

Energy Safe Victoria

Annual Report

2016–17





Creating a
safer state with
electricity and gas

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About Energy Safe Victoria

Creating a safer state with electricity and gas

Energy Safety Victoria is established under the *Energy Safe Victoria Act 2005*. For over a decade, Energy Safe Victoria (ESV) has been responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria. The Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change is responsible for administering the *Electricity Safety Act 1998*, the *Gas Safety Act 1997* and the *Pipelines Act 2005*. Minister D'Ambrosio was the responsible Minister for the period from 1 July 2016 to 30 June 2017.

Our mission

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

Our values

Respect. Integrity. Partnerships. Accountability.

We treat all stakeholders and staff with respect. We will always act with integrity. We work cooperatively with external and internal stakeholders and customers to achieve objectives. We are accountable for all of our actions.

Our vision

By 2020, ESV will be recognised as making a real and substantial difference to safety outcomes in Victoria through continuous improvement in regulatory practices, effective use of resources and efficient business operations.

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

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

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

ESV acts in accordance with its annual Corporate Plan, which includes a Statement of Corporate Intent and the annual business and financial plans, as specified in the Energy Safe Victoria Act. In addition the Minister has issued ESV with a Statement of Expectations (Statement). ESV reports against the Corporate Plan and the Statement in this Annual Report.

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

Ensure gas safety

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

Ensure electrical safety

Ensure the electrical safety of electrical generation, transmission and distribution systems, electrical installations and electrical equipment.
Control the electrical safety standards of electrical work carried out by electrical workers.
Promote the prevention and mitigation of bushfire danger.

Promote energy awareness

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

Ensure pipeline safety

Protect underground and underwater structures from corrosion caused by stray electrical currents.
Protect the public from environmental, health and safety risks resulting from the construction and operation of pipelines.

Strategic statement

ESV's strategic statement

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

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



The ESV strategic statement also includes three core organisational enablers which are critical to the delivery of our core regulatory functions: core function support, governance, and people and culture.

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

ESV's core regulatory functions



Licence, approve and accept

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

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



Monitor and audit

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

Monitor, audit and enforce compliance with standards and requirements.



Educate and encourage

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

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



Enforce compliance

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

Responsible body declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Energy Safe Victoria Annual Report for the year ending 30 June 2017. This Annual Report outlines how we have performed our functions and exercised our powers to achieve the objectives under the Acts and Regulations ESV administer.

In July 2016 we received a new Statement of Expectations (the Statement) from the Minister for Energy, Environment and Climate Change. This Annual Report also details how we have achieved those expectations with respect to compliance and enforcement as well as demonstrating leadership and promoting energy safety in industry and the community.

I would like to thank the Minister and the Department of Energy, Land, Water and Planning (DELWP) for their support, as well as the Audit and Risk Committee, our staff and my executive team for all their effort and commitment in making a real and substantial difference to safety outcomes in Victoria.



Paul Fearon

Director of Energy Safety
Energy Safe Victoria

29 August 2017



The year in review

Safety outcomes

One measure of regulatory effectiveness is community safety outcomes. This year, overall injuries and deaths directly related to electrical and gas incidents reduced from the previous year maintaining the ongoing improvement in long term safety trends. Two Victorians lost their lives in electricity incidents and there was one gas-related fatality. This represents an overall decrease when compared with 2015–16 which saw two fatalities indirectly related to gas and six directly to electricity.

Energy network safety

Even though ESV remains focused on overall safety trends, most of ESV's work is concerned with ensuring the risk of incidents and serious or catastrophic events is removed or mitigated in the first place.

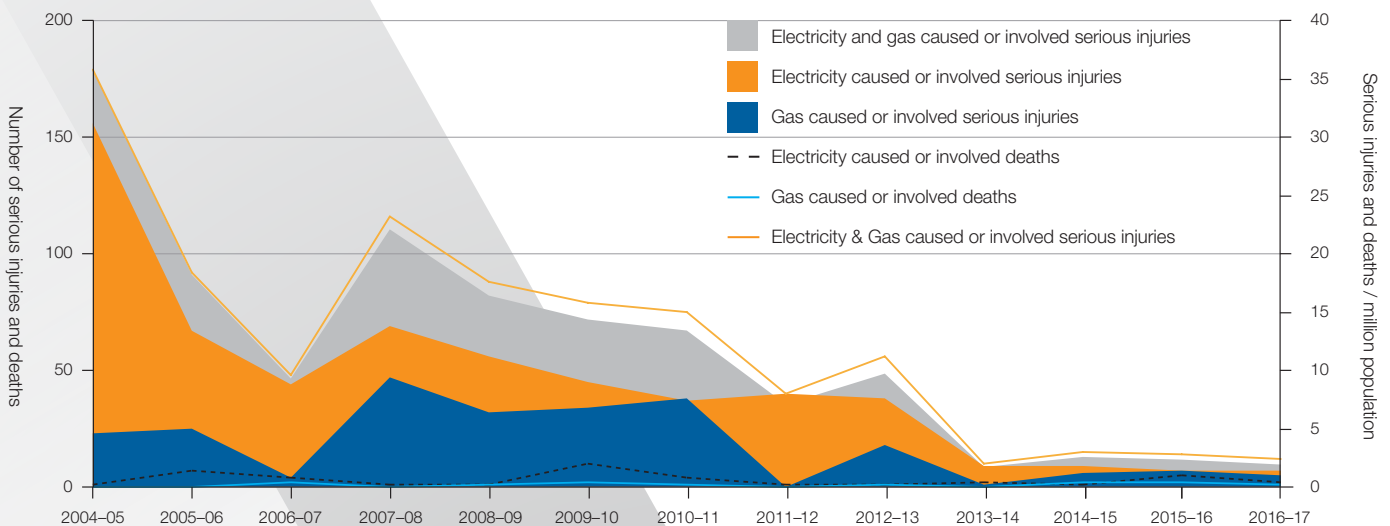
In the context of energy networks and pipelines many of these risks are low and Australia is fortunate in having a good record in comparison with other countries, but complacency is the enemy of safety. The design, operation and maintenance of infrastructure requires rigorous and ongoing monitoring, audit and inspection by businesses. In turn ESV's role is to transparently demonstrate that businesses are meeting their regulatory obligations under the various safety cases, management schemes and plans.

During 2016–17 ESV:

- Required that safety cases were of sufficient quality to demonstrate that the safety arguments and critical controls were in place and being managed by businesses. This is an ongoing challenge for some businesses. Two common issues identified within electricity safety cases were the ability of the electricity company to provide a document that was written in non-technical, clear language and articulated how they were minimising their risks in accordance with the *Electricity Safety Act 1998* to 'as far as practicable'.
- In the area of gas and pipelines infrastructure, ESV encountered issues with businesses where the assessed risk ranking of some hazards did not align with ESV's internal data. Coupled with this, submitted documentation describing the governance and oversight mechanisms relating to a pipeline licensee's service providers often lacked sufficient depth, particularly given the crucial nature of these activities. In response, ESV received undertakings that updated risk assessments will form a part of the relevant business safety cases.

The task of regulating does not stop at accepting the safety case. ESV spent considerable effort during the year building the capacity to effectively test, challenge and reveal the performance of network businesses in managing the critical controls that underpin their safety cases. Ongoing priorities included collecting a wide range of data on incidents and trends, feedback from audits and inspections. Other priorities included, having the expert technical skills and experience to establish and test hypotheses, and the identification of early indicators of risk exposure.

Electricity and gas caused or involved serious injuries and deaths (excludes willful deaths)



The year in review

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

In January 2017 the Victorian Government announced a review of Victoria's electricity network safety framework. This was extended to gas network safety in May 2017. Headed by Dr Paul Grimes, the Review has presented ESV with an important opportunity to be consulted on the design and adequacy of the statutory framework and identify potential improvements to ESV's own regulatory policy and practice. Dr Grimes will submit his final report to the Minister in December 2017.

Equipment and installation safety

ESV's scrutiny and the issues uncovered across electricity and gas installations demanded greater enforcement and compliance activity over the financial year. Although nationally the number of electrical equipment recalls substantially reduced, ESV increased its presence in the community with a retail store audit program. In 2016–17, this program contributed to a number of enforcement actions including numerous warning letters, the issuing of infringement notices and two successful prosecutions.

There were five gas-related recalls down from eight in 2015-16, however the issuing of 39 warning letters and one prosecution represented a significant increase in regulatory activity.

New technologies and distributed energy will continue to have the potential to both improve the wellbeing of the community, but will also present new hazards and risks. ESV led the development of a new standard for the installation of battery systems for use with solar installations. This new technology is rapidly developing and ESV invested significant time and expertise to ensure the development of this Standard and other industry guides achieve an appropriate balance between public safety and innovation. A new Standard is expected during 2017–18. The Australian Electrical Regulatory Authorities Council (ERAC), which ESV chairs, has become a key gateway for industry consultation.

Through its work on the next edition of AS/NZS 3000 Wiring Rules Committee, ESV is also ensuring this vital standard aligns with our regulations to deliver safer outcomes for the community.

ESV also chairs the Australian and New Zealand Gas Technical Regulators Committee (GTRC) and its technical sub-committee as well as participating in 26 gas-related industry committees. During the year ESV engineers were heavily involved in a variety of standards' advisory bodies, councils and forums (including the Plumbing Advisory Council, the AG 006 Gas Installations Committee, the Energy Efficiency Advisory Team, and the Regulators - Stakeholders Consultative Meetings (Scheme Rules) Committee. This participation ensured a high degree of influence as the technical regulator. ESV was also closely involved in the Australian Gas Appliance Standards, Industrial Gas Fired Equipment, and Gas Components committees.

Equipment compliance

Non-compliant and/or unsafe electrical and gas equipment continued to present an ongoing challenge for ESV. As a result it substantially lifted compliance and enforcement activities to ensure that the risks to the community were minimised. Two prominent examples were the prohibition of Residual Current Circuit-Breakers with Overcurrent protection (RCBOs) that will come into effect 1 July 2018. The RCBOs will have to comply with additional testing requirements.

During the year, ESV reviewed all portable butane heaters following several fatalities and near misses due to their misuse indoors or enclosed spaces. Subsequent testing commissioned by ESV identified two products that had been incorrectly assessed by certifying bodies, resulting in two voluntary recalls by their respective suppliers. More recent testing established that a further two models failed to comply with certain combustion requirements, resulting in the voluntary recall of one appliance and ESV initiating further consultation with the supplier of the other.

Industry and community safety awareness

ESV continued to draw attention to important community and industry safety messaging through its campaigns, that included *Carbon Monoxide the Silent Killer* and *Look Before You Cook* (barbecue safety). These were joined by a new behaviour change campaign, *DIY=DIE*, which warns people against do-it-yourself electrical work. All three campaigns exceeded benchmarks on digital and traditional formats for reach and recall.

Digital and social media formats provided ESV with the opportunity to have a direct conversation with the community which is more effective as a behaviour change campaign strategy than one-way communication through display ads.

In 2016–17 ESV 'wrapped' two Melbourne trams in campaign material. Feedback showed many people from different walks of life remembered both the images and the messaging.

For industry, ESV promoted key safety messages with the *Don't Work Live*, the *Don't Put Your Life on the Line* and the *Look Up and Live* campaigns.

To reinforce key messaging and community awareness, ESV embarked on a new apprentice safety campaign. This came about in response to recent fatalities associated with electrical installation work. Safety presentations were complemented by 'Lock Out, Tag Out' kits that ESV provided to first year electrical apprentices along with low voltage safety gloves. The kits were a practical way to support apprentices to learn the importance of 'lock out, tag out' as a vital safety procedure.

In 2016–17, ESV launched its new website. The launch was the culmination of 18 months of work and was the result of extensive consultation with ESV stakeholders and staff. The website design delivers a more customer-focussed experience as the primary point of online interaction for the community and our stakeholders.

During the financial year ESV also achieved a number of milestones in relation to removing the administrative burden from small business. The work management system GasTrac was developed and implemented, while the registered electrical contractor component of ESV's new licensing system was completed.



Bushfire mitigation

Climate change and the task of substantially reducing the risk of catastrophic bushfire remained a constant focus for ESV. Much effort was spent on administering the Government's new bushfire mitigation legislation, monitoring progress and ensuring compliance. The Regulations mandated that new protection technologies (rapid earth fault current limiters or REFCLs) were installed in 45 zone substations by 1 May 2023. The first tranche of 16 REFCLs is required to be installed and meet specified performance standards by 1 May 2019. The new regulations also required electricity distribution businesses to underground or cover certain new or reconstructed lines in 33 electric line construction areas and fit automatic circuit reclosers to certain bare overhead lines.

During the year the distribution businesses made progress in achieving the requirements of the regulations. This included planning, procurement and trialling of REFCLs. Achieving compliance will require the businesses to solve a number of issues including:

- Mitigating the adverse effect of insulated and underground cables on REFCL performance.
- Hardening of the electricity distribution business assets and the high voltage (HV) customer installations to withstand the increased voltages when a REFCL operates.

In terms of HV customers on REFCL-protected networks, the over-voltage created when a REFCL operates gives rise to a number of commercial, financial and safety issues that have to be overcome. ESV sponsored a review by Dr Tony Marxsen titled *Customer Assets Directly Connected to REFCL Networks: A Preliminary Risk Survey* (the Marxsen Report). The Marxsen Report concluded that there was a small but real risk of damage to a HV customer sub-network from operating a REFCL, as well as compromising the effectiveness of the REFCL-protected network to reduce fire ignitions. The report provided insights into the potential solutions and the work required to address this risk.

To monitor progress being made on addressing the key challenges, ESV attended industry technical working group meetings, met with key major electricity company (MEC) personnel and received monthly reports. As the distribution businesses work towards implementing these new technologies, there may be a requirement to consider case-by-case exemptions to the strict requirements of the legislation.

To assist ESV to review these assessments and then make recommendations to the Minister, ESV established a Committee (The Powerline Bushfire Safety Committee) under Section 8 of the *Energy Safety Victoria Act 2005*.

ESV has a new role in validating data in support of the new F-Factor scheme that provides the distribution businesses with a financial incentive to lower the number of fire starts on their networks in Victoria. The F-Factor scheme has been in place for many years, but the changes made in December 2016 introduced a risk-based regime that applies penalties based on the timing and location of ignitions. As part of the new scheme, ESV is responsible for validating the fire start reports submitted by the distribution businesses to the Australian Energy Regulator (AER) and developed a methodology for validation. ESV also instituted arrangements for securing the necessary input data for the validation process from the Bureau of Meteorology and DELWP.

