

# Energy Safe Victoria

Annual Report  
2013–14



**energysafe**  
VICTORIA

## Contents

<b>About ESV</b>	<b>02–03</b>	<b>Gas Installation and Appliance Safety</b>	<b>24–25</b>
– The organisation		– Gas Inspectorate	
– Our vision		– AS/NZS 5601 Gas Installations Standard	
– Our values		– Incident response and investigations	
– Ministerial Statement of Expectations		– Industry education and training	
		– Rooming house safety	
<b>Report from the Director of Energy Safety</b>	<b>04–07</b>	– Industry education and training	
		– Gas Technical Regulators Committee (GTRC)	
<b>Performance measures</b>	<b>08–09</b>		
		<b>Human Resources and Complaints</b>	<b>26–27</b>
<b>Governance and organisational structure</b>	<b>10–11</b>	– Human Resource information system and payroll	
– ESV's corporate structure		– Health and wellbeing	
– Audit & Risk Committee		– Performance planning	
		– Learning and development	
<b>Community safety</b>	<b>12–13</b>	– Recruitment, selection and retention	
– Community awareness		– Complaints handling	
– Electronic communications		– Comparative workforce data	
– EnergySafe magazine			
– Publications and events		<b>Finance, Business Services, ICT and Project Management</b>	<b>28–30</b>
– Media		– Financial review of operations	
<b>Compliance and enforcement</b>	<b>14</b>	<b>Financial statements</b>	<b>31–60</b>
– Compliance and enforcement processes		– Accountable Officer and Chief Finance and Accounting Officer's declaration	
– Enforcement activity		– Comprehensive operating statement	
– Efficiency and effectiveness of regulatory regimes		– Balance sheet	
– Electricity Safety Act Committees		– Cash flow statement	
		– Notes to the financial statements	
<b>Gas and Pipeline Infrastructure Safety</b>	<b>15–17</b>		
– Licensed pipeline construction and repair work		<b>Independent auditor's report</b>	<b>61–62</b>
– Reducing mains damage			
– Electrolysis		<b>Demonstrating accountability</b>	<b>63–68</b>
– Safety cases		– Stakeholders	
		– Consultancies	
<b>Electrical Infrastructure Safety</b>	<b>18–19</b>	– Disclosure of major contracts	
– Significant incidents		– Pecuniary interests	
– Powerline Bushfire Safety Program		– Protected Disclosure Act 2012	
– Safety Performance Report		– Energy Safe Victoria Act Committees	
– ESMS assessments		– Electricity Safety Act Committees	
– Code of Practice for Electric Line Clearance		– Consultative Committees	
– The Orange Book		– Risk attestation	
– Guidance for working with scaffolding near powerlines			
– Works Practive Observation Program		<b>Disclosure index</b>	<b>69–70</b>
– Recruitment and knowledge preservation			
		<b>Abbreviations</b>	<b>71</b>
<b>Electrical Installations, Licensing and Equipment Safety</b>	<b>20–23</b>		
– Incidents			
– Resources			
– National reforms			
– Economic environment			
– Audits			
– Incident investigation			
– Ongoing education			
– Safety statistics			

# About ESV

## Creating a safer state with electricity and gas

### THE ORGANISATION

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

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

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

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

#### To meet our responsibilities ESV:

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

### OUR VISION

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

### OUR VALUES

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

#### Respect:

We treat all stakeholders and staff with respect.

#### Integrity:

We will always act with integrity.

#### Partnerships:

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

#### Accountability:

We are accountable for all of our actions.

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

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

### MINISTERIAL STATEMENT OF EXPECTATIONS

The Hon. Russell Northe MP, Minister for Energy and Resources, is responsible for administering the Electricity Safety Act, the Gas Safety Act and the Pipelines Act. The Minister provided ESV with his Statement of Expectations (SOE) in June 2014 for the next two years. This new SOE acts to append the SOE issued by the Hon. Michael O'Brien MP in 2011. It is this document that is reported on in this annual report.

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

#### The Minister's expectations for ESV include:

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

# Report from the Director of Energy Safety



I am pleased to present ESV's Annual Report for 2013–14. This outlines the work we have done to meet our statutory objectives and ministerial expectations, and in so doing make Victoria a safer place to work and live.

## Energy infrastructure

Positive trends in safety outcomes over recent years have been maintained with an increased focus on challenging the performance of our electricity, gas and pipeline infrastructure businesses so they meet their responsibilities to keep our communities safe.

We have continued to support Government in the delivery of the 10-year Powerline Bushfire Safety Program through its work on research projects that demonstrate the potential benefits of adopting new technologies to mitigate the risk of fire starts, as well as informing changes to protection settings each summer.

The past year has also seen a greater focus on the auditing of Safety Cases and Safety Management Plans for those pipeline companies with higher risk assets and engineering practices across the industry. This has included the engineering assessment of third-party works near pipelines and the review and acceptance of project-specific Safety Management Plans for licensed pipeline construction and repair works. The biggest challenge most licensees face is submitting conforming Pipeline Integrity Plans and therefore being able to routinely report on the work they are doing to ensure the integrity of their ageing assets in the face of long-term threats such as corrosion. We will continue to focus on getting industry to improve its performance in this area.

There were two significant infrastructure-related incidents during 2013–14, one of which led to the death of a young vegetation worker who was electrocuted when a branch he was cutting fell into powerlines. This has reinforced the significance of urban tree clearing and the safety issues involved in working near live powerlines.

ESV also conducted an investigation into a flashover that occurred at the Morwell Terminal Station in April. ESV's preliminary report found the incident was the result of a short-circuit on one phase of a 66kV powerline and that two protection systems, designed to stop the flow of electricity in the event of a fault, failed to operate. No link was found between the fault and the fire at the Hazelwood Mine in February. These findings were subsequently confirmed in the final report that was issued in August 2014. It found the first protection system failed to operate due to an operational error, while the second failed to operate due to component failure.

## Energy equipment and installations

Our work in regulating the safety of electrical installations and equipment increased with more than 36,600 audits of Certificates of Electrical Safety (COES) carried out to determine the compliance of installations. Standards have remained high with a 96 per cent compliance rate being achieved. More than 2250 items of electrical equipment were audited for safety, with 91 per cent found to be compliant. This represents a gradual decline against historical rates of compliance because ESV is now focused on likely non-compliance, for example online sellers and "pop-up" shops, based on assessment of risk and willingness to comply.

The sale of unapproved and non-compliant products through online sellers and at markets has continued to put consumers at risk. While a high level of enforcement activity was carried out to remove and stop the sale of these products, the nature of the market is such that traditional regulatory approaches are less effective. A more appropriate regulatory strategy is greater community education and awareness about the risks faced when buying these products.

To assist consumers we are working with other regulators and state governments to establish a national Electrical Equipment Safety System (EESS), which will harmonise certification and the registration of suppliers and compliant equipment. The development of an app that provides easy and immediate recognition of compliant equipment and responsible suppliers will empower consumers to deal with this growing threat from cheap, imported electrical equipment. Certification requirements will also reflect the actual risks of existing and emerging technologies being sold.

Unfortunately one fatality involving an electrical installation was reported during the year. A 26-year-old electrician in Yallourn was connecting an oven when he received a fatal electric shock. It is believed the oven circuit had only been partially isolated prior to the work commencing or was inadvertently re-energised.

## Improving regulatory approaches

We have continued to review how best to regulate, which has led to a revised approach to compliance and enforcement. This was informed by greater participation in a number of useful forums and communities of practice including ones run by the Victorian Competition and Efficiency Commission (VCEC), the Department of Environment and Primary Industries (DEPI) and the Institute of Public Administration Australia (IPAA). Last year we reviewed our policy to better emphasise the progressive stance of education, encouragement and finally enforcement, based on risk and willingness to comply. Regrettably, we were still required to prosecute 19 cases that led to a number of convictions, including one case in which the court imposed a \$60,000 fine for unlicensed work installing solar power and claiming rebates.

To improve awareness we continued to engage with industry and training organisations, talking to thousands of people at trade events and seminars throughout the year. Staff across the organisation responded to more than 57,000 requests for advice that were received by phone, email and in person.

It is pleasing to see an increase in the first-time pass rate of the Licensed Electrical Assessment (LEA) this year. Although small, the improvement showed that initiatives designed to lift the pass rate are starting to work. These include independent preparation tutoring, more focus on the regulators' assessments by Registered Training Organisations (RTO) and emphasis on the importance of the LEA at apprentice talks.

## Policy and standards development

Over the past year we were active across a number of important areas of policy and standards development. These included the newly revised edition of the Gas Installations Standard AS/NZS 5601, which was adopted into Victorian legislation in March 2014. To introduce this new standard to gasfitters and plumbers in Victoria 23 information sessions were held at a number of locations across the state during February and March. More than 800 plumbers and gasfitters attended these presentations.

We commenced the review of the Electric Line Clearance Regulations, which will sunset in 2015. Policy proposals were developed in relation to achieving a better balance between safety, environment and amenity, and reintroducing a number of flexibility options that previously existed.

A review of the Orange Book (the Victorian Traction Industry Electrical Safety Rules 2014) was initiated to ensure that electrical safety issues related to direct current traction work environments (including Metro Trains and Yarra Trams) were harmonised with the Code of practice of electrical safety for work on or near high voltage electrical apparatus. A revised Orange Book was released. Two new No Go Zone guidelines were also developed to provide key guidance to industry on best practice for scaffolding near electrical infrastructure.

We continued to play a leading role on the Gas Technical Regulators' Committee (GTRC) with ESV chairing the committee until June. In the past year the GTRC successfully implemented a national database for certified gas appliances enabling anyone in the community to determine whether their gas appliance was certified to Australian safety standards.

# Report from the Director of Energy Safety

## Stakeholder engagement

Our partnerships approach with stakeholders was exemplified in the establishment of the Land Development Around Pipelines (LDAP) working group in 2013. Comprising government, agency and industry representatives, it reviews the management of public safety issues arising from land use intensification around pipelines. Following a survey of pipeline licensees conducted by the Australian Pipeline Industry Association (APIA) and ESV, along with direct feedback from council planners, which was facilitated by the Municipal Association of Victoria (MAV), the working group recognised a case for, and started to develop, guidelines for pipeline licensees and planning authorities in Victoria. This will help mitigate the risks of inappropriate, unknown and close development near pipelines that has been highlighted in previous annual reports.

Following the abolishment of the National Occupational Licensing Authority (NOLA) by the Federal Government at the end of last year, we started working with other state regulators under the auspices of the Council for Australian Federation to introduce an automatic mutual recognition model for licensing of electricians. This will be established in the coming year and will facilitate improved interstate mobility of workers, without diluting Victoria's high safety standards for electrical work. The new approach will also relieve future pressure on the cost of licence fees for electrical workers.

## Reporting and monitoring of performance

Our emphasis on reporting safety performance was maintained with the publication of the fourth public safety performance report. This shows how Victoria's electricity distribution and transmission businesses were meeting their safety objectives. The report focused on the results of our audit programs and key safety indicators, as well as the operation of the Electricity Safety Management Schemes (ESMS), which became a mandatory requirement on the major electricity companies (MECs) following the 2009 Victorian Bushfires Royal Commission. The performance of the Victorian electricity distribution network was observed, on average, to have deteriorated each year for the past three years. However, this was not uniform across the industry with some of the MECs improving their performance in the face of deteriorating weather conditions and ageing assets.

We started monitoring the progress of the three gas distribution businesses' mains replacement programs in accordance with reporting arrangements agreed following the Australian Energy Regulator's (AER) approval of their five-year mains replacement programs. Each of the gas businesses met planned replacement targets, which have seen 433km of pipeline replaced this financial year.

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

metropolitan area. Our Electrolysis Mitigation section achieved results above target KPIs, coordinating with industry for 29 combined area field tests and testing more than 13,000 drainage bonds and other electrolysis units to confirm they were operating as required to provide protection to the underground assets.

## Improving operational efficiency and effectiveness

Our regulatory work across all aspects of energy supply, equipment and installation safety is by its nature an immense task and it is important that we constantly review our work processes as well as regulatory approaches as noted previously. Last year two important reviews were completed looking at the efficiency and effectiveness of the Gas (GIAS) and Electrical Installations sections.

In the first, a number of structural and process improvements in GIAS were identified that improved inspection assessments, customer responsiveness and increased audit rates. Productivity rates in the past year improved from an average of 0.7 jobs per day per available inspector to 3.5 jobs per day.

The second process review was an external review of the Electrical Installation Safety Section, which identified improvements that could be made to the section's reporting platform, work allocation based on work effort or size and risk of task, and clustered work assignment by area. Those initiatives will be implemented in the coming year.

Equipment Safety approvals increased by 14 per cent, which has been due to ESV reducing the turnaround time and thus making the organisation a more attractive approvals provider. Equipment efficiency registrations increased by 83 per cent due to laptops and desktop computers being added to the list of products that require registration.

This past year has delivered greater efficiencies and effectiveness in our operations. Productivity gains have meant we have been able to accelerate the repayment of our debt and start delivering price reductions for business and industry. This has commenced with the price of COES and application for exemption being frozen in nominal terms for the coming year.

## Stakeholder feedback

ESV conducted its biennial Stakeholder Survey during the year. The results were very pleasing with 59 per cent of respondents indicating ESV had improved or significantly improved its performance over the past three years. Half of the respondents reported an improvement or significant improvement in ESV's regulatory capacity, technical competence and knowledge.

More than 54 per cent of respondents believed ESV was now more accessible and open, while 47 per cent believed we were now more responsive and timely. A significant majority of respondents said we were sufficiently focused on public communications, audit and inspections, investigation and enforcement, licensing

and registration, and resolving complaints. Twenty-six per cent of people indicated we could do more industry technical education, and this will be a focus for us in the coming year. Seven per cent said our performance had declined.

## Communications and community

Our work last year in communications and the community provided very strong support and reinforcement of the technical regulatory functions.

It was pleasing to see increased penetration rates and recognition for our principal community safety programs – carbon monoxide awareness, look up and live, and look before you cook. Recognition of our carbon monoxide (CO) awareness campaign has risen to 62 per cent. Our strong focus on rural communities with the look up and live message appears to be getting through with the number of incidents falling over the past few years. It is now four years since there has been a fatality related to work practices and contact with powerlines in regional Victoria, and of the 23 serious electrical incidents investigated by ESV in the past two years only one of those involved a farmer who contacted powerlines while working.

ESV has also continued to harness the power of electronic communications and social media to target specific alerts for particular constituencies, including electricians, gasfitters and online retailers. We have also increased our online presence with our magazine and publications, and raised our visibility through the media and a broader program of public events including the Royal Melbourne Show, barbecue safety events at Federation Square and Southbank, and regional shows including Geelong's Pako Festa and the Rochester Farm and Road Safety Expo.

