


Energy Safe Victoria

Annual Report
2019–20





ESV will make a real difference in the safe supply and use of energy.

We will be recognised nationally as the leader in the regulation of electricity, gas and pipeline safety.

This report has been endorsed by the Director of Energy Safety for Victoria.

Authorised and published by the Victorian Government Melbourne October 2020

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ISBN: 978-1-925838-40-4 (Print)

ISBN: 978-1-925838-41-1 (Online)

This document is also available online at www.esv.vic.gov.au

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2019–20 Snapshot

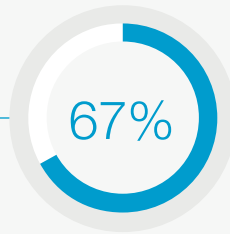
Licensing and COES



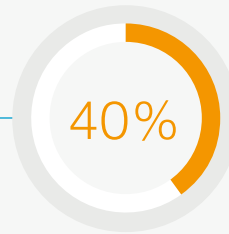
49,484 electrical licences issued

861,000 Certificates of Electrical Safety (COES) issued

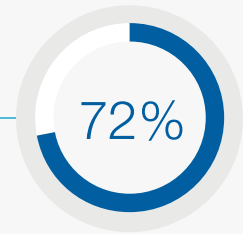
ESVCONNECT



Certificates of Electrical Safety (COES) now electronic through ESVConnect



Licensed workers upgraded



72% of Registered Electrical Contractors use ESVConnect

Extent of information gathered



4,936 power poles (including associated hardware) inspected

25 vegetation line clearance inspection projects. 15,743 spans inspected and identified 3,793 non-compliant spans

177 point of sale audits and safety inspections of 1500 pieces of electrical equipment

1,167 efficiency labelling requirements of electrical equipment.

124 gas installation point of sale audits and 74 public event audits

12,987 drainage bonds tested

All distribution businesses audited before the 2019–20 bushfire season

Check tested 37 models of residential current circuit breakers with overcurrent protection (RCBO)

Education and awareness activities



Delivered 30 Safer Canteens grants totalling \$25,000 to football/netball club canteens across Victoria.

79

Victorian local government authorities received awareness program about residential development near pipelines

1,402

gas plumbers engaged for online safety seminars

7,942

responses to electrical technical helpline

8,979

responses to the gas technical helpline

Delivered the Future Energy Strategy

88%

of people satisfied with ESV's advertising campaigns

MARKETING CAMPAIGNS

36%

increase in new users on ESV website (713,000 users)

81%

of people increased carbon monoxide awareness through the Be Sure campaign

Regulatory action taken



546 investigations of electrical installations (new and ongoing) and 66 infringement notices

4,680 determinations of the efficiency of electrical equipment and 16 equipment safety recalls

709 field inspections and 64 compliance audits of gas companies and pipeline licensees

3,351 inspections and accepted 4939 complex gas installations

83% of gas applications compliant at first inspection, up from 76%

ESV made the Electricity Safety (General) Regulations 2019, Electricity Safety (Cathodic Protection) Regulations 2019, and the Electricity Safety (Electric Line Clearance) Regulations 2020 after industry and public consultation.

ESV remade and extended a prohibition on the supply of certain compact RCBOs

SECTION 1

About Energy Safe Victoria

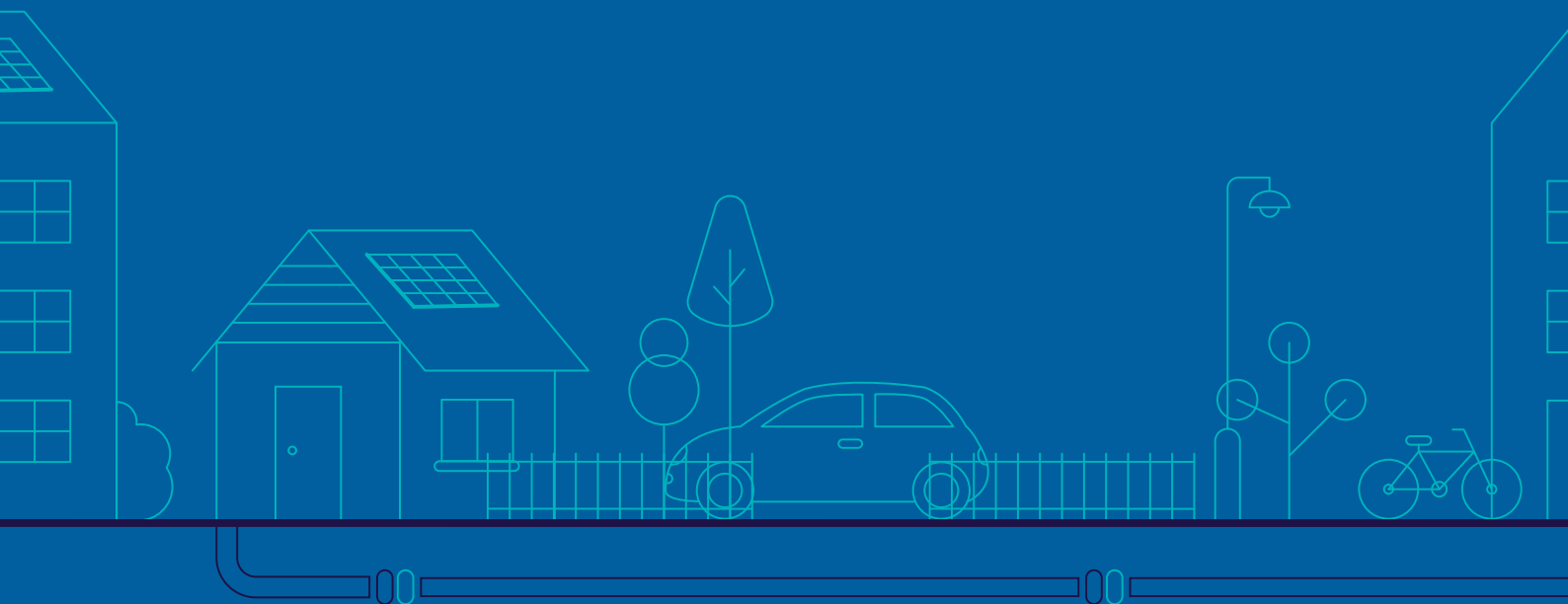
Energy Safety Victoria (ESV) was established under the *Energy Safe Victoria Act 2005*. ESV is responsible for the safety and technical regulation of electricity, gas and pipelines in Victoria. The Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change and Minister for Solar Homes is responsible for administering the *Electricity Safety Act 1998*, the *Gas Safety Act 1997* and the *Pipelines Act 2005* (the Acts). Minister D'Ambrosio was the responsible Minister from 1 July 2019 to 30 June 2020.

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

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

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

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



ESV statutory objectives

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

Gas safety

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

Electrical safety

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

Promote safety awareness

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

Ensure pipeline safety

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

ESV's core regulatory functions

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

License, approve and accept

- Ensure that appliances meet stringent safety and energy-efficiency standards before they are sold. Administer licensing, registration and approval systems that maintain safety standards and skills.
- We license electricians and electrical workers. We register electrical contractors and lineworkers.
- We approve, register and audit cathodic protection systems for the owners and operators of major infrastructure.
- We assess, approve, accept and audit safety plans for major companies, such as distribution businesses, for:
 - electric line clearance
 - bushfire mitigation
 - Electricity Safety Management Schemes (ESMS).
- We administer the gas acceptance scheme for complex gas installations.
- We ensure gas and pipeline companies have safety cases, construction safety plans and receive consent to operate.

Monitor and audit

Inspect and audit safety systems (including safety management schemes, safety cases and plans) and safety practices in relation to the design, construction and maintenance of all electricity, gas and pipeline networks and installations. Monitor, audit and enforce compliance with standards and requirements.

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

- We audit electrical equipment available for sale to Victorians, ensuring it is safe, efficient and meets minimum environmental and safety standards.
- To ensure public safety, we audit gas products at point of sale and gas appliance usage at public events.

Educate and encourage

Cooperatively engage with industry and the community to facilitate safety outcomes. We conduct comprehensive public awareness campaigns to educate the community and industry on the hazards associated with electricity, gas and pipelines.

- We partner with training organisations, industry organisations and unions to provide educational seminars and professional development opportunities.
- Our marketing campaigns and media relations functions target safety issues or behaviour that cannot be addressed by regulation or enforcement.
- We work with event organisers to ensure entities are aware of and mitigate risk relating to gas and electricity usage.
- We provide a technical helpline to support professionals in the gas and electricity industries.
- We receive complaints about unsafe or noncompliant industry activities from the public and carry out associated compliance and enforcement.
- We participate in, and chair a range of committees:
 - With other regulators, such as the Electrical Regulatory Authorities Council (ERAC) and the Gas Technical Regulators Committee (GTRC), to continually improve safety and national consistency of standards.

- By participation in relevant Standards Committees along with other regulators and industry we facilitate ongoing safety improvements applicable to energy installations, equipment and appliances to protect the community.
- Victorian Government committees concerning emergency-response and infrastructure resilience.
- Specific technical and safety energy committees including relevant industry participants, technical experts, and union representation that address specific safety hazards.
- We work cooperatively with the Department of Environment, Land, Water and Planning (DELWP), other departments and other agencies to ensure consistency and alignment with cross-government policies and arrangements.

Enforce compliance

Take appropriate enforcement action (based on the severity of risk and harm) and, while accounting for responsible behaviour, will act if negligence was shown and others have been placed at risk.

- We issue certificates of electrical safety (COES) which assure the community that electrical work meets appropriate safety standards.
- Where failures occur, we provide notices to rectify or improve, warning letters and infringement notices for gas and electrical installations, equipment and infrastructure.
- We use non-compliance data to develop enforcement strategies to change behaviour.
- We conduct recalls on deficient or unsafe installations, appliances or equipment.
- We prohibit the sale and supply of dangerous products.
- Where the breach of energy safety is significant enough, we prosecute.

Mission, purpose and values

Our mission

ESV will make a real difference in the safe supply and use of energy. We will be recognised nationally as the leader in the regulation of electricity, gas and pipeline safety.

Our purpose

ESV protects and assists the community by:

- working in consultation with industry and community to facilitate compliance and thereby safety outcomes
- developing and communicating safety and efficiency requirements and programs
- monitoring, auditing and enforcing compliance with the safety regulations and Acts
- administering licensing, registration and safety systems that maintain standards and skills.

Our values

At ESV the following values are embraced and expressed in our day-to-day actions, decisions and interactions with others.

RESPECT

Treat all staff and stakeholders with respect.

INTEGRITY

Always act with integrity.

PARTNERSHIPS

Work cooperatively with internal and external colleagues, stakeholders and customers to achieve ESV objectives.

ACCOUNTABILITY

Accountable for all our actions.



Responsible body's declaration

As Director of Energy Safety for Victoria, in accordance with the *Financial Management Act 1994*, I present the Energy Safe Victoria Annual Report for the year ending 30 June 2020.

This report outlines how we have performed our functions and exercised our powers to achieve the objectives under the Acts and Regulations ESV administers.

Marnie Williams

Marnie Williams

Director of Energy Safety
Energy Safe Victoria

26 October 2020



Director's foreword

Energy Safe Victoria is in the process of a major transformation.