Before the onset of Victoria's 2016–17 fire danger period, ESV monitored the performance of the MECs in meeting their electric line clearance (ELC) responsibilities. MECs are required to maintain a specified clearance space between their network and adjacent vegetation. Failing to achieve this requirement elevates Victoria's exposure to bushfires caused by electricity assets.

The performance of the MECs varied during the 2016–17 fire danger period. In response to unacceptable performance ESV increased its inspection of specific network areas and its scrutiny of vegetation management processes and schedules. This continued throughout the fire danger period to provide continuous assurance that risks were being appropriately mitigated.

On one occasion, ESV determined that the level of non-compliance could result in unacceptable bushfire risk and it conducted a formal investigation. The investigation is continuing and ESV will determine if further enforcement is required.

The year in review

Risk based regulation

During the 2016–17 reporting period ESV continued to develop its regulatory practice to reflect a stronger risk basis for managing compliance and regulating energy safety risks. A detailed review of regulatory risks (the risks arising in regulated industries that ESV is responsible for ensuring are adequately mitigated and monitored) was undertaken to:

- review and develop models of critical energy risks
- develop a framework to establish the safety requirements for regulated industries and individuals to adequately minimise and manage critical energy risks
- communicate clear expectations to the regulated industries and individuals on what is required to achieve acceptable safety outcomes.

The completion of this work provided a sound foundation for ESV's 2017–18 compliance and enforcement program.

Organisation

This year a number of important changes were made to the organisational and governance structure of ESV. This was complemented by improvements to documented regulatory policy and practice. Additional frontline staff were employed to increase our regulatory oversight of energy infrastructure, particularly vegetation management around powerlines.

In 2016–17 ESV continued the implementation of IT-enabled systems to assist small business. This included ESVConnect and GasTrac. The internal process for registration of electrical contractors was completed on time and under budget in readiness for the rollout with licences of electrical workers that is scheduled for 2017–18.

Finances

ESV's financial performance for 2016-17 met expectations and reflected its continued focus on ensuring sound financial management and an effective system of internal control. With ongoing efficiencies in back office management ESV built the financial capacity to support more frontline staff and further investment in technology. This will enable ESV to improve safety outcomes and minimise the regulatory burden.

Our people

ESV participated in the Victorian Public Service Commission's People Matter Survey again this year, achieving an 81 per cent response rate across the organisation. This response rate was an improvement on 2015–16 and reflected a greater level of staff engagement across ESV.

The results across most categories were at the high end compared to other agencies and exceeded the VPS average performance across most categories. Most pleasing was the improvement compared to last year in categories such as: positive workplace relationships between colleagues and managers, valuing ESV's purpose and direction and the contribution the organisation makes to the Victorian community.



Paul Fearon

Director of Energy Safety

Statement of Expectations

Ministerial Statements of Expectations (the Statement) are formal, public documents that articulate the Victorian Government's priorities and objectives and are designed to improve regulatory performance and governance. The Statement frames and informs our priorities and ESV reports against these expectations until they are amended or achieved. The operational reports on the following pages detail the progress that has made in the past year against the objectives outlined in the Statement.

The Minister's Statement of Expectations can be found on the ESV website, alongside ESV's reporting against the Statement.

Key deliverables in 2016–17 included:

- The delivery of robust but fair regulation while also empowering Victorians to understand their responsibilities and make informed decisions on energy safety.
- Leading the development of Australian Standards for energy safety in response to specific incidents through detailed investigation and identification of risks.
- The development of regulatory practice to reflect a stronger risk basis for managing compliance and regulating energy safety risks.
- The establishment of the statutory Powerline Bushfire Safety Committee to provide informed and independent advice on the implementation of new bushfire mitigation technology.
- Assisting small business by minimising administration processes with the implementation of a new licensing system and the online GasTrac work management system. Launching a new, customer-focussed website.
- Delivering behaviour change campaigns to educate Victorians and the energy industries on good energy safety practice.
- Maintaining our commitment to diversity throughout our organisation.
- Providing the Minister with informed advice and practical assistance in the development of informed energy safety policy and legislation.

Fatalities, serious incidents and investigations

Additional requirements for Residual Current Circuit Breaker with Overcurrent (RCBO)

In August 2016 an electrical apprentice was electrocuted when working on the electrical wiring in the roof space of a house. He was connecting up wiring for the installation of a smoke alarm and was working live. The Residual Current Circuit Breaker with Overcurrent (RCBO) failed to operate as intended.

Following an investigation and industry consultation the Director issued a prohibition that will come into effect on 1 July 2018.

Working live

In February 2017 a man without electrical qualifications was electrocuted while doing electrical work on a house. He touched a live electrical cable adjacent to another wire that had been isolated. In response to this and other incidents ESV developed a community education campaign called DIY=DIE, warning Victorians of the dangers of doing unlicensed electrical work.

Gas explosion

On 13 August 2016 a man was killed as a result of an explosion and fire at a cabin in a caravan park in Victoria's south. ESV attended the site and due to the extensive damage to both the cabin and gas cooker, was unable to determine the cause of the explosion and fire. ESV provided information to Victoria Police as part of its investigation.

Serious electrical incidents

For the second consecutive year there were no fatalities due to electrical infrastructure however two people were seriously injured. A further five were injured through contact with electrical installations.

Serious gas incidents

As a result of three significant injuries related to liquid petroleum gas (LPG) explosions, ESV engaged with the LPG industry stakeholders to change the Australian Standard for LPG Cylinder valves. Separately, ESV continued to deliver the *Look Before You Cook* campaign.

East of Melbourne a carbon monoxide poisoning incident resulted in the hospitalisation of an elderly man and an infant. ESV continued its long running *CO the silent killer* community campaign as part of efforts to educate Victorians on the dangers of carbon monoxide in the home.

Additional requirements for hoverboards

Following a series of fires caused by faults in hoverboards, ESV prohibited the supply hoverboards, also known as self-balancing scooters. This was made effective on 1 July 2016 and expired on 1 July 2017.

Since the commencement of the prohibition, ESV has been instrumental in the development of a specific Australian and New Zealand standard to ensure the safety of hoverboards. The new Australian standard *AS/NZS 60335.2.201.2016 - Household and similar electrical appliances – Safety – Part 2.201: Particular requirements for battery powered self-balancing personal transport devices* was published in November 2016 and was submitted to the International Electrotechnical Commission (IEC) technical committee 61 for international adoption. ESV will continue to progress this work as part of its representation on the committee.

Dromana to Rye pipeline rupture

On 28 September 2016 the Vic Gas Distribution (AGN) licensed pipeline PL167 (Dromana to Rye) was struck by an auger drill causing a 50 mm puncture. No injuries or supply interruptions resulted. As of 30 June 2017, ESV's investigation is ongoing.

Federation Square gas leak and evacuation

On 4 November 2016 a gas leak was reported at Federation Square. The gas supply was isolated and the building was evacuated while the gas dispersed. Two customers were left without gas supply due to leaks in their fitting lines. This was a Level 2 emergency that is still under investigation.

Alcoa 500 kV line conductor failure

In December 2016 there was a complete loss of electricity supply from Victoria to Alcoa Portland and South Australia. A conductor had failed at a spacer between two towers on the Moorabool Terminal Station to Tarrone Terminal Station No1 500 kV line causing this line and the Tarrone Terminal Station to Heywood Terminal Station No1 500 kV line to trip. The loss of supply to Alcoa and South Australia occurred during planned outage works on other lines supplying the area. These lines were recalled to service with power supply to Alcoa Portland and interconnection to South Australia was restored on the same morning.

ESV received the AusNet Services investigation into the root cause of the conductor failure, and closely monitored its corrective actions. No enforcement action was required or warranted in this instance.

Investigation of the unodourised gas injection at Lang Lang

The incident resulted in a two-part verification audit and enforcement action against both Origin and Multinet. The matter was closed in July 2017 when Multinet completed the requirements of an Improvement Notice issued by ESV in September 2016. ESV was satisfied that the findings from the investigation had all been successfully addressed.

Rheem Stellar hot water service explosion

Following an explosion involving a Rheem Stellar hot water service, ESV and Rheem investigated the causes. ESV's risk assessment identified that a product recall was not required. Rheem made modifications to the design of the units. ESV has led the modification of Australian Standards to prevent such incidents occurring both in hot water services and other gas appliances.

Coronial investigations 1 July 2016 – 30 June 2017

The Coroner investigates reportable deaths (unexpected and unnatural) under the *Coroners' Act 2008*. ESV engages with the Coroner, to provide specific technical and safety information to support the court's investigations. ESV reports on the Coroner's findings or recommendations that are made to ESV.

- In November 2015, an elderly man was electrocuted cleaning a drain by a water pump that had become live. On 31 May 2017, the Coroner found there was a series of events that contributed to the death by electrocution. The Coroner recommended that ESV issue a Safety Alert to registered electrical contractors in regional Victoria notifying them of the circumstances of this death and the importance of installing residual current devices (RCDs) or of using a portable RCD on a power point when installing or performing maintenance work on an external water pump. ESV accepted the recommendation and a Safety Alert will be issued by September 2017.
- In December 2015, the cargo compartment of a truck exploded killing the driver. The cargo compartment was carrying rechargeable batteries, a gas BBQ and three LPG cylinders. On 6 April 2017, the Coroner found that a fuel-air explosion had occurred involving gas from one or more of the LPG cylinders. The Coroner initiated a roundtable discussion to seek the views of ESV and other industry stakeholders on potential ways to enhance the safe use of LPG cylinders. A consultative forum will be held by ESV and Gas Energy Australia in August 2017. The forum will be chaired by ESV and will discuss proposals to change the design of LPG cylinder valves on 4.5 kg and 9 kg cylinders, alternative solutions and transitional issues.
- In January 2016 a young self-employed dairy farmer on a property in Victoria's north-east died after coming into contact with a sludge pump that had become live. On 11 January 2017 the Coroner found that the man was electrocuted. The Coroner noted that while ESV has brochures and information relevant to electrical safety, the ESV website could include specific information on farm electrical safety. The Coroner also noted that ESV should consider conducting a two yearly audit of electrical safety on commercial farm properties. ESV has updated its website to include appropriate information and will be reviewing its audit plans.

Activity and performance reporting

ELECTRICAL LICENSING AND REGISTRATIONS

| Licence type | 2014–15 Result | 2015–16 Result | 2016–17 Result |
|---|-------------------|-------------------|-------------------|
| Electrician's licence (A class) New | 1535 | 1813 | 1613 |
| Electrician's licence (A class) Renewed | 5335 | 7468 | 7041 |
| Supervised worker's licence (L) New | 210 | 175 | 185 |
| Electrician (supervised) worker's licence (ES) | 46 | 46 | 48 |
| Restricted electrical worker's licence (REL) New | 290 | 348 | 348 |
| Restricted electrical worker's licence (REL) Renewed | 821 | 1036 | 1033 |
| Licensed electrical inspector's (LEI) New | 6 | 11 | 13 |
| Licensed electrical inspector's (LEI) Renewed | 5 | 300* | 31 |
| Occupier's Licence (O) Renewed | 0 | 4 | 2 |
| Switchgear Worker's licence (SG) New | N/A | N/A | 1 |
| Total number of licences issued New | 2041 | 2347 | 2160 |
| Total number of licences in place | 42,949 | 44,138 | 45,020 |
| Registered Electrical Contractors (REC) New | 962 | 1074 | 1099 |
| Registered Electrical Contractors (REC) Renewed | 1847 | 1668 | 2785 |
| Total Electrical Contractor Registrations in place | 13,469 | 14,469 | 14,771 |
| Registered Spotters | 16,085 | 17,673 | 20,211 |
| Registered Lineworkers | 3474 | 3507 | 3934 |

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

CERTIFICATE OF ELECTRICAL SAFETY (COES) COMPLIANCE

| Measure | Target 2016–17 | 2013–14 Result | 2014–15 Result | 2015–16 Result | 2016–17 Result | Average |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------|
| Number of COES lodged | - | 604,027 | 654,154 | 699,032 | 727,705 | 671,230 |
| Audits of completed COES | 5% | 36,600 | 36,000 | 49,000 | 70,000 | 47,900 |
| Audits of wholesalers | - | - | - | - | 159 | 159 |

Notes

1 This year maintained the levels of licence applications and Certificates of Electrical Safety (COES) usage established last year indicating that there is still strong activity in the electrical industry but little growth; approximately 50 per cent of COES used are electronic. More than 70,000 COES were audited with a compliance rate of 96 per cent.

ELECTRICITY INFRASTRUCTURE COMPLIANCE

| Measure - numbers | Target 2016-17 | 2013-14 Result | 2014-15 Result | 2015-16 Result | 2016-17 Result | Average |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------|
| Electric Line Clearance plans approved | - | 29 | 28 | 45 | 38 | 35 |
| Bushfire Mitigation plans accepted | - | 15 | 15 | 6 | 22 | 15 |
| Electricity Safety Management Schemes & Safety Cases accepted | - | 1 | 1 | 1 | 2 | 1 |
| Bushfire Mitigation exemptions approved | - | 0 | 0 | 0 | 0 | 0 |
| Electric lines on public land exemptions assessed | - | 155 | 166 | 2,358 | 2,490 | 1,292 |
| Electricity safety management scheme audits | 5 | 56 | 14 | 24 | 0 | 24 |
| Electric line clearance audits | 20 | 39 | 53 | 17 | 27 | 34 |
| <i>Compliance actions from audits</i> | - | - | - | - | 607 | 607 |
| Bushfire mitigation audits | 10 | 6 | 20 | 5 | 10 | 10 |
| <i>Compliance actions from audits</i> | - | 23 | 15 | 31 | 39 | 27 |
| Work practice audits | 14 | 30 | 30 | 22 | 28 | 28 |
| <i>Compliance actions from audits</i> | - | 118 | 30 | 71 | 88 | 77 |

Notes

- 1 Currently two MECs have accepted Safety Cases and are working on their ESMS, with another two MECs close to establishing acceptable Safety Cases.
- 2 The results of pre-fire season audits indicated the MECs used mature safety management systems for the purpose of managing their electric line clearance risks. Generally, appropriate clearance standards were observed to have been achieved in the areas that were audited. ESV identified a large number of non-compliances on the part of one MEC. These are subject to detailed investigation.
- 3 19 electric line clearance plans were evaluated and approved by the Director. The evaluation of electric line clearance management plans throughout 2016-17 indicated municipal councils may not have a clear understanding of how to prepare an effective plan.
- 4 ESV issued the 2016 Safety Performance Report in September 2016. This report covered an 18 month period from January 2015 to June 2016. The report found that, while there is room for improvement, the major electricity companies were performing well and ESV had not observed evidence of systemic failure to operate or maintain the safety of their networks or to mitigate bushfire risk.

