

Energy Safe Victoria

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Annual Report
2017–18

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About Energy Safe Victoria

Energy Safety Victoria (ESV) is established under the *Energy Safe Victoria Act 2005*. ESV is responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria. The Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change is responsible for administering the *Electricity Safety Act 1998*, the *Gas Safety Act 1997* and the *Pipelines Act 2005* (the Acts). Minister D'Ambrosio was the responsible Minister for the period from 1 July 2017 to 30 June 2018.

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

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

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

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

ESV statutory objectives

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

Gas safety

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

Control the safety standards of gas work.

Electrical safety

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

Control the safety standards of electrical work carried out by licensed electrical workers. Promote the prevention and mitigation of bushfire danger.

Promote safety awareness

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

Maintain public and industry awareness of electrical and gas safety.

Ensure pipeline safety

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

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

Our core regulatory functions and stakeholders

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

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.

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

Monitor and audit

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

Monitor, audit and enforce compliance with standards and requirements

- We audit training provided by registered training organisations (RTOs) and work with them to ensure apprentices receive appropriate levels of skills and knowledge
- We assess licensed electrical inspectors

- We audit electrical equipment available for sale to Victorians, ensuring they are efficient and meet minimum environmental standards
- To ensure public safety we audit gas products at point of sale and gas arrangements at public events.

Educate and encourage

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

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

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

- Specific technical and safety energy committees including relevant industry participants, technical experts, union representation that address specific safety hazards

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

Enforce compliance

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

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

ESV's activities and achievements are detailed in The Year In Review from page 8.

Mission, vision, values

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 the community to achieve objectives. We are accountable for all of our actions.

Our vision

ESV is 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.

Our mission

ESV makes 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.

Responsible body declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Energy Safe Victoria Annual Report for the year ending 30 June 2018. This report outlines how we have performed our functions and exercised our powers to achieve the objectives under the Acts and regulations ESV administers.

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



A handwritten signature in blue ink that reads "Paul F Fearon".

Paul F Fearon
Director of Energy Safety
Energy Safe Victoria

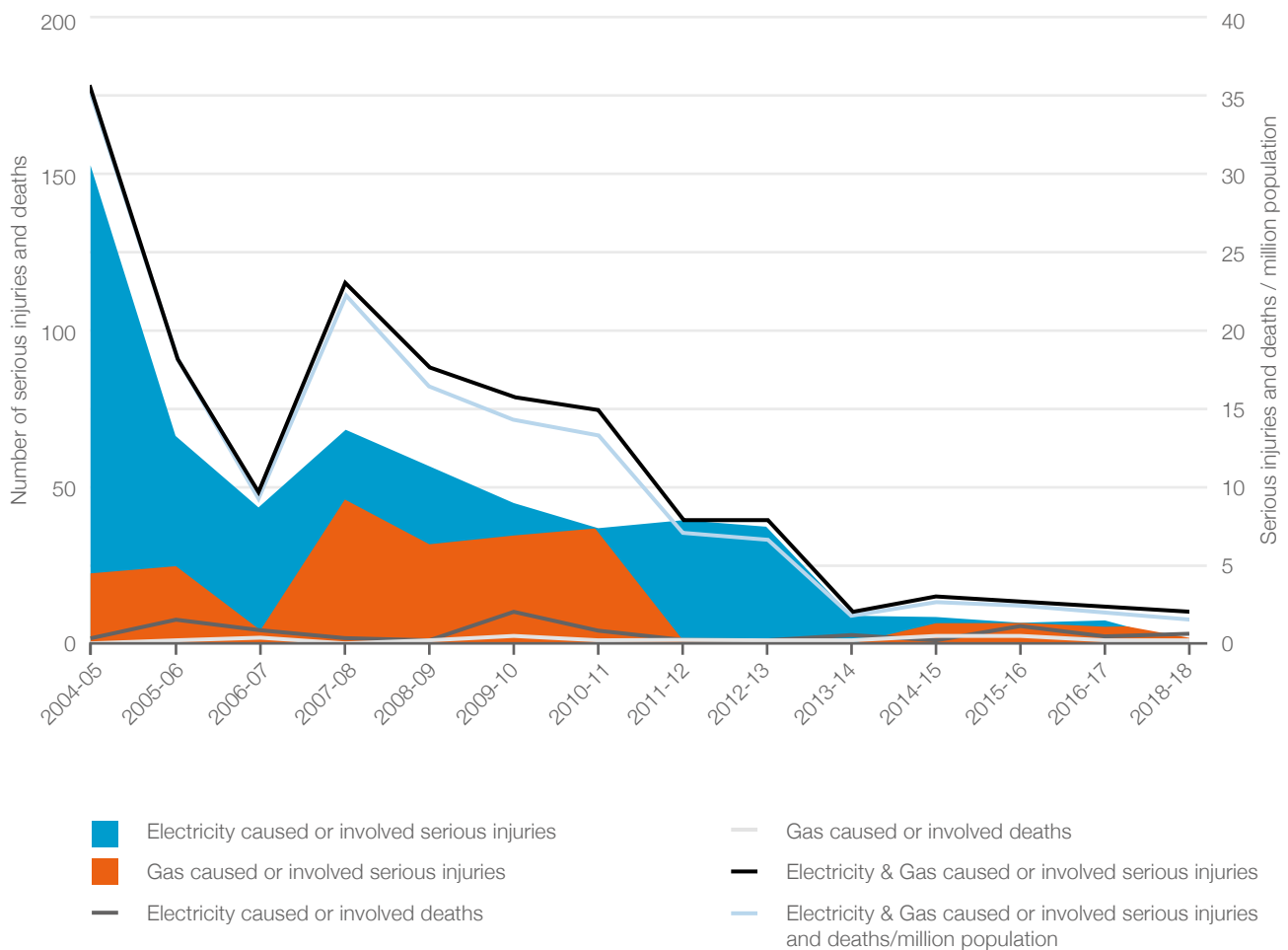
14 August 2018

The year in review

Safety outcomes

One measure of regulatory effectiveness is ESV's impact on improving community safety outcomes. This includes rates of death, injury and property damage related to electrical, gas and pipeline incidents. This year there were three deaths caused by electrocution and one death related to gas. Whilst unacceptable, this outcome maintains the long-term improvements in Victoria's energy safety trends.

Electricity & gas caused or involved serious injuries and deaths (excluding suicides)



During the year the suspected carbon monoxide poisoning death of a woman in a Greensborough public housing residence led to a significant regulatory response with ESV working closely with government and industry to build awareness and identify ways of ensuring the risks of carbon monoxide (CO) poisoning are substantially mitigated into the future.

A major issue for ESV remains better understanding of the strong correlation between network performance, major fires and weather. Our analysis shows that consecutive days of high temperature result in substantially increased occurrence of major bushfires caused by electricity. This was demonstrated when electricity infrastructure was again over-represented in the major Victorian bushfires that occurred during the year. Some, including two of the St Patrick's Day fires in southwest Victoria, were directly caused by electrical infrastructure and others where electricity was implicated.

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

The *Review of Victoria's Electricity and Gas Network Safety Framework* chaired by Dr Paul Grimes PSM examined the design and adequacy of the regulatory system governing the safety of Victoria's electricity and gas networks.

As part of its most recent corporate plans, ESV set out an ambitious program of work to address the emerging energy safety challenges of the future, and implement the expected recommendations directed at ESV following the broad-ranging review of energy safety arrangements in Victoria

This report outlines the progress made on implementing those recommendations described in the interim and final reports. In 2017-18 ESV increased its capacity and capability to regulate more effectively in a number of areas. This included:

- A significant increase in the number of staff auditing and inspecting vegetation management of the distribution businesses. This resulted in ESV identifying significant and ongoing non-compliance and failure to clear vegetation that presented a clear and present risk of starting a bushfire. Formal legal proceedings were instituted in relation to a number of statutory breaches of the Electricity Safety Act. Technical investigations were also completed into the St Patrick's Day fires and legal investigations are ongoing with respect to two of those fires.
- Substantially increasing our data analytics capability coupled with improved data capture, analytics tools and cooperation with other regulators and agencies, which will provide greater insights into how community harm and risk can be further reduced over the coming years.

The year in review

- Pipeline field inspectors substantially increased audits, especially in relation to the gas distribution business (DB) mains replacement work. This led to DBs reviewing both site supervisor training and their own internal auditing practices.

ESV's Powerline Bushfire Safety Committee (PBSC) continued to provide an important forum for the oversight of the powerline bushfire mitigation initiatives specified in the amended Electricity Safety (Bushfire Mitigation) Regulations 2013. The committee enabled ESV to substantially increase its technical capacity and the quality of advice received in administering the Bushfire Regulations, particularly the deployment of Rapid Earth Fault Current Limiter (REFCL) technology. The committee provided advice on applications for exemptions from certain legislative requirements associated with the deployment of REFCLs, as well as detailed advice on the Essential Service Commission's (ESC) amendments to the Distribution Code to align its requirements with the introduction of REFCL technology.

What changed in the energy environment in 2017-18 and what did we do about it?

Renewable energy projects and battery storage continues to emerge as a major element within the energy sector and increasingly at medium and larger scale across the market. There have been many developments in rooftop solar and battery storage, such as DC isolators, lithium technologies in residential and large scale applications and solar farms. To ensure we could discharge our regulatory responsibilities we recruited additional specific technical expertise. We also maintained our presence on relevant Australian standards committees to ensure that safety remained foremost in their deliberations.

The use of alternative fuels also raises challenges for the industry and community in relation to potential safety issues. Increased levels of hydrogen blended into natural gas may require modification of appliances for higher proportions of hydrogen (>13 per cent up to 100 per cent hydrogen). The high pressure transmission system is not currently suited to hydrogen gas, given the increased risk of hydrogen embrittlement. As a result, upgrading the distribution infrastructure to polyethylene will take on greater importance to prevent hydrogen escaping from the network.

The increased use of biogas in industry and agriculture continues to challenge the boundaries of existing legislation and technical standards, and the possible introduction of domestic biogas systems will require review of the regulatory framework to ensure there is no regulatory gap or increased risk to the community.

ESV has engaged with industry for some time to address the potential future challenges arising from alternative fuels. This includes formal involvement with the Future Fuels Cooperative Research Centre (CRC) and active leadership and participation in Australian standards committees.

With the aim to deliver innovation for industry, and build new technical capacity in the energy industry, the seven year CRC program will enable the Australian gas industry to develop a competitive, low carbon energy alternative for the residential, commercial, industrial, and transport sectors. The program will complement and support renewable electricity generation and provide ESV with an overview of the changes stemming from the Gas Vision 2050 (Reliable, Secure Energy and Cost-Effective Carbon Reduction) report.

Changes in standards

Electricity

The quality and relevance of technical standards provides a critical foundation for all safety regimes. During the year we were instrumental in ensuring the following changes:

- Progressing and publishing an international standard for hover boards, following safety related non-compliances that resulted in house fires in Victoria.
- Imposing additional requirements to the international standard for inflatable spas following a number of ESV initiated recalls due to instances of the water in the spa becoming live.
- Implementing additional requirements for salt lamps to ensure that when the lamp is switched off and the salt releases the water that had been absorbed from the atmosphere that this water does not adversely affect the electrical connections.
- Implementing additional requirements in both the appliance and information technology standards of Australian and international standards for extra low voltage power supplies under a single fault condition. This is to ensure the voltage limit does not increase by more than 10 per cent of its rated voltage to enable the safe charging or operation of products connected to it.
- Implementing additional requirements for glass-bodied kitchen kettles due to an incident where a person received full body scalding when a glass bodied kettle shattered.
- Implementing additional requirements for refrigerators to prevent rapid propagation of fire. This was the cause of the Grenfell Tower fire in the United Kingdom.
- Modifying of the standard for motion sensors to prevent access to live parts during maintenance following an incident when an electrician received an electric shock while adjusting user controls.
- Introduction of a standard specifying the safety of materials used in consumer billing power meters.

Gas

- AS/NZS 5601.1 (general gas installations) and AS/NZS 5601.2 (caravans and boats) are two years into a three year project for a full revision. Amendment 3 to AS/NZS 5601.2 has been approved for publication relating to the introduction of a gasfitting compliance plate for caravans and boats
- The flue and flue cowl standards AS 4566 and AS 4567 were republished without change.
- AS 4670 – the specification for commercial propane and commercial butane for heating purposes – was revised during the year
- Revision of the standard for over-pressure and under-pressure cut off devices (AS 4632) has begun
- Revised standards for manual shut off valves and limited flexibility connectors have been published.
- A program of work to align Australian standards for gas components with international ISO standards has begun. This included active participation in the relevant ISO Technical Committee, ISO/TC 161
- Revisions were made to AS 2885 involving general requirements, design and construction, welding operations, and pressure testing; AS 3862 in respect of single-layer and dual-layer fusion bonded epoxy (FBE); and for the standard for field joint coatings (AS 4822)
- AS/NZS 5263.1.4 “Gas Appliances-Radiant gas heaters” was published and now combines requirements for overhead radiant heaters and overhead radiant tube heaters which were previously in two separate standards.

The year in review

Improving the effectiveness of safety case regimes

Electricity

ESV has a requirement for major electricity companies (MECs) to produce a compelling safety case to be accepted by ESV before their respective mandatory electricity safety management scheme (ESMS) can be assessed for acceptance. During 2017-18 this increased the focus of the MECs, their description and explanation of risk (including electrical safety) and how they manage it. We increased accountability on MEC senior management to approve these documents and present them to ESV. This work will lead to greater transparency of practice and accountability for long term improvements in safety outcomes. One example is our greater insight into the vegetation management practices of Powercor, which has now resulted in enforcement action.

Gas and pipelines

ESV accepted four safety cases within gas and pipeline infrastructure safety in 2018 (two in gas distribution and two in gas transmission), while 19 out of 20 natural gas retailers received safety case approvals and were assessed as being up-to-date with their obligations. Similarly, all landfill operators received safety case approvals and were assessed as being up-to-date.