Numerous reports and reviews have given us the mandate to change so we strengthen our position as a modern, fit-for-purpose regulator that can better engage with the community and regulate more effectively. This is a challenging period as we grapple with the impact of climate change, and adjust to new and emerging technologies and a transforming energy environment. ESV is in a good position to embrace these challenges thanks to the groundwork laid over the past decade by my predecessor, Paul Fearon, who retired in February 2020. His dedication and efforts, along with the support of colleagues, the community and stakeholders led to improved safety outcomes for our industry and the Victorian community.

In late March 2020, I was appointed as Director of Energy Safety and Chair Designate for the Victorian Energy Safety Commission (ESV).

Transformation agenda

The *Energy Safety Legislation Amendment (Victorian Energy Safety Commission and Other Matters) Act 2020* was passed in February and it set in motion ESV's transformation to a Commission. This legislation established that ESV's governance would change from a single member statutory office, with the Director of Energy Safety the sole regulatory decision maker, to one led by three Commissioners, advised by a Technical Advisory Committee. The recruitment of the remaining two Commissioners will be finalised in late 2020.

Alongside the change in governance arrangements, which will take place on 1 January 2021, we are working hard to implement other reforms to deliver real changes

to the Victorian community and our stakeholders.

We started a review of our operating model to ensure it is aligned with our aspiration to be a data-driven, safety-first, proactive regulator. We have commenced a review of our compliance and enforcement policy to strengthen our regulatory practice and approach.

Coronavirus (COVID-19)

The final months of 2019–20 were the most extraordinary ever in terms of our operating environment. Coronavirus (COVID-19) and the associated restrictions have caused fundamental changes in the way we do business which ESV has responded to while also meeting our regulatory responsibilities.

ESV offices at Southbank and Brandon Park were closed and our people were required to work from home from late March 2020. Field staff continued to operate in a reduced capacity, observing relevant health directions including physical distancing and the use of personal protective equipment, including the wearing of face masks. Yet we met our regulatory oversight responsibilities with greater use of video conferencing and other digital technologies to substitute for what would otherwise be face-to-face meetings.

We continued to meet our stakeholder education obligations and delivered stakeholder training differently due to the public health restrictions. Along with the Victorian Building Authority and Master Plumbers, we delivered a series of six webinars on servicing standards attended by 1,402 people including gasfitters and other industry stakeholders. The sessions and feedback were well received.

CASE STUDY – EMAP

One of the bigger challenges faced by the Electrolysis Mitigation Section during coronavirus (COVID-19) restrictions was to determine how we could continue to conduct area tests. Because we could not access the Mobile Site Office (MSO) and could not have face-to-face contact, we had to modify the entire area testing procedure. When making decisions about electrolysis mitigation measures, it is critical to be able to visualise the assessments to see how the stray current between structures interacts.

ESV established eMap – an electronic version of the area test maps using the same data that was previously used to create the physical maps. The various structures, substations and electrolysis mitigation system equipment are all added in layers, building-up to a complete virtual map using GPS coordinates.

Our people were supported with an allowance to set up an appropriate home office, special leave for those who care for dependents, and ESV's wellbeing program was adapted to support people working from home. Managers engage with their teams regularly and a committee was established to consider the management of office attendance, permits for our people who are required to travel, and a plan for the eventual return to our offices in Southbank and Brandon Park.

Bushfire response and REFCLs

Coronavirus (COVID-19) hit Victoria soon after the terrible East Gippsland bushfires that started in November and burned for about 90 days during summer. ESV established a presence at the State Control Centre and produced emergency-response information and guidance for gasfitters and electricians. Our compliance officers were deployed to bushfire affected areas and were available to give advice to industry. They also presented at community meetings providing advice on key safety issues for people without gas or electricity supply.

ESV's emergency response to the East Gippsland fires followed a significant program of audit and compliance checks on the safety of electrical assets before the summer bushfire period began. ESV ensured all expected Safety Cases and Electrical Safety Management Schemes (ESMS) were acceptable. This included the acceptance of Bushfire Mitigation Plans and Electric Line Clearance Management Plans.

Since the installation of rapid earth fault current limiters (REFCLs) became government policy after Black Saturday in 2009, ESV has had oversight of their implementation, providing assurance to Victorians through a dedicated expert advisory committee that they were operating to the expected standard to prevent bushfires starting. It is worth noting that there were no significant fires caused by electrical assets during the summer bushfire period, which included a Code Red Day in November. In total, 22 substations on the network benefited from REFCL protection across Victoria, including some installations which were in operation ahead of schedule.

Fatalities and serious incidents

While any fatality is one too many, the trend of deaths caused by electrical or gas incidents remains low. Sadly, three people died in electrical incidents, all of which were preventable.

While the 'Be Sure', carbon monoxide awareness campaign resonated with Victorians, one serious injury resulted from carbon monoxide poisoning. Of a further five hospitalisations, four were related to workers operating close to electricity and gas infrastructure.

Effective regulation

It was pleasing to see 83 per cent of complex gas inspections were found to be compliant at first inspection, up from 76 per cent in 2018–19. We issued 34 infringement notices for complex gas installations during 2019–20, but overall the noncompliance trend is decreasing. There was also a significant fall in non-conformance notices following gas field inspections in 2019–20. ESV issued 372 non-conformance notices following 709 inspections this year compared to 777 non-conformance notices from 765 inspections the previous year.

More work needs to be done to increase the number of Victorians reporting open flued gas space heaters which have been found to be faulty. Safety Alerts have been placed on a range of models including the Vulcan/Pyrox Heritage which was connected to the carbon monoxide poisoning death of a Greensborough woman in 2017. While a 17 per cent appliance recall response rate seems low, it does not include heaters that may have been replaced or removed where the owner has not informed the manufacturer. However, ESV has continued to promote the Safety Alerts, particularly through the 'Be Sure' campaign, and we work with the Australian Competition and Consumer Commission (ACCC) to improve recall rates.

Of the bushfire mitigation plans submitted, all were accepted except one that was accepted the following financial year. ESV assessed and approved 570 applications for electrical equipment certification and approved 140 cathodic protection system registrations. We inspected 15,743 spans for vegetation clearance and identified 3,793 non-compliant spans.

ESV has protected thousands of Victorians by extending a prohibition on certain types of household safety switches. The ban has been extended to 2030 thereby removing some switches from the Victorian market which were found to be potentially unsafe due to design vulnerability.

ESV also made the Electricity Safety (General) Regulations 2019, Electricity Safety (Cathodic Protection) Regulations 2019, and the Electricity Safety (Electric Line Clearance) Regulations 2020 after industry and public consultation.

ESVConnect

ESVConnect, the online system used to regulate Victoria's electrical industry, was launched in July 2019 and has seen steady uptake during the year. The portal includes licensing, contractor registrations, certificates of electrical safety (COES) and registration of cathodic protection systems. ESVConnect has moved old paper-based systems online, streamlining processes and aligning them to regulatory requirements.

The platform ensures that only trained and experienced people are licensed, they install compliant equipment in accordance with the required standard and that they certify, test and record compliance through COES. In addition, ESV can audit this work after installation in an efficient and risk-based way.

ESVConnect is a major change to the energy landscape in Victoria. Electrical trade, consumers, unions and businesses were all engaged with ESVConnect as it was developed and implemented.

Community engagement and awareness

The award-winning carbon monoxide awareness campaign 'Be Sure' increased awareness among Victorians of the need to get their open flued gas space heaters serviced at least once every two years. The campaign with its distinctive 'orange smoke' to represent carbon monoxide (which is invisible) ran across television, radio print, digital and social media. As with all ESV awareness campaigns, the key messages and call to action were translated for culturally and linguistically diverse (CALD) communities. An evaluation of the campaign found 81 per cent of Victorians increased their carbon monoxide awareness as a result of the campaign. The campaign recommenced for winter 2020 alongside a series of webinars designed to assist gasfitters to understand their obligations.

We also adapted our ‘Don’t do-it-yourself’ (DDIY) campaign for electrical work to develop a gas version, responding to concerns that people in lockdown due to the pandemic may attempt to service their own gas heaters. The campaign was predominantly social media and digital, reflecting ‘at home’ channels.

Other ESV campaigns including barbecue gas bottle awareness (‘Know The Drill Before You Grill’) and ‘Be On The Right Side of Power Safety’ which encourages people to test their safety switch – supporting regulatory action that has banned certain types of RCBOs for 10 years.

ESV was talking to communities out and about at 24 farming expos and engaged 1,653 people at electrical installation safety sessions. We also worked with municipal councils in Victoria on residential planning issues around pipelines.

ESV continues to support the Clown Doctors, a charity that supports children in the Royal Children’s Hospital, by making them laugh. Burns treatments are among the most painful. We also supported football and netball clubs across Victoria with Safer Canteen grants, providing grants of up to \$1000 to replace ageing, unsafe or inefficient appliances. ESV invested \$25,000 in the program during 2019. A decision was taken to continue the program in 2020, despite the cancellation of most football competitions, in order to support communities, many of which have been severely impacted by coronavirus (COVID-19).

Future energy

ESV published the Future Energy Strategy, although further promotion and engagement was prevented by coronavirus (COVID-19) restrictions. The strategy is a scenario-based tool that examines conceivable possible future energy scenarios. The scenarios can be used to future-proof the industry, allowing industry participants to prepare for future outcomes.

The strategy is in part a response to the Independent Review of Victoria’s Electricity and Gas Network Safety Framework (Grimes Review). Forecasting energy safety risks is a priority for ESV. We have also:

- Provided input as a member of Future Fuels CRC into the impact of hydrogen on gas safety. This included collaboration with the UK regulatory authority for gas safety (HSE)
- Sought membership of the recently formed of the recently formed Standards Australia ME-093 Hydrogen Technologies committee
- Chaired the first ME-093 working group meetings focussing on the development of standards to facilitate the future blending of hydrogen in the gas networks.

Thanks

Although I have been at ESV for a short time – and little of that has been in the office – I have been impressed by what ESV has been able to achieve in 2019–20. This would not have been possible without the dedication of ESV’s people who have had to adjust to challenging circumstances this year. ESV is only as good as the team that work here. I want to thank our people for their enthusiasm, responsiveness, and determination to keep delivering in these challenging conditions. I look forward to working with the ESV team, our stakeholders and the Victorian community as we move towards a Commission in the year ahead.



Marnie Williams
Director of Energy Safety
Energy Safe Victoria

Responding to government priorities – Statement of Expectations

The Statement of Expectations, which applies until 30 June 2021, issued by the Minister for Energy, Environment and Climate Change and Minister for Solar Homes established clear expectations of ESV's performance and improvements. ESV reports on the Statement of Expectations in its annual report.

Safety regulation/administration and enforcement of regulation

LEGISLATIVE CHANGES

ESV made the Electricity Safety (General) Regulations 2019 and the Electricity Safety (Electric Line Clearance) Regulations 2020 after industry and public consultation.

ESV also remade and extended a prohibition on the supply of certain compact residual current circuit breakers with overcurrent protection (RCBOs)—a common type of electrical safety switch—for a further 10 years. The prohibition followed the death of an apprentice electrician who received a fatal electrical shock at a residential property. An investigation into his death revealed a design vulnerability that makes certain compact RCBOs prone to failure under certain conditions. The prohibition has now been extended until 30 June 2030.