## Organisation

Finally, ESV could not deliver on the very demanding work program outlined in our published Corporate Plan without a dedicated and talented workforce and management team. We continue to work hard on improving our leadership and management skills through development programs reinforced by 360 Degree feedback processes and rigorous performance planning throughout the entire organisation.

The strides made in improving our culture and performance ethic is reflected in the quality of the people who are continuing to join ESV.

I thank my executive team and all our staff for making a difference in our community and continuing to deliver regulatory services in a more efficient and accessible manner.

**Paul Fearon**  
Director of Energy Safety



# Performance measures

ESV is aiming to achieve long-term reductions in the number of Victorians killed or injured in accidents involving the use of gas or electricity through a combination of education and regulation.

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

While ESV aims to achieve the best possible safety outcomes, it is unfortunate that, despite our best efforts to educate and regulate, a number of Victorians lose their lives or are injured every year. These tables of performance measures include the targets for 2013–14 (where applicable), plus the reported numbers for the year and the previous two reporting periods.

## STANDARDS AND BEST PRACTICE

Outcomes and measures	2011–12	2012–13	2013–14
<b>Electricity—supply and use</b>			
Electricity caused deaths	1	1	2
Electricity involved deaths	0	0	0
Electricity involved serious injuries (admitted to hospital)	40	38	9
Electricity involved non-serious injuries	297	647	540
Electricity related fires	606	777	1076

Outcomes and measures	2011–12	2012–13	2013–14
<b>Gas—supply and use</b>			
Gas caused deaths	0	1	0
Gas involved serious injuries (admitted to hospital)	38	18	1*
Gas related fires and explosions	183	160	26^
Significant damage to property (>\$50,000)	Not reported	5^	1^

^ MFB data not reported to ESV due to industrial dispute. Only CFA data has been captured.

\* Previously reported as gas involved injuries.

## SAFE MATERIALS, COMPONENTS AND APPLIANCES

Outcomes and measures	2011–12	2012–13	2013–14	2013–14
<b>Electricity—supply and use</b>			Target	Actual
Electricity recalls (number)	9	12	NA	14
Compliant equipment check-tested for safety (percentage)	2	1	10	22
Electrical appliances on display in retail outlets with an accurate approvals marking (percentage)	91	88	97	88
Electrical appliances on display in retail outlets with an accurate energy rating label (percentage)	96	96*	NA	NA*

\* Adoption of the GEMS legislation means that ESV ceased to audit in December 2012.

## CORPORATE PERFORMANCE MEASURES

Outcomes and measures	2011–12	2012–13	2013–14	2013–14
<b>Safe and efficient appliances and safe installations</b>			Target	Actual
Compliance of Type B and complex appliances on initial inspection (percentage)	84	80	85	87*
Compliance of standard gas installations audited by VBA (percentage)	94.8	92	90	87

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

## SKILLED WORKFORCE

Outcomes and measures	2011–12	2012–13	2013–14	2013–14
<b>Electricity—workers working on the installations</b>			Target	Actual
Compliant licensed electrical inspectors (percentage)	72	68	81	49^
Compliant registered electrical contractors (percentage)	61	75	81	62
Compliant licensed electrical installation workers (percentage)	67	68	81	62
Compliant inspection companies (percentage)	96	98	95	98
Compliant prescribed electrical work (percentage)	88	91	92	94
Compliant non-prescribed electrical work (percentage)	91	93	92	96

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

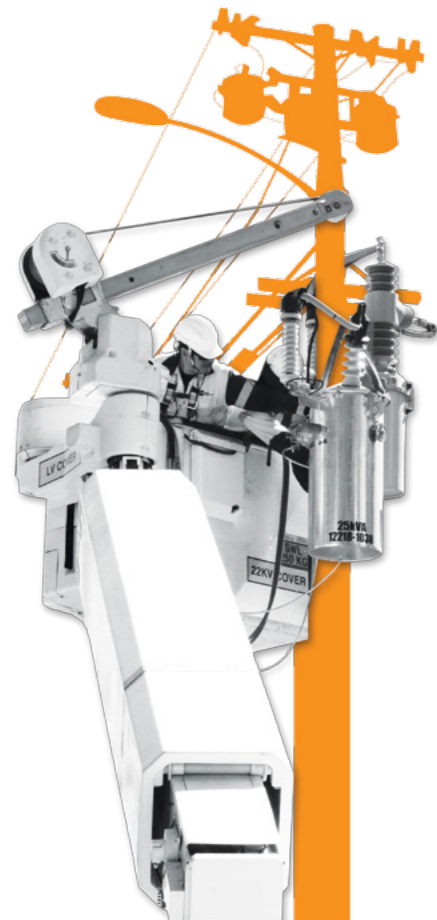
# Governance and organisational structure

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

## ESV's corporate structure

ESV is led by the Director of Energy Safety, who is appointed pursuant to the Energy Safe Victoria Act, which is administered by the Minister for Energy and Resources.

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



### Director of Energy Safety and CEO

**Paul Fearon**

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

### Gas and Pipeline Infrastructure Safety

*Executive Manager*

**Graeme Cook**

Gas infrastructure, licensed pipelines, electrolysis mitigation and emergency management. Graeme is also Deputy Director.

### Policy and Strategy

*Executive Manager*

**Roanne Allan**

Policy and governance, legal/legislation, prosecutions, ESV risk management and national harmonisation.

### Electrical Infrastructure Safety

*Executive Manager*

**Robert Skene**

Electricity infrastructure and infrastructure standards.

### Electrical Installations, Licensing and Equipment Safety

*Executive Manager*

**Neil Fraser**

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

### Gas Installation and Appliance Safety

*Executive Manager*

**Paul Bonsak**

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

### Finance and ICT

*Chief Financial Officer*

**Doug Bolam**

Finance, administration and information technology.

### Media and Communications

*Executive Manager*

**Sharon Rainsbury**

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

### Human resources

*Executive Manager*

**Jana Vihm**

Human resources, training and recruitment.

## Audit & Risk Committee

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

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

During 2013–14, ESV's Audit & Risk Committee consisted of the following independent members:

### Ian Cuthbertson (Chair)

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

### Dr Anne Astin PSM

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

### Bob Scott

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

### Joh Barker

A certified practising accountant, Johanna (Joh) Barker has been an executive with ANZ Ltd since 2004 with responsibility for a number of departments including risk and performance management across both infrastructure and innovation. Prior to this she held senior roles with leading IT and consulting firms including IBM. For more than 20 years she has been contributing her expertise in business, finance, auditing and risk in both the private and public domain. This has included Chair of the Royal Showgrounds Joint Venture from 2007-2014, executive director for SMS Ltd, and independent member of the Victorian Government Shared Services Advisory Board, the North East Catchment Management Authority, and board and audit committee member at CenITex.

# Community safety

## Goals

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

## Outcomes

### Community awareness

ESV continued to build on the success of its long-running community safety campaigns during the year while also introducing a number of new initiatives to further spread awareness about safety with gas and electricity.

Eight major safety campaigns were run during the year including CO awareness, look up and live, household wiring safety and look before you cook. The total amount spent on advertising during the year was \$685,225.

The CO campaign continues to be our most successful with awareness of this silent killer at an all-time high. The annual recall and recognition survey showed that 62 per cent of Victorians had seen the campaign, which was an increase from 59 per cent in the previous survey. Message take-out about getting appliances serviced every two years has surged to 82 per cent, while four out of five people say they are more likely to have their heater serviced after viewing the campaign. Recognition of ESV as the organisation responsible for the advertising has risen four per cent to 56 per cent, which is another pleasing development. ESV spent \$300,000 advertising this winter campaign during the year.

One of the highlights for the year was the production of ESV's new look before you cook television commercial, which gave the long-running barbecue safety campaign an exciting and fresh new look. The commercial screened at cinemas over summer where it was seen by 2.668 million people, as well as on television during January in the lead up to Australia Day. This was run in conjunction with a two-part radio campaign, which reached 3.2 million people. Total advertising expenditure on the campaign was \$270,000.

One of the highlights of the look up and live campaign was ESV's ongoing partnership with AFL Victoria, which included our sponsorship of the U18s Vic Country representative team and also the look up and live round of the competition, which was held in September. Designed to remind regional Victorians of the need to always be aware of powerlines, ESV produced travel coffee cups branded with the look up and live message that were despatched to grounds around the state for distribution on the weekend of the round. AFL footballer Dale Thomas continued his association with ESV and our television commercial was edited to include him. ESV also partnered with Croc Media to sponsor a number of regional football programs including television's On The Bench and the AFL live broadcasts across regional Victoria. Advertising expenditure on this campaign was \$105,000, while the total campaign spend including campaign production costs, partnerships and promotional products was \$390,000.

Other campaigns run during the year included warning Victorians of the need to check the wiring in older houses to prevent fires, the importance of getting airconditioners serviced and reminding houseboat owners to ensure their vessels meet electrical and gas safety standards. ESV also spent \$8000 on industry advertising.

### Electronic communications

One of the highlights of the year was the launch of ESV's new children's safety website, PowerSafe Buddies. The website stars Plugger, an animated character who leads children through a number of videos and games that are designed to educate them about the dangers of electricity around the home, at school and outdoors.

ESV's main website continued to be an important way to impart community safety information to the public. Web traffic grew by 11 per cent during the year with the number of page visits rising to 465,000.

We harnessed the power and value in electronic communications by issuing 21 electronic alerts and notices to stakeholders during the year. Since the introduction of this new facility in January 2013, ESV has sent 600,000 emails and we plan to build on this further in 2014-15 by adding a greater range of stakeholders to the database, including retailers and online sellers.

ESV also embraced social media during the year with the launch of a Facebook page and this will play an increasing role for us in stakeholder engagement in the future.

### EnergySafe magazine

ESV's investment in electronic communications was broadened this year with the introduction of an online version of the EnergySafe magazine. In keeping with our objective to reduce printed copies of the quarterly magazine, the April edition was distributed in an electronic format only, which enabled us to include a number of new features such as links to videos and information sheets. Magazine production costs were reduced by 25 per cent for the year, and this will be increased to a 50 per cent reduction in 2014-15 when two electronic copies are produced.



### Publications and events

ESV launched a new suite of brochures with 12 publications redesigned and revamped during the year, and a number of new brochures added to our portfolio including foreign language versions of our catering and landlord brochures.

Direct stakeholder engagement continues to be a key part of ESV's strategy to raise awareness about safety with gas and electricity. Staff attendance at public events enables them to answer a range of safety questions but also helps to educate the public about ESV and our important role in Victoria.

ESV increased its calendar of public events during the year with a larger stand at the Royal Melbourne Show, and a number of new events added to the roster including Geelong's Pako Festa, a number of free summer barbecues and the Whittlesea Festival.

### Media

ESV continued to play a large role in media discussions on a number of industry issues throughout the year, ranging from smart meter safety to electric line clearance, and we used public relations to support our community safety campaigns with messages ranging from electrical safety to appliance servicing and tree clearance.





# Compliance and enforcement

## Compliance and enforcement practices

ESV reviewed its practices and processes with respect to compliance and enforcement during the year, updating the compliance and enforcement framework. This led to the renewal of the Compliance and Enforcement Policy, development of the compliance strategy and updating of internal manuals and training materials for inspectors (gas and pipelines) and enforcement officers (electricity).

The policy articulates the principles employed by ESV officers to guide decisions. The strategy is based on identified harms and compliance by industry and community to the Acts, regulations, prescribed standards and codes that are relevant and mitigate risks. ESV applies a progressive “educate, encourage and enforce” approach, using compliance tools based on an enforcement pyramid. ESV considers the risks and compliance associated with industry sectors, and the non-compliance and behaviours of industry participants. Inspectors and enforcement officers have received training.

## Enforcement activity

ESV prosecuted 19 cases relating to electrical installations during the year. Six of these resulted in fines with conviction and six resulted in fines without conviction. Seven people were released on undertakings to be of good behaviour, including one who was released with conviction.

During the year there were three notable prosecutions due to the nature of the offences and, in two cases, the size of the fines imposed by the Courts. The first case resulted in a fine of \$67,500 for an unlicensed and unregistered person carrying out unsafe electrical installation work at 37 properties. The second was against a company that portrayed itself as a registered electrical contractor (REC) installing solar power at 20 properties and claiming rebates. The company was fined \$60,000. Further action is being taken against others who were involved. The third was a licensed inspector who lodged inspection certificates that claimed he had travelled almost 10,000km in 12 days to inspect solar power generation installations, including inspections as far apart as Maffra and Portland in one day.

ESV also prosecuted a person who had been released on an undertaking to be of good behaviour and who failed to abide by the conditions of the undertaking.

ESV issued 57 infringement notices and one official warning. These mainly related to electrical installation work and to third-party activities in the vicinity of gas pipelines. ESV received two applications to review notices and withdrew three notices.

## Efficiency and effectiveness of regulatory regimes

ESV engaged with specific national agenda initiatives, including the National Occupational Licensing System (NOLS) and the national Electrical Equipment Safety System (EESS). ESV reviewed Victorian legislation and its electrical licensing system to ensure the

proposed national objectives could be achieved without diluting Victoria's position. In December 2013 the Council of Australian Governments disestablished NOLA and decided not to proceed with the national system. Since then ESV has embarked on supporting the use of mutual recognition processes across state and territory electrical authorities.

ESV is hosting the national electrical equipment approvals database, and has been working with the Department of Treasury and Finance (DTF) and DSDBI to develop an Intergovernmental Agreement between the states and territories to facilitate the effective management of a national approval scheme and supplier registration. This work is ongoing.

In 2012 ESV undertook a review of the Electricity Safety Act in relation to bushfire mitigation activities associated with electricity assets. In early 2014 Parliament passed the *Electricity Safety Amendment (Bushfire Mitigation) Bill 2013*. This Bill made amendments to the persons responsible for keeping vegetation clear of electricity assets, amended the definition of urban residential land and also changed the required submission frequency of bushfire mitigation plans by the major electricity companies.

In 2013 ESV commenced a review of the Electricity Safety (Electric Line Clearance Regulations) 2010 in preparation for remaking the regulations, which sunset in 2015. As part of the considerations ESV sought advice from the Electric Line Clearance Consultative Committee with respect to proposed policy alternatives in the regulations and code during the past year. Preparation of the regulatory impact statement (RIS) for public consultation and drafting of the regulations and code are underway.

The Gas Safety (Gas Installations) Regulations were amended in March 2014 to incorporate the AS/NZS 5601:2013 part 1 and part 2, which were published in October 2013. The Electricity Safety (Management) Regulations were also amended in 2013 to include the Electricity Safety Management System Australian Standard (AS 5577), which was published in April 2013.

## Electricity Safety Act Committees

In 2012–13 ESV undertook a formal review of the statutory committees under the Act, as one of the reviews administered by the Better Services Implementation Taskforce of the Department of Premier and Cabinet. ESV made a recommendation to disband the Equipment Advisory Committee because its functions had been superseded. ESV is able to achieve the same functions through other consultation and communication methods. Parliament abolished the Equipment Advisory Committee, and this came into effect on 31 July 2014.