ESV and WorkSafe began work on reviewing legislative boundaries that may result in reduced safety case requirements. Safety case approvals for the LPG industry and safety management plan submissions for non-natural gas licensed pipeline industry participants were also presented for acceptance.

Enhancing audits and inspections

We developed new audit tools, using mobile IT platforms that enhanced the ability of our field staff to capture data and report it back for analysis and examination in real time. This technology has enabled us to increase the speed and accuracy of alerting businesses of serious issues that require immediate action. This data is of a standard that will withstand legal scrutiny and support enforcement action.

ESV's inspection activity has increased significantly, particularly in its assessment of the efficacy of the distribution businesses' asset management and specifically pole inspection by MECs during the year. We also embarked on detailed technical and legal investigations into the compliance of some distribution businesses.

ESV established a new gas distribution inspection database that enabled detailed recording and analysis of inspections by our pipeline inspectors. Data captured includes information about the asset owner and the contractor performing the work as well as a detailed categorisation of the defects identified and monitoring of the defect reports issued. This will inform ESV's activities around gas infrastructure education, encouragement, and enforcement strategies. Other enhancements were initiated to include a field-based inspection input tool and scheduled reporting processes.

ESV developed plans under its enhanced audit and inspections program to audit each of the approximately 1200 cathodic protection systems operating at more than 2 amperes, over five years, with the data feeding a targeted, risk-based audit program.

ESV successfully established a formal process with the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) for the auditing of gas equipment certification bodies to ensure consistency in certification and safety outcomes.

Bushfire safety

We significantly increased our vegetation inspection and audit capacity along with our capability to analyse the data. As a result, we identified more non-compliances which has resulted in the clearance of substantial tracts of vegetation, a clear reduction in bushfire risk to communities, and the start of enforcement action in some cases.

Adopting best practice asset management with a safety focus

ESV continued to improve co-ordination with Metro Trains Melbourne to ensure electrolysis mitigation issues (including level crossing removals, new substations, Melbourne metro tunnels, regenerative braking, and out-of-service equipment) were adequately addressed in all current projects. ESV also successfully worked to achieve the operation of a voltage limiting device to minimise stray current. Similar devices will be rolled out across the Yarra Trams network.

A joint major hazardous facility audit performed with WorkSafe Victoria at a large industrial facility in rural Victoria identified a significant issue involving unauthorised work practices on gas installations. Work continues with the operator of the facility to align their work practices with legislative requirements.

Greater emphasis on investigation, compliance and enforcement

ESV increased its focus on enforcement and compliance through the implementation of strengthened regulatory governance and practice, the recruitment of additional technical expertise and enforcement officers and inspectors, and the direct communication of regulatory requirements and 'non-negotiables', which are actions and behaviours that adversely impact acceptable levels of energy safety. ESV is making it clear when unsafe or non-compliant behaviour will attract strong enforcement action.

Our focus has been to target regulatory resources to addressing regulatory matters with the greatest potential to cause harm, and influence acceptable levels of energy safety.

We issued an improvement notice as a result of damage to a licensed gas transmission pipeline (PL-167) that resulted in a substantial gas escape. The organisation involved took action to address the improvement measures identified in the notice.

We improved our internal documentation and training for both gas safety officers and investigators to improve our data collection, reporting and to better inform investigations. This has also allowed more active gasfitter practitioner profiling to identify both gas application activity and practitioner compliance rates, with active intervention in the case of poor performers. The application of these approaches to gas and pipeline regulation is now being explored.

In terms of gas installation and appliance compliance investigations, 109 new investigations were opened resulting in 36 infringement notices, 30 improvement notices, 26 warning letters, and 20 disconnection notices. Similarly, 43 new pipeline and industry incident investigations were opened, resulting in eight infringement notices, one improvement notice, and 18 warning letters.

The year in review

Four formal investigations were undertaken involving excavations within three metres of a gas transmission pipeline without authority, resulting in two infringement notices being issued, while three major investigations involved an uncontrolled gas release at Federation Square, an uncontrolled gas release at a multi-unit development in South Yarra, and a gas explosion at Maddingley.

Open flue heaters

As a result of the coroner's inquest into the carbon monoxide poisoning death of a Greensborough woman in a public housing residence, the risks and exposures of CO poisoning became a major and renewed focus of ESV during the second half of 2017-18.

ESV's investigations led to a second supplier entering a deed of undertaking to make provision for safety critical testing, servicing and a range of consumer remedies depending on the causes of the CO spillage. As chair of the Gas Technical Regulators Committee (GTRC) of Australia and New Zealand, and as part of its broadening investigation, ESV required conformity assurance bodies (CABs) to check-test all certified open flue space heaters and Type 2 decorative appliances. This resulted in suspension and/or cancellation of the certification 10 appliances amid ongoing safety investigations. These heaters can no longer be supplied or sold.

ESV identified and sought to resolve the incompatibility between open flue heaters and the contemporary practice of better sealing of housing for energy efficiency. We provided technical advice and regulatory options to government. We carried out market research to determine the prevalence of open flue heaters in the Victorian community and how they are managed, and worked with industry on identifying how standards might be amended to ensure the long term safety and viability of gas heating. We also extended our community awareness campaign to support Victorians in the safe operation of their open flue heaters.

Investing in technology

ESVConnect

ESV continued its digital transformation work through the delivery of ESVConnect that enables easy interaction by licensed practitioners and other registered entities, such as those registering cathodic protection systems.

ESVConnect includes Gas Supply Approval and Gas Exemptions (GasTrac) which has generated positive feedback from the gasfitter community for providing greater transparency in the approval processes and additional support in the applications for supply and exemptions.

During 2017-18 the registration of cathodic protection systems was added to ESVConnect. This enables the owners and operators of cathodic protection systems to have greater control over the management of their registrations for compliance purposes. We moved the application process from a manual process across several different business applications to a consolidated online experience. Owners and operators now better understand their regulatory obligations through the detailed application process. The revised application process will reduce regulatory burden at the time of renewal or modification of cathodic protection systems.

ESVConnect also provides data that gives ESV an insight into compliance rates and common non-compliances, enabling us to target education and standards development and continue to improve safety outcomes.

We have undertaken extensive stakeholder engagement to better understand the needs of licensed electrical workers in meeting their regulatory obligations. A design reference group of volunteer representatives from the trade, inspectors, unions, educators and distribution companies is working with ESV to deliver a practical outcome for the industry. Upon completion it is expected that the Certificate of Electrical Safety (COES) system will remove

approximately six minutes from the individual total cycle time of a COES, a saving to the community of \$7.3 million per year over the existing paper system.

Gas distribution inspection database

ESV enhanced our gas distribution inspection database to enable detailed recording and analysis of inspections by our pipeline inspectors. Data captured includes information about the asset owner and the contractor performing the work as well as a detailed categorisation of the defects identified and monitoring of the defect reports issued. This will become a valuable tool in 2018-19 and beyond to proactively inform our activities around gas infrastructure education, encouragement, and enforcement strategies. Other enhancements currently being developed include a field-based inspection input tool and scheduled reporting processes.

Strengthening governance processes to support informed, predictable and transparent regulatory and organisational decision-making

Panels and committees

We increased our organisational and regulatory assurance processes by introducing and reviewing the roles and functions of a number of panels and committees:

- Electricity Network Safety Case & ESMS Evaluation Panel; Gas & Pipeline Safety Case Evaluation Panel** – these panels provide assurance advice to the Director (and the Director's regulatory delegates) in relation to the safety case, ESMS and SMP acceptance decisions of ESV. Safety cases, ESMSs and SMPs are documents provided by a licensed network operator/owner (LNO) to ESV for acceptance of a safety proposition that outlines how the LNO plans to manage risk and achieve the safety objectives of relevant
- legislation.** The panels test that ESV officers have followed appropriate assessment and validation processes and that the findings and conclusions are impartial, robust and defensible. The panel also offers a broader ESV perspective in advising on what future regulatory action should be taken/ planned to test and confirm the validity and effectiveness of a safety proposition accepted by ESV.
- Compliance and Enforcement Panel** – chaired by a member of the Audit and Risk Committee, the panel provides assurance advice to the Director (or delegates) regarding significant enforcement decisions and planning of regulatory audits and inspection
- The Risk Management Committee** – chaired by a member of the Audit and Risk Committee, the committee provides advice to the Director (via the Audit and Risk Committee) in relation to ESV's enterprise risk management, including processes, emerging risks and significant enterprise risks.
- The Information Management Governance Committee** – chaired by a member of the Audit and Risk Committee, the committee provides advice to the Director (via the Audit and Risk Committee) in relation to data governance and major ICT systems.
- The Remuneration Committee** – the committee is chaired by a member of the Audit and Risk Committee and includes other members with expertise in human resources and Victorian public sector remuneration governance. This committee provides advice to the Director on assessment and remuneration in relation to new or revised ESV roles.

The year in review

Our people

ESV's people are critical to the delivery of our legislative requirements. During 2017-18 we received an outstanding result in the Victorian Public Sector Employee Engagement Survey. This survey was highly representative of our people with an 82 per cent response rate and confirmed that they are committed to the public interest and providing community leadership in energy safety. ESV's score was consistent with or above the comparator group and all Victorian public sector organisations with all scores increasing or staying steady from 2016-17.

Public Sector Value	2018 Score	All VPS	Comparator Group	Variance to 2017
Human Rights	87%	83%	80%	+3%
Leadership	80%	74%	76%	+5%
Impartiality	85%	76%	81%	+3%
Responsiveness	92%	89%	90%	0%
Respect	83%	76%	81%	+4%
Accountability	76%	71%	76%	+4%
Integrity	80%	76%	81%	0%

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

We also continued to deliver against our Health and Wellbeing Strategy, introducing mindfulness sessions, eye and skin checks and negotiating discounted gym memberships for staff.

Fatalities, serious incidents and investigations

Fatalities

- 1. July 2017:** A woman died from suspected carbon monoxide (CO) poisoning in a Greensborough public housing residence. Toxicology results indicated the woman had elevated levels of CO in her blood. The gas heater at the flat was found to be spilling CO under negative pressure conditions. (Further detail on the coronial investigation is below)
- 2. January 2018:** A licensed electrical worker was electrocuted while working with an apprentice to install socket outlets at an industrial site in Dandenong South. The worker had been working with pliers and appears to have torn the cable insulation and exposed the live conductor. He may also have been leaning against an earthed metal bench.
- 3. February 2018:** A tip truck driver was electrocuted while delivering a load of superphosphate to a farm in Kergunyah. The trailer was raised and hit overhead lines, bringing them down. The superphosphate in the trailer caught fire. The driver exited the vehicle and suffered a fatal electric shock.
- 4. February 2018:** A trespasser on the roof of a commercial property on High Street, Thomastown was electrocuted when he cut live wires with bolt cutters.

Coronial investigations

In November 2017 the Coroner requested ESV become involved in the investigation into the circumstances around the death of a woman in a Greensborough public housing residence. She died in July 2017 of suspected carbon monoxide poisoning caused by an open flue heater. During 2018 the Coroner held six days of hearings and ESV assisted with expert evidence that included two ESV technical experts and expert technical reports. ESV appeared as an interested party to assist the Coroner.

The Coroner released her findings on 22nd August 2018.

Fatalities, serious incidents and investigations

Investigations

RCBO prohibition

A RCBO is a combination residual current device (RCD) and circuit breaker (CB).

An investigation into a fatality in August 2016 found that a commonly used RCBO failed to operate.

ESV identified two situations where 240V can be present on the load side of an RCBO when it is in the open position:

- the device is installed in the opposite position to the one indicated by the manufacturer,
- there is a defect in the installation downstream from the device and there is 240V present on the load terminals when the device is in the 'off' position.

ESV issued a prohibition for the sale and supply of certain RCBOs. The prohibition addresses this issue by ensuring that only RCBOs that do not have this design issue may be supplied in Victoria.

We held discussions with the relevant standards committee in an attempt to change the standard, which was not supported by the committee.

Our decision was challenged in the Supreme Court by Australian Industry Group. The matter was settled after an agreement was reached to allow for a transition period before the prohibition was enforced.

The prohibition came into force 1 July 2018 for 12 months, the maximum allowable period.

Work is now being undertaken for the prohibition to be made permanent through regulation.

E Cables

ESV issued a mandatory recall notice requiring rectification measures by E Cables Pty Ltd for copper clad aluminium (CCA) power cable with RE110 insulation that had been supplied since 2011. The defect with the insulation arises from a manufacturing process failing. The cable's mechanical properties are reduced so that the external insulation softens with temperature increase. This can allow access to live parts if the cable is subject to pressure from cable ties, the weight of other cables or accidental penetration by foreign objects. This creates the risk of potential electric shock to an electrical worker, in particular, if there is exposed metal cable.

220 installations were affected by this recall. ESV has persisted in now making contact with more than 90 per cent of the installation sites and remediation is in process to reduce the risk the cable poses to the users.

Passive Infrared (PIR) sensors

A complaint was received in September 2017 of an electrician reported to have received an electric shock while installing a Brilliant PIR (passive infrared) sensor model 18062/05. The investigation found that during maintenance or making adjustments to the settings, PIR sensors of a certain construction exposed the user to live parts at 240V alternating current when the cover is removed.

ESV issued suppliers of these types of PIR sensors with a notice to comply letter advising them of the potential risks associated with the design and construction. As a result suppliers have advised that they have stopped the supply of PIR sensors with this construction.

In May 2018, a Safety Alert was issued advising that maintenance and adjustments to the settings on these PIR sensors must be carried out with the power isolated and by licensed electricians only. It advised that when working on PIR sensors, the PIR sensor heads must never be touched. ESV produced warning labels designed to be affixed on already installed PIR sensors of this design and construction.

In addition, the EL-004 standards committee will amend clause 10.102 of AS/NZS 60669-2-1 to capture all adjusting activities of electronic switches.