Activity and performance reporting

ELECTRICAL INSTALLATION COMPLIANCE

| Measure - numbers | Target 2016-17 | 2013-14 Result | 2014-15 Result | 2015-16 Result | 2016-17 Result | Average |
|---|----------------|----------------|----------------|----------------|----------------|---------|
| Education sessions | > 30 | 191 | 173 | 129 | 202 | 174 |
| Registered training organisation checks by visits | > 20 | 24 | 10 | 44 | 28 | 27 |
| Licensed Electrical Inspector assessments | - | 125 | 100 | 113 | 150 | 122 |
| ESMS audits/site visits | - | 18 | 13 | 32 | 24 | 22 |
| POEL Referrals (DB) | - | 337 | 353 | 322 | 247 | 315 |
| Installation exemption requests processed | - | 158 | 127 | 67 | 97 | 112 |

Notes

- 1 An external audit of the two approved LEA providers was conducted by ESV. The audit found minor non compliances to the rules and some improvement opportunities.
- 2 In conjunction with Middies, NECA, ETU and Master Electricians, ESV took part in 202 industry nights and training sessions that were attended by more than 6,000 people.

ELECTRICAL EQUIPMENT COMPLIANCE

| Measure - numbers | Target 2016-17 | 2013-14 Result | 2014-15 Result | 2015-16 Result | 2016-17 Result | Average |
|--|----------------|----------------|----------------|----------------|----------------|---------|
| Electrical equipment approvals processed | - | 846 | 784 | 758 | 730 | 780 |
| Equipment efficiency approvals processed | - | 2,208 | 1,888 | 2,011 | 1,845 | 1,988 |
| Electrical equipment safety market surveillance audits | 180 | 2,254* | 101 | 130 | 170 | 134 |
| GEMS Market Surveillance Audits | 12 | - | - | 14 | 29 | 22 |

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

Notes

- 1 Equipment safety staff audited 153 retailers, targeting those least likely to comply. ESV identified a 17 per cent non-compliance rate. Smaller retailers and markets were a focus during the year.
- 2 Due to the continued number of evaporative cooler failures during this summer, ESV has selected six different models for check testing.

GAS AND PIPELINE INFRASTRUCTURE SAFETY COMPLIANCE

| Measure - numbers | Target 2016–17 | 2013–14 Result | 2014–15 Result | 2015–16 Result | 2016–17 Result | Average |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------|
| Construction Safety Management Plan (SMP) construction and repair plans accepted | - | 34 | 24 | 16 | 34 | 27 |
| SMP construction and repairs audits/field inspections completed | - | 584 | 495 | 451 | 238 | 442 |
| Consent to operate | - | 12 | 18 | 19 | 44 | 23 |
| Operational Gas safety cases (SC) and pipeline SMP and Environment Management Plans (EMP) | | | | | | |
| Field compliance audits completed | - | 30 | 36 | 77 | 67 | 53 |
| Compliance/effectiveness audits completed | - | 48 | 7 | 1 | 79 | 34 |
| New and revised SC/SMP/EMP accepted | - | 21 | 7 | 11 | 7 | 12 |

Notes

- ESV closed out 66 audits of DB field regulator and city gate facilities that were conducted in 2015–16. In doing so, ESV conducted verification audits and ensured successful completion of audit findings.
- ESV conducted three compliance audits covering Training and Competency of DBs and their authorised contractors. The implementation of findings from one audit remains in progress.
- ESV issued 44 Consents to Operate on behalf of the Minister. Including the commissioning of two major pipeline projects (the Origin Halladale Black Watch and Speculant Pipeline and the final stage of the Victorian Northern Interconnect Expansion looping project), similarly to the previous financial year, most involved new city gate facilities, upgrades to provide new gas connections to townships and new urban developments, enhancements to the security of gas supply at critical network locations with gas heating infrastructure, and the provision of pipeline pigging capabilities.
- Pursuant to Section 120 (1) from the *Pipelines Act 2005*, ESV on behalf of the Minister provided three consents for construction within three meters of a licensed pipeline. ESV envisages an increase of submissions in coming years with the initiation of various state infrastructure projects.
- In 2016–17 2866 hits on services were recorded an increase from 2,828 in 2015–16. In contrast, there were 157 incidents of third party damage to gas mains which is below the three-year rolling average (213). As ESV has initiated a review into identifying the root cause of 'hits' on gas distribution assets, the cause of the decline to incidents involving gas mains is also being investigated.

CATHODIC PROTECTION SYSTEM REGISTRATIONS 2016–17

| Impressed Current CPs registered | Galvanic Anodes registered | 10-year registration renewal of systems | Total systems registered |
|-------------------------------------|-------------------------------|--|-----------------------------|
| 71 | 271 | 63 | 405 |

Notes

- ESV audited 164 cathodic protection systems throughout 2016–17, with seven systems found to be non-compliant and owners being notified with the expectation that systems are returned to a compliant state.
- ESV's Cathodic Protection Database fulfilled 450 search requests from organisations conducting environmental site assessments. The database provides an important starting point for identifying the existence of underground fuel tanks and the possible presence of contaminated ground water.

Activity and performance reporting

ELECTROLYSIS MITIGATION

| Program 2016–17 | Target | Actual |
|--|--------|--------|
| Co-ordinated Area Tests | 22 | 26 |
| Drainage Bond (DB) inspections | 12,000 | 13,286 |
| Thyristor Drainage Unit (TDU) inspections | 870 | 857 |
| Variable Conductance DB (VCDB) inspections | 550 | 610 |

Notes

- 1 TDU testing was 1.5 per cent below target due to some units being inaccessible.
- 2 ESV largely exceeded its target KPIs, coordinating with industry on 26 combined area field tests and testing more than 14,000 drainage bonds and other electrolysis units to confirm they were effectively protecting underground assets.
- 3 A number of major projects this financial year have affected ESV's routine co-ordinated area testing program. Once commissioning has been finalised for the new train and tram rolling stock and 10 new substations area testing will follow. The Victorian Government's level crossing removal initiative has also required close liaison with various authorities (in addition to ESV's involvement with the project's essential electrolysis mitigation requirements), and combined area testing has been completed in areas associated with five level crossing removal projects, with a further 15 associated projects requiring electrolysis mitigation.
- 4 ESV provided advice to Metro Trains Melbourne (MTM) concerning proposed regenerative braking voltage increases (and that cost savings need to be weighed against expected additional electrolysis mitigation system costs). MTM has proposed increasing its trains' regenerative braking voltages to reduce power consumption, and has conducted preliminary tests on the Sandringham line. The change may seriously impact the stray current mitigation system, requiring extensive modelling and testing prior to implementation.

TESTING RESULTS: ELECTROLYSIS DRAINAGE BONDS (DB), THYRISTOR DRAINAGE UNITS (TDU), VARIABLE CONDUCTANCE DRAINAGE BONDS (VCDB) 2016–17

| DBs Tested | DBs Non-compliant ¹ | DBs Faulty ² | VCDBs Tested | VCDBs Faulty | TDUs Tested | TDUs Non-compliant |
|------------|--------------------------------|-------------------------|--------------|--------------|-------------|--------------------|
| 13,286 | 274 | 127 | 610 | 23 | 920 | 144 |

Notes

- 1 This includes DBs that are inoperative for any reason when tested (including faulty DBs) due to, component failure or being deactivated for the duration of level crossing removal projects (for example). Instances of non-compliance are actively monitored and returned to compliance as soon as possible.
- 2 This includes inoperative DBs due to component failure (repaired at the time of testing).
- 3 Remote thyristor drainage unit monitoring associated with the Bendigo and Crombie Lane tram systems continues to provide beneficial results. Further data-loggers have been purchased to remotely monitor specific electrolysis drainage bonds, helping to identify faults and rectify issues.

GAS INSTALLATION AND APPLIANCE SAFETY COMPLIANCE

| Measure | Target 2016–17 | 2013–14 Result | 2014–15 Result | 2015–16 Result | 2016–17 Result | Average |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------|
| RTO presentations | 22 | 39 | 30 | 28 | 38 | 34 |
| Industry presentations | - | 45 | 24 | 19 | 20 | 30 |
| Applications Received | - | 4,539 | 4,854 | 4,945 | 4,873 | 4,803 |
| Applications Inspected | - | 3,411 | 3,692 | 3,339 | 3,976 | 3,604 |
| Complex gas installation applications accepted | - | 3,181 | 3,412 | 3,912 | 3,609 | 3,605 |
| Type B appliance applications accepted | - | 1,331 | 1,062 | 1,039 | 916 | 1,087 |
| Compliance of Type B and Complex appliances on initial inspection (percentage) | 70 | 87 | 69 | 70 | 70 | 74 |
| Point of sale audits | 100 | 88 | 130 | 103 | 125 | 112 |
| Public event audits | 80 | 74 | 83 | 124 | 85 | 92 |
| Product Certification Compliance Audits | - | - | - | - | 24 | 24 |

Notes

- ESV continues monitoring the accuracy of the content of the National Database for certified gas appliances and components. The database presently has 2,058 current certifications and 789 entries related to suspended or historical (cancelled) certifications. Since its implementation in September 2016, the site has had 3,234 visits from 1,255 unique users accessing 24,167 entries.
- ESV's auditors carried out 125 point of sale (POS) audits during the year, issuing 10 warning letters for uncertified gas products being offered for sale, and conducting follow up audits to ensure compliance.
- ESV maintained its program of Registered Training Organisations (RTO) educational awareness session visits throughout the year. With 38 RTO presentations conducted throughout the year, ESV also received five nominations for its inaugural Excellence Award for RTO/TAFE instructors who display exceptional commitment to providing excellence in tutoring plumbing and gasfitting apprentices.
- ESV also spent the latter half of the year delivering a new series of seminars around Victoria that spearheaded ESV's increased emphasis on zero tolerance for gas leaks and failed second inspections, with a focus on ESV's Type B Appliance Acceptance Process, its new online application system (GasTrac), and the strategies being considered to address non-compliant installations.
- ESV conducted 85 public event audits during the year, as well as providing copies of the LPG safety code of practice and guidance to event organisers to assist them with assuring their events are gas safe, all of which were well received.

TECHNICAL HELPLINE ENQUIRIES

| Number of calls | 2013–14 Result | 2014–15 Result | 2015–16 Result | 2016–17 Result | Average |
|-----------------|-------------------|-------------------|-------------------|-------------------|---------|
| Gas | 7,887 | 11,422 | 13,200 | 11,875 | 11,096 |
| Electrical | 17,264 | 16,310 | 17,297 | 20,733 | 17,901 |

Notes

- The Installation Safety technical advice line responded to more than 20,000 phone and email inquiries, including providing advice on Wiring Rules, SIRs and licence scope of work. Guidelines were developed for the use of COES and responsibilities of Restricted Electrical Licence holders.

Complaints and enforcement

REPORTS TO ESV ABOUT INDUSTRY

| Measure - numbers | 2013-14 Result | 2014-15 Result | 2015-16 Result | 2016-17 Result | Average |
|--|-------------------|-------------------|-------------------|-------------------|---------|
| Complaints received | 835 | 766 | 713 | 712 | 757 |
| Complaints referred externally | 55 | 45 | 36 | 36 | 43 |
| Investigations completed | 92 | 141 | 144 | 199 | 144 |
| Compliance actions taken (unique cases) | 301 | 253 | 256 | 240 | 263 |
| – Site visits/education | 169 | 125 | 132 | 151 | 144 |
| – Defects rectified | 160 | 157 | 140 | 132 | 147 |
| – Audits | 10 | 6 | 7 | 5 | 7 |
| – Incident reports | 10 | 15 | 15 | 14 | 14 |
| Enforcement actions taken (unique cases) | 121 | 119 | 154 | 145 | 135 |
| – Warnings | 89 | 87 | 95 | 114 | 96 |
| – Notices | 32 | 33 | 63 | 35 | 41 |
| > Infringement | 28 | 28 | 51 | 32 | 35 |
| > Recall | 2 | 1 | 9 | 1 | 3 |
| – Licences affected | 5 | 4 | 2 | 8 | 5 |
| – Prosecutions | 9 | 14 | 17 | 15 | 14 |
| Average complaint duration (days) | 44 | 46 | 51 | 48 | 47 |

Notes

- 1 The number of complaints received by ESV plateaued in the 2016-17 financial year.
- 2 There were more than 19 prosecutions during 2016-17. 15 prosecutions originated as complaints to ESV.
- 3 Complaints closed in 2016-17 also resulted in 32 infringement notices being issued and 114 warning letters.
- 4 The duration of complaints and investigations of complaints also reduced slightly over 2016-17 with the 12 month rolling average reducing from 51 to 48 days and 208 to 168 days respectively.