# Gas and Pipeline Infrastructure Safety

## Goals

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

## Outcomes

### Test, challenge and expose

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

In all, ESV conducted 95 audits of Safety Cases and Pipeline Safety and Environment Management Plans. This included 17 acceptances with four cases from new entrants, 48 compliance audits and 30 field compliance audits.

Field audits continue to be a primary auditing activity. This year all of the 25 pipeline licensees had a section of their pipeline easement audited (30 audits in total) against their AS2885 compliance obligations. Typical non-conformances observed by ESV related to the accuracy of as-constructed route alignment drawings, vegetation management, warning signage and routine pipeline inspection patrolling. All are fundamental and essential housekeeping activities to protect the integrity of pipelines and thereby the safety of the community.

### Licensed pipeline construction and repair work

Due to the continued high number of licensed pipeline projects, ESV was required to spend significant effort on the review and acceptance of project-specific Safety Management Plans for pipeline construction and repairs throughout 2013–14, requiring the balancing of available resources with the audit program.

For the Regional Rail Link project alone ESV accepted 26 plans for pipeline construction. In addition to this, there were 13 other building construction proposals within 3m of existing pipelines. ESV is expecting the high number of submissions to continue as a result of State Government development initiatives including East West Link and Airport Link.

There were 34 Safety Management Plans submitted for construction and repair projects. This compares with 22 last year. There were also a significant number of smaller repair works requiring only notification to ESV. All of the construction and repair projects underwent thorough and, if necessary, repeated review before they were accepted.

Field inspections during installation and commissioning have found licensees generally have solid compliance to their accepted plans but ESV has identified occupational health and safety issues resulting in more than 20 compliance observations being raised. These related to the safety of workers in excavations, safe operation of plant and equipment, worker competency, unauthorised pipeline encroachment and permits to work.

For many oil pipeline licensees, it has been challenging to address in a timely manner coating defects identified through surveys and initiating dig-up verification works in response to in-line inspection survey results. ESV expects licensees to address these findings expeditiously in order to demonstrate the maintenance of pipeline integrity.

# Gas and Pipeline Infrastructure Safety

## Reducing asset damage

2013–14 saw an increase in the number of gas mains and services damaged by third-party civil works. There were 226 gas mains and 3110 gas services damaged.

ESV investigated 20 of the 226 mains damage incidents, resulting in ESV issuing three infringement notices for damaging gas mains or performing unauthorised work within 3m of licensed high pressure gas pipelines. This is higher than the rolling three-year average of 160 incidents with a range of issues responsible for the increase. ESV believes there is an incorrect perception among the public that a response from an inquiry to the Dial Before You Dig service is tacit approval to commence work in the vicinity of gas and licensed pipeline infrastructure. This is not the case and specific approval is needed from the asset owner.

The number of damaged services continues to trend above the rolling three-year average of 2993, which remains a concern. ESV will consider investigating how many of these incidents can be attributed to either work in new subdivisions where domestic services are not always laid continuously straight at right angles from the main in the street to the gas meter, or whether domestic services aren't recorded on drawings.

ESV will continue to work with Dial Before You Dig to raise awareness about this issue, and a separate awareness campaign focussing on preventing damage to assets on private property is planned for 2014–15.

## Electrolysis

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

ESV's Electrolysis Mitigation section achieved results above target KPIs, coordinating with industry 29 combined area field tests and testing more than 13,000 drainage bonds and other electrolysis units to confirm they were operating as required to provide protection to the underground assets.

## Safety cases

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

Gas companies declared under the Gas Safety Act or who hold a licence issued under Part 3 of the Gas Industry Act are now well familiar with ESV's guideline as issued in 2012 for the preparation of a Safety Case. In most cases, new entrants and existing companies work closely with ESV to ensure the content and quality of their submissions are appropriate for the facility thereby significantly reducing the number of re-submissions required before acceptance is given.

As foreshadowed last year, in order to reduce some of the regulatory burden for lower risk facilities, such as gas retailers, ESV has introduced self-monitoring and reporting by companies instead of periodic auditing by ESV.

ESV has concerns about the time it is taking non-natural gas pipeline licensees, such as oil pipelines, to review and submit conforming Safety Management Plans that were due to ESV in 2013. ESV is spending considerable time with up to 22 licensees to progressively develop appropriate documents.

The area of most concern for ESV this year is the Pipeline Integrity Management Plans (PIMPS) that all licensees in conjunction with operators of licensed pipelines are required to submit. PIMPS form an integral part of a licensee's Safety Management Plan. Changes to AS2885 in 2012 require operators to have in place a conforming PIMP and to be in a position to routinely report on their asset integrity plans to ensure their assets meet ongoing integrity standards in the face of such long-term threats as corrosion. Without exception, all licensees are finding it difficult to articulate their plans in writing to ESV with the level of information contemplated by the Australian standard.

## Safety performance report

To report on the Division's activities and findings in regulating the gas industry and licensed pipelines under the Gas Safety Act and the Pipelines Act, ESV will prepare its first safety performance report for gas and pipeline infrastructure for the 2013–14 financial year. The report is targeted for electronic publication before the end of the calendar year.

## Asset management

ESV commenced monitoring the progress of the three gas distribution businesses' mains replacement programs in July, in accordance with reporting arrangements agreed following the AER's approval of their five-year mains replacement programs.

Each of the gas businesses have met planned replacement targets, which have seen 433km of pipeline replaced this financial year.

## Land development around pipelines

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

Following a survey of pipeline licensees conducted by the APIA and ESV, and direct feedback from council planners (facilitated by the MAV), the working group has recognised a case for, and started to develop, guidelines for pipeline licensees and planning authorities in Victoria. The working group's progress is now being reviewed by the Department of Transport, Planning and Land Infrastructure following its full engagement with the working group in May 2014.

ESV has also been working with the Metropolitan Planning Authority (MPA) to set up a discussion within government to clarify who should pay for the management of these public safety issues, and how related information should be made available to the public.

In parallel, and in addition to raising general awareness, ESV has been working with MPA, 19 council planners and 10 pipeline licensees to ensure compliance with technical safety standards for individual planning scheme amendments and developments. Since the start of 2013, ESV has facilitated assessment of 23 precinct structure plans and two development plan overlays, 13 planning zone changes, 12 planning permit applications and two subdivisions. Much of this activity has taken place in Melbourne's growth corridors.

## Building capability - information, communications and technology

To improve ESV's records management and strengthen the regulatory monitoring of 58 regulated entities, the division delivered a new software application that went live in June 2014. The application stores and links data and correspondence information for regulated entities, providing the reporting capability to facilitate performance tracking, comparison and trend analysis, as well as the monitoring of outstanding and overdue actions.

It will include the history of events on all licensed pipelines including repairs, and monitor the reporting performance of licensed pipeline companies, including operating KPIs and cathodic protection reports. The application has been set up with historical data covering 2013–14 operational activities.

To improve efficiencies and records management, the division implemented a geographical information system for the electrolysis mitigation function in 2013. The implementation continued in the 2013–14 financial year with the second stage completed. This enabled ESV to prepare mapping for area tests with industry assets documented.

With other technology projects taking priority, the migration of the existing cathodic protection system database to ESV's work management system, PEGA, including a public web-based interface, did not eventuate as planned. Prioritisation will again be considered for 2014–15.

## Compliance and enforcement training

ESV developed and delivered an updated compliance and enforcement training program to operational staff. The program assists enforcement officers and inspectors to select the compliance or enforcement tool that is most appropriate to the situation and consistent with ESV's policy and obligations.

It overviews the following:

- the compliance framework the laws, regulations, codes of practice, and policies that define ESV's role, powers, and obligations
- the compliance policy and strategy the principles and instruments by which ESV interprets and applies the regulatory framework
- governance and accountability ESV's standard governance and review processes
- ESV's approach the processes that support ESV's compliance objectives.

# Electrical Infrastructure Safety

## Goals

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

## Outcomes

### Significant incidents

There was one electrical fatality during the year as a result of contact with powerlines. A young vegetation worker died in May when a limb from the tree he was cutting fell on to high voltage powerlines. ESV assisted the Victorian Workcover Authority with the investigation into this incident. Following this accident, ESV launched a new safety campaign aimed at arborists and vegetation workers with the message don't put your life on the line.

ESV also conducted an investigation into a flashover that occurred at the Morwell Terminal Station in April that resulted in loss of supply to 100,000 Gippsland customers. The investigation found the incident was the result of a short-circuit on one phase of a 66kV powerline and that two protection systems designed to stop the flow of electricity in the event of a fault failed to operate. No link was found between the fault and the fire at the Hazelwood Mine.

### Powerline Bushfire Safety Program

The Powerline Bushfire Safety Program was established as part of the 10-year program to deliver on recommendations 27 and 32 of the 2009 Victorian Bushfires Royal Commission. The program aims to reduce the risk of bushfires caused by electrical assets without causing significant impact on the reliability of electricity supply.

ESV is continuing to assist government in these initiatives through the administration of electrical safety legislation, the use of its statutory powers and the provision of specialist technical and other support to government departments.

ESV instructed the electrical distribution businesses on the locations within Victoria where enhanced protection settings were to be applied during the bushfire season. ESV also commenced the determination of an enhanced electrical distribution construction standard to be adopted in areas of highest bushfire risk.

Trials of the rapid earth fault current limiters (REFCLs) were conducted and they demonstrated their theoretical capability to reduce the initiation of fire starts in rural electrical distribution networks. This initial work was funded by the Powerline Bushfire Safety Program and supported by both the electrical distribution businesses and ESV. Theoretical modeling workshops for the application of REFCLs continue and are being facilitated by ESV. Further trials on the application of these devices in rural networks are being developed by industry. ESV has commissioned an eminent person to provide oversight and advice to government on the potential benefit in bushfire reduction through the deployment of these devices.

### Safety performance report

In its fourth year of publication, the safety performance report for 2013 presented the findings of ESV's annual review on how well Victoria's electricity distribution and transmission businesses were meeting their safety objectives. The report focused on the results of ESV's audit programs, key safety indicators, as well as the operation of the ESMSs, which became a mandatory requirement on the major electricity companies (MECs) following the 2009 Victorian Bushfires Royal Commission.

The performance of the Victorian electricity distribution network was observed, on average, to have deteriorated each year for the past three years. However, this was not uniform across the industry as some of the companies improved their performance.

Network assets are primarily constructed to be long-life, and are subject to ongoing refurbishment based on asset management decisions to determine the maintenance requirement for individual asset classes. Evidence of the impacts of changes to network design, maintenance and operation, and its effect on the safety performance of electricity networks, may not become apparent for many years.

Objective evidence of the effectiveness of initiatives implemented by the Victorian Government to meet recommendation 34 from the 2009 Victorian Bushfires Royal Commission, namely to "... amend the regulatory framework for electricity safety to strengthen Energy Safe Victoria's mandate in relation to the prevention and mitigation of electricity caused bushfires ..." is provided within the report.

### ESMS assessments

The Electrical Safety (Management) Regulations 2009 require all MECs in Victoria to operate within the scope of an accepted ESMS. The schemes, inclusive of their Bushfire Mitigation Plan, are resubmitted to ESV for review at least every five years.

During 2013–14 ESV completed audits of all the fundamental elements of the accepted ESMSs submitted by the MECs. These audits confirmed that all of the MECs had well developed, comprehensive ESMSs, supported by documented policies and procedures, many supplemented with additional management systems and certifications.

The new transmission company, Transmission Operations Australia, submitted an ESMS to ESV as required by the Electricity Safety Act. The ESMS was accepted by ESV following an assessment against the requirements of the Electrical Safety (Management) Regulations 2009, supported by a verification audit. For the first time, Metro Trains Melbourne submitted a voluntary ESMS for review and acceptance by ESV. This submission included the business' Electric Line Clearance and Bushfire Mitigation Plans.

### Code of Practice for Electric Line Clearance

Following a request from the Minister for Energy and Resources, the Electric Line Clearance Consultative Committee convened regularly and provided advice on updating the Code of Practice to address a range of issues. These included preventing excessive pruning of established trees, particularly amenity trees in low bushfire risk urban areas, ensuring appropriate consultation between entities responsible for tree pruning and those occupying or managing the land, and re-introducing flexible alternative compliance mechanisms that protect the amenity, cultural and environmental value of the community's trees while ensuring the safety and security of supply.

These recommendations have informed the drafting of amendments to the Code by the technical specialists in the Electrical Infrastructure Division. These are expected to come into effect as part of the remaking of the Electricity Safety (Electric Line Clearance) Regulations in 2015.

### The Orange Book (the Victorian Traction Industry Electrical Safety Rules 2014)

A review of the Orange Book was initiated to ensure the 2010 edition aligned with the 2012 version of the Code of practice of electrical safety for work on or near high voltage electrical apparatus (the Blue Book). Meetings of stakeholders representing the traction industry, including Metro Trains and Yarra Trams, were convened in order to identify areas where changes were required to reflect compliance with the Blue Book, while also recognising electrical safety issues related to direct current traction work environments.

From this process recommendations were made to the Director of Energy Safety regarding the setting of minimum safety standards for work on or near high voltage and low voltage AC and DC electrical installations and the supply network, changes to the Orange Book arising from incidents that have implications for electrical safety in the traction Industry, and interpretations and advice on the Orange Book.

### Guidance for working with scaffolding near powerlines

Two new No Go Zone guidelines were developed to provide key guidance to industry on best practice for scaffolding near electrical infrastructure. Existing guidance did not adequately address requirements when scaffolding within No Go Zones. Through the participation of representatives from major electricity distribution companies and the Victorian WorkCover Authority, a clear and consistent understanding of the key requirements of the guidelines was achieved. This is expected to form the basis of best practice within the industry.

### Works Practice Observation program

The Works Practice Observation Program continued in 2013–14. This aims to ensure that the Code of practice of electrical safety for work on or near high voltage electrical apparatus (the Blue Book) is effectively adopted by the Victorian electricity distribution businesses as required by the regulations. The program consisted of scheduled audits, which were conducted in agreement with the electricity distribution business at a determined time, and also impromptu audits.

The findings of the audit program were provided to the relevant distribution businesses for their consideration and action where required. Through active engagement and participation between ESV and the distribution businesses, new initiatives are being developed for improved safety outcomes in the key focus areas.

The program will continue in the 2014–15 financial year with the schedule expanding to include work practices among the electricity transmission businesses. The focus will be on electrical access permit work on transmission lines and in terminal stations, operating in terminal stations, live high voltage (barehand) work and asset inspection.

### Recruitment and knowledge preservation

The Electrical Infrastructure Safety Division reached its objective capacity in its organisational structure following a comprehensive recruitment campaign. Two further changes to the division's organisational structure were made with the appointment of a manager to strengthen the technical needs of the team, while an Executive Manager designate has been recruited in anticipation of the retirement of the current executive during 2015.