Evaporative coolers

ESV purchased and submitted six models of evaporative coolers from five brands for check testing in July 2017. The testing was to assess compliance with specific clauses of AS/NZS 60335.2.98 safety requirements for humidifiers, where non-compliances could render the equipment unsafe. All the check tested models showed non-compliances to varying degrees.

ESV communicated with the suppliers regarding compliance to the standard. To date, all but one manufacturer has agreed to modify their range of evaporative coolers to make them compliant with AS/NZS 60335.2.98. ESV continues its discussions with that manufacturer.

Fatalities and serious injuries

Year	2014-15	2015-16	2016-17	2017-18
Electricity & Gas caused or involved serious injuries	15	14	12	10
Electricity & Gas caused or involved serious injuries and deaths / million population	2.6	2.3	1.9	1.6
Electricity caused or involved serious injuries	9	7	7	2
Gas caused or involved serious injuries	6	7	5	8
Electricity caused or involved deaths	1	5	2	3
Gas caused or involved deaths	2	2	1	1

Activity and performance reporting

Certificates of Electrical Safety (COES) and licensing

Licensing and Certificate of Electrical Safety productivity measures

Measure	Target	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017
Licensing							
No. renewals processed	N/A	179	941	602	668	629	496
New applications completed	N/A	1218	339	243	293	334	270
Average turnaround time (days)	7 days	20	20	20	19	18	5
Spotters and lineworkers issued	N/A	217	317	203	421	295	242
Certificates of Electrical Safety							
No. sold	N/A	67,313	70,927	63,861	71,078	73,505	66,544
No. lodged	N/A	62,693	63,979	55,214	63,809	64,528	60,996
No. scanned	N/A	33,176	28,471	25,474	22,219	25,670	15,953
Audits of completed COES	8% of COES lodged in previous month	10%	10%	11%	10%	10%	10%
Audits of wholesalers	50% of 230 electrical wholesalers	6	30	12	0	0	57
% of compliance COES	100%	96	98	97	97	96	95

Measure	Target	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Total YTD
Licensing								
No. renewals processed	N/A	838	845	761	745	845	775	8,324
New applications completed	N/A	244	218	322	219	265	402	4,367
Average turnaround time (days)	7 days	2 ¹	5	5	13	15	18	13.2
Spotters and lineworkers issued	N/A	209	239	246	309	327	346	3,371
Certificates of Electrical Safety								
No. sold	N/A	59,728	73,031	64,523	66,160	74,228	78,689	829,587
No. lodged	N/A	49,812	63,310	60,953	58,961	64,256	67,441	735,952
No. scanned	N/A	26,401	23,490	13,568	29,649	24,714	25,472	294,257
Audits of completed COES	8% of COES lodged in previous month	8%	8%	8%	8%	8%	8%	N/A
Audits of wholesalers	50% of 230 electrical wholesalers	68	35	29	16	54	9	316
% of compliance COES	100%	95	95	96	96	96	95	96

Notes

1. Appointment of the new licensing team leader and refinement of the process has enabled this reduction.

Activity and performance reporting

Electrical licensing and registrations

Licence type	2015-16	2016-17	2017-18
Electrician's licence (A class) New	1813	1613	1764
Electrician's licence (A class) Renewed	7468	7041	5764
Supervised worker's licence (L) New	175	185	144
Electrician (supervised) worker's licence (ES)	46	48	234*
Restricted electrical worker's licence (REL) New	348	348	334
Restricted electrical worker's licence (REL) Renewed	1036	1033	1050
Licensed electrical inspector's (LEI) New	11	13	12
Licensed electrical inspector's (LEI) Renewed	300*	31	23
Occupier's Licence (O) Renewed	4	2	9
Switchgear Worker's licence (SG) New	N/A	1	9
Total number of licences issued New	2347	2160	2263
Total number of licences in place	44,138	45,020	46,091
Registered Electrical Contractors (REC) New	1074	1099	1094
Registered Electrical Contractors (REC) Renewed	1668	2785	2307
Total Electrical Contractor Registrations in place	14,469	14,771	15,342
Registered Spotters	17,673	20,211	22,982
Registered Lineworkers	3507	3934	3995

*Due to disaggregation of SEC a large number of renewals occurs every five years

Certificate of Electrical Safety (COES) compliance

Measure	Target 2017-18	2014- 2015	2015- 2016	2016- 2017	2017- 2018	Average
Number of COES lodged	-	654,154	699,032	727,705	735,952	704,211
Audits of completed COES	5%	36,000	49,000	70,000	9%	-
Audits of wholesalers	<i>50% of 230 stores</i>	-	-	159	316	237

Notes

1. This year maintained the levels of licence applications, renewals and Certificates of Electrical Safety (COES) usage established last year indicating that there is still strong activity in the electrical industry but little growth; approximately 50 per cent of COES used are electronic. COES audits remain at a compliance rate of 96 per cent.
2. COES audits are now based on a percentage of certifications lodged, not a fixed number.

Activity and performance reporting

Electricity infrastructure compliance

Measure – numbers	Target 2017-18	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	Average
Electric Line Clearance plans approved	-	29	28	45	38	22	32
Bushfire Mitigation plans accepted	-	15	15	6	22	10	12
Electricity Safety Management Schemes & Safety Cases accepted	-	1	1	1	2	5	2
Bushfire Mitigation exemptions approved	-	0	0	0	0	2	0
Electric lines on public land exemptions assessed	-	155	166	2358	2490	1075	1249
Electric line clearance audits	20	39	53	17	27	21	30
Compliance actions from audits	-	-	-	-	607	113	360
Bushfire mitigation audits	10	6	20	5	10	14	11
Compliance actions from audits	-	23	15	31	39	33	28
Electricity safety management scheme audits	5	56	14	24	0	5	17
Work practice audits	14	30	30	22	28	15	23
Compliance actions from audits	-	118	30	71	88	26	67

Notes

1. Currently AusNet Services Distribution, United Energy, CitiPower / Powercor and Jemena have accepted safety cases with validation of their ESMSs nearing completion.
2. TransGrid are nearing completion of an acceptable ESMS, and Basslink and AusNet Services Transmission are close to completing their safety cases.
3. ESV issued the 2016-2017 Safety Performance Report in October 2017. The report found that, whilst the MECs are generally performing well, there is still room for improvement. With one notable exception, ESV did not observe any evidence of systemic failures of the MEC safety systems. Powercor's vegetation was evidenced to be non-compliant.
4. The results of the pre-summer audits indicated that the MECs are generally compliant to their plans. A small number of non-compliant field items were observed which the MECs promptly addressed.

Electrical installation compliance

Measure – numbers	Target 2017- 2018	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	Average
Education sessions	30 <i>pa</i>	191	173	129	202	175	167
Registered training organisation checks by visits	> 20	24	10	44	28	29	27
Licensed Electrical Inspector assessments		125	100	113	150	128	116
ESMS audits/site visits		18	13	32	24	4	17
POEL Referrals (DB)		337	353	322	247	254	317
Installation exemption requests processed		158	127	67	97	77	107

Notes

1. ESV's target is 30 education session per year
2. Private overhead electric lines (POEL)

Electrical equipment compliance

Measure – numbers	Target 2017-18	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018	Average
Electrical equipment approvals processed	80 p/m	846	784	758	730	738	771
Equipment efficiency approvals processed	1500	2208	1888	2011	1845	1848	1960
Electrical equipment safety market surveillance audits	180	2254*	101	130	170	117	554
GEMS Market Surveillance Audits	12	N/A	N/A	14	29	14	19
BEED commercial building Audits	N/A	N/A	N/A	N/A	N/A	53	53

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

Notes

1. Target for Electrical equipment approvals processed is 80 per month
2. Equipment safety staff audited 153 retailers, targeting those least likely to comply. ESV identified a 17 per cent non-compliance rate. Smaller retailers and markets were a focus during the year. Due to the continued number of evaporative cooler failures during this summer, ESV has selected six different models for check testing.
3. *Greenhouse and Energy Minimum Standards (GEMS) Act 2012* market surveillance audits began in 2015-16
4. Building Energy Efficiency Disclosure (BEED) commercial building audits began 2017-18

Activity and performance reporting

Gas and pipeline infrastructure safety

Measure	2014-2015	2015-2016	2016-2017	2017-2018	Average
Construction Safety Management Plan (SMP) construction and repair plans accepted	24	16	34	16	23
SMP construction and repairs audits/field inspections completed	495	451	238	243	357
Consent to operate	18	19	44	34	29

Operational Gas safety cases (SC) and pipeline SMP and Environment Management Plans (EMP)

Field compliance audits completed	36	77	67	345	131
Compliance/effectiveness audits completed	7	1	79	32	30
New and revised SC/SMP/EMP accepted	7	1	7	16	8

Notes

1. ESV issued 34 Consents to Operate on behalf of the Minister in 2017-18.
2. In 2017-18 ESV closed out 345 distribution business field regulator and city gate facility audits.
3. ESV conducted three compliance audits covering Training and Competency of DBs and their authorised contractors. The rectification of findings from one audit remains in progress.
4. Pursuant to Section 120 (1) of the *Pipelines Act 2005*, ESV on behalf of the Minister provided three consents for construction within three metres of a licensed pipeline.
5. In 2017-18 3105 hits on services were recorded an increase from 2866 in 2016-17. In contrast, there were 170 incidents of third party damage to gas mains, which is below the three-year rolling average (201).

Cathodic Protection system registrations 2017-18

Impressed Current CPs registered	Galvanic Anodes registered	10-year registration renewal of systems	Total systems registered
31	164	43	238

Notes

1. ESV audited 65 cathodic protection systems throughout 2017-18, with three systems found to be non-compliant and owners being notified with the expectation that systems are returned to a compliant state.
2. ESV's Cathodic Protection Database fulfilled 375 search requests from organisations conducting environmental site assessments. The database provides an important starting point for identifying the existence of underground fuel tanks and the possible presence of contaminated ground water.

Electrolysis Mitigation

Program 2017-18	Target	Actual
Co-ordinated Area Tests	22	33
Drainage Bond (DB) inspections	12,000	13,270
Thyristor Drainage Unit (TDU) inspections	870	905
Variable Conductance DB (VCDB) inspections	520	575

Notes

- ESV largely exceeded its target KPIs, coordinating with industry on 33 combined area field tests and testing more than 13,000 drainage bonds and other electrolysis units to confirm they were effectively protecting underground assets.
- TDU testing was 4% above target for 2017-18.

Testing results: electrolysis drainage bonds (DB), thyristor drainage units (TDU), variable conductance drainage bonds (VCDB) 2016/17

DBs Tested	DBs Non-compliant ¹	DBs Faulty ²	VCDBs Tested	VCDBs Faulty	TDUs Tested	TDUs Non-compliant
13,270	347	126	575	17	905	109

Notes

- This includes DBs that are inoperative for any reason when tested (including faulty DBs) due to, component failure or being deactivated for the duration of level crossing removal projects (for example). Instances of non-compliance are actively monitored and returned to compliance as soon as possible.
- This includes inoperative DBs due to component failure (repaired at the time of testing).

Activity and performance reporting

Gas installation and appliance safety compliance

Measure	Target 2017-18	2014- 2015	2015- 2016	2016- 2017	2017- 2018	Average
RTO presentations	22	30	28	30	23	28
Industry presentations	-	24	19	20	3	17
Applications Received	-	4,845	4,945	4,873	5,017	4,920
Applications Inspected	-	3,692	3,339	3,976	3,666	3,668
Complex gas installation applications accepted	-	3,412	3,912	3,609	3,841	3,694
Type B appliance applications accepted	-	1,062	1,039	916	840	964
Compliance of Type B and Complex appliances on initial inspection (%)		69	70	70	73	71
Point of sale audits	100	130	103	125	107	116
Public event audits	80	83	124	85	84	94
Product Certification Compliance Audits	-	-	-	24	6	15

Notes

1. ESV continues monitoring the accuracy of the content of the National Database for certified gas appliances and components. The database presently has 1,977 current certifications and 1081 entries related to suspended or historical (cancelled) certifications. Since its implementation in September 2016, the site has had an average of 9,337 visits from 3,276 unique users accessing 67,951 entries.
2. ESV's auditors carried out 107 point of sale (POS) audits during the year, issuing 2 warning letters for uncertified gas products offered for sale, and conducting follow up audits to ensure compliance.
3. ESV maintained its program of Registered Training Organisations (RTO) educational awareness session visits with 23 RTO presentations conducted throughout the year.
4. ESV conducted 84 public event audits during the year, as well as providing copies of the LPG safety code of practice and guidance to event organisers.