ENFORCEMENT ACTIVITIES

| Measure - numbers | 2013–14 Result | 2014–15 Result | 2015–16 Result | 2016–17 Result | Average |
|---|-------------------|-------------------|-------------------|-------------------|------------|
| Warning letters issued (total) | 66 | 59 | 75 | 233 | 108 |
| - Gas installations/ appliances | 11 | 10 | 30 | 39 | 23 |
| - Gas and pipeline infrastructure | 0 | 8 | 11 | 15 | 9 |
| - Electrical infrastructure | 0 | 0 | 0 | 2 | 1 |
| - Electrical installations | 51 | 38 | 30 | 176 | 74 |
| - Electrical equipment | 4 | 3 | 4 | 1 | 3 |
| Improvement notices (total) | 94 | 67 | 25 | 82 | 67 |
| - Gas installations/ appliances | 94 | 67 | 25 | 44 | 58 |
| - Gas and pipeline infrastructure | 0 | 0 | 0 | 1 | 0 |
| - Electrical installations (rectification notices) | - | - | - | 37 | 37 |
| Electrical Notices to comply (S54/57) | 97 | 169 | 113 | 76 | 114 |
| Gas safety reg. 37 disconnections | - | 16 | 21 | 11 | 16 |
| Recalls (total) | 14 | 37 | 32 | 8 | 23 |
| - Gas installations/ appliances | 0 | 3 | 4 | 3 | 3 |
| - Electrical equipment | 14 | 34 | 28 | 5 | 20 |
| Prohibitions (total) | 3 | 0 | 2 | 1 | 2 |
| - Gas installations/ appliances | 0 | 0 | 0 | 0 | 0 |
| - Electrical equipment | 3 | 0 | 2 | 1 | 2 |
| Infringement notices (total) | 46 | 94 | 97 | 68 | 76 |
| Prosecutions | 15 | 22 | 21 | 31 | 22 |
| - Convictions | 7 | 6 | 11 | 12 | 9 |
| - Costs awarded (number) | 12 | 20 | 19 | 23 | 19 |
| - Costs awarded (\$) | 21,441 | 50,487 | 37,224 | 45,782 | 38,734 |
| - Penalties issued (number) | 11 | 20 | 19 | 28 | 20 |
| - Penalties issued (\$) | 152,084 | 43,900 | 157,600 | 91,750 | 111,334 |

Notes

- ESV initiated a review to identify systemic opportunities to substantially reduce the damage to gas and pipeline infrastructure assets. Repeat offenders were interviewed and issued with warning letters. In addition, ESV has partnered with DBs and some contractors to assess the effectiveness of mitigation measures.
- ESV has investigated or is in the process of investigating 17 incidents involving gas mains and services damage. To date this has resulted in four (4) warning letters.
- Of the 3,339 gas installations inspected, 994 non-compliance notices were issued, and the failure rate for the initial inspections of gas installations was 30 per cent.
- ESV conducted an average of five gas installation-related investigations per month, which included 21 Type-B appliance audits (with two installations requiring follow-up), and a series of 'alleged unsafe gas installation' inspections that resulted in ESV issuing 44 Improvement Notices and 11 Disconnection Notices to ensure gas installation compliance with the relevant Australian Standards.
- In 2016–17 ESV completed 31 prosecutions which included 24 prosecutions for persons who were either not registered to carry out electrical contracting work or who were not licensed electricians. During the year ESV prosecuted three persons who carried out plumbing work when they were not licensed.

Recalls

Electrical safety recalls

ESV was involved with five electrical safety recalls this year, which is a substantial reduction compared to previous years. Nationally, the number of electrical safety recalls has declined from 73 in 2015–16 to 22 in 2016–17. This is attributed to ongoing supplier education, standards development, and progression of the responsible supplier registration database.

Gas appliance recalls

There were five gas product recalls in the 2016–17 financial year, which is a decrease from the eight gas-related recalls for the previous year. These recalls included:

- Two relating to decorative effect space heaters:
 - > An unintended and significant increase in gas consumption due to a change in the gas manifold in production.
 - > Appliances with explosive ignition causing the front glass to break in rare circumstances.
- One recall relating to a freestanding cooker, where the gas inlet adapter was found to crack and leak in Europe, and was recalled in Australia as a precautionary measure.
- One recall relating to a high pressure propane cooker, where cracks were present in the gas manifold allowing high pressure gas to leak.
- One recall related to a butane camping heater that was able to be operated at a very low rate of gas consumption and, (under those conditions) produce high levels of carbon monoxide.



Organisational structure

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

ESV's corporate structure

ESV is led by the Director of Energy Safety (the Director) and CEO, Paul Fearon, who is appointed pursuant to the *Energy Safe Victoria Act 2005*, which is administered by the Minister for Energy, Environment and Climate Change.

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

Members of the EMB:

Director of Energy Safety and CEO

Paul Fearon

- Executive direction and leadership of ESV and exercise of all powers under the Acts.

External appointments and positions

- Chair of the Industry Gas Emergency Management Group.
- Member of the Victorian Government's Powerline Bushfire Safety Program – Project Control Board.

Deputy Director of Energy Safety

Neil Fraser

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

External appointments and positions

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

Organisational structure

Chief Operating Officer

Sharife Rahmani

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

Risk, Regulatory Planning and Policy, General Manager

Dr Roanne Allan

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

External appointments

- Chair and Member of the Electric Line Clearance Consultative Committee

Electrical Infrastructure Safety and Technical Regulation, General Manager

Ian Burgwin

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

External appointments and positions

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

Gas and Pipeline Safety and Technical Regulation, General Manager

Steve Cronin

- Gas and Pipeline Safety and Technical Regulation (GPSTR) is responsible for the safety of natural gas, LPG, and LP distribution networks, complex and type B gas installations, and gas appliances. GPSTR also has oversight of licensed pipeline safety and the protection of metallic structures from stray currents.

External appointments and positions

- Chair of Gas Emergency Management Consultative Forum (GEMCF)
- Member of Infrastructure Reference Panel under *Road Management Act 2004*

Machinery of government changes—*Pipelines Act 2005*

Administration of responsibilities for the *Pipelines Act 2005* transferred from the Department of Economic Development, Jobs, Transport and Resources to the DELWP on 1 July 2016 as part of machinery of government (MoG) changes.

In response to stakeholder feedback received as part of the remaking of the Pipeline Regulations, and the opportunity presented by the MoG changes, ESV and DELWP consolidated all regulatory responsibilities for the environmental components of the Act with DELWP.

The updated regulations known as the Pipeline Regulations 2017 came into force on 26 March 2017.

Governance

Audit and Risk Committee

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

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

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

During 2016–17, ESV's Audit and Risk Committee consisted of the following independent members:

- **Bob Scott**, *Independent member (Chair)*
- **Anne Astin**, *Independent member*
- **Joh Barker**, *Independent member*
- **Steve Schinck**, *Independent member*

Information Management Governance Committee (IMGC)

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

Risk Management Committee (RMC)

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

Internal governance and advisory committees

In 2016–17 ESV's governance arrangements were enhanced by the addition of four new internal governance advisory committees:

- Remuneration Panel (Audit and Risk Committee members. Chair Steve Schinck)
- Enforcement and Compliance Panel (Chair Dr Roanne Allan)
- Safety Case Review Panel (Chair Ian Burgwin)
- Stakeholder and Industry Committees (statutory committees established by ESV) – may be chaired by external member

This evolved structure provides the Director with a stronger base of independent advice on regulatory and organisational decision making.

ESV people

Public sector values

ESV demonstrates its commitment to public sector values and employment principles in the following ways:

ESV has adopted the Code of Conduct for Victorian Public Sector Employees that is provided to all employees on commencement of employment with ESV. ESV has introduced policies and practices that are consistent with the Victorian Public Sector Commission (VPSC) employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. ESV has advised its employees on its new and updated policies.

ESV has a Conflict of Interest policy framework and maintains a current Gifts, Benefits and Hospitality policy and register. The register is reviewed annually by the Audit and Risk Committee. During 2016–17 ESV reviewed its employment policies to ensure currency, suitability and adherence to public sector employment principles.

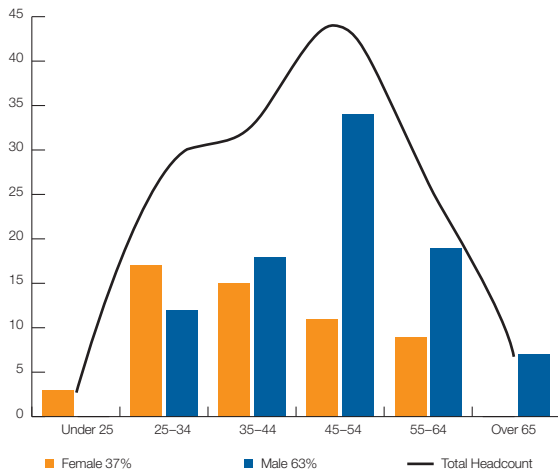
Occupational health and safety

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

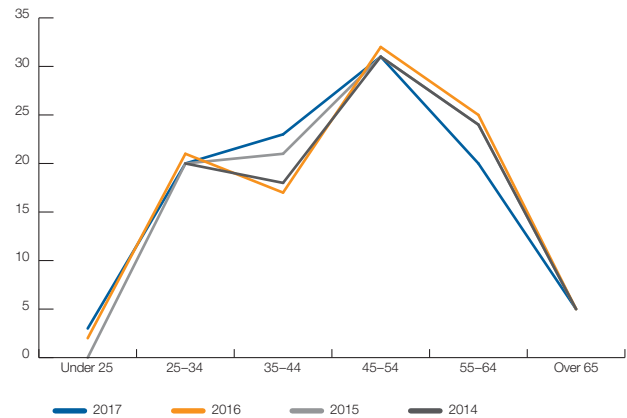
There have been no fatalities or serious injuries associated with an ESV workplace during 2016–17.

To address one of the more significant potential hazards, ESV people who use a motor vehicle for work-related activity all attended a one-day defensive driving course during the year.

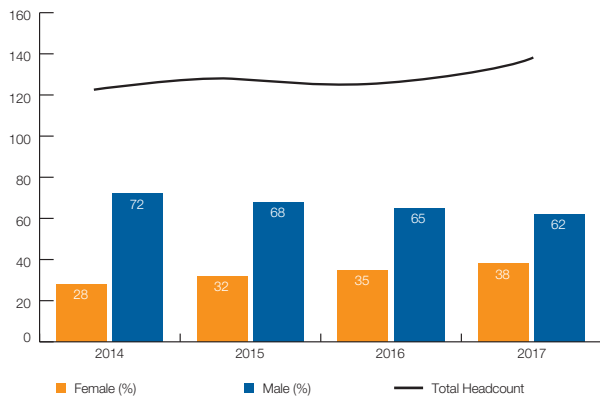
Age and gender profile as at 29 June 2017



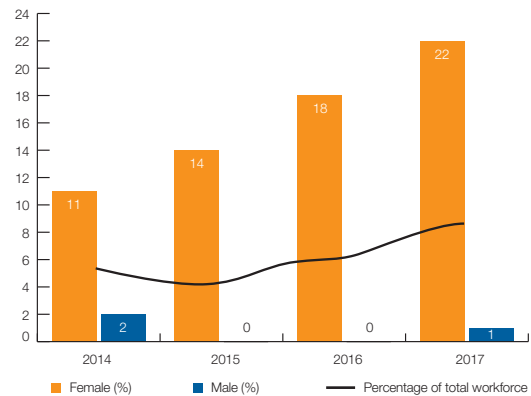
Age profile over previous four years



Gender profile over previous four years



Flexible working over previous four years



Comparative workplace data

With the current growth occurring across ESV to deliver improved safety outcomes for the Victorian community there has been further diversification of the ESV workforce profile. The age profile of the organisation is beginning to move towards a more normal distribution and the gender balance is improving with recent additions to the ESV workforce.

General statement on industrial relations

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

**Table 1:
Ongoing employees**

| Number (headcount) | Vacant (positions) | Full-time (headcount) | Part-time (headcount) | FTE |
|--------------------|--------------------|-----------------------|-----------------------|-------|
| 145 | 10 | 130 | 7 | 133.9 |

**Table 2:
Fixed-term and casual employees**

| Number (headcount) | FTE |
|--------------------|-----|
| 8 | 4.2 |

**Table 3:
Headcount breakdown by gender, age and classification**

| | <i>All employees</i> | | | | <i>Full time</i> | | <i>Ongoing Part time</i> | | <i>FTE</i> | | <i>Fixed-term and casual</i> | | | |
|------------------------|---------------------------|------------|--------------------|--------------|--------------------|------------|--------------------------|----------|--------------|--------------|------------------------------|----------|------------|------------|
| | <i>Number (headcount)</i> | | <i>Ongoing FTE</i> | | <i>(headcount)</i> | | <i>(headcount)</i> | | | | <i>Number (headcount)</i> | | <i>FTE</i> | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Gender | | | | | | | | | | | | | | |
| Male | 90 | 85 | 89 | 85 | 87 | 84 | 0 | 0 | 87 | 84 | 3 | 1 | 2 | 1 |
| Female | 55 | 46 | 49.1 | 42.2 | 43 | 31 | 7 | 8 | 46.9 | 36.7 | 5 | 7 | 2.2 | 5.6 |
| Age | | | | | | | | | | | | | | |
| 15-24 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 |
| 25-34 | 29 | 27 | 27.3 | 24.4 | 24 | 20 | 4 | 4 | 25.7 | 22.8 | 1 | 3 | 1.6 | 1.6 |
| 35-44 | 33 | 27 | 32.4 | 26.0 | 30 | 23 | 2 | 3 | 31.4 | 25 | 1 | 1 | 1 | 1 |
| 45-54 | 45 | 40 | 44.6 | 40.0 | 44 | 38 | 0 | 0 | 44 | 38 | 1 | 2 | 0.6 | 2 |
| 55-64 | 28 | 31 | 27.8 | 30.8 | 27 | 28 | 1 | 1 | 27.8 | 28.9 | 0 | 2 | 0 | 2 |
| 65+ | 7 | 6 | 6 | 6 | 5 | 6 | 0 | 0 | 5 | 6 | 2 | 0 | 1 | 0 |
| Classification | | | | | | | | | | | | | | |
| Executive | 6 | 9 | 6 | 8.8 | 6 | 8 | - | 1 | 6 | 8.8 | 0 | 0 | 0 | 0 |
| Senior Manager | 13 | 11 | 12.4 | 11 | 10 | 11 | 1 | 0 | 10.8 | 11 | 2 | 0 | 1.6 | 0 |
| Administration Staff | 39 | 29 | 36.1 | 27.6 | 33 | 25 | 4 | 4 | 35.1 | 27.6 | 2 | 0 | 1 | 0 |
| Field Staff | 74 | 73 | 74 | 72.9 | 73 | 68 | - | 1 | 73 | 68.9 | 1 | 4 | 1 | 4 |
| Customer Service | 13 | 9 | 9.6 | 7 | 8 | 4 | 2 | 1 | 9 | 4.4 | 3 | 4 | 0.6 | 2.6 |
| TOTAL EMPLOYEES | 145 | 131 | 138.1 | 127.2 | 130 | 115 | 7 | 8 | 133.9 | 120.6 | 8 | 8 | 4.2 | 6.6 |

OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE

Table 4:

| Harards/Incidents | | Lost Time Claims | | Average cost/claim | | Fatalities | |
|--------------------------|-------|-------------------------|------|---------------------------|-----------|-------------------|------|
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| 0.69% | 0.76% | 0 | 0 | \$62 | \$24,927* | 0 | 0 |

* \$24,369 actual + \$558 estimate outstanding

Demonstrating accountability

Electricity safety committees

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

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

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

Victorian Electrolysis Committee (Section 91 Electricity Safety Act 1998)

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

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

The Director has the power under Section 8 of the ESV Act to establish committees. During the year a committee was established to provide specialist advice to the Director on the implementation of new technologies required under the new bushfire mitigation regulations.

