energysafe VICTORIA

Annual Report 2015–16

Creating a safer state with electricity, gas and pipelines since 2005 energysafe VICTORIA

Creating a safer state with electricity and gas

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About Energy Safe Victoria

Creating a safer state with electricity and gas

For the past decade, Energy Safe Victoria (ESV) has been responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria.

The organisation marked its 10th anniversary on 10 August 2015.

During this time, ESV has worked to ensure Victoria is 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. Integrity. Partnerships. Accountability.
We treat all stakeholders and staff with respect. We will always act with integrity. We work cooperatively with external and internal stakeholders and customers to achieve objectives. 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 gas safety

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

Control the safety standards of gas work.

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.

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.

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.

Strategic statement

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.

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

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.

ESV's core regulatory functions

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.

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, Environment and Climate Change.

To assist him in discharging his responsibilities, the Director established the Audit and Risk Committee in 2012 to provide independent assurance, advice and assistance 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.

Corporate Services
Executive Manager and Deputy Director
Graeme Cook
Finance, human resources, business services 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
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.

Gas and Pipeline Infrastructure Safety
Acting Executive Manager
Steve Cronin
Gas infrastructure, licensed pipelines and electrolysis mitigation.

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

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 and disclosure of significant transactions that are not part of ESV's normal course of business
- the endorsement 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 2015–16, ESV's Audit and Risk Committee consisted of the following independent members:

Bob Scott (Chair)
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 Food Agility, Chair of William Angliss Institute of TAFE, 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 is a Council member of Catholic Social Services Victoria, a Member of CSIRO's Agriculture and Food Advisory Committee and the Commonwealth's representative on Australia and New Zealand's Health Star Rating Advisory Committee.

Joh Barker
A Certified Practising Accountant, Johanna (Joh) Barker was previously an executive with ANZ Ltd from 2004 - 2012 with responsibility for a number of departments including risk and performance management across both operations 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 an independent member of the Victorian Government Shared Services Advisory Board and Goulburn Valley Water. Joh is currently a Board member and Chair of the Audit and Risk Committee at CenITex.

Steve Schinck
Steve is a consultant with Landell Consulting specialising in procurement and governance, and holds a business degree with majors in accounting and economics. Steve spent 16 years as a senior director with the Department of Treasury and Finance and his experience includes financial management, policy reform, corporate planning and governance, human resource strategy, risk management and audit. Steve is a member of the Yarra Ranges Council Audit and Risk Committee and a member of the Old Treasury Reserve Building Committee of Management. Steve was previously Chair of Manningham Community Health Services and a member of the Audit Committee for the Department of Treasury and Finance.

Ministerial Statement of Expectations

The Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, is responsible for administering the Electricity Safety Act, the Gas Safety Act and the Pipelines Act.

Ministerial Statements of Expectations (SOE) are formal, public documents that articulate the Victorian Government's priorities and objectives and are designed to improve regulatory performance and governance. The SOE frames and informs our priorities and ESV reports against these expectations until they are amended or achieved.

The operational reports on the following pages detail the progress that has made in the past year against the objectives outlined in the SOE.

Relevant items are marked with the following graphic:

Key deliverables include:

- developing and maintaining the capacity and capability to deliver on the Corporate Plan
- implementing the recommendations of the 2009 Victorian Bushfires Royal Commission in a practical and affordable manner
- testing, challenging and exposing the performance of the businesses whose responsibility it is to design, build, maintain and operate gas and electricity infrastructure and pipelines
- applying a range of regulatory tools, including risk-based approaches, to achieve ESV's objectives
- maintaining a leadership role in facilitating industry and community awareness, knowledge, technical support and information to ensure the very best safety outcomes
- taking a leading role in influencing the national regulatory agenda to the benefit of Victorians where it is more efficient, without diluting Victoria's current position
- participating in national and international fora to develop Standards to support effective risk-based regulation across the energy and pipeline sectors, and protecting consumers from imported equipment and appliances that are unsafe
- contributing to and supporting other government initiatives taking into consideration the role and responsibilities of ESV
- working closely in the ongoing development of effective and efficient regulation with the Department of Environment, Land Water and Planning (DELWP), formerly the Department of Economic Development, Jobs, Transport and Resources (DEDJTR)
- considering the views of community and industry stakeholders in ESV's capacity as regulator
- keeping the Minister informed of existing and emerging issues
- provision of more accessible advice and online processes making it easier for regulated businesses to comply with their obligations. It is expected that achievement of this improvement will result in, among other things, a 5 per cent increase in the use of the ESV website each year
- more timely information provision to regulated parties in relation to compliance and enforcement advice
- enhanced self-evaluation of ESV performance and outputs to ensure that ESV's use of its compliance and enforcement tools is appropriate.

Report from the Director of Energy Safety

I am pleased to present ESV's Annual Report for 2015–16, in what was our 10th year of serving Victoria as its technical and energy safety regulator.

This milestone provided us with an opportunity to reflect on all that has been achieved since the Office of the Chief Electrical Inspector merged with the Office of Gas Safety in August 2005 to create ESV.

Since that time, we have made great advances in building our capacity and professionalism to ensure we are a modern and effective safety regulator meeting the expectations of industry, community and government.

While many things have changed over the past decade, both in our internal and external environments, there has been one constant – our commitment to creating a safer state with electricity, gas and pipelines.

It is a reflection of the hard work and dedication of all ESV staff that I am able to report that community safety outcomes have improved significantly since our organisation was formed. We have seen a significant reduction in the number of serious injuries caused by gas and electricity compared to 2005, but it remains a source of frustration that, despite our best efforts, regulation and education can only do so much to help keep Victorians safe.

Tragically, five Victorians lost their lives due to contact with electricity during the year and one as a result of inappropriate use of LP Gas. Two of the deaths were apprentice electricians, one was an air conditioning technician and two were farm workers attempting to fix electrical issues that should have been left to licensed professionals. Poor choices and/or poor work practices were factors in all the incidents, so ESV will be renewing its efforts to remind Victorians of the dangers posed by gas and electricity.

In response to the farm tragedies, ESV created the new DIY=DIE campaign reminding farm workers that attempting to do your own electrical work can spell disaster. The campaign was launched in May, and it immediately struck a chord with Victorians. It reached 20,000 people via our social media channels in less than a week.

Report from the Director of Energy Safety

It is a challenging time to be a regulator as we confront a range of issues associated with evolving technologies, greater levels of renewable energy uptake, climate change and meeting our new responsibilities in administering the amended Electricity Safety (Bushfire Mitigation) Regulations, which came into effect in May 2016. These regulations mandate the deployment of technologies to reduce the risk of electricity assets starting bushfires.

In addition to our ongoing support of the Powerline Bushfire Safety Program, ESV will play a key role in monitoring the complex engineering issues associated with the rollout of these new technologies.

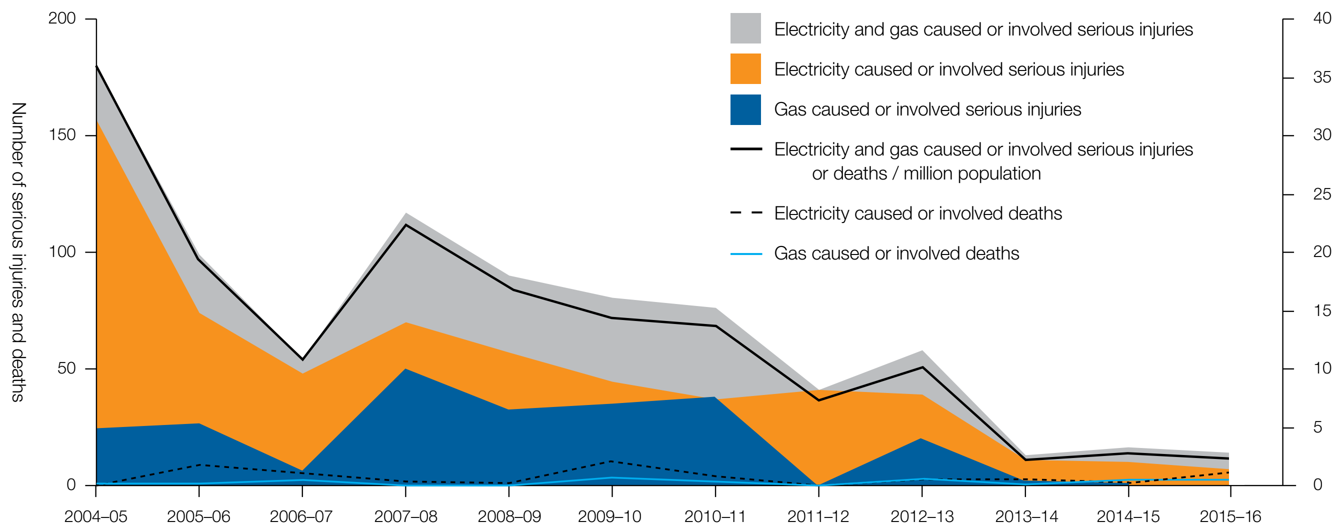
Sections of the energy sector are experiencing significant technological transformation, and the development of new renewable energy generation and storage technologies will have implications for the development of Standards and safety regulations. ESV has been at the forefront of that work both nationally and internationally.

ESV will continue to anticipate how these technologies may develop, how they may be deployed and what impact they may have for safety regulation and the obligations for both existing and new entrant energy providers.

The challenge posed by new technologies was illustrated during the year when ESV needed to act to address safety concerns about a number of non-compliant products using lithium ion batteries, including self-balancing scooters (hoverboards).

With no national Standard covering these products, Victoria worked with the ACCC to ban self-balancing scooters from sale while working to draft a proposed new electrical safety Standard through the EL-002 Standards Committee. Some of this work has also been incorporated into an international Standard for hoverboards.

ESV has continued to support the government in its introduction of a national Electrical Equipment Safety Scheme, which will make it easier for consumers to identify compliant product while providing regulators with greater resources to undertake check-testing and audits. ESV has also worked closely with the Department to negotiate an Inter-Governmental Agreement.



Electricity and gas caused or involved serious injuries and deaths

ESV's focus continues to be on long-term safety outcomes while concurrently responding to emerging risks and issues in our prevention and compliance activities. It can be difficult to measure the success of prevention activities effectively because you can't always directly attribute specific actions to overall improved safety outcomes. ESV employs a range of performance measures that reflect 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 that people are tragically killed and injured every year despite our best efforts, while many more avoid serious consequences through good luck.

We led the way in negotiating a national safety program for Cannon Fitzroy and Canterbury inbuilt gas heaters manufactured between 20 March 2001 and 8 October 2009. After laboratory testing showed it was possible these heaters could produce potentially hazardous levels of carbon monoxide if subjected to certain conditions, including the operation of rangehoods and other exhaust fans in the home, ESV worked closely with the company to negotiate what was a very positive outcome for consumers. The company agreed to meet the cost of safety checks as well as providing compensation of up to $150 for heater owners who had their heaters checked following an initial safety announcement in 2015. The safety program was adopted by all Australian energy regulators.

ESV continues to review how it delivers its key technical and regulatory services to the gas, electricity and pipeline industries.

The past year has seen positive signs that industry is beginning to recognise that it must meet the higher quality standards demanded by ESV on behalf of the community for its Safety Cases and Safety Management Schemes. We now require each major electricity company to develop a detailed Safety Case that demonstrates how it understands, identifies and manages the risks associated with its business operations. ESV requires this before we consider for acceptance the mandated Electricity Safety Management Scheme.

We have also developed comprehensive draft guidelines for the preparation of Safety Cases and Safety Management Plans for natural gas and non-natural gas pipeline licensees as well as natural gas distribution companies. The guidelines cover the scope, the process of preparation and key points of engagement with ESV. We have started working with representatives from each industry group on their revisions and developments of safety framework documentation.

Our staff completed three major reports during the year, including an investigation into a gas odourisation failure at Lang Lang in April. While this incident was found not to have safety implications in this instance, the investigation highlighted systemic inadequacies that caused regulatory breaches. ESV is pursuing enforcement action against the gas companies involved to ensure the successful implementation of the improvements identified.

We also prepared safety performance reports on Victoria's gas and pipeline infrastructure and major electricity companies (MECs), and conducted an investigation into the failure of non-metallic screened high voltage aerial bundled cable on the Mornington Peninsula, which led to a program to replace all the cable in the area within two years.