Technical helpline enquiries

Technical Helpline – no. of calls	2014-2015	2015-2016	2016-2017	2017-2018	Average
Gas	11,422	13,200	11,875	11,215	11,928
Electrical	16,310	17,297	20,733	16,456	17,699

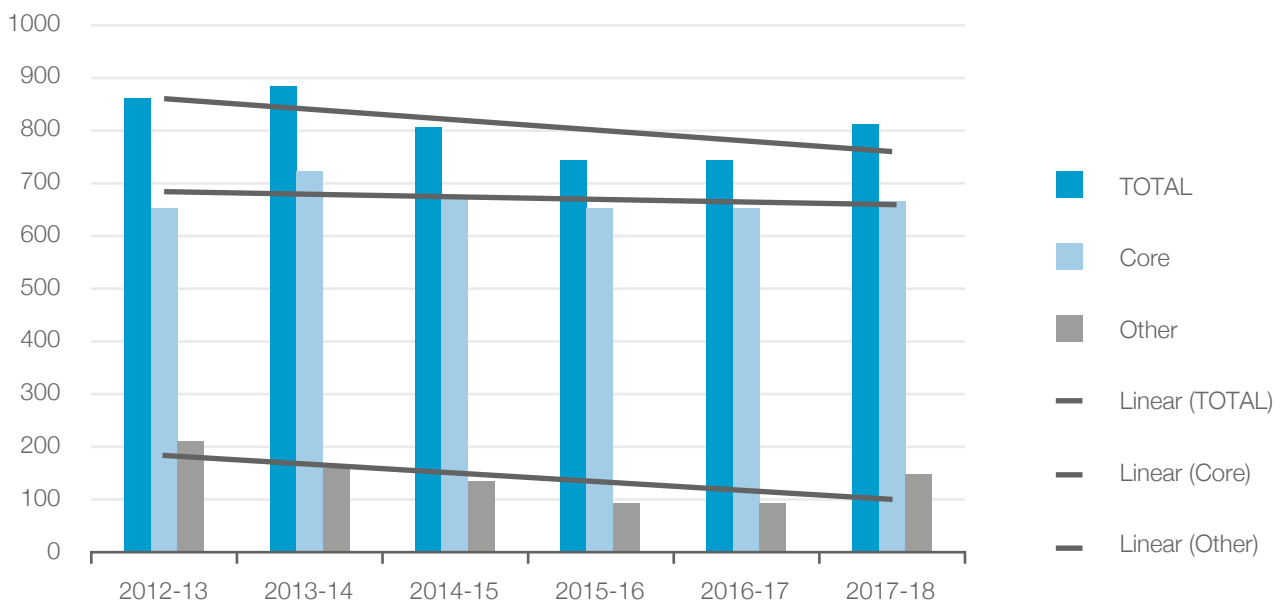
Notes

1. In March 2018 the rationale for recording technical helpline call information changed and ESV is now capable of collecting information with far greater detail.
2. The electrical technical helpline responded to more than 18,000 phone and email inquiries, including providing advice on Wiring Rules, Service and Installation Rules and licence scope of work. Guidelines were developed for the use of COES and responsibilities of Restricted Electrical Licence holders.
3. In 2017-18 ESV changed the measure from number of phone calls to number of discrete enquiries.

Complaints

The number of complaints received by ESV increased in the 2017-18 financial year (817), halting the downward trend of the previous financial year (748).

Peripheral vs core complaints over time



1. Between 2012-13 (654) and 2017-18 (670), the number of core complaints received – electrical installation, electrical equipment and COES –has remained static though this year there has been an increase in other complaints. Most of this increase can be attributed to complaints received about gas heater safety notices. Though ESV has taken the lead on this safety issue, many of the complaints were about the way the heaters were installed or consumer complaints which ESV cannot address. However, some were about other brands of heaters with the same safety issue, increasing the value of the exercise.
2. Complaints closed in 2017-18 also resulted in 21 infringement notices being issued and 66 warning letters. The duration of complaints and investigations of complaints also increased slightly over 2017-18 with the 12 month rolling average returning to 48 days from a low of 42 days in November.

A case study – impersonation of a licensed electrician

In November 2017, an employee of a REC contacted ESV regarding some COES that one of their workers was not able to lodge. The enquiry was referred to the Complaints Coordinator, who checked the User ID in the ESV database. The licence was expired at the time, which is why the COES could not be lodged. It was also noted that the name of the employee provided by the company did not match the name in the licensing database. In fact, the name did not match any A-grade licence holder.

An investigation into this matter was started in January 2018, and following admissions of unlicensed work made to ESV, charges were laid in February 2018. The REC that hired the unlicensed worker in 2012 was provided with a User ID and licence number, however, did not sight an actual licence nor verify the details provided with ESV. They have cooperated fully with ESV's investigation and committed to auditing a substantial amount of their former employee's work. The unlicensed worker started an electrical apprenticeship in 1999, but did not complete it or apply to ESV for an electrical licence. In April 2018 the Magistrates' Court issued a fine of \$1500 to the employee, plus costs of \$1500.

Complaint reports to ESV about industry and subsequent enforcement

Measure – numbers	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Complaints received	835	766	713	712	762	757
Complaints referred externally	55	45	36	36	55	45
Investigations completed	92	141	144	199	127	141
Compliance actions taken (unique cases)	301	253	256	240	229	256
– Site visits/education	169	125	132	151	77	130
– Defects rectified	160	157	140	132	171	152
– Audits	10	6	7	5	3	6
– Incident reports	10	15	15	14	8	12
Enforcement actions taken (unique cases)	121	119	154	145	87	125
– Warnings	89	87	95	114	55	94
– Notices	32	33	63	35	22	37
> Infringement	28	28	51	32	21	32
> Recall	2	1	9	1	1	3
– Licences affected	5	4	2	8	1	4
– Prosecutions	9	14	17	15	12	13
Average complaint duration (days)	44	46	51	48	45	47

Enforcement

Enforcement activities undertaken by ESV

Enforcement Measure - numbers	2014-2015	2015-2016	2016-2017	2017-2018	Average
Warning letters issued (total)	59	75	233	169	107
– Gas installations/ appliances	10	30	39	30	28
– Gas and pipeline infrastructure	8	11	15	22	14
– Electrical infrastructure	0	0	2	1	1
– Electrical installations	38	30	176	115	90
– Electrical equipment	3	4	1	1	2
Improvement notices (total)	67	25	82	46	55
– Gas installations/ appliances	67	25	44	32	42
– Gas and pipeline infrastructure	0	0	1	1	1
– Electrical installations (rectification notices)	-	-	37	13	25
Electrical Notices to comply (S54/57)	169	113	76	26	96
Gas safety reg. 37 disconnections	16	21	11	23	18
Recalls (total)	37	32	8	10	22
– Gas installations/ appliances	3	4	3	1	3
– Electrical equipment	34	28	5	9	19
Prohibitions (total)	0	2	1	0	1
– Gas installations/ appliances	0	0	0	0	0
– Electrical equipment	0	2	1	0	1
Infringement notices (total)	94	97	68	86	86
Prosecutions	22	21	31	20	23
– Convictions	6	11	12	5	8
– Costs awarded (number)	20	19	23	20	20
– Costs awarded (\$)	50,487	37,224	45,782	35,453	42,236
– Penalties issued (number)	20	19	28	14	20
– Penalties issued (\$)	43,900	157,600	91,750	37,500	82,687

Notes

1. In 2017 – 18 ESV completed 20 prosecutions which included 11 prosecutions for persons who were either not registered to carry out electrical contracting work or who were not licensed electricians, and one person who carried out electrical contracting work while their registration was suspended. During the year ESV prosecuted three persons who carried out plumbing work when they were not licensed.
2. ESV initiated a review to identify systemic opportunities to substantially reduce the damage to gas and pipeline infrastructure assets. Repeat offenders were interviewed and issued with warning letters. In addition, ESV is working with distribution businesses and some contractors to assess the effectiveness of mitigation measures.
3. ESV is in the process of investigating 16 incidents involving gas mains and services damage. To date this has resulted in 22 warning letters issued.
4. Of the 3220 gas installations inspected, 869 non-compliance notices were issued, and the failure rate for the initial inspections of gas installations was 27 per cent.
5. ESV conducted an average of nine gas installation-related investigations per month that resulted in ESV issuing 32 Improvement Notices and 23 Disconnection Notices to ensure gas installation compliance with the relevant Australian Standards.

Case study - inflatable spas

In November 2013 a consumer complained to ESV that his wife had received an electric shock at their home in Williamstown whilst using an inflatable spa that had been purchased from Bunnings three to four weeks earlier.

The product purchased was called ‘Mspa’.

Bunnings advised ESV that they had recalled inflatable spas sold by it and imported from the same supplier as that used by Mspa Australia Pty Ltd.

Product Safety Australia issued a recall of eight models of inflatable spas, which included models sold by Mspa Australia Pty Ltd. For some time the director of Mspa Australia Pty Ltd denied that the product was faulty. Mspa Australia Pty Ltd was given opportunities to participate in a recall of the spas and despite having sold approximately 500 declined to do so as the company asserted that it did not have the capital to do so.

When ESV issued a recall notice the director responded by winding up the company. ESV then prosecuted the director of the company for failing to meet the requirements of the recall notice. The accused director did not attend a number of directions hearings, instead offering various reasons why he could not do so. However, the court rejected his reasons for non-attendance and listed the proceeding for a hearing. The director attended the Magistrates Court and pleaded guilty to the offence.

Governance

Organisational Structure

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

ESV's corporate structure

ESV is led by the Director of Energy Safety (the Director) and CEO, Paul Fearon, who is appointed pursuant to the *Energy Safe Victoria Act 2005*.

The Executive Management Board (EMB) is the primary means of executive control and coordination in ESV. Its role is to make recommendations to the Director regarding delivery against ESV's objectives and the Minister's Statement of Expectations. The members of the EMB, both individually and collectively, support the Director in the operational performance of ESV including the establishment of strategy, budgets and corporate policies.

Members of the EMB

Director of Energy Safety and CEO

Paul Fearon

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

Deputy Director of Energy Safety

Neil Fraser

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

External appointments and positions

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

Chief Operating Officer

Sharife Rahmani

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

External positions

- Member of the IPAA Victoria People and Culture Community of Practice.

Risk, Regulatory Planning and Policy, General Manager

Dr Roanne Allan

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

External appointments

- Chair and Member of the Electric Line Clearance Consultative Committee

Electrical Infrastructure Safety and Technical Regulation, General Manager

Ian Burgwin

- Electrical Safety and Technical Regulation is responsible for the safety of electrical networks, installations and equipment.

External appointments

- Member of Infrastructure Reference Panel under the Road Management Act 2004

Gas and Pipeline Safety and Technical Regulation, General Manager

Steve Cronin

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

External appointments

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

Governance

Audit and Risk Committee

The requirement for ESV to establish an Audit and Risk Committee is contained within the Standing Directions of the Minister for Finance 2016 under the *Financial Management Act 1994*.

The role of the Committee is to provide independent oversight of the organisation. This includes:

- Risk management
- Internal controls and systems
- Financial statements
- Legislative and policy compliance
- Internal and external audit
- Governance arrangements

During 2017–18, ESV's Audit and Risk Committee consisted of the following independent members:

Bob Scott, *Independent member (Chair)*

Anne Astin, *Independent member*

Joh Barker, *Independent member*

Steve Schinck, *Independent member*

Information Management Governance Committee (IMGC)

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

Risk Management Committee (RMC)

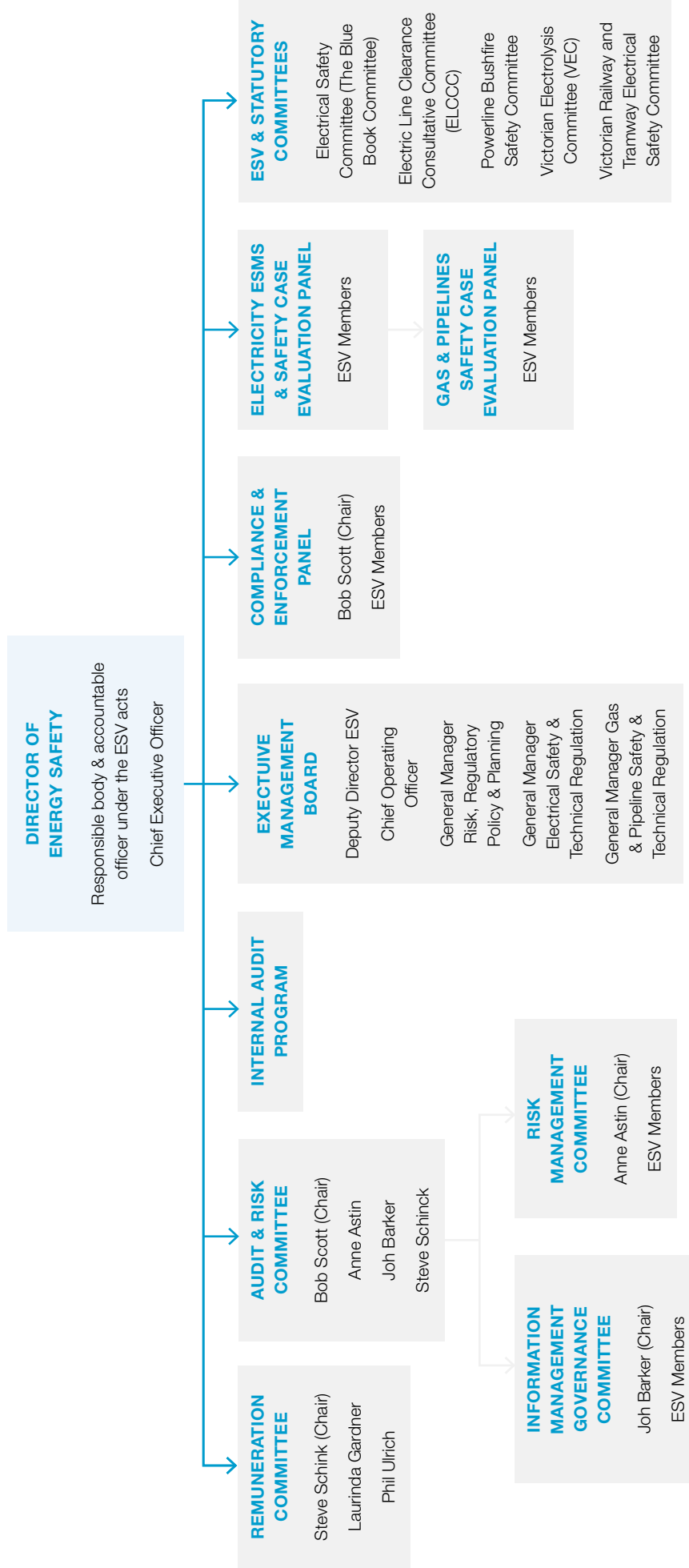
The RMC provides assurance to the Audit and Risk Committee on governance of risk management by ESV. This committee is chaired by Anne Astin of the Audit and Risk Committee.