Consultative/technical committees

Electrical Regulatory Authorities Council (ERAC)

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

Standards Australia Technical Committees

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

State Fire Management Planning Committee

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

Gas Technical Regulators Committee

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

Plumbing Advisory Council

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

National Appliance and Equipment Energy Efficiency Committee (E3 Committee)

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

Gas pipeline and distribution, and LPG

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

Pipeline (non-natural gas) Consultative Meeting

ESV coordinates meetings to share information and discuss industry issues.

Gas Emergency Management Consultative Forum

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

Victorian Electricity Emergency Committee

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

Gas appliances

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

Gas – Building Industries Regulators' Forum

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

LPG Safety Committee

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

Local jobs first – Victorian Industry Participation Policy

ESV has not been required to apply the Local Jobs First (VIPP) because there have not been any procurement and project activities valued at \$3 million or more in metropolitan Melbourne or statewide, or at \$1 million or more in regional Victoria.

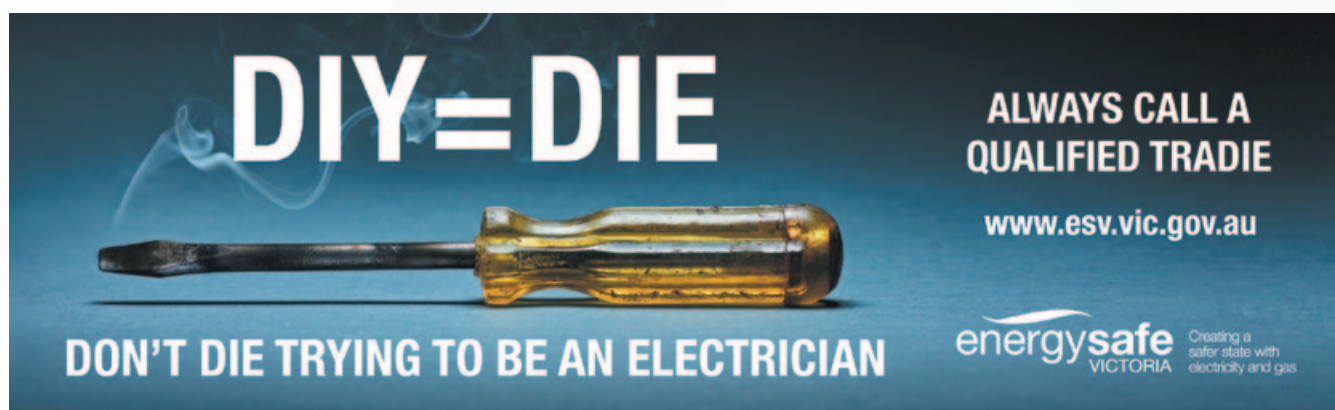
Government advertising expenditure

Details of government advertising expenditure (campaigns with a media spend of \$100 000¹ or greater)

| Name of Campaign | Campaign summary | Start/ End date | Advertising (Media) Expenditure 2016-17 (excl. GST) \$'000 | Creative & campaign development Expenditure 2016-17 (excl. GST) \$'000 | Research & evaluation Expenditure 2016-17 (excl. GST) \$'000 | Print and collateral Expenditure 2016-17 (excl. GST) \$'000 | Other Campaign Expenditure 2016-17 (excl. GST) \$'000 | Total \$'000 |
|--|--|--------------------------------------|--|--|--|---|---|--------------|
| <i>Carbon Monoxide the Silent Killer</i> | An ongoing campaign to educate people on the dangers of carbon monoxide. | Jul 2016, Apr – Jun 2017 Jan 2017 | 100 | 2 | 19 ¹ | 2 | - | 123 |
| <i>DIE=DIY</i> | Behaviour change campaign warning people not to do their own DIY electrical work | Apr-May 2017 | 229 | 11 | - | 21 | 15 | 276 |

Notes

1. Reach and recall survey covered both campaigns



Demonstrating accountability

Consultancy expenditure

Refer to page 32.

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*.

National Competition Policy

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweighs the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

ESV continues to comply with the requirements of the NCP including competitive neutrality.

Statement of completion of declarations of pecuniary interests

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

Attestation

Attestation for compliance with Ministerial Standing Direction 3.7.1

I, Paul Fearon, certify that *Energy Safe Victoria* has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Energy Safe Victoria Audit and Risk Committee has verified this.



Paul Fearon
Director of Energy Safety
25 August 2017

Protected Disclosures Act 2012

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

What is a 'protected disclosure'?

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

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

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

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

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

How do I make a 'Protected Disclosure'?

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

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

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

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

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

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

IBAC, GPO Box 24234, Melbourne Victoria 3001
www.ibac.vic.gov.au
Phone 1300 735 135

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

Compliance with DataVic Access Policy

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

Statement of availability of other information

Additional information available on request

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

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

The information is available on request from:

The FOI Office

Energy Safe Victoria
Phone: (03) 9213 9700
Email: foi@energysafe.vic.gov.au

Additional information included in annual report

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

- Assessments and measures undertaken to improve the occupational health and safety of employees (on page 26).
- a statement on industrial relations within ESV (on page 27).
- a list of ESV's major committees; the purposes of each committee; and the extent to which the purposes have been achieved (on page 28); and
- a statement of completion of declarations of pecuniary interests by relevant officers (on page 30).

Information that is not applicable to ESV

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

- a declaration of shares held by senior officers
 - > No shares have ever been issued in ESV's name.
- Details of overseas visits undertaken:
 - > No senior executives took overseas work related trips.

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right to seek access to documents held by ESV.

ESV received 42 freedom of information requests during the 2016–17 period. During the same period ESV completed 44 freedom of information requests, which included seven from the 2015–16 period.

During 2016–17, ESV had one of its FOI decision reviewed by the Freedom of Information Commissioner (FOIC). ESV originally denied the Applicant access to a document. The Applicant went to the FOIC in November 2016 for a review of the decision. In February 2017, the FOIC confirmed ESV's original decision.

ESV authorised FOI officer: Katherine Ludvik

FOI fee: \$28.40 (as of 1 July 2017)

Privacy

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

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

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

Demonstrating accountability

Consultancy expenditure

In 2016–17, 18 consultants received total fees payable of greater than \$10,000. The total expenditure incurred during 2016–17 in relation to these consultancies is \$649,000 (excluding GST). Details of individual consultancies are listed below.

| Consultant | Purpose of consultancy | Start date | Target end date | Total approved project fee (ex. GST) \$'000 | Exp. to 30 June 2016 (ex. GST) \$'000 | 2016–17 expenditure (ex. GST) \$'000 | Future expenditure (ex. GST) \$'000 | Total projected cost (ex. GST) \$'000 |
|--------------------|---|------------|-----------------|---|---------------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|
| Advisian | Report into the potential impacts of new energy on Victorian distribution businesses and technical regulatory environment | Mar-16 | Aug-16 | 95 | 86 | 10 | - | 95 |
| | Proposal for establishing bushfire risk management best practice for electrical infrastructure | Mar-16 | Aug-16 | 36 | 13 | 21 | - | 35 |
| | Proposal for ESMS due diligence process | Mar-16 | Aug-16 | 33 | 25 | 9 | - | 33 |
| Jamsoft | Develop a strategy and implementation plan for data management and analytics | Nov-16 | Mar-17 | 59 | - | 53 | - | 53 |
| | MFB/CFA & Cathodic data projects | Mar-17 | Jul-17 | 63 | - | 49 | 14 | 63 |
| Marxsen Consulting | Professional services regarding initial installation of REFCL devices within the Victorian electrical distribution networks | Jul-16 | Jun-18 | 40 | - | 17 | 23 | 40 |
| | Report on risks in respect of REFCL protected networks | Mar-17 | Jun-17 | 58 | - | 52 | - | 52 |
| Mercer Consulting | Develop progression criteria framework | Oct-16 | Jul-17 | 85 | - | 55 | 30 | 85 |
| Motorbis | Financial modelling services | Apr-17 | May-17 | 18 | - | 15 | - | 15 |
| | Professional services to support ESV's Powerline Bushfire Safety Committee meetings | Jun-17 | Jun-18 | 61 | - | 23 | 38 | 61 |
| Arup | Advice on ESV's risk framework | Apr-17 | Jul-17 | 65 | - | 63 | 2 | 65 |
| Maddocks | Specialist legal advice | Nov-16 | May-17 | 62 | - | 62 | - | 62 |
| Jaguar Consulting | Feasibility study of proposals to mandate installation of RCDs | Sep-16 | May-17 | 24 | - | 23 | - | 23 |
| | Proposed Gas Safety (Gas Quality) Regulations 2017 | Mar-17 | May-17 | 15 | - | 12 | - | 12 |
| MG Consulting | Review of engineering assessments | Dec-16 | Jun-17 | 33 | - | 35 | - | 35 |
| RSM Australia | Specialist taxation services | Mar-17 | Jun-17 | 30 | 4 | 26 | - | 30 |

| Consultant | Purpose of consultancy | Start date | Target end date | Total approved project fee (ex. GST) \$'000 | Exp. to 30 June 2016 (ex. GST) \$'000 | 2016-17 expenditure (ex. GST) \$'000 | Future expenditure (ex. GST) \$'000 | Total projected cost (ex. GST) \$'000 |
|-------------------------------|-------------------------------------|------------|-----------------|---|---------------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|
| AEP Lauren | Safety Management Report 2015-16 | Jul-16 | Jan-17 | 21 | - | 18 | - | 18 |
| Action OHS Consulting | OHS desktop audit | Dec-16 | Mar-17 | 19 | - | 19 | - | 19 |
| Quantum Market Research | Online market survey | Sep-16 | Oct-16 | 19 | - | 19 | - | 19 |
| Lander & Rogers | Specialist legal services | Apr-17 | May-17 | 18 | - | 18 | - | 18 |
| Centre for Career Development | 2016-17 manager development program | Jul-16 | Jun-17 | 18 | - | 10 | - | 10 |
| Buchan Consulting | Stakeholder survey services | Feb-17 | May-17 | 16 | - | 16 | - | 16 |
| Wise Workplace | Investigation and quality review | Nov-16 | Feb-17 | 14 | - | 12 | - | 12 |
| Korn Ferry Hay Group | Review of executive positions | Aug-16 | Jun-17 | 13 | - | 12 | - | 12 |
| TOTAL | | | | 915 | 128 | 649 | 107 | 883 |

Details of consultancies under \$10,000

In 2016-17, 13 consultants received total fees payable of less than \$10,000.

The total expenditure incurred in 2016-17 in relation to these consultancies is \$80,000 (excluding GST).

Disclosure of major contracts

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

Information and Communication Technology expenditure

For the 2016-17 reporting period, Energy Safe Victoria had a total ICT expenditure of \$5,573,743 with the details shown below:

| Business as usual (BAU) ICT Expenditure | Non-business as usual (non-BAU) ICT expenditure (Total = Operational expenditure and Capital expenditure) | Operational expenditure | Capital expenditure |
|---|---|-------------------------|---------------------|
| \$3,287,003 | \$2,286,740 | \$173,284 | \$2,113,456 |

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

Financial review of operations

Overview

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

Five Year Financial Summary

| | 2016-17 | 2015-16 | 2014-15 | 2013-14* | 2012-13* |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Total income | 36,357 | 35,333 | 32,938 | 31,651 | 29,687 |
| Total expenses | (34,751) | (33,585) | (31,482) | (30,571) | (30,330) |
| Net result from transactions | 1,606 | 1,748 | 1,456 | 1,080 | (643) |
| Other economic flows | (43) | (238) | (110) | (702) | (110) |
| Comprehensive result | 1,563 | 1,510 | 1,346 | 378 | (753) |
| Total assets | 13,754 | 12,342 | 10,341 | 10,926 | 12,103 |
| Total liabilities | (5,503) | (5,650) | (5,339) | (7,270) | (8,825) |
| Net assets | 8,251 | 6,692 | 5,002 | 3,656 | 3,278 |

* Restated figures.

In the five-year period to 2016-17, ESV's revenue has increased by around 5 per cent per annum, reflecting agreed increases in levy rates and prices, coupled with an increase in economic activity, notably in the Victorian house-building sector.

In the same period, expenses have increased by approximately 3.5 per cent per annum, reflecting agreed annual pay increases under ESV's Enterprise Agreement, and the additional costs of servicing higher regulatory activity levels.

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

The surpluses generated in the last three years, and their related cash-flows, have enhanced the organisation's ability to deliver regulatory services. This includes having the resources to replace and upgrade ESV's key business systems, the introduction of more online transactions and digital channels and employ of more frontline staff.

2016–17 Comprehensive operating statement

Income from transactions

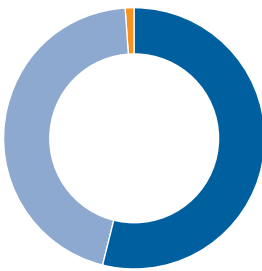
In 2016-17, 54 per cent of ESV's income came from levies, consistent with previous years. Overall, levy income was 4.7 per cent higher than 2015-16, reflecting the agreed rate of increase. Fee income showed little variation reflecting continued strong economic activity and approval rates for new dwellings.

Overall, income was 2.9 per cent higher than 2015-16 and 3.5 per cent better than the 2016-17 budget.