We have made great strides over the past 18 months in establishing better systems to ensure we can capture and analyse data to be assured we are making sound regulatory and safety decisions. Our new Online Safety Incident Reporting and Intelligence System (OSIRIS) was launched in October to capture data provided by the MECs.

Data and information are critical to our ability to understand, forecast and manage risk, and this new system will help us identify trends and systemic issues that will better enable us to fulfil our role as Victoria's technical and safety regulator.

We continue to refine our operational structure to ensure we are regulating most effectively, while continuing to build capacity and increase operational efficiency. This has included rationalising ESV's motor vehicle fleet and aligning our policies with those of the Victorian Government, consolidating operations at our Glen Waverley offices, and continuing to review business processes.

We have been refining our technology platforms and online facilities to make it easier for workers and industry to communicate and transact with ESV. This includes the development of GasTrac, our new online gas installation acceptance system that makes managing gas applications quicker and easier.

The productivity gains already achieved this year have enabled ESV to continue to apply greater resources to new regulatory functions and activities as well as maintain the price freeze on the cost of Certificates of Electrical Safety that has been in place for two years. We are also extending the freeze to the price of electrical licences in 2016-17.

Our five-year forward estimates of income and expenditure remain robust and in line with the financial objectives for liquidity, investment and efficient cost-recovery.

Finally, I would like to take this opportunity to thank the Minister and the Department for their support, as well as the Audit and Risk Committee, our staff and my executive team for their ongoing commitment to achieving safety outcomes across Victoria.

As ESV enters its second decade, we will continue to build on the strong foundations of performance and engagement laid with community, industry and government over the years.

Paul Fearon
Director of Energy Safety

Electricity safety

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

Electrical Installations, Licensing and Equipment Safety

Significant incidents

Despite ESV's best efforts to minimise the risk to the public and workers, poor work practices or poor choices have resulted in five fatalities this year. Two electrical apprentices, two farm workers and a refrigeration/air conditioning worker died as a result of electrocution.

In the first incident, a 21-year-old male third-year electrical apprentice died while carrying out unsupervised electrical work in the roof space of a house in Mill Park. The victim was using pliers to strip what should have been a neutral conductor on the base of a three-pin socket. He did not notice that it had broken away from the terminal, breaking the circuit. The man received the fatal electric shock when he touched an earthed part of the house. Residual current devices (RCD) were not fitted to the property.

The second apprentice, who was 24, received a fatal electric shock on a shopping centre roof in January. The victim was installing an external spotlight when the incident occurred. It is believed he came into contact with the exposed live active conductor at the connection point while touching the conductive light bracket or metal roof.

The third tragedy involved a 25-year-old refrigeration and air-conditioning worker who died on the roof of a building in Braeside when he contacted a live part inside an airconditioning unit. The man held a restricted electrical worker's licence, which permits limited electrical installation work as part of a primary occupation. There was no RCD installed on the circuit as it was not required under the Wiring Rules.

In the first of two fatalities on Victorian farms, a 76-year-old man died at a property in Moorabool in November while he was assisting plumbers to clear pipes. The man received a fatal electric shock when he touched a star picket that was connected to the metal frame of a water pump with wire. The investigation found the socket outlet into which the pump had been plugged had the active and neutral connected in reverse polarity, which energised the faulty pump. The transposed conductors may be an indication of unlicensed electrical work. No RCDs were installed.

In a similar incident in January, a 21-year-old male worker on a dairy farm received a fatal electric shock when he went to attend to a pump in a drainage pit. The pump was powered by an 8m long lead that was plugged into a socket outlet in a shed. A check of the electrical installation found the cable was damaged between the switchboard and the socket outlet, with both the sheathing and basic insulation on the active, neutral and earthing cores removed.

ELECTRICITY CAUSED DEATHS, INJURIES AND FIRES

	2013–14	2014–15	2015–16
Electricity caused deaths	2	1	5
Electricity involved deaths	0	0	0
Electricity involved serious injury (admitted to hospital)	9	9	7
Electricity involved non-serious injury	540	388	179
Electricity related fires (installations)	155	166	174
Electricity related fires (infrastructure) *	921	614	603
Electricity related fires (total)	1076	780	664

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

Rodents are suspected of causing this damage, which resulted in the earth core of the cable breaking. The rewireable fuse that was meant to provide protection to the circuit had multiple lengths of fuse wire installed into the wedge. It is believed the man made contact with the metal support frame that was attached to the submersible pump, which had become live.

In each of these cases a report was prepared for the Coroner. It is likely that all the men would have survived if RCDs were fitted at each location.

In response to the farm tragedies, ESV launched a hard-hitting new safety campaign designed to warn regional Victorian workers of the dangers of do-it-yourself electrical wiring and repairs. The key message of the campaign is DIY=DIE, and it reminds farm workers to always engage a licensed professional.

ESV continued to promote the importance of the Don't work live message to all electrical workers, including apprentices, throughout the year, and this long-running campaign will be refreshed for the 2016–17 financial year to ensure it is still achieving the required behaviour change.

It is also expected that a new addition to the Wiring Rules in December 2016 will require RCDs to be fitted to all commercial and industrial properties.

In two other workplace incidents, people were admitted to hospital as a result of electric shocks. A painter received a significant shock when he made contact with a live cable at commercial premises in Collingwood. The cable had been left unterminated by an electrical contractor during construction and it had not been previously detected. A brief has been prepared for prosecution.

In the second incident, a six-year-old girl at a primary school in Epping North received electrical burns to the hand and face when she made contact with live parts of an electrical switchboard in the playground. Vandals are believed to have kicked out a vent cover on the switchboard's metal enclosure, leaving a hole through which the girl was able to contact the live parts.

Resources and structure

Following the review and restructure of the Licensing section in 2014–15, workflow efficiency has improved and complaints about delays in issuing licences have all but been eliminated. Further gains will be made when the new licensing system is implemented in stages during the 2016–17 financial year.

Product recalls

Twenty-eight recalls were initiated by ESV during the year, including the self-balancing scooter (hoverboard) and power supply that were responsible for a significant house fire in January. This incident put the spotlight on non-compliant and unsafe imported products containing lithium ion batteries and resulted in the recall of 19 other hoverboard models. Hoverboards were subsequently banned, first by the ACCC and then by ESV unless they met specific safety standards and in Victoria have a Certificate of Compliance issued by ESV.

The media attention generated by the initial hoverboard fire enabled ESV to publicise the importance of product safety and compliance, and to also launch an updated safety campaign reminding Victorians of the dangers of buying products online or from overseas that don't meet Australia's strict safety requirements.

Standards development

With the release of AS/NZS5139 Battery storage systems scheduled for September and the new Wiring Rules in December, ESV continued to provide expertise in Standards development through representation on committees and fora. These include the IEC national committee, Standards Australia Council and IEC international committees. ESV now chairs the Electrical Regulatory Authorities Council (ERAC) and also the EL-002 Committee, which is responsible for most appliance Standards.

Business activity

In an uncertain market COES sales increased by 8 per cent, new licence holders by 16 per cent, registered electrical contractors by 11 per cent and licence renewals by 40 per cent. Equipment safety approvals declined by 3 per cent. The increase in new licences and renewals was driven in part by the return of workers from affiliated industries seeking opportunities in the buoyant apartment and office building sector.

For the first time this year, ESV used a new predictive model to anticipate COES sales so audit activity could be more accurately planned. The model proved extremely precise, utilising data from previous years' COES sales, the Crane Index, building approvals and a lag factor.

Audits

More than 49,000 COES were audited with a compliance rate of 95 per cent. Equipment safety staff audited 96 retailers targeting those least likely to comply, and identified a 47 per cent non-compliance rate. USB chargers were a focus during the year with 10 different models check-tested.

RTOs' abilities to delivery training and assessment were audited at 44 locations and 32 voluntary ESMSs were audited as part of the renewal process.

Electricity safety

Prosecutions
ESV conducted 25 successful prosecutions for breaches of the Electricity Safety Act and Regulations, with 11 against people or companies who were not licensed electricians or registered electrical contractors.

Two of the prosecutions were against companies and their directors where significant fines were imposed even though they were undertaking voluntary liquidation. In one case, the company was convicted and fined $65,000 while its sole director was convicted and fined $12,500.

Industry education
In conjunction with Middies, NECA, ETU and Master Electricians, ESV took part in 129 industry nights and training sessions that were attended by more than 4600 people. The Installation Safety technical advice line responded to more than 17,000 phone and email inquiries, including providing advice on Wiring Rules, SIRs and licence scope of work. Guidelines were also developed for the installation of meters not owned by a MEC, inspection and certification of multiple occupancy sub-divisions and solar system repairs and upgrades.

Electrical Infrastructure Safety

Significant incidents
It is pleasing to report that there were no fatalities due to electrical infrastructure during the 2015–16 financial year, but five people were seriously injured.

These included one person who received an electric shock while excavating the earth in an easement near an electrified Telstra telecommunications cable; a Yarra Trams worker who received flash burns to his hands while installing new contact wires on a tram at the Preston workshop; a telecommunications worker who was admitted to hospital with burns to his hands after drilling into a 22kV high voltage underground cable; an employee of a MEC who was admitted to hospital with minor oil burns to his wrists and face when a pole top transformer failed during commissioning; and a Metro Trains worker who received flash burns to his face after a high voltage flashover occurred while earths were being removed during a planned outage.

Other significant incidents
A 220kV current transformer (CT) failed at the Richmond Terminal Station in June, causing an explosion and fire that blew pieces of the porcelain insulator 50m from the transformer. No one was injured and there was no loss of supply to any customers, although the rail network experienced a momentary dip in voltage. ESV investigated the incident and a final report will be completed early in the 2016–17 financial year.

Electricity Safety (Electric Line) Clearance Regulations and Code of Practice
The Electricity Safety (Electric Line Clearance) Regulations 2015, incorporating the Code of Practice for Electric Line Clearance, commenced on 28 June 2015. These replaced the 2010 regulations. The full effects of the 2015 regulations did not apply until 30 June 2016.

While the intent of the new regulations remained the same, they allow for greater flexibility, potentially affecting how responsible persons managed their electric line clearance responsibilities.

Key areas of change included:

- standardising the clearance space for insulated electric lines
- provisions for exceptions to the minimum clearance space
- the inclusion of AS4373 – Pruning of Amenity Trees
- alternate compliance mechanisms
- enhanced notification
- transition from clearance tables to charts.

ESV embarked on a program to test the ability of stakeholders to make the transition. Primarily this was achieved through an evaluation of the Electric Line Clearance Management Plans that responsible persons must prepare annually. ESV evaluated the plans of all MECs and 25 councils.

Stakeholders demonstrated a lack of clarity in their interpretation and application of the changes, so ESV undertook regular stakeholder engagement to improve their understanding of the regulations and how they should be applied. As part of this process ESV developed guideline documents for the Electricity Safety (Electric Line Clearance) Regulations and also for Electric Line Clearance Management Plans.

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 42 of the 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.

The safety programs to which the MECs committed are almost complete in hazardous bushfire risk areas and they are now continuing the work in low bushfire risk areas.

The Victorian Government enacted the Electrical Safety (Bushfire Mitigation) Amendment Regulations on 1 May 2016. These regulations mandate the deployment of technologies to reduce the risk of electricity assets starting bushfires. The regulations require each affected MEC to:

- deploy covered conductor in designated areas when constructing new lines or reconductoring existing lines
- install automatic circuit reclosers on single wire earth return (SWER) lines
- deploy technology, most likely rapid earth fault current limiters (REFCLs), to minimise the potential for a fallen powerline to start a fire.

The regulations specify the timeframes within which the requirements must be met. ESV is preparing to administer these regulations and will monitor the complex engineering issues associated with the rollout of REFCLs in particular.

ESV has increased the frequency of its monitoring of fire starts attributable to electrical assets and now provides weekly ministerial briefings on fire start performance for each MEC during the fire season.

Safety Performance Report
ESV will issue the 2015 Safety Performance Report in September 2016. This year's report will cover 18 months, extending from January 2015 to June 2016. Previous reports have covered a calendar year, but the dates of this report have been adjusted so reporting will move to the financial year and cover an entire fire season.