Internal governance and advisory committees

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

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

ESV Governance Structures



ESV People

Public Sector Values and Employment Principles

Energy Safe Victoria is committed to, and applies the Public Sector Values and Employment Principles. This is displayed through:

- The provision of regular core compliance training for all staff which includes topics such as; the Public Sector Code of Conduct and the Charter of Human Rights and Responsibilities.
- Engaging Ombudsman Victoria to provide Conflict of Interest training to managers in February 2018.
- Reviewing and updating our internal Conflict of Interest and Gifts, Benefits and Hospitality processes to ensure adequate checks and reviews are in place. This included tabling the relevant registers at the Audit and Risk Committee for review.
- The continued use of policies and practices consistent with the public sector employment principles. These are updated as required, are provided to new staff upon commencement and are readily available to all staff.
- The continued use of policies and practices that are consistent with the employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. This included reinstating Contact Officers throughout ESV and the review of ESV's Higher Duties practices and procedure.

Occupational Health and Safety

ESV has an Occupational, Health and Safety statement describing its commitment to provide a safe and healthy work environment, and the expected behaviours and leadership required to provide a safe and healthy workplace.

Over the reporting period, ESV has committed an internal resource to review and update the OHS framework. To date, the OHS Manual has been revised, provided to all staff and the OHS Committee for consultation, and endorsed by the EMB. A series of risk assessment workshops have been held to progress work on the development of identified Work Method Statements and Standard Operating Procedures.

There have been no fatalities or serious injuries during the reporting period.

Hazards/Incidents (per 100 FTE)			Lost time claims			Average cost/claim			Fatalities/ serious injuries		
2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
10.07	0.69	0.76	0	0	1	0	\$62	\$24,927*	0	0	0

Note: a different measure has been applied to OH&S incidents in 2017-18

ESV People

Workforce data

The following table discloses the headcount and full-time staff equivalent (FTE) of all active employees of ESV employed at the last full pay period in June of the current reporting period and in the last full pay period in June (2018) of the previous reporting period (2017).

	Jun-18													
	All employees				Ongoing						Fixed term and casual			
	Number (Headcount)		FTE		Full-time (headcount)		Part-time (Headcount)		FTE		Number (headcount)		FTE	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Gender														
Male	99	90	98.4	89	96	87	2	0	97.4	87	1	3	1	2
Female	50	55	46.4	49.1	37	43	5	7	40.5	46.9	8	5	5.9	2.2
Age														
15-24	0	3	0	3	0	3	0	0	0	3	0	0	0	0
25-34	22	29	21.2	27.3	20	24	1	4	20.6	25.7	1	1	0.6	1.6
35-44	43	33	41.6	32.4	38	30	2	2	39.4	31.4	3	1	2.2	1
45-54	44	45	42.5	44.6	37	44	2	0	38.4	44	5	1	4.1	0.6
55-64	33	28	32.9	27.8	32	27	1	1	32.9	27.8	0	0	0	0
65+	7	7	6.6	6	6	5	1	0	6.6	5	0	2	0	1
Classification^(vi)														
Executive	5	6	5	6	5	6	0	0	5	6	0	0	0	0
Senior Manager	15	13	15	12.4	15	10	0	1	15	10.8	0	2	1	1.6
Administration	34	39	32.1	36.1	24	33	4	4	26.9	35.1	6	2	4.24	1
Field Staff	85	74	84.4	74	83	73	2	0	84.4	73	0	1	0	1
Customer Service	10	13	8.3	9.6	6	8	1	2	6.6	9	3	3	1.66	0.6
Total employees	149	145	144.8	138.1	133	130	7	7	137.9	133.9	9	8	6.9	4.2

Notes:

1. All figures reflect employment levels during the last full pay period in June of each year.
2. Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and one person who is not an employee but an appointee to a statutory office, as defined in the *Public Administration Act 2004*.
3. Ongoing employees includes people engaged on an open ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.
4. Employees are classified as follows:
 - Executive: Executives employed on Government Sector Executive Remuneration Panel (GSERP) contracts
 - Senior Manager: Heads of departments
 - Administration: Corporate Services staff, Risk, Regulatory Planning and Policy staff and a few other administration staff within divisions
 - Field Staff: Operational staff
 - Customer Service: Licensing, COES, technical help lines and reception

General statement on industrial relations

Industrial relations within ESV have been managed within public sector best practice. There has been no time lost due to industrial accidents, action or disputes.

Demonstrating accountability

Electricity safety committees

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

Electric Line Clearance Consultative Committee (Section 87 Electricity Safety Act 1998)

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

Victorian Electrolysis Committee (Section 91 Electricity Safety Act 1998)

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

Powerline Bushfire Safety Committee (Section 8 Energy Safe Victoria Act 2005)

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

Consultative/technical committees

Electrical Regulatory Authorities Council (ERAC)

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

Standards Australia Technical Committees

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

State Fire Management Planning Committee

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

Gas Technical Regulators Committee (GTRC)

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

Plumbing Advisory Council

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

National Appliance and Equipment Energy Efficiency Committee (E3 Committee)

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

Gas pipeline and distribution, and LPG

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

Pipeline (non-natural gas) Consultative Meeting

ESV coordinates meetings to share information and discuss industry issues.

Gas Emergency Management Consultative Forum

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

Victorian Electricity Emergency Committee

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

Gas appliances

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

Gas – Building Industries Regulators’ Forum

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

LPG Safety Committee

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

Local Jobs First – Victorian Industry Participation Policy

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

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*.

Competitive Neutrality Policy

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

Demonstrating accountability

Compliance with the *Protected Disclosures Act 2012*

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

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

ESV is a 'public body' for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

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

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

How do I make a 'protected disclosure'?

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

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

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

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

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

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

IBAC, GPO Box 24234,
Melbourne Victoria 3001
www.ibac.vic.gov.au

Phone 1300 735 135

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

Compliance with the *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* are encompassed within ESV's Enterprise Agreement and Flexible Working Arrangement Guidelines.

Government advertising expenditure

Details of government advertising expenditure (campaigns with a media spend of \$100,000 or greater)

Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure 2017-18 (excl GST) '000	Research and evaluation expenditure 2017-18 (excl GST) '000	Print and collateral expenditure 2017-18 (excl GST) '000	Other campaign expenditure 2017-18 (excl GST) '000	Total \$'000
Carbon monoxide awareness	Educating Victorians on the dangers of carbon monoxide	20 May – 24 June	160	10*	8	8	186
Carbon monoxide awareness (extension)	A response to growing concern around the open flue heaters	17 June – 29 July	167**	N/A	N/A	N/A	167
DIY=DIE	Warning DIY enthusiasts of the dangers of electrical work	25 March – 6 May	199	10*	3	15	117
Look Before You Cook	Reducing BBQ fires by teaching people BBQ maintenance	31 Dec – 25 Feb	134	10*	11	5	150

*A reach and recall survey covered all three campaigns

**An amendment was proposed and accepted by DPC to run a 2nd tranche of the CO Awareness campaign

Statement of completion of declarations of pecuniary interests

The members of the Executive Management Board completed declarations of pecuniary interests. This information was provided to the Audit and Risk Committee.

Demonstrating accountability

Attestation

Financial Management Compliance Attestation Statement

I, Paul Fearon, certify that Energy Safe Victoria has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Paul Fearon
Director of Energy Safety
15 August 2018

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 <http://www.data.vic.gov.au/> in electronic readable format.

Statement of availability of other information

Additional information available on request

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

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

The information is available on request from:

The FOI Officer Energy Safe Victoria Phone:
(03) 9213 9700

Email: foi@energysafe.vic.gov.au

Additional information included in annual report

Details in respect of the following items have been included in ESV's annual report, on the pages indicated below:

- Assessments and measures undertaken to improve the occupational health and safety of employees (on page 39).
- A statement on industrial relations within ESV (on page 41).
- A list of ESV's major committees; the purposes of each committee; and the extent to which the purposes have been achieved (on page 42); and
- A statement of completion of declarations of pecuniary interests by relevant officers (on page 45).
- Information on consultancies (on page 50).

Information that is not applicable to ESV

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

- A declaration of shares held by senior officers
 - No shares have ever been issued in ESV's name.
- Details of overseas visits undertaken:
 - Neither the Accountable Officer or any senior executives took overseas work related trips.

Freedom of Information

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

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

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

From 1 September 2017, the Act has been amended to reduce Freedom of Information (FOI) processing times for requests received from 45 days to 30 days. In some cases, this time may be extended.

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

Making a request

FOI requests can be lodged online at www.foi.vic.gov.au. An application fee of \$28.90 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to the ESV FOI Officer as detailed in s17 of the *Freedom of Information Act*.

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

Demonstrating accountability

Requests for documents in the possession of ESV should be addressed to:

The Freedom of Information Officer
Energy Safe Victoria
PO Box 262
Collins St West VIC 8007
Email to: foi@energysafe.vic.gov.au

FOI statistics/timeliness

During the 2017-18 ESV received 43 freedom of information requests.

Of these requests,

- 29 were from legal firms/insurance companies;
- 11 were from the general public;
- Two were from unions; and
- Two were transferred to other agencies

ESV made 45 decisions during the 12 months ended 30 June 2018. Of these 19 requests were granted in full, 12 granted in part, four requests were denied in full, and two were withdrawn.

- 27 decisions were made within the statutory 30 day time period
- Seven decisions were made within an extended 30-45 day time period
- Nine decisions were made within 46 to 90 days; and
- Two decisions in greater than 90 days.

The average time to finalise requests in 2017-18 was 38 days.

One decision was subject to a review by OVIC in March 2018. ESV originally granted partial access to the applicant to some of the documents. A decision had not been finalised by 30 June 2018. ESV was not involved in any VCAT proceedings during the period.

Further information

Further information regarding the operation and scope of an FOI can be obtained from the Act; regulations made under the Act; and ovic.vic.gov.au

Privacy

ESV is required to comply with the Privacy and Data Protection Act 2014. ESV is required to be open as possible in regards to how it collects, uses, stores and protects the personal information it holds.

ESV must adhere to the privacy principles when undertaking its statutory functions and activities, so the privacy of individuals can be protected.

ESV's privacy policy is available from ESV or can be viewed on our website at www.esv.vic.gov.au.

Consultancy expenditure

In 2017–18, 29 consultants received total fees payable of greater than \$10,000. The total expenditure incurred during 2017–18 in relation to these consultancies is \$895,000 (excluding GST). Details of individual consultancies are listed below.

Consultant	Purpose of Consultancy	Total Approved Project Fee (ex. GST) (\$'000)	2017-18 YTD Exp. (ex. GST) (\$'000)	Future Exp. (ex. GST) (\$'000)	Total Projected Cost (ex. GST) (\$'000)
Auld Planning and Projects	Advice regarding development of land	20	14	0	14
Australian Energy Market Operator Ltd	Planning, facilitation and reporting of the GEMCF exercise	13	13	0	13
Centre for Career Development	Extended Leadership Group training	23	14	0	17
Ernst & Young	Advice on application of accounting standard		25		
Human Resource Solutions	Provision of HR consultancy services	50	55	0	55
Innodev Pty Ltd	Consulting related to Agile methodology of implementation	46	53	0	53
International Economics (CIE)	Consulting advice related to high risk gas products	40	40	0	40
Wilmin Consulting	Professional services associated with attendance and conduct of Energy Safe Victoria's Powerline Bushfire Safety Committee meetings (PBSC).	25	11	14	25
Facio Pty Ltd	Professional services associated with attendance and conduct of Energy Safe Victoria's Powerline Bushfire Safety Committee meetings (PBSC).	14	11	3	14
Marxsen Consulting	Professional services associated with attendance and conduct of Energy Safe Victoria's Powerline Bushfire Safety Committee meetings (PBSC).	42	31	10	42
Hudson Global Resources	Professional services related to employment contracts	14	14	0	14
Pitt & Sherry (Operations) Pty Ltd	Engineering Consulting Services	69	34	35	69
Jaguar Consulting	Discussion paper regarding Electrical Safety (Equipment) Reg18	27	27	0	27

Demonstrating accountability

Consultant	Purpose of Consultancy	Total Approved Project Fee (ex. GST) (\$'000)	2017-18 YTD Exp. (ex. GST) (\$'000)	Future Exp. (ex. GST) (\$'000)	Total Projected Cost (ex. GST) (\$'000)
Koukourou Pty Ltd	Engineering Consulting Services	15	14	0	15
Korn Ferry Hay Group Pty Ltd	Professional services related to employment contracts	22	24	0	24
Maddocks	Professional services related to legal advice	14	9	5	14
Maddocks	Legal advice on Code of Practice	118	108	10	118
MG Consulting	Engineering Consulting Services	22	29	0	29
MinterElison Lawyers	Legal Advice for Harmonisation process	11	11	0	11
R2A Pty Ltd	Professional services associated with attendance and conduct of Energy Safe Victoria's Powerline Bushfire Safety Committee meetings (PBSC).	25	15	10	25
Mercer Consulting	Develop progression criteria framework	85	10	20	85
Regulatory Impact Solutions	Preparation of Regulatory Impact Statement for remaking of Gas Safety (Safety Case) and Gas installation regulations	73	73	0	73
Jamsoft	MFB/CFA & cathodic data projects	64	15	0	64
Meldrum & Hyland List	Provision of legal advice	25	14	0	14
Noetic Solutions	Review, refresh and simplify ESV's business continuity and crisis management plans	32	29	0	29
Paul Holmes Barristers Clerk	Advice on ELC investigations	25	25	0	25
RSM Australia Limited	Internal Audit Services	151	141	0	141
Technology One	Consultancy related to Finance system upgrade	10	10	0	10
Tiger Tail Pty Ltd	Emergency Response Exercise	14	14	0	14
Workforce Advantage	Consultancy related to EA	13	13	0	13
Total		1,100	895	108	1,085

^ Excludes contractors

Details of consultancies under \$10,000

In 2017–18, 19 consultants received total fees payable of less than \$10,000.

The total expenditure incurred in 2017–18 in relation to these consultancies is \$107,220 (excluding GST).