The success of the recruitment campaign continues the division's commitment to the 2009 Victorian Bushfires Royal Commission's recommendation to support ESV's mandate to prevent and mitigate bushfires caused by electrical incidents.

# Electrical Installations, Licensing and Equipment Safety

## Goals

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

## Outcomes

### Incidents

One fatality was reported involving an electrical installation during the year. A 26-year-old electrician received a fatal electric shock while installing a two-phase under bench oven at a house in Yallourn. It is believed the oven circuit had only been partially isolated prior to the work commencing or was inadvertently re-energised. ESV attended the incident and provided a report to police. The Coroner is expected to hold an inquest to which ESV will provide technical support.

In addition to this fatality, four people were seriously injured during the year. These incidents included a woman who received burns to her stomach while using a 240V air mattress pump. She was injured when the pump failed and caught fire. The investigation showed the pump was subject to a national recall for the fault. An electrician attempting to change a circuit breaker on a switchboard received flash burns to the hand when the circuit shorted between the phases causing an arc. The switchboard had not been isolated.

An electrician received a severe electric shock when working on a large oven after he failed to check that the appliance was isolated. The man had been working on the appliance the previous day and wrongly assumed it was still isolated when he started work. The oven had been re-energised overnight.

In the fourth serious incident for the year, an electrician made contact between a live phase and ground while working on a switchboard. The investigation showed there was damaged insulation on the screwdriver he was using that allowed him to make contact with the blade.

ESV observed a reduction in the number of electrical fires caused by evaporative coolers this year as a result of an extensive pre-summer servicing awareness campaign run by ESV in conjunction with the Metropolitan Fire Brigade and Bravis.

### Resources

Following last year's recruitment of new staff and the successful transfer of knowledge from senior staff prior to retirement, the division has been able to maintain service levels despite an increase in demand. Refinement and changes to the PEGA CIMS process and associated procedures and business rules has improved consistency in approach to investigations, audit response, complaint resolution and reporting.

An external review of Electrical Installation Safety has identified improvements that can be made to this section's PEGA reporting, work allocation based on work effort or size of task, and clustered work assignment by area.

Implementation of these recommendations early in 2014–15 will lead to improved efficiency and reporting for this area.

Private overhead electric line referrals and exemption requests have been integrated into PEGA enabling automatic importing of referrals and tracking of status. This has improved efficiency.

### National reforms

In December 2013, COAG announced it was abandoning its plans for NOLS and disbanding NOLA. Instead, all states and territories under the auspices of the Council for the Australian Federation will develop an automatic mutual recognition system of interstate licensing. Electricians and plumbers will be the first to benefit from this new system.

The adoption of a national EESS is progressing with Victoria and New South Wales formulating an inter-government agreement that will detail arrangements for data collection/sharing, funds allocation, check-testing programs and governance.

### Economic environment

Difficult economic conditions continued throughout 2013–14 with COES sales remaining at 2012–13 levels. Registered electrical contractor applications and renewals were lower than last year as people retained their electrician's licence but opted to cease business registration.

Despite this environment, there was no increase in the number of unlicensed or unregistered electrical workers detected.

Equipment safety approvals increased by 14 per cent, which has been due to ESV reducing the turnaround time and thus making the organisation a more attractive approvals provider. Equipment efficiency registrations increased by 83 per cent due to laptops and desktop computers being added to the list of products that require registration.

### Audits

The division conducted 36,600 COES audits to determine the compliance of installations, and found a compliance rate of 96 per cent.

More than 2250 items of electrical equipment were audited for safety compliance with 91 per cent found to be compliant. Eighteen sites operating an ESMS were also audited.

### Incident investigation

Staff from Installation Safety and Equipment Safety provided incident investigation assistance to MFB, CFA, Victoria Police, Australian Federal Police and other ESV divisions. Fire investigation training has been provided to staff and the purchase of advanced examination and photographic equipment has improved the quality of reports and accuracy of measurements.

A fatality in NSW involving an unsafe USB charger in early 2014 triggered additional audits and compliance testing of this type of product.

ESV is also check-testing 22 appliances, including refrigerators, washing machines, clothes dryers and dishwashers. The results will inform audit and compliance activity during 2014–15.

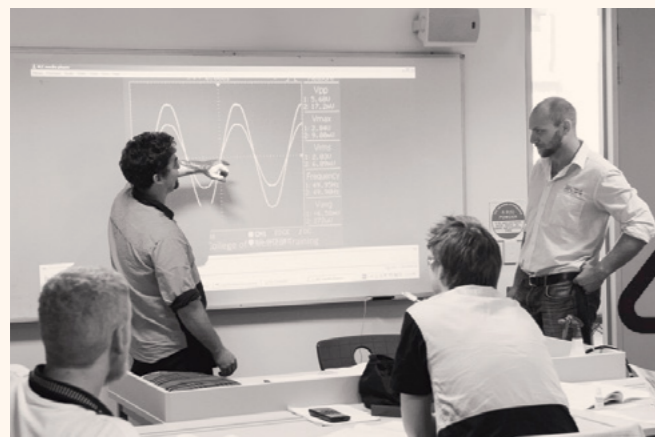
### Ongoing education

EILES continues to engage with the industry by addressing apprentices and tradespeople, talking to more than 6000 people at trade events and seminars throughout the year. ESV now conducts the LEI examinations for hazardous areas (H Class) in addition to the G Class practical exam.

Staff from Licensing, Equipment Safety and Installation Safety responded to more than 50,000 requests for advice that were received by phone, email and in person.

It is pleasing to see an increase in the first time pass rate of the LEA this year. Although small, the improvement shows that initiatives like independent preparation tutoring, more focus on the LEA by RTOs and highlighting the importance of the LEA at apprentice talks is working.

The sale of unapproved and non-compliant products through online sellers and at the markets continues to put consumers at risk. Acknowledging that it is impossible to stop 100 per cent of sales, ESV will continue to focus on educating consumers about the risk they face when buying these products.



# Electrical Installations, Licensing and Equipment Safety

## INSTALLATION SAFETY STATISTICS

Activity	2011–12 Total	2012–13 Total	2013–14 Total
Applications granted under Regulation 416 / 401 of the Electricity Safety (Installations) Regulations	205	185	158
Breaches of regulatory requirements investigated	1047	970	1085
Warning letters sent	75	79	51
Investigations actioned within five days	420	356	346
Investigations—final action instigated within 30 days	318	245	210
Infringement notices issued	11	31	38
Site audits of licensed electrical installation workers	227	183	146
Audits of licensed electrical inspectors	85	106	62
Field audits of registered electrical contractors	329	198	187
Information sessions	169	136	191
Attendees at sessions	5639	5981	6120

## EQUIPMENT SAFETY STATISTICS

Activity	2011–12 Total	2012–13 Total	2013–14 Total
Approvals submitted	840	737	846
Total number of approvals in place	4372	2983	2375
Number of products audited (approval)	1386	2040	2154
Notices to comply issued	36	76	97
Safety investigations	279	307	231
Safety recalls initiated	9	12	14
Hazard alerts raised	2	6	5
Incident reports raised	19	46	45
Public safety warnings initiated	1	1	4
Number of days taken to approve fully compliant approvals applications	19.6	16	6.3
Infringement notices	6	0	8

## WORKER STANDARDS

Licence information	2011–12 <sup>^</sup> Result	2012–13 Result	2013–14 Result
Electrician's licence A Class – New	1727	1762	1616
Electrician's licence A Class – Renewed	5921	4688	4027
Supervised worker's licence L – New	237	220	190
Electrician (supervised) licence ES – Renewed	66	320	208
Disconnect/reconnect worker's licence D – New	379	375	346
Disconnect/reconnect worker's licence D – Renewed	984	1173	1020
Total number of licences issued	2362	2360	2168
Total number of licences in place	40,767	41,429	42,587
Total number of inspector's licences issued	37 <sup>^</sup>	28	16
Total number of inspector's licences in place	383	410	421
Registration of electrical contractor – New	867	920	1040
Registration of electrical contractor – Renewed	3228	1946	1745
Total number of registrations issued	4095	2866	2785
Total number of registrations in place	11,132	11,975	12,850
No. of meetings of the Electrical Licensing Registration Advisory Committee	6	6	6
Total number of electrician licences	31,511	32,910	34,018
Total number of supervised worker's licences	1419	1305	1196
Total number of disconnect/reconnect licences	7425	7188	6927
Total number of occupiers licences	29	26	25
Total number of registered spotters	11,225	12,537	14,160
Total number of registered lineworkers	3065	2962	3107

<sup>^</sup> Figures from 2011–12 reflect a change from yearly renewals to five-yearly renewals.

## ENERGY EFFICIENCY STATISTICS

Activity	2011–12	2012–13	2013–14
Number of days taken to approve fully compliant equipment efficiency applications	10.2	4.8	15
Models registered for labelling *	1439	1213	2208

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

# Gas Installation and Appliance Safety

## Goals

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

## Outcomes

There were no fatalities caused by gas during the year and only one case of serious injury. There was one report of significant property damage (more than \$50,000 damage) and 26 gas-related fires\*.

Targets set for compliance of complex gas installations and Type B gas appliance inspections were exceeded, as were the targets for point-of-sale and public event inspections.

In late 2013 GIAS undertook a work practices efficiency audit (the Atlas Review). LSI Consulting identified that gas inspectorate processes could be made more efficient if the administrative burden on inspectors could be reduced. Adopting LSI's recommendations has resulted in improved inspection and audit rates being realised. Productivity has risen from an average of 0.7 jobs per day per available inspector to 3.5 jobs per day.

The inspectorate is not only meeting the demands of inspection and audit requirements, it has capacity for expansion into new areas of safety.

### Gas Inspectorate

The GIAS Inspectorate has seen significant change since the completion of the Atlas Review. The inspectorate is now able to assess job application information during the application's life cycle.

Key benefits include:

- more timely assessment of initial job applications
- more stringent monitoring of applications to ensure all paperwork is received prior to inspections
- greater emphasis on ensuring non-compliance matters are rectified by the due date of the notice.

There were 4539 gas applications received during the financial year, with 1221 assessed as being medium to low risk. This represents 27 per cent of all gas applications. Of the 3411 jobs listed for inspection, 741 received non-compliance notices for breaches of the prescribed standards. This represents a 21 per cent failure rate.

Since March GIAS has been working towards finalising old outstanding jobs. This work has resulted in resolved gas applications steadily increasing over the last four months of the financial year. At 30 June 2014 there were 931 gas applications pending inspection, inspected or conditionally accepted awaiting paperwork to complete the application.

In addition, 24 commercial premises were audited to ensure Type B appliances that had been accepted by ESV have been kept in a safe working manner and regularly maintained by licensed persons.

\* Fires reported were from CFA areas only. MFB did not provide statistics due to industrial action.

### AS/NZS 5601 Gas Installations Standard

The newly revised edition of the Gas Installations Standard AS/NZS 5601 was adopted into Victorian legislation in March 2014. ESV's Manager Type A Gas Appliance Safety took a lead role in its development as well as chairing the committee that drafted the changes.

To advance this new standard to gasfitters and plumbers in Victoria, 23 information sessions were held at a number of locations across the state during February and March. More than 800 plumbers and gasfitters attended these presentations and were informed about the standard and its major changes.

### Incident response and investigations

ESV works closely with Victoria's emergency services, government and community groups to maintain ongoing public education and compliance reviews of identified at-risk groups.

Some examples include joint public awareness campaigns such as the danger of using outdoor gas appliances indoors, the need for regular houseboat gas appliance checks to ensure safety, and also assisting with ESV safety campaigns such as the look before you cook barbecue safety initiative.

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

Investigators have also played a major role in point-of-sale audits, with 88 carried out throughout the year. This was in excess of the target of 60. Investigators also audit gas installations at public events with 74 audits completed throughout the year.

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

### Rooming house safety

Consumer Affairs Victoria administers the regulations pertaining to rooming houses. These regulations, introduced in 2012, require rooming houses to have a gas safety check at least once every two years. ESV is working with the Department of Human Services and Consumer Affairs Victoria to establish the requirements for a gas safety check list.

### Industry education and training

ESV is supportive of apprenticeship and post apprenticeship training in Victoria. Each RTO that undertakes gas training is visited by an inspector at least once each year.

Post apprenticeship training courses in Type A gas appliance servicing are now offered by three RTOs, with ESV offering technical information and support for these training sessions.

Type B gas appliance servicing, Type A gas appliance servicing training and CO detection training is held at the Plumbing Industry Climate Action Centre (PICAC) and technical information support is offered to students by ESV.

More than 20 information evenings on gas safety and changes to regulations and standards are held by ESV around Victoria each year.

### Gas Technical Regulators Committee (GTRC)

ESV continued to play a leading role on the GTRC with the Executive Manager of GIAS serving as committee Chair until June 2014.

In the past year the GTRC has successfully implemented a national database for certified gas appliances enabling anyone in the community to determine whether their gas appliance had been certified to Australian safety standards. The Committee also unanimously accepted the new gas installation standard AS/NZS 5601 for Australia, is pursuing the scheme rules to which the Conformity Assessment Bodies must operate under and is also supporting the inclusion of gasfitting into the National Construction Code.



# Human Resources and Complaints

## Goals

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

## Outcomes

### Human resource information system and payroll

Over the past year there have been further improvements to the new human resource information system, CHRIS21. These improvements have increased the functionality of the system for the end user and improved reporting capability.

While Human Resources continues to have primary responsibility for the payroll function, from July 2014 the Finance team will provide operational support with the fortnightly pay process. To prepare for this, members of Finance underwent extensive CHRIS21 training during the last quarter of 2013–14. This collaboration between HR and Finance will enable optimal use of skills and knowledge within the teams. This will ultimately provide the best customer service outcomes for ESV staff.

### Health and wellbeing

ESV is committed to providing and maintaining a safe and healthy working environment. To achieve this there is an established OHS Committee along with appointed fire wardens and first aid officers and a number of flexible working options available to staff.

In line with the corporate plan, the OHS Committee met quarterly throughout the year to discuss health and safety matters. There were 11 hazards and six injuries formally reported to HR throughout 2013–14.

In 2013–14 an external consultant was engaged to conduct a thorough review of the OHS framework. During 2014–15 ESV will implement several of the recommendations stemming from the review.

Additional health and wellbeing support includes reimbursement for flu vaccinations, expert confidential employee counselling (EAP) and WorkHealth Checks. In 2013–14 11 staff sought reimbursement for flu vaccinations and 55 staff took up the opportunity for a free WorkHealth Check. The EAP program offers a standard employee counselling service as well as trauma assistance (often used for field staff who attend incidents with fatalities or serious injury) and manager assistance.

