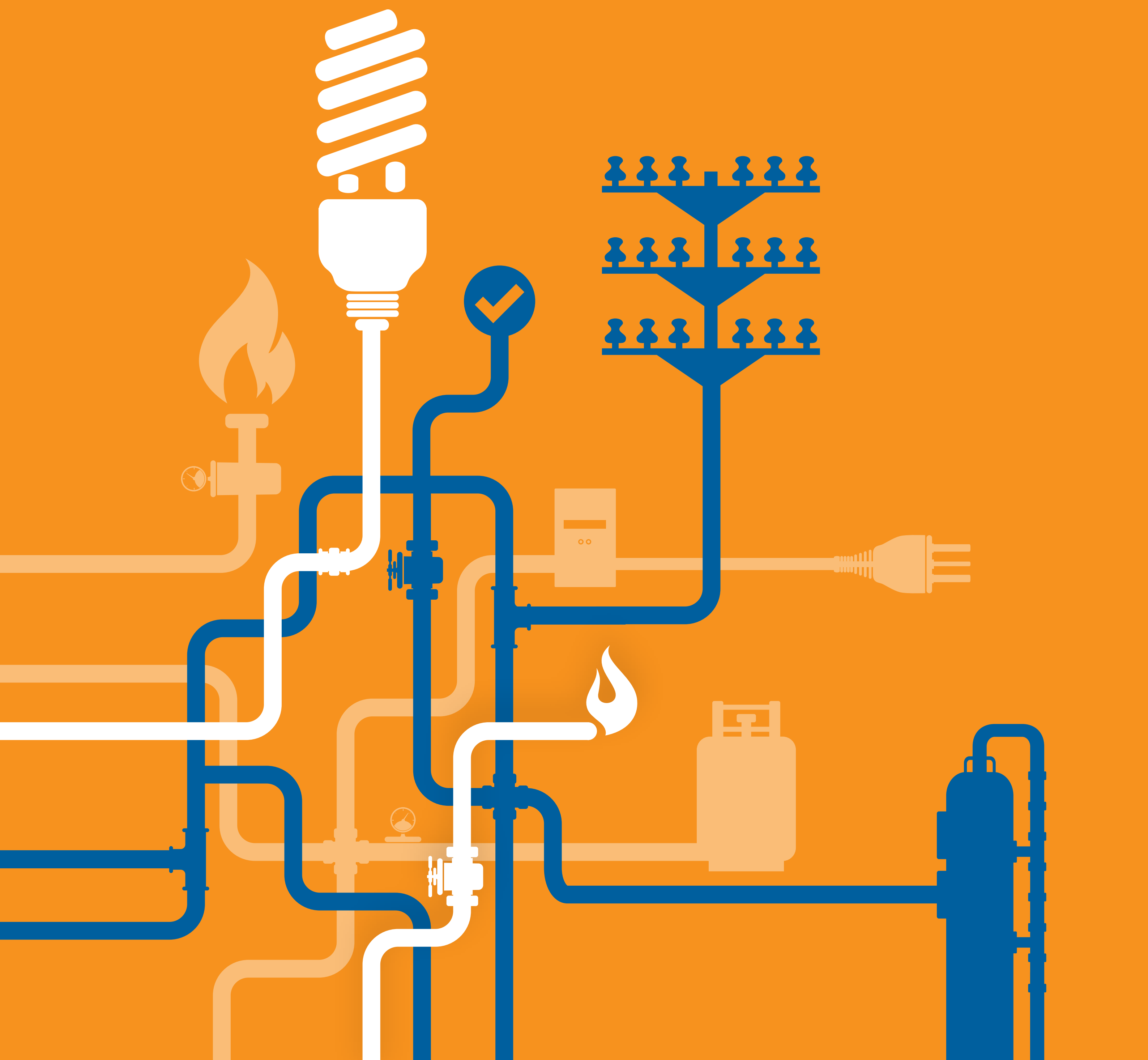
Energy Safe Victoria
Annual Report 2014–15

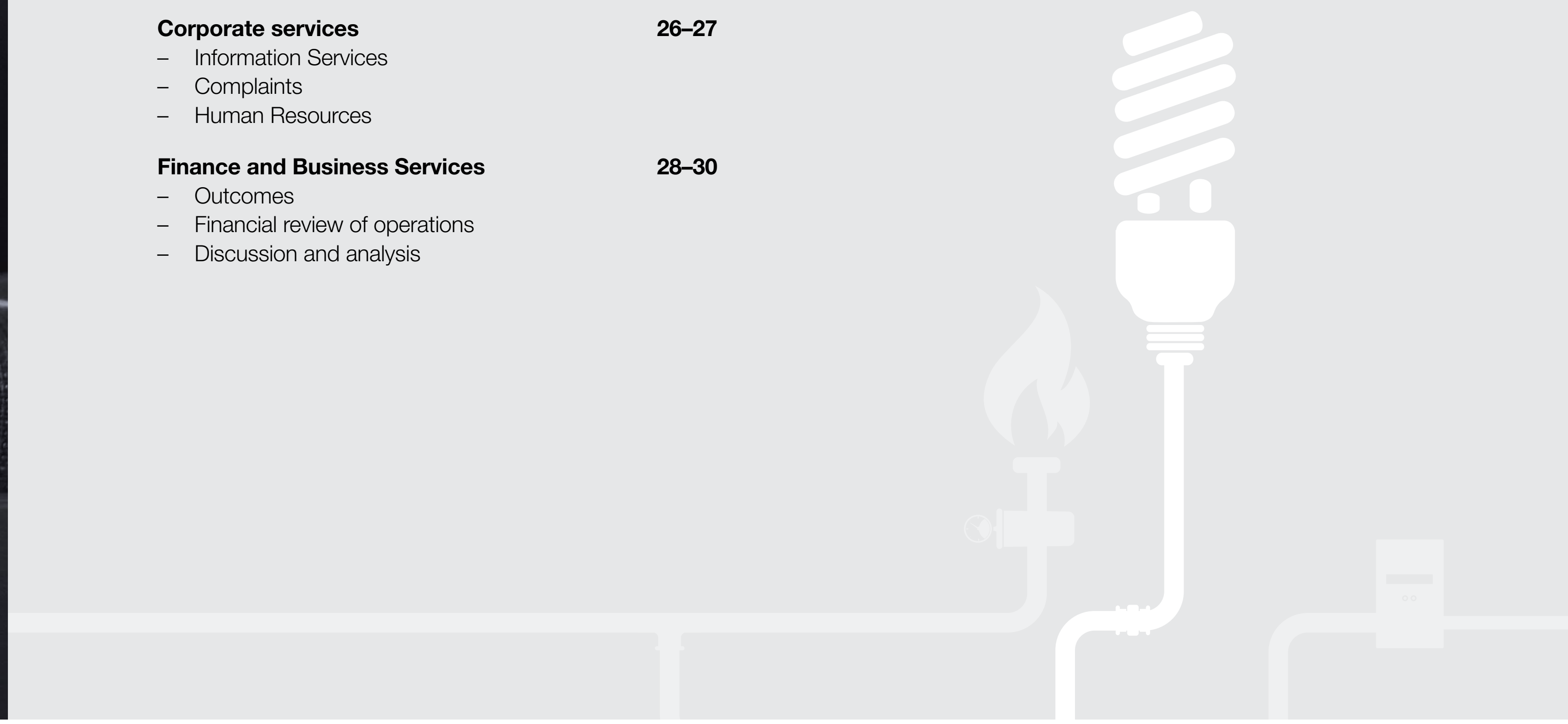
energysafe VICTORIA

Creating a safer state with electricity and gas



Cold feet: This stark image from ESV's new carbon monoxide television commercial graphically illustrates what could happen if you don't get your gas heater serviced every two years.

Contents



About Energy Safe Victoria

Creating a safer state with electricity and gas

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

ESV aspires to make Victoria 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 its pipelines.

Our mission

ESV aspires to make Victoria 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 its pipelines.

Our values

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.

Our vision

In five years, ESV will be recognised as making a real and substantial difference to safety outcomes in Victoria through continuous improvement in regulatory practices, effective use of resources and efficient business operations.

The nature and scope of our activities are defined by our mission, objectives, functions and responsibilities, which are described in 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.

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

Ensure electrical safety

Ensure the electrical safety of electrical generation, transmission and distribution systems, electrical installations and electrical equipment.

Control the electrical safety standards of electrical work carried out by electrical workers.

Promote the prevention and mitigation of bushfire danger.

Ensure gas safety

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

Control the safety standards of gas work.

Ensure pipeline safety

Protect underground and underwater structures from corrosion caused by stray electrical currents.

Protect the public from environmental, health and safety risks resulting from the construction and operation of pipelines.

Promote energy awareness

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.

Maintain public and industry awareness of electrical and gas safety requirements.

Strategic statement

ESV strategic statement

ESV aspires to make Victoria 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 its pipelines

In five years ESV will be recognised as making a real and substantial difference to safety outcomes in Victoria through continuous improvement in its regulatory practices, effective use of resources, and efficient business operations

energysafe VICTORIA Creating a safer state with electricity and gas

Our work as a regulator will be grounded on our four values: respect partnerships integrity accountability

Intent

Licence, approve, accept being accurate, efficient and transparent in the granting/withholding of licences, approvals and acceptances

Monitor and audit testing and challenging those responsible for the prevention and mitigation of death, injury and damage to people, property and the environment

Educate and encourage

Enforce compliance fully applying the available range of enforcement methods to ensure compliance

Core function support promoting overall corporate efficiency and effectiveness by driving continuous improvement of our business processes and systems

Governance having the policies, controls and oversight to deliver effective regulation to the standard expected of a public body

People and culture establishing and maintaining ESV capability to deliver community and ESV safety outcomes

Directive

We will...

Licence, approve, accept:
- make licensing/approvals/acceptances easier, cheaper and more convenient
- make our authoritative information available more easily, cheaper and conveniently
- communicate issues with submissions more clearly and swiftly to facilitate their rectification
- identify any emerging risks or issues,understand the problem and determine an appropriate plan of response

Monitor and audit:
- continue to refine and ensure effective safety frameworks are in place
- identify non-compliance and safety issues
- collect data and collate and report information to influence and hold accountable those responsible for ensuring the safety of their work and assets
- identify any emerging risks or issues, understand the problem and determine an appropriate plan of response

Educate and encourage:
- work with other people or organisations to effectively educate and encourage compliance
- identify useful information to improve safety outcomes
- make information readily available and easy to understand
- raise awareness to achieve desired behaviour change
- advocate for solutions to achieve a highly effective regulatory framework

Enforce compliance:
- demonstrate predictability and transparency in the administration of regulation, consistent with the principles of natural justice and administrative law
- take well-reasoned appropriate regulatory actions and pursue those actions without fear or favour
- grow community confidence in ESV by reporting on our chosen actions and outcomes

Core function support:
- deliver the right processes and systems: to increase the effectiveness of ESV's core business, and ensure the availability of information to understand our own performance, make good management decisions, and provide for good governance
- have the systems in place that efficiently capture information and provide knowledge to investigate, analyse and report on safety outcomes, trends and performance
- enable continuous improvement by maintaining a platform of documentation, training and support for our business processes and systems
- apply our business policies and procedures appropriately and diligently

Governance:
- employ replicable risk-based approaches to target effort and make decisions
- achieve organisational compliance with legislation and government policies through appropriate internal controls
- hold ourselves accountable through appropriate internal and external oversight and reporting
- proactively and responsively support government with advice and assistance, including in emergency management, policy development and queries on behalf of MPs' constituents

People and culture:
- develop strong leaders who:
  - develop, set and pursue challenging, achievable goals
  - define tasks clearly
  - walk the talk
  - care and inspire colleagues to cooperate
  - speak the truth and use powers fairly and wisely
- apply an effective Health Safety and Environment strategy
- align individual performance and development with strategic planning through effective performance review and development
- attract and retain high-quality staff with appropriate expertise
- have highly engaged staff
- be a learning organisation that welcomes diversity and ideas
- have a robust workforce planning strategy

Core regulatory functions **Enablers**

ESV's strategic statement

ESV has developed a one-page strategic statement that provides a framework against which the acquittal of our responsibilities can be measured and our initiatives and focus can be tested. It shows the intent of our core regulatory functions and provides them with a number of directives for the continual improvement of our regulatory practices, pursuit of effectiveness, efficiency and making a real and substantial difference to safety outcomes in Victoria.

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

The ESV strategic statement also includes three core organisational enablers that must be done well for us to successfully and sustainably deliver on our core regulatory functions: core function support, governance, and people and culture.

Through a detailed planning process, the ESV activities undertaken under the various Acts and Regulations have been aligned with the core regulatory functions and enablers, facilitating our assessment of initiatives and clarification of outcomes.

The core regulatory functions are:

Licence, approve and accept

Ensure that appliances meet stringent safety and energy efficiency standards before they are sold.

Administer licensing, registration and approval systems that maintain safety standards and skills.

Monitor and audit

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

Monitor, audit and enforce compliance with standards and requirements.

Educate and encourage

Cooperatively engage with industry and the community to facilitate safety outcomes.

Conduct comprehensive public awareness campaigns to educate the community and industry on the hazards associated with electricity, gas and pipelines.

Enforce compliance

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

Report from the Director of Energy Safety

With a strong foundation of engagement with community, industry and government we continue to make progress in making Victoria "a safer state with electricity and gas".

I am pleased to present ESV's annual report for 2014–15.

Much has been achieved across the organisation and Victoria continues to see positive trends in its energy safety performance.

This is illustrated in the graph (below right), which shows a steady reduction in the number of serious injuries attributable to electricity and gas. From a rate of 36 serious injuries or deaths per million people in 2004–05, that number has now dropped to 2.2 serious injuries or deaths per million population.

While that number is still too high, this improvement in the long-term trend is testament to the hard work of everyone at ESV and our industry colleagues. I would like to thank our staff and my executive team for the role each has played in achieving this outcome.

While the random element of incidents means that it will become progressively harder to reduce the trend line to zero, we will continue to encourage, educate and if necessary enforce the regulations to maintain and improve long-term safety outcomes while responding to emerging risks and challenges associated with changes in markets, technologies, ageing infrastructure and climate change.

In spite of our efforts, three Victorians died during 2014–15 as a result of incidents involving electricity or gas. Two people died in a car in July due to carbon monoxide poisoning caused by a butane camping heater, while one person died in October after falling on to an electric fence.

The butane incident highlighted what appears to be an emerging trend in the misuse of portable and external gas appliances in enclosed spaces, and we will be broadening our successful carbon monoxide (CO) awareness campaign in the coming year to address this issue.

The energy industry continues to face a number of challenges including embracing renewable technologies, the reduction in consumption and changing mix of economic activity away from manufacturing.

This continuing pressure on industry raises the potential risk of reduced investment in safety-related programs at a time when electrical infrastructure assets continue to age and perform poorly in some places and pipeline integrity will grow as an issue.

To meet this ongoing challenge, ESV has targeted its infrastructure audits on categories of assets where failure rates are starting to rise, with the potential to increase the risk of fire starts and other high consequence events.

The impact of changes to network maintenance practice, and its effect on the safety performance of electricity networks, may not become apparent for many years so it is important to monitor asset performance and trends to enable prudent action to be taken to prevent adverse outcomes, rather than to react to them when it is too late.