The Online Safety Incident Reporting and Intelligence System (OSIRIS) was commissioned in October 2015. All MECs now report incidents through this web portal, which are then analysed by ESV to provide intelligence and inform performance reports.

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. ESV reviews resubmitted schemes every five years.

ESV now requires each MEC to develop an acceptable Safety Case that demonstrates its understanding of the risks the business manages and the efficacy of the systems it has in place to do so. A MEC can only submit its ESMS to ESV after developing an acceptable Safety Case.

ESV has developed a governance framework, supported by detailed guidance material and assessment criteria, to ensure an appropriate degree of rigour and consistency is applied to the Safety Case assessment. The same rigour is being developed for the assessment of the ESMS.

ESV continues its monitoring and surveillance audit program.

Community safety campaign
ESV ran its safety awareness campaign for arborists and vegetation workers during the year. The Don't put your life on the line campaign was introduced in 2014–15 following two serious incidents involving vegetation workers pruning tree branches adjacent to high voltage lines. ESV has continued to spread this important safety message with ads in industry publications, as well as conducting safety awareness presentations at national and state industry events. A new brochure and guidance materials were also produced.

Our partnerships with AFL Victoria and AFL Live regional radio broadcasts also continued this year to promote the Look up and live message. Highlights of the year included the Look up and live round of the AFL Victoria competition in August, and AFL Live's Look up and live mark of the year.

We also increased the number of community events staff attended during the year, including regional shows. These allowed us to promote powerline safety messages directly with communities and to also distribute our farm safety signs that remind regional workers not to unload tip trucks under powerlines.

Recruitment and capability
The Electrical Infrastructure Safety Division continues to evolve and develop its capabilities. It rationalised its management structure during the year and plans to recruit additional staff in 2016–17 to administer the amended Bushfire Mitigation Regulations, particularly the deployment of covered conductor and REFCLs.

Electricity performance measures

INSTALLATION SAFETY

Activity	2013–14 Total	2014–15 Total	2015–16 Total
Applications granted under Regulation 401 of the Electricity Safety (Installations) Regulations	158	127	67
Breaches of regulatory requirements investigated	1085	1132	905
Warning letters sent	51	38	30
Investigations—final action instigated within 30 days	210	415	98
Infringement notices issued	38	66	76
Site audits of licensed electrical installation workers	146	85	32
Audits of licensed electrical inspectors	62	47	60
Field audits of registered electrical contractors	187	240	219
Information sessions	191	173	129
Attendees at sessions	6120	5909	4653

EQUIPMENT SAFETY

Activity	2013–14 Total	2014–15 Total	2015–16 Total
Electricity recalls (number)	14	34	28
Approvals submitted	846	784	758
Number of approvals in place	2375	2418	2359
Number of products audited (approval)	2154	101*	130
Notices to comply issued	97	169	113
Safety investigations	231	352	195
Hazard alerts raised	5	5	10
Incident reports raised	45	30	67
Public safety warnings initiated	4	3	4
Number of days taken to approve fully compliant approvals applications	6.3	13.3	5.4
Infringement notices	8	23	12
Electrical appliances on display in retail outlets with an accurate approvals marking (percentage)	88	55	53

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

ENERGY EFFICIENCY

Activity	2013–14 Total	2014–15 Total	2015–16 Total
Days taken to approve fully compliant equipment efficiency applications	15	9.9	9.8
Models registered for labelling *	2208	1888	2011

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

ELECTRICAL INFRASTRUCTURE SAFETY

Activity	2013–14 Total	2014–15 Total	2015–16 Total
Audits			
Electricity Safety Management Schemes	56	14	24
Electric line clearance	39	53	17
Bushfire mitigation	6	20	5
Statutory plan assessments			
Electricity Safety Management Schemes received, assessed and approved	1	1	1
Electric Line Clearance Plans received, assessed and approved	29	28	45
Bushfire Mitigation Plans received, assessed and approved	15	15	6
Electric lines on public land			
Exemptions confirmed	155	166	2358*
Electricity investigations			
Formal investigations completed	12	12	2

* This year's figures included NBN exemptions.

Electricity performance measures

LICENSING

Outcomes and measures	2013–14 Result	2014–15 Result	2015–16 Result
Electrician's licence A Class – New	1616	1535	1813
Electrician's licence A Class – Renewed	4027	5335	7468
Supervised worker's licence L – New	190	210	175
Electrician (supervised) licence ES – Renewed	208	46	46
Disconnect/reconnect worker's licence D – New	346	290	348
Disconnect/reconnect worker's licence D – Renewed	1020	821	1036
Total number of licences issued	2168	2041	3421
Total number of licences in place	42,587	42,949	44,138
Total number of inspector's licences issued	16	11	11
Total number of inspector's licences in place	421	422	390
Registration of electrical contractor – New	1040	962	1074
Registration of electrical contractor – Renewed	1745	1847	1668
Total number of registrations issued	2785	2809	2742
Total number of registrations in place	12,850	13,469	14,469
No. of meetings of the Electrical Licensing Registration Advisory Committee	6	6	6
Total number of supervised worker's licences	1196	1158	1109
Total number of disconnect/reconnect licences	6927	6670	6652
Total number of occupiers licences	25	24	24
Total number of registered spotters	14,160	16,085	17,673
Total number of registered lineworkers	3107	3474	3507

Gas and pipeline safety

Gas Installations and Appliance Safety

Significant incidents

In the 2015–16 financial year there was one fatality caused by gas and seven serious injuries.

A man died in his garage when a 9kg LP Gas cylinder exploded while incorrectly connected to a self-igniting gas blowtorch. The man was using the blowtorch to light a pipe he was smoking. The man received severe burns and later died in hospital.

Recalls and safety issues

There were eight gas product recalls during the year, which was a decrease from the 11 recalls recorded the previous year.

These included:

– two portable camping cookers with enclosed butane cartridges due to gas leaks
– two portable camping heaters with enclosed butane cartridges due to production of carbon monoxide above permissible levels
– two barbecues: one due to a corroding gas feeder pipe in a built-in unit and burners not aligning correctly with the gas delivery jets in a freestanding model
– one gas water storage heater due to concerns gas accumulating in the combustion chamber may ignite if the lighting instructions were not followed correctly
– one butane firelighter due to a gas leak.

During the year, ESV has continued to work to introduce changes to the Australian Standard for portable camping cookers following five recalls in the 2014–15 financial year. These products were recalled due to the gas cartridge overpressure safety shut-off system failing to operate.

ESV has drafted a technical guidance bulletin for certification bodies to follow when testing these appliances while national regulators work together to finalise amendments to the Australian Standard.

Cannon space heaters

Gas heater manufacturer Cannon reissued a safety notice in March urging homeowners with Cannon Fitzroy or Canterbury inbuilt gas heaters manufactured between 20 March 2001 and 8 October 2009 to have them checked for carbon monoxide spillage. The notice was initially issued in June 2015 after laboratory testing showed it was possible these heaters could produce potentially hazardous levels of carbon monoxide if they were subjected to certain conditions, including the operation of rangehoods and other exhaust fans in the home.

The company agreed to meet the cost of the safety checks, and also provide compensation of up to $150 for heater owners who had their heaters checked following the initial safety notice. It is estimated there are approximately 12,000 of the heaters in Victoria, and ESV worked closely with the company to negotiate this positive outcome for consumers. ESV is monitoring the results of the checks and monthly reports are being provided.

Rheem Stellar hot water service

ESV investigated a number of explosions involving Rheem Stellar hot water services that were caused by extremely low gas supply pressure. ESV consulted with other members of the Gas Technical Regulators Committee (GTRC) and alerted the Victorian Gas Distribution Businesses and also Victorian gasfitters via an emailed safety alert. As a result of this issue, Australia's gas appliance Standards have been amended to include a test for satisfactory ignition at extremely low gas supply pressures. Rheem Australia is working on a solution to overcome this issue and ESV will continue to monitor the situation.

Gas and pipeline safety

GAS CAUSED DEATHS, INJURIES AND FIRES

	2013–14	2014–15	2015-16
Gas caused deaths	0	2	1
Gas involved serious injury (admitted to hospital)	1	6	7
Gas related fires and explosions	26	29	20
Significant damage to property (> $50,000)	1	3	1

SAFE AND EFFICIENT APPLIANCES AND SAFE INSTALLATIONS

Outcomes and measures	2013–14	2014–15	2015–16 Target	2015–16 Actual
Compliance of Type B and complex appliances on initial inspection (percentage)	87	69	85	70
Compliance of standard gas installations audited by VBA (percentage)	87	85	90	90

New work management system and GasTrac

ESV has implemented a new work management system to facilitate the application for acceptance process. This new system has given greater transparency to decision-making at all stages of the acceptance scheme and has established the foundations for the industry launch of a new online complex gas application acceptance system, GasTrac. The industry launch of GasTrac will occur in the first quarter of the 2016–17 financial year.

GasTrac will allow users to:

- submit applications and related information for complex gas installations and Type B appliances
- monitor and manage progress of their gas applications
- access additional information about their gas applications.

Gas operations

ESV received 4945 gas applications during the year and accepted a total of 4951 gas installations. This included a number carried over from the previous year. A total of 3339 gas installations were accepted as a result of an inspection, which is an acceptance rate of 68 per cent. Of the 3339 gas installations inspected, 994 non-compliance notices were issued that required rectification measures. The failure rate for the initial inspections of gas installations was 30 per cent, which is on par with last year.

ESV has developed a compliance strategy to reduce the inspection failure rate, which is still unsatisfactorily high due to the adoption last year of Gas Installation Standard AS/NZS 5601: 2013. It was anticipated that it would take industry some time to adapt to the new Standard, but ESV has introduced a new work management system that enables GIAS to accurately report and analyse failure rate trends. This improved visibility will allow for the creation of a targeted intervention strategy, as well as providing a formal review process to measure if the strategy is effective.

Incident response and investigations

ESV's gas investigations and operations functions were combined during the year as a result of a minor restructure. Members of the GIAS Inspectorate completed gas incident investigation and fire investigation training to enhance their skills and to ensure ESV is well equipped to provide technical support to the emergency services.

ESV has undertaken an average of six 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 compliant with relevant Standards. Investigators and inspectors have played a major role in point-of-sale audits, with 103 carried out during the year. Public events were also audited with 124 audits completed during the year.

Industry education and training

ESV has continued to take an active role in the education and training of apprentices and tradesmen. Gas inspectors have visited each RTO that undertakes gas training at least once during the year. This year ESV held 28 RTO presentations that were attended by 308 apprentices, and continued to sponsor training courses for carbon monoxide testing and Type B training. Staff also hosted 19 industry presentations that were attended by 1011 gas industry representatives, and also developed a brochure for TAFE and technical colleges to encourage students to consider a career in gasfitting.

ESV staff are engaging with stakeholders to ensure we are attuned to the needs of RTOs and industry so we can undertake an appropriate number of educational awareness sessions.

Community safety campaigns

ESV partnered with the Herald Sun this year to help spread awareness about two of its key gas-related safety messages.

The Look before you cook summer barbecue safety campaign launched in November with a promotion in the Herald Sun that involved readers receiving a free gas leak detection bottle. More than 51,000 bottles were distributed around the state and ads in the paper showed how easy it is to use detergent to check barbecue connections for leaks.

In addition to the print campaign, we also ran a radio ad and our television commercial appeared during episodes of the Seven Network cooking series Aussie BBQ Heroes and also in cinemas where our message reached more than 3 million cinema patrons. The total campaign investment was $385,000.

The winter carbon monoxide campaign aimed to build awareness of our "Cold Feet" creative in another partnership with the Herald Sun that saw us distribute 73,000 pairs of colourful slipper socks on the Queens's Birthday long weekend. Readers who purchased a paper were urged not to get cold feet this winter and received a free pair of red or blue socks that included an information card that reminded them to get their gas heater serviced every two years. The giveaway was promoted with half-page ads that ran in the paper in the week before the promotion, also online across heraldsun.com. Our radio ad featuring Vanessa and Scott Robinson also ran in the lead-up to winter, along with our Cold Feet television commercial and digilite ads in Victorian cinemas where our message was seen by 2.7 million cinema goers. The Herald Sun carried the message again during the last week of June. The campaign cost $403,000.

It is very pleasing to report that it is now more than six years since there has been a death attributable to carbon monoxide poisoning due to a flued heater in Victoria.

