a nationally harmonised safety framework for the energy supply industry. There are representatives from each of the state, territory and commonwealth governments, gas and electricity industries, unions, contractor businesses and industry skills council.

Electrical Regulatory Authorities Council

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

Standards – Energy – Technical Committees

Reviews and develops relevant Australian and international standards in relation to electricity and gas.

Integrated Fire Management Planning – State Committee

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

Gas Technical Regulators' Committee

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

Plumbing Industry Advisory Council

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

National Appliance and Equipment Energy Efficiency Committee (E3 Committee)

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

Consultative committees:

Gas transportation and supply, gas retailers, and LPG

ESV coordinates separate meetings for the industry representatives of gas transportation and supply, gas retailers and LPG to share information and discuss industry issues.

Pipeline Consultative Meeting

ESV coordinates meetings to share information and discuss industry issues.

Demonstrating accountability

Gas appliances

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

Gas – Building Industries Regulators' Forum

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

LPG Safety Committee

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

Renewable and Emerging Technologies Committee

Provides advice to ESV on safety issues and possible regulatory responses arising from the adoption of new technologies such as solar panels.

Compliance with the Building Act 1993

ESV does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Victorian Industry Participation Policy

ESV has not entered into any contracts over \$3 million in metropolitan Melbourne or \$1 million in regional Victoria. Therefore, the Victorian Industry Participation Policy (VIPP) does not apply.

National Competition Policy

The regulations made during the year were reviewed for compliance with national competition policy. These regulations are consistent with the national competition policy principles.

Risk attestation

I, Paul Fearon, certify that Energy Safe Victoria has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit Committee verifies this assurance and that the risk profile of Energy Safe Victoria has been critically reviewed within the last 12 months.



Paul Fearon

Director of Energy Safety
2 September 2013

Insurance attestation

I, Paul Fearon, certify that Energy Safe Victoria has complied with Ministerial Direction 4.5.5.1 – Insurance.



Paul Fearon

Director of Energy Safety
2 September 2013

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

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Abbreviations

NOTES

ACMA	Australian Communications and Media Authority	LEI	Licensed electrical inspector
AER	Australian Energy Regulator	LV	Low voltage
BMP	Bushfire Mitigation Plan	MAV	Municipal Association of Victoria
CFA	Country Fire Authority	MEC	Major electricity companies
CO	Carbon monoxide	MEPS	Minimum Energy Performance Standards
COES	Certificate of Electrical Safety	MFB	Metropolitan Fire and Emergency Services Board
COP	Code of Practice	NA	Not applicable
EESS	Electrical Equipment Safety System	NECS	National Energy Customer Framework
EILES	Electrical Installations, Licensing and Equipment Safety	NOLS	National Occupational Licensing Scheme
ECOP	Events Code of Practice	NRC	National Response Centre
ELCCC	Electric Line Clearance Consultative Committee	OHS	Occupational health and safety
ENISC	Energy Networks Industry Safety Committee	PBST	Powerline Bushfire Safety Taskforce
ERAC	Electrical Regulatory Authorities Council	PIC	Plumbing Industry Commission (now VBA)
ESMSs	Electricity Safety Management Schemes	PICAC	Plumbing Industry Climate Action Centre
ESV	Energy Safe Victoria	PMO	Project Management Office
GIAS	Gas Installations and Appliance Safety	POEL	Private Overhead Electric Line
GTRC	Gas Technical Regulators' Committee	REC	Registered electrical contractor
HR	Human resources	RTO	Registered Training Organisation
HV	High voltage	VBA	Victorian Building Authority (formerly PIC)
IGA	Intergovernmental Agreement	VEC	Victorian Energy Efficiency Target
LDAP	Land Development Around Pipelines Working Group	VEC	Victorian Electrolysis Committee
LEA	Licensed electrical assesment	WMS	Work Management System

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