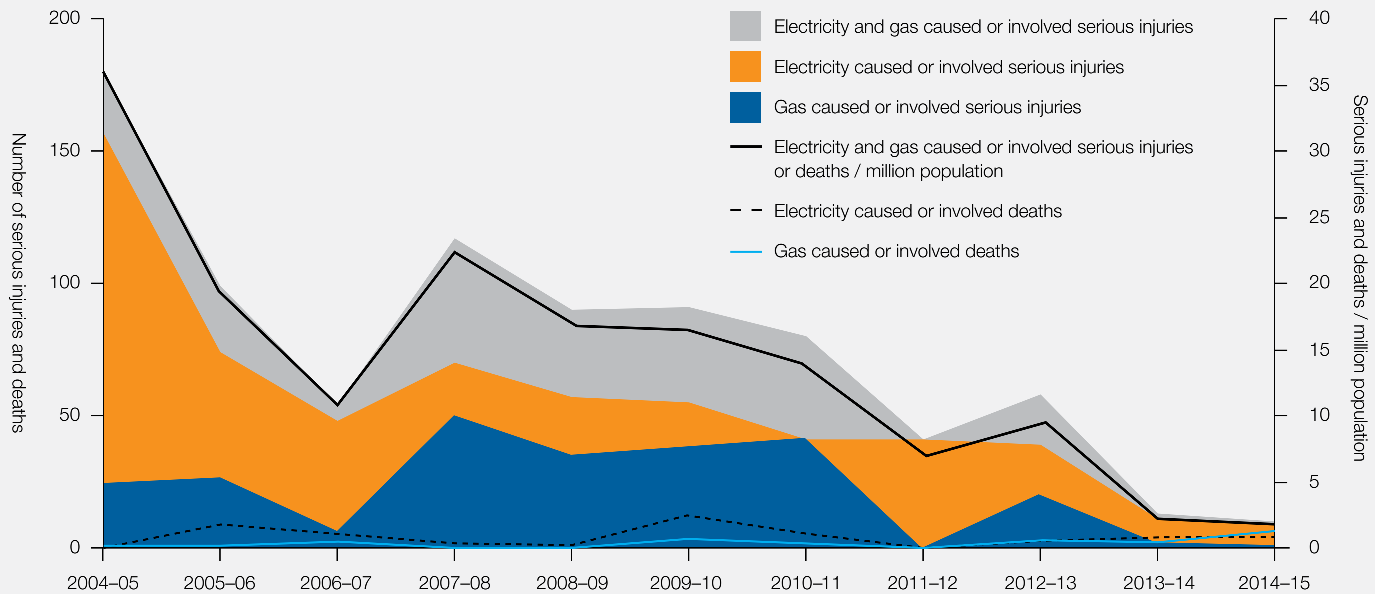
As part of this approach, we have been working to develop more sophisticated safety case approaches to regulating the major electricity companies and gas and pipelines, and employing more analytical approaches to discern trends and emerging risks across our business and the industries we regulate.

The results of this new approach in electricity were communicated through the 2014 Safety Performance Report on Victoria's electricity networks, which continued to show that the initiatives introduced following the 2009 Victorian Bushfires Royal Commission are delivering positive safety outcomes for Victoria.

The report showed that fire starts through contact between vegetation and powerlines have dropped by 33 per cent over the past two years due to an increased focus on high voltage assets. While this is a pleasing outcome, ESV will now be encouraging industry to put a similar focus on low voltage assets, which also have the potential to cause significant damage if they start fires.

ESV continues to support the Victorian Government in the delivery of the 10-year Powerline Bushfire Safety Program (PBSP), including supporting work on research projects that are beginning to prove up new technologies designed to mitigate the risk of fire starts, as well as codifying those areas that will require higher minimum technical construction standards across the electrical network.

The Electric Line Clearance Regulations were remade during the year, coming into effect in June. The new regulations and Code are designed to better balance vegetation amenity with powerline safety, and address a number of issues with the 2010 regulations that were highlighted by stakeholders.



Electricity and gas caused or involved serious injuries and deaths

ESV continues to focus attention on ongoing and long-term safety outcomes while concurrently responding to emerging risks and issues in our prevention and compliance activities. We recognise the challenge of measuring the success of prevention activities effectively because it is difficult to directly attribute specific actions to overall improved safety outcomes. In addition, significant ongoing investment is required to maintain existing safety levels. ESV also employs a range of performance measures reflecting the complexity of the regulatory task and story. ESV develops targets and performance measures that reflect safety outcomes, measure industry performance, monitor compliance, and drive and monitor ESV's performance. Historical evidence shows, however, that despite our best efforts people are tragically killed and injured every year, while many more avoid serious consequences through simple good luck.

Report from the Director of Energy Safety

ESV consulted widely before redrafting the new regulations, which allow for structural branches to be within the clearance space under specific conditions, and also allow for the introduction of alternative compliance mechanisms based on the risk. Our focus now moves to working with councils and distribution businesses to improve their levels of compliance, while being conscious of amenity and environmental considerations.

Our emphasis on pipeline management increased this year with the preparation of our first Safety Management Report for gas and pipeline infrastructure. This is the first of what will be an annual publication that will enable ESV to monitor safety performance trends and identify systemic issues in the industry or individual businesses at a time when increasing land-use intensification and encroachment pose significant challenges for the sector.

Another area of rising concern for ESV is the number of non-compliant goods being offered for sale and supply. Alarmingly, there was a 140 per cent increase in the number of electrical product recalls instigated by our Equipment Safety Division during the year. It is difficult to stop all non-compliant and potentially dangerous products entering Victoria through online channels, so we have been working with the State Government to establish a national Electrical Equipment Safety System (EESS). Once established, this new system will substantially reduce the cost of equipment recalls to industry and ensure more proactive monitoring and then rapid response to the distribution of non-compliant and unsafe electrical equipment. It will also empower consumers to identify "responsible suppliers" and the certification status of equipment.

Internally, it has been a year of positive change for our organisation as we have continued our journey from capacity building to increasing the efficiency and effectiveness of our operations, with the aim of bringing about real price reductions for business and industry.

The year started with a comprehensive strategic planning process that sharpened our focus on our key objectives and responsibilities, providing a framework against which our achievements can be measured.

We invested in the development of our managers through the establishment of a new program we call LEAP – Leadership, Empowerment, Alignment and Progress. This is designed to further align managers' skills and capabilities with ESV's renewed strategic vision and direction.

To drive efficiency and effectiveness, we targeted a number of regulatory and organisational initiatives, including internal departmental reviews of our Licensing and Electrical Infrastructure Safety Divisions.

Productivity gains achieved during the year enabled ESV's debt to be fully discharged and also allowed us to deliver efficient price outcomes to industry, including maintaining last year's price freeze on the cost of Certificates of Electrical Safety (COES).

We will continue to invest in technology, including offering greater access to online advice and processing as well as building our capacity in the areas of intelligence and data-gathering to better inform regulatory action.

Work will also continue to rationalise ESV's motor vehicle fleet and to further align our policies with those of the Victorian Government.

I would like to thank the Minister and the Department for their continued support as I commence my second term as Director of Energy Safety. ESV has come a long way since it was formed in 2005, but I look forward to the progress we will make over the coming year as ESV enters its second decade of making Victoria a safer state with electricity and gas.

Paul Fearon
Director of Energy Safety

Ministerial Statement of Expectations

The Hon. Lily D'Ambrosio MP, Minister for Energy and Resources, is responsible for administering the Electricity Safety Act, the Gas Safety Act and the Pipelines Act. Ministerial Statements of Expectations (SOE) provided in 2011 and 2014 continue to frame and inform our priorities and ESV reports against these expectations until they are amended or achieved. Ministerial Statements of Expectations are formal, public documents that articulate the Victorian Government's priorities and objectives and are designed to improve regulatory performance and governance.

Delivering on the Statement of Expectations

In 2014–15, ESV has made the following progress against the objectives outlined in the SOE:

Developing and maintaining the capacity and capability to deliver on the Corporate Plan.
ESV's capital investment in 2014–15 has largely been directed at consolidating ESV's Work Management System (based on the Pega software platform), which was developed over the previous two years with a focus on improving information capture. ESV continued investing in and developing this system, which has improved our reporting of safety performance and ESV's ability to refine its risk-based approaches to regulation.

Workforce planning remains a priority for ESV given the challenge of managing the risk of corporate memory loss due to an ageing workforce and increasing rates of retirement. A variety of strategies have been adopted to capture and document existing tacit knowledge as well as increasing the professional, technical and regulatory skills required of a modern regulator through targeted recruitment and engagement of specialist consultants.

The Review and Development Framework has been designed to ensure all employees have a clear set of individual objectives aligned with the strategic plan and personal development. ESV has completed a number of organisational reviews that have improved work processes and ensured jobs have remained relevant and output measured.

The 2015 People Matter survey showed that ESV continued to perform well in the areas of workplace wellbeing, commitment, receiving feedback and communicating organisational policies and processes. Further improvements are required in the areas of implementing and communicating change, leadership and accountability, and providing clear strategies and direction for staff.

Implementing the recommendations of the 2009 Victorian Bushfires Royal Commission in an affordable and practical manner.
ESV participates in a number of projects associated with the PBSP by contributing specialist technical and regulatory knowledge and advice, specifically with respect to new standards for powerline construction and operation, and defining the highest bushfire risk areas. ESV continues to monitor and report on the delivery by distribution businesses of a range of safety programs associated with the Commission's recommendations.

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.
ESV produced its fifth Electricity Safety Performance Report in July, covering the performance of Victoria's major electricity companies: AusNet Services, CitiPower, Powercor, Jemena and United Energy, along with transmission companies AusNet Services, Basslink and Transmission Operations Australia. It is available on the ESV website at www.esv.vic.gov.au.

ESV also produced its first Gas and Pipeline Safety Management Report in late 2014, which was given only to industry and government and did not identify organisations. ESV is working with industry towards an annual report that will be published.

Applying a range of regulatory tools, including risk-based approaches, to achieve ESV's objectives.
ESV's Gas Installation and Appliance Safety (GIAS) Division applies a risk-based assessment program for all inspections and audits, and has re-engineered work processes (from the Atlas Review) so there will now be independent engineering assessments of risks prior to inspection of installations.

Electrical Installations, Licensing and Equipment Safety (EILES) targets specific classes of electrical work and electrical workers when auditing and undertaking compliance activities.

Risks associated with gas and pipeline infrastructure reflect that these are long-life assets, whose risks are, in nature, low probability but potentially high consequence if the assets fail. Gas and Pipeline Infrastructure Safety (GPIS) has implemented risk-based audit planning to focus internal resources on higher risk activity and ensure compliance to the documented Safety Cases and Safety Management Plans by licensees. The strategic audit plan considers factors including the record of the regulated entity, the product carried and the environment through which it is transported.

Ministerial Statement of Expectations

Maintaining a leadership role in facilitating industry and community awareness, knowledge, technical support and information to ensure the very best safety outcomes.
ESV has increased its audits of organisations that deliver the Licensed Electrician's Assessments and Certificate III in Electrotechnology to ensure high quality delivery and assessment of these courses.

ESV provides support to various gas and electrical Registered Training Organisations (RTOs), such as the Plumbing Industry Climate Action Centre (PICAC) and TAFEs, for training of gasfitters in commercial, industrial and domestic gas appliances. ESV also visits all institutes annually to address students and raise their awareness of gas safety including any changes to legislation. ESV has also facilitated the development of a new Type A gas appliance course to be offered by Holmesglen TAFE.

ESV undertakes direct training sessions for licensed electrical inspectors and registered electrical contractors to communicate changes to regulations, wiring rules and standards. ESV directly communicates with all eligible apprentices about the importance of safety, the compliance regime (COES), and the dangers associated with split-metal conduit, substandard installations and equipment.

ESV provides oversight of the RTO course training materials for spotters who ensure that mobile plant used in the construction industry is not exposed to the electrical network. ESV also facilitates the registration of these spotters through its electrical licensing system.

Key community safety campaigns were run during the year, including summer barbecue safety, Look up and live across regional Victoria, and the winter carbon monoxide awareness campaign to remind Victorians to get gas heaters serviced. The total advertising spend was $734,755. ESV produced a hard-hitting new television commercial for the CO campaign called Cold Feet, which reminded Victorians that a "faulty gas heater can leave you cold". Other campaigns included household wiring safety, Don't work live for electricians and the Don't put your life on the line campaign for arborists.

Research into the effectiveness of our community safety messaging found our key campaigns continue to be well received by the public, with the advertising clear, believable and easy to understand. It also showed raised awareness of safety issues and high levels of behaviour change.

In addition to paid advertising, ESV also used public relations activity and social media to spread community safety information. A number of events were attended to raise awareness about our safety messages including the Royal Melbourne Show, Pako Festa and regional field days.

There has been a steady rise in awareness about ESV's role as the organisation responsible for these campaigns. In 2014, 50 per cent of people said they were aware of ESV or felt they knew something about the organisation, which was a rise of nine per cent on the previous year. In addition to this, nine out of 10 Victorians feel very or somewhat positive about ESV as an organisation. Heightened awareness aids ESV's ability to communicate key messages and achieve the desired safety outcomes of reducing the number of injuries and fatalities that occur as a result of gas and electrical incidents across Victoria.

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 forums 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.
ESV continues to maintain a high profile on a number of national bodies:

- Chairmanship of the licensing division of Electrical Regulators Authorities Council (ERAC).
- Membership of the Gas Technical Regulators Committee (GTRC), after holding the position of Chair for the last three years. ESV also chairs annual meetings in Australia between the certifying bodies of gas appliances and components and the gas technical regulators.
- The GTRC representative on the Construction and Property Services Industry Skills Council (CPSISC).
- Representation on the International Electrotechnical Commission (IEC) that has responsibility for international standards and conformity testing for electrical, electronic and related technologies. ESV chairs an IEC Standards Committee for development of appliance standards for safety.
- The Equipment Energy Efficiency (E3) Program, which is a joint initiative managed by the Commonwealth Government on behalf of the State, Territory and New Zealand Governments.

ESV encourages the setting and adoption of international standards for electrical equipment in order to support the alignment of Australian Standards, when appropriate. This improves ESV's ability to meet the challenges of emerging technologies outstripping the currency of regulation and compliance associated with Australian Standards. It also reduces duplication of compliance efforts.

ESV is currently on the committee developing the new standard AS/NZS 5139 Safety of Battery Systems, and is working with Standards Australia and the Victorian electricity network operators to adopt the recently revised IEC standard for electrical substations and high voltage installations.

ESV is also an active participant in the standards development steering committee ME-038, responsible for the ongoing review of AS 2885, which covers gas and liquid petroleum pipelines.

ESV chairs the working group for the Australian/New Zealand Standard AS/NZ 5601 for gas installations. The standard was updated in 2013 and introduced into the regulations in March 2014. ESV will continue providing technical advice and information to gasfitters and plumbers to enable implementation of the standard and compliance with regulations.

ESV continues to participate in developing the National Construction Code, which aims to incorporate all onsite construction requirements into a single code. The National Construction Code's efficiency-related House Energy Rating affects ventilation, which impacts the safe use of gas appliances.

ESV has been working with State Government to drive the development and implementation of an intergovernmental agreement (IGA) between the states to implement a new database that registers suppliers and electrical equipment approvals under the EESS. It will include non-compliant suppliers and equipment to facilitate consumer identification of responsible suppliers and safe equipment.