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

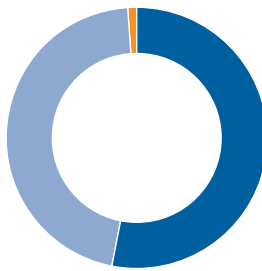
2016–17 Income

Total income \$36.4m



2015–16 Income

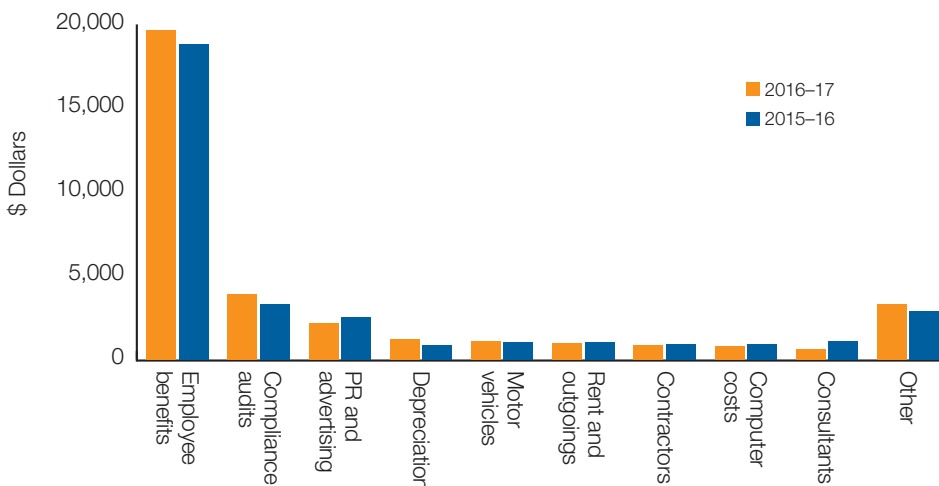
Total income \$35.3m



■ Levy determination income
■ Fee income
■ Interest and other income

Expenses

Employee benefits increased by 4.4 per cent over 2015-16, reflecting Enterprise Agreement increases and the impact of net increases in staff over the year. The scope, and cost, of compliance audits also increased over the previous year but savings were made in most other areas of expenditure including PR and advertising, where there was a focus on fewer and more targeted campaigns. Other costs comprise several elements such as travel, outsourced audits, and training, which tend to vary in line with overall activity levels and these increased in the year.



Financial review of operations

Balance sheet as at 30 June 2017

Assets

The major asset movements in the year were an increase in cash holdings, reflecting the operating surplus, and in intangible assets because of planned investment in configured software. This investment included GasTrac, the new online system for managing gas applications, which was commissioned in the year. In addition, work-in-progress included \$1.7 million in respect of computer software being configured for use.

Liabilities

ESV's most significant liability related to provisions for employee-related costs such as long service and annual leave. This balance was largely unchanged from 2015–16.

ESV had no borrowings at either 30 June 2017 or 30 June 2016.

Net assets

Overall, ESV's net assets increased by \$1.5 million, reflecting the surplus for the year. There were no other significant changes in the organisation's overall financial position in the year.

2016–17 Cash flow statement

ESV generated \$2.7 million (net) from its operating activities in the year. Of this, \$1.9 million was expended on the purchase of non-financial, largely intangible, assets. ESV's cash holdings are invested in accordance with the requirements of the Department of Treasury and Finance.

Commitments

As at 30 June 2017, ESV had commitments for future expenditure of \$4.3 million, including GST. This figure was largely unchanged from the previous year and related to obligations in respect of vehicle and property leases.

Capital projects

ESV did not manage any capital projects with a Total Estimated Investment of \$10 million, or more, during the year.

Looking forward

ESV will continue to focus on sound financial management and ensuring that its expenditure demonstrates value-for-money. The strategic reinvestment of accumulated surpluses into business improvement initiatives will continue in 2017–18, reflecting the intent of ESV's Corporate Plan 2017–2020 and the rationale for the 2017–18 levy determinations, approved by the Minister for Energy, Environment and Climate Change in August 2017.

Financial statements

Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for Energy Safe Victoria have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of Energy Safe Victoria at 30 June 2017.

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

We authorise the attached financial statements for issue on 25 August 2017.



Paul Fearon
Director of Energy Safety
25 August 2017



Shawn Leong
Chief Financial Officer
25 August 2017

Financial statements

| Comprehensive operating statement for the financial year ended 30 June 2017 | | Notes | 2017 | (\$ thousand) 2016 |
|--|-------|-------|---------------|-----------------------|
| CONTINUING OPERATIONS | | | | |
| Income from transactions | | | | |
| Levy determination income | 2.1.1 | | 19,627 | 18,748 |
| Fee income | 2.1.2 | | 16,408 | 16,237 |
| Interest | 2.1.3 | | 220 | 247 |
| Other income | 2.1.4 | | 102 | 101 |
| Total income from transactions | | | 36,357 | 35,333 |
| Expenses from transactions | | | | |
| Employee benefits | 3.1.1 | | 19,667 | 18,845 |
| Compliance audit expenses | | | 3,916 | 3,338 |
| Public relations and advertising | | | 2,190 | 2,556 |
| Motor vehicles | | | 1,090 | 1,068 |
| Rent and outgoings | | | 1,010 | 1,043 |
| Computer expenses | | | 832 | 913 |
| Consulting fees | | | 653 | 1,118 |
| Contractors | | | 854 | 914 |
| Depreciation | 4.1.1 | | 1,237 | 881 |
| Other operating expenses | 3.2 | | 3,302 | 2,910 |
| Total expenses from transactions | | | 34,751 | 33,585 |
| Net result from transactions (net operating balance) | | | 1,606 | 1,748 |
| OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT | | | | |
| Net gain/(loss) on non-financial assets | 8.1 | | (34) | (86) |
| Other gain/(loss) from other economic flows | 8.1 | | (9) | (152) |
| Total other economic flows included in net result | | | (43) | (238) |
| Net result from continuing operations | | | 1,563 | 1,510 |
| NET RESULT | | | 1,563 | 1,510 |
| OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME | | | | |
| <i>Items that will not be reclassified to net result</i> | | | | |
| Changes in physical asset revaluation surplus | 8.2 | | (4) | 180 |
| Total other economic flows - other comprehensive income | | | (4) | 180 |
| COMPREHENSIVE RESULT | | | 1,559 | 1,690 |

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

Financial statements

| Balance sheet as at 30 June 2017 | Notes | 2017 | (\$ thousand) 2016 |
|-------------------------------------|-------|---------------|-----------------------|
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 6.1 | 7,919 | 7,166 |
| Receivables | 5.1 | 998 | 1,197 |
| Total financial assets | | 8,917 | 8,363 |
| Non-financial assets | | | |
| Plant and equipment | 4.1 | 1,767 | 2,197 |
| Intangible assets | 4.2 | 2,579 | 1,287 |
| Other non-financial assets | 5.3 | 491 | 494 |
| Total non-financial assets | | 4,837 | 3,978 |
| Total assets | | 13,754 | 12,342 |
| LIABILITIES | | | |
| Employee related provisions | 3.1.2 | 3,314 | 3,252 |
| Payables | 5.2 | 1,807 | 1,949 |
| Other liabilities | 5.4 | 382 | 449 |
| Total liabilities | | 5,503 | 5,650 |
| Net assets | | 8,251 | 6,692 |
| EQUITY | | | |
| Accumulated surplus/(deficit) | | 4,465 | 2,902 |
| Physical asset revaluation surplus | 8.2 | 176 | 180 |
| Contributed capital | 8.8 | 3,610 | 3,610 |
| Net worth | | 8,251 | 6,692 |

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

Financial statements

| Cash flow statement for the financial year ended 30 June 2017 | Notes | 2017 | (\$ thousand) 2016 |
|---|-------|-----------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Receipts from other entities | | 36,608 | 35,570 |
| Goods and Services Tax recovered from the ATO ⁽ⁱ⁾ | | 1,299 | 1,266 |
| Interest received | | 221 | 270 |
| Total receipts | | 38,128 | 37,106 |
| Payments | | | |
| Payments to suppliers and employees | | (35,441) | (33,588) |
| Total payments | | (35,441) | (33,588) |
| Net cash flows from/(used in) operating activities | 6.1.1 | 2,687 | 3,518 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of non financial assets | | (1,934) | (2,150) |
| Sale of non-financial assets | | - | 19 |
| Net cash flows from/(used in) investing activities | | (1,934) | (2,130) |
| Net increase/(decrease) in cash and cash equivalents | | 753 | 1,388 |
| Cash and cash equivalents at the beginning of the financial year | | 7,166 | 5,778 |
| Cash and cash equivalents at the end of the financial year | 6.1 | 7,919 | 7,166 |

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

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

Financial statements

| Statement of changes in equity for the financial year ended 30 June 2017 | | | | |
|---|---------------------------------------|----------------------------------|---------------------------|---------------|
| | | | | (\$ thousand) |
| | Physical asset revaluation surplus | Accumulated surplus/(deficit) | Contributions by owner | Total |
| Balance at 1 July 2015 | - | 1,392 | 3,610 | 5,002 |
| Net result for the year | - | 1,510 | - | 1,510 |
| Other comprehensive income for the year | 180 | - | - | 180 |
| Balance at 30 June 2016 | 180 | 2,902 | 3,610 | 6,692 |
| Net result for the year | - | 1,563 | - | 1,563 |
| Other comprehensive income for the year | (4) | - | - | (4) |
| Balance at 30 June 2017 | 176 | 4,465 | 3,610 | 8,251 |

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

Notes to the financial statements for the financial year ended 30 June 2017

1. About this report

These notes describe the basis on which the financial statements have been prepared and compliance with reporting requirements

2. How income is generated

Income from transactions includes levy determination, fee income and other income

3. How costs are incurred

Operating expenses including employee benefits

4. Major assets

Physical and intangible assets

5. Other assets and liabilities

Other key assets and liability balances

6. Financing our operations

Cash flow information and expenditure commitments

7. Risk, contingencies and valuation judgements

Financial instruments, contingent assets and liabilities and fair value determination

8. Other disclosures

Including other economic flows, reserves, executive remuneration, related party transactions

1. About this report

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

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

Basis of preparation

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

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

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

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

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

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

Compliance information

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

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

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

2. How income is generated

Introduction

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

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

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

Structure

2.1 Income from transactions

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

2.1 Income from transactions

Income from transactions is recognised when:

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

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

2.1.1 Levy determination income

| (\$ thousand) | | |
|--|---------------|---------------|
| Levy income | 2017 | 2016 |
| Gas industry levy | 10,563 | 10,006 |
| Electricity industry levy | 8,204 | 7,927 |
| Gas pipeline industry levy | 860 | 815 |
| Total levy determination income | 19,627 | 18,748 |

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

2.1.2 Fee income

| (\$ thousand) | | |
|---------------------------------------|---------------|---------------|
| Fee income | 2017 | 2016 |
| Certificates of Electrical Safety | 9,701 | 9,614 |
| Licence fees | 4,079 | 4,020 |
| Electrolysis mitigation fees | 1,804 | 1,722 |
| Equipment and appliance approval fees | 397 | 361 |
| Appliance efficiency fees | 427 | 521 |
| Total fee income | 16,408 | 16,237 |

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

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

Notes to the financial statements for the financial year ended 30 June 2017

2.1.3 Interest income

| | (\$ thousand) | |
|--|---------------|------|
| | 2017 | 2016 |

Interest from financial assets not at fair value through profit or loss

| | | |
|---------------------------------------|------------|------------|
| Interest on cash and cash equivalents | 220 | 247 |
| Total interest | 220 | 247 |

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

2.1.4 Other income

| | (\$ thousand) | |
|--|---------------|------|
| | 2017 | 2016 |

| | | |
|---------------------------|------------|------------|
| Other income | 102 | 101 |
| Total other income | 102 | 101 |

Other income comprises:

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

3. How costs are incurred

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

Structure

- 3.1 Employee benefits**
 - 3.1.1 Employee benefits in the comprehensive operating statement
 - 3.1.2 Employee benefits in the balance sheet
 - 3.1.3 Superannuation contributions
- 3.2 Other operating expenses**

3.1 Employee benefits

3.1.1 Employee benefits in the comprehensive operating statement

| | (\$ thousand) | |
|--|---------------|---------------|
| | 2017 | 2016 |
| Salaries, wages, annual leave and long service leave | 17,864 | 16,966 |
| <i>Post-employment benefits</i> | | |
| Defined contribution superannuation expense | 1,490 | 1,421 |
| Termination benefits | 313 | 458 |
| Total employee benefits | 19,667 | 18,845 |

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

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

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

3.1.2 Employee benefits in the balance sheet

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

| | (\$ thousand) | |
|--|---------------|--------------|
| | 2017 | 2016 |
| CURRENT PROVISIONS | | |
| Annual leave | | |
| Unconditional and expected to be settled within 12 months | 1,013 | 1,007 |
| Unconditional and expected to be settled after 12 months | 113 | 112 |
| Long Service Leave | | |
| Unconditional and expected to be settled within 12 months | 336 | 264 |
| Unconditional and expected to be settled after 12 months | 1,064 | 1,060 |
| Provisions related to employee benefit on-costs | | |
| Unconditional and expected to be settled within 12 months | 292 | 363 |
| Unconditional and expected to be settled after 12 months | 191 | 190 |
| Total current provisions | 3,009 | 2,996 |
| RECONCILIATION OF MOVEMENT IN ON-COST PROVISION | | |
| Opening balance | 589 | |
| Additional provisions recognised | 272 | |
| Reductions arising from payments | (355) | |
| Unwinding of discount and effect of changes in the discount rate | 19 | |
| Closing balance | 525 | |
| Current | 483 | |
| Non-current | 42 | |
| Closing balance | 525 | |

Notes to the financial statements for the financial year ended 30 June 2017

Wages and salaries, annual leave and sick leave

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

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

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as ESV does not have an unconditional right to defer settlement of liability for at least 12 months after the reporting period.