Staff members who work in the field are provided with first aid and other relevant training to mitigate and minimise the risks associated with their work environments. Additionally, in 2013–14 ESV purchased OHS software that has up to 90 safety-related short films that are accessible to staff.

### Performance planning

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

HR has developed an electronic performance plan in the e-performance module of CHRIS21. This will be used to capture performance plans from 2014–15 onwards. Benefits from the online plans will be the reporting capability, consistency with plans and accessibility.

### Learning and development

Employee training was a priority for ESV during the year with \$250,000 invested in a range of technical, customer service and professional development courses. This includes the Four Quadrant Leadership (4QL) professional development program that was held for new staff.

A 360 Degree Feedback Program was conducted for the leadership group. This has identified a number of group and individual areas for development. This information will be used as a base for the formation of a leadership development program that will commence in 2014–15.

### Recruitment, selection and retention

ESV's workforce expansion has slowed with seven employees recruited throughout the year, compared to 32 in 2012–13. These vacancies were created through attrition, long-term leave, short-term projects and newly established roles.

Nine employees separated from ESV throughout the year. Several of these were retirements while others were resignations or redundancies. ESV's retention rate for the year was 87 per cent.

### Complaints handling

ESV recorded 890 complaints for the year, which was a 3 per cent increase from 2012–13. This is the first year that ESV has not had a significant increase (more than 5 per cent) in recorded complaints. However, the number referred to other organisations was down to 99 from 117 the previous year and if these are removed from the calculation, it represents a 6 per cent increase.

The majority of complaints continue to be about electrical installations (54 per cent) while other complaints relate to electrical equipment (18 per cent) and COES (10 per cent), which were both slightly up on last year. Of the 890 complaints received, 91 per cent have been closed while 99 per cent of complaints were responded to within the agreed timeframe of five business days.

Over the past five years, complaints have shown seasonal trends with a rise in reports in the colder months and a drop over summer. This was not the case in 2013–14 with each season recording a similar number and summer having the highest number of reports and winter the lowest.

Seventy-two completed feedback forms were received by ESV in the 2013–14 financial year. This is the first full financial year that these forms have been available. Overall, feedback received by ESV has been largely positive with a high average rating (six out of seven) for each question. It is worth noting that the service rating is the highest and is often reported as being positive, even in cases where the complainant is dissatisfied with the outcome.

System improvements made during the 2013-14 financial year have allowed for the recording of additional information as well as improved reporting on that information. Additional improvements will eventually allow for automated reporting of all complaint information, including the new data fields.

## COMPARATIVE WORKFORCE DATA

Table 1:  
Ongoing employees June 2014

Number (headcount)	Vacant (positions)	Full-time (headcount)	Part-time (headcount)	FTE
123	10	119	4	121.75

Table 2:  
Fixed-term and casual employees

Number (headcount)	FTE
5	2.03

Table 3:  
Headcount breakdown by gender, age and classification

	Ongoing Employees (headcount)	Ongoing FTE	Fixed-term and casual FTE
<b>Gender</b>			
Male	89	89	1.02
Female	34	32.75	1.01
<b>TOTAL</b>	<b>123</b>	<b>121.75</b>	<b>2.03</b>
<b>Age</b>			
Under 25	3	3	0.01
25 – 34	25	24.6	0.02
35 – 44	18	17.15	2
45 – 54	40	40	0
55 – 64	31	31	0
Over 65	6	6	0
<b>TOTAL</b>	<b>123</b>	<b>121.75</b>	<b>2.03</b>

# Finance, Business Services, ICT and Project Management

## Goals

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

## Outcomes

### Finance

The Finance section has delivered upon its goals for compliance with all ESV's statutory requirements. It has also maintained ESV's financial viability via the provision of efficient, effective and accurate accounting services. The section has delivered improved analysis and reporting from the Business Management System, which was deployed during the previous financial period.

### Information technology (ICT) and Project Management Office

The ICT and PMO sections were restructured into a single unit during 2013–14. The new unit consists of three sub-units covering Business Engagement, Business Solutions and Operations and Services. All three sub-units have been structured to ensure the continued high level of timely and secure ICT services, targeted project services and system enhancements for the business. This will continue to deliver adherence to corporate objectives, ensure oversight and governance is maintained and provide secretariat service to the Executive Project Management Group, which sets the strategic direction for all projects within ESV.

During the year the ICT program has seen the deployment of systems that continue to enhance ESV's business processes. Systems deployed during the year included Pipelines Information Management System (PIMS), Gas Application Database, GIAS Scheduler Phase One, Data Management and Infrastructure Business Continuity. There have also been system enhancements to the PEGA application suite throughout the year and an upgrade to the TRIM system to ensure ongoing functionality and support. A number of priority projects for 2014–15 have also commenced to ensure that ESV systems are up-to-date and secure. This includes upgrades to the licensing and compliance system, as well as the website and intranet.

During the year a review of the existing system engineering architecture has been undertaken to ensure ongoing performance, identify new capabilities and improve planning for future growth.

## Financial review of operations

	2013–14	2012–13*	2011–12	2010–11	2009–10
Total revenue	31,651	29,687	29,110	27,437	22,169
Total expenses	31,042	30,440	29,096	29,349	21,412
Operating surplus/(deficit)	609	(753)	14	(1,912)	757
Total assets	10,926	12,103	13,197	9,440	9,564
Total liabilities	7,039	8,825	9,166	5,423	3,635
Net assets	3,887	3,278	4,031	4,017	5,929
Total equity	3,887	3,278	4,031	4,017	5,929

\*2012-13 has been restated.

### Finance summary

ESV operates on the basis of fully recovering its costs from industry rather than through government appropriation. The overall result for 2013–14 was a surplus of \$0.609m. ESV's income and expenditure for 2013–14 were both within in 1 per cent of the 2013–14 Corporate Plan estimates and reforecast estimates. This has ensured ESV delivered on its financial strategic objectives and was within the +/-5% detailed in the FICT operational plan for ESV. This has been achieved through strong financial management and realising efficiency gains throughout the year.

Overall revenue has increased by \$1.964m in comparison to 2012–13. The movement has been largely driven by increased levy income (\$1.746m), increased fee income that was mainly driven by increases in appliance efficiency fees (\$0.208m), electrolysis income (\$0.176m), COES sales (\$0.081m) and equipment safety fees (\$0.062m). There has also been increased interest income (\$0.026m). These have been offset by lower licensing income (\$0.102m) and reduced other income (\$0.238m).

The overall movement in expenditure of \$0.602m in comparison to 2012–13 has been mainly driven by increased employee expenditure (\$0.079m). This is reflected in the main from salary increases per the EBA. There were also increases in advertising and public relations costs (\$0.326m) associated with planned awareness campaigns for gas and electricity, expenditure against computers (\$0.452m) – this is in line with establishing/maintaining improved systems and use of contractors in assisting in delivery of ICT projects and short-term assignments to meet business delivery (\$0.442m). The increased costs have been offset by reductions in audit costs associated with COES compliance (\$0.400m), improved management of ESV motor vehicles (\$0.166m), reduction in the use of consultants (\$0.401m) and other operating expense reductions totalling \$0.322m. Non-cash items have increased (\$0.592m) following the write off of the Licensing and Compliance software following the Federal Government's decision to de-establish NOLA.

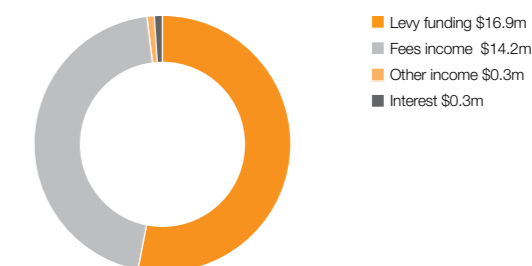
## Discussion and analysis – Comprehensive operating statement

### Income

Total income for the 2013–14 year was \$31.7m, which is an increase of \$2.0m over the previous year's total of \$29.7m. The major reasons for this variation are increased levy contributions (\$1.7m), increased fee income (\$0.4m) and minor decreases in other income (\$0.1m). The Comprehensive operating statement and note 2 discloses the individual movements over the financial period.

### Income

Total income \$31.7m

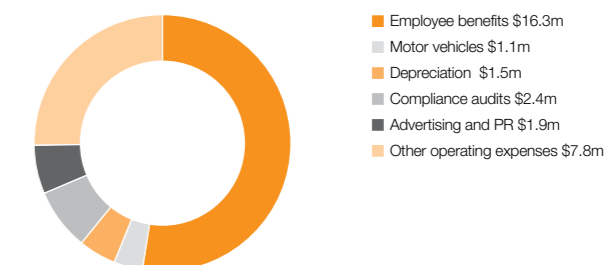


### Expenses

Total expenses for the 2013–14 year were \$31.0m compared to \$30.4m for 2012–13. The increase of \$0.6m can be attributed mainly to increased employee benefit payments (\$0.1m), increased advertising and public relations costs (\$0.3m), increased contractor expense (\$0.5m) and increased computing expenditure (\$0.5m) offset by reductions in audit costs (\$0.4m), motor vehicles (\$0.2m), decreased use of consultants (\$0.4m) and various other movements in general expenses decreased by \$0.3m. Other economic flows that are non-cash items (including depreciation and amortization) have increased by \$0.6m following the write-off of the licensing and compliance software further to the Federal Government's decision to de-establish NOLA. The Comprehensive Operating Statement and note 3 discloses the individual movements over the financial period.

### Expenses

Total expenses \$31.0m





# Finance, Business Services, ICT and Project Management

## Discussion and analysis – Balance sheet

### Assets

Total assets at 30 June 2014 were \$10.9m compared to the 2012–13 total of \$12.1m. The major elements of the variation (\$1.2m) were a net decrease in plant and equipment and intangible assets (\$1.3m) and an increase in financial assets (\$0.1m).

### Financial assets

Financial assets totalled \$7.1m (2012–13 \$7.0m). The major decrease was in receivables (\$1.5m) offset by increased cash at bank and deposits (\$1.6m).

### Non-financial assets

Non-financial assets totalled \$3.8m (2012–13 \$5.1m). The major movement being caused by movement in asset classes, such as a write-off of assets held in WIP. There was also a decrease being plant and equipment and intangible assets (\$1.7m) offset by an increase in pre-paid expenditure (\$0.4m).

### Liabilities

Total liabilities at 30 June 2014 amounted to \$7.0m compared to the previous year's total of \$8.8m. The variation of \$1.8m is primarily the result of the loan reduction following an early repayment of part of the loan principal (\$2.0m). Other changes contributing to the movement are increased payables \$(0.6m) offset by decreases in employee entitlement provisions (\$0.1m) and fees in advance (\$0.1m).

### Employee entitlements

A total of \$2.9m (2012 \$3.0m) is accrued for annual leave and long service leave payments to staff. Most of this will become payable at a future date.

### Borrowings

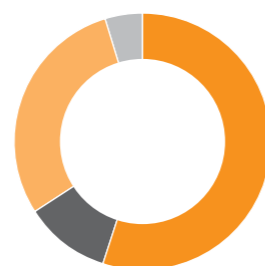
A total of \$2.0m (2012 \$4.0m), with repayments over a four-year period.

### Goods or services not yet paid for

At the end of the year a total of \$1.8m was owed for goods or services already provided but not yet paid for. This was an increase of \$0.6m over the corresponding figure last year.

### Assets

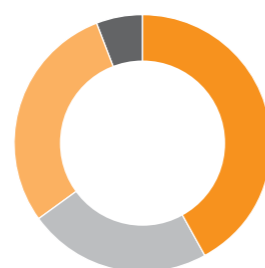
Total assets \$10.9m



- Cash & deposits \$6.0m
- Receivables \$1.2m
- Plant & equipment \$3.2m
- Prepayments \$0.5m

### Liabilities

Total liabilities \$7.0m



- Provisions for employee entitlements \$2.9m
- Payables \$1.7m
- Borrowings \$2.0m
- Other liabilities \$0.4m

# Financial statements

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

The attached financial statements for Energy Safe Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of Energy Safe Victoria as at 30 June 2014.

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

We authorise the attached financial statements for issue on 22 August 2014.

**Paul Fearon**  
Director of Energy Safety  
22 August 2014

**Doug Bolam**  
Chief Financial Officer  
22 August 2014

# Financial statements

## Comprehensive operating statement for the financial year ended 30 June 2014

(\$ thousand)

	Notes	2014	2013
<b>CONTINUING OPERATIONS</b>			
<b>Income from transactions</b>			
Sales of goods and services			
Fee income	2(a)	14,187	13,758
Levy income	2(a)	16,885	15,138
Interest	2(b)	276	250
Other income	2(c)	303	541
<b>Total income from transactions</b>		<b>31,651</b>	<b>29,687</b>
<b>Expenses from transactions</b>			
Employee expenses	3(a)	16,259	16,181
Compliance audit expenses		2,356	2,756
Public relations and advertising		1,929	1,603
Motor vehicles		1,080	1,246
Consulting fees		655	1,056
Interest expense		110	133
Depreciation	3(b)	1,515	1,597
Other operating expenses	3(c)	6,436	5,758
<b>Total expenses from transactions</b>		<b>30,340</b>	<b>30,330</b>
<b>Net result from transactions (net operating balance)</b>		<b>1,311</b>	<b>(643)</b>
<b>OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT</b>			
Net gain/(loss) on non-financial assets	4(a)	(656)	(66)
Net gain/(loss) on financial instruments	4(b)	-	(6)
Other gain/(loss) from other economic flows	4(c)	(46)	(38)
<b>Total other economic flows included in net result</b>		<b>(702)</b>	<b>(110)</b>
<b>Net result from continuing operations</b>		<b>609</b>	<b>(753)</b>
<b>NET RESULT</b>		<b>609</b>	<b>(753)</b>
<b>COMPREHENSIVE RESULT</b>		<b>609</b>	<b>(753)</b>

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

## Balance sheet as at 30 June 2014

(\$ thousand)

	Notes	2014	2013
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and deposits		5,959	4,365
Receivables	6	1,180	2,643
<b>Total financial assets</b>		<b>7,139</b>	<b>7,008</b>
<b>Non-financial assets</b>			
Plant and equipment	7	1,911	2,512
Intangible assets	8	1,337	2,442
Prepaid expenditure		539	141
<b>Total non-financial assets</b>		<b>3,787</b>	<b>5,095</b>
<b>Total assets</b>		<b>10,926</b>	<b>12,103</b>
<b>LIABILITIES</b>			
Payables	9(a)	1,761	1,192
Borrowings	10	1,966	4,000
Provisions	11	2,913	3,033
Other liabilities	9(b)	199	247
Fees in advance	1(F)	200	353
<b>Total liabilities</b>		<b>7,039</b>	<b>8,825</b>
<b>Net assets</b>		<b>3,887</b>	<b>3,278</b>
<b>EQUITY</b>			
Accumulated surplus/(deficit)		277	(332)
Contributed capital		3,610	3,610
<b>Net worth</b>		<b>3,887</b>	<b>3,278</b>
Commitments for expenditure	13		
Contingent liabilities and contingent assets	14		

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

# Financial statements

## Statement of changes in equity for the financial year ended 30 June 2014

(\$ thousand)

	Accumulated surplus/(deficit)	Contributions by owner	Total
<b>Balance at 1 July 2012</b>	421	3,610	<b>4,031</b>
Net result for the year	(753)	-	<b>(753)</b>
<b>Balance at 30 June 2013</b>	<b>(332)</b>	<b>3,610</b>	<b>3,278</b>
Net result for the year	609	-	<b>609</b>
<b>Balance at 30 June 2014</b>	<b>277</b>	<b>3,610</b>	<b>3,887</b>

Note:

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

## Cash flow statement for the financial year ended 30 June 2014

(\$ thousand)

	Notes	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from other entities		31,781	28,393
Goods and Services Tax recovered from the ATO <sup>(i)</sup>		989	976
Interest received		274	250
<b>Total receipts</b>		<b>33,044</b>	<b>29,619</b>
<b>Payments</b>			
Payments to suppliers and employees		(28,876)	(28,471)
Interest and other costs of finance paid		(121)	(129)
<b>Total payments</b>		<b>(28,997)</b>	<b>(28,600)</b>
<b>Net cash flows from/(used in) operating activities</b>	16	<b>4,047</b>	<b>1,019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of non-financial assets		(419)	(847)
<b>Net cash flows from/(used in) investing activities</b>		<b>(419)</b>	<b>(847)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of borrowings		(2,034)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>(2,034)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,594</b>	<b>172</b>
Cash and cash equivalents at the beginning of the financial year		4,365	4,193
<b>Cash and cash equivalents at the end of the financial year</b>		<b>5,959</b>	<b>4,365</b>

Note:

(i) GST received from the ATO is presented on a net basis.