Contributing to and supporting other government initiatives taking into consideration the role and responsibilities of ESV.
ESV continues to work to improve the electrical safety of the Victorian traction sector post-franchising, including addressing any overlaps or gaps between ESV, Transport Safety Victoria (TSV) and the new national rail regulator.

Following Australian Energy Market Commission rule changes to facilitate competition in electricity metering and related services, ESV is considering whether safety regulation changes will be required to recognise the new regime of embedded networks and contestable metering.

ESV is working to ensure complete legislative and regulatory coverage of safety aspects of the Energy for the Regions program, which will deliver natural gas to regional Victoria. Particular focus has been where ESV's responsibilities for local gas reticulation systems interface with other agencies such as WorkSafe, which has responsibility for the safe road transport of compressed natural gas.

Working closely in the ongoing development of effective and efficient regulation with the Department of Economic Development, Jobs, Transport and Resources.
ESV is facilitating a working group with representatives from the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), Department of Environment, Land, Water and Planning (DELWP), Metropolitan Planning Authority (MPA), Municipal Association of Victoria (MAV) and Australian Pipelines and Gas Association (APGA) to develop a more robust and efficient process, and effective regulatory framework, for the development of land near licensed pipelines.

ESV sustains an active legislative program to maintain the currency of legislation arising from policy amendments, national initiatives and updates to the current legislative framework. It is ESV's approach to proactively improve efficiency and effectiveness, and therefore reduce the regulatory burden of legislation administered by ESV.

ESV liaises with and supports Emergency Management Victoria (EMV) in planning for and responding to energy emergencies. ESV has provided EMV with its review of the management of fallen powerlines (in collaboration with the distribution businesses), which included establishing communication protocols that include emergency services and distribution businesses.

Considering the views of community and industry stakeholders in ESV's capacity as regulator.
The Charter of Consultation and Regulatory Practice describes how ESV communicates with stakeholders, the ways in which information is exchanged, and the avenues that inform ESV about industry and community issues and concerns.

The Charter includes the range of committees in which ESV participates, and is available from the ESV website. One of ESV's key mechanisms for achieving specific objectives and industry stakeholder engagement is through establishing or participating in safety or technical committees, including standards working groups.

ESV undertakes biennial stakeholder surveys to gauge how well stakeholders think we are performing our role. We also have a well-developed process for handling complaints.

Keeping the Minister informed of existing and emerging issues.
This requirement is managed through established reporting channels each month to the Department and Minister's Office and more frequently if a major safety issue is involved.

Governance and organisational structure

ESV's mission and objectives are achieved through the commitment and collaborative efforts of its management team and staff.

ESV's corporate structure

ESV is led by the Director of Energy Safety, Paul Fearon, who is appointed pursuant to the Energy Safe Victoria Act, which is administered by the Minister for Energy and Resources. Mr Fearon was reappointed for a second five-year term in January 2015.

Consistent with section 8 of the *Financial Management and Accountability Act 1994* and Ministerial Direction 2.2, the Director established the Audit and Risk Committee in 2012 to assist him in discharging his responsibilities. The Committee provides independent assurance, advice and assistance to the Director on ESV's risk, control and compliance framework and its reporting obligations under the Financial Management Act.

Director of Energy Safety and CEO
Paul Fearon
Executive direction and leadership of Energy Safe Victoria and exercise of all powers under the Act.

Gas and Pipeline Infrastructure Safety and Information Services
Executive Manager and Deputy Director
Graeme Cook
Gas infrastructure, licensed pipelines, electrolysis mitigation, emergency management and Information Services.

Policy and Strategy
Executive Manager
Dr Roanne Allan
Legal/legislation, prosecutions, ESV risk management, national harmonisation, complaints to ESV and requests for information.

Electrical Infrastructure Safety
Executive Manager
Rob Skene (July - March) **and Andrew Last**
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 and audit, investigations and training.

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 Business Services
Chief Financial Officer
Doug Bolam
Finance, administration and business services.

Media and Communications
Executive Manager
Sharon Rainsbury
Community education and communications, media relations, publications and stakeholder engagement.

Human Resources
Executive Manager
Jana Vihm (July - October) **and Alma Besserdin**
Human resources, training and recruitment.

Audit and Risk Committee

The Audit and Risk Committee's purpose is to oversee:

- 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 2014–15, ESV's Audit and Risk Committee consisted of the following independent members:

Ian Cuthbertson (Chair, 1 July to 22 August)
A qualified accountant with a background in 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.

Bob Scott (Chair, 23 August to 30 June)
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 State Electricity Commission of Victoria (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 (ESC). He also works as a consultant and has acted as an arbitrator in a commercial contract dispute in Vanuatu's electricity industry.

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 the Ministerial Forum of Food Regulators Implementation Subcommittee for Australia and New Zealand, 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.

Joh Barker
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. For more than 20 years she has been contributing her expertise in business, finance, auditing and risk in both the private and public domain. This has included Chair of the Royal Showgrounds Joint Venture from 2007-2014, executive director for SMS Ltd, and independent member of the Victorian Government Shared Services Advisory Board, the North East Catchment Management Authority, and board and audit committee member at CenITex.

Steve Schinck
Steve has 35 years' experience within the Victorian Public Service including the last 16 years as a senior director with the Department of Treasury and Finance. Steve has experience in financial management, policy reform, corporate planning and governance, human resource strategy, risk management and audit. Steve is a member of the Treasury and Finance audit committee, a Board Member and Treasurer of Manningham Community Health Services Ltd and a member of the Old Treasury Reserve Building Committee of Management. Steve holds a business degree with majors in accounting and economics.

Electricity safety

ESV is aiming to achieve long-term reductions in the number of Victorians killed or injured in accidents involving the use of electricity.

Electrical Installations, Licensing and Equipment Safety

Significant incidents

In 2014–15 there was one death believed to be related to electricity, but this is subject to confirmation by the Coroner. An elderly woman was found entangled in an electric fence in October. ESV investigated the incident and tested the fence energiser, which was found to comply with the standard applicable at the time it was manufactured and the current standard. A report was prepared for the Coroner, who will determine a cause of death.

Seven people were seriously injured and admitted to hospital as a result of contact with electricity during the year. Four of these were electrical workers and three of those were working live, meaning their injuries could have been avoided. The fourth was injured as a result of equipment failure. The three other injuries were from faulty electrical installations or equipment.

These incidents highlight the importance of electrical workers not working live and for maintaining safe installations and equipment. ESV will continue to actively promote these messages at every opportunity.

Resources and structure

A review of the Licensing Division was conducted in preparation for the implementation of a new business management system. The review identified more than 150 opportunities to improve systems and workflow. The recommendations will be implemented during 2015–16.

Product recalls

The number of product recalls initiated by ESV jumped from 14 in 2013–14 to 34 this year, indicating an increase in non-compliant or unsafe products reaching consumers. This trend is expected to continue, largely driven by consumer demand for cheap products.

Standard for battery systems

ESV has been working with Standards Australia developing a new standard for batteries used to store energy. It will be known as AS/NZS 5139. Over the past year, a variety of residential and larger scale battery systems have been imported or manufactured locally, but there is no Australian or international standard to cover their use with inverter energy systems or multiple mode inverters. These systems use a variety of new battery technologies including lithium, zinc bromine flow, sodium sulphur and sodium nickel. Although the existing lead acid battery installation standard has been used to ensure the safety of battery installations, it is important that a new standard is developed to include these new technologies.

ELECTRICITY CAUSED DEATHS, INJURIES AND FIRES

	2012–13	2013–14	2014–15
Electricity caused deaths	1	2	1
Electricity involved deaths	0	0	0
Electricity involved serious injury (admitted to hospital)	38	9	9
Electricity involved non-serious injury	647	540	388
Electricity related fires (installations)	160	155	166
Electricity related fires (infrastructure)	617	921	614
Electricity related fires (total)	777	1076	780

* The definition of electricity related fires was aligned with f-Factor fire definition from 2013–14.

Economic environment

Although most economic indicators remained relatively stable, COES sales increased by 10 per cent, indicating some growth in the building sector or increased compliance. Use of online certificates has also grown and now represents 36 per cent of all COES sales. Equipment safety approvals have decreased by 8 per cent, and licence numbers have remained static.

Audits

More than 36,000 COES were audited during the year with a compliance rate of 96 per cent. Equipment safety audits have focused on sellers in shops and online, with priority given to those known or likely to supply non-compliant and unapproved products. Overall compliance was 55 per cent.

Incident investigations

ESV issued 63 infringement notices and three official warnings, mainly related to the supply of non-compliant or unapproved electrical equipment, electrical installation work, failing to ensure prescribed electrical installation work was inspected and COES offences. ESV received one application for internal review of a notice and withdrew three notices.

Prosecutions

ESV successfully prosecuted 24 people for breaches of the Electricity Safety Act 1998 or Electricity Safety (Installations) Regulations 2009. These included 16 prosecutions for unlicensed or unregistered work, four against registered electrical contractors, two against licensed electrical workers and two against licensed electrical inspectors. Three of the proceedings combined charges laid for both electrical and plumbing offences. Eight were released on an undertaking to be of good behaviour, 11 resulted in fines without conviction, and six were fined with conviction. Costs greater than $50,000 were awarded to ESV.

Industry education

A series of information nights and seminars were held during the year, which were attended by nearly 6000 people. For the first time this year, ESV offered sessions tailored to meet the needs of licensed electrical inspectors.

The Installations Technical Advice Line answered 6390 inquiries, which is similar to last year, but there was a 10 per cent increase in the number of phone and email inquiries received by the Licensing Division. The licensing review identified that a number of the complaints and inquiries received by staff could be addressed by industry education. Our focus in this area will increase, and the access and display of licensing information will be a key focus of the new ESV website, which will be completed during the 2015–16 financial year.

ESV also created a dedicated Facebook page for electricians to provide another channel to share technical and industry information, and to allow stakeholders to interact more directly with ESV staff.

Community safety

The long-running Don't work live safety awareness campaign continued during the year with ESV's "bright sparkie" print advertisement appearing in a number of industry publications. ESV has also distributed thousands of T-shirts, carpenter's pencils and notepads to remind electrical workers of the dangers of working live.

Two online advertising campaigns were run during the year to remind Victorians of the dangers of old household wiring and also to ensure all electrical products purchased online or overseas were approved and safe for use.

Electricity safety

Electrical Infrastructure Safety

Significant incidents

There were no reported fatalities due to electrical infrastructure but one lineworker was treated for arc flash burns to his hands sustained while disconnecting a fuse strip at a kiosk substation.

Electricity Safety (Electric Line Clearance) Regulations and Code of Practice

The Electricity Safety (Electric Line Clearance) Regulations 2010 were remade during the year, following extensive consultation with the Electric Line Clearance Consultative Committee (ELCCC) and stakeholders.

A regulatory impact statement and draft regulations were released for public comment before the new regulations and code were finalised.

Feedback from stakeholders had identified a number of areas in which the regulations and code could be improved, including:

- preventing excessive pruning of established trees, particularly amenity trees in low bushfire risk urban areas
- ensuring appropriate consultation between entities responsible for tree pruning and those occupying or managing the land
- re-introducing flexibility in the compliance arrangements to help protect the amenity, cultural and environmental value of the community's trees while ensuring the safety and security of supply.

The key changes to the regulations included:

- allowing exceptions for structural branches to be within the clearance space under specific conditions, and also to allow for the introduction of alternative compliance mechanisms based on risk principles that will accommodate adoption of new engineering solutions
- expansion of the definition of insulated cable to include a broader range of electric line coverings and insulations, thereby reducing the clearance around some lines without compromising safety
- adoption of the Australian Standard for Pruning of Amenity Trees in the regulations and code as far as practicable, with the intention of improving the standards of pruning leading to better amenity outcomes
- incorporation of additional requirements around notification and consultation so that written notices advising of pruning need to be provided under certain conditions in addition to publishing notices in a newspaper, rather than doing one or the other.

The regulations accommodate a 12-month transition to enable responsible persons to comply with the changes to the regime.

Powerline Bushfire Safety Program

ESV has continued to support the PBSP, which was established as part of the 10-year program to deliver recommendations 27 and 32 of the 2009 Victorian Bushfires Royal Commission. It aims to reduce the risk of bushfires caused by electrical assets without significant impact on the reliability of electricity supply.

During the past year, ESV has assisted the State Government with these initiatives through the administration of electrical safety legislation, the use of its statutory powers and the provision of specialist technical and other support to departments. ESV has also assisted in the development of an enhanced electrical distribution construction standard to be adopted in areas of highest bushfire risk.

Trials of the rapid earth fault current limiters (REFCLs) have demonstrated their theoretical capability to reduce the initiation of fire starts in rural electrical distribution networks. This initial work was funded by the PBSP and supported by ESV and the electrical distribution businesses. Further trials on the application of these devices in rural networks are being developed by industry.

Safety Performance Report

In its fifth year of publication, the 2014 Safety Performance Report presented the findings of ESV's annual review of how well Victoria's electricity distribution and transmission businesses were meeting their safety objectives. The report focused on the results of ESV's audit programs, key safety indicators, as well as the operation of the Electricity Safety Management Schemes (ESMS), which became a mandatory requirement placed on the major electricity companies (MECs).

The report found the initiatives introduced following the 2009 Victorian Bushfires Royal Commission are delivering positive results with a significant reduction in the number of fire starts caused by contact between vegetation and electric lines. The number of fire starts have reduced by 33 per cent since 2012. This is due to an increased primary focus on high voltage assets. While vegetation fires have declined, the number of ground fires caused by asset failures have continued to rise.

Electricity network assets are generally long lived and are maintained and refurbished in accordance with asset management strategies, often informed by condition assessment inspections. ESV will be reviewing the distribution businesses' asset management practices and the failing asset types to secure a degree of confidence that they are managing their assets effectively and prudently to protect Victorians.

More generally, the safety performance of the Victorian electricity distribution network was observed, on average, to be consistent with performance over the past four years.

Electrical Safety Management Scheme assessments

The Electrical Safety (Management) Regulations 2009 require all MECs in Victoria to operate within the scope of an accepted ESMS. Every five years ESV reviews resubmitted schemes, which incorporate their Bushfire Mitigation Plans.

During 2014–15 ESV began working with the MECs ahead of the next ESMS resubmissions, which are due in 2015–16. Future ESMSs will incorporate a risk-based approach in accordance with international best practice.

ESV completed audits of various elements of the current ESMSs. These audits confirmed that all of the MECs maintained and implemented comprehensive schemes, supported by policies, procedures and practices compliant with the regulations.

Community safety campaigns

ESV continued to promote safe working around powerlines through the long-running Look up and live campaign and the arborist safety campaign, Don't put your life on the line. ESV again partnered with the AFL's regional competition, and they assisted us to spread these important messages around the state, including through the Look up and live round in August. The total spend on these two campaigns was $239,168.

ESV also collaborated with WorkSafe during the year to produce new farm safety signs that are designed to remind tip truck drivers that they should never unload near powerlines. These signs are being provided to property owners free of charge.

Two apps were developed during the year that provide No Go Zone safety information for people working near overhead powerlines or using excavation equipment. The apps link to QR codes printed on stickers that have been distributed to industry and the public at events.