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

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

Long Service Leave (LSL)

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

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

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

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

3.1.3 Superannuation contributions

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

| | Paid contribution for the year | | Contribution outstanding at year end | |
|---|--------------------------------|-------|--------------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| Total defined contribution superannuation contributions | 1,490 | 1,356 | - | 65 |

(\$ thousand)

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

3.2 Other operating expenses

| Supplies and services | 2017 | 2016 |
|--|--------------|--------------|
| Printing and stationery | 393 | 375 |
| Telecommunications | 254 | 244 |
| Legal fees | 81 | 69 |
| Administration fees - Certificates of Electrical Safety | 291 | 351 |
| Insurance | 474 | 487 |
| Travel expenses | 263 | 173 |
| Compliance and audit services (including Bushfire Mitigation) | 308 | 141 |
| Conferences and training | 427 | 293 |
| Publication and subscriptions | 118 | 72 |
| Other expenses | 693 | 704 |
| Total other operating expenses | 3,302 | 2,910 |

(\$ thousand)

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

4. Major assets

Introduction

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

Fair value measurement

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

Structure

- 4.1 **Plant and equipment:**
 - carrying amount by purpose group**
 - 4.1.1 Depreciation and impairment
 - 4.1.2 Reconciliation of movements in carrying values
- 4.2 **Intangible assets**

4.1 Total plant and equipment

| (\$ thousand) | | | | | | |
|---|-----------------------|--------------|--------------------------|----------|---------------------|--------------|
| Carrying values of plant and equipment by purpose group | | | | | | |
| PUBLIC SAFETY AND ENVIRONMENT | Gross carrying amount | | Accumulated depreciation | | Net carrying amount | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Nature-based classification | | | | | | |
| Plant and equipment at fair value | | | | | | |
| Furniture and fittings | 399 | 414 | 33 | - | 366 | 414 |
| Equipment | 551 | 372 | 131 | - | 420 | 372 |
| Leasehold improvements | 1,169 | 1,187 | 501 | - | 668 | 1,187 |
| Vehicles | 40 | 40 | 2 | - | 38 | 40 |
| Assets under construction at cost | 275 | 185 | - | - | 275 | 185 |
| | 2,434 | 2,197 | 667 | - | 1,767 | 2,197 |

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

Notes to the financial statements for the financial year ended 30 June 2017

Initial recognition

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

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

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

Subsequent measurement

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

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

4.1.1 Depreciation and impairment

| Depreciation charge for the period | (\$ thousand) | |
|------------------------------------|---------------|------------|
| | 2017 | 2016 |
| Furniture and fixtures | 35 | 35 |
| Equipment | 132 | 130 |
| Leasehold improvements | 510 | 395 |
| Vehicles | 2 | 12 |
| Intangible assets | 558 | 309 |
| Total depreciation | 1,237 | 881 |

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

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

| Asset class | Useful life in years |
|------------------------------|-----------------------------------|
| Furniture and fittings | 10 to 15 |
| Equipment | 3 to 15 |
| Leasehold improvements | Shorter of lease term and 7 years |
| Vehicle (mobile site office) | 2 to 20 |

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

Impairment

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

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow' in the comprehensive operating statement, except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal will not increase the asset's carrying amount above what would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

4.1.2 Reconciliation of movements in carrying amount of plant and equipment

(\$ thousand)

| PUBLIC SAFETY AND ENVIRONMENT | Plant and equipment at fair value | | Assets under construction at cost | | Total | |
|---|--------------------------------------|--------------|--------------------------------------|------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Opening balance | 2,012 | 1,434 | 185 | 447 | 2,197 | 1,881 |
| Additions | - | - | 286 | 814 | 286 | 814 |
| Disposals | (38) | (34) | - | - | (38) | (34) |
| Transfer in/(out) of asset under construction | 196 | 1,076 | (196) | (1,076) | - | - |
| Revaluation of plant and equipment | - | 108 | - | - | - | 108 |
| Depreciation | (679) | (572) | - | - | (679) | (572) |
| Closing balance | 1,492 | 2,012 | 275 | 185 | 1,767 | 2,197 |

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

4.2 Intangible assets

(\$ thousand)

| | Computer software | | Work in progress | | Total | |
|--|----------------------|----------------|---------------------|------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Gross carrying amount | | | | | | |
| Opening balance | 3,517 | 3,512 | 971 | 10 | 4,488 | 3,522 |
| Additions | - | - | 1,850 | 966 | 1,850 | 966 |
| Transfer in/out of work in progress | 1,092 | 5 | (1,092) | (5) | - | - |
| Closing balance | 4,609 | 3,517 | 1,729 | 971 | 6,338 | 4,488 |
| Accumulated amortisation | | | | | | |
| Opening balance | (3,201) | (2,893) | - | - | (3,201) | (2,893) |
| Depreciation | (558) | (309) | - | - | (558) | (309) |
| Closing balance | (3,759) | (3,201) | - | - | (3,759) | (3,201) |
| Net book value at the end of the financial year | 850 | 316 | 1,729 | 971 | 2,579 | 1,287 |

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

All ESV's intangible assets are produced assets.

Notes to the financial statements for the financial year ended 30 June 2017

Initial recognition

Intangible assets are initially recognised at cost.

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

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

Subsequent measurement

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

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Impairment of intangible assets

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

Significant intangible assets

As at 30 June 2017, ESV recognised the following configured computer software as part of its ongoing information and technology investment:

| Configured software | Carrying amount | Configured software useful life | Remaining depreciation period |
|---------------------|-----------------|---------------------------------|-------------------------------|
| GasTrac | \$692,798 | 5 years | 4.34 years |
| ESV website | \$114,480 | 5 years | 4.70 years |

5. Other assets and liabilities

Introduction

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

Structure

5.1 Receivables

5.1.1 Movement in the provision for doubtful debt

5.1.2 Ageing analysis of contractual receivables

5.2 Payables

5.2.1 Maturity analysis of contractual payables

5.3 Other non-financial assets

5.4 Other liabilities

5.1 Receivables

| | (\$ thousand) | |
|---|---------------|--------------|
| | 2017 | 2016 |
| Contractual | | |
| Certificate of Electrical Safety agents | 506 | 571 |
| Other receivables | 260 | 445 |
| Statutory | | |
| GST input tax credit recoverable | 232 | 181 |
| Total current receivables | 998 | 1,197 |

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

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

5.1.1 Movement in the provision for doubtful debts

Doubtful debts

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

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

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

ESV regularly reviews its outstanding receivables and as at 30 June 2017 (and as at 30 June 2016), ESV does not expect any debt to be irrecoverable. As such, no provision for doubtful debts has been made, and no movement is reported for the year.

5.1.2 Ageing analysis of contractual receivables

(\$ thousand)

| | Not past due | | Past due but not impaired | | |
|--------------------------------------|-----------------|------------------|---------------------------|------------|-------------------|
| | Carrying amount | and not impaired | Less than 1 month | 1–3 months | 3 months - 1 year |
| 2017 | | | | | |
| Receivables | 766 | 605 | 151 | 10 | - |
| Total contractual receivables | 766 | 605 | 151 | 10 | - |
| 2016 | | | | | |
| Receivables | 1,016 | 909 | 106 | - | 1 |
| Total contractual receivables | 1,016 | 909 | 106 | - | 1 |

The average credit period for all receivables is 30 days. There are no material financial assets that are individually determined to be impaired. ESV does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

5.2 Payables

(\$ thousand)

| | 2017 | 2016 |
|--|--------------|--------------|
| Contractual | | |
| Supplies and services | 1,800 | 1,941 |
| Amounts payable to government and agencies | 2 | 1 |
| Statutory | | |
| GST payable | 5 | 7 |
| Total current payables | 1,807 | 1,949 |

Payables comprises:

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

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

Notes to the financial statements for the financial year ended 30 June 2017

5.2.1 Maturity analysis of contractual payables

| (\$ thousand) | | | | | |
|-----------------------------------|-----------------|----------------|-------------------|------------|-------------------|
| | Carrying amount | Nominal amount | Maturity dates | | |
| | | | Less than 1 month | 1–3 months | 3 months - 1 year |
| 2017 | | | | | |
| Other payables | 1,802 | 1,802 | 1,784 | 18 | - |
| Total contractual payables | 1,802 | 1,802 | 1,784 | 18 | - |
| 2016 | | | | | |
| Payables | | | | | |
| Other payables | 1,942 | 1,942 | 1,912 | 22 | 8 |
| Total contractual payables | 1,942 | 1,942 | 1,912 | 22 | 8 |

5.3 Other non-financial assets

| | (\$ thousand) | |
|---|---------------|------------|
| | 2017 | 2016 |
| Prepayments | 491 | 494 |
| Total current other non-financial assets | 491 | 494 |

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 the term extending beyond that period.

5.4 Other liabilities

| | (\$ thousand) | |
|--|---------------|------------|
| | 2017 | 2016 |
| Lease incentive | 100 | 87 |
| Unearned income | 100 | 67 |
| Total current other liabilities | 200 | 154 |
| Lease incentive | 182 | 295 |
| Total non-current other liabilities | 182 | 295 |
| Total other liabilities | 382 | 449 |

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

Income received or receivable but not earned at the reporting date is recognised as unearned income. The unearned income liability for 2016-17 represents a specific purpose grant received from the Department of Industry, Innovation and Science for the review and development of energy measure standards for gas hot water systems. As the grant conditions have not been met, grant income is deferred, until such time as the costs the grant is intended to compensate are incurred.

6. Financing our operations

Introduction

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

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

Structure

| | |
|------------|---|
| 6.1 | Cash flow information and balances |
| 6.1.1 | Reconciliation of net result to cash flow from operating activities |
| 6.2 | Commitments for expenditure |
| 6.2.1 | Total commitment payable |

6.1 Cash flow information and balances

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

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

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

| | (\$ thousand) | |
|--|---------------|--------------|
| | 2017 | 2016 |
| Total cash and cash equivalents disclosed in the balance sheet | 7,919 | 7,166 |
| Balance as per cash flow statement | 7,919 | 7,166 |

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

| | (\$ thousand) | |
|---|---------------|--------------|
| | 2017 | 2016 |
| Net result for the period | 1,563 | 1,510 |
| Non-cash movements | | |
| (Gain)/loss on sale or disposal of non-current assets | 34 | 17 |
| Depreciation of non-current assets | 1,237 | 881 |
| (Gain)/loss on revaluation of non-current assets | - | 72 |
| Movements in assets and liabilities | | |
| ((Increase)/decrease in receivables | 199 | 284 |
| (Increase)/decrease in other current assets | 3 | 76 |
| (Decrease)/increase in payables | (344) | 239 |
| (Decrease)/increase in other liabilities | (67) | 230 |
| (Decrease)/increase in provisions | 62 | 209 |
| Net cash flows from/(used in) operating activities | 2,687 | 3,518 |

Notes to the financial statements for the financial year ended 30 June 2017

6.2 Commitments for expenditure

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

6.2.1 Total commitments payable

| Nominal values | (\$ thousand) | |
|--|---------------|--------------|
| | 2017 | 2016 |
| Lease commitments payable | | |
| Motor vehicle operating lease commitments payable | | |
| Less than 1 year | 698 | 569 |
| Longer than 1 year but no longer than 5 years | 909 | 953 |
| Office accommodation lease commitments payable | | |
| Less than 1 year | 953 | 942 |
| Longer than 1 year but no longer than 5 years | 1,349 | 1,752 |
| 5 years or more | - | 131 |
| Office equipment lease commitments payable | | |
| Less than 1 year | 121 | - |
| Longer than 1 year but no longer than 5 years | 266 | - |
| Total commitments (inclusive of GST) | 4,296 | 4,347 |
| Less: GST recoverable | (391) | (395) |
| Total commitments (exclusive of GST) | 3,905 | 3,952 |

The office accommodation commitment includes leases on premises at 4 Riverside Quay, Southbank and at 540 Springvale Road, Glen Waverley. The lease at 4 Riverside Quay, Southbank expires in August 2018 and is subject to an annual increase of 5 per cent. The lease at 540 Springvale Road, Glen Waverley expires in October 2021, the lease is fixed for the first three years and is subject to an annual increase of 3.75 per cent for years 4-6.

7. Risks, contingencies and valuation judgements

Introduction

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

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

Structure

- 7.1 Financial instruments specific disclosures**
 - 7.1.1 Financial instruments: categorisation
 - 7.1.2 Financial risk management objectives and policies
 - 7.1.2.1 Financial instruments: credit risks
 - 7.1.2.2 Financial instrument: liquidity risks
 - 7.1.2.3 Financial instruments: market risks
- 7.2 Contingent assets and contingent liabilities**
- 7.3 Fair value determination**
 - 7.3.1 Fair value determination of financial assets and liabilities
 - 7.3.2 Fair value determination: non-financial physical assets

7.1 Financial instruments specific disclosures

Introduction

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

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

Categories of financial instruments

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

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

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or, 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 ESV 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 net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Following initial recognition, these financial instruments are measured at amortised and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, ESV has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgment is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Derecognition of financial liabilities

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

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

Notes to the financial statements for the financial year ended 30 June 2017

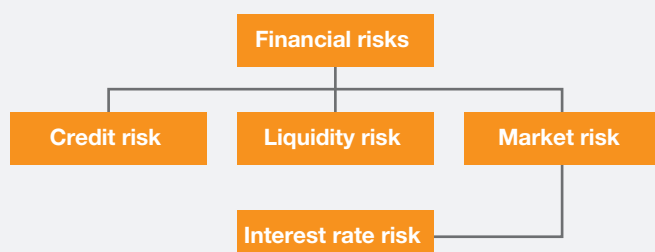
7.1.1 Financial instruments: categorisation

| | Note | (\$ thousand) | |
|--|------|---------------|--------------|
| | | 2017 | 2016 |
| Contractual financial assets | | | |
| Cash and cash equivalents | | 7,919 | 7,166 |
| Receivables | 5.1 | | |
| Fee income | | 506 | 571 |
| Other receivables | | 260 | 445 |
| Total contractual financial assets receivables and cash | | 8,685 | 8,183 |
| Contractual financial liabilities at amortised cost | | | |
| Payables | 5.2 | | |
| Other payables | | 1,802 | 1,942 |
| Total contractual financial liabilities at amortised cost | | 1,802 | 1,942 |

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

7.1.2 Financial risk management objectives and policies

ESV is exposed to several financial risks, including:



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

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

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

7.1.2.1 Financial instruments: credit risk

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

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

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

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

There has been no material change to ESV's credit risk profile in 2016-17.

Financial instruments: credit risk

(\$ thousand)

| | Government agencies (AAA credit rating) | Financial institutions (min BBB credit rating) | Other (non-rated) | Total |
|---|--|---|----------------------|--------------|
| 2017 | | | | |
| Cash and cash equivalents | 6,300 | 1,619 | - | 7,919 |
| Receivables | - | - | 766 | 766 |
| Total contractual financial assets | 6,300 | 1,619 | 766 | 8,685 |
| 2016 | | | | |
| Cash and cash equivalents | 5,500 | 1,666 | - | 7,166 |
| Receivables | - | - | 1,016 | 1,016 |
| Total contractual financial assets | 5,500 | 1,666 | 1,016 | 8,183 |

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

7.1.2.2 Financial instruments: liquidity risk

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

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

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

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

7.1.2.3 Financial instruments: market risk

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

Sensitivity disclosure analysis and assumptions

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

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

Interest rate risk

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

Cash flow interest rate risk is the risk that the 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 cash and cash equivalents and term deposits.

ESV manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. For financial assets, such as cash at bank that can be left at floating rate without exposing ESV to significant adverse risks, 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 and ESV's sensitivity to interest rate risk are set out in the table on page 58.