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

# Notes to the financial statements for the financial year ended 30 June 2014

## Note 1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Energy Safe Victoria (ESV) for the period ended 30 June 2014. The purpose of the report is to provide users with information about ESV's stewardship of resources entrusted to it.

### (A) Statement of compliance

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

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

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 21.

These annual financial statements were authorised for issue by Paul Fearon, ESV's Director of Energy Safety, on 22 August 2014.

### (B) Basis of accounting preparation and measurement

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

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

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

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

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

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

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

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

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

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

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

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

### (C) Reporting entity

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

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

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

### Objectives

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

### (D) Scope and presentation of financial statements Comprehensive operating statement

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

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

### Balance sheet

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

### Cash flow statement

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

### Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the Comprehensive result and amounts related to Transactions with owner in its capacity as owner.

### Rounding

Amounts in the financial statements have been rounded to the nearest \$1000, unless otherwise stated. Figures in the financial statements may not equate due to rounding. Please refer to the end of Note 21 for a style convention for explanations of minor discrepancies resulting from rounding.

### (E) Changes in accounting policies

Subsequent to the 2012–13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

### AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when ESV is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. ESV has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, ESV has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair value recognised.

However, AASB 13 has predominantly impacted the disclosures of ESV. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*. The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

### AASB 119 Employee Benefits

In 2013–14, ESV has applied AASB 119 Employee benefits (September 2011, as amended) and the related consequential amendments for the first time. The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the state's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on ESV.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances that were previously classified by ESV as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis. This change in classification has not materially altered ESV's measurement of annual leave provision.

# Notes to the financial statements for the financial year ended 30 June 2014

## (F) Income from transactions

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

### Sale of goods and services

Material ESV revenues arising from fee and levy income.

#### Fee income

- Sales of Certificates of Electrical Safety are recognised upon invoicing.
- Registration and licence fees paid by electrical workers are recognised upon receipt of income by ESV.
- Fees paid by members of the Victorian Electrolysis Committee to cover mitigation costs in accordance with the Electricity Safety Act 1998 are recognised upon invoicing.
- Fees paid by manufacturers and importers of electrical equipment for Certificate of Safety approval prior to the goods being made available for sale are recognised upon receipt of income.
- Other sales and services include appliance efficiency that is recognised upon receipt of income.

#### Levy income

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

### Interest

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

### Other income

Other income comprises income from installation exemptions, workers' compensation and reimbursements, court determinations, sundry advertising co-contributions and bad debt reversals.

### Income in advance

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

## (G) Expenses from transactions

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

### Employee expenses

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

### Superannuation

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

### Compliance audit expenses

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

### Depreciation

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

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

Asset	Useful life
Furniture and fittings	2–10 years
Equipment	2–5 years
Leasehold improvements	5–7 years
Capitalised software development costs	3–7 years
Vehicle	5 years

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

### Interest expense

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

### Other operating expenses

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

#### Supplies and services

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

#### Bad and doubtful debts

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

## (H) Other economic flows included in the net result

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

### Net gain/(loss) on non-financial assets

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

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

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

#### Net gain/(loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

#### Amortisation of non-produced intangible assets

Intangible non-produced assets with finite lives are amortised as an other economic flow on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

#### Impairment of non-financial assets

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

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

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

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

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

### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

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

### Other gains/(losses) from other economic flows

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

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

## (I) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of ESV's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of ESV are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

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

# Notes to the financial statements for the financial year ended 30 June 2014

The following refers to financial instruments unless otherwise stated.

## Categories of non-derivative financial instruments

### (i) Loans and receivables

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

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

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

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

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

### (iii) Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

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

## Offsetting financial instruments

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

## (J) Financial assets

### Cash and deposits

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

### Receivables

Receivables consist of:

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

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

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

For the measurement principle of receivables, refer to Note 1(I).

### Derecognition of financial assets

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

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

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

### Impairment of financial assets

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

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

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

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

## (K) Non-financial assets

### Plant and equipment

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

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost. ESV's asset policy sets the minimum asset capitalisation threshold of individual units at greater than \$5,000.

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

### Leasehold improvements

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

### Revaluations of non-financial physical assets

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

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

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

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

## Intangible assets

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

When the recognition criteria in AASB 138 Intangible Assets are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Refer to Note 1(G) Depreciation, Note 1(H) Amortisation of non-produced intangible assets and Note 1(H) Impairment of non-financial assets.

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

## Other non-financial assets

### Prepayments

Other non-financial assets include prepayments, which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## (L) Liabilities

### Payables

Payables consist of:

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

# Notes to the financial statements for the financial year ended 30 June 2014

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

## Borrowings

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

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

## Provisions

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

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

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

## Employee benefits

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

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

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

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave 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.

### (ii) Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where ESV does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

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

### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

ESV recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## On-costs

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

## (M) Operating leases

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

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term. The leased asset is not recognised in the balance sheet.

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

## (N) Equity

### Contributions by owners

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

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

## (O) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts.

ESV has the following commitments - a) motor vehicle operating leases, b) office equipment leases and c) property occupancy leases for its offices at 4 Riverside Quay, Southbank and 540 Springvale Rd, Glen Waverley.

The above commitments are disclosed by way of a note (refer to Note 13) at their nominal value and inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

## (P) Contingent assets and contingent liabilities

As a regulator, ESV has the responsibility to prosecute for breaches of the Electricity, Gas Safety and Pipelines Acts and associated regulations.

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of a note (refer to Note 14) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

## (Q) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(O) and Note 1(P)).

## (R) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between ESV and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events that occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

# Notes to the financial statements for the financial year ended 30 June 2014

## (S) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2014, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2014. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on/after	Impact on public sector entity financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 January 2017	Preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 1055 Budgetary Reporting	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 July 2014	This standard is not applicable as no budget disclosure is required.

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

## (T) Correction of error

Due to the incorrect reporting of employee leave entitlement balances in 2012–13, employee expense and employee benefits provision for 2012–13 was understated as at 30 June 2013. The opening employee benefits provision as at 1 July 2012 was not affected by this error.

This error has been corrected by restating each of the affected financial statement line items for the prior year. Refer to Note (5) for further disclosures.

## Note 2 Income from transactions

	(\$ thousand)	
	2014	2013
<b>(A) SALES OF GOODS AND SERVICES</b>		
<b>Fee income</b>		
Certificates of Electrical Safety	8,727	8,646
Licence fees	3,046	3,148
Electrolysis	1,517	1,341
Approval fees	394	328
Appliance efficiency fees	503	295
	14,187	13,758
<b>Levy income</b>		
Industry levy – Gas	8,689	7,189
Industry levy – Electricity	7,472	7,290
Industry levy – Gas pipelines	724	659
	16,885	15,138
<b>Total revenue from sale of goods and services</b>	<b>31,072</b>	<b>28,896</b>
<b>(B) INTEREST</b>		
<b>Interest from financial assets not at fair value through profit or loss</b>		
Interest on bank deposits	276	250
<b>Total interest</b>	<b>276</b>	<b>250</b>
<b>(C) OTHER INCOME</b>		
Other income	297	539
Bad debt reversal	6	2
<b>Total other income</b>	<b>303</b>	<b>541</b>

## Note 3 Expenses from transactions

	(\$ thousand)	
	2014	2013
<b>(A) EMPLOYEE EXPENSES</b>		
<b>Fee income</b>		
Salaries, wages and long service leave	13,831	13,161
Salary on-costs	1,029	1,407
<b>Post-employment benefits</b>		
Defined contribution superannuation expense	1,203	1,063
Defined benefit superannuation expense	96	270
Termination benefits	100	280
<b>Total employee benefits</b>	<b>16,259</b>	<b>16,181</b>
<b>(B) DEPRECIATION</b>		
Plant and equipment	733	872
Intangible produced assets	782	725
<b>Total depreciation</b>	<b>1,515</b>	<b>1,597</b>
<b>(C) OTHER OPERATING EXPENSES</b>		
<b>Supplies and services</b>		
Rent and outgoings	1,212	1,215
Printing and stationery	233	257
Telecommunications	214	276
Legal fees	48	59
Administration fees - Certificates of Electrical Safety	338	359
Insurance	508	848
Computer expenses	1,554	1,092
Travel expenses	173	149
Compliance and audit services (including Bushfire Mitigation)	254	228
Other expenses	1,902	1,274
<b>Total other operating expenses</b>	<b>6,436</b>	<b>5,758</b>



# Notes to the financial statements for the financial year ended 30 June 2014

## Note 4 Other economic flows included in net result

	(\$ thousand)	
	2014	2013
<b>(A) NET GAIN/(LOSS) ON NON-FINANCIAL ASSETS</b>		
Net gain/(loss) on disposal of plant and equipment	-	(66)
Impairment of intangible assets	(656)	-
<b>Total net gain/(loss) on non-financial assets</b>	<b>(656)</b>	<b>(66)</b>
<b>(B) NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS</b>		
Impairment of:		
Loans and receivables through provision for doubtful debts	-	(6)
<b>Total net gain/(loss) on financial instruments</b>	<b>-</b>	<b>(6)</b>
<b>(C) OTHER GAIN/(LOSS) FROM OTHER ECONOMIC FLOWS</b>		
Net gain/(loss) arising from revaluation of long service liability	(46)	(38)
<b>Total other gain/(loss) from other economic flows</b>	<b>(46)</b>	<b>(38)</b>
<b>TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT</b>	<b>(702)</b>	<b>(110)</b>

## Note 5 Correction of error

A reporting error resulted in ESV recognising an incorrect employee leave entitlement balance as at 30 June 2013. This error resulted in the understatement of employee expense for the year ended 30 June 2013 by \$164,648. The employee benefits provision for the year ended 30 June 2013 was also understated by \$164,648.

The error also had the effect of increasing the deficit position in the comprehensive result, total liabilities and the accumulated deficit as at 30 June 2013.

This error has been corrected by restating each of the affected financial statement line items for the prior year.

## Note 6 Receivables

	(\$ thousand)	
	2014	2013
<b>CURRENT RECEIVABLES</b>		
<b>Contractual</b>		
Distribution Businesses	-	1,448
Agent – Certificate of Electrical Safety	584	927
Electrolysis fees	-	72
Other receivables	410	103
Provision for doubtful contractual receivables	-	(6)
	<b>994</b>	<b>2,544</b>
<b>Statutory</b>		
Fines and regulatory fees	-	-
GST input tax credit recoverable	186	99
	<b>186</b>	<b>99</b>
<b>Total current receivables</b>	<b>1,180</b>	<b>2,643</b>
<b>Total non-current receivables</b>	<b>-</b>	<b>-</b>
<b>TOTAL RECEIVABLES</b>	<b>1,180</b>	<b>2,643</b>
<b>(A) MOVEMENT IN THE PROVISION OF DOUBTFUL CONTRACTUAL LIABILITIES</b>		
<b>Balance at beginning of the year</b>	(6)	(7)
Reversal of unused provision recognised in the net result	6	3
Increase in provision recognised in the net result	-	(6)
Reversal of provision of receivables written off during the year as uncollectable	-	4
<b>Balance at end of the year</b>	<b>-</b>	<b>(6)</b>

## Note 7 Plant and equipment

Table 7.1 Classification by Purpose Groups – Gross carrying amount and accumulated depreciation		(\$ thousand)				
PUBLIC SAFETY AND ENVIRONMENT	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2014	2013	2014	2013	2014	2013
<b>Nature-based classification</b>						
Plant and equipment at fair value						
Furniture and fittings	477	467	158	135	319	332
Equipment	2,082	3,588	1,799	2,945	283	643
Leasehold improvements	1,881	1,881	690	393	1,191	1,488
Vehicle	49	-	10	-	39	-
Assets under construction at cost	79	49	-	-	79	49
<b>Net carrying amount of plant and equipment</b>	<b>4,568</b>	<b>5,985</b>	<b>2,657</b>	<b>3,473</b>	<b>1,911</b>	<b>2,512</b>

Table 7.2 Movements in carrying amounts by purpose group		(\$ thousand)				
PUBLIC SAFETY AND ENVIRONMENT	Plant and equipment at fair value		Assets under construction at cost		Total	
	2014	2013	2014	2013	2014	2013
Opening balance	2,463	3,290	49	-	2,512	3,290
Additions	-	111	132	49	132	160
Disposals	-	(66)	-	-	-	(66)
Impairment of assets	-	-	-	-	-	-
Transfers between asset sub-classes	-	-	-	-	-	-
Transfer in/out of asset under construction	102	-	(102)	-	-	-
Depreciation	(733)	(872)	-	-	(733)	(872)
<b>Closing balance</b>	<b>1,832</b>	<b>2,463</b>	<b>79</b>	<b>49</b>	<b>1,911</b>	<b>2,512</b>

Table 7.3 Aggregate depreciation recognised as an expense during the year		(\$ thousand)	
	2014	2013	
<b>Plant and equipment</b>			
Furniture and fixtures		(23)	(51)
Equipment		(403)	(527)
Leasehold improvements		(297)	(294)
Vehicle		(10)	-
	<b>(733)</b>	<b>(872)</b>	

# Notes to the financial statements for the financial year ended 30 June 2014

## Note 7 Plant and equipment (continued)

Table 7.4  
Fair value measurement hierarchy for assets as at 30 June 2014 (\$ thousand)

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
Plant and equipment at fair value	1,911	-	-	1,911

### Notes

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

### Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2014. For all assets measured at fair value, the current use is considered the highest and best use.