ESV also developed a new campaign to help property owners, planners and building practitioners understand the rules when building near electrical infrastructure. ESV has received reports of an increasing number of property owners facing high bills to relocate electrical infrastructure when the location of powerlines wasn't considered when planning their project.

The campaign includes a new brochure and print advertisement and asks planners and builders to put powerlines on the drawingboard before starting work to avoid potentially dangerous and costly consequences.

Recruitment and capability

The Electrical Infrastructure Safety Division has undergone substantial change during the year, including the appointment of a new executive manager, a divisional restructure, and the appointment of new managers and two additional staff to strengthen the regulatory capability of the team.

Electricity performance measures

INSTALLATION SAFETY

Activity	2012–13 Total	2013–14 Total	2014–15 Total
Applications granted under Regulation 401 of the Electricity Safety (Installations) Regulations	185	158	127
Breaches of regulatory requirements investigated	970	1085	1132
Warning letters sent	79	51	38
Investigations—final action instigated within 30 days	245	210	415
Infringement notices issued	31	38	66
Site audits of licensed electrical installation workers	183	146	85
Audits of licensed electrical inspectors	106	62	47
Field audits of registered electrical contractors	198	187	240
Information sessions	136	191	173
Attendees at sessions	5981	6120	5909

EQUIPMENT SAFETY

Activity	2012–13 Total	2013–14 Total	2014–15 Total
Electricity recalls (number)	12	14	34
Approvals submitted	737	846	784
Number of approvals in place	2983	2375	2418
Number of products audited (approval)	2040	2154	101*
Notices to comply issued	76	97	169
Safety investigations	307	231	352
Hazard alerts raised	6	5	5
Incident reports raised	46	45	30
Public safety warnings initiated	1	4	3
Number of days taken to approve fully compliant approvals applications	16	6.3	13.3
Infringement notices	0	8	23
Electrical appliances on display in retail outlets with an accurate approvals marking (percentage)	88	88	55

* Changed target from number of items to number of stores audited.

ENERGY EFFICIENCY

Activity	2012–13 Total	2013–14 Total	2014–15 Total
Days taken to approve fully compliant equipment efficiency applications	4.8	15	9.9
Models registered for labelling *	1213	2208	1888

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

ELECTRICAL INFRASTRUCTURE SAFETY

Activity	2012–13 Total	2013–14 Total	2014–15 Total
Audits			
Electricity Safety Management Schemes	24	56	14
Electric line clearance	17	39	53
Bushfire mitigation	5	6	20
Statutory plan assessments			
Electricity Safety Management Schemes received, assessed and approved	0	1	1
Electric Line Clearance Plans received, assessed and approved	11	29	28
Bushfire Mitigation Plans received, assessed and approved	8	15	15
Electric lines on public land			
Exemptions confirmed	159	155	166
Electricity investigations			
Formal investigations completed	4	12	12

Electricity performance measures

LICENSING

Outcomes and measures	2012–13 Result	2013–14 Result	2014–15 Result
Electrician's licence A Class – New	1762	1616	1535
Electrician's licence A Class – Renewed	4688	4027	5335
Supervised worker's licence L – New	220	190	210
Electrician (supervised) licence ES – Renewed	320	208	46
Disconnect/reconnect worker's licence D – New	375	346	290
Disconnect/reconnect worker's licence D – Renewed	1173	1020	821
Total number of licences issued	2360	2168	2041
Total number of licences in place	41,429	42,587	42,949
Total number of inspector's licences issued	28	16	11
Total number of inspector's licences in place	410	421	422
Registration of electrical contractor – New	920	1040	962
Registration of electrical contractor – Renewed	1946	1745	1847
Total number of registrations issued	2866	2785	2809
Total number of registrations in place	11,975	12,850	13469
No. of meetings of the Electrical Licensing Registration Advisory Committee	6	6	6
Total number of supervised worker's licences	1305	1196	1158
Total number of disconnect/reconnect licences	7188	6927	6670
Total number of occupiers licences	26	25	24
Total number of registered spotters	12,537	14,160	16,085
Total number of registered lineworkers	2962	3107	3474

SKILLED WORKFORCE

Outcomes and measures	2012–13	2013–14	2014–15 Target	2014–15 Actual
Electricity—workers working on the installations				
Compliant licensed electrical inspectors (percentage)	68	49^	81	62
Compliant registered electrical contractors (percentage)	75	62	81	59
Compliant licensed electrical installation workers (percentage)	68	62	81	58
Compliant inspection companies (percentage)	98	98	95	99
Compliant prescribed electrical work (percentage)	91	94	92	96
Compliant non-prescribed electrical work (percentage)	93	96	92	96

^ Focus moved this year from random audits to inspections related to complaints received by ESV.

Gas and pipeline safety

Gas Installations and Appliance Safety

Significant incidents

In the 2014–15 financial year, there were two deaths caused by gas and six serious injuries. The two people who died were using a camping heater in their car and were overcome by carbon monoxide. This incident is indicative of a growing trend in the number of people misusing portable gas appliances, and ESV is broadening its carbon monoxide awareness campaign to alert the community of the dangers posed when outdoor gas appliances are used in enclosed spaces.

Recalls and safety issues

There were 11 gas product recalls in the 2014–15 financial year, which was a significant increase from the single gas-related recall the previous year. Five of the recalls related to portable camping cookers with enclosed butane cartridges. These cookers were found to be unsafe due to problems with the safety shut off system that is designed to prevent gas cartridges from exploding. As a result of this issue, ESV is initiating changes to the Australian standard for portable camping cookers through its participation in the Standards Australia Gas Appliance Committee.

During the year ESV investigated reports of carbon monoxide spillage from Cannon Fitzroy and Canterbury inbuilt space heaters manufactured between 20 March 2001 and 8 October 2009 by Sampford & Staff and Sampford IXL. The investigation initially focussed on the installation of these appliances as, in the majority of cases, chimneys were in poor condition with holes in hearths and cracks in brickwork resulting in draughts and spillage. Subsequent laboratory testing established that some of these heaters produced unacceptable levels of carbon monoxide even when chimney integrity was not a factor, as well as producing unacceptable levels of carbon monoxide when subjected to a downdraught.

To confirm there was a design fault with these appliances, ESV along with the manufacturer tested heaters in homes where there had been no reports of carbon monoxide spillage. While this testing showed no spillage in the homes, ESV then arranged for some of these appliances to be laboratory tested where three out of four failed combustion testing. It was determined from this testing that the placement of the log set base relative to the burner was critical. It was also determined that 100 per cent of appliances tested failed combustion testing under downdraught conditions. The manufacturers have argued that although the appliances are non-compliant they are safe and they only become unsafe due to installation faults not the heater. This issue will continue into 2015–16 as ESV works with other state regulators and the Australian Competition and Consumer Commission (ACCC) to finalise a recall.

Gas and pipeline safety

GAS CAUSED DEATHS, INJURIES AND FIRES

	2012–13	2013–14	2014–15
Gas caused deaths	1	0	2
Gas involved serious injury (admitted to hospital)	18	1*	6
Gas related fires and explosions	160	26	29
Significant damage to property (> $50,000)	5^	1^	3

^ MFB data not reported to ESV due to industrial dispute. Only CFA data has been captured.
* Previously reported as gas involved injuries.

SAFE AND EFFICIENT APPLIANCES AND SAFE INSTALLATIONS

Outcomes and measures	2012–13	2013–14	2014–15 Target	2014–15 Actual
Compliance of Type B and complex appliances on initial inspection (percentage)	80	87*	85	69
Compliance of standard gas installations audited by VBA (percentage)	92	87	90	85

* Compliance and Type B have been combined into one entry this year.

Gas inspectorate

During the course of this year GIAS has continued to enhance the gas acceptance scheme, including progressing with development and building of an online application project.

Key benefits will include:

– applicants can complete and submit gas applications online
– applicants can manage gas applications during their life cycle
– additional information can be attached and submitted
– proposed completion dates can be managed.

Operationally, GIAS received 4854 gas applications during the year and accepted a total of 5045 gas installations, which included a number carried over from the previous year. A total of 3577 gas installations were accepted as a result of an inspection. This is 69 per cent of the applications received.

ESV also audited 115 of the 1468 gas applications that were not inspected due to a low risk rating. Of the 3692 gas installations inspected or audited, 1119 non-compliance notices were issued. While the failure rate is high at 30 per cent this year, this can be attributed to the adoption of the new AS/NZS 5601:2013 Gas Installation Standard, which will take some time for industry to adopt. ESV's updated systems and procedures have also enabled more accurate recording and reporting on these non-compliances.

Despite the extenuating circumstances, the high failure rate has been identified as an area for improvement next year and a revised compliance strategy is being finalised to ensure a lower rate of non-compliance in the future.

Incident response and investigations

Throughout the year ESV's investigators have carried out an average of 12 gas-related investigations each month. These investigations have included inspecting alleged unsafe gas installations and issuing Improvement Notices and Disconnection 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 130 carried out throughout the year. This was in excess of the target of 100. Investigators also audit gas installations at public events with 83 audits completed throughout the year.

Industry education and training

ESV has been active in the education and training of apprentices and tradesmen. Each RTO that undertakes gas training has been visited by a gas inspector at least once during the year. ESV continues to sponsor carbon monoxide testing training and Type B training. ESV held 24 industry presentations that were attended by 536 gas industry representatives.

Code of Practice for the Safe Use of LP Gas at Public Events

A revised Code of Practice for the Safe Use of LP Gas at Public Events was developed and published by ESV to reflect the adoption of AS/NZS 5601:2013.

Gas Technical Regulators Committee

ESV has continued to play a leading role on the GTRC, with the Executive Manager of GIAS serving as acting Chair. During the year the committee has considered a proposal for gasfitting to be included in the National Construction Code, and has also considered options for adoption of a set of scheme rules for certification bodies that certify gas appliances and components. ESV has also worked to organise a cost-benefit analysis for the introduction of safety critical testing for Type A gas appliances and gas components.

Community safety campaigns

Gas safety has continued to be a key focus of ESV's community safety campaigns with two of the largest annual campaigns relating to summer barbecue safety and carbon monoxide poisoning in winter.

ESV filmed a hard-hitting new television commercial to remind Victorians that carbon monoxide is a silent killer and a faulty gas heater can leave them cold. The new advertisement ran on television and in cinemas, and was supported by a radio campaign in the lead-up to winter. The total advertising spend for the campaign was $287,000.

The Look before you cook campaign ran across summer and was designed to remind all Victorians that they need to use soapy water to check the connections on their gas barbecues before they start cooking. The total advertising spend for this campaign was $157,000.

Gas and Pipeline Infrastructure Safety

Significant incidents

In accordance with ESV's strategic audit framework, audit plans were established to confirm compliance with Safety Cases and Safety Management Plans focusing on those companies with higher risk assets and engineering work practices across the industry. This included the operation of licensed pipelines and the main laying practices of gas distribution businesses. Audit activities also included the review and acceptance of project-specific Safety Management Plans for licensed pipeline construction and repair works.

ESV conducted 82 audits of Safety Cases and Pipeline Safety and Environment Management Plans. This included seven acceptance audits related to the submission of five-yearly updates with two being from new entrants, seven compliance audits and 68 field audits. Although the number of compliance audits was down on the 2013–14 figure it was consistent with the previous year when aggregated with the number of field audits.

Field audits continue to be a primary auditing activity. This year the majority of natural gas transmission and other licensed pipeline licensees had a section of their pipeline easement audited (18 in total) and special crossings audited (32 in total) against their AS 2885 compliance obligations. Typical non-conformances observed by ESV related to the accuracy of as-constructed route alignment drawings, vegetation management, warning signage and routine pipeline inspection patrolling.

Gas and pipeline safety

Gas distribution companies had mains replacement works audited (one audit for each company) against their own internal procedures and a number of non-conformances were observed across the board relating to safety standards and construction work practices.

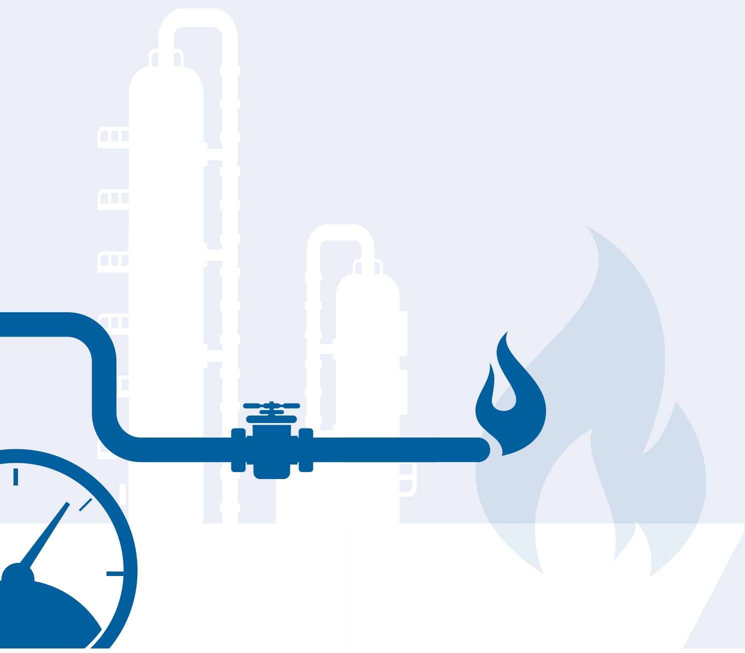
Verification audits of LPG reticulation networks (four in total) and gas distribution companies (11 in total) were also conducted to close out audits conducted in the previous financial year. The field audits continue to test fundamental and essential operational activities across the regulated industries to ensure the integrity of pipelines so the community is protected.

Licensed pipeline construction and repair work

Due to the continued high number of licensed pipeline projects, ESV was required to spend significant time reviewing and accepting project-specific Safety Management Plans for pipeline construction.

This trend is expected to continue in the coming year due to major initiatives involving the Melbourne Metro Rail Authority and the Level Crossing Replacement projects.

There were 24 Safety Management Plans submitted for construction and repair projects. This compares with 34 in the 2013–14 financial year, which was relatively high due to the Regional Rail Link projects. There were also a significant number of smaller repair works requiring only notification to ESV. All of the construction and repair projects underwent thorough and, if necessary, repeated review before they were accepted.



Field inspections during installation and commissioning activities have continued to find that licensees generally have solid compliance to their accepted plans. ESV's continued vigilance in this area has seen a heightened focus by licensees resulting in a significant decline in the number of observations made. ESV raised four compliance observations related to occupational health and safety issues during the year. These issues covered worker safety in excavations, the safe operation of plant and equipment on site, worker competency, unauthorised pipeline encroachment and permits to work.

Reducing asset damage

The incidence of third-party damage to gas mains and services continues to be a concern to ESV with the number of reports continuing to trend above the three-year rolling averages. There were 227 gas mains and 2996 gas services damaged by civil works during the year.

ESV investigated 20 of the incidents involving mains damage, resulting in five infringement notices and eight warning letters being issued for damaging the main or performing unauthorised work within 3m of a licensed high pressure gas pipeline. This is higher than the three-year average of 200 incidents with a range of issues responsible for the increase, including inaccurate drawings and lack of hand-proving to confirm the exact location of assets.