ESV also started consultation on the licensing of lineworkers and continued professional development for electrical workers as part of the remaking of the Electricity Safety (Registration and Licensing) Regulations 2010. The licensing of lineworkers was a Victorian Government commitment in 2018. Amendments to the *Electricity Safety Act* made in February 2020 enable the regulations to include the licensing of lineworkers. The regulations are due to be remade before 1 January 2021.

Cathodic protection regulations

The Electricity Safety (Cathodic Protection) Regulations were reviewed and ESV considered if small galvanic cathodic protection systems (250mA and below) still had to be registered. These small systems are not a stray current threat to any third-party underground metallic structures. ESV consulted with stakeholders and – accepting that small systems did not need to be registered – adopted the change. The Regulations were enacted in November 2019 and the change has reduced regulatory burden on industry. The change has also allowed ESV to concentrate on compliance and enforcement activities on higher-risk cathodic protection systems.

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

TRANSITION TO COMMISSION

The Grimes Review recommended significant reforms focused on strengthening the capabilities and regulatory approach of ESV. The Victorian Government's response to the review in August 2018 supported the recommendations that ESV becomes more transparent and accountable in its use of regulatory powers and increases engagement with industry and the community.

On 25 February 2020, the *Energy Safety Legislation Amendment (Victorian Energy Safety Commission and Other Matters) Act 2020* came into effect and set in motion ESV's formal transformation to a commission on 1 January 2021. This Act established that ESV's governance would change from a single member statutory office to one led by three Commissioners, advised by a new Technical Advisory Committee. A CEO will also be appointed.

The transformation will strengthen the governance of ESV and broaden ESV's capability and preparedness to take strong regulatory action. ESV's committees will be streamlined and three new committees will be established, including a Technical Advisory Committee.

In February 2020, Paul Fearon, the Director of Energy Safety, retired and after 10 years. The Minister appointed Marnie Williams who commenced as Director of Energy Safety in March 2020. Ms Williams is also the Commission Chair designate.

Progress in 2019–20 included:

- DELWP started recruiting the two other Commissioners and developing the terms of reference for the Ministerially-appointed Technical Advisory Committee (as per the Energy Safety Legislation Amendment (Victorian Energy Safety Commission and Other Matters) Act)
- ESV started developing terms of reference for the key new committees to be established:
 - Workforce Engagement Consultative Committee (a recommendation accepted by the Victorian Government in its response to the Grimes Review)
 - Future Trends Advisory Committee (a recommendation accepted by the Victorian Government in its response to the Grimes Review)
- A review of our operating model was initiated to prepare ESV to become a commission and ensure alignment to ESV's aspiration to be a safety-first, data-driven, proactive regulator.

Monitoring and auditing of bushfire safety and performance

The statement of expectations conveys the expectation that ESV will undertake a comprehensive monitoring and inspection program on practices and activities of Victorian electricity distribution businesses before and during the bushfire season.

During 2019–20, ESV ensured all submitted safety cases and electrical safety management schemes (ESMS) were assessed and were acceptable. This included the acceptance of Bushfire Mitigation plans, Electric Line Clearance Management plans and annual Bushfire Mitigation Program reports.¹

ESV also observed and assessed all compliance-testing of rapid earth fault current limiters (REFCLs) put into service in the past year to ensure they were operating to the required standards to prevent fires. The REFCL rollout continues in compliance with the schedule prescribed in the regulations, and over the 2019–20 summer, 22 networks² benefited from REFCL protection across Victoria, including some installations that were not mandated.

ESV completed all pre-summer audits using its increased inspection capacity to ensure compliance with the requirements of the Electricity Safety (Bushfire Mitigation) Regulations and Electricity Safety (Electric Line Clearance) Regulations. The inspections focused on asset condition and vegetation clearances for the nine major electricity companies in preparation for the 2019–20 summer. Recently expanded resources allowed ESV to inspect more than 4,500 electrical assets for condition and 15,700 spans for vegetation clearance in the past year.

¹ All major electricity companies and 'specified operators' must submit Bushfire Mitigation Plans and Electric Line Clearance Management Plans. A 'specified operator' is a high voltage customer who operates and at-risk electric line in a hazardous bushfire risk area. When a high voltage customer is responsible for maintaining a private electric line, they are known as a 'responsible person' and can be asked to provide an Electric Line Clearance Management Plan.

² A network is defined as all feeders originating from a single zone substation.

In October 2019, ESV formally laid six charges against Powercor for breaches of its general duties concerning failures associated with its supply network that resulted in two fires in 2018, the Terang and Garvoc (Sisters) fires. ESV laid charges against Sections 98(a), 98(b) and 98(c) of the Electricity Safety Act. The Magistrates' Court at Warrnambool adjourned the contest mention for the Powercor prosecution to December 2020.

During 2019–20, ESV focused on assessing the electricity distribution businesses' asset management practices and looked at how they would deliver sustainable safety outcomes in the medium and long term.

The final ESV report on Powercor Sustainable Wood Pole Safety Management and public submissions were published in May 2020. The report made 13 recommendations. ESV is monitoring and assessing the implementation of the report's recommendations, which remains on track. The review of AusNet Services' Sustainable Wood Pole Safety Management is underway and will be completed by the end of 2020.

The cyclic review of bushfire hazard mapping areas, commonly known as hazardous bushfire risk areas (HBRAs), and low bushfire risk areas (LBRAs), started in August 2019. The review is on track to be completed for all of Victoria within three years.

ESV continued to focus on data-driven decision-making by refining the reported data from incidents and developing our incident-reporting system and associated dashboard reports. This work will give greater insights and allow better targeting of ESV's regulatory operations.

Safety of gas heaters in residential settings

PRODUCT RECALLS AND DEEDS OF UNDERTAKING

A product recall may be needed when suppliers become aware that a product may pose a safety risk or suppliers are identified as having unsafe consumer products. Recalls monitored by ESV fall into two groups: mandatory recalls and voluntary recalls. In addition, ESV has previously entered into deeds of undertaking with various manufacturers and suppliers of certain open flued gas space heaters. A deed of undertaking is a formal, signed agreement between ESV and the manufacturer, seller or distributor.

During the 2019–20 financial year, four recalls were closed and four new recalls were added. On 30 June 2020, ESV had 13 active recalls for gas space heaters. In addition, six were subject to deeds of undertaking for gas space heaters.

ESV continued to monitor manufacturers that have entered into deeds of undertaking to ensure their obligations were being discharged. Certain models of open flued gas space heaters are subject to a safety alert to mitigate the risk of carbon monoxide poisoning.

HEATERS SUBJECT TO DEEDS OF UNDERTAKING AND PROGRESS TO 30 JUNE 2020

Model	Manufacturer	Estimated total units involved	Number of units rectified or replaced in 2019–20	Percentage of all units rectified or replaced at 30 June 2020*
Vulcan/Pyrox Heritage	Climate Technologies	4,000	79	17%
Cannon Fitzroy/Canterbury	Sampford IXL	12,000	168	17%
Regency i31	Fireplace Products Australia	869	55	19%
Regency F38/FG38	Fireplace Products Australia	1,136	76	21%
Nectre 2000	Glen Dimplex Australia	338	99	40%
Real Flame Pyrotech	Glen Dimplex Australia	815	168	48%

* Includes those rectified or replaced since the deed of undertaking commenced. It includes numbers from previous financial years as well as 2019–20.

In 2019–20, ESV entered into an additional deed of undertaking with Rinnai Australia as a result of an investigation into a carbon monoxide incident involving a Rinnai Energy Saver gas heater.

Product recalls and rectification rarely if ever achieve complete rectification or removal of all affected products from the market. A return of 20 per cent is considered an acceptable outcome. Generally, there is a rapid response in the first five months and this drops off as engagement drops.

About 17 per cent of all open flued gas space heaters subject to current deeds of undertaking have been inspected or rectified. While this response rate appears low, this does not include heaters that are not in use or have been decommissioned or replaced and the owner has not contacted the manufacturer. Manufacturers have twice contacted all known owners of heaters. ESV has also published safety alerts on social media, in newspapers and on its website.

The 17 per cent rate is consistent with 20 similar recalls undertaken by the Australian Competition and Consumer Commission (ACCC) between 2008 and 2019, which had an average return rate of 21 per cent.

ESV continues to work with DELWP, the ACCC and manufacturers to improve the current recall return rates. In addition, safety alerts have been promoted as part of the Be Sure carbon monoxide awareness campaign, see page 21 for more detail.

REGULATORY IMPACT STATEMENT ON OPEN FLUED GAS SPACE HEATERS

ESV is supporting DELWP to develop a regulatory impact statement (RIS) to examine options for reducing safety risks associated with open flued gas space heaters.

A determination on the preferred option is expected in 2020–21. ESV will continue to support DELWP through consultation with affected stakeholders once the RIS is published.

STANDARDS

ESV further mitigated the risk of carbon monoxide poisoning from open flued gas space heaters through its participation in the AG001 Gas Appliance Committee and the chairing of the AG006 Gas Installation Committee. The publication of the revised Australian Standard AS4575 for the servicing of Type A gas appliances now includes a procedure for combustion product spillage testing for open flued appliances.

The combustion product spillage test in the gas installation standard AS/NZS5601.1 was further enhanced with the publication of amendment 3, to include consideration of the impact of environmental conditions on testing.

ESV also provided technical input into the revision of the gas space heater standard AS/NZS5363.1.3 to more clearly define and distinguish gas space heaters from gas decorative effect appliances. The revision of AS/NZS5363.1.3 is underway.

GASFITTER TRAINING

In collaboration with the Victorian Building Authority and Master Plumbers, ESV provided training to gasfitters on how to test for the spillage of combustion products from open flued gas space heaters. Due to the coronavirus (COVID-19) outbreak, the training was delivered through a series of web-based seminars. Some 1,402 people attended the six seminars held in May and June 2020. The webinars were well attended, compared to the face-to-face seminars held in previous years.

Electrical equipment safety scheme

ESV started to develop the future platform for the Electrical Equipment Safety Scheme (EESS) in 2019–20. The scheme radically changes the way new, largely imported, equipment is certified, registered and sold by responsible suppliers.

ESV hosts and maintains the EESS website and associated systems for all jurisdictions across Australia and New Zealand. When the EESS was adopted in Victoria, ESV assessed the systems that underpin the scheme to ensure they were adequate now and for the future.

After the EESS legislation came into effect in Victoria, ESV nominated the General Manager, Electrical Safety and Technical Regulation as a member of the EESS standing committee of officials. This committee ensures the consistency and governance of the scheme. The committee has agreed to fund ESV to look at expanding the capability of the systems used to support the EESS.

Developing the system will better protect Australians and New Zealanders from fire, electric shock or access to mechanical harms caused by electrical equipment. This is because the EESS establishes a national approach to electrical equipment safety. Enhancing the IT platform is critical to the aim of the EESS to increase the safety of electrical equipment for consumers.

The first stage of the project was to assess the legislation and engage with stakeholders to develop the requirements. These requirements included a technical decision register, an audit system, an incident reporting system, and a product risk engine and will provide the opportunity to standardise these core business functions.

ESV conducted extensive stakeholder engagement workshops in Australia and New Zealand and received input from 110 individuals:

- retailers (5)
- the Australian Communications and Media Authority (ACMA) and the Australian Competition and Consumer Commission (ACCC) (2)
- certification applicants (13)
- certification consultants (4)
- authorised representatives (10)
- industry bodies/associations (14)
- members of the public (5)
- private certifiers (8)
- regulatory authorities (25)
- responsible suppliers (24).