Disclosure of major contracts

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

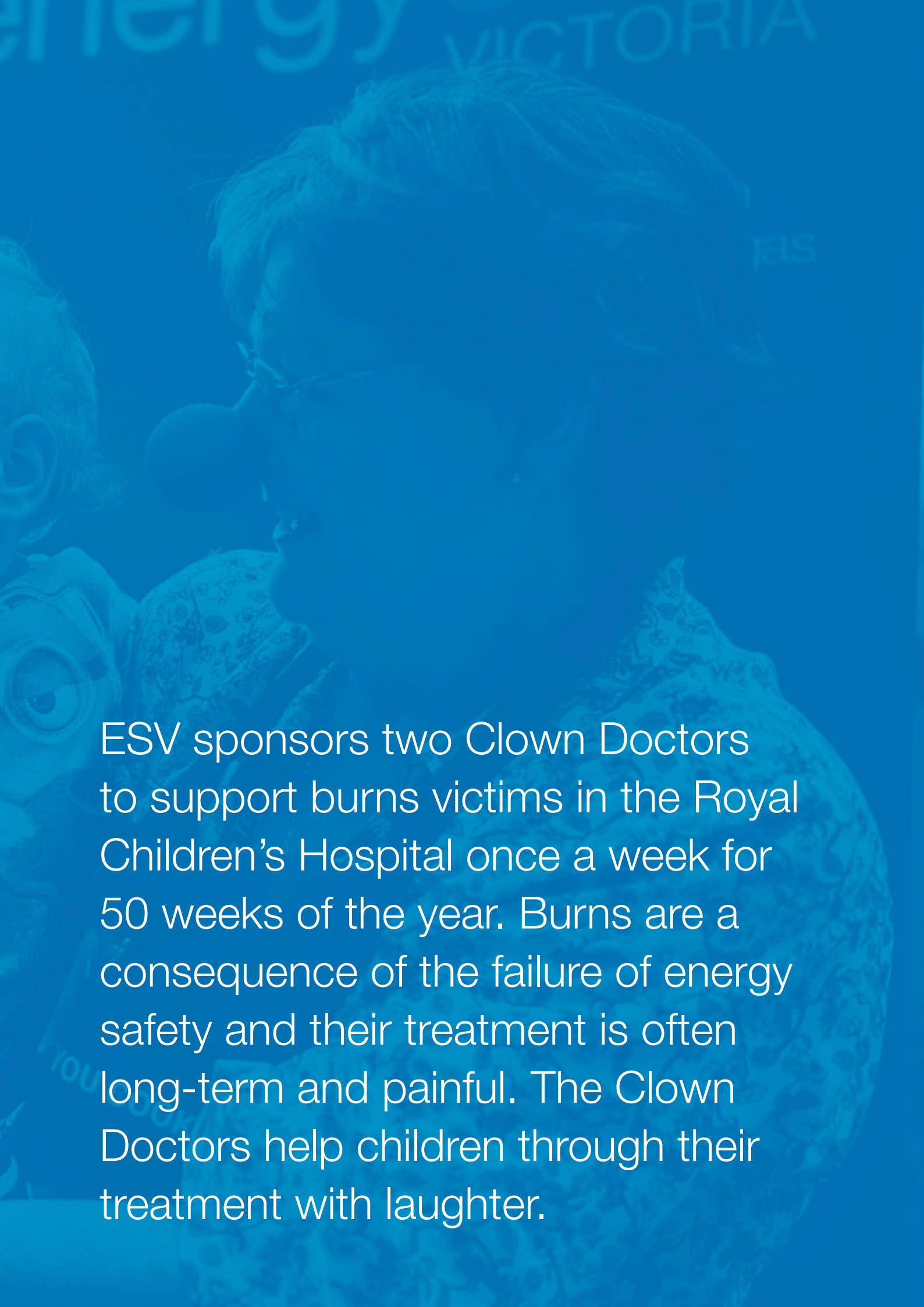
Information and Communication Technology expenditure

For the 2017–18 reporting period, Energy Safe Victoria had a total ICT expenditure of \$5,220,759 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
\$2,965,757	\$2,255,002	\$163,865	\$2,091,137

Notes

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



ESV sponsors two Clown Doctors to support burns victims in the Royal Children's Hospital once a week for 50 weeks of the year. Burns are a consequence of the failure of energy safety and their treatment is often long-term and painful. The Clown Doctors help children through their treatment with laughter.

Financial review of operations

Overview

ESV operates by fully recovering its costs from industry; it does not receive any government appropriation. ESV generates income from levies raised on industry, in accordance with relevant legislation and determinations made by the Minister for Energy, Environment and Climate Change. In addition, ESV earns income from the sale of certificates and the issue of licences. The most significant element of ESV's expenditure base relates to employee cost. ESV aims to generate sufficient accumulated cash surpluses to renew and enhance its asset base, and improve the efficiency of the services it provides to industry.



Five Year Financial Summary

	2017-18 \$'000	2016-17* \$'000	2015-16 \$'000	2014-15 \$'000	2013-14* \$'000
Total income	38,089	36,357	35,333	32,938	31,651
Total expenses	(36,835)	(35,230)	(33,585)	(31,482)	(30,572)
Net result from transactions	1,254	1,127	1,748	1,456	1,079
Other economic flows	(145)	(43)	(238)	(110)	(702)
Comprehensive result	1,109	1,080	1,510	1,346	378
Total assets	15,524	13,274	12,342	10,341	10,926
Total liabilities	(6,645)	(5,503)	(5,650)	(5,339)	(7,270)
Net assets	8,879	7,771	6,692	5,002	3,656

* Restated figures

In the five-year period to 2017-18, ESV's income has increased at a compound annual growth rate of 3.8 per cent per annum, reflecting agreed increases in levy rates and prices, coupled with an increase in economic activity, notably in the Victorian house-building sector.

In the same period, expenses have increased at a compound annual growth rate of 3.8 per cent per annum, reflecting agreed annual pay increases under ESV's Enterprise Agreement, and the additional costs of servicing higher regulatory activity levels.

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

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

The results for 2017-18 have tracked positively against budgetary objectives. This was achieved by focusing on creating value through prudent spending on key initiatives outlined in the corporate plan.

Financial review of operations

2017-18 Comprehensive operating statement

Income from transactions

In 2017-18, 55 per cent of ESV's income was raised through levies, consistent with previous years. Overall, levy income was 5.9 per cent higher than 2016-17, reflecting the agreed rate of increase. Fee income showed little variation reflecting continued strong economic activity and approval rates for new dwellings.

Overall, income was 4.8 per cent higher than 2016-17 and 2.0 per cent better than the 2017-18 budget.

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



Expenses from transactions

Employee benefits increased by 10.1 per cent, reflecting the impact of increased staff members due to increased focus on inspections and audit and the Enterprise Agreement increases. Depreciation decreased significantly due to computer software being fully depreciated during the year. Expenditure in compliance audits decreased by reducing the sample size over the previous year. This was to ensure sufficient funding for the configured computer software (ESVConnect COES project) which allows the organisation to focus on a more targeted audit scope. Other costs comprise several elements such as travel, outsourced audits, and printing of certificates which increased from last year.

Balance sheet as at 30 June 2018

Assets

Net assets increased \$1.1m to \$8.9m. Increases in total assets of \$2.3m was mainly due to an increase in cash holdings, reflecting savings from operational efficiencies, and an increase in investment in intangible assets of configured software. This investment included GasTrac, the new online system for managing gas applications, which was commissioned in the prior year.

Liabilities

ESV's most significant liability related to provisions for employee-related costs such as long service and annual leave. This balance was 12.4 per cent more this year, reflecting the impact of new joiners.

ESV had no borrowings at 30 June 2018.

Commitments

As at 30 June 2018, ESV had commitments for future expenditure of \$8.0 million, including GST. This is mainly due to obligations in respect of vehicles and property leases.

2017-18 Cash flow statement

ESV generated \$3.0 million (net) from its operating activities in the year. Of this, \$2.1 million was expended on the purchase of non-financial, largely intangible, assets. ESV's cash holdings are invested in accordance with the requirements of the Department of Treasury and Finance.

Looking forward

ESV will continue to focus on sound financial management and ensuring that its expenditure demonstrates value-for-money. The strategic reinvestment of accumulated surpluses into business improvement initiatives will continue in 2018-19, reflecting the intent of ESV's Corporate Plan 2018-2021. The 2018-19 levy determinations have been approved by the Minister for Energy, Environment and Climate Change.

Financial statements

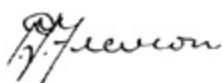
Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for Energy Safe Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the 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 2018 and financial position of Energy Safe Victoria at 30 June 2018.

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

We authorise the attached financial statements for issue on 13 August 2018.



Paul Fearon
Director of Energy Safety

13 August 2018



Shawn Leong
Chief Financial Officer

13 August 2018

Comprehensive operating statement for the financial year ended 30 June 2018

(\$ thousand)

	Notes	2018	2017 restated
CONTINUING OPERATIONS			
Income from transactions			
Levy determination income	2.1.1	20,764	19,627
Fee Income	2.1.2	16,942	16,408
Grant Income	2.1.3	51	0
Interest Income	2.1.4	225	220
Other Income	2.1.5	107	102
Total income from transactions		38,089	36,357
Expenses from transactions			
Employee benefits	3.1.1	21,650	19,667
Compliance audit expenses		3,367	3,915
Public relations and advertising		2,169	2,189
Motor Vehicles		1,320	1,091
Rent and outgoings		1,146	1,010
Computer expenses		1,082	1,327
Consulting fees		769	653
Contractors		907	854
Depreciation	4.1.1	844	1,222
Other operating expenses	3.2 and 3.3	3,581	3,302
Total expenses from transactions		36,835	35,230
Net result from transactions (net operating balance)		1,254	1,127
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on non-financial assets	8.1	23	(34)
Revaluation of long service leave	8.1	(168)	(9)
Total other economic flows included in net result		(145)	(43)
Net result from continuing operations		1,109	1,084
NET RESULT		1,109	1,084
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>			
Changes in physical asset revaluation surplus	8.2	0	(4)
Total other economic flows - other comprehensive income		0	(4)
COMPREHENSIVE RESULT		1,109	1,080

The comprehensive operating statement should be read in conjunction with the notes to the financial statements. Refer to note 9 regarding 2017 comparative numbers which have been modified as a result of a prior period error.

Financial statements

Balance sheet as at 30 June 2018

(\$ thousand)

	Notes	2018	2017 restated
ASSETS			
Financial assets			
Cash and cash equivalents	6.1	8,790	7,919
Receivables	5.1	925	998
Total financial assets		9,715	8,917
Non-financial assets			
Plant and equipment	4.1	1,145	1,767
Intangible assets	4.2	3,879	2,099
Prepayments		785	491
Total non-financial assets		5,809	4,357
Total assets		15,524	13,274
LIABILITIES			
Employee related provisions	3.1.2	3,728	3,314
Payables	5.2	2,686	1,807
Other liabilities	5.3	231	382
Total liabilities		6,645	5,503
Net assets		8,879	7,771
EQUITY			
Accumulated surplus/(deficit)		5,093	3,985
Physical asset revaluation surplus	8.2	176	176
Contributed capital	8.8	3,610	3,610
Net worth		8,879	7,771

The above balance sheet should be read in conjunction with the notes to the financial statements.
Refer to note 9 regarding 2017 comparative numbers which have been modified as a result of a prior period error.

Cash flow statement for the financial year ended 30 June 2018

(\$ thousand)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from other entities		37,073	36,608
Goods and Services Tax recovered from the ATO		1,287	1,299
Interest received		264	221
Total receipts		38,624	38,128
Payments			
Payments to suppliers and employees		(35,646)	(35,441)
Total payments		(35,646)	(35,441)
Net cash flows from/(used in) operating activities	6.1.1	2,979	2,687
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non financial assets		(2,130)	(1,935)
Sale of non-financial assets		23	0
Net cash flows from/(used in) investing activities		(2,107)	(1,934)
Net increase in cash and cash equivalents		872	753
Cash and cash equivalents at the beginning of the financial year		7,919	7,166
Cash and cash equivalents at the end of the financial year	6.1	8,790	7,919

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

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

Financial statements

Statement of changes in equity for the financial year ended 30 June 2018

(\$ thousand)

	Physical asset revaluation surplus	Accumulated surplus/ (deficit)	Contributions by owner	Total
Balance at 1 July 2016	180	2,902	3,610	6,692
Net result for the year (prior to restatement)	-	1,563	-	1,563
Other comprehensive income for the year	(4)	-	-	(4)
Balance at 30 June 2017 (prior to restatement)	176	4,465	3,610	8,251
Reflection of corrections (note 9)	-	(480)	-	(480)
Balance at 30 June 2017 (post restatement)	176	3,985	3,610	7,771
Net result for the year	-	1,109	-	1,109
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2018	176	5,093	3,610	8,879

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

Notes to the financial statements for the financial year ended 30 June 2018

1. About this report

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

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

Basis of preparation

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

These financial statements are presented in Australian dollars, and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the specific item measured on a different basis.

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

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

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

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

Compliance information

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

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

Accounting policies are selected and applied in these financial statements to ensure the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Notes to the financial statements for the financial year ended 30 June 2018

2. How income is generated

Introduction

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

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

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

Structure

2.1 Income from transactions

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

2.1 Income from transactions

Income from transactions is recognised when:

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

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

2.1.1 Levy determination income

	(\$ thousand)	
Levy income	2018	2017
Gas industry levy	11,186	10,563
Electrical industry levy	8,688	8,204
Gas pipeline industry levy	890	860
Total levy determination income	20,764	19,627

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

2.1.2 Fee income

	(\$ thousand)	
Fee Income	2018	2017
Certificates of Electrical Safety	10,493	9,701
Licence fees	3,771	4,079
Electrolysis mitigation fees	1,907	1,804
Equipment and appliance approval fees	411	397
Appliance efficiency fees	360	427
Total fee income	16,942	16,408

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

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

2.1.3 Grant income

	(\$ thousand)	
Grant Income	2018	2017
Grant Income	51	0
Total Grant	51	0

Grant income is recognised when ESV has provided the service to the Department of Industry, Innovation and Science for the review and development of energy measure standards for gas hot water systems.