As reported last year, ESV believes there is an incorrect perception among the public that a response from an inquiry to the Dial Before You Dig service is tacit approval to commence work in the vicinity of gas and licensed pipeline infrastructure.

The number of damaged services continues to trend above the previous three-year rolling average of 2930. Further investigations will determine whether these incidents were due to an inability to locate services by either pipe locator or reference to as-built drawings, or due to services in new residential subdivisions not always being laid continuously straight at right angles from the main in the street to the gas meter.

Electrolysis

The Victorian Electrolysis Committee (VEC) completed its coordinated monitoring program of the underground metallic structures, including water, gas and oil pipelines, and telecommunication and power cables across Melbourne's metropolitan area.

ESV's Electrolysis Mitigation section achieved results above target KPIs, coordinating with industry on 18 combined area field tests and testing more than 14,000 drainage bonds and other electrolysis units to confirm they were providing protection to underground assets.

Progress continued with relocating pole-mounted electrolysis equipment to ground level so testing officers don't have to use ladders, and ESV worked with industry on a complete rewrite of the Code of Practice.

Safety Cases and Safety Management Plans

ESV remains concerned about the time it is taking some gas companies and other non-natural gas pipeline licensees to review and submit conforming Safety Cases or Safety Management Plans that in many cases were due to ESV in 2013.

ESV requires these documents to comply with regulatory requirements and to show that companies have systems in place to operate their facility safely.

In the past year, ESV staff have spent considerable time with up to 18 non-gas licensees assisting them to prepare appropriate documents for submission. We are also assisting a further 19 gas companies (some of whom hold multiple safety cases) to progress their submissions of either new or revised Safety Cases.

Safety Performance Report

ESV's concerns in this area were highlighted in the first Safety Performance Report on gas and pipeline infrastructure, which was released during the year. The report presented ESV's progress in regulating the gas industry and licensed pipelines under the Gas Safety Act and the Pipelines Act.

This initial report received a mixed response from industry, and ESV will continue to work on its development. Critical to its success are the performance measures that industry agrees to report against. ESV is consulting with each sector as to the most appropriate leading indicators.

Asset management

ESV continued to monitor the progress of the three gas distribution businesses' mains replacement programs that began in July 2013.

Each of the gas businesses has met or exceeded planned replacement targets, which have seen 396km of pipeline replaced this financial year, bringing the total since July 2013 to 728km.

Land development around pipelines

ESV formed the Land Development Around Pipelines (LDAP) working group in 2013. Comprising government, agency and industry representatives, it reviews the management of public safety issues arising from land use intensification around pipelines.

The LDAP working group met seven times during the year and new terms of reference were agreed in March. Case studies are being developed so the Minister for Planning can consider whether land development around pipelines should be addressed as part of the State Government's forthcoming review of planning and development around major hazard facilities. ESV is also a member of the Australian Pipeline and Gas Association's Pipeline Corridor Committee working group, which is looking at this issue nationally.

ESV has been working with Metropolitan Planning Authority (MPA), council planning authorities and pipeline licensees to ensure compliance with technical safety standards for individual planning scheme amendments and developments. In 2014–15 ESV supported the assessment of eight planning zone changes, nine precinct structure plans, one development plan overlay, three planning permits and one subdivision application, plus two planning strategy consultations. This has involved working with 13 different planning authorities, seven different pipeline licensees, and consideration of 23 different pipelines.

Emergency service phone number

During the year ESV worked with the gas industry to terminate the public gas emergency service phone number (132 771), which operated for many years. ESV has established an advertising campaign to inform the public that gas distribution businesses are to be the first responder for gas leaks and emergencies. The old number has been removed from all listings and this has seen the daily number of calls reduce. As of 1 July 2015, a temporary redirection service for calls will be in place for a short time.

Corporate services

Information Services

ESV refined the Information, Communications and Technology service delivery model and renamed the section Information Services. The new service delivery model is aligned to ESV's strategic outcomes and will ensure the appropriate strategic development and operational effectiveness of ESV's investment in information and technology resources.

The Information Services section is responsible for information management (including records management), knowledge management, business systems and technology operations.

Notable outcomes and deliverables for 2014–15 have included:
- establishing the Information and Technology Service Delivery Model
- establishing staffing requirements, recruiting nine new staff members and integrating two existing staff into the team
- establishing the Information Services Governance Framework
- establishment of the Information Management Steering Committee
- progress on a number of key organisational projects including an online gas application system, an upgraded intranet and an upgrade to the external interface of the Electrical Licensing and COES application.

An Information and Technology Strategy has been developed to support ESV's Strategic statement and to provide guidance to the Information Management Steering Committee.

The Information and Technology Strategy has four strategic themes:
- enabling with technology
- leadership in the application of technology for business process improvement
- testing and challenging the use and management of information
- supported decisions through knowledge management capability.

Decision-making will be guided by the following principles:

Best practice: Services will utilise commercial best practice or Victorian Government standards where possible

Aligned: Service delivery is aligned with organisational directions

Collaborative: Service delivery methods engage stakeholders and promote a collaborative culture

Consolidation: Hardware and software will be consolidated to consistent platforms

Enterprise: Services are to be delivered as enterprise level services

Professional: Information Services staff will be competent professionals supported with appropriate training and development

Shared: Data, information and knowledge are to be managed and leveraged for sharing and reuse.

Complaints

There was a slight decrease in the overall number of complaints received this year with 809 recorded, which was 9 per cent fewer than last year. The average time taken to close complaints has remained steady at 45 days.

Electrical installation complaints were the most common, accounting for 52 per cent of all correspondence. The majority of these were from occupants or owners of dwellings and electrical contractors who were reporting non-compliant installations.

The proportion of electrical equipment complaints received increased from 14 per cent to 18 per cent. This is partially due to increased complaints by online retailers reporting other non-compliant sellers.

ESV has noted that the number of complaints received increased when community safety advertising campaigns were running during the year. This was most notable when ESV ran its carbon monoxide awareness campaign from May to June, and when the summer barbecue safety campaign ran from December to January.

Human Resources

Strategic planning has been a high priority for the Human Resources Division this year as ESV manages an ongoing process of cultural and structural change within the organisation. A change management framework has been implemented, which will provide the tools and processes to help employees understand, commit to, accept and embrace changes within the working environment.

The Division has played a critical role in integrating people, strategies and systems to support the overall business, while meeting the needs of employees and stakeholders.

A number of divisions have conducted departmental reviews throughout the year, which have been designed to improve systems and work flow. As a result of these reviews, staff numbers have increased by six to 129.

LEAP Program

ESV has invested in the development of its managers through the new LEAP Program. The program was designed to develop leadership capabilities, to facilitate cross-functional engagement, collaborative problem-solving and to support organisational adaptation to change. Through building new skills and capabilities, we have seen our leaders engage more productively with staff and create an environment of greater accountability and responsibility for outcomes.

Performance review and development

A new review and development framework has been designed as part of the strategic planning process. It uses an integrated approach to performance planning and assessment with the aim of recognising the contributions of employees to enhance performance and career potential. It also provides a framework for the planning and monitoring of work and facilitates ongoing communication between managers and employees.

People Matter survey

The 2015 People Matter survey showed that ESV continues to perform well in the areas of workplace wellbeing, commitment, receiving feedback and communicating organisational policies and processes. Further work will be done during the year in the areas of implementing and communicating change, leadership and accountability, and providing clear strategies and direction for staff. Some improvements have already been made, such as developing a robust change management framework that will improve communication and engagement with staff during changes that impact people, processes and systems.

Payroll

Payroll services were incorporated into the Finance and Business Services Division following a review conducted by Human Resources. Throughout the year, the payroll section has upgraded its systems, improved documentation, reviewed and improved existing processes, identified areas of improvement and consolidated service delivery. The strategic realignment has improved communication to staff and managers regarding payroll function and processes, including simplification of processes between Human Resources and Finance.

Enterprise Agreement

ESV started the formal process for negotiating a new Enterprise Agreement during the year as the old agreement expired on 30 June 2015. Negotiations started well and a new agreement is expected to be finalised early in 2015–16.

Motor Vehicle Policy

In conjunction with the EBA negotiations, ESV has started a review of its Motor Vehicle Policy so that it is consistent with the State Government's Standard Motor Vehicle Policy and community standards and expectations. Extensive consultation has taken place.

Managing an ageing workforce

With ESV facing the loss of a significant proportion of mature workers to retirement over the next five to 10 years, Human Resources has been working with an organisation that specialises in mature workforce issues. Workshops were held to assist staff to plan their transition to retirement.

While the loss of staff will mean the potential loss of critical organisational, technical and leadership skills, this risk has been managed through the development of a knowledge management strategy, and the identification of key personnel as part of our succession planning process.

COMPARATIVE WORKFORCE DATA

Table 1:
Ongoing employees June 2015

Number (headcount)	Vacant (positions)	Full-time (headcount)	Part-time (headcount)	FTE
129	1	124	5	127.16

Table 2:
Fixed-term and casual employees

Number (headcount)	FTE
5	4.1

Table 3:
Headcount breakdown by gender, age and classification

	Ongoing Employees (headcount)	Ongoing FTE	Fixed-term and casual FTE
Gender			
Male	90	90	1.0
Female	39	37.16	3.1
TOTAL	**129**	**127.16**	**4.1**
Age			
Under 25	0	0	1.1
25 – 34	28	27.6	0.02
35 – 44	23	21.76	2
45 – 54	41	41	0
55 – 64	31	30.8	0
Over 65	6	6	0
TOTAL	**129**	**127.16**	**4.10**

LEAP
Learning Empowerment Alignment Progress

Finance and Business Services

There were three major changes to the Division during the year due to internal restructuring that was designed to better align service provision. ICT Services and ICT Project Services transitioned to a new Division reporting to the Deputy Director, the Records Management function transferred to Information Services, and the Payroll Section transfered from Human Resources to Finance and Business Services.

Outcomes

Finance

The Finance section has continued to deliver on its goals for financial management and compliance with all ESV's statutory requirements. ESV's financial viability has been maintained via the provision of efficient, effective and accurate accounting services. The section has further delivered improved analysis and reporting from the Business Management System.

Major achievements during the reporting period have seen ongoing improvements in financial modelling and analysis, enhancement to the Business Management System via a system upgrade, and the release of the enterprise budget module. The Finance team has continued to focus on its customer and business stakeholder management as part of its service provision.

An expression of interest for the provision of Internal Audit services was undertaken during the reporting period. This has seen the appointment and engagement of a new service provider for the next three financial years.

Business Services

Business Services has achieved and exceeded all its target deliverables within the Corporate Plan. It has provided a comprehensive range of core support services for ESV including procurement, fleet, building services, business continuity and reception services. It has also delivered additional value-adding improvements including the provision of targeted training to groups and individuals, increased interaction in regards to fleet services, attending all vehicle swaps and conducting regular vehicle inspections, analytical reporting on procurement to assist executives and managers to appropriately control their expenditure, and customer service enhancements across ESV via technological improvements.

The section has also managed and delivered the project for ESV's new office accommodation at Brandon Park, which will see staff at this location working from the one office. This will deliver substantial benefits – financially and culturally – to ESV over the coming years. The final fitout and move will be completed as per the project plan in the first quarter of the 2015–16 financial year.

Financial review of operations

($ thousand)	2014–15	2013–14*	2012–13*	2011–12	2010–11
Total revenue	32,938	31,651	29,687	29,110	27,437
Total expenses	31,592	31,274	30,440	29,096	29,349
Operating surplus/(deficit)	1,346	378	(753)	14	(1,912)
Total assets	10,341	10,926	12,103	13,197	9,440
Total liabilities	5,339	7,270	8,825	9,166	5,423
Net assets	5,002	3,656	3,278	4,031	4,017
Total equity	5,002	3,656	3,278	4,031	4,017

* 2012–13 and 2013–14 have been restated.

Finance summary

ESV operates on the basis of fully recovering its costs from industry rather than through government appropriation. The overall result for 2014–15 was a surplus of $1.3m.

ESV's income and expenditure for 2014–15 were both within 5 per cent of the 2014–15 Corporate Plan estimates and reforecast estimates. This has ensured ESV delivered on its financial strategic objectives. This has been achieved through strong financial management and realising efficiency gains throughout the year.

Overall revenue has increased by $1.3m in comparison to 2013–14. The movement has been largely driven by increased levy income ($0.6m), increased fee income ($0.7m) and higher interest income. The main fee income increases were driven by increases in COES sales ($0.5m) and licensing income ($0.1m). These increases were offset by lower advertising income and sundry income.

The overall movement in expenditure of $0.3m in comparison to 2013–14 has been mainly driven by increased employee expenditure of $1.0m. This is reflected in the main from salary increases per the EBA and the use of temporary staff during 2014–15. Other expenditure increases from 2013–14 to 2014–15 were in compliance audits ($0.1m), which correspond to increased sales of COES, contractor expenses in Information Services ($0.6m) and additional staff recruitment costs ($0.1m).

The increased expenses were offset by decreased advertising and public relations costs ($0.1m) as 2013–14 included one-off costs associated with the creation of ESV's PowerSafe Buddies website, expenditure against computers ($0.4m) due to lifecycle replacement during 2013–14, completing the PBSP research and development program ($0.1m), reduced interest expense ($0.1m) and reduced depreciation/amortisation ($0.1m).

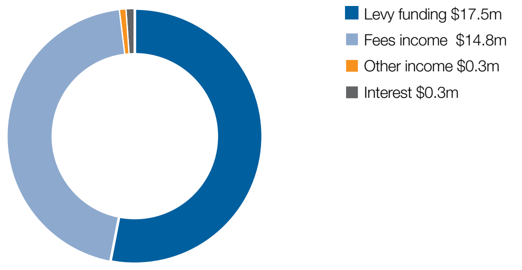
Discussion and analysis – Comprehensive operating statement

Income

Total income for the 2014–15 year was $32.9m, which is an increase of $1.3m over the previous year's total of $31.6m. The major reasons for this variation are increased levy contributions ($0.6m) and increased fee income ($0.7m). The Comprehensive Operating Statement and note 2 discloses the individual movements over the financial period.

Income

Total income $32.9m

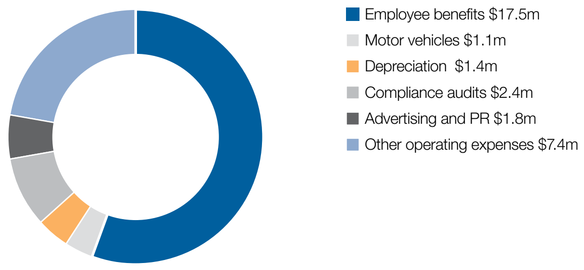


Expenses

Total expenses for the 2014–15 year were $31.6m compared to $31.3m for 2013–14. The increase of $0.3m can be attributed mainly to increased employee benefit payments ($1.0m), decreased advertising and public relations costs ($0.1m), increased contractor expenses ($0.5m), decreased computing expenditure ($0.4m), additional staff recruitment costs ($0.1m) and completing the PBSP research and development program ($0.1m). Other economic flows that are non-cash items (including depreciation and amortisation) have decreased by $0.7m following the write-off of the Licensing and Compliance software in 2013–14.

Expenses

Total expenses $31.6m



Finance and Business Services

Discussion and analysis – Balance sheet

Assets
Total assets at 30 June 2015 were $10.3m compared to the 2013–14 total of $10.9m. The major elements of the variation ($0.6m) were a net decrease in plant and equipment and intangible assets ($0.8m), and an increase in financial assets ($0.2m).