Table 7.5  
Reconciliation of Level 3 fair value (\$ thousand) Plant and Equipment

<b>Opening balance</b>	<b>2,512</b>
Purchases	132
Transfers in (out) of Level 3	-
Gains or losses recognised in net result	
Depreciation	(733)
Impairment loss	-
<b>Subtotal</b>	<b>(733)</b>
Gains or losses recognised in other economic flows - other comprehensive income	
Revaluation	-
<b>Subtotal</b>	<b>-</b>
<b>Closing balance</b>	<b>1,911</b>
<b>Unrealised gains/(losses) on non-financial assets</b>	<b>-</b>

Table 7.6  
Description of significant unobservable inputs to Level 3 valuations

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

## Note 8 Intangible assets

(\$ thousand)

	Computer software		Work in progress		Total	
	2014	2013	2014	2013	2014	2013
<b>Gross carrying amount</b>						
Opening balance	3,027	2,917	812	815	3,839	3,732
Additions	-	22	403	613	403	635
Other - Transfers between asset sub-classes	-	514	-	(617)	-	(103)
Transfer out of work in progress	-	-	(71)	-	(71)	-
Disposals	-	(426)	-	-	-	(426)
<b>Closing balance</b>	<b>3,027</b>	<b>3,027</b>	<b>1,144</b>	<b>812</b>	<b>4,171</b>	<b>3,838</b>
<b>Accumulated depreciation</b>						
Opening balance	(1,396)	(1,097)	-	-	(1,396)	(1,097)
Depreciation of intangible produced assets	(782)	(725)	-	-	(782)	(725)
Impairment losses charged to net result(i)	-	-	(656)	-	(656)	-
Disposals	-	426	-	-	-	426
<b>Closing balance</b>	<b>(2,178)</b>	<b>(1,396)</b>	<b>(656)</b>	<b>-</b>	<b>(2,834)</b>	<b>(1,396)</b>
<b>Net book value at the end of the financial year</b>	<b>849</b>	<b>1,631</b>	<b>488</b>	<b>812</b>	<b>1,337</b>	<b>2,442</b>

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

## Note 9(a) Payables

	(\$ thousand)	
	2014	2013
<b>CURRENT PAYABLES</b>		
<b>Contractual</b>		
Amounts payable to government and agencies	13	7
Supplies and services	1,748	1,185
<b>Total current payables</b>	<b>1,761</b>	<b>1,192</b>
<b>TOTAL PAYABLES</b>	<b>1,761</b>	<b>1,192</b>

## Note 9(b) Other liabilities

	(\$ thousand)	
	2014	2013
<b>CURRENT OTHER LIABILITIES</b>		
Lease incentive	199	247
<b>Total current other liabilities</b>	<b>199</b>	<b>247</b>
<b>TOTAL OTHER LIABILITIES</b>	<b>199</b>	<b>247</b>

# Notes to the financial statements for the financial year ended 30 June 2014

## Note 10 Borrowings

	(\$ thousand)	
	2014	2013
<b>CURRENT BORROWINGS</b>		
<b>Unsecured</b>		
Loans from Treasury Corporation of Victoria	654	1,029
<b>Total current borrowings</b>	<b>654</b>	<b>1,029</b>
<b>NON-CURRENT BORROWINGS</b>		
<b>Unsecured</b>		
Loans from Treasury Corporation of Victoria	1,312	2,971
<b>Total non-current borrowings</b>	<b>1,312</b>	<b>2,971</b>
<b>TOTAL BORROWINGS</b>	<b>1,966</b>	<b>4,000</b>

Note 15 discloses the maturity analysis and the nature and extent of risks arising from borrowings. During the current and prior year, there were no defaults or breaches of the loans.

## Note 11 Provisions

	(\$ thousand)	
	2014	2013
<b>CURRENT PROVISIONS</b>		
<b>Employee benefits</b>		
Unconditional and expected to be settled within 12 months (annual leave)	924	922
Unconditional and expected to be settled after 12 months (annual leave)	163	163
Unconditional and expected to be settled within 12 months (long service leave)	127	108
Unconditional and expected to be settled after 12 months (long service leave)	1,208	1,339
	<b>2,422</b>	<b>2,532</b>
<b>Provisions related to employee benefit on-costs</b>		
Unconditional and expected to be settled within 12 months	229	253
Unconditional and expected to be settled after 12 months	227	247
	<b>456</b>	<b>500</b>
<b>Total current provisions</b>	<b>2,878</b>	<b>3,032</b>
<b>NON-CURRENT PROVISIONS</b>		
Employee benefits	30	1
Employee benefit on-costs	5	-
<b>Total non-current provisions</b>	<b>35</b>	<b>1</b>
<b>TOTAL PROVISIONS</b>	<b>2,913</b>	<b>3,033</b>

## Note 11 Provisions (continued)

	(\$ thousand)
(a) Movement in provisions	On-costs 2014
<b>OPENING BALANCE</b>	500
Additional provisions recognised	318
Reductions arising from payments	(344)
Unwinding of discount and effect of changes in the discount rate	(13)
<b>Closing balance</b>	<b>461</b>
Current	456
Non-current	5
	<b>461</b>

## Note 12 Superannuation

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

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

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

ESV made contributions (totalling \$1,299,288) to the following major superannuation funds during the year (2013 \$1,332,457):

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

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

## Note 13 Commitments for expenditure

	(\$ thousand)	
	2014	2013
<b>(A) LEASE COMMITMENTS PAYABLE</b>		
<b>(i) Motor vehicle operating lease commitments payable</b>		
Less than 1 year	644	666
Longer than 1 year but no longer than 5 years	846	1,138
5 years or more	-	-
<b>(ii) Office accommodation lease commitments payable</b>		
Less than 1 year	1,415	1,352
Longer than 1 year but no longer than 5 years	3,070	4,375
5 years or more	-	110
<b>Total lease commitments</b>	<b>5,975</b>	<b>7,641</b>
<b>Total commitments for expenditure (inclusive of GST)</b>	<b>5,975</b>	<b>7,641</b>

The 2013-14 gross office accommodation commitment includes the lease on premises and outgoings for 4 Riverside Quay, Southbank and 540 Springvale Rd, Glen Waverley. The lease at 4 Riverside Quay, Southbank, expires in 2018 and is subject to annual increase of 5 per cent. The lease at 540 Springvale Rd, Glen Waverley expires in 2015 and is subject to annual increase of 4 per cent.

The above commitments are inclusive of GST.

# Notes to the financial statements for the financial year ended 30 June 2014

## Note 14 Contingent assets and contingent liabilities

	(\$ thousand)	
	2014	2013
<b>CONTINGENT LIABILITIES</b>		
Bank guarantee in favour of the Mirvac Property Group related to L5, 4 Riverside Quay, Southbank, Victoria 3006	338	338
<b>Total contingent liabilities</b>	<b>338</b>	<b>338</b>

## Note 15 Financial instruments

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

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

Table 15.1 (\$ thousand)		
Categorisation of financial instruments	2014	2013
<b>CONTRACTUAL FINANCIAL ASSETS</b>		
Cash and deposits	5959	4,365
<b>Receivables</b>		
Sales of goods and services	584	2,441
Other receivables	410	103
<b>Total contractual financial assets</b>	<b>6,953</b>	<b>6,909</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Payables at amortised cost</b>		
Other payables	1,761	1,192
<b>Borrowings at amortised cost</b>		
Loan from Treasury Corporation of Victoria	1,966	4,000
<b>Total contractual financial liabilities</b>	<b>3,727</b>	<b>5,192</b>

### (B) Credit risk

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

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

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

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

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

The following table discloses the maximum exposure to credit risk and the ageing of financial assets that are past due but not impaired:

Table 15.2 (\$ thousand)						
	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired financial assets
			Less than 1 month	1-3 months	3 months - 1 year	
<b>2014</b>						
Receivables	994	875	111	-	8	-
	<b>994</b>	<b>875</b>	<b>111</b>	<b>-</b>	<b>8</b>	<b>-</b>
<b>2013</b>						
Receivables	2,544	2,331	32	84	97	6
	<b>2,544</b>	<b>2,331</b>	<b>32</b>	<b>84</b>	<b>97</b>	<b>6</b>

# Notes to the financial statements for the financial year ended 30 June 2014

## (C) Liquidity risk

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

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

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

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

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

	Carrying amount	Nominal amount	Less than 1 month	Maturity dates		
				1-3 months	3 months - 1 year	1-5 years
<b>2014</b>						
<b>Payables</b>						
Other payables	1,761	1,761	1,757	4	-	-
<b>Borrowings</b>						
Loans from Treasury Corporation of Victoria	1,966	1,966	54	108	492	1,312
	<b>3,727</b>	<b>3,727</b>	<b>1,811</b>	<b>112</b>	<b>492</b>	<b>1,312</b>
<b>2013</b>						
<b>Payables</b>						
Other payables	1,192	1,192	1,191	1	-	-
<b>Borrowings</b>						
Loan from Treasury Corporation of Victoria	4,000	4,000	-	-	-	4,000
	<b>5,192</b>	<b>5,192</b>	<b>1,191</b>	<b>1</b>	<b>-</b>	<b>4,000</b>

## (D) Market risk

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

### Interest rate risk

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

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

ESV has minimal exposure to cash flow interest rate risks through its cash and deposits and term deposits that are at floating rate.

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

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 15.4. In addition, ESV's sensitivity to interest rate risk is set out in Table 15.5.

	Interest rate%	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
<b>2014 Financial assets</b>					
Cash and deposits	2.5%	5,959	5,000	959	-
Receivables	-	994	-	-	994
<b>Total financial assets</b>		<b>6,953</b>	<b>5,000</b>	<b>959</b>	<b>994</b>
<b>Financial liabilities</b>					
Payables					
Other payables	-	1,761	-	-	1,761
Borrowings					
Loan from Treasury Corporation of Victoria	3.2%	1,966	1,966	-	-
<b>Total financial liabilities</b>		<b>3,727</b>	<b>1,966</b>	<b>-</b>	<b>1,761</b>
<b>2013 Financial assets</b>					
Cash and deposits	2.6%	4,365	3,500	865	-
Receivables					
Other receivables	-	2,544	-	-	2,544
<b>Total financial assets</b>		<b>6,909</b>	<b>3,500</b>	<b>865</b>	<b>2,544</b>
<b>Financial liabilities</b>					
Payables					
Other payables	-	1,192	-	-	1,192
Borrowings					
Loan from Treasury Corporation of Victoria	3.2%	4,000	-	4,000	-
<b>Total financial liabilities</b>		<b>5,192</b>	<b>-</b>	<b>4,000</b>	<b>1,192</b>

# Notes to the financial statements for the financial year ended 30 June 2014

## Sensitivity disclosure analysis and assumptions

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and

experience of the financial markets, ESV believes that it has virtually no exposure to market movements. Sensitivity analyses shown are for illustrative purposes only.

Table 15.5 Interest rate risk sensitivity		Interest Rate			
		-100 basis points		+100 basis points	
Carrying amount		Net result	Available-for-sale revaluation surplus	Net result	Available-for-sale revaluation surplus
<b>2014</b>					
<b>Contractual financial assets</b>					
Cash and deposits	5,959	(10)	-	10	-
<b>Total impact</b>	<b>5,959</b>	<b>(10)</b>	<b>-</b>	<b>10</b>	<b>-</b>
<b>Contractual financial liabilities</b>					
Borrowings	1,966	(20)	-	20	-
<b>Total impact</b>	<b>1,966</b>	<b>(20)</b>	<b>-</b>	<b>20</b>	<b>-</b>
		-100 basis points		+100 basis points	
Carrying amount		Net result	Available-for-sale revaluation surplus	Net result	Available-for-sale revaluation surplus
<b>2013</b>					
<b>Contractual financial assets</b>					
Cash and deposits	4,365	(9)	-	9	-
<b>Total impact</b>	<b>4,365</b>	<b>(9)</b>	<b>-</b>	<b>9</b>	<b>-</b>
<b>Contractual financial liabilities</b>					
Borrowings	4,000	(40)	-	40	-
<b>Total impact</b>	<b>4,000</b>	<b>(40)</b>	<b>-</b>	<b>40</b>	<b>-</b>

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

## (E) Fair value

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

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

Table 15.6 Comparison between carrying amount and fair value		(\$ thousand)			
		Carrying amount		Fair value	
		2014	2013	2014	2013
<b>Contractual financial assets</b>					
Cash and deposits		5,959	4,365	5,959	4,365
Receivables		994	2,441	994	2,435
<b>Total contractual financial assets</b>		<b>6,953</b>	<b>6,806</b>	<b>6,953</b>	<b>6,800</b>
<b>Contractual financial liabilities</b>					
Borrowings		1,966	4,000	1,966	4,000
Payables		1,761	1,192	1,761	1,192
<b>Total contractual financial liabilities</b>		<b>3,727</b>	<b>5,192</b>	<b>3,727</b>	<b>5,192</b>
<b>Net value</b>		<b>3,226</b>	<b>1,614</b>	<b>3,226</b>	<b>1,608</b>

## Note 16 Cash flow information

	(\$ thousand)	
	2014	2013
<b>RECONCILIATION OF NET RESULT FOR THE PERIOD</b>		
<b>Net result for the period</b>	609	(753)
<b>Non-cash movements</b>		
(Gain)/loss on sale or disposal of non-current assets	656	66
Depreciation and amortisation of non-current assets	1,515	1,597
Impairment of non-current assets	-	-
Increase/(decrease) in provision for bad and doubtful debts	(6)	(2)
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	1,469	374
(Increase)/decrease in other current assets	(397)	(77)
(Decrease)/increase in payables	524	(29)
(Decrease)/increase in other liabilities	(48)	(48)
(Decrease)/increase in provisions	(123)	285
(Decrease)/increase in fees in advance	(152)	(394)
<b>Net cash flows from/(used in) operating activities</b>	<b>4,047</b>	<b>1,019</b>

## Note 17 Responsible persons

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

### Names

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

### Minister for Energy and Resources

The Hon. Nicholas Kotsiras MP 1 July 2013 - 17 March 2014  
The Hon. Russell Northe MP 17 March 2014 - 30 June 2014

### Director of Energy Safety

Mr Paul Fearon 1 July 2013 - 30 June 2014

### Remuneration

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

\$260,000-\$269,999 (\$250,000-\$259,999 in 2012-13)

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

### Other transactions

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

# Notes to the financial statements for the financial year ended 30 June 2014

## Note 18 Remuneration of executives

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

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

### REMUNERATION OF EXECUTIVES

Income band	Total remuneration		Base remuneration	
	2014	2013	2014	2013
	No.	No.	No.	No.
\$120,000 – 129,999	-	-	-	1
\$130,000 – 139,999	1	-	1	1
\$140,000 – 149,999	-	2	1	1
\$150,000 – 159,999	1	-	1	1
\$160,000 – 169,999	1	1	-	1
\$170,000 – 179,999	-	1	1	-
\$180,000 – 189,999	1	1	1	1
\$190,000 – 199,999	2	-	1	2
\$200,000 – 209,999	1	1	-	-
\$210,000 – 219,999	-	-	-	-
\$220,000 – 229,999	-	2	2	-
\$230,000 – 239,999	-	-	-	-
\$240,000 – 249,999	2	-	-	-
<b>Total number of executives</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8</b>
Total annualised employee equivalent (AEE) <sup>(a)</sup>	8.6	8.2	8.6	8.2
<b>Total amount (\$000)</b>	<b>\$1,719,948</b>	<b>\$1,478,203</b>	<b>\$1,456,758</b>	<b>\$1,300,774</b>

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

ESV did not make any payments to contractors charged with significant management responsibilities from 1 July 2013 to 30 June 2014.