Our annual advertising survey revealed the Look before you cook and carbon monoxide awareness campaigns have been successful in achieving the desired behaviour change.

The survey found that only 8 per cent of Victorians with a gas heater would take no action after seeing our campaign, while 87 per cent of Victorians with a barbecue would definitely or probably test their appliances for gas leaks as a result of the Look before you cook message.

More than 91 per cent of those surveyed felt very or somewhat positive about ESV's delivery of safety messages, while broader awareness of ESV and its role has also been slowly increasing. There has been a 4 per cent rise in the number of people who feel they know a lot about us (up from 7 to 11 per cent), a 5 per cent rise in the number of people who feel they know a bit about us (up from 34 to 39 per cent) and, most importantly, a 9 per cent drop in the number of people who said they had only heard the name and knew nothing more about the organisation (15 per cent down from 24 per cent).

Review of Standards Australia gas installation, appliance and component Standards

ESV continues its active involvement in the development and maintenance of relevant Australian Standards. ESV provides a resource to chair the AG006 Standards Australia Committee.

Certification body audits

ESV audited five gas certification bodies during the year. A MOU was signed with the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) to conduct future joint audits of certification bodies to ensure efficiency, effectiveness and consistency with audits and to reduce regulatory burden. ESV has been appointed to the JAS-ANZ Technical Advisory Council to provide technical expertise to its internal review process for its accreditation programs.

Gas and pipeline safety

Gas and Pipeline Infrastructure Safety

Approval and acceptance

ESV gave construction approval for four new major infrastructure projects in the 2015–16 financial year. These included the construction of the Origin Halladale Black Watch and Speculant Pipeline in the Otway region, Esso's Longford to Hastings replacement pipeline, the continued expansion of the APA-VTS Victorian Northern Interconnect Expansion Gas Project and the Brookfield regional energy and reticulation network rollout in country Victoria. These support the continued safe and available supply of natural gas to Melbourne and regional Victoria.

In addition, ESV accepted 16 Construction Safety Management Plans. This is fewer than the 24 submitted in 2014–15, but this volume is driven by industry requirements.

ESV issued 19 Consents to Operate on behalf of the Minister, with the vast majority involving upgrades to city gate facilities. The aim of these projects has been to enhance the security of gas supply at critical network locations with gas heating infrastructure and to also enable pipeline pigging capabilities.

ESV has also provided extensive technical support to the Department's pipeline licensing activities during the year, and we are also supporting its review of the Pipelines Regulations 2007 ahead of their sunsetting in 2017.

ESV assesses proposals from other utilities, authorities and third parties that directly impact or encroach within 3m of licensed pipelines. Wherever possible, options for the redesign of proposals were identified at an early stage to avoid major and costly pipeline relocation. Much of ESV's effort in this area was focussed around the four major infrastructure projects identified above.

Pursuant to Section 120 (1) from the Pipelines Act, ESV on behalf of the Minister provided two consents to construct within 3m of a licensed pipeline. This was in comparison to the single consent that was issued in the previous financial year. ESV expects submissions to increase in coming years with the initiation of the Melbourne Metropolitan Rail Project and the ongoing removal of level crossings across the Melbourne metropolitan area.

All 21 licensed non-natural gas pipeline entities have submitted five-yearly reviews of their Safety Management Plans (SMP) and subordinate documents for ESV consideration. Two licensees had revisions to their Safety and Environmental Management Plans accepted and two licensees had their Environmental Management Plan revisions accepted.

ESV continues to spend considerable time with licensees preparing SMPs and subordinate documents. In addition to its previously developed guidelines, ESV developed further draft guidance material for pipeline licensees to assist with their understanding of the submission requirements for pipeline integrity management plans, repair plans, fracture control plans and other associated documentation.

ESV accepted four Safety Cases during the year. This included a new gas retailer as well as the Brookfield entities that are responsible for bringing gas to regional Victoria by utilising new technology that transports compressed natural gas between strategically located mother and daughter storage and pressure reduction stations.

The Electrolysis Mitigation section assisted in reviewing 76 potential surveys on licensed pipelines. Comments provided formed part of the response to licensees' SMPs.

ESV is responsible under the Electricity Safety Act and the Electricity Safety (Cathodic Protection) Regulations to maintain and register all Cathodic Protection systems installed in Victoria. Systems operating at an output of more than 2 Amps are required to be re-registered after 10 years. Exemptions under the regulations were sought by companies representing the Port of Melbourne. These were mainly associated with a recent phenomenon called accelerated low water corrosion, which is a microbially-induced corrosion discovered in Port Philip Bay in the last few years, requiring urgent action on unprotected wharf piles.

Impressed current CPs registered	Galvanic anodes registered	10-year registration renewal of systems	Total systems registered
41	217	68	326

Compliance audits

Under ESV's strategic audit framework, Safety Case and Safety Management Plan compliance audits of gas distribution businesses (DB) and LPG facilities were prioritised in 2015–16.

ESV conducted 64 audits of DB field regulator and city gate facilities and 13 audits of LPG depot sites. The number of compliance audits in 2015–16 was higher compared with the 68 field audits conducted in the previous financial year.

ESV also conducted one compliance audit covering external interference and contractor management. This was an extension of the audit program delivered in 2014–15 with the addition of contractor management to the audit scope.

Although the number of compliance audits was down on the number conducted during 2014–15, significant emphasis has been placed on preparing and developing the framework for the 2016–17 audit program that will concentrate on the training and competency of gas companies and contractors.

Field inspections during construction, maintenance and commissioning activities have resulted in the identification of a number of safety issues, which were immediately relayed to asset owners and project managers for rectification. Fourteen observations were identified from ESV's field construction inspections, which is an increase from the four reported in 2014–15.

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 29 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.

KPI table

Program	Target	Actual
Coordinated area tests	22	29
Drainage bond (DB) inspections	12,000	13,286
Thyristor drainage unit (TDU) inspections	860	920
Variable conductance drainage bond (VCBD) inspections	540	610

Electrolysis drainage bonds / TDUs / VCDBs

DBs Tested	DBs non-compliant	DBs faulty	VCDBs tested	VCDBs faulty	TDUs tested	TDUs non-compliant
13,286	274	127	610	23	920	144

Non-compliant DBs are those bonds that are not operating for any reason when they are tested. Reasons include component failure and being turned off for the duration of grade separation work. All instances of non-compliance are actively monitored and DBs are returned to compliance as soon as practical.

These faulty components of the bond are replaced at the time of testing.

Gas and pipeline safety

Cathodic protection system audits

ESV is responsible for auditing cathodic protection systems under the Electricity Safety (Cathodic Protection Regulations). Audits were conducted on 164 systems, with seven found to be non-compliant.

With the introduction of new train and tram rolling stock, a number of new substations are being installed in the network, and the State Government initiative to remove dangerous and congested level crossings has required ESV involvement to consider electrolysis mitigation requirements. These projects require close liaison with other authorities, and affect the routine coordinated area testing program.

Combined area testing was completed in association with three new train substations and one new tram substation. Ten other substations are in various stages of completion, with area testing to follow once commissioning has been finalised. ESV involvement with nine Level Crossing Removal Authority projects has occurred with electrolysis mitigation requirements to be included in the projects.

Remote monitoring of the thyristor drainage unit associated with the Bendigo tourist tram system continues to provide beneficial results. A trial of remotely monitoring troublesome DBs has helped identify when faults occur and assisted in rectifying issues.

Enforcement action

Third-party damage to gas mains and services continues to be a concern for ESV. While there was a slight drop in incidents this year compared to last year, the trend continues to be above the three-year rolling average. There were 219 mains and 2828 gas services damaged in 2015–16 compared with 227 and 2996 respectively from the 2014–15 reporting period.

ESV has investigated or is in the process of investigating 19 incidents involving mains damage. This resulted in issuing three infringement notices and five warning letters.

ESV also investigated 12 incidents involving unauthorised works within 3m of licensed pipelines. This resulted in six warning letters being issued.

ESV issued three infringement notices involving damage to gas mains or performing unauthorised work within 3m of a licensed high pressure gas pipeline. There has been an overall increase in the number of investigations undertaken, rising from 19 in 2014–15 to 32 in 2015–16.

Safety Management Report

The second annual Gas and Pipeline Infrastructure Safety Management Report, covering the 2014–15 financial year, was issued to industry and government.

It provided information about the level of compliance of sector participants together with the responses to ESV's auditing and monitoring of participants' reporting and ongoing safety management. The report structure has been improved and we have continued to consult with industry about making this a published document.

Industry education and advice

Exercise Valhall was conducted on 24 May to test how the gas industry would manage a Level 3 emergency event, including curtailment, media, messaging and community and customer communication processes. Recommendations will be prepared and followed up through the Gas Emergency Management Consultative Forum (GEMCF), which ESV chairs.

ESV made made written and verbal submissions to the Ministerial Advisory Committee on Major Hazard Facilities (MHF) with respect to its terms of reference to consider land development around pipelines. The committee was expected to provide a report to the Minister for Planning in July 2016.

Information bulletins were added to ESV's website to address topics that emerged as issues during the year, including third-party illegal repairs to damaged gas infrastructure and the risks associated with clearing drainage and sewer pipes where gas infrastructure may be present.

ESV worked with industry to rewrite the Victorian Electrolysis Committee Code of Practice. The format and legislative requirements were updated and the latest version was made available on the ESV website.

Companies conducting Environmental Site Assessments requested 450 Cathodic Protection Database searches. These could identify whether underground fuel tanks have been present on sites being redeveloped, which could indicate the presence of contaminated ground water. The scope for an online cathodic protection system registration database has been prepared, which will enable searches to be carried out directly by these companies.

During the year ESV also worked with WorkSafe and third-party experts in responding to a public discussion paper on low frequency induction (LFI).

Gas emergency phone number

During 2015–16, ESV worked with the gas industry to terminate the public gas emergency phone number (132 771), which had operated for many years. ESV ran a campaign to inform the public that gas distribution businesses were to be the first responders for gas leaks and emergencies, and published their contact numbers. A temporary redirection service for calls was implemented from the start of the financial year until 31 May 2016, after which a six-month recorded voice message was put in place.

Victorian Electrolysis Committee

The Victorian Electrolysis Committee met quarterly as required under the Electricity Safety Act. This government-appointed committee has the functions to provide advice to ESV on matters relating to cathodic protection and to the mitigation of stray current corrosion.

Metro Trains Melbourne (MTM) and Public Transport Victoria (PTV) have proposed a number of new operating conditions on the network. These include increasing the regenerative braking voltages, increasing the operating voltage from 1500 Volts to 3000 Volts, increasing the substation rectifier voltage by 50 Volts, and converting the network to 25kV AC. Meetings have taken place between MTM, PTV and ESV to discuss the repercussions for the electrolysis mitigation system. All of these items could have serious impacts on the stray current mitigation system, so careful consideration and extensive modelling and testing is required prior to any of these proposals being implemented.

Creating a safer work environment

Progress continued with lowering pole-mounted electrolysis drainage bonds (DBs) so testing officers don't have to use ladders to gain access. Sixteen were completed this financial year, with a continued focus to lower boxes in the coming years. In the interim the installation of temporary measures to improve safety for the remaining DBs will be carried out.

Safe operating procedures are being developed for electrolysis mitigation field activities. The DB testing SOP has been finalised, with the TDU testing and combined area testing in draft form awaiting final comments from stakeholders. Incorporated into these SOPs will be general ESV occupational health and safety guidelines and a fact sheet.

Alternative testing equipment that will make routine testing safer and more efficient has been introduced. New current clamp meters have been issued to all operational staff to conduct DB testing. This equipment is compact, light and versatile, and replaces heavy and awkward equipment ensuring that testing is conducted more safely. Alternate TDU testing equipment is being evaluated.

Two testing officers completed courses offered by the Australasian Corrosion Association to be recognised as corrosion technicians.

Modifications were conducted to the Electrolysis Mitigation Mobile Site Office (MSO) to upgrade the IT configuration. The MSO now has modern features with high-resolution monitors, wireless modem/router, wireless laser jet printer, additional lighting, extra monitor outlets and additional power outlets.

Corporate Services

ESV created a new Corporate Services division during the year that incorporates Information Services, Finance and Business Services and Human Resources. The aim of the new division is to ensure there is continual improvement in shared services, and that resources are best aligned to achieve ESV's strategic objectives.