ESV developed a plan for the next steps which was reviewed and approved by the standing committee of officials and was supported by all jurisdictions. The following capabilities were identified for potential development:

- Certification
 - certificate of conformity
 - certificate of suitability
- Registration
 - responsible supplier registration
 - in-scope electrical equipment registration
- Auditing and Compliance
 - audit
 - Incident management
 - decision register
 - equipment risk-level selection
 - check-testing.

The next stages of the project will be to tender, build, implement, and operate the platform.

Our priorities

Community safety outcomes

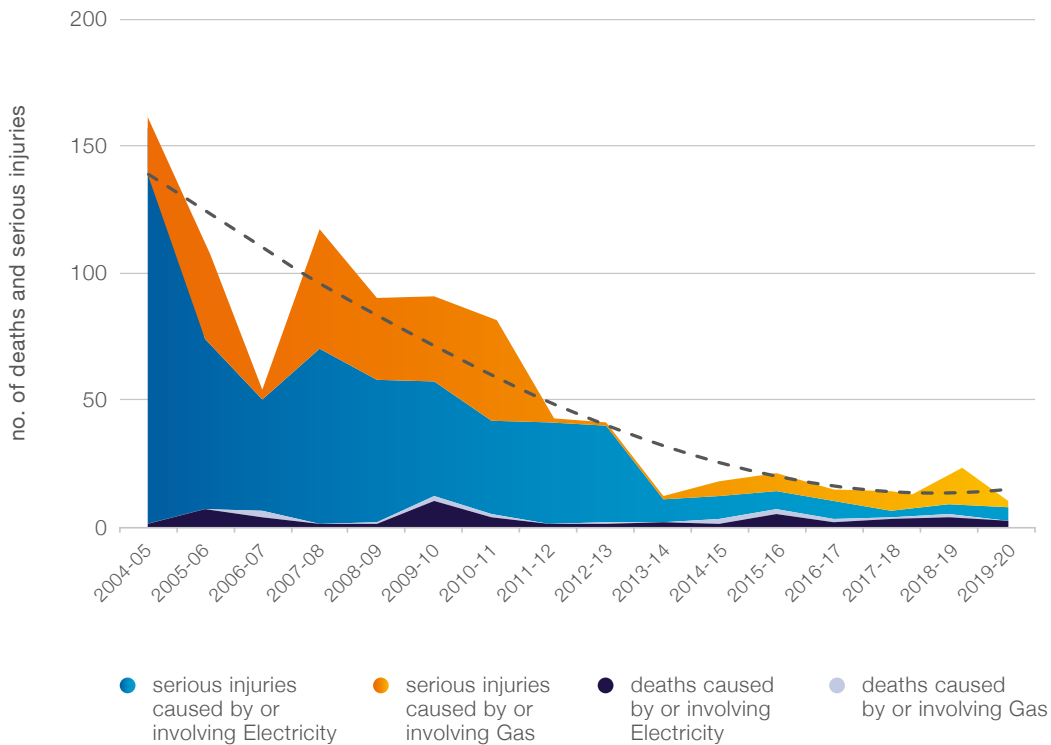
While Victoria continues to have low numbers of incidents, deaths and injuries, three people died during 2019–20 as a result of electricity incidents. Tragically, all three incidents were avoidable. More information about these fatalities is on page 45.

There was a significant decrease in gas-related injuries this year, with much of this attributed to ESV’s advertising campaigns increasing community awareness of the dangers of carbon monoxide from gas-fuelled appliances. One serious injury resulted from carbon monoxide poisoning this year. Of the other five hospitalisations, four were related to workers operating close to electricity and gas infrastructure.

ESV continues to focus on improving safety outcomes for the community. We have sought to reduce the risks from gas heaters through gasfitter training, changes made to Australian Standards and ongoing community awareness campaigns. These have had a positive impact in making the community safer.

Our ‘Look Up and Live’ and ‘Never Work Live’ campaigns will continue to alert those working around and on electrical assets of the dangers so that we can continue to drive numbers down in these areas as well.

DEATHS AND SERIOUS INJURIES CAUSED BY OR INVOLVING ELECTRICITY AND GAS



Note: Excludes wilful deaths and injuries

Encouraging action on the dangers of carbon monoxide

Outputs

Carbon monoxide is a real risk to the Victorian community. In response to a recommendation by the Victorian Coroner, ESV led a whole-of-government campaign about the dangers of carbon monoxide poisoning in 2019–20. The ‘Be Sure’ campaign was designed to move people to take action and stay safe from the risk of carbon monoxide poisoning caused by open flued gas heaters.

The \$1.7 million campaign ran between May and August 2019 and again in June 2020. This included television and radio advertisements, digital videos, social media and display advertising.

The campaign targeted Victorians by location and the required action. It was also provided in different languages to our culturally and linguistically diverse community.

ESV worked with creative consultants Ellis Jones to deliver the campaign. The campaign won an Award of Merit in the Gold Quill Awards.

Outcomes

- ‘Be Sure’ resonated with the target audience: almost three in five Victorians with gas heating recalled seeing advertising or communications about safe use of gas heating. This was particularly true of under-35s who were 40 per cent more likely than those over 35 to take action as a result of the campaign.
- The campaign was effective in increasing numbers of people who visited the ESV website for more information.
- The Be Sure campaign effectively increased awareness – 81 per cent of Victorians said they learned something new from the campaign and 69 per cent were aware of the need to service gas appliances once every two years. More than 40 per cent of Victorians took action after seeing the campaign.

ESVConnect

Outputs

ESVConnect is the online system used to regulate Victoria’s electrical industry. It includes licensing, contractor registrations, certificates of electrical safety (COES) and registration of cathodic protection systems. As old paper-based systems are moved online, ESV is streamlining processes for the industry participants and aligning them to current regulatory requirements.

ESVConnect is designed to help electrical practitioners and ESV to ensure that:

- only trained and experienced people are licensed
- they install compliant electrical equipment in accordance with the required standards
- they certify and test the installation and record compliance through COES.

The electrical trade, consumers, unions and businesses were all engaged with ESVConnect as it was developed and implemented, especially in the design, look and functionality of the system, including guidance to users.

After the system started, ESV ran a campaign to encourage existing licence and registration holders to upgrade to ESVConnect from the paper-based system.

ESVConnect also gives practitioners a quick, easy way of complying with legislative requirements. It also helps ESV react faster when new licences are implemented, when legislation changes or when fees change.

ESV can audit this work after installation in an efficient and risk-based way.

Outcomes

ESVConnect was launched in July 2019 and has since seen steady growth in uptake.

- 40 per cent of licensed workers have upgraded.
- 72 per cent of registered electrical contractors (RECs) use ESVConnect.
- 67 per cent of COES are now electronic and done through ESVConnect.

ESVConnect has also streamlined processes and applications for registration or licensing are now completed within 10 days, increasing service efficiency to electrical workers.

Ongoing enhancements have added public registers of electrical workers, electrical inspectors, RECs and COES. This allows the public to verify the licence or registration of an electrical practitioner or find a COES for their property.

DISTRIBUTED ENERGY RESOURCES REGISTER

Australia is the world's fastest adopter of rooftop solar power and new technologies, such as batteries and electric vehicles. These distributed energy resources (DERs) have been so successful in Australia that they are changing the way the Australian Energy Market Operator (AEMO) needs to plan and operate the energy system.

The Distributed Energy Resources register was implemented for Australia's national electricity market to give network businesses and AEMO better visibility of where and what DERs are connected.

ESV gathers information on DERs and can share this information with AEMO for verification, if required, as part of developing ESVConnect.

Solar safety

ESV has worked closely with Solar Victoria to establish an efficient government response to unsafe solar installations identified by Solar Victoria. A specialist renewable energy compliance team was established at ESV to ensure the Solar Homes program is delivered safely and to a high level of compliance and quality. This team undertook investigations and inspections of unsafe solar installations identified by Solar Victoria.

Future Energy strategy

This program of work was developed in response to the Grimes Review and will inform ESV and the Future Trends Advisory Committee that will be set up during 2020–21.

ESV worked on a detailed project to consider the emerging technical, socio-economic, demographic and environmental risks that will impact the industries we regulate. A scenario-planning approach allowed ESV to consider the range of future scenarios that may emerge and to begin developing responses to the emerging risks.

The project looked at what role ESV will need to play going forward, and what capability we will need to develop to effectively address the energy safety risks of the future Victorian energy landscape.

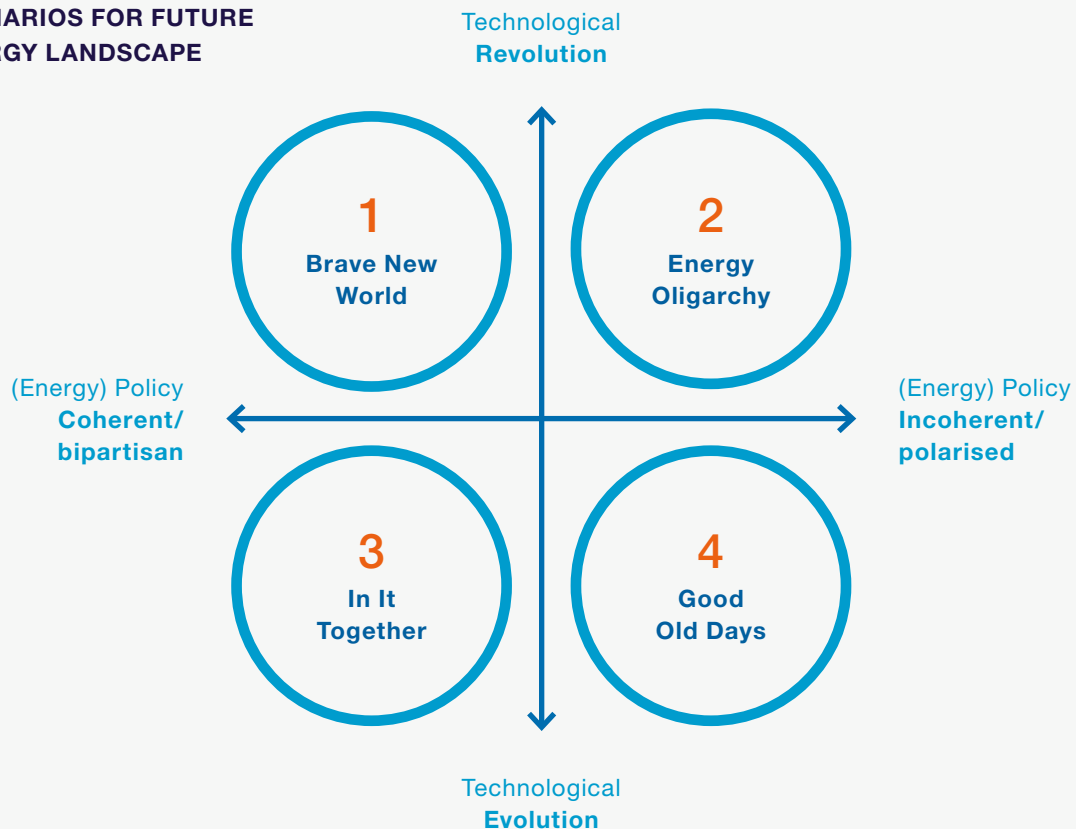
Outputs

Stage 1: The Future Energy strategy was published (featuring 58 strategic options across eight themes):

- government, role and organisation
- internationalisation
- decentralised energy models
- hydrogen
- electric vehicles and fuel cell electric vehicles
- qualified practitioners
- internet of things, data and automation
- revenue model

Stage 2: work was finalised and presented to the program steering committee. Immediate priority topics were considered for the inclusion in short-term work programs.