## Note 19 Remuneration of auditors

	(\$ thousand)	
	2014	2013
Audit of the financial statements - VAGO	30	28

Note: This amount is inclusive of GST.

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

## Note 20 Subsequent Events

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

## Note 21 Glossary of terms and style conventions

### Glossary

#### Amortisation

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

#### Borrowings

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

#### Commitments

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

#### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

#### Depreciation

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

#### Effective interest method

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

#### Employee benefits expenses

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

#### Financial asset

A financial asset is any asset that is:

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

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

#### Financial instrument

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

#### Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

#### Financial statements

A complete set of financial statements comprises:

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

# Notes to the financial statements for the financial year ended 30 June 2014

## Intangible produced assets

Refer to produced assets in this glossary.

## Interest expense

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

## Interest income

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

## Net result

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

## Net result from transactions/net operating balance

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

## Net worth

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

## Non-financial assets

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

## Other economic flows included in net result

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

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

## Other economic flows – other comprehensive income

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

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

## Payables

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

## Produced assets

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

## Receivables

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

## Sales of goods and services

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

## Supplies and services

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

## Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided / given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

## Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2013–14 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of ESV's annual reports.

# VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## INDEPENDENT AUDITOR'S REPORT

### To the Director, Energy Safe Victoria

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of Energy Safe Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

#### *The Director's Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

*Auditing in the Public Interest*



## Independent Auditor's Report (continued)

### Independence

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

### Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Energy Safe Victoria as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Energy Safe Victoria for the year ended 30 June 2014 included both in Energy Safe Victoria's annual report and on the website. The Director of Energy Safe Victoria is responsible for the integrity of Energy Safe Victoria's website. I have not been engaged to report on the integrity of Energy Safe Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
25 August 2014

*T. DH*  
for John Doyle  
Auditor-General

2

Auditing in the Public Interest

# Demonstrating accountability

## Accounting policies

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

## Stakeholders

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

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

# Demonstrating accountability

## Consultancies

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST)	Exp. to 30 June 2013 (ex. GST)	2013–14 expenditure (ex. GST)	Future expenditure (ex. GST)
<b>Battiston Consultancy</b>	Prepare ICT and Project Management Office organisational strategy	July 13	June 14	71	-	65	-
	Supplier selection for emergency call management services	April 13	Sept 13	22	15	4	-
<b>Plato Group</b>	Targeted recruitment services	July 12	Ongoing	180	90	50	40
<b>Glenergy Services</b>	Type B guides, training and standards	May 12	July 13	91	74	11	-
	Provide technical advice on complex gas appliance safety	July 13	Jan 15	145	-	51	94
<b>LSI Consulting</b>	GIAS review	June 13	August 13	68	-	68	-
	Atlas review	Nov 13	Nov 13	28	-	28	-
	Installation safety review	May 14	June 14	46	-	44	-
<b>Worley Parsons</b>	Investigation of pole top fires	May 14	June 14	19	-	19	-
	Review of Morwell 66kV incident	May 14	June 14	20	-	20	-
<b>Jaguar Consulting</b>	Draft regulatory impact statement of Electricity Safety Clearance Regulation and assist and lead discussions and negotiations with the Victorian Competition and Efficiency Commission	Oct 13	Aug 14	39	-	29	10
<b>Reactive Media</b>	Scoping and proof of concept for mobile business support	May 14	Jan 15	61	-	30	31
<b>Fish &amp; Nankivell Ogilvie Watson</b>	Infrastructure Safety recruitment	Mar 14	May 14	41	-	42	-
<b>Frontier Software</b>	Services to complete HRSS change requests	Apr 13	Sep 13	33	12	14	-
<b>Sinclair Knight Merz</b>	Implement Geographical Information Systems	Aug 13	Nov 13	29	-	28	-
<b>iedex online</b>	Provision of 360 Degree feedback services	Jan 14	Apr 14	22	-	34	-
<b>SMS Management &amp; Technology</b>	Proposal for Pipeline Database Application - discovery phase	Jul 13	Aug 13	22	-	21	-

Consultant	Purpose of consultancy	Start date	Target end date	Total approved project fee (ex. GST)	Exp. to 30 June 2013 (ex. GST)	2013–14 expenditure (ex. GST)	Future expenditure (ex. GST)
<b>Utilities Consolidated Holdings</b>	Insurance consultancy	Jul 13	Jun 14	30	-	17	-
<b>Action OHS Consulting</b>	OHS review and develop OHS action plan	Oct 13	Dec 13	13	-	13	-
<b>Technology One</b>	BMS post implementation support	Jul 13	Jun 14	13	-	12	-
<b>TOTAL</b>				<b>994</b>	<b>191</b>	<b>600</b>	<b>175</b>

## Details of consultancies under \$10,000

In 2013–14, 13 consultants received total fees payable of less than \$10,000. The total expenditure incurred during 2013–14 in relation to these consultancies is \$55,035 (excluding GST).

## Disclosure of major contracts

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

## Pecuniary interests

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

# Demonstrating accountability

## Protected Disclosure Act 2012

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

Disclosures of improper conduct by ESV must be made to the Independent Broad-based Anti-Corruption Commission (IBAC). IBAC can be contacted as follows:

### IBAC

Level 1, North Tower  
459 Collins Street  
Melbourne VIC 3000

Postal address:  
GPO Box 24234  
Melbourne VIC 3001  
Telephone 1300 735 135

Copies of ESV's Protected Disclosure Act Procedures are available on the website at [www.esv.vic.gov.au](http://www.esv.vic.gov.au).

### Disclosures may also be made directly to the Ombudsman:

#### The Ombudsman Victoria

Level 9, North Tower  
459 Collins Street  
Melbourne VIC 3000

[www.ombudsman.vic.gov.au](http://www.ombudsman.vic.gov.au)  
Email: [ombudvic@ombudsman.vic.gov.au](mailto:ombudvic@ombudsman.vic.gov.au)  
Telephone 03 9613 6222  
Toll Free 1800 806 314

## Information Privacy Act 2000

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

ESV's Privacy Policy can be obtained from ESV or viewed on the website at [www.esv.vic.gov.au](http://www.esv.vic.gov.au).

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

## Freedom of Information

ESV received 35 freedom of information requests from 1 July 2013 to 30 June 2014. Thirty-seven applications were completed within the financial year. Two carried over from the previous year.

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

Application fees and access charges received during this reporting period totalled \$928.70. Fees waived in 2013–14 totalled \$55.60.

Freedom of information requests must be made in writing, accompanied by a \$26.50 application fee payable to Energy Safe Victoria and be addressed to:

### Freedom of Information Officer

Energy Safe Victoria  
PO Box 262  
Collins Street West VIC 8007

## Energy Safe Victoria Act Committees

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

Committees established under the Energy Safe Victoria Act are:

### Electrical Safety Committee

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

### Victorian Foundations for Safety Committee

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

## Electricity Safety Act Committees

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

### Electric Line Clearance Consultative Committee (Section 87)

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

### Victorian Electrolysis Committee (Section 91)

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

### Electrical Regulatory Authorities Council (ERAC)

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

### Standards Australia Technical Committees

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

### State Fire Management Planning Committee

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

### Gas Technical Regulators' Committee

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

### Plumbing Industry Advisory Council

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

### National Appliance and Equipment Energy Efficiency Committee (E3 Committee)

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

### Equipment Advisory Committee (Section 50)

The Equipment Advisory Committee (Section 50) provides advice to ESV or the Minister on safety standards for electrical equipment and the procedures for monitoring compliance with standards.

## Consultative Committees

### Gas pipeline and distribution, and LPG

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

### Pipeline (non-natural gas) Consultative Meeting

ESV coordinates meetings to share information and discuss industry issues.

### Gas Emergency Consultative Committee

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

### Victorian Electricity Emergency Committee

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

### Gas appliances

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

### Gas – Building Industries Regulators' Forum

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

### LPG Safety Committee

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

### Renewable and Emerging Technologies Committee

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

# Demonstrating accountability

## Compliance with the Building Act 1993

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

## Victorian Industry Participation Policy

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

## National Competition Policy

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

## Compliance with DataVic Access Policy

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

## Risk attestation

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



**Paul Fearon**  
Director of Energy Safety  
22 August 2014

## Insurance attestation

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



**Paul Fearon**  
Director of Energy Safety  
22 August 2014

# 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.

LEGISLATION	REQUIREMENT	PAGE NO
<b>Ministerial Directions</b>		
<b>Report of operations—FRD Guidance</b>		
<i>Charter and purpose</i>		
FRD 22C	Manner of establishment and the relevant Ministers	3
FRD 22C	Objectives, functions, powers and duties	3
FRD 22C	Nature and range of services provided	2-3
<i>Management and structure</i>		
FRD 22C	Organisational structure	10-11
<i>Financial and other information</i>		
FRD 8B	Budget portfolio outcomes	NA
FRD 10	Disclosure index	70-71
FRD 12A	Disclosure of major contracts	63
FRD 15B	Executive officer disclosures	NA
FRD 22C, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	8-9
FRD 22C	Employment and conduct principles	26-27
FRD 22C	Occupational health and safety policy	26
FRD 22C	Summary of the financial results for the year	29
FRD 22C	Significant changes in financial position during the year	30
FRD 22C	Major changes or factors affecting performance	30
FRD 22C	Subsequent events	58
FRD 22C	Application and operation of Freedom of Information Act 1982	64
FRD 22C	Compliance with building and maintenance provisions of Building Act 1993	66
FRD 22C	Statement on National Competition Policy	66
FRD 22C	Application and operation of the Protected Disclosures Act	64
FRD 22E	Details of consultancies over \$10,000	62
FRD 22E	Details of consultancies under \$10,000	63
FRD 22C	Statement of availability of other information	64
FRD 24C	Reporting of office-based environmental impacts	NA
FRD 25B	Victorian Industry Participation Policy disclosures	66
FRD 29	Workforce Data disclosures	27
SD 4.5.5	Risk management compliance attestation	66
SD 4.2(g)	General information requirements	2-30
SD 4.2(j)	Sign-off requirements	31

# Abbreviations

LEGISLATION	REQUIREMENT	PAGE NO
<b>Financial statements</b>		
<i>Financial statements required under Part 7 of the FMA</i>		
SD4.2(a)	Statement of changes in equity	34
SD4.2(b)	Operating statement	32
SD4.2(b)	Balance sheet	33
SD4.2(b)	Cash flow statement	35
<i>Other requirements under Standing Direction 4.2</i>		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	36
SD4.2(c)	Statement of Compliance	36
SD4.2(d)	Rounding of amounts	37
SD4.2(c)	Accountable Officer's declaration	31
<i>Other disclosures as required by FRDs in notes to the financial statements</i>		
FRD 9A	Departmental disclosure of administered assets and liabilities	NA
FRD 11A	Disclosure of exgratia payments	NA
FRD 13	Disclosure of parliamentary appropriations	NA
FRD 21B	Responsible Person and Executive Officer disclosures	31
FRD 102	Inventories	NA
FRD 103D	Non-current physical assets	40
FRD 104	Foreign currency	NA
FRD 106	Impairment of assets	40
FRD 109	Intangible assets	40
FRD 107	Investment properties	NA
FRD 110	Cash flow statements	35
FRD 112C	Defined benefit superannuation obligations	50
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	NA
FRD 114A	Financial Instruments—General government entities and public non-financial corporations	50
FRD 119	Contributions by owners	43
<b>Legislation</b>		
	<i>Freedom of Information Act 1982</i>	66
	<i>Building Act 1983</i>	68
	<i>Protected Disclosures Act 2012</i>	66
	<i>Victorian Industry Participation Policy Act 2003</i>	68
	<i>Financial Management Act 1994</i>	21

## NOTES

AEMO	Australian Energy Market Operator	LDAP	Land Development Around Pipelines
AER	Australian Energy Regulator	LEA	Licensed Electrical Assessment
APIA	Australian Pipeline Industry Association	LEI	Licensed electrical inspector
CFA	Country Fire Authority	MAV	Municipal Association of Victoria
CO	Carbon monoxide	MEC	Major electricity companies
COES	Certificate of Electrical Safety	MFB	Metropolitan Fire and Emergency Services Board
DEPI	Department of Environment and Primary Industries	NA	Not applicable
DSDBI	Department of State Development, Business & Innovation	NOLA	National Occupational Licensing Authority
DTF	Department of Treasury and Finance	NOLS	National Occupational Licensing Scheme
EESS	Electrical Equipment Safety System	OHS	Occupational health and safety
EILES	Electrical Installations, Licensing and Equipment Safety	PBSP	Powerline Bushfire Safety Program
ELCCC	Electric Line Clearance Consultative Committee	PICAC	Plumbing Industry Climate Action Centre
ERAC	Electrical Regulatory Authorities Council	PIMS	Pipelines Information Management System
ESC	Essential Services Commission	PIMPS	Pipeline Integrity Management Plans
ESISC	Energy Networks Industry Safety Committee	REC	Registered electrical contractor
ESMSs	Electricity Safety Management Schemes	REFCL	Rapid earth fault current limiters
ESV	Energy Safe Victoria	RIS	Regulatory impact statement
GIAS	Gas Installations and Appliance Safety	RTO	Registered Training Organisation
GEMS	Greenhouse and Energy Minimum Standards	SOE	Statement of Expectations
GTRC	Gas Technical Regulators' Committee	VBA	Victorian Building Authority (formerly PIC)
HR	Human resources	VCEC	Victorian Competition and Efficiency Commission
IPAA	The Institute of Public Administration Australia	VEC	Victorian Electrolysis Committee
KPI	Key performance indicator	WMS	Work Management System



**Authorised and published by**

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