Finance

The Finance section has continued to deliver on its goals for financial management and compliance with all of 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 include ongoing improvements in financial modelling and analysis, and enhancement of the Business Management System with the full release of the enterprise budget module. The Finance team has continued to focus on improving customer service and business stakeholder management by engaging in a partnering relationship with each ESV division.

Business Services

Business Services has achieved all its target deliverables within the Corporate Plan. It has provided a range of core business services across the organisation, including procurement, fleet management, building services, business continuity and reception. The section has also enhanced the Business Management System to allow for greater procurement functionality and ease of use, provided targeted training to divisions and individual staff members, and provided more detailed analytical reporting to assist executives and managers to control their procurement expenditure.

The section managed the integration of ESV's two Glen Waverley offices into one location at the Brandon Office Park site, delivering the project on time and within budget. This will deliver substantial benefits, financially and culturally, to ESV in the coming years.

Payroll

The Payroll section has upgraded systems, improved documentation, reviewed and improved processes, identified areas for improvement and consolidated its service delivery as a comprehensive support function for ESV.

Information Services

The Information Services section has focussed on reviewing and consolidating ESV's technology infrastructure during the year. Achievements included the redesign and implementation of ESV's WAN and LAN connectivity and outsourcing security perimeter services. A robust email platform has been introduced, along with a new directory services model and the roll-out of a Windows 10-based desktop standard operating environment. Knowledge management initiatives piloted throughout the year included the introduction of review sessions following the implementation of information technology projects, Skillshare sessions that provide a platform for staff to share knowledge and also the development of a Knowledge Transfer Toolkit to support staff and managers in understanding ESV's knowledge requirements.

Human Resources

Enterprise Agreement

Negotiation and approval of the Energy Safe Victoria Enterprise Agreement 2015 was a key project for the HR team in 2015–16. Negotiations concluded in September and the agreement received final approval from the Fair Work Commission on 25 May 2016. It came into effect on 1 June and pay increases were backdated to 4 September 2015. As part of the negotiations, ESV reached agreement to implement a revised motor vehicle policy that is more consistent with government and community expectations with respect to private benefits.

The negotiation and approval processes were a great demonstration of collaboration between management, staff and unions with 97.5 per cent of votes in favour of the agreement.

LEAP management program

ESV has continued to invest in the development of its managers through the LEAP Program (learning, empowerment, alignment, progress), which is now in its second year. The program has enabled senior leaders to collaborate and play a critical role in integrating people, strategies and systems to support the overall business. ESV is confident this program will play a large part in achieving the desired organisational environment and culture, and address themes arising from the People Matter surveys. It is moving to a blended facilitation approach with targeted, leadership-themed workshops. It is hoped this approach will encourage more open communication and further enhance participants' abilities to influence the behaviour, motivation and morale of staff.

Workforce planning framework ☑

Strategic workforce planning has continued to be a high priority as ESV moved through significant cultural and structural change. To support this, a workforce planning framework was designed and implemented to ensure ESV has the right capacity and capability to achieve its strategic objectives. It will assist to mitigate the risk ESV faces from knowledge loss due to expected retirements in coming years. Outputs from the framework are integral to ESV's strategic planning and reporting processes and inform other corporate strategies including knowledge management, learning and development, and recruitment and selection, and links with the development of individual performance objectives and defining future leadership development.

Health and wellbeing action plan

ESV launched its first health and wellbeing action plan in June. The plan was developed using data from health assessments that were conducted in April and May. As part of the plan, 84 ESV staff members are participating in the Global Corporate Challenge, which commenced in May and will conclude in September.

This plan complements ESV's current health and wellbeing initiatives that include flexible working options, accrued credit hours, annual flu vaccinations and access to the Employee Assistance Program.

COMPARATIVE WORKFORCE DATA

Table 1:
Ongoing employees

Number (headcount)	Vacant (positions)	Full-time (headcount)	Part-time (headcount)	FTE
123	7	115	8	120.63

Table 2:
Fixed-term and casual employees

Number (headcount)	FTE
7	6.6

Table 3:
Headcount breakdown by gender, age and classification

	Ongoing employees (headcount)	Ongoing FTE	Fixed-term and casual FTE
Gender			
Male	84	84	1.0
Female	39	36.63	5.6
TOTAL	**123**	**120.63**	**6.6**
Age			
Under 25	0	0	0
25 – 34	24	22.8	1.6
35 – 44	26	25.03	1.0
45 – 54	38	38	2
55 – 64	29	28.8	2
Over 65	6	6	0
TOTAL	**123**	**120.63**	**6.6**

Corporate Services

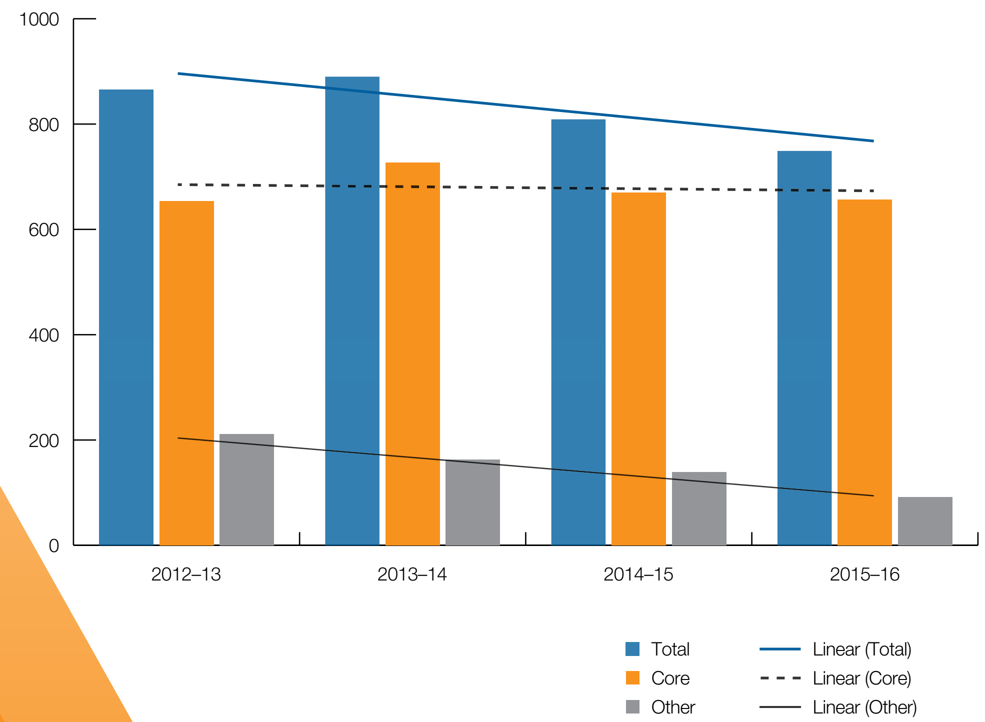
Occupational health and safety

ESV reviewed its occupational health and safety (OHS) management, developed a new manual and revised and updated procedures. The OHS Committee was more active during the year as input was sought from committee members about the updated processes. Guidelines and fact sheets were also developed for employees to address specific hazards that had been identified during risk review workshops that were conducted across the organisation. With the launch of Quadrant, ESV's new intranet, OHS content for staff was created and uploaded. ESV staff who use pool vehicles attended low-risk driver training, while managers also participated in root cause analysis training relevant to OHS incident investigations.

Complaints

The number of complaints received by ESV reduced during the year, dropping to 749 from 809. This continued the long-term trend. While the number of complaints relating to core issues including electrical installation work, electrical equipment and COES remained steady at 654, there has been a 56 per cent reduction in the number of complaints erroneously lodged with ESV that needed to be referred to other agencies for action. This drop can be attributed to rising awareness about ESV and its role in Victoria.

Peripheral vs core complaints over time



Financial review of operations

Financial summary

	2015–16	2014–15	2013–14*	2012–13*	2011–12
					($ thousand)
Total revenue	35,333	32,938	31,651	29,687	29,110
Total expenses	33,823	31,592	31,274	30,440	29,096
Net result	1,510	1,346	378	(753)	14
Total assets	12,342	10,341	10,926	12,103	13,197
Total liabilities	5,650	5,339	7,270	8,825	9,166
Net assets	6,692	5,002	3,656	3,278	4,031
Total equity	6,692	5,002	3,656	3,278	4,031

* Restated figures.

Financial summary

ESV operates on the basis of fully recovering its costs from industry rather than through government appropriation. The overall result for 2015–16 was a net result of $1.51m. ESV's income and expenditure for 2015–16 were both within 5 per cent of the 2015–16 Corporate Plan estimates and reforecast estimates. This has ensured ESV delivered on its financial strategic objectives and was within the +/-5 per cent detailed in the Finance and Business Services operational plan for ESV. This has been achieved through strong financial management and continued realising of efficiency gains throughout the year.

Overall revenue has increased by $2.395m in comparison to 2014–15. The movement has been largely driven by increased levy income ($1.260m) and increased fee income ($1.370m), which were offset by reductions in lower interest income ($0.055m) and other income ($0.180m). The main fee income increases were driven by increases in Certificate of Electrical Safety (COES) sales ($0.375m) and licensing income ($0.836m).

The overall movement in expenditure of $2.231m in comparison to 2014–15 has been mainly driven by increased employee expenditure of $1.321m. This is reflected in the main from salary increases as a result of the EBA and the use of temporary staff for periods during 2015–16. Other expenditure increases from 2014–15 to 2015–16 were in compliance audits ($0.898m), which correspond to the increased sales of COES, increased marketing and advertising costs ($0.762m), and increased use of consultants ($0.468m).

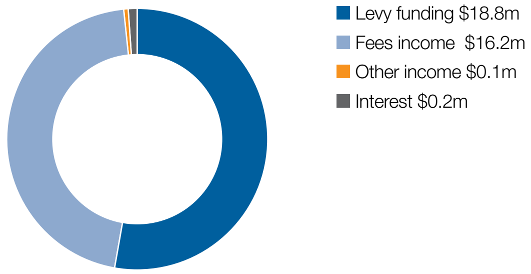
The increased expenses were offset by reduced expenditure in contractor expenses ($0.611m), reduced rent and outgoings ($0.155m) and reduced depreciation/amortisation ($0.495m) subsequent to the asset revaluation.

Discussion and analysis – Comprehensive operating statement

Income

Total income for the 2015–16 year was $35.3m, which is an increase of $2.4m over the previous year's total of $32.9m. The major reasons for this variation are increased levy contributions ($1.3m) and increased fee income ($1.4m). The financial statements and note 2 discloses the individual movements over the financial period.

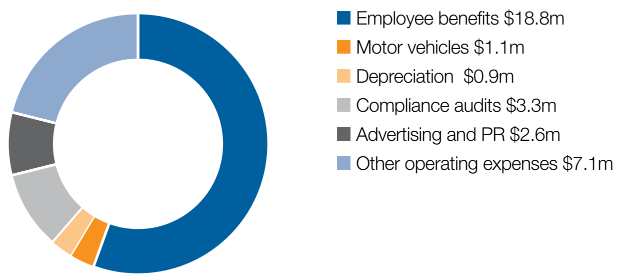
Income
Total income $35.3m



Expenses

Total expenses for the 2015–16 year were $33.8m compared to $31.6m for 2014–15. The increase of $2.2m can be attributed mainly to increased employee benefit payments ($1.3m), increased advertising and public relations ($0.8m), increased compliance audits ($0.9m), increased consultant expense ($0.5m), decreased contractor expenditure ($0.6m) and realised cost savings in rent ($0.2m).

Expenses
Total expenses $33.8m



Financial review of operations

Discussion and analysis – Balance sheet

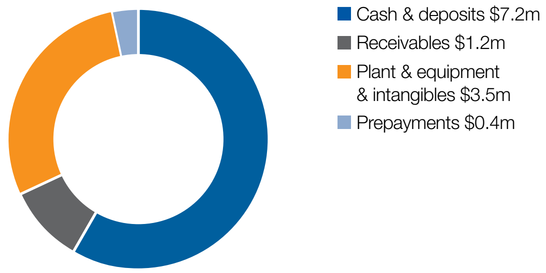
ASSETS

Total assets
Total assets at 30 June 2016 were $12.3m compared to the 2014–15 total of $10.3m. The major elements of the variation were a net increase in plant and equipment and intangible assets ($1.0m), and an increase in financial assets ($1.1m).