Notes to the financial statements for the financial year ended 30 June 2017

Interest rate exposure of financial instruments

| (\$ thousand) | | | | | |
|---|----------------|-----------------|------------------------|------------------------|----------------------|
| | Interest rate% | Carrying amount | Interest rate exposure | | |
| | | | Fixed interest rate | Variable interest rate | Non-interest bearing |
| 2017 | | | | | |
| Contractual financial assets | | | | | |
| Cash and cash equivalents | 1.7% | 7,919 | 6,300 | 1,619 | - |
| Receivables | - | 766 | - | - | 766 |
| Total contractual financial assets | | 8,685 | 6,300 | 1,619 | 766 |
| Contractual financial liabilities | | | | | |
| Payables | | | | | |
| Other payables | - | 1,802 | - | - | 1,802 |
| Total contractual financial assets | | 1,802 | - | - | 1,802 |
| 2016 | | | | | |
| Contractual financial assets | | | | | |
| Cash and cash equivalents | 2.1% | 7,166 | 5,500 | 1,666 | - |
| Receivables | - | 1,016 | - | - | 1,016 |
| Total contractual financial assets | | 8,183 | 5,500 | 1,666 | 1,016 |
| Contractual financial liabilities | | | | | |
| Payables | | | | | |
| Other payables | - | 1,942 | - | - | 1,942 |
| Total contractual financial assets | | 1,942 | - | - | 1,942 |

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

Interest rate risk sensitivity

| (\$ thousand) | | | |
|-------------------------------------|-------------------|-------------|-------------------|
| Carrying amount | -100 basis points | | +100 basis points |
| | Net result | | Net result |
| 2017 | | | |
| Contractual financial assets | | | |
| Cash and cash equivalents | 7,919 | (16) | 16 |
| Total impact | 7,919 | (16) | 16 |
| 2016 | | | |
| Contractual financial assets | | | |
| Cash and cash equivalents | 7,166 | (17) | 17 |
| Total impact | 7,166 | (17) | 17 |

7.2 Contingent assets and contingent liabilities

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

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

Contingent assets

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

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by uncertain future events not wholly within ESV's control; or
- present obligations that arise from past events but are not recognised because:
 - > it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - > the amount of the obligations cannot be reliably measured.

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

| | (\$ thousand) | |
|--|---------------|------------|
| | 2017 | 2016 |
| Bank guarantee related to Level 5, 4 Riverside Quay Southbank Victoria, 3006 | 338 | 338 |
| Balance as per cash flow statement | 338 | 338 |

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

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

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

Fair value hierarchy

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

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

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

How this section is structured

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

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

Notes to the financial statements for the financial year ended 30 June 2017

7.3.1 Fair value determination: non-financial physical assets

| (\$ thousand) | | | | |
|-----------------------------------|-------------------------------|--|---------|---------|
| | Carrying amount as at 30 June | Fair value measurement at end of reporting period using: | | |
| | | Level 1 | Level 2 | Level 3 |
| 2017 | | | | |
| Plant and equipment at fair value | 1,492 | - | 472 | 1,020 |
| 2016 | | | | |
| Plant and equipment at fair value | 2,012 | - | 532 | 1,480 |

These assets have been classified in accordance with the fair value hierarchy, see note 7.3. There have been no transfers between levels during the period. ESV's plant and equipment is held at fair value. For all assets measured at fair value, the current use is considered the highest and best use. There were no changes in valuation techniques throughout the period to 30 June 2017.

Reconciliation of Level 3 fair value movements

| (\$ thousand) | | |
|---|--------------|--------------|
| | 2017 | 2016 |
| Plant and equipment | | |
| Opening balance | 1,480 | 1,434 |
| Purchases | 135 | 843 |
| Transfers in (out) of Level 3 | - | (357) |
| Gains or losses recognised in net result | | |
| Depreciation | (595) | (473) |
| Impairment loss | - | (86) |
| Subtotal | (460) | (73) |
| Gains or losses recognised in other economic flows - other comprehensive income | | |
| Revaluation | - | 119 |
| Closing balance | 1,020 | 1,480 |
| Unrealised gains/(losses) on non-financial assets | - | - |

Description of significant unobservable inputs to Level 3 valuations

| 2016 and 2017 | Plant and equipment |
|---------------------------------|---|
| Valuation technique | Depreciated replacement cost |
| Significant unobservable inputs | Physical depreciation and obsolescence adjustment |

Significant unobservable inputs have remained unchanged since June 2016.

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

8. Other disclosures

Introduction

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

Structure

- 8.1 Other economic flows included in net result
- 8.2 Reserves
- 8.3 Responsible persons
- 8.4 Remuneration of executives
- 8.5 Related parties
- 8.6 Remuneration of auditors
- 8.7 Subsequent events
- 8.8 Other accounting policies
- 8.9 Australian Accounting Standards issued that are not yet effective
- 8.10 Glossary of technical terms
- 8.11 Style conventions

8.1 Other economic flows included in net result

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

| | (\$ thousand) | |
|--|---------------|--------------|
| | 2017 | 2016 |
| Net gain/(loss) on non-financial assets | | |
| Net gain/(loss) on disposal of plant and equipment | (34) | (14) |
| Revaluation of plant and equipment | - | (72) |
| Total net gain/(loss) on non-financial assets | (34) | (86) |
| Other gain/(loss) from other economic flows | | |
| Net gain/(loss) arising from revaluation of long service liability | (9) | (152) |
| Total other gain/(loss) from other economic flows | (9) | (152) |
| Total other economic flows included in net result | (43) | (238) |

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

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

8.2 Reserves

| | (\$ thousand) | |
|---|---------------|------------|
| | 2017 | 2016 |
| Physical asset revaluation surplus | | |
| Balance at beginning of financial year | 180 | - |
| Revaluation increments/(decrements) | - | 180 |
| Disposal or transferred out | (4) | - |
| Balance at end of financial year | 176 | 180 |
| Net changes in reserves | (4) | 180 |

Notes to the financial statements for the financial year ended 30 June 2017

8.3 Responsible persons

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

Names

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

Minister for Energy, Environment and Climate Change

The Hon. Lily D'Ambrosio MP 1 July 2016 to 30 June 2017

Director of Energy Safety

Mr Paul Fearon 1 July 2016 to 30 June 2017

Remuneration

Remuneration received or receivable by the Accountable Officer for the management of ESV during the reporting period was in the range: \$320,000 – \$329,000 (2015-16: \$290,000 – \$299,000).

8.4 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

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

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

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

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

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

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

Remuneration of executive officers

(including key management personnel disclosed in Note 8.5)

| | (\$ thousand) | |
|---|---------------|------------|
| | 2017 | 2016 |
| Short-term employee benefits | 1,289 | |
| Post-employment benefits | 111 | |
| Other long-term benefits | 15 | |
| Termination benefits | 130 | |
| Total remuneration⁽ⁱ⁾ | 1,545 | |
| Total number of executives | 8 | 6 |
| Total annualised employee equivalent⁽ⁱⁱⁱ⁾ | 5.9 | 6.0 |

Notes:

- (i) For the first year of implementation (2016–17), no comparatives are required. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursements of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statement for executive remuneration for the 2015-16 reporting period.
- (ii) The total number of executive officers includes persons who meet the definition of key management personnel of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 8.5).
- (iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.5 Related parties

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

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

Significant transactions with government-related entities

During the financial year ended 30 June 2017, ESV had the following significant government-related entity transactions:

- on-passed \$83,086 of infringement notice fees to the Consolidated Fund, through the Department of Environment, Land, Water and Planning (2016: \$66,613 through the Department of Economic Development, Jobs, Transport and Resources)
- paid \$516,330 in annual insurance premiums to the Victorian Managed Insurance Authority (2016: \$529,726)
- recognised interest income of \$197,348 for term deposits invested with the Treasury Corporation of Victoria (2016: \$210,299).

As at 30 June 2017, ESV had a balance of \$6,300,000 held in term deposits with the Treasury Corporation of Victoria (2016: \$5,500,000).

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

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

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

Compensation of key management personnel

| (\$ thousand) | |
|------------------------------|--------------|
| 2017 | |
| Short-term employee benefits | 1,439 |
| Post-employment benefits | 119 |
| Other long-term benefits | 17 |
| Termination benefits | 74 |
| Total | 1,649 |

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

Transactions and balances with key management personnel and other related parties

Outside of normal citizen type transactions, there were no related party transactions that involve key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense required for impairment of receivables from related parties.

8.6 Remuneration of auditors

| (\$ thousand) | | |
|---|------|------|
| | 2017 | 2016 |
| Victorian Auditor-General's Office | | |
| Audit of the financial statements | 34 | 26 |

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

Notes to the financial statements for the financial year ended 30 June 2017

8.7 Subsequent events

There have been no significant events post reporting date.

8.8 Other accounting policies

Contributions by owners

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

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

Leases

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

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

Foreign currency transactions

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

8.9 Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2016, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2017. They become effective for the first financial statement for reporting periods commencing after the stated effective date in the table below.

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on ESV financial statements |
|--|---|--|--|
| AASB 9 <i>Financial Instruments</i> | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 January 2018 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed. |
| AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010) | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> – the change in fair value attributable to changes in credit risk is presented in other comprehensive income – other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 January 2018 | The assessment has identified that changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income. |
| AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i> | Amends various AAS to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6 Hedge Accounting; and to amend reduced disclosure requirements. | 1 January 2018 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> | Amends various AAS to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 January 2018 | The assessment has indicated that there will be no significant impact for ESV. |

Notes to the financial statements for the financial year ended 30 June 2017

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on ESV financial statements |
|---|--|---|---|
| AASB 15 <i>Revenue from Contracts with Customers</i> | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 January 2018 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. |
| AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | Amends the measurement of trade receivables. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. | 1 January 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply 1 January 2018 | The assessment has indicated that there will be no significant impact for ESV. |
| AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> | This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 January 2018 | This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> | This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> – a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation – for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer – for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1 January 2018 | The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above. |

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on ESV financial statements |
|--|--|--|--|
| AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i> | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1 January 2019 | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period. |
| AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> | This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: 1.require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and 2.clarifies circumstances when a contract with a customer is within the scope of AASB 15. | 1 January 2019 | The assessment has indicated that there will be no significant impact for ESV, other than the impacts identified for AASB 9 and AASB 15 above. |
| AASB 16 <i>Leases</i> | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1 January 2019 | The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will increase non-financial assets and liabilities. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. |
| AASB 1058 <i>Income of Not-for-Profit Entities</i> | This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. | 1 January 2019 | The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change. |

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

Notes to the financial statements for the financial year ended 30 June 2017

8.10 Glossary of technical terms

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

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

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

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

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

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

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

Financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual or statutory right:
 - to receive cash or another financial asset from another entity or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity 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 is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

- (a) A contractual obligation:
 - (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 comprise:

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

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

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

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

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

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

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

Operating result - Refer to 'net result'.

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

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

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

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

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

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

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

8.11 Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2016–17 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of ESV's annual reports.

Independent Auditor's Report

To the Director of Energy Safe Victoria

| | |
|---|--|
| Opinion | <p>I have audited the financial report of Energy Safe Victoria which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • Director's and Chief Finance Officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of Energy Safe Victoria as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of Energy Safe Victoria in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Director's responsibilities for the financial report | <p>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 <i>Financial Management Act 1994</i>, and for such internal control as the Director determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Director is responsible for assessing Energy Safe Victoria's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
31 August 2017



Anna Higgs
as delegate for the Auditor-General of Victoria

Disclosure index

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

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Abbreviations

| | |
|---------------|---|
| ACCC | Australian Competition and Consumer Commission |
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| APGA | Australian Pipelines and Gas Association |
| APIA | Australian Pipeline Industry Association |
| ATO | Australian Taxation Office |
| CFA | Country Fire Authority |
| CO | Carbon monoxide |
| COES | Certificate of Electrical Safety |
| CPSISC | Construction and Property Services Industry Skills Council |
| CT | Current transformer |
| DB | Distribution business |
| DB | Drainage bond |
| DEDJTR | Department of Economic Development, Jobs, Transport and Resources |
| DELWP | Department of Environment, Land, Water and Planning |
| DTF | Department of Treasury and Finance |
| EESS | Electrical Equipment Safety System |
| ELCCC | Electric Line Clearance Consultative Committee |
| EMV | Emergency Management Victoria |
| EPA | Environment Protection Authority |
| ERAC | Electrical Regulatory Authorities Council |
| ESC | Essential Services Commission |
| ESISC | Energy Networks Industry Safety Committee |
| ESMSs | Electricity Safety Management Schemes |
| ESV | Energy Safe Victoria |
| ETU | Electrical Trades Union |
| GEMCF | Gas Emergency Management Consultative Forum |
| GTRC | Gas Technical Regulators Committee |
| IBAC | Independent Broad-based Anti-Corruption Commission |
| IEC | International Electrotechnical Commission |
| IGA | Intergovernmental agreement |
| IPAA | The Institute of Public Administration Australia |
| KPI | Key performance indicator |
| LDAP | Land Development Around Pipelines |

| | |
|---------------|--|
| LEI | Licensed electrical inspector |
| LFI | Low frequency induction |
| LPG | Liquid petroleum gas |
| MAV | Municipal Association of Victoria |
| MEC | Major electricity companies |
| MFB | Metropolitan Fire and Emergency Services Board |
| MHF | Major hazards facility |
| MOU | Memorandum of understanding |
| MPA | Metropolitan Planning Authority |
| MSO | Mobile site office |
| MTM | Metro Trains Melbourne |
| NA | Not applicable |
| NBN | National Broadband Network |
| NECA | National Electrical Contractors Association |
| OHS | Occupational health and safety |
| OSIRIS | Online Safety Incident Reporting and Intelligence System |
| PBSP | Powerline Bushfire Safety Program |
| PICAC | Plumbing Industry Climate Action Centre |
| PTV | Public Transport Victoria |
| REC | Registered electrical contractor |
| RCD | Residual current device |
| REFCL | Rapid earth fault current limiter |
| RIS | Regulatory impact statement |
| RTO | Registered training organisation |
| SCER | Standing Council on Energy and Resources |
| SECV | State Electricity Commission of Victoria |
| SOE | Statement of Expectations |
| SWER | Single wire earth return |
| TDU | Thyristor drainage unit |
| TSV | Transport Safety Victoria |
| VBA | Victorian Building Authority |
| VCDB | Variable conductance drainage bond |
| VCEC | Victorian Competition and Efficiency Commission |
| VEC | Victorian Electrolysis Committee |



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