SCENARIOS FOR FUTURE ENERGY LANDSCAPE



ADAPTIVE STRATEGY ROADMAP



OBJECTIVE What is our ambition?



Stage 3: scope of work was developed and is scheduled for 2020–21.

Outcomes

This program of work enables ESV to have a long-term scenario-planning capability to deal with uncertainty of the future energy market.

Licensing of lineworkers

Outputs

In 2019–20 the first steps were taken to establish a licensing scheme for lineworkers to fulfil a Victorian Government commitment, with the *Energy Safety Legislation Amendment (Victorian Energy Safety Commission and Other Matters) Act 2020* receiving Royal Assent.

All currently registered lineworkers would be deemed licensed from the start of the scheme, at no cost to them. The government has incorporated the requirement to be licensed to perform ‘line work’ into the *Electricity Safety Act* to take effect on 1 January 2021.

ESV worked with unions, employers and practitioners to develop the proposed Electricity Safety (Registration and Licensing) Regulations to include licensing of lineworkers. These are due to come into effect on 1 January 2021.

Outcomes

A scheme that issues an initial licence to lineworkers on 1 January 2021, without cost to the worker, and then allows appropriately qualified practitioners to apply for a licence after this date, as with other electrical workers. In achieving this, ESV will ensure licence holders are suitably qualified, and maintain these qualifications. In addition, ESV will have current contact details for all lineworkers to enable ESV to communicate with them and monitor them.

Lineworkers will be obliged to report serious electrical incidents or risks to public safety to ESV. ESV will have the ability, after appropriate processes, to remove or suspend a licence for disciplinary reasons or unsafe work as for other licensed workers.

Community engagement, awareness and sponsorships

SOCIAL MEDIA ENGAGEMENT

In 2019–20, engagement across ESV’s social media platforms was steady until March 2020. All paid advertising and campaigns were halted until mid-May, with organic posts suspended throughout May. As a result, ESV’s potential reach and engagement was limited during the 2019–20 financial year. For much of this period, only content approved by DEWLP was shared. This includes job advertisements, messaging about coronavirus (COVID-19) and its impact on ESV operations.

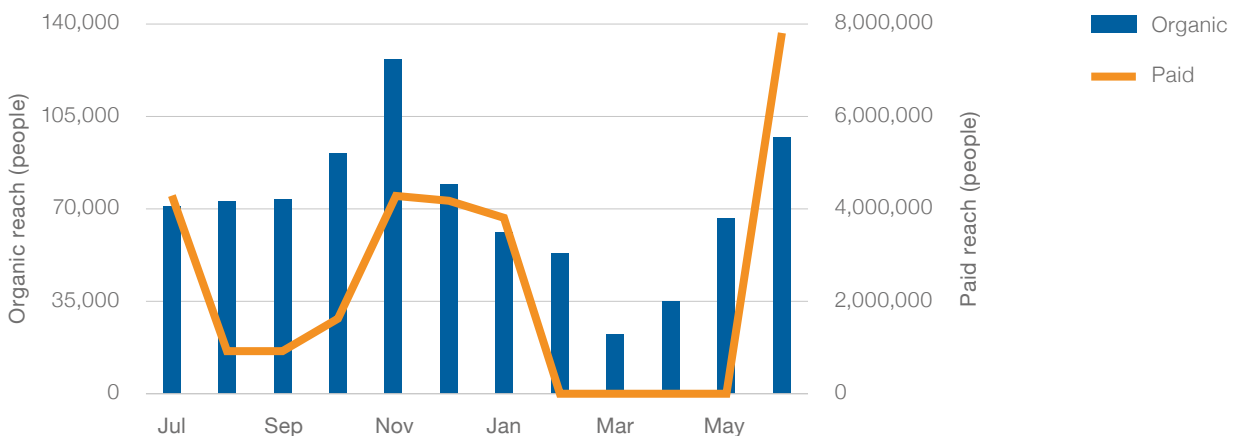
Reach peaked organically in November due to strong engagement from our electrical ‘Don’t Do It Yourself’ video which was shared on Facebook and viewed more than 35,600 times. Reach through paid advertising increased significantly in June when ESV launched three campaigns, ‘Be Sure’ (carbon monoxide awareness), ‘Don’t Do It Yourself’ for gas repairs and ‘Look Up and Live’ (powerline awareness).

Social media posts about gas heating and carbon monoxide safety trended well throughout May, as Victorians found themselves spending more time at home due to coronavirus (COVID-19) movement restrictions. ESV’s campaign messaging targeted this change in behaviour. The reach of social media posts ranged from 4,600 to 11,500.

ESV’s videos delivered stronger engagement, including ‘Don’t Do It Yourself’ (electrical and gas repairs), ‘How to test a safety switch’ (household wiring safety) and the launch of ‘Be Sure’, which featured our Director of Energy Safety, Marnie Williams. Facebook’s algorithm tends to favour video content.

Despite coronavirus (COVID-19) restrictions, ESV’s social media followers increased by 19 per cent in 2019–20. ESV’s website had more than 101 million sessions by some 713,000 users, up 27 per cent and 36 per cent respectively from 2018–19.

ESV SOCIAL MEDIA REACH – ORGANIC VS PAID



Note: Organic social media is free content, such as posts, video and photographs, that can be shared on feeds. Paid social media is advertising where ESV paid for content to be shared.

INDUSTRY SPONSORSHIPS

In 2019–20, ESV invested \$65,000 in industry events including an apprentice awards night, conferences, registered training organisations, and other forums. These events allow us to engage with industry while also supporting participants, especially apprentices. Sponsored groups include:

- Victorian Tree Industry Organisation
- Asbestos Council of Australia
- Electrical Trades Union Safety at Work Manual
- World Plumbing Conference 2019
- Plumbing, Sheetmetal and Coppersmithing Industry Association Annual Conference
- Municipal Work Association (Victoria): access to municipal workers
- Future Energy Skills: Regional Licensed Electricians Assessment (LEA) Centre
- Various TAFEs and RTOs.

CLOWN DOCTORS

As part of its corporate social responsibility obligations, ESV spends \$66,000 to sponsor the Clown Doctors to support patients in the Royal Children's Hospital burns clinic with visits twice a week for 50 weeks a year. The Clown Doctors provide relief to young burns victims – some just babies – by entertaining them and making them laugh. During 2019–20, the Clown Doctors saw 2,851 patients before the program was halted in March 2020 due to coronavirus (COVID-19). The program will recommence when it is safe to do so.

SAFER CANTEENS

In 2019–20, ESV continued its Safer Canteens grants program. The total sponsorship was \$100,000 (including the grants program). A key initiative of our partnership with AFL Victoria, the program delivers 25 grants of up to \$1,000 to football and/or netball clubs to upgrade electrical/gas appliances in their canteens.

Safer Canteens offers an engagement opportunity with ESV's energy safety messages with thousands of Victorians who attend local football and netball games across the state. In addition to the new equipment that successful applicants were able to purchase, ESV also provided guidance information, menu boards, non-slip counter mats and corflute signs.

SAFER CANTEENS SUBMISSIONS AND GRANTS FOR 2019–20

Submissions received

Total submissions	108
Projects totalling	\$330,444.06
Club Contribution	\$163,233.61
Requested ESV Grants	\$167,337.85

Grants awarded

Successful clubs	30
Projects totalling	\$69,158.72
Club Contribution	\$44,452.48
ESV Grants	\$25,000.00

CLUBS AWARDED SAFER CANTEENS GRANTS IN 2019–20

Successful Clubs

Bundoora Park Thunderbolts Junior Football Club
 Calivil United Football Netball Club
 Caulfield Bears Football and Netball Club
 Charlton Football Club
 Dalyston Football Netball Club
 Diamond Creek Women's Football Club
 Dromana Football and Netball Club
 East Ringwood Junior Football Club
 Echuca Football and Netball Club
 Frankston Dolphins Junior Football Club
 Garfield Football Netball Club
 Heathmont Football Netball Club
 Inverleigh Football Netball Club

Jeparit Rainbow Football Netball Club
 Koroit Football Netball Club
 Longwood Football Netball Club
 Lorne Football and Netball Club
 Lysterfield Junior Football Club
 Meeniyan Dumbalk United FNC
 Morwell Football Netball Club
 Old Geelong Sporting Club
 Poowong Football Netball Club
 Port Melbourne Football Club
 Russells Creek Football Club
 Shepparton Swans Football Netball Club
 South Yarra Football Netball Club
 St Mary's Sporting Club Geelong
 Upwey-Tecoma Junior Football Club
 Wickliffe Lake Bolac Football Netball Club
 Wodonga Football and Sports Club

CLUBS AWARDED SAFER CANTEENS GRANTS



Achieving our energy safety objectives

Gas supply networks and pipelines

GAS SUPPLY NETWORKS ARE REGULARLY DAMAGED BY THIRD-PARTY INTERFERENCE

Output

ESV continued its objective of reducing third-party damages on gas supply networks by:

- focusing on controls implemented by gas distribution businesses to prevent third-party damage
- developing a campaign to educate third parties on how to work safely around underground gas assets
- administering an enforcement strategy that deters undesirable behaviour.

During 2019–20, ESV met with the metropolitan gas distribution businesses on three occasions to identify and implement improvements to their controls aimed at minimising third-party damage. As a result, improvements were implemented, such as increased use of marker tape, greater communication on the availability of free location services, and the introduction of digital damage forms.

ESV also developed and started using an enforcement model that reviews and proportionately sets enforcement action. As a result, ESV issued 29 warning letters, six infringement notices and undertook two prosecutions.

ESV also proposed a Future Fuels Cooperative Research Centre (FFCRC) research project to understand the drivers for damage to gas supply networks. This project will analyse the causes of damage to gas supply networks and identify potential solutions.

Outcomes

ESV's efforts led to increased compliance and performance of gas distribution businesses and the enforcement action undertaken by ESV has reduced the third-party damage on gas supply networks.

The results of the FFCRC research project will provide ESV with the information needed to identify opportunities to educate third parties on how to safely work around underground gas assets.

RESIDENTIAL DEVELOPMENTS ARE OCCURRING NEAR PIPELINES WITHOUT FULL CONSIDERATION OF THE RISKS

Outputs

ESV delivered an awareness program to all Victorian councils and their planners about the risk of residential developments being built near pipelines. ESV surveyed the program participants in September and October 2019 to determine if planners' awareness of this critical infrastructure had increased.

The 75 survey responses showed a significant increase in the awareness of licensed pipelines by council planning staff due to the ESV presentations. The survey also showed:

- between 2018 and 2019 the number of respondents who answered that they know what a licensed pipeline is increased by 24 per cent
- The number of respondents who did not know how to locate licensed pipelines reduced by 22 per cent
- Similarly, the number of respondents who were not aware of the Australian Pipeline Database dropped by 44 per cent.