Financial assets
Financial assets totalled $8.4m (2014–15 $7.3m). The major change being increased cash and equivalents ($1.4m).

Non-financial assets
Non-financial assets totalled $4.0m (2014–15 $3.0m). The major movement being caused by movement in plant and equipment and intangible assets ($1.0m).

Assets
Total assets $12.3m



LIABILITIES

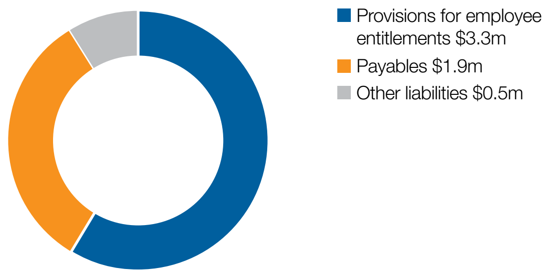
Total liabilities
Total liabilities at 30 June 2016 amounted to $5.7m compared to the previous year's total of $5.3m. The increase of $0.4m is the result of changes to the decreased payables $(0.1m), increases in employee entitlement provisions ($0.3m) and other liabilities ($0.2m).

Employee entitlements
A total of $3.3m (2014 $3.0m) 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 at year's end.

Goods or services not yet paid for
At the end of the year a total of $1.9m was owed for goods or services already provided but not yet paid for. This was an decrease of $0.1m over the corresponding figure last year.

Liabilities
Total liabilities $5.7m



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 Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of Energy Safe Victoria at 30 June 2016.

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 19 August 2016.

Paul Fearon
Director of Energy Safety
19 August 2016

Doug Bolam
Chief Financial Officer
19 August 2016

Financial statements

Comprehensive operating statement for the financial year ended 30 June 2016	Notes	2016	($ thousand) 2015
CONTINUING OPERATIONS			
Income from transactions			
Sales of goods and services			
Fee income	2(a)	16,237	14,867
Levy income	2(a)	18,748	17,488
Interest	2(b)	247	302
Other income	2(c)	101	281
Total income from transactions		**35,333**	**32,938**
Expenses from transactions			
Employee expenses	3(a)	18,845	17,524
Compliance audit expenses		3,338	2,440
Public relations and advertising		2,556	1,794
Motor vehicles		1,068	1,099
Rent and outgoings		1,043	1,198
Computer expenses		913	953
Consulting fees		1,118	650
Contractors		914	1,525
Interest expense		-	53
Depreciation	3(b)	881	1,376
Other operating expenses	3(c)	2,910	2,870
Total expenses from transactions		**33,585**	**31,482**
Net result from transactions (net operating balance)		**1,748**	**1,456**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on non-financial assets [i]	4(a)	(86)	(3)
Net gain/(loss) on financial instruments	4(b)	-	-
Other gain/(loss) from other economic flows	4(c)	(152)	(107)
Total other economic flows included in net result		**(238)**	**(110)**
Net result from continuing operations		**1,510**	**1,346**
NET RESULT		**1,510**	**1,346**
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	15	180	-
Total other economic flows - other comprehensive income		**180**	**-**
COMPREHENSIVE RESULT		**1,690**	**1,346**

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

[i] Net gain/(loss) on non-financial assets includes unrealised gains/(losses) from revaluations, impairments and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

Financial statements

Balance sheet as at 30 June 2016	Notes	2016	($ thousand) 2015
ASSETS			
Financial assets			
Cash and equivalents		7,166	5,778
Receivables	5	1,197	1,482
Total financial assets		**8,363**	**7,261**
Non-financial assets			
Plant and equipment	6	2,197	1,881
Intangible assets	7	1,287	630
Prepaid expenditure		494	569
Total non-financial assets		**3,978**	**3,080**
Total assets		**12,342**	**10,341**
LIABILITIES			
Payables	8(a)	1,942	2,072
Other liabilities	8(b)	382	152
Provisions	9	3,252	3,043
Fees in advance	1(F)	74	73
Total liabilities		**5,650**	**5,339**
Net assets		**6,692**	**5,002**
EQUITY			
Accumulated surplus/(deficit)		2,902	1,392
Physical asset revaluation surplus		180	-
Contributed capital		3,610	3,610
Net worth		**6,692**	**5,002**
Commitments for expenditure	11		
Contingent liabilities and contingent assets	12		

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 2016	Physical asset revaluation surplus	Accumulated surplus/(deficit)	Contributions by owner	Total ($ thousand)
Balance at 1 July 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**
Net result for the year	-	1,510	-	**1,510**
Other comprehensive income for the year	180	-	-	**180**
Balance at 30 June 2016	**180**	**2,902**	**3,610**	**6,692**

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

Financial statements

Cash flow statement for the financial year ended 30 June 2016		2016	2015 ($ thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from other entities		35,570	32,453
Goods and Services Tax recovered from the ATO [i]		1,266	1,102
Interest received		270	272
Total receipts		**37,106**	**33,827**
Payments			
Payments to suppliers and employees		(33,588)	(31,775)
Interest and other costs of finance paid		-	(53)
Total payments		**(33,588)**	**(31,828)**
Net cash flows from/(used in) operating activities	14	**3,518**	**1,999**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(2,150)	(215)
Sale of non-financial assets		19	-
Net cash flows from/(used in) investing activities		**(2,130)**	**(215)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(1,966)
Net cash flows from/(used in) financing activities		**-**	**(1,966)**
Net increase/(decrease) in cash and cash equivalents		**1,388**	**(182)**
Cash and cash equivalents at the beginning of the financial year		5,778	5,959
Cash and cash equivalents at the end of the financial year		**7,166**	**5,778**

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

[i] *Goods and Services Tax received from the ATO is presented on a net basis.*

Notes to the financial statements for the financial year ended 30 June 2016

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 2016. 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) that 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 19 August 2016.

(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. Judgments 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 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. Australian Valuation Solutions Pty Ltd is engaged to perform independent valuation of ESV's assets on behalf of VGV. ESV, in conjunction with VGV and Australian Valuation Solutions Pty Ltd, 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:

- net result from transactions (or termed as net operating balance)
- other economic flows included in net result and
- 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 AASs.

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 are disclosed in the notes, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if ESV does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

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

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

Fee and levy income are the primary revenue sources for ESV.

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 is recognised upon receipt of income.
- Appliance efficiency income is recognised upon invoicing.

Levy income

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

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.

Notes to the financial statements for the financial year ended 30 June 2016

(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 forms of considerations (other than superannuation that is accounted for separately) given by ESV in exchange for services rendered by employees or for the termination of employment. This includes wages and salaries, fringe benefits tax, leave entitlements, termination 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 audit 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

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 and is recognised as expense in the period in which it is incurred. It represents interest on a loan facility provided by the Treasury Corporation of Victoria. The loan was repaid in full at 30 June 2015.

Other operating expenses

Other operating expenses generally represent day-to-day running costs incurred in 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 are changes in the 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:

(i) *Revaluation gain/(loss) of non-financial physical assets*
Refer to Note 1(K) Revaluations of non-financial physical assets.

(ii) *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.

(iii) *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.

(iv) *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.

(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.

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 equivalents (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 (refer to Note 20).

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.

Notes to the financial statements for the financial year ended 30 June 2016

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 equivalents
Cash and equivalents 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 Goods and Services Tax (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. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

In accordance with FRD 103F, ESV is required to undertake a revaluation of its assets for the financial year ended 30 June 2016. An independent scheduled revaluation of all classes of plant and equipment was carried out by Australian Valuation Solutions Pty Ltd. The revaluation is recorded in ESV's accounts for the financial year ended 30 June 2016.

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*, 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.

(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(l)). 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.

Notes to the financial statements for the financial year ended 30 June 2016

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

(i) Wages and salaries, and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave, are all recognised in the provision for employee benefits 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 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 – if ESV does not expect to wholly settle within 12 months.

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised 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.

On-costs related to 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 to or distributions by owners 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 and
(c) property occupancy leases for its offices at 4 Riverside Quay, Southbank, and 540 Springvale Road, Glen Waverley.

The above commitments are disclosed by way of a note (refer to Note 11) 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 12) 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

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.

(S) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2016, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2016. They become effective for the first financial statements for reporting periods commencing after the stated operative dates in the table below.

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.

Standard/ Interpretation (Note 1)	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	While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 *(December 2010)*	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).

Notes to the financial statements for the financial year ended 30 June 2016

Standard/ Interpretation (Note 1)	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
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 2014-7 *Amendments to Australian Accounting Standards arising from* AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	The assessment has indicated that there will be no significant impact for ESV.
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 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses 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 2014-5 *Amendments to Australian Accounting Standards arising from* AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 January 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 January 2018	The assessment has indicated that there will be no significant impact for ESV.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of* AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018–19 reporting period in accordance with the transition requirements.
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to* AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: a promise to transfer to a customer a good or service that is distinct to be recognised as a separate performance obligation; for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	The assessment has indicated that there will be no significant impact for ESV, other than the impact identified in AASB 15.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.
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 AASB 138 Intangible Assets to: establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of 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 that 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 public 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.

Note 1: For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

Notes to the financial statements for the financial year ended 30 June 2016

Note 2 Income from transactions

	2016	2015
		($ thousand)
(A) SALE OF GOODS AND SERVICES		
Fee income		
Certificates of Electrical Safety	9,614	9,239
Licence fees	4,020	3,184
Electrolysis	1,722	1,629
Approval fees	361	371
Appliance efficiency fees	521	444
	16,237	**14,867**
Levy income		
Industry levy – Gas	10,006	9,066
Industry levy – Electricity	7,927	7,659
Industry levy – Gas pipelines	815	764
	18,748	**17,489**
Total revenue from sale of goods and services	**34,985**	**32,356**
(B) INTEREST		
Interest from financial assets not at fair value through profit or loss		
Interest on bank deposits	247	302
Total interest	**247**	**302**
(C) OTHER INCOME		
Other income	101	281
Total other income	**101**	**281**

Note 3 Expenses from transactions

	2016	2015
		($ thousand)
(A) EMPLOYEE EXPENSES		
Salaries, wages, annual leave and long service leave	15,967	14,925
Salary on-costs	1,345	1,206
Post-employment benefits		
Defined contribution superannuation expense	1,421	1,290
Defined benefit superannuation expense	-	-
Termination benefits	112	103
Total employee expenses	**18,845**	**17,524**
(B) DEPRECIATION AND AMORTISATION		
Plant and equipment	572	564
Intangible produced assets	309	812
Total depreciation and amortisation	**881**	**1,376**
(C) OTHER OPERATING EXPENSES		
Supplies and services		
Printing and stationery	375	222
Telecommunications	244	296
Legal fees	69	27
Administration fees - Certificates of Electrical Safety	351	325
Insurance	487	505
Travel expenses	173	168
Compliance and audit services (including Bushfire Mitigation)	141	272
Conferences and training	293	311
Publications and subscriptions	72	129
Other expenses	704	615
Total other operating expenses	**2,910**	**2,870**

Note 4 Other economic flows included in net result

	2016	2015
		($ thousand)
(A) NET GAIN/(LOSS) ON NON-FINANCIAL ASSETS		
Net gain/(loss) on disposal of plant and equipment	(14)	(3)
Revaluation of plant and equipment	(72)	-
Total net gain/(loss) on non-financial assets	**(86)**	**(3)**
(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)	(152)	(107)
Total other gain/(loss) from other economic flows	**(152)**	**(107)**
Total other economic flows included in net result	**(238)**	**(110)**

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

Note 5 Receivables

	2016	2015
		($ thousand)
CURRENT RECEIVABLES		
Contractual		
Agent – Certificates of Electrical Safety	571	781
Other receivables	445	500
	1,016	**1,281**
Statutory		
GST input tax credit recoverable	181	201
	181	**201**
Total current receivables	**1,197**	**1,482**
Total non-current receivables	**-**	**-**
Total receivables	**1,197**	**1,482**

Notes to the financial statements for the financial year ended 30 June 2016

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 2016	Gross carrying amount 2015	Accumulated depreciation 2016	Accumulated depreciation 2015	Net carrying amount 2016	Net carrying amount 2015
Nature-based classification						
Plant and equipment at fair value						
Furniture and fittings	414	484	-	176	414	309
Equipment	372	1,678	-	1,547	372	131
Leasehold improvements	1,187	1,935	-	992	1,187	943
Vehicles	40	73	-	22	40	51
Assets under construction at cost	185	447	-	-	185	447
Net carrying amount of plant and equipment	**2,197**	**4,617**	**-**	**2,736**	**2,197**	**1,881**

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 (ii) *($ thousand)*

PUBLIC SAFETY AND ENVIRONMENT	Plant and equipment at fair value 2016	Plant and equipment at fair value 2015	Assets under construction at cost 2016	Assets under construction at cost 2015	Total 2016	Total 2015
Opening balance	1,434	1,832	447	79	1,881	1,911
Additions	-	-	814	534	814	534
Disposals	(34)	-	-	-	(34)	-
Impairment of assets	-	-	-	-	-	-
Transfers between asset sub-classes	-	-	-	-	-	-
Transfer in/out of asset under construction	1,076	166	(1,076)	(166)	-	-
Revaluation of plant and equipment	108	-	-	-	108	-
Depreciation	(572)	(564)	-	-	(572)	(564)
Closing balance	**2,012**	**1,434**	**185**	**447**	**2,197**	**1,881**

Note (ii) A scheduled full revaluation was performed for all classes of assets.