Financial assets
Financial assets totalled $7.3m (2013–14 $7.1m). The major change was in receivables ($0.3m) offset by decreased cash at bank and deposits ($0.1m).

Non-financial assets
Non-financial assets totalled $3.0m (2013–14 $3.8m). The major movement being caused by movement in asset classes, such as a write off of assets held in WIP. The decrease being plant and equipment and intangible assets ($0.8m).

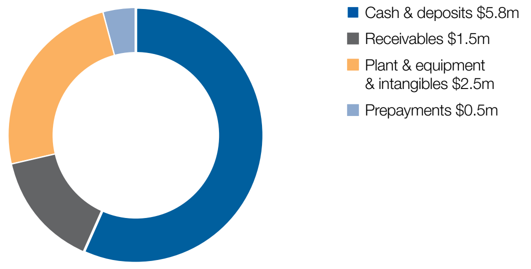
Liabilities
Total liabilities at 30 June 2015 amounted to $5.3m compared to the previous year's total of $7.3m. The reduction of $2.0m is primarily the result of the loan repayment in full ($1.9m). Other changes contributing to the movement are increased payables ($0.1m), increases in employee entitlement provisions ($0.1m) and reduced fees in advance ($0.1m).

Employee entitlements
A total of $3.0m (2013–14 $2.9m) is accrued for annual leave and long service leave payments to staff. Most of this will become payable at a future date.

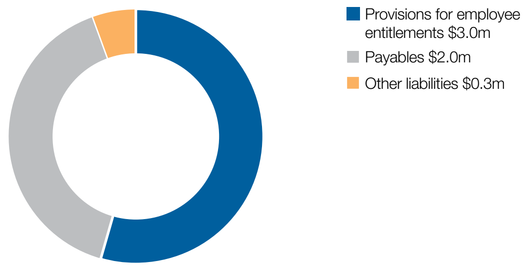
Borrowings
There are no borrowings outstanding at year end. The balance of the debt was paid out in full at 30 June 2015. The balance at 30 June 2014 was $1.9m.

Goods or services not yet paid for
At the end of the year a total of $2.0m was owed for goods or services already provided but not yet paid for. This was an increase of $0.1m over the corresponding figure last year.

Assets
Total assets $10.3m



Liabilities
Total liabilities $5.3m



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 2015 and financial position of Energy Safe Victoria as at 30 June 2015.

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 21 August 2015.

Paul Fearon
Director of Energy Safety
21 August 2015

Doug Bolam
Chief Financial Officer
21 August 2015

Financial statements

Comprehensive operating statement
for the financial year ended 30 June 2015 *($ thousand)*

CONTINUING OPERATIONS	Notes	2015	2014 *Adjusted*
Income from transactions			
Sales of goods and services			
Fee income	2(a)	14,867	14,187
Levy income	2(a)	17,488	16,885
Interest	2(b)	302	276
Other income	2(c)	281	303
Total income from transactions		**32,938**	**31,651**
Expenses from transactions			
Employee expenses	3(a)	17,524	16,491
Compliance audit expenses		2,440	2,356
Public relations and advertising		1,794	1,929
Motor vehicles		1,099	1,080
Rent and outgoings		1,198	1,212
Computer expenses		953	1,554
Consulting fees		650	655
Contractors		1,525	949
Interest expense		53	110
Depreciation and amortisation	3(b)	1,376	1,515
Other operating expenses	3(c)	2,870	2,721
Total expenses from transactions		**31,482**	**30,572**
Net result from transactions (net operating balance)		**1,456**	**1,079**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on non-financial assets	4(a)	(3)	(656)
Net gain/(loss) on financial instruments	4(b)	-	-
Other gain/(loss) from other economic flows	4(c)	(107)	(46)
Total other economic flows included in net result		**(110)**	**(702)**
Net result from continuing operations		**1,346**	**378**
NET RESULT		**1,346**	**378**
COMPREHENSIVE RESULT		**1,346**	**378**

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

Balance sheet
as at 30 June 2015 *($ thousand)*

ASSETS	Notes	2015	2014 *Adjusted*
Financial assets			
Cash and deposits		5,778	5,959
Receivables	5	1,482	1,180
Total financial assets		**7,261**	**7,139**
Non-financial assets			
Plant and equipment	6	1,881	1,911
Intangible assets	7	630	1,337
Prepaid expenditure		569	539
Total non-financial assets		**3,080**	**3,787**
Total assets		**10,341**	**10,926**
LIABILITIES			
Payables	8(a)	2,072	1,992
Borrowings	9	-	1,966
Provisions	10	3,043	2,913
Other liabilities	8(b)	152	199
Fees in advance	1(E)	73	200
Total liabilities		**5,339**	**7,270**
Net assets		**5,002**	**3,656**
EQUITY			
Accumulated surplus/(deficit)		1,392	46
Contributed capital		3,610	3,610
Net worth		**5,002**	**3,656**
Commitments for expenditure	12		
Contingent liabilities and contingent assets	13		

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

Financial statements

Statement of changes in equity
for the financial year ended 30 June 2015 *($ thousand)*

	Accumulated surplus/(deficit)	Contributions by owner	Total
Balance at 1 July 2013	**(332)**	**3,610**	**3,278**
Net result for the year (Adjusted)	378	-	**378**
Balance at 30 June 2014	**46**	**3,610**	**3,656**
Net result for the year	1,346	-	**1,346**
Balance at 30 June 2015	**1,392**	**3,610**	**5,002**

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

Cash flow statement
for the financial year ended 30 June 2015 *($ thousand)*

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from other entities		32,453	32,904
Goods and Services Tax recovered from the ATO [i]		1,102	989
Interest received		272	274
Total receipts		**33,827**	**34,167**
Payments			
Payments to suppliers and employees		(31,775)	(29,999)
Interest and other costs of finance paid		(53)	(121)
Total payments		**(31,828)**	**(30,120)**
Net cash flows from/(used in) operating activities	15	**1,999**	**4,047**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(215)	(419)
Net cash flows from/(used in) investing activities		**(215)**	**(419)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,966)	(2,034)
Net cash flows from/(used in) financing activities		**(1,966)**	**(2,034)**
Net increase/(decrease) in cash and cash equivalents		**(182)**	**1,594**
Cash and cash equivalents at the beginning of the financial year		5,959	4,365
Cash and cash equivalents at the end of the financial year		**5,778**	**5,959**

Note:
(i) GST received from the ATO is presented on a net basis.
The above cash flow statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements for the financial year ended 30 June 2015

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 ending 30 June 2015. 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*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

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 Paul Fearon, ESV's Director of Energy Safety, on 21 August 2015.

(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.

Judgments, 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 judgments derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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(K))
- the fair value of intangibles (refer to Note 1(K))
- superannuation expense (refer to Note 1(G)); 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(L)).

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).

Consistent with AASB 13 *Fair Value Measurement*, ESV determines the policies and procedures for both recurring fair value measurements such as plant and equipment and financial instruments, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions (FRDs).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For the purpose of fair value disclosures, ESV has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

The Valuer-General Victoria (VGV) is ESV's independent valuation agency. ESV, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

(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 ESV'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 and the safety of its pipelines, for the benefit of all Victorians.

(D) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being net result from transactions (or termed as net operating balance), other economic flows included in net result, as well as other economic flows – other comprehensive income. The sum of the former two, together with the net result from discontinued operations, represents the net result.

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

Other economic flows are changes arising from market remeasurements. They include:

- gains and losses from disposals of non-current assets; and
- revaluations and impairments of non-financial physical and intangible assets.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

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 balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the Comprehensive result and amounts 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) Changes in accounting policies

Subsequent to the 2013–14 reporting period, the following new and revised Standards apply for the first time:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*.

ESV has determined that these accounting standards have no impact on ESV and there have been no changes to ESV's accounting policies.

(F) 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 include 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.

Notes to the financial statements for the financial year ended 30 June 2015

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

Other income
Other income comprises income from installation exemptions, workers' compensation and reimbursements, court determinations, 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.

(G) 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(L) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation that 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.

Compliance audit expenses
Compliance audits expenses relates 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 and amortisation
All plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1 (K) 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	2–10 years
Equipment	2–5 years
Leasehold improvements	5–7 years
Capitalised software development costs	3–7 years
Vehicles	2–5 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 for impairment by comparing its recoverable amount with its carrying amount:
- annually; and
- whenever there is an indication that the intangible asset may be impaired (refer to Note 1(H)).

Interest expense
Interest expense represents costs incurred in connection with borrowings. It represents interest on a loan facility provided by the Treasury Corporation of Victoria.

Interest expense is recognised as expense in the period in which it is incurred.

Other operating expenses
Other operating expenses generally represent day-to-day running costs incurred in the normal operations and include:

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.

Bad and doubtful debts

Refer to Note 1(J) Impairment of financial assets.

(H) 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(K) Revaluations of non-financial physical assets.

Net gain/(loss) on 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 the proceeds from the carrying value of the asset at the 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 reversal 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. The impairment loss is reversed 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(K) 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(I)); and
- disposals of financial assets and derecognition of financial liabilities.

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.

(I) 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.

Notes to the financial statements for the financial year ended 30 June 2015

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(J)), 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 consolidated 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.

(J) Financial assets

Cash and deposits
Cash and deposits recognised on the balance sheet 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 readily convertible to known amounts of cash with 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 (l) Financial Instruments 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(l).

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 judgment is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

(K) 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. ESV's asset policy sets the minimum asset capitalisation threshold of individual units at greater than $5000.

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

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 6 *Plant and Equipment*.

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 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. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs. 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 comprehensive income, 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 comprehensive income 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 comprehensive income 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.

The asset revaluation surplus is not 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(G) *Depreciation and amortisation*, Note 1(H) *Amortisation of non-produced intangible assets* and Note 1(H) *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 that represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Notes to the financial statements for the financial year ended 30 June 2015

(L) 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(I)). 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.

The classification depends on the nature and purpose of the interest bearing liabilities. ESV determines the classification of its interest bearing liabilities at initial recognition.

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 virtually 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, and annual 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, because ESV does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, and annual leave are measured at:

– nominal value – if ESV expects to wholly settle within 12 months; or
– present value – if ESV does not expect to wholly settle within 12 months.

(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 – if ESV expects to wholly settle within 12 months; and
– present value – component that ESV does not expect to wholly settle within 12 months.

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the net result from transactions, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow (refer to Note 1(H)).

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. ESV recognises termination benefits when it is demonstrably committed to 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 and workers compensation are recognised separately from the provision for employee benefits.

Financial guarantees

Payments that are contingent under financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may have to be exercised, then it is measured at the higher of the amount and the amount initially recognised less cumulative amortisation, where appropriate.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(M) 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 recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term. 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.

(N) 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.

(O) 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; c) property occupancy leases for its offices at 4 Riverside Quay, Southbank and 540 Springvale Rd, Glen Waverley.

The above commitments are disclosed by way of a note (refer to Note 12) at their nominal value and inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(P) 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 if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(Q) 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(O) and Note 1(P)).

(R) 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 between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions that existed at the reporting date. 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 that are considered to be of material interest.

Notes to the financial statements for the financial year ended 30 June 2015

(S) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2015, there are a number of standards and interpretations that had been issued but were not mandatory for the financial year ending 30 June 2015. 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	Impact on public sector entity financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the financial impact of available for sale assets will now be reported through other comprehensive income and no longer recycled through the profit and loss. While preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 *Revenue from contracts with customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017 (Exposure draft 263 – potential deferral to 1 January 2018)	The changes in revenue recognition requirements in AASB 15 may result in change to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of licences that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014-1 *Amendments to Australian Accounting Standards* [Part E *Financial Instruments*]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation & Amortisation [AASB 116 & AASB 138]*	Amends AASB 116 *Property, Plant and Equipment* and the AASB 138 *Intangible Assets* to: – establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption for the future economic benefits of an asset; – prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 January 2016	The assessment has indicated there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]*	The Amendments extend the scope of AASB 124 *Related Party Disclosures* to not-for-profit sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	The amending standard will result in extended disclosures on the entity's key management personnel and the related party transactions.

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.

(T) Correction of prior year error
During the 2013–14 financial year, ESV did not accrue for employee bonuses earned during the financial year. This error had the effect of understating employee expenses and overstating the net result for the financial year to 30 June 2014 by $231,519. Without correcting adjustments, this misstatement also results in an overstatement of employee expenses in the 2014–15 financial year by $231,519.

This error also had the effect of understating payable and overstating the accumulated surplus balance as at 30 June 2014 by $231,519.

		($ thousand)
Adjustments	**2014 (Adjusted)**	**2014**
Employee expenses	16,491	16,259
Payables	1,992	1,761

This error has been corrected by restating each of the affected financial statement line items as described above.

Notes to the financial statements for the financial year ended 30 June 2015

Note 2
Income from transactions

	2015	2014
		($ thousand)
(A) SALE OF GOODS AND SERVICES		
Fee income		
Certificates of Electrical Safety	9,239	8,727
Licence fees	3,184	3,046
Electrolysis	1,629	1,517
Approval fees	371	394
Appliance efficiency fees	444	503
	14,867	14,187
Levy income		
Industry levy – Gas	9,066	8,689
Industry levy – Electricity	7,659	7,472
Industry levy – Gas pipelines	764	724
	17,489	16,885
Total revenue from sale of goods and services	**32,356**	**31,072**
(B) INTEREST		
Interest from financial assets not at fair value through profit or loss		
Interest on bank deposits	302	276
Total interest	**302**	**276**
(C) OTHER INCOME		
Other income	281	297
Bad debt reversal	-	6
Total other income	**281**	**303**

Note 3
Expenses from transactions

	2015	2014 Adjusted
		($ thousand)
(A) EMPLOYEE EXPENSES		
Salaries, wages and long service leave	14,925	14,063
Salary on-costs	1,206	1,029
Post-employment benefits		
Defined contribution superannuation expense	1,290	1,203
Defined benefit superannuation expense	-	96
Termination benefits	103	100
Total employee benefits	**17,524**	**16,491**
(B) DEPRECIATION AND AMORTISATION		
Plant and equipment	564	733
Intangible produced assets	812	782
Total depreciation and amortisation	**1,376**	**1,515**
(C) OTHER OPERATING EXPENSES		
Supplies and services		
Printing and stationery	222	233
Telecommunications	296	214
Legal fees	27	48
Administration fees - Certificates of Electrical Safety	325	338
Insurance	505	508
Travel expenses	168	173
Compliance and audit services (including Bushfire Mitigation)	272	254
Publications and subscriptions	311	265
Conferences and training	129	87
Other expenses	615	601
Total other operating expenses	**2,870**	**2,721**

Note 4 Other economic flows included in net result

	2015	2014
		($ thousand)
(A) NET GAIN/(LOSS) ON NON-FINANCIAL ASSETS		
Net gain/(loss) on disposal of plant and equipment	(3)	-
Impairment of intangible assets	-	(656)
Total net gain/(loss) on non-financial assets	**(3)**	**(656)**
(B) NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS		
Impairment of:		
Loans and receivables through provision for doubtful debts	-	-
Total net gain/(loss) on financial instruments	**-**	**-**
(C) OTHER GAIN/(LOSS) FROM OTHER ECONOMIC FLOWS		
Net gain/(loss) arising from revaluation of long service liability (i)	(107)	(46)
Total other gain/(loss) from other economic flows	**(107)**	**(46)**
TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT	**(110)**	**(702)**

Note (i) Revaluation gain/(loss) due to changes in bond rates.