ESV continued several initiatives to help the planning system to better recognise pipelines, building on the Victorian Government response to the Major Hazard Facilities Advisory Committee's recommendations. These initiatives included:

- finalising the Latrobe DDO1 Review Project report and proposed planning controls (Latrobe City Council will then start its Planning Scheme Amendment process)
- preparing a summary report about the Latrobe review to create methods that can apply to all licensed pipelines across Victoria (*Planning Controls for Major Pipeline Infrastructure: Discussion Draft*)
- preparing a draft discussion paper and implementation plan setting out the resources needed to set up a town planning referral function at ESV
- publishing an article on pipeline awareness in the Victoria Planning, Environment and Law Association's industry magazine in March 2020.

Outcomes

ESV's program has increased councils' awareness of this critical infrastructure, which ensures that pipelines are being considered when planning applications are reviewed. Finalising the Latrobe review project and the draft paper will help to define the methodology for planning controls and how they should be applied to licensed pipelines. This will then ensure risks to pipeline infrastructure are considered by councils and planners.

**POOR CONTRACTOR WORK PRACTICES
MAKE GAS SUPPLY NETWORKS UNSAFE****Outputs**

The 2019–20 field inspection program continued to focus on contractors and sub-contractors in the following areas: mains insertion, new works in subdivisions and construction, maintenance, and inspection activities on licensed pipelines.

There were 372 non-conformance notices issued following 709 field inspections in 2019–20, compared to 777 non-conformances from 765 field inspections in 2018–19. The number of non-conformances issued after field inspections were conducted decreased significantly this year.

Outcomes

ESV's targeted and comprehensive field inspections have decreased the number of noncompliant installations, leading to a safer, more reliable, and more compliant network. The inspections are also eliminating poor work practices.

Electricity supply networks

**NONCOMPLIANT VEGETATION CAUSES
FIRES IN HIGH-BUSHFIRE-RISK AREAS****Outputs**

Vegetation that gets too close to electric lines is a safety risk. It can cause electrocution, fires, bushfires and can affect the reliability of electricity supply. In 2019–20, ESV delivered a range of electricity safety programs to ensure vegetation was adequately managed and kept clear of the electricity networks.

The programs targeted duty holders, including nine major electricity companies, 67 municipal councils and a variety of other owner-operators of electric lines. The programs included:

- evaluation and approval of 28 electric line clearance management plans
- 17 vegetation management system audits
- inspection of vegetation for 15,743 electricity line spans.

The programs are designed to test that duty holders have suitable plans and systems in place to manage trees to keep them clear of electric lines. By completing the programs ESV ensures Victoria is protected against bushfire threats and network failures caused by trees getting too close to powerlines.

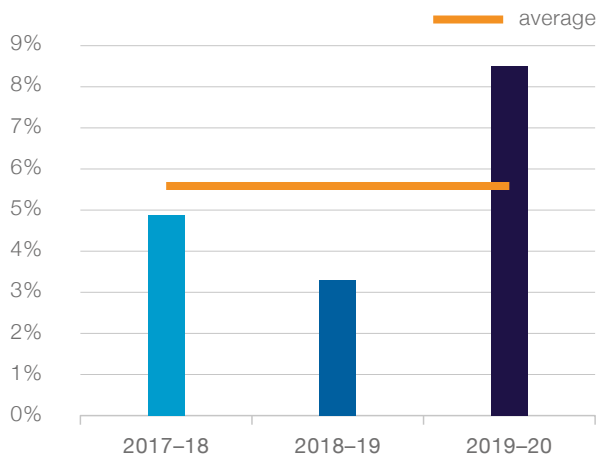
ESV ELECTRIC LINE CLEARANCE SAFETY PROGRAM OUTPUTS

Measure	Target	Completed
Electric Line Clearance Management plan approval		
Council plans approved	12	10
Major electricity company (MEC) plans approved	9	16
Other plans approved	5	2
Electric line clearance management systems audits		
Major electricity companies	5	9
Council	10	8
Other responsible persons	5	2
Electric line clearance compliance inspections		
Major electricity company inspection projects	10	15
Council inspection projects	20	20
Spans inspected		
Hazardous-bushfire-risk areas	6,000	6926
Low-bushfire-risk areas	10,000	8210
Total	16,000	15743

Outcomes

When ESV identifies noncompliant vegetation, the duty holder must urgently clear the vegetation to make it compliant and safe. In 2019–20, there was an increase in the rates of noncompliant vegetation across the electricity distribution networks, compared to the previous two years.

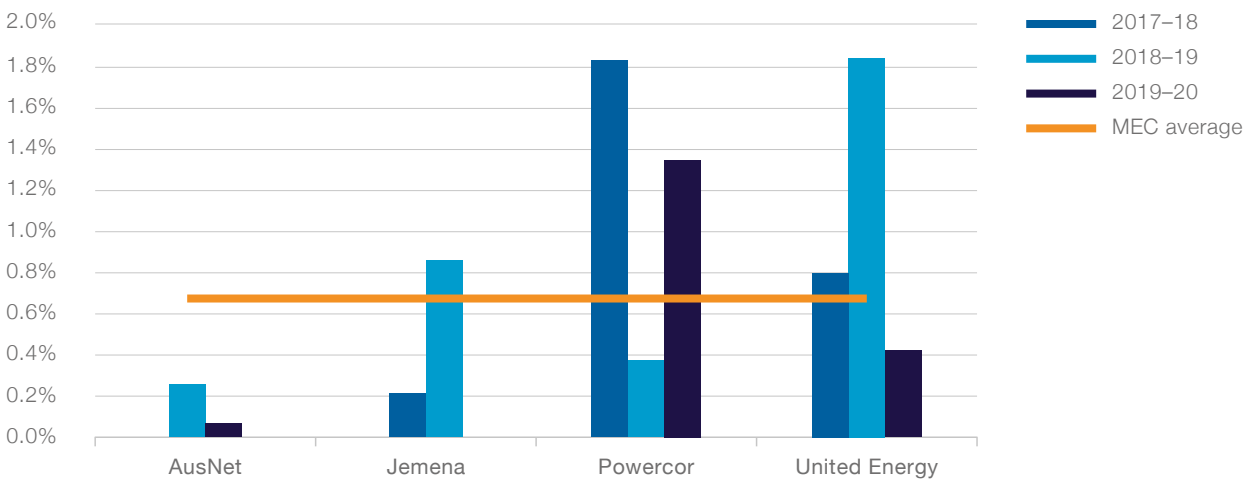
ELECTRICITY NETWORKS VEGETATION NONCOMPLIANCE RATES IN HAZARDOUS BUSHFIRE RISK AREAS (HBRA)



Most of the noncompliant vegetation observed by ESV was on the outer fringe of the legislated clearance space and was not in immediate danger of contacting powerlines.

The exception was the Powercor network, where vegetation was close to electric lines more frequently when compared to the other networks. The rate was also greater than the three-year average of the networks.

ELECTRICITY NETWORKS VEGETATION NONCOMPLIANCE RATES IN HBRA – IMMEDIATE RISK TO ELECTRICITY SAFETY

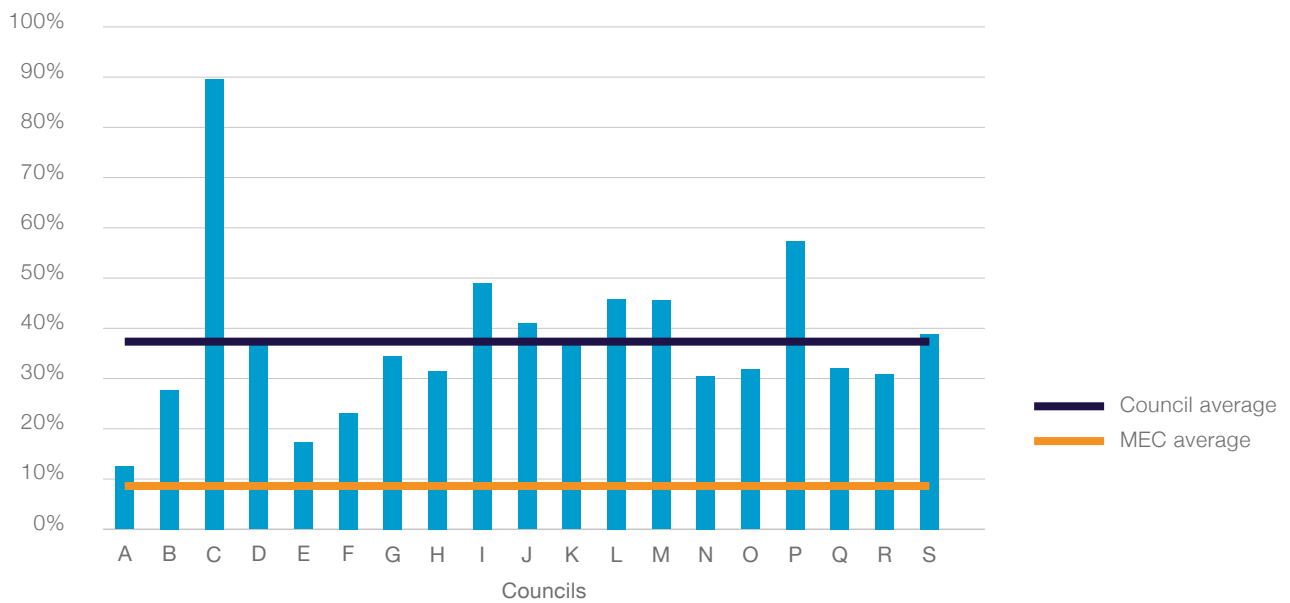


Powercor has responded to the investigation by completing an independent review of its vegetation management functions. It has committed to implement an improvement plan based on the recommendations of the review.

ESV is closely monitoring Powercor’s implementation of the improvement plan that it has developed.

ESV’s inspection of councils with electric line clearance responsibilities, which began in March 2019, has found significant opportunities where compliance rates can be improved.

VEGETATION NONCOMPLIANCE RATES IN LOW BUSHFIRE RISK AREAS (LBRA) WHERE COUNCILS HAVE ELECTRIC LINE CLEARANCE RESPONSIBILITIES



As councils predominantly have electric line clearance responsibilities in low-bushfire-risk areas, the extent of council noncompliance presents a relatively lower bushfire risk for Victoria when compared to that of major electric companies. However, it creates a threat to the reliability of electricity supply for metropolitan Melbourne and regional cities and townships.

If a council's failure to comply results in unacceptable electricity safety risks, ESV requires reform of its vegetation management systems and functions. The reforms must allow the council to work towards achieving acceptable standards of compliance.

ESV monitors the reforms until it is satisfied the council is appropriately managing its electricity safety risks. In 2020–21, ESV will revisit the three worst-performing councils to ensure they have improved their electric line clearance performance and reduced the electricity safety risks in these municipalities. Failing to demonstrate improved performance may result in enforcement action.