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

	2016	2015
Plant and equipment		
Furniture and fittings	(35)	(20)
Equipment	(130)	(232)
Leasehold improvements	(395)	(301)
Vehicles	(12)	(11)
	(572)	**(564)**

Note (iii) The useful lives of assets as stated in 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 (iv)	Level 2 (iv)	Level 3 (iv)
2016				
Plant and equipment at fair value	2,012	-	532	1,480
2015				
Plant and equipment at fair value	1,434	-	-	1,434

Note (iv) Classified in accordance with the fair value hierarchy, see Note 1(B).

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 2016. For all assets measured at fair value, the current use is considered the highest and best use. During the year, certain plant and equipment has been classified as Level 2 on account of the fact that current replacement cost inputs in the valuation have been directly observed in the market.

Table 6.5
Reconciliation of Level 3 fair value *($ thousand)*

	2016	2015
Plant and equipment		
Opening balance	**1,434**	**1,832**
Purchases	843	87
Transfers in (out) of Level 3	(357)	79
Gains or losses recognised in net result		
Depreciation	(473)	(564)
Impairment loss	(86)	-
Subtotal	**(559)**	**(564)**
Gains or losses recognised in other economic flows - other comprehensive income		
Revaluation	119	-
Subtotal	**119**	**-**
Closing balance	**1,480**	**1,434**
Unrealised gains/(losses) on non-financial assets (v)		

Note (v) AASB 2015-7 Fair Value Disclosures of Not-for Profit Public Sector Entities, which is operative from 1 July 2016, provides an exemption for not-for-profit public sector entities from disclosing the shaded row relating to unrealised gains/(losses) on non-financial assets if the assets are held primarily for their current service potential rather than to generate net cash inflows. ESV assets are held primarily for their current service potential rather than to generate net cash inflows and therefore this information has not been disclosed.

Table 6.6
Description of significant unobservable inputs to Level 3 valuations

2016 and 2015	Plant and equipment
Valuation technique	Depreciated replacement cost
Significant unobservable inputs (vi)	Physical depreciation and obsolescence adjustment

Note (vi) AASB 2015-7 Fair Value Disclosures of Not-for-Profit Public Sector Entities provides an exemption for not-for-profit public sector entities from disclosing information relating to the quantitative information of significant unobservable inputs and the sensitivity analysis if the assets are held primarily for their current service potential rather than to generate net cash inflows. ESV assets are held primarily for their current service potential rather than to generate net cash inflows and therefore this information has not been disclosed.

Notes to the financial statements for the financial year ended 30 June 2016

Note 7
Intangible assets

($ thousand)

	Computer software 2016	Computer software 2015	Work in progress 2016	Work in progress 2015	Total 2016	Total 2015
Gross carrying amount						
Opening balance	3,512	3,028	10	489	3,522	3,516
Additions	-	-	966	108	966	108
Transfer in/out of work in progress	5	586	(5)	(586)	-	-
Disposals	-	(101)	-	-	-	(101)
Closing balance	**3,517**	**3,513**	**971**	**10**	**4,488**	**3,523**
Accumulated amortisation						
Opening balance	(2,893)	(2,178)	-	-	(2,893)	(2,178)
Amortisation of intangible produced assets	(309)	(812)	-	-	(309)	(812)
Disposals	-	98	-	-	-	98
Closing balance	**(3,201)**	**(2,893)**	**-**	**-**	**(3,201)**	**(2,893)**
Net book value at the end of the financial year	**316**	**620**	**971**	**10**	**1,287**	**630**

Note (i) Impairment losses are included in the line item net gain/(loss) on non-financial assets in the comprehensive operating statement.

Note 8(a)
Payables

($ thousand)	2016	2015
CURRENT PAYABLES		
Contractual		
Amounts payable to government and agencies	1	9
Supplies and services	1,941	2,063
Total current payables	**1,942**	**2,072**
Total payables	**1,942**	**2,072**

Note 13 discloses the maturity analysis and the nature and extent of risks arising from contractual payables.

Note 8(b)
Other liabilities

($ thousand)	2016	2015
CURRENT OTHER LIABILITIES		
Lease incentive	382	152
Total current other liabilities	**382**	**152**
Total other liabilities	**382**	**152**

Note 9
Provisions

($ thousand)	2016	2015
CURRENT PROVISIONS		
Employee benefits (i)		
Annual leave		
Unconditional and expected to be settled within 12 months (ii)	1,007	1,017
Unconditional and expected to be settled after 12 months (iii)	112	113
Long service leave		
Unconditional and expected to be settled within 12 months (ii)	264	222
Unconditional and expected to be settled after 12 months (iii)	1,060	1,127
	2,443	**2,479**
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months (ii)	363	243
Unconditional and expected to be settled after 12 months (iii)	190	201
	553	**444**
Total current provisions	**2,996**	**2,923**
NON-CURRENT PROVISIONS		
Employee benefits (i)	221	103
Employee benefit on-costs	36	17
Total non-current provisions	**256**	**120**
Total provisions	**3,252**	**3,043**

Notes:
(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.
(ii) Amounts disclosed are nominal amounts.
(iii) Amounts disclosed are discounted to present value.

(a) Movement in provisions	($ thousand) **On-costs 2016**
OPENING BALANCE	**461**
Additional provisions recognised	363
Reductions arising from payments	(250)
Unwinding of discount and effect of changes in the discount rate	15
Closing balance	**589**
Current	553
Non-current	36
	589

Notes to the financial statements for the financial year ended 30 June 2016

Note 10
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 $1,421,029) to the following major superannuation funds during the year (2015 $1,290,893):

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

Of the total superannuation contributions recognised in 2015–16, $1,356,503 was paid to respective superannuation funds, and $64,526 in contributions remain outstanding at year end. 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 11
Commitments for expenditure

Nominal values	2016	($ thousand) 2015
LEASE COMMITMENTS PAYABLE		
Motor vehicle operating lease commitments payable		
Less than 1 year	569	579
Longer than 1 year but no longer than 5 years	953	233
5 years or more	-	-
Office accommodation lease commitments payable		
Less than 1 year	1,269	1,310
Longer than 1 year but no longer than 5 years	2,739	3,647
5 years or more	150	607
Total lease commitments	**5,680**	**6,376**
Other	-	-
Total other expenditure commitments	**-**	**-**
Total commitments for expenditure (inclusive of GST)	**5,680**	**6,376**

The 2015-16 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 leases at 540 Springvale Road, Glen Waverley, expired 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 12
Contingent assets and contingent liabilities

	2016	($ thousand) 2015
CONTINGENT LIABILITIES		
Bank guarantee in favour of the Mirvac Property Group related to Level 5, 4 Riverside Quay Southbank Victoria 3006	338	338
Total contingent liabilities	**338**	**338**

Note 13
Financial instruments

(A) Financial risk management objectives and policies

ESV's principal financial instruments comprise:

– cash and equivalents
– term deposits
– receivables (excluding statutory receivables) and
– payables (excluding statutory payables).

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. ESV uses different methods to measure and manage the different risks to which it is exposed.

The carrying amounts of ESV's contractual financial assets and financial liabilities are disclosed in Table 13.1 below.

Table 13.1 Categorisation of financial instruments	2016	($ thousand) 2015
Contractual financial assets - loans and receivables		
Cash and equivalents	7,166	5,778
Receivables		
Sale of goods and services	571	781
Other receivables	445	500
Total contractual financial assets	**8,183**	**7,059**
Contractual financial liabilities at amortised cost		
Payables		
Other payables	1,942	2,072
Total contractual financial liabilities	**1,942**	**2,072**

(B) Credit risk

Credit risk arises from the contractual financial assets of ESV, which comprise cash and equivalents, 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 ESV. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk in relation to receivables is monitored by reviewing the aging of receivables on a monthly basis. In addition, ESV does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank.

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

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

Notes to the financial statements for the financial year ended 30 June 2016

Table 13.2
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
2016				
Cash and equivalents	5,500	1,666	-	7,166
Receivables	-	-	1,016	1,016
Total contractual financial assets	**5,500**	**1,666**	**1,016**	**8,183**
2015				
Cash and equivalents	4,916	862	-	5,778
Receivables	-	-	1,281	1,281
Total contractual financial assets	**4,916**	**862**	**1,281**	**7,059**

Contractual financial assets that are either past due or impaired
There are no material financial assets that are individually determined to be 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 ageing analysis table below discloses the ageing only of contractual financial assets that are past due but not impaired.

Table 13.3
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
2016					
Receivables	1,016	909	106	-	1
	1,016	**909**	**106**	**-**	**1**
2015					
Receivables	1,281	932	284	64	1
	1,281	**932**	**284**	**64**	**1**

(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 face of the balance sheet and the amounts related to bank guarantee as disclosed in Note 12.

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

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

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

Table 13.4
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
2016						
Payables						
Other payables	1,942	1,942	1,912	22	8	-
	1,942	**1,942**	**1,912**	**22**	**8**	**-**
2015						
Payables						
Other payables	2,072	2,072	1,767	287	18	-
	2,072	**2,072**	**1,767**	**287**	**18**	**-**

Notes to the financial statements for the financial year ended 30 June 2016

(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 equivalents 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 13.5. In addition, ESV's sensitivity to interest rate risk is set out in Table 13.6.

Table 13.5
Interest rate exposure of financial instruments *($ thousand)*

	Interest rate%	Carrying amount	Interest rate exposure: Fixed interest rate	Interest rate exposure: Variable interest rate	Interest rate exposure: Non-interest bearing
2016					
Financial assets					
Cash and equivalents	2.1%	7,166	5,500	1,666	-
Receivables	-	1,016	-	-	1,016
Total financial assets		**8,183**	**5,500**	**1,666**	**1,016**
Financial liabilities					
Payables					
Other payables	-	1,942	-	-	1,942
Total financial liabilities		**1,942**	**-**	**-**	**1,942**
2015					
Financial assets					
Cash and equivalents	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
Total financial liabilities		**2,072**	**-**	**-**	**2,072**

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 a movement of 100 basis points up and down in market interest rate is reasonably possible over the next 12 months. Sensitivity analyses shown are for illustrative purposes only.

Table 13.6
Interest rate risk sensitivity *($ thousand)*

	Carrying amount	Interest rate: -100 basis points: Net result	Interest rate: -100 basis points: Available-for-sale revaluation surplus	Interest rate: +100 basis points: Net result	Interest rate: +100 basis points: Available-for-sale revaluation surplus
2016					
Contractual financial assets					
Cash and equivalents	7,166	(17)	-	17	-
Total impact	**7,166**	**(17)**	**-**	**17**	**-**
2015					
Contractual financial assets					
Cash and equivalents	5,778	(10)	-	10	-
Total impact	**5,778**	**(10)**	**-**	**10**	**-**

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 expectation that they will be paid in full by the end of the 2015-16 reporting period.