Note 5
Receivables

	2015	2014
		($ thousand)
CURRENT RECEIVABLES		
Contractual		
Agent – Certificate of Electrical Safety	781	584
Other receivables	500	410
	1,281	**994**
Statutory		
GST input tax credit recoverable	201	186
	201	**186**
Total current receivables	**1,482**	**1,180**
Total non-current receivables	**-**	**-**
TOTAL RECEIVABLES	**1,482**	**1,180**

(A) MOVEMENT IN THE PROVISION OF DOUBTFUL CONTRACTUAL RECEIVABLES		
Balance at beginning of the year	-	(6)
Reversal of unused provision recognised in the net result	-	6
Increase in provision recognised in the net result	-	-
Reversal of provision of receivables written off during the year as uncollectable	-	-
Balance at end of the year	**-**	**-**

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

Notes to the financial statements for the financial year ended 30 June 2015

Note 6
Plant and equipment

Table 6.1
Classification by purpose groups – gross carrying amount and accumulated depreciation [i]

($ thousand)

PUBLIC SAFETY AND ENVIRONMENT	Gross carrying amount 2015	Gross carrying amount 2014	Accumulated depreciation 2015	Accumulated depreciation 2014	Net carrying amount 2015	Net carrying amount 2014
Nature-based classification						
Plant and equipment at fair value						
Furniture and fittings	484	477	176	158	309	319
Equipment	1,678	2,082	1,547	1,799	131	283
Leasehold improvements	1,935	1,881	992	690	943	1,191
Vehicles	73	49	22	10	51	39
Assets under construction at cost	447	79	-	-	447	79
Net carrying amount of plant and equipment	**4,617**	**4,568**	**2,736**	**2,657**	**1,881**	**1,911**

Note *(i) Plant and equipment are classified primarily by the purpose for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further subcategorised according to the asset's nature, with each subcategory being classified as a separate class of asset for financial reporting purposes.*

Table 6.2
Movements in carrying amounts by purpose group [i]

($ thousand)

PUBLIC SAFETY AND ENVIRONMENT	Plant and equipment at fair value 2015	Plant and equipment at fair value 2014	Assets under construction at cost 2015	Assets under construction at cost 2014	Total 2015	Total 2014
Opening balance	1,832	2,463	79	49	1,911	2,512
Additions	-	-	534	132	534	132
Disposals	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-
Transfers between asset sub-classes	-	-	-	-	-	-
Transfer in/out of asset under construction	166	102	(166)	(102)	-	-
Depreciation	(564)	(733)	-	-	(564)	(733)
Closing balance	**1,434**	**1,832**	**447**	**79**	**1,881**	**1,911**

Note *(i) Fair value assessments have been performed for all classes of assets and the decision was made that movements were not material for a full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2015–16.*

Table 6.3
Aggregate depreciation recognised as an expense during the year [i]

($ thousand)

	2015	2014
Plant and equipment		
Furniture and fixtures	(20)	(23)
Equipment	(232)	(403)
Leasehold improvements	(301)	(297)
Vehicles	(11)	(10)
	(564)	**(733)**

Note *(i) The useful lives of assets as stated in Policy Note 1 are used in the calculation of depreciation.*

Table 6.4
Fair value measurement hierarchy for assets

($ thousand)

	Carrying amount as at 30 June	Fair value measurement at end of reporting period using: Level 1 [i]	Level 2 [i]	Level 3 [i]
2015				
Plant and equipment at fair value	1,434	-	-	1,434
2014				
Plant and equipment at fair value	1,832	-	-	1,832

Note *(i) Classified in accordance with the fair value hierarchy, see Note 1(B). There have been no transfers between levels during the period.*

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. There were no changes in valuation techniques throughout the period to 30 June 2015. For all assets measured at fair value, the current use is considered the highest and best use.

Table 6.5
Reconciliation of Level 3 fair value

($ thousand)

Plant and equipment	2015	2014
Opening balance	**1,832**	**2,463**
Purchases	87	53
Transfers in (out) of Level 3	79	49
Gains or losses recognised in net result		
Depreciation	(564)	(733)
Impairment loss		-
Subtotal	**(564)**	**(733)**
Gains or losses recognised in other economic flows - other comprehensive income		
Revaluation	-	-
Subtotal	**-**	**-**
Closing balance	**1,434**	**1,832**
Unrealised gains/(losses) on non-financial assets	-	-

Table 6.6
Description of significant unobservable inputs to Level 3 valuations

Valuation technique	Plant and equipment Depreciated replacement cost	
Significant unobservable inputs	Cost per unit	Useful life of plant and equipment
Range (weighted average)	$1,000–$10,000 ($5,700)	2–10 years (3 years)
Sensitivity of fair value measurement to changes in significant unobservable inputs	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value	A significant increase or decrease in the estimated useful life of the asset would result in significantly higher or lower valuation

There have been no changes to valuation methodology from 2014 to 2015.

Notes to the financial statements for the financial year ended 30 June 2015

Note 7
Intangible assets

($ thousand)

	Computer software 2015	Computer software 2014	Work in progress 2015	Work in progress 2014	Total 2015	Total 2014
Gross carrying amount						
Opening balance	3,028	3,027	489	812	3,516	3,839
Additions	-	-	108	403	108	403
Other – Transfers between asset sub-classes	-	-	-	-	-	-
Transfer in/out of work in progress	586	-	(586)	(71)	-	(71)
Disposals	(101)	-	-	-	(101)	-
Impairment losses charged to net result(i)	-	-	-	(656)	-	(656)
Closing balance	**3,513**	**3,027**	**10**	**488**	**3,523**	**3,515**
Accumulated amortisation						
Opening balance	(2,178)	(1,396)	-	-	(2,178)	(1,396)
Amortisation of intangible produced assets	(812)	(782)	-	-	(812)	(782)
Disposals	98	-	-	-	98	-
Closing balance	**(2,893)**	**(2,178)**	**-**	**-**	**(2,893)**	**(2,178)**
Net book value at the end of the financial year	**620**	**850**	**10**	**488**	**630**	**1,337**

Note *(i) Impairment losses are included in the line item net gain/(loss) on non-financial assets in the comprehensive operating statement. Due to the disestablishment of the National Occupational Licensing Authority, previous work carried out to produce a software interface with the prospective National Occupational Licensing System is now obsolete. An impairment loss was recognised for the period based on its recoverable amount that was determined as nil value in use.*

Note 8(a)
Payables

($ thousand)	2015	2014 Adjusted
CURRENT PAYABLES		
Contractual		
Amounts payable to government and agencies	9	13
Supplies and services	2,063	1,979
	2,072	**1,992**
Statutory	-	-
Total current payables	**2,072**	**1,992**
TOTAL PAYABLES	**2,072**	**1,992**

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

Note 8(b)
Other liabilities

($ thousand)	2015	2014
CURRENT OTHER LIABILITIES		
Lease incentive	152	199
	152	**199**
Statutory	-	-
Total current other liabilities	**152**	**199**
TOTAL OTHER LIABILITIES	**152**	**199**

Note 9
Borrowings

($ thousand)	2015	2014
CURRENT BORROWINGS		
Unsecured		
Loans from Treasury Corporation of Victoria	-	654
Total current borrowings	**-**	**654**
NON-CURRENT BORROWINGS		
Unsecured		
Loans from Treasury Corporation of Victoria	-	1,312
Total non-current borrowings	**-**	**1,312**
TOTAL BORROWINGS	**-**	**1,966**

Note 14 discloses the maturity analysis and the nature and extent of risks arising from borrowings. During the current and prior year, there were no defaults and breaches of the loans.

Notes to the financial statements for the financial year ended 30 June 2015

Note 10 Provisions

	($ thousand) 2015	2014
CURRENT PROVISIONS		
Employee benefits (i)		
Annual leave		
Unconditional and expected to be settled within 12 months	1,017	924
Unconditional and expected to be settled after 12 months	113	163
Long service leave		
Unconditional and expected to be settled within 12 months	222	127
Unconditional and expected to be settled after 12 months	1,127	1,208
	2,479	**2,422**
Provisions related to employee benefit on costs		
Unconditional and expected to be settled within 12 months	243	229
Unconditional and expected to be settled after 12 months	201	227
	444	**456**
Total current provisions	**2,923**	**2,878**
NON-CURRENT PROVISIONS		
Employee benefits (i)	103	30
Employee benefit on-costs	17	5
Total non-current provisions	**120**	**35**
TOTAL PROVISIONS	**3,043**	**2,913**

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

(a) Movement in provisions	($ thousand) On-costs 2015
OPENING BALANCE	**461**
Additional provisions recognised	250
Reductions arising from payments	(263)
Unwinding of discount and effect of changes in the discount rate	13
Closing balance	**461**
Current	444
Non-current	17
	461

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 plans provide 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 recognised contributions (totalling $1,290,893) to the following major superannuation funds during the year (2014 $1,299,288):

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

Of the total superannuation contributions recognised in 2014–15, $1,255,772 was paid to respective superannuation funds, and $35,121 in contributions remain outstanding at year end. 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) 2015	2014
LEASE COMMITMENTS PAYABLE		
Motor vehicle operating lease commitments payable		
Less than 1 year	579	644
Longer than 1 year but no longer than 5 years	233	846
5 years or more	-	-
Office accommodation lease commitments payable		
Less than 1 year	1,310	1,415
Longer than 1 year but no longer than 5 years	3,647	3,070
5 years or more	607	-
Total lease commitments	**6,376**	**5,975**
Other	-	-
Total other expenditure commitments	**-**	**-**
Total commitments for expenditure (inclusive of GST)	**6,376**	**5,975**

The 2014–15 gross office accommodation commitment includes the lease on premises and outgoings for 4 Riverside Quay, Southbank, and 540 Springvale Road, Glen Waverley. The lease at 4 Riverside Quay, Southbank, expires in 2018 and is subject to annual increase of 5 per cent. The original lease at 540 Springvale Road, Glen Waverley, expires in October 2015. ESV has signed a Deed of Variation for expanded premises in Building 4 that expires in October 2021. The revised lease is fixed for the first three years and is subject to annual increase of 3.75 per cent for years four to six.

The above commitments are inclusive of GST.

Note 13 Contingent assets and contingent liabilities

	($ thousand) 2015	2014
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.

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

Notes to the financial statements for the financial year ended 30 June 2015

Table 14.1 Categorisation of financial instruments ($ thousand)	2015	2014 Adjusted
Contractual financial assets - loans and receivables		
Cash and deposits	5,778	5,959
Receivables		
Sale of goods and services	781	584
Other receivables	500	410
Total contractual financial assets	**7,059**	**6,953**
Contractual financial liabilities at amortised cost		
Payables		
Other payables	2,072	1,992
Borrowings		
Loan from Treasury Corporation of Victoria	-	1,966
Total contractual financial liabilities	**2,072**	**3,958**

(B) Credit risk

Credit risk arises from the contractual financial assets of ESV, which comprise cash and deposits, and non-statutory 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 ESV'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. Table 14.2 below represents ESV's maximum exposure to credit risk.

Table 14.2 Credit quality of contractual financial assets that are neither past due nor impaired ($ thousand)	Government agencies (AAA credit rating)	Financial institutions (min BBB credit rating)	Other (non-rated)	Total
2015				
Cash and deposits	4,916	862	-	5,778
Receivables	-	-	1,281	1,281
Total contractual financial assets	**4,916**	**862**	**1,281**	**7,059**
2014				
Cash and deposits	5,000	959	-	5,959
Receivables	-	-	994	994
Total contractual financial assets	**5,000**	**959**	**994**	**6,953**

Contractual financial assets that are either past due or impaired

As at reporting date, there is no event to indicate that any of the financial assets were impaired. 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.
The following table discloses the ageing of financial assets that are past due but not impaired.

Table 14.3 Ageing analysis of contractual financial assets ($ thousand)	Carrying amount	Not past due and not impaired	*Past due but not impaired* Less than 1 month	1–3 months	3 months - 1 year	Impaired financial assets
2015						
Receivables	1,281	932	284	64	1	-
	1,281	**932**	**284**	**64**	**1**	**-**
2014						
Receivables	994	875	111	-	8	-
	994	**875**	**111**	**-**	**8**	**-**

(C) Liquidity risk

Liquidity risk is the risk that ESV would be unable to meet its financial obligations as and when they fall due. ESV operates under the Government 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's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet and the amounts related to bank guarantee as disclosed in Note 13. ESV manages its liquidity risk by close monitoring of its short-term and long-term borrowings by senior management 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.

The following table discloses the contractual maturity analysis for ESV's contractual financial liabilities.

Table 14.4 Maturity analysis of contractual financial liabilities ($ thousand)	Carrying amount	Nominal amount	*Maturity dates* Less than 1 month	1–3 months	3 months - 1 year	1–5 years
2015						
Payables						
Other payables	2,072	2,072	1,767	287	18	-
Borrowings						
Loans from Treasury Corporation of Victoria	-	-	-	-	-	-
	2,072	**2,072**	**1,767**	**287**	**18**	**-**
2014 Adjusted						
Payables						
Other payables	1,992	1,992	1,757	235	-	-
Borrowings						
Loans from Treasury Corporation of Victoria	1,966	1,966	54	108	492	1,312
	3,958	**3,958**	**1,811**	**343**	**492**	**1,312**

Notes to the financial statements for the financial year ended 30 June 2015

(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 equity 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 that can be left at floating rate without necessarily exposing ESV to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 14.5. In addition, ESV's sensitivity to interest rate risk is set out in Table 14.6.

Table 14.5
Interest rate exposure of financial instruments *($ thousand)*

	Interest rate%	Carrying amount	Interest rate exposure: Fixed interest rate	Variable interest rate	Non-interest bearing
2015					
Financial assets					
Cash and deposits	2.3%	5,778	4,800	978	-
Receivables	-	1,281	-	-	1,281
Total financial assets		**7,059**	**4,800**	**978**	**1,281**
Financial liabilities					
Payables					
Other payables	-	2,072	-	-	2,072
Borrowings					
Loan from Treasury Corporation of Victoria	-	-	-	-	-
Total financial liabilities		**2,072**	**-**	**-**	**2,072**
2014 Adjusted					
Financial assets					
Cash and deposits	2.5%	5,959	5,000	959	-
Receivables	-	994	-	-	994
Total financial assets		**6,953**	**5,000**	**959**	**994**
Financial liabilities					
Payables					
Other payables	-	1,992	-	-	1,992
Borrowings					
Loan from Treasury Corporation of Victoria	3.2%	1,966	1,966	-	-
Total financial liabilities		**3,958**	**1,966**	**-**	**1,992**

Sensitivity disclosure analysis and assumptions

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, ESV believes that it has virtually no exposure to market movements. Sensitivity analyses shown are for illustrative purposes only.