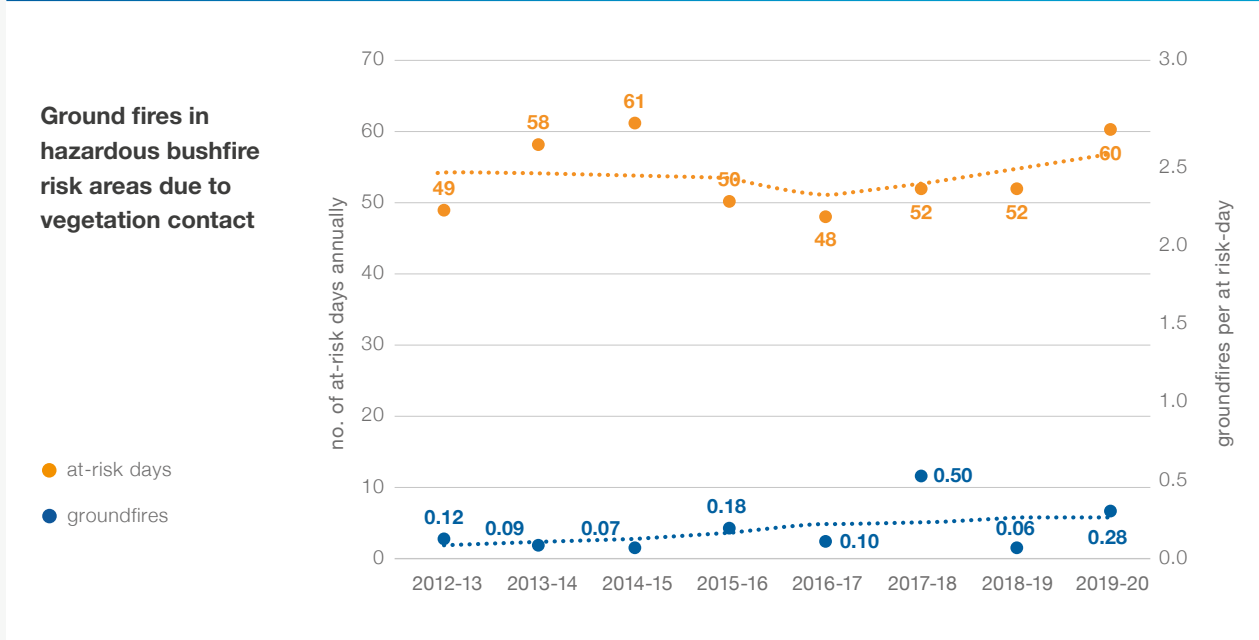
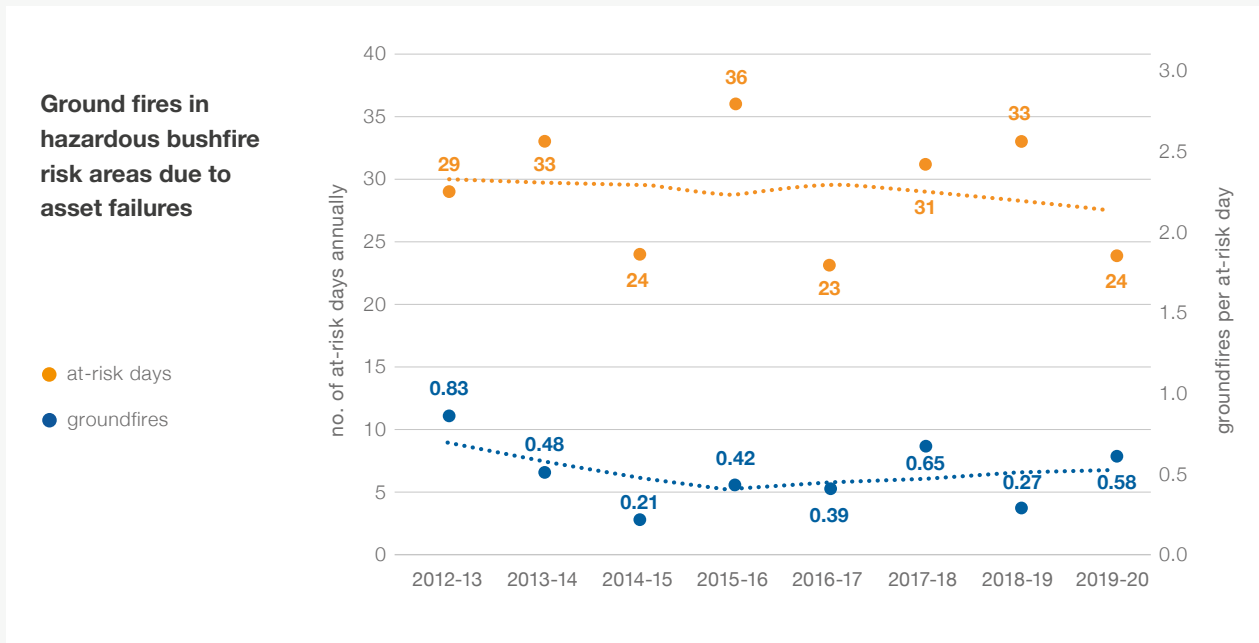
CASE STUDY: BUSHFIRE DATA AND ANALYTICS

Understanding the influence of weather allows ESV to engage with the network businesses about their preparation for managing their assets under changing weather and climatic conditions. ESV continues to explore the use of machine-learning algorithms to analyse the influence of weather on ground fires in hazardous bushfire risk areas (HBRA), with the focus being on those at-risk days when conditions pose the greatest risk of fires.

Since last year, we have further refined our models by expanding the data sets used for the models and separated tree-contact events (weather-dependent) from other contact events (randomly distributed) to better predict network incidents. These new models differ from the analysis presented in last year’s report, and this reflects ESV’s improving understanding of these risks.

The number of at-risk days annually for asset failure fires across the entire network has been decreasing slightly since 2016–17, while the numbers of fires on at-risk days in HBRA has been increasing. The at-risk days for vegetation contact fires (including from trees and branches blown in from outside the mandated clearance space) has been increasing since 2016–17 and the rate of fires occurring on those days in HBRA has also risen over the same period. It is worth noting that the rate of vegetation fires occurring on at-risk days is half that of asset failure at-risk days.

Further details on these trends and the formulation of the models (including their improvement since last year) can be found in the 2020 *Safety performance report on Victorian electricity networks* publication which is available on the ESV website.



ASSETS AND POWERLINES IN POOR CONDITION ARE UNSAFE FOR PEOPLE AND PROPERTY

Outputs

Publicly available reports on asset-management performance focusing on safety

ESV monitors electricity businesses to ensure they manage the condition of their assets and powerlines. Each year, ESV makes reports available on its website that focus on network asset performance including:

- Electrical safety performance reports
- Bushfire Mitigation Program reports
- Electrical incident and technical investigation reports.

The *2019 Safety Performance Report on Victorian Electricity Networks* was published in October 2019. For the first time, this report included metrics on ESV's performance in regulating the state's networks.

After public consultation, ESV released its final report into the sustainability of Powercor's wood pole management approach in May 2020.

In the report, ESV found that:

- The wood pole management system in place in March 2018 (at the time of The Sisters fire at Garvoc) would not deliver sustainable safety outcomes for the future.
- Since March 2018, Powercor has improved its wood pole management system, increasing the volume of wood pole replacements and reinforcements. However, these changes alone will not deliver sustainable wood pole safety outcomes for the future.
- Powercor is making more improvements to its wood pole management system based on a more comprehensive risk assessment and better inspection practices. Once fully implemented, these will deliver sustainable safety outcomes for the community.

The report required 13 recommendations to be addressed to deliver sustainable safety outcomes, 10 for Powercor and three for ESV. The implementation of the recommendations is on track and progress will be publicly reported until completion.

ESV started the same audit and investigation of AusNet Services' wood pole management practices which is scheduled for completion by the end of 2020. Investigation and audit of the remaining Victorian distribution businesses will be completed in 2021.

Outcomes

As demonstrated in the case study of bushfire data and analytics on page 33, the number of ground fires occurring in HBRA on 'at-risk' summer days due to asset failure has slightly increased. This reflects in part, ESV improving its ability to normalise trends to account for variation in weather patterns.

The *2020 Safety Performance Report on Victorian Electricity Networks* will further expand upon the above analysis to provide greater insight into ESV's improved understanding.

As planned, in the past year ESV has expanded its asset management and asset inspection capabilities to improve its understanding of asset performance. As part of our commitment to investigation of wood pole management across Victoria, ESV is currently investigating AusNet Services' wood pole management practices.

Upon completing the investigation of wood pole management, ESV plans to undertake further analysis and investigations into other key asset classes on a risk basis to drive best practice asset management and reduce bushfire risk.

Industrial facilities and renewable energy facilities

WORKER EXPOSURE TO HIGH-ENERGY ELECTRICITY

A high-energy (HE) installation is an electricity installation used in heavy industry (such as manufacturing plants), high-rise buildings, and wind and solar farms. Workers can be exposed to electrical equipment with high-energy levels at these installations in a fault scenario, there is potential for arc flashes or blast events similar to an explosion.

Outputs

ESV's HE team was established in October 2019 and has developed an audit program and audit content using risk-based analyses for both Voluntary Electrical Safety Management Scheme (VESMS) and high-energy installations.

ESV aims to improve worker safety, the safety of high-voltage (HV) installations and the facility operators' understanding of their obligations to safely operate and maintain HV equipment. To deliver this, ESV audits concentrated on the following for VESMS and HE installations:

- Adequate consideration of safety risks is included in modifications and changes to the installation (management of change).
- Control systems were in place, such as access authority systems, documented systems and procedures to ensure electrical work is done safely and competently and, specifically, to address high-energy hazards.
- Arc flash hazards have been identified and risk-mitigation practices have been implemented.
- Competent and licensed workers are used as required.
- Installations are designed and operated to comply with relevant Australian standards, including the Wiring Rules and the Blue Book for HV installations.

Outcomes

Between October 2019 and June 2020, ESV audited:

- eight VESMS installations
- six HE installations.

Our audits have found that HE and VESMS installations are at different stages of arc flash hazard management. Many installations have initiated an arc flash study or survey but are yet to analyse their findings or put corrective actions in place. In addition, the audits have shown that HV operating procedures are an area where compliance is an issue and there is also a lack of awareness about regulation 501 and 502 of the Electricity Safety (General) Regulations.

Arc flash hazard management is not yet well understood across industry. ESV recognises that we must work with industry to provide education and encourage the industry to recognise safety issues and put into place controls to minimise risk. ESV has published a guideline, *Arc flash hazard management*, to inform industry of our expectations and we have also held industry forums to raise awareness.

Microgrids and multi-tenancies

UNSAFE INSTALLATIONS WITH MULTIPLE DUTY HOLDERS

Outputs

ESV set up a project to allow us to respond to the potential risks associated with emerging technologies in microgrids and multiple-tenancy scenarios. The project assesses emerging alternatives for the supply of electricity that differs from the traditional model of ownership and control by power companies.

These models are similar to a scenario where a town can implement a solar generation system instead of a network connection. These scenarios place greater responsibilities on facility owners to manage electrical-related assets than a conventional distribution business.

The multiple-tenancy component of the project was outsourced to an external company with experience in HV electricity distribution within multiple tenancies. The company produced a report that documents alternative electricity supply models and their risks specific to HV multiple tenancies.

A microgrid report was developed by an ESV expert who collaborated with agencies involved, both locally and nationally, in the regulation of electricity supply to identify these models of ownership.

Outcomes

The reports identified inadequacies in standards for safe construction, operation and maintenance associated with facilities entering into these types of ownership models.

These reports have informed ESV of the potential risks and gaps in legislation in ensuring installations are safe for the community to use.