2.1.4 Interest income

	(\$ thousand)	
	2018	2017
<i>Interest from financial assets not at fair value through profit or loss</i>		
Interest on cash and cash equivalents	225	220
Total interest	225	220

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

2.1.5 Other income

	(\$ thousand)	
	2018	2017
Other income	107	102
Total other income	107	102

Other income comprises:

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

Notes to the financial statements for the financial year ended 30 June 2018

3. How costs are incurred

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

Structure

3.1 Employee benefits

3.1.1 Employee benefits in the comprehensive operating statement

3.1.2 Employee benefits in the balance sheet

3.1.3 Superannuation contributions

3.2 Grant expenses

3.3 Other operating expenses

3.1 Employee benefits

3.1.1 Employee benefits in the comprehensive operating statement

	(\$ thousand)	
	2018	2017
Salaries, wages, annual leave and long service leave	19,685	17,864
<i>Post-employment benefits</i>		
Defined contribution superannuation expense	1,681	1,490
Termination benefits	284	313
Total employee benefits	21,650	19,667

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

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

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

3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	(\$ thousand)	
	2018	2017
Current provisions		
Annual leave		
Unconditional and expected to be settled within 12 months	984	1,013
Unconditional and expected to be settled after 12 months	264	113
Long service leave		
Unconditional and expected to be settled within 12 months	338	336
Unconditional and expected to be settled after 12 months	1,114	1,064
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months	334	292
Unconditional and expected to be settled after 12 months	227	191
Total current provisions for employee benefits	3,261	3,009
Non-current provisions		
Long service leave	402	263
Employee benefit on-costs	65	42
Total non current provisions for employee benefits	467	305
Total provisions for employee benefits	3,728	3,314
Reconciliation of movement in on-cost provision		
Opening balance	525	
Additional provisions recognised	309	
Reductions arising from payments	(259)	
Unwinding of discount and effect of changes in the discount rate	51	
Closing balance	626	
Current	561	
Non-current	65	
Closing balance	626	

Notes to the financial statements for the financial year ended 30 June 2018

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because ESV does not have an unconditional right to defer settlements of these liabilities.

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

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

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

Long service leave

Unconditional LSL is disclosed as a current liability; even where ESV does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. The components of this current LSL liability are measured at:

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

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow included in net result’ (See Note 8.1).

3.1.3 Superannuation contributions

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

(\$ thousand)

	Paid contribution for the year		Contribution outstanding at year end	
	2018	2017	2018	2017
Total defined contribution superannuation contributions	1,644	1,490	37	-

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

3.2 Grant expenses

	(\$ thousand)	
Supplies and services	2018	2017
Specific purpose grants for on-passing	51	-
Total grant expenses	51	-

Grant expenses are paid for specific purpose for the review and development of energy measure standards for gas hot water systems. They are recognized in the reporting period in which they are paid or payable.

3.3 Other operating expenses

	(\$ thousand)	
Supplies and services	2018	2017
Printing and stationery	433	393
Telecommunications	245	254
Legal fees	145	81
Administration fees - Certificates of Electrical Safety	254	292
Insurance	454	474
Travel expenses	296	263
Compliance and audit services (including Bushfire Mitigation)	354	308
Conferences and training	405	427
Publication and subscriptions	129	118
Other expenses	815	692
Total other operating expenses	3,530	3,302

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

Notes to the financial statements for the financial year ended 30 June 2018

4. Major assets

Introduction

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

Fair value measurement

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

Structure

4.1 Plant and equipment: carrying amount by purpose group

4.1.1 Depreciation and impairment

4.1.2 Reconciliation of movements in carrying values

4.2 Intangible assets

4.1 Total plant and equipment

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

Carrying values of plant and equipment by purpose group

(\$ thousand)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018	2017	2018	2017	2018	2017
PUBLIC SAFETY AND ENVIRONMENT						

Nature-based classification

Plant and equipment at fair value

Furniture and fittings	509	399	(76)	(33)	433	366
Equipment	551	551	(254)	(131)	297	420
Leasehold improvements	1,336	1,169	(963)	(501)	373	668
Vehicles	40	40	(4)	(2)	36	38
Assets under construction at cost	6	275	-	-	6	275
	2,442	2,434	(1,297)	(667)	1,145	1,767

Initial recognition

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

ESV's asset policy sets the minimum asset capitalisation threshold of individual units at greater than \$5,000 (GST exclusive). ESV recognises a group of assets as a unit when the following conditions are met:

- multiple units of the same item are purchased in a single transaction
- individual values do not meet the capitalisation threshold of \$5,000, but, as a group, the total purchase value exceeds \$50,000 (GST exclusive); and
- it is commercially viable to purchase multiple units of the same item under a single transaction.

Subsequent measurement

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

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

4.1.1 Depreciation and impairment

(\$ thousand)

Depreciation charge for the period	2018	2017 restated
Furniture and fixtures	43	34
Equipment	123	132
Leasehold improvements	462	510
Vehicles	2	2
Intangible assets	214	544
Total depreciation	844	1,222

All plant and equipment and other non-financial physical assets that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset class for current and prior years are included in the table below:

Asset class	Useful life in years
Furniture and fittings	10 to 15
Equipment	3 to 15
Leasehold improvements	Shorter of lease term and 7 years
Vehicle (mobile site office)	20

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

Notes to the financial statements for the financial year ended 30 June 2018

Impairment

Plant and equipment are tested for impairment whenever there is an indication that they may be impaired and, at least annually.

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' in the comprehensive operating statement, except to the extent that it 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 impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal will not increase the asset's carrying amount above what would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

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.

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).

4.1.2 Reconciliation of movements in carrying amount of plant and equipment

	Plant and equipment at fair value		Assets under construction at cost		Total	
	2018	2017	2018	2017	2018	2017
PUBLIC SAFETY AND ENVIRONMENT						
Opening balance	1,492	2,012	275	185	1,767	2,197
Additions	-	-	8	286	8	286
Disposals	-	(38)	-	-	-	(38)
Transfer in/(out) of asset under construction	278	196	(278)	(196)	-	-
Depreciation	(630)	(678)	-	-	(630)	(678)
Closing balance	1,140	1,492	5	275	1,145	1,767

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

4.2 Intangible assets

	Computer software		Work in progress		Total	
	2018	2017 restated	2018	2017 restated	2018	2017 restated
Gross carrying amount						
Opening balance	4,564	3,472	1,280	971	5,844	4,443
Additions	-	-	2,091	1,850	2,091	1,850
Transfer in/out of work in progress	-	1,092	(97)	(1,541)	(97)	(449)
Closing balance	4,564	4,564	3,274	1,280	7,838	5,844
Accumulated depreciation						
Opening balance	(3,745)	(3,201)	-	-	(3,745)	(3,201)
Depreciation	(214)	(544)	-	-	(214)	(544)
Closing balance	(3,959)	(3,745)	-	-	(3,959)	(3,745)
Net book value at the end of the financial year	605	819	3,274	1,280	3,879	2,099

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

All ESV's intangible assets are produced assets.

Notes to the financial statements for the financial year ended 30 June 2018

Initial recognition

Intangible assets are initially recognised at cost.

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

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

Subsequent measurement

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

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. 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.

The depreciation period and depreciation method for intangible assets with finite useful life is reviewed annually at each financial year-end.

Impairment of intangible assets

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

Significant intangible assets

As at 30 June 2018, ESV recognised the following configured computer software as part of its ongoing information and technology investment:

Configured software	Carrying amount Remaining	Configured software useful life	Remaining depreciation period
GasTrac	\$502,875	5 years	3.34 years
ESV website	\$90,098	5 years	3.70 years

5. Other assets and liabilities

Introduction

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

Structure

5.1 Receivables

5.1.1 Movement in the provision for doubtful debt

5.1.2 Ageing analysis of contractual receivables

5.2 Payables

5.2.1 Maturity analysis of contractual payables

5.3 Other non-financial assets

5.4 Other liabilities

5.1 Receivables

	(\$ thousand)	
	2018	2017
Contractual		
Certificate of Electrical Safety agents	476	506
Other receivables	209	260
Statutory		
GST input tax credit recoverable	240	232
Total current receivables	925	998

Contractual receivables are classified as financial instruments and categorised as 'receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Following initial measurement, they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

5.1.1 Movement in the provision for doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

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

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

ESV regularly reviews its outstanding receivables and as at 30 June 2018 (and as at 30 June 2017), ESV does not expect any debt to be irrecoverable. As such, no provision for doubtful debts has been made, and no movement is reported for the year.

Notes to the financial statements for the financial year ended 30 June 2018

5.1.2 Ageing analysis of contractual receivables

(\$ thousand)

	Not past due		Past due but not impaired		
	Carrying amount	and not impaired	Less than 1 month	1-3 months	3 months - 1 year
2018					
Receivables	685	70	514	101	-
Total contractual receivables	685	70	514	101	-
2017					
Receivables	766	605	151	10	-
Total contractual receivables	766	605	151	10	-

The average credit period for all receivables is 30 days. There are no material financial assets that are individually determined to be impaired. 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 to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 Payables

(\$ thousand)

	2018	2017
Contractual		
Supplies and services	2,681	1,800
Amounts payable to government and agencies	-	2
Statutory		
GST payable	5	5
Total current payables	2,686	1,807

Payables comprises:

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

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

5.2.1 Maturity analysis of contractual payables

(\$ thousand)

	Carrying amount	Nominal amount	Maturity dates		
			Less than 1 month	1-3 months	3 months - 1 year
2018					
Other payables	2,681	2,681	2,378	302	1
Total contractual payables	2,681	2,681	2,378	302	1
2017					
Other payables	1,802	1,802	1,784	18	-
Total contractual payables	1,802	1,802	1,784	18	-

5.3 Other liabilities

(\$ thousand)

	2018	2017
Lease incentive	-	100
Unearned income	49	100
Total current other liabilities	49	200
Lease incentive	182	182
Total non-current other liabilities	182	182
Total other receivables	231	382

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

Income received or receivable but not earned at the reporting date is recognised as unearned income. The unearned income liability for 2017-18 represents a specific purpose grant received from the Department of Industry, Innovation and Science for the review and development of energy measure standards for gas hot water systems. As the grant conditions have not been fully met, grant income is partially deferred, until such time as the costs the grant is intended to compensate are incurred.

Notes to the financial statements for the financial year ended 30 June 2018

6. Financing our operations

Introduction

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

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

Structure

6.1 Cash flow information and balances

6.1.1 Reconciliation of net result to cash flow from operating activities

6.2 Commitments for expenditure

6.2.1 Total commitment payable

6.1 Cash flow information and balances

Cash and cash equivalents, comprise cash on hand and cash at bank, deposits at call and term deposits with an original maturity of three months or less, which are:

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

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

	(\$ thousand)	
	2018	2017
Total cash and cash equivalents disclosed in the balance sheet	8,790	7,919
Balance as per cash flow statement	8,790	7,919

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

	(\$ thousand)	
	2018	2017
Net result for the period	1,109	1,084
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	(23)	34
Depreciation and amortisation of non-current assets	844	1,222
Movement in assets and liabilities		
(Increase)/decrease in receivables	73	199
(Increase)/decrease in other current assets	(294)	2
(Decrease)/increase in payables	1,007	151
(Decrease)/increase in other liabilities	(151)	(67)
(Decrease)/increase in provisions	414	62
Net cash flows from/(used in) operating activities	2,979	2,687

6.2 Commitments for expenditure

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

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

Notes to the financial statements for the financial year ended 30 June 2018

6.2.1 Total commitments payable

(\$ thousand)

Nominal values	2018	2017
Lease commitments payable		
Motor vehicle operating lease commitments payable		
Less than 1 year	656	698
Longer than 1 year but no longer than 5 years	1,331	909
Office accommodation lease commitments payable		
Less than 1 year	685	953
Longer than 1 year but no longer than 5 years	3,362	1,349
5 years or more	1,430	-
Office equipment lease commitments payable		
Less than 1 year	173	121
Longer than 1 year but no longer than 5 years	351	266
Total commitments (inclusive of GST)	7,987	4,296
Less: GST recoverable	(726)	(391)
Total commitments (exclusive of GST)	7,261	3,906

7. Risks, contingencies and valuation judgements

Introduction

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

This section provides more information on ESV's risks, contingencies and fair value judgements.

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability, or equity instrument, of another entity. For ESV, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Guarantees issued on behalf of ESV are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

Categories of financial instruments

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Following initial measurement, receivables are measured at amortised cost using the effective interest rate method (and for assets, less any impairment). ESV recognises the following assets in this category:

- cash and cash equivalents
- receivables (excluding statutory receivables)
- term deposits.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Following initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. ESV recognises payables (excluding statutory payables) in this category.

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.

Notes to the financial statements for the financial year ended 30 June 2018

Derecognition of financial assets

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

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

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

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.

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*.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an ‘other economic flow’ in the comprehensive operating statement.

7.1.1 Financial instruments: categorization

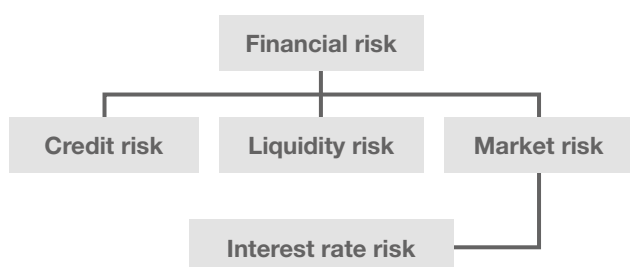
(\$ thousand)

	Note	2018	2017
Contractual financial assets			
Cash and cash equivalents		8,790	7,919
Receivables	5.1		
Fee income		476	506
Other receivables		209	260
Total contractual financial assets - receivables and cash		9,475	8,685
Contractual financial liabilities			
Payables	5.2		
Other payables		2,681	1,802
Total contractual financial liabilities at amortised cost		2,681	1,802

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

7.1.2 Financial risk management objectives and policies

ESV is exposed to several financial risks, including:



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

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

The main purpose in holding financial instruments is to prudentially manage ESV's financial risks within government policy parameters. ESV's main financial risks include credit risk, liquidity risk and interest rate risk. ESV uses different methods to measure and manage these financial risks in accordance with its financial risk management policy.