Table 14.6
Interest rate risk sensitivity *($ thousand)*

	Carrying amount	Interest Rate: -100 basis points: Net result	-100 basis points: Available-for-sale revaluation surplus	+100 basis points: Net result	+100 basis points: Available-for-sale revaluation surplus
2015					
Contractual financial assets					
Cash and deposits	5,778	(10)	-	10	-
Total impact	**5,778**	**(10)**	**-**	**10**	**-**
Contractual financial liabilities					
Borrowings	-	-	-	-	-
Total impact	**-**	**-**	**-**	**-**	**-**
2014					
Contractual financial assets					
Cash and deposits	5,959	(10)	-	10	-
Total impact	**5,959**	**(10)**	**-**	**10**	**-**
Contractual financial liabilities					
Borrowings	1,966	(20)	-	20	-
Total impact	**1,966**	**(20)**	**-**	**20**	**-**

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.

ESV currently holds a range of financial instruments that are recorded in the financial statement where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the exception that they will be paid in full by the end of the 2014–15 reporting period.

Financial assets
Cash and deposits
Receivables
– Sale of goods and services
– Other receivables
Investments and other contractual financial assets
– Term deposits

Financial liabilities
Payables
– For supplies and services
– Amounts payable to government
– Other payables
Borrowings
– Loan from TCV

When the fair value of the financial instrument is different from the carrying amounts, the following information has been included to disclose the difference.

Notes to the financial statements for the financial year ended 30 June 2015

Table 14.7
Fair value of financial instruments measured at amortised costs

($ thousand)

	Carrying amount		Fair value	
	2015	2014 Adjusted	2015	2014 Adjusted
Financial assets				
Cash and deposits	5,778	5,959	5,778	5,959
Receivables	1,281	994	1,281	994
Financial liabilities				
Borrowings	-	1,966	-	1,966
Payables	2,072	1,992	2,072	1,992

Note 15
Cash flow information

($ thousand)

	2015	2014 Adjusted
RECONCILIATION OF NET RESULT FOR THE PERIOD		
Net result for the period	1,346	378
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	3	656
Depreciation and amortisation of non-current assets	1,376	1,515
Impairment of non-current assets	-	-
Increase/(decrease) in provision for bad and doubtful debts	-	(6)
Movements in assets and liabilities		
(Increase)/decrease in receivables	(302)	1,469
(Increase)/decrease in other current assets	(30)	(397)
(Decrease)/increase in payables	(351)	755
(Decrease)/increase in other liabilities	(48)	(48)
(Decrease)/increase in provisions	131	(123)
(Decrease)/increase in fees in advance	(126)	(152)
Net cash flows from/(used in) operating activities	**1,999**	**4,047**

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. Russell Northe MP	1 July 2014 - 3 December 2014
The Hon. Lily D'Ambrosio MP	4 December 2014 - 30 June 2015

Director of Energy Safety

Mr Paul Fearon	1 July 2014 - 30 June 2015

Remuneration

Remuneration received or receivable by the accountable officer in connection with the management of ESV during the reporting period was in the range:

$300,000 - $309,999 ($260,000 - $269,999 in 2013–14)

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.

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 during the year. 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 2015	2014	Base remuneration 2015	2014
	No.	No.	No.	No.
$120,000 – 129,999	1	-	1	-
$130,000 – 139,999	-	1	-	1
$140,000 – 149,999	-	-	1	1
$150,000 – 159,999	-	1	1	1
$160,000 – 169,999	-	1	-	-
$170,000 – 179,999	2	-	3	1
$180,000 – 189,999	1	1	-	1
$190,000 – 199,999	1	2	1	1
$200,000 – 209,999	1	1	-	-
$210,000 – 219,999	1	-	-	-
$220,000 – 229,999	-	-	-	2
$230,000 – 239,999	-	-	-	-
$240,000 – 249,999	-	2	1	-
$250,000 – 259,999	1	-	-	-
Total number of executives	**8**	**9**	**8**	**8**
Total annualised employee equivalent (AEE) [(a)]	7.3	8.6	7.3	8.6
Total amount	**$1,527,858**	**$1,718,948**	**$1,381,212**	**$1,456,758**

Note: (a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period. 2014–15 annualised employee equivalent is calculated based on 27 fortnights in the financial year, compared with 26 fortnights in 2013–14.

In 2014–15 there were two executive officers (2013–14: one) whose total and base remunerations was less than $100,000 for the year.

ESV did not make any payments to contractors charged with significant management responsibilities from 1 July 2014 to 30 June 2015.

Note 18
Remuneration of auditors

($ thousand)

	2015	2014
Victorian Auditor-General's Office Audit or review of the financial statements	35	27

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.

Notes to the financial statements for the financial year ended 30 June 2015

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 comprehensive income.

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 or liability 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
A complete set of financial statements comprises:

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

Intangible produced assets
Refer to produced assets in this glossary.

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 lease 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 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 economic flows – other comprehensive income.

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 included in net result
Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:
- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets; and
- fair value changes of financial instruments.

Other economic flows – other comprehensive income
Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include changes in physical asset revaluation surplus.

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 / 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 2014–15 *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.

VAGO
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 2015 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 Directors 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

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 2015 and its financial performance and 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*.

T M ...

MELBOURNE
24 August 2015

for John Doyle
Auditor-General

Auditing in the Public Interest

Demonstrating accountability

Accounting policies

Refer to Note 1(a) Summary of Significant Accounting Policies in the Finance section on page 36.

Stakeholders

ESV's success in ensuring safety and compliance outcomes relies on the actions, commitment and cooperation of a range of 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	– Includes the general public 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	– Electrical workers, including licensed electrical inspectors, registered electrical contractors and licensed electrical installation workers. – Gasfitters, including licensed gasfitters, registered gasfitters, 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-natural 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	– Minister for Energy and Resources and associated government departments including Department of Economic Development, Jobs, Transport and Resources. – Standing Council on Energy and Resources (SCER). – Victorian Workcover Authority. – Victorian Building Authority. – Electrical Regulatory Authorities Council (ERAC), Gas Technical Regulators Committee (GTRC). – Fire authorities – Metropolitan Fire Brigade, Country Fire Authority and the Department of Environment, Land, Water and Planning. – 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 Coroners Office of Victoria. – Australian Economic Regulator (AER). – Australian Energy Market Operator (AEMO). – Commonwealth agencies (Clean Energy Regulator).
Associations and training and education bodies	– Tertiary and other education providers (TAFEs), private training providers, Australian technical colleges, Electricity Industry Advisory Group (EIAG), Electroskills Council, EPIC Industry Training Board, Energy Skills Australia (E-Oz), Plumbing Industry Climate Action Centre (PICAC), Construction and Property Services Industry Skills Council (CPSISC). – Unions and industry associations (NECA, ETU and the Institute of Electrical Inspectors).

Consultancies

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST)	Exp. to 30 June 2015 (ex. GST)	2014–15 expenditure (ex. GST)	Future expenditure (ex. GST)	Total projects costs (ex. GST)
Glenergy Services	Provide technical advice on complex gas appliance safety for publications, standard reviews and examinations	Jul 13	Jan 15	145,000	14,000	-	65,000	65,000
Jones Lang La Salle	Provide real estate consultancy and advisory services for the Glen Waverley office accommodation review project	Dec 15	Jun 15	75,000	-	75,000	-	75,000
Reactive Media	Type B guides, training and standards	May 14	Jan 15	61,000	31,000	30,000	-	61,000
Advisian	Support the development of a reform strategy for Electricity Safety Management Scheme Compliance and Enforcement Reform Strategy	Jan 15	Apr 15	39,000	-	39,000	-	39,000
	Electrical Infrastructure ESMS Support Services Proposal	Apr 15	Jun 15	19,000	-	15,000	-	15,000
	Development of an evaluation process for Safety Case Assessment	May 15	Aug 15	54,000	-	40,000	14,000	54,000
Huegin Consulting	Development of incident reporting interface to improve the capture and storage of information describing electrical safety events	May 15	Jun 15	37,000	-	38,000	-	38,000
Jaguar Consulting	Development and finalisation of a revised legislative impact assessment in respect of the proposed Electrical Equipment Safety Scheme	Feb 15	May 15	27,000	-	23,000	-	23,000
iedex online	Provision of 360 degree feedback services	May 15	Jun 15	24,000	-	24,000	-	24,000
Cielterre Management Services	Provision of industrial relation services, assistance and negotiation of the new Enterprise Agreement	Oct 14	Dec 15	31,000	-	16,000	15,000	31,000
LSI Consulting	Review Licensing functions, structure and efficiency	Jun 15	Jun 15	25,000	-	25,000	-	25,000
Thomson Geer	Provision of employment and industrial law advice toward ESV Enterprise Agreement negotiations	Nov 14	Jun 15	22,000	-	22,000	-	22,000
Energy Advice	Type B Appliance Energy Efficiency Stakeholder Survey 2015	Apr 15	Jun 15	23,000	-	23,000	-	23,000

Consultancies (continued)

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST)	Exp. to 30 June 2015 (ex. GST)	2014–15 expenditure (ex. GST)	Future expenditure (ex. GST)	Total projects costs (ex. GST)
Marxen Consulting	Clarify minimum technically acceptable electrical network construction standard in high bushfire risk areas	Jun 14	Mar 15	23,000	6,000	18,000	-	23,000
Hatamoto	ESV Desktop Exercise Project 2014	Nov 14	Jan 15	25,000	-	25,000	-	25,000
AEP Lauren	GPIS 2013–14 Performance Report	Aug 14	Dec 14	15,000	-	13,000	-	13,000
Motorbis	Review cost allocation and regulatory recovery that informs ESV's levy models	Sep 14	Oct 14	11,000	-	11,000	-	11,000
	Refine and consolidate ESV's cost allocation and regulatory review models. Review COES income and develop income predictive model	Feb 15	Jun 15	25,000	-	25,000	-	25,000
Kriss Will Consulting	Human Resources policies review project	Jan 15	Feb 15	15,000	-	14,000	-	14,000
ShineWing Australia	Review of bank receipts and licensing and certificate database	Apr 15	Jun 15	11,000	-	11,000	-	11,000
Doxical	Review and revise safety case guidelines	Oct 14	Mar 15	11,000	-	11,000	-	11,000
TOTAL				**715,000**	**88,000**	**510,000**	**29,000**	**628,000**

Details of consultancies under $10,000

In 2014–15, 26 consultants received total fees payable of less than $10,000. The total expenditure incurred in 2014–15 in relation to these consultancies is $140,188 (excluding 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.

Protected Disclosure Act 2012

ESV is committed to the aims and objectives of the *Protected Disclosure Act 2012*.

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 Street
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 VIC 3000

www.ombudsman.vic.gov.au
Email ombudvic@ombudsman.vic.gov.au
Telephone 03 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 34 freedom of information requests from 1 July 2014 to 30 June 2015. Thirty-two of these applications were completed within the financial year, along with five that carried over from the previous 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 $821.50. Fees waived in 2014–15 totalled $79.75.

Information on how to make a freedom of information request to Energy Safe Victoria is available at: www.esv.vic.gov.au.

Energy Safe Victoria Act Committees

ESV may establish committees that consist of employees and other people determined by ESV 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:

Electrical Safety Committee
Provides advice to ESV on the setting of safety standards for work on or near high voltage electrical apparatus.

Victorian Foundations for Safety Committee
Provides advice to ESV on safe working methods for electrical installations.

Demonstrating accountability

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.

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.

Electrical Regulatory Authorities Council (ERAC)
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 Australia Technical Committees
Reviews and develops relevant Australian and international standards in relation to electricity and gas.

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

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

Pipeline (non-natural gas) Consultative Meeting
ESV coordinates meetings to share information and discuss industry issues.

Gas Emergency Consultative Committee
ESV chairs the Committee together with AEMO, which provides the secretariat function. Its aim is to plan and coordinate gas industry emergency preparedness.

Victorian Electricity Emergency Committee
The Victorian Electricity Emergency Committee (VEEC) includes representatives from the electricity industry, the State Government and emergency services. Its charter is to develop policies and procedures to ensure the coordination of electricity emergency events in Victoria. The committee also oversees the Operations Working Group, Technical Working Group and Communications Working Group.

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

Gas – Building Industries Regulators Forum
Representatives from government agencies share information and develop protocols with respect to gas safety issues.

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

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 does not apply.

National Competition Policy

The regulations made during the year were reviewed for compliance with the National Competition Policy. These regulations are consistent with the National Competition Policy principles.

Compliance with DataVic Access Policy

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

Campaign advertising

ESV is required to undertake community and industry education campaigns to raise awareness about safety. The total amount spent advertising safety campaigns during the year was $734,755. This was in accordance with our approved Corporate Plan.

Compliance with Carers Recognition Act 2012

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

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
21 August 2015

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
21 August 2015

Disclosure index

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.

Abbreviations

ACCC	Australian Competition and Consumer Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APGA	Australian Pipelines and Gas Association
APIA	Australian Pipeline Industry Association
CFA	Country Fire Authority
CO	Carbon monoxide
COES	Certificate of Electrical Safety
CPSISC	Construction and Property Services Industry Skills Council
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DELWP	Department of Environment, Land, Water and Planning
DSDBI	Department of State Development, Business and Innovation
DTF	Department of Treasury and Finance
EESS	Electrical Equipment Safety System
EILES	Electrical Installations, Licensing and Equipment Safety
ELCCC	Electric Line Clearance Consultative Committee
EMV	Emergency Management Victoria
EPA	Environment Protection Authority
ESC	Essential Services Commission
ESISC	Energy Networks Industry Safety Committee
ESMSs	Electricity Safety Management Schemes
ESV	Energy Safe Victoria
GIAS	Gas Installations and Appliance Safety
GEMS	Greenhouse and Energy Minimum Standards
GPIS	Gas and Pipeline Infrastructure Safety
GTRC	Gas Technical Regulators' Committee
HR	Human Resources
IBAC	Independent Broad-based Anti-Corruption Commission
IEC	International Electrotechnical Commission
IGA	Intergovernmental agreement
IPAA	The Institute of Public Administration Australia
KPI	Key performance indicator
LDAP	Land Development Around Pipelines
LEAP	Learning, Empowerment, Alignment and Progress
LEI	Licensed electrical inspector
MAV	Municipal Association of Victoria
MEC	Major electricity companies
MFB	Metropolitan Fire and Emergency Services Board
MPA	Metropolitan Planning Authority
NA	Not applicable
OHS	Occupational health and safety
PBSP	Powerline Bushfire Safety Program
PICAC	Plumbing Industry Climate Action Centre
REC	Registered electrical contractor
REFCL	Rapid earth fault current limiters
RIS	Regulatory impact statement
RTO	Registered Training Organisation
SCER	Standing Council on Energy and Resources
SECV	State Electricity Commission of Victoria
SOE	Statement of Expectations
TSV	Transport Safety Victoria
VBA	Victorian Building Authority
VCEC	Victorian Competition and Efficiency Commission
VEC	Victorian Electrolysis Committee

energysafe VICTORIA Creating a safer state with electricity and gas

Authorised and published by

Energy Safe Victoria
Level 5, Building 2
4 Riverside Quay
Southbank VIC 3006

Also available online:
www.esv.vic.gov.au

Creating a
safer state with
electricity and gas

Energy Safe Victoria
ABN 27 462 247 657

Head Office
Level 5, Building 2
4 Riverside Quay
Southbank VIC 3006

Postal address
PO Box 262
Collins Street West VIC 8007

Telephone 03 9203 9700
Facsimile 03 9686 2197
Email info@esv.vic.gov.au
www.esv.vic.gov.au