Financial assets

Cash and equivalents
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

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

Table 13.7
Fair value of financial instruments measured at amortised costs *($ thousand)*

	Carrying amount 2016	Carrying amount 2015	Fair value 2016	Fair value 2015
Financial assets				
Cash and equivalents	7,166	5,778	7,166	5,778
Receivables	1,016	1,281	1,016	1,281
Financial liabilities				
Payables	1,942	2,072	1,942	2,072

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

Note 14
Cash flow information

Reconciliation of net result for the period	2016 ($ thousand)	2015
Net result for the period	1,510	1,346
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	17	3
Depreciation and amortisation of non-current assets	881	1,376
(Gain)/loss on revaluation of non-current assets	72	-
Increase/(decrease) in provision for bad and doubtful debts	-	-
Movements in assets and liabilities		
(Increase)/decrease in receivables	284	(302)
(Increase)/decrease in other current assets	76	(30)
(Decrease)/increase in payables	239	(351)
(Decrease)/increase in other liabilities	230	(48)
(Decrease)/increase in provisions	209	131
(Decrease)/increase in fees in advance	-	(126)
Net cash flows from/(used in) operating activities	**3,518**	**1,999**

Note 15
Reserves

Non-current asset revaluation surplus	2016 ($ thousand)	2015
Balance at beginning of financial year	-	-
Revaluation increments/(decrements)	180	-
Impairment losses	-	-
Reversals of impairment losses	-	-
Transfers to accumulated surplus	-	-
Disposal or transferred out	-	-
Balance at end of financial year	**180**	**-**
Net changes in reserves	**180**	**-**

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 ESV are as follows:

Minister for Energy and Resources
The Hon. Lily D'Ambrosio MP 1 July 2015 – 22 May 2016

Minister for Energy, Environment and Climate Change
The Hon. Lily D'Ambrosio MP 23 May 2016 – 30 June 2016

Director of Energy Safety
Mr Paul Fearon 1 July 2015 – 30 June 2016

Remuneration

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

$290,000 - $299,999 ($300,000 - $309,999 in 2014-15)

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.

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transaction of ministers, the register of members' interest is publicly available from: www.parliament.vic.gov.au/publications/register-of-interests

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.

A number of executives received performance bonus payments in 2015-16 in relation to the 2014-15 financial year. These bonus payments depend on the terms of individual employment contracts.

REMUNERATION OF EXECUTIVES

Income band	Total remuneration 2016 No.	Total remuneration 2015 No.	Base remuneration 2016 No.	Base remuneration 2015 No.
$120,000 – 129,999	-	1	-	1
$140,000 – 149,999	-	-	-	1
$150,000 – 159,999	-	-	1	1
$170,000 – 179,999	1	2	2	3
$180,000 – 189,999	1	1	-	-
$190,000 – 199,999	-	1	1	1
$200,000 – 209,999	-	1	-	-
$210,000 – 219,999	1	1	-	-
$220,000 – 229,999	-	-	2	-
$230,000 – 239,999	1	-	-	-
$240,000 – 249,999	-	-	-	1
$250,000 – 259,999	1	1	-	-
$290,000 – 299,999	1	-	-	-
Total number of executives	**6**	**8**	**6**	**8**
Total annualised employee equivalent (AEE) (i)	6	7.3	6	7.3
Total amount	**$1,357,250**	**$1,527,858**	**$1,152,328**	**$1,381,212**

Note: (i) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period. 2015-16 annualised employee equivalent is calculated based on 26 fortnights in the financial year, compared with 27 fortnights in 2014-15.

In 2015-16 there was one executive officer (2014-15: 2) whose total and base remunerations were less than $100,000 for the year.

ESV did not make any payments to contractors charged with significant management responsibilities from 1 July 2015 to 30 June 2016 or from 1 July 2014 to 30 June 2015.

Note 18
Remuneration of auditors

	2016 ($ thousand)	2015
Victorian Auditor-General's Office		
Audit of the financial statements	26	35

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 2016

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.

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

Depreciation
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 leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

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

Net 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 2015–16 *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
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Telephone 61 3 8601 7000
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Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Director, Energy Safe Victoria

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 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.

The Director's Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial report.

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

Auditing in the Public Interest

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, I and my 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 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
31 August 2016

for Dr Peter Frost
Acting Auditor-General

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Auditing in the Public Interest

Demonstrating accountability

Accounting policies

Refer to Note 1 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, distribution and retail businesses and other network operators, and the LPG Industry Safety Committee. – 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, Resources and Climate Change associated government departments including the Department of Environment, Land, Water and Planning, and the 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). – Coroners Court 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).

Consultancy expenditure

Details of individual consultancies (valued at $10,000 or greater)

In 2015–16, 20 consultants received total fees payable of greater than $10,000. The total expenditure incurred during 2015–16 in relation to these consultancies is $966,000 (excluding GST). Details of individual consultancies are listed below.

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST) $'000	Exp. to 30 June 2015 (ex. GST) $'000	2015–16 expenditure (ex. GST) $'000	Future expenditure (ex. GST) $'000	Total projected cost (ex. GST) $'000
Advisian	Develop an evaluation process for Safety Case assessment	May-15	Aug-15	53	40	13	-	53
	Review and revision of the Safety Case evaluation approach	Aug-15	Apr-16	90	-	90	-	90
	MNG Safety Case report	Oct-15	Nov-15	11	-	11	-	11
	Report into the potential impacts of new energy on Victorian distribution businesses and technical regulatory environment	Mar-16	Aug-16	95	-	86	9	95
	Proposal for establishing bushfire risk management best practice for electrical infrastructure	Mar-16	Aug-16	36	-	13	23	36
	Proposal for ESMS due diligence process	Mar-16	Aug-16	33	-	25	9	33
Huegin Consulting	Develop data input form for electrical and gas incident reporting	Jul-15	Jul-15	29	-	29	-	29
	ESV Functional Review	Apr-16	Aug-16	62	-	50	12	62
Electrical Resource Providers	2015 ELC distribution business audit program	Oct-15	Apr-16	71	-	71	-	71
Thomson Geer	Provision of employment and industrial law advice towards EA negotiations	Jul-15	Jun-16	66	-	47	-	47
LSI Consulting	Realisation support for Electrical Licensing Section	Jul-15	Jul-15	23	-	23	-	23
	GIAS investigations and engineering review	Jul-15	Jul-15	38	-	38	-	38
R2A Pty Ltd	Installed REFCL operational review	Nov-15	Jan-16	11	-	11	-	11
	Annual risk review	Nov-15	Apr-16	43	-	43	-	43
Mark LeBusque	Develop leadership program for executive and middle managers	Oct-15	Dec-15	52	-	52	-	52
Cielterre Management Services	Provision of industrial relation services, assistance and the negotiation of the EA	Oct-14	Apr-16	43	16	23	-	38

Demonstrating accountability

Consultancies (continued)

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST) $'000	Exp. to 30 June 2015 (ex. GST) $'000	2015–16 expenditure (ex. GST) $'000	Future expenditure (ex. GST) $'000	Total projected cost (ex. GST) $'000
Marchment Hill Consulting	Executive structure review	Dec-15	Mar-16	40	-	40	-	40
Spiire Australia	Land development around pipelines paper for submission to government	Nov-15	Feb-16	42	-	42	-	42
Jamie Scott	Consultancy support for business management system improvements	Sep-15	Jun-16	37	-	39	-	39
AEP Lauren	GPI safety management report	Aug-15	May-16	29	-	22	-	22
International Economics	Cost-benefit analysis on safety critical testing for certified gas appliances and components	Oct-15	May-16	27	-	27	-	27
	Critical testing regime for high-risk gas appliance/ components	Jun-16	Jun-16	30	-	30	-	30
Ernst & Young	Development of a horizon scan	Dec-15	Feb-16	26	-	26	-	26
Activetics	Changing Gears program	Jul-15	Aug-15	25	-	25	-	25
Hatamoto	ESV desktop exercise project 2015-16	Nov-15	Jun-16	25	-	24	-	24
HR+ WorkLaw	Legal advice for VCAT compulsory conference	Mar-16	Jun-16	23	-	20	-	20
HRL Technology	Fire safety assessment of private overhead electric lines in high bushfire risk zones	Dec-15	Jun-16	22	-	22	-	22
Jaguar Consulting	Consultation paper on the proposed amendments to the Electricity Safety (Management) Regulations 2009 to establish fees for approval of voluntary ESMS	Dec-15	Apr-16	20	-	12	-	12
Mercer Consulting	Actuarial services on the effect of Equipsuper defined benefit superannuation scheme changes	Mar-16	May-16	15	-	15	-	15
TOTAL				1,114	56	966	53	1,075

Information and Communication Technology expenditure

For the 2015–16 reporting period, ESV had a total ICT expenditure of $5,254,127 with the details shown below:

Business as usual (BAU) ICT Expenditure	Non-business as usual (non-BAU) ICT expenditure (Total = Operational expenditure and Capital expenditure)	Operational expenditure	Capital expenditure
$3,126,521	$2,127,606	$1,638,431	$489,175

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

Details of consultancies under $10,000

In 2015-16, 22 consultants received total fees payable of less than $10,000. The total expenditure incurred in 2015-16 in relation to these consultancies is $152,499 (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

Campaign advertising

ESV is required to undertake community and industry education campaigns to raise awareness about safety. The total amount spent under the MAMS contract on safety advertising was $689,784. This was in accordance with our approved Corporate Plan.

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 36 freedom of information requests from 1 July 2015 to 30 June 2016. Twenty-eight of these were decided in the financial year, one request was withdrawn and the remaining seven requests will be decided in the 2016–17 financial year. All requests were dealt with in accordance with the *Freedom of Information Act 1982*. Application fees received in 2015-16 totalled $924.80. Fees waived totaled $27.20. No access charges were imposed. Information on how to make a freedom of information request to Energy Safe Victoria is available at www.esv.vic.gov.au.

Prosecutions summary

In 2015–16 ESV carried out investigations into complaints about electrical and gasfitting work that did not comply with the requirements of the Gas Safety Act 1997 and the Electricity Safety Act 1998. The investigations resulted in 26 successful prosecutions in the Magistrates Court of Victoria. These included 13 fines with conviction totaling $140,300, eight fines without conviction totaling $21,000, four people released on undertaking to be of good behavior with payments to the Court Fund totaling $800, and one person who was convicted and released under section 76 of the Sentencing Act.

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.

Consultative/technical committees

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.

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.

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.

Attestation for compliance with Ministerial Standing Direction 4.5.5

I, Paul Fearon, certify that Energy Safe Victoria has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Energy Safe Victoria Audit and Risk Committee has verified this.

Paul Fearon
Director of Energy Safety
19 August 2016

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
ATO	Australian Taxation Office
CFA	Country Fire Authority
CO	Carbon monoxide
COES	Certificate of Electrical Safety
CPSISC	Construction and Property Services Industry Skills Council
CT	Current transformer
DB	Distribution business
DB	Drainage bond
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DELWP	Department of Environment, Land, Water and Planning
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
ERAC	Electrical Regulatory Authorities Council
ESC	Essential Services Commission
ESISC	Energy Networks Industry Safety Committee
ESMSs	Electricity Safety Management Schemes
ESV	Energy Safe Victoria
ETU	Electrical Trades Union
GEMCF	Gas Emergency Management Consultative Forum
GIAS	Gas Installations and Appliance Safety
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
LFI	Low frequency induction
LP Gas	Liquid petroleum gas
MAV	Municipal Association of Victoria
MEC	Major electricity companies
MFB	Metropolitan Fire and Emergency Services Board
MHF	Major hazards facility
MOU	Memorandum of understanding
MPA	Metropolitan Planning Authority
MSO	Mobile site office
MTM	Metro Trains Melbourne
NA	Not applicable
NBN	National Broadband Network
NECA	National Electrical Contractors Association
OHS	Occupational health and safety
OSIRIS	Online Safety Incident Reporting and Intelligence System
PBSP	Powerline Bushfire Safety Program
PICAC	Plumbing Industry Climate Action Centre
PTV	Public Transport Victoria
REC	Registered electrical contractor
RCD	Residual current device
REFCL	Rapid earth fault current limiter
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
SWER	Single wire earth return
TDU	Thyristor drainage unit
TSV	Transport Safety Victoria
VBA	Victorian Building Authority
VCDB	Variable conductance drainage bond
VCEC	Victorian Competition and Efficiency Commission
VEC	Victorian Electrolysis Committee

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