Notes to the financial statements for the financial year ended 30 June 2018

7.1.2.1 Financial instruments: credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. ESV's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to ESV. Credit risk is measured at fair value and is monitored on a regular basis.

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

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

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

There has been no material change to ESV's credit risk profile in 2017-18.

(\$ thousand)

	Government agencies (AAA credit rating)	Financial institutions (min BBB credit rating)	Other (non-rated)	Total
2018				
Cash and cash equivalents	7,200	1,590	-	8,790
Receivables	-	-	685	685
Total contractual financial assets	7,200	1,590	685	9,475
2017				
Cash and cash equivalents	6,300	1,619	-	7,919
Receivables	-	-	766	766
Total contractual financial assets	6,300	1,619	766	8,685

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

7.1.2.2 Financial instruments: liquidity risk

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

ESV is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. ESV manages its liquidity risk by:

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

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

7.1.2.3 Financial instruments: market risk

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

Sensitivity disclosure analysis and assumptions

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

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

Interest rate risk

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

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

Notes to the financial statements for the financial year ended 30 June 2018

7.1.2.3 (a) Interest rate exposure of financial instruments

(\$ thousand)

	Weighted average interest rate%	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2018					
Contractual financial assets					
Cash and cash equivalents	1.8%	8,790	7,200	1,590	-
Receivables	-	685	-	-	685
Total contractual financial assets		9,475	7,200	1,590	685
Contractual financial liabilities					
Payables					
Other payables	-	2,681	-	-	2,681
Total contractual financial liabilities		2,681	-	-	2,681
2017					
Contractual financial assets					
Cash and cash equivalents	1.7%	7,919	6,300	1,619	-
Receivables	-	766	-	-	766
Total contractual financial assets		8,685	6,300	1,619	766
Contractual financial liabilities					
Payables					
Other payables	-	1,802	-	-	1,802
Total contractual financial liabilities		1,802	-	-	1,802

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

7.1.2.3 (b) Interest rate risk sensitivity

(\$ thousand)

	Carrying amount	-100 basis points	+100 basis points
		Net result	Net result
2018			
Contractual financial assets			
Cash and cash equivalents	8,790	(16)	16
Total impact	8,790	(16)	16
2017			
Contractual financial assets			
Cash and cash equivalents	7,919	(16)	16
Total impact	7,919	(16)	16

7.2 Contingent assets and contingent liabilities

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

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

Contingent assets

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

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by uncertain future events not wholly within ESV's control; or

- present obligations that arise from past events but are not recognised because:
 - > it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - > the amount of the obligations cannot be reliably measured.

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

(\$ thousand)

	2018	2017
Bank guarantee related to Level 5, 4 Riverside Quay Southbank Victoria, 3006	-	338
	-	338

Notes to the financial statements for the financial year ended 30 June 2018

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

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

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

Fair value hierarchy

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

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

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

How this section is structured

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

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

7.3.1 Fair value determination: non-financial physical assets

(\$ thousand)

	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
2018				
Plant and equipment at fair value	1,140	-	333	807
2017				
Plant and equipment at fair value	1,492	-	472	1,020

These assets have been classified in accordance with the fair value hierarchy, see note 7.3. There have been no transfers between levels during the period. ESV's plant and equipment is held at fair value. For all assets measured at fair value, the current use is considered the highest and best use. There were no changes in valuation techniques throughout the period to 30 June 2018.

Reconciliation of Level 3 fair value movements

(\$ thousand)

	2018	2017
Plant and equipment		
Opening balance	1,020	1,480
Purchases	292	135
Transfers in/(out) of Level 3	0	0
Gains or losses recognised in net result		
Depreciation	(505)	(595)
Impairment loss	0	0
Subtotal	(213)	(460)
Gains or losses recognised in other economic flows - other comprehensive income		
Revaluation	0	0
Closing balance	807	1,020
Unrealised gains/(losses) on non-financial assets	-	-

Notes to the financial statements for the financial year ended 30 June 2018

Description of significant unobservable inputs to Level 3 valuations

2017 and 2018	Plant and equipment
Valuation technique	Depreciated replacement cost
Significant unobservable inputs	Physical depreciation and obsolescence adjustment

Significant unobservable inputs have remained unchanged since June 2016.

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

8. Other disclosures

Introduction

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

8.1 Other economic flows included in net result

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

	(\$ thousand)	
	2018	2017
Net gain/(loss) on non-financial assets		
Net (gain)/loss on disposal of plant and equipment	23	(34)
Total net gain/(loss) on non-financial assets	23	(34)
Other gain/(loss) from other economic flows		
Revaluation of long service leave	(168)	(9)
Total other gain/(loss) from other economic flows	(168)	(9)
Total other economic flows included in net result	(145)	(43)

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

'Other gains/(losses) from other economic flows' include the gains or losses from the revaluation of the present value of the LSL liability due to changes in the bond interest rates.

8.2 Reserves

	(\$ thousand)	
	2018	2017
Physical asset revaluation surplus		
Balance at beginning of financial year	176	180
Revaluation increments/(decrements)	-	-
Disposal or transferred out	-	(4)
Balance at end of financial year	176	176
Net changes in reserves	-	(4)

8.3 Responsible persons

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

Names

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

Minister for Energy, Environment and Climate Change

The Hon. Lily D'Ambrosio MP

1 July 2017 to 30 June 2018

Director of Energy Safety

Mr Paul Fearon

1 July 2017 to 30 June 2018

Remuneration

Remuneration received or receivable by the Accountable Officer for the management of ESV during the reporting period was in the range: \$330,000 – \$340,000 (2016-17: \$320,000 – \$329,000).

Notes to the financial statements for the financial year ended 30 June 2018

8.4 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table.

Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

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

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

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

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

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

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

Remuneration of executive officers (including key management personnel disclosed in Note 8.5)

(\$ thousand)

	2018	2017
Short-term employee benefits	1,184	1,289
Post-employment benefits	100	111
Other long-term benefits	9	15
Termination benefits	0	130
Total remuneration	1,293	1,544
Total number of executives ⁽ⁱ⁾	5	8
Total annualised employee equivalent ⁽ⁱⁱ⁾	5.0	5.9

Notes:

(i) The total number of executive officers includes persons who meet the definition of key management personnel of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 8.5).

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.5 Related parties

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

- State government-related entities such as Department of Environment, Land, Water and Planning, Treasury Corporation of Victoria and Victorian Managed Insurance Authority
- all key management personnel, their close family members and personal business interests; and
- all cabinet ministers and their close family members.

Significant transactions with government-related entities

During the financial year ended 30 June 2018, ESV had the following significant government-related entity transactions:

- on-passed \$77,344 of infringement notice fees to the Consolidated Fund, through the Department of Environment, Land, Water and Planning (2017: \$83,086 through the Department of Economic Development, Jobs, Transport and Resources)
- paid \$988,646 in annual insurance premiums to the Victorian Managed Insurance Authority (2017: \$516,330)
- recognised interest income of \$209,454 for term deposits invested with the Treasury Corporation of Victoria (2017: \$197,348).

As at 30 June 2018, ESV had a balance of \$7,200,000 held in term deposits with the Treasury Corporation of Victoria (2017: \$6,300,000).

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

- Portfolio Minister - The Hon. Lily D'Ambrosio MP
- Director of Energy Safety - Mr Paul Fearon
- Deputy Director - Mr Neil Fraser
- Chief Operating Officer - Mr Sharife Rahmani
- General Manager, Risk, Regulatory Planning and Policy - Dr Roanne Allan
- General Manager, Electrical Safety and Technical Regulation - Mr Ian Burgwin
- General Manager, Gas and Pipeline Safety and Technical Regulation - Mr Steve Cronin

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

Compensation of key management personnel

	(\$ thousand)
	2018
Short-term employee benefits	1502
Post-employment benefits	120
Other long-term benefits	16
Termination benefits	0
Total	1638

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

Transactions and balances with key management personnel and other related parties

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

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

8.6 Remuneration of auditors

	(\$ thousand)	
	2018	2017
Victorian Auditor-General's Office		
Audit of the financial statements	36	34

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

Notes to the financial statements for the financial year ended 30 June 2018

8.7 Subsequent events

There have been no significant events post reporting date.

8.8 Other accounting policies

Contributions by owners

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

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

Leases

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

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

Foreign currency transactions

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

8.9 Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2018 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2017, there were a number of standards and interpretations that had been issued but were not mandatory for financial year ended 30 June 2018. They become effective for the first financial statement for reporting periods commencing after the stated effective date in the following table.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AAS 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; 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 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AAS 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 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 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. The assessment is not likely to result in any material changes for ESV.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.	1 January 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply 1 January 2018	The assessment has indicated that there will be no significant impact for ESV.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	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.

Notes to the financial statements for the financial year ended 30 June 2018

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> – 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 – 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 for AASB 15z above.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	<p>This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.</p>	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
<p>AASB 2016-8</p> <p><i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i></p>	<p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:</p> <ol style="list-style-type: none"> 1. require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and 2. clarifies circumstances when a contract with a customer is within the scope of AASB 15. 	1 January 2019	The assessment has indicated that there will be no significant impact for ESV, other than the impacts identified for AASB 9 and AASB 15 above.
<p>AASB 16</p> <p><i>Leases</i></p>	<p>The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.</p>	1 July 2019	<p>The assessment has indicated that most operating leases will come on the balance sheet as the recognition of right-of-use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p>

Notes to the financial statements for the financial year ended 30 June 2018

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on ESV financial statements
<p>AASB 1058</p> <p><i>Income of Not-for-Profit Entities</i></p>	<p>This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.</p>	<p>1 January 2019</p>	<p>The assessment has indicated that the revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p> <p>Revenue from capital grants for the construction of assets will need to be deferred. Income will be recognized over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognized at a point in time for acquisition of assets.</p> <p>Revenue from operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants.) Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p>

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

8.10 Glossary of technical terms

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

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

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

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

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

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

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

Financial asset is any asset that is:

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

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

Financial liability is any liability that is:

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

Notes to the financial statements for the financial year ended 30 June 2018

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

Financial statements comprise:

- balance sheet as at the end of the period
- comprehensive operating statement for the period
- a statement of changes in equity for the period
- cash flow statement for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 Presentation of Financial Statements
- 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.

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

Leases are rights to use an asset for an agreed period of time in exchange for payment.

Net operating balance – net result from

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

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

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

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

Operating result: Refer to 'net result'.

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

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

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

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

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

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

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

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.

8.11 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 2017–18 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.

Notes to the financial statements for the financial year ended 30 June 2018

9. Comparative information

There were immaterial errors in the Comprehensive operating statement and Balance sheet as of 30 June 2017, in relation to computer expenses, Depreciation and Intangibles balances being accounted for incorrectly. The statements for one year ended 30 June 2017 were accordingly adjusted.

(\$ thousand)

	Previously stated as at 30 June 2017	Restated as at 30 June 2017
Balance sheet		
Intangible Assets	2,579	2,099
Accumulated surplus	4,465	3,985
Comprehensive operating statement		
Computer expenses	832	1,327
Depreciation	1,237	1,222
Statement of changes in equity		
Net result for the year	1,563	1,084

Independent Auditor's Report

To the Director of Energy Safe Victoria

Opinion I have audited the financial report of Energy Safe Victoria (the entity) which comprises the:

- balance sheet as at 30 June 2018
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- Accountable Officer's and Chief Financial Officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
17 August 2018



Simone Bohan
as delegate for the Auditor-General of Victoria

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.

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Declaration

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¹ References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

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Abbreviations

ACCC	Australian Competition and Consumer Commission	GEMCF	Gas Emergency Management Consultative Forum
AEMO	Australian Energy Market Operator	GIAS	Gas Installations and Appliance Safety
AER	Australian Energy Regulator	GPIS	Gas and Pipeline Infrastructure Safety
APGA	Australian Pipelines and Gas Association	GTRC	Gas Technical Regulators Committee
APIA	Australian Pipeline Industry Association	HR	Human Resources
ATO	Australian Taxation Office	IBAC	Independent Broad-based Anti-Corruption Commission
CFA	Country Fire Authority	IEC	International Electrotechnical Commission
CO	Carbon monoxide	IGA	Intergovernmental agreement
COES	Certificate of Electrical Safety	IPAA	The Institute of Public Administration Australia
CPSISC	Construction and Property Services Industry Skills Council	KPI	Key performance indicator
CT	Current transformer	LDAP	Land Development Around Pipelines
DB	Distribution business	LEI	Licensed electrical inspector
DB	Drainage bond	LFI	Low frequency induction
DEDJTR	Department of Economic Development, Jobs, Transport and Resources	LP Gas	Liquid petroleum gas
DELWP	Department of Environment, Land, Water and Planning	MAV	Municipal Association of Victoria
DTF	Department of Treasury and Finance	MEC	Major electricity companies
EES	Electrical Equipment Safety System	MFB	Metropolitan Fire and Emergency Services Board
EILES	Electrical Installations, Licensing and Equipment Safety	MHF	Major hazards facility
ELCCC	Electric Line Clearance Consultative Committee	MOU	Memorandum of understanding
EMV	Emergency Management Victoria	MPA	Metropolitan Planning Authority
EPA	Environment Protection Authority	MSO	Mobile site office
ERAC	Electrical Regulatory Authorities Council	MTM	Metro Trains Melbourne
ESC	Essential Services Commission	NA	Not applicable
ESISC	Energy Networks Industry Safety Committee	NBN	National Broadband Network
ESMSs	Electricity Safety Management Schemes	NECA	National Electrical Contractors Association
ESV	Energy Safe Victoria	OHS	Occupational health and safety
ETU	Electrical Trades Union	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



Creating a
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Supporting club

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