ESV's approach now is to develop greater oversight of these issues and ensure installation risks are identified and controlled early.

Rail power networks

STRAY CURRENT EXACERBATES THE CORROSION OF METAL ASSETS

Outputs

ESV investigated the premature corrosion of copper water services near the Springvale rail line. The investigation found the likely cause of corrosion was due to faulty and inappropriately installed spark gaps on the rail network.

ESV worked with Metro Trains Melbourne (Metro) to identify the faulty equipment and arrange for its removal. After the investigation, Metro committed to and completed the following actions:

- review the appropriate use of spark gaps in the rail network and develop a guideline
- conduct a full audit of high-risk installations and the removal of any spark gaps inappropriately installed
- implement a routine inspection and maintenance program

- report the inspection results regularly to ESV
- develop and conduct training for project developers and designers
- increase dedicated resources to address stray current issues.

Metro conducted workshops and developed and implemented plans that they shared with ESV. ESV was satisfied with the corrective action taken.

The Melbourne rail network is going through a major construction program with the removal of 75 level crossings. As a proactive regulator, ESV developed an agreed process with the Level Crossing Removal Authority (LXRA) to minimise non-compliance with its obligations to minimise stray current. ESV developed a policy regarding new project delivery which was communicated to industry and is available on the ESV website.

Outcomes

As a result of the corrosion investigations by ESV, Metro has improved compliance with its regulatory responsibilities under *the Electricity Safety Act 1998*. This will result in less incidences of corrosion due to stray currents of nearby underground metallic assets. The on-going inspection and maintenance programs and reporting to ESV will ensure these measures are monitored for continued compliance.

The agreed process with LXRA and other projects will ensure the minimisation of non-compliant installations and strengthen ESV's role as proactive regulator. Considering the stray current impacts of these projects, early engagement will benefit the owners of important underground infrastructure by minimising the risks to the integrity of these assets.

Complex gas installations

POOR GAS FITTING WORK LEADS TO UNSAFE COMPLEX GAS INSTALLATIONS

Outputs

ESV has continued to use enforcement strategies to address common noncompliance items, including gas leaks and grease filter clearances. These strategies were regularly communicated to the industry through information sessions such as gas safety webinars and a gas technical information sheet.

In addition, ESV:

- established a formal data-sharing agreement with the Victorian Building Authority (which registers gasfitters) to identify incompetent gasfitters
- introduced new checklists which gasfitters must acknowledge and fill in as part of the conditions of acceptance
- produced a new gas technical information sheet on high energy and Schedule 8 installations
- updated existing gas technical information sheets and republished them on the ESV website
- managed ageing gas applications and noncompliance notices
- contacted gasfitters with high rates of noncompliance (five or more) and discussed how they will reduce their noncompliance rate and warning that further noncompliance may result in enforcement action.

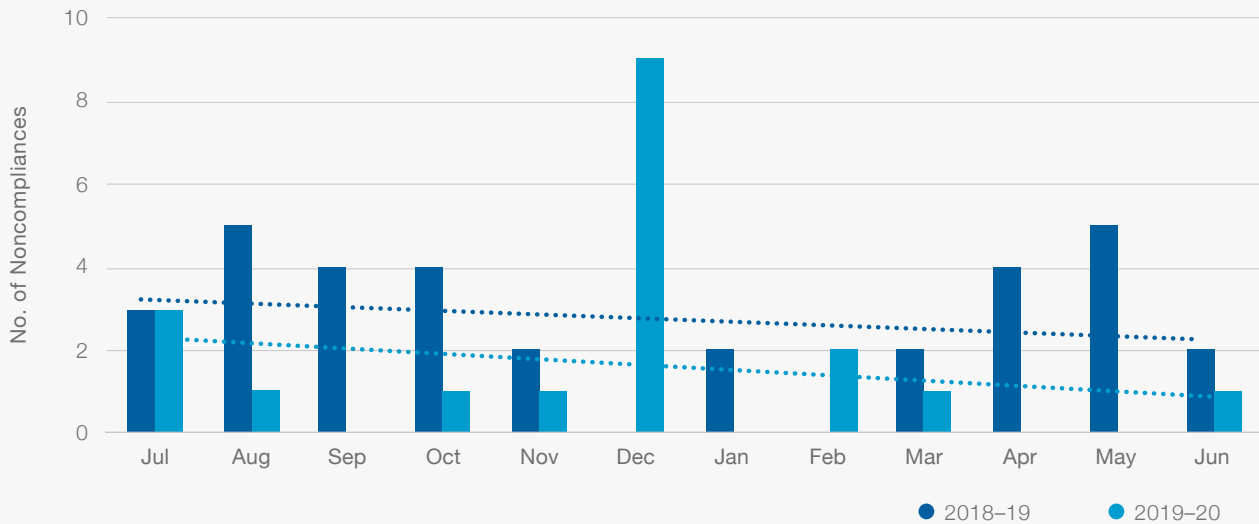
Outcomes

Increased Compliance

The overall rate of compliance has increased significantly in 2019–20. Highlights included:

- No deaths or serious injuries caused by defective or unsafe gas fitting work in complex gas installations.
- The average number of gas leak notices issued in a month fell from 3.0 in 2018–19 to 1.6 in 2019–20.
- For clearance distances between cooktops and grease filters, the monthly non-compliances for 2018–19 was 6.0 and reduced to 2.6 in 2019–20.
- Average gas applications compliant on the initial inspection increased from 76 per cent in 2018–19 to 83 per cent in 2019–20.
- 34 infringement notices were issued.
- There was one prosecution for a failure to pay an infringement notice.

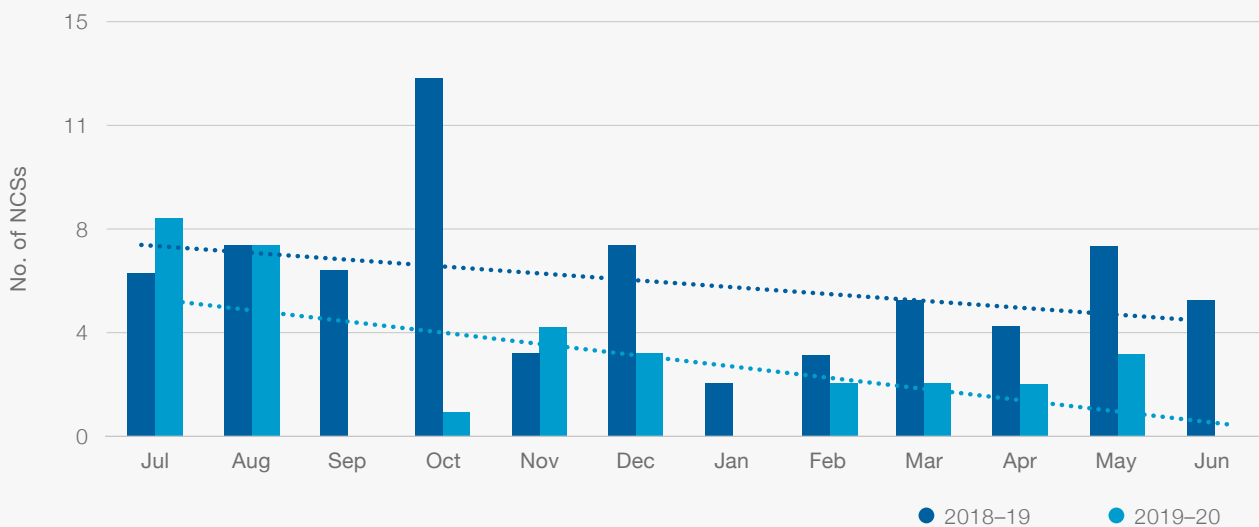
GAS LEAK NONCOMPLIANCES



Figures are from GasTrac *Monthly report – noncompliance letters issued* report with specific reference to gas leaks or escapes.

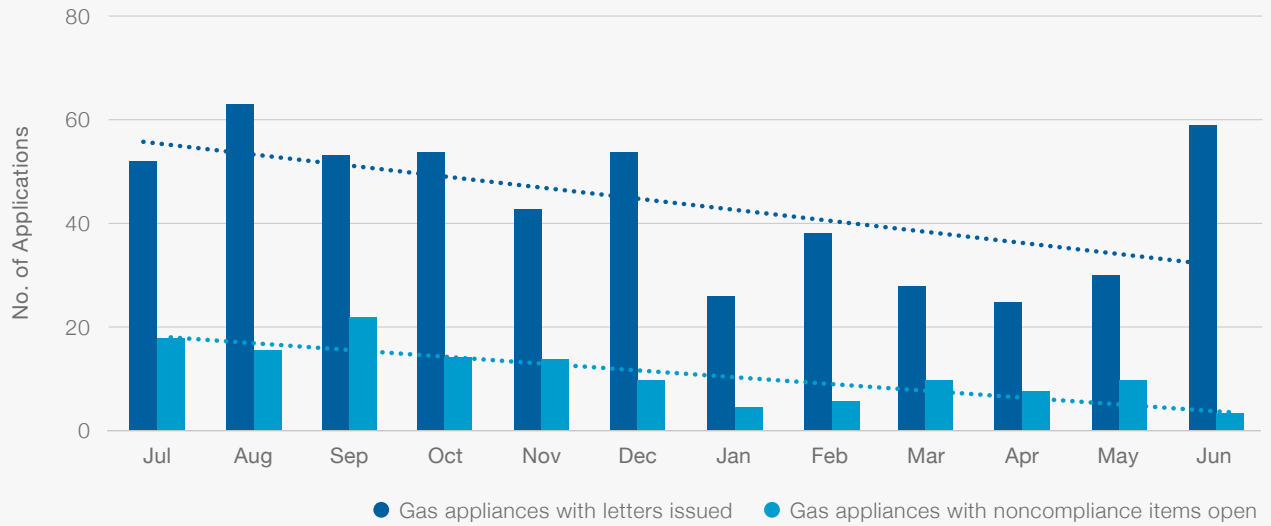
Note: ESV does not tolerate gas leaks on gas installations, however, they still occur. These events are monitored closely and gasfitters with identified gas leaks on their installations are issued with a show-cause letter as to why they should not receive an infringement notice for the offence.

CLEARANCE TO GREASE FILTERS NONCOMPLIANCES



Figures are from GasTrac *Monthly report – noncompliance letters issued* report with specific reference to clause 6.10.2.2 in AS/NZS 5601.1:2013.

NONCOMPLIANCE LETTERS ISSUED 2019–20



Figures are from GasTrac *Monthly report – noncompliance letters issued* report.

Low-voltage installations

UNSAFE INSTALLATIONS AND PUBLIC SPACES

CONVENTIONAL INSTALLATION WORK BY LICENSED ELECTRICAL WORKERS CAUSES SAFETY ISSUES

DEFECTIVE INSTALLATIONS OF RENEWABLES ARE UNSAFE FOR PEOPLE AND PROPERTY

Outputs

ESV's installation safety team responds to enquiries made to ESV by the community about the electrical industry, emergency calls for assistance, and audits and investigations conducted of electrical work and workers. ESV responded to these enquiries and set up an industry working group to engage key stakeholders to better identify common compliance issues faced by industry.

The working group developed strategies to help the industry better understand its legal obligation to deliver compliant and safe electrical work. Industry engagement also included technical presentations at industry information forums, including presentations to electrical apprentices at trade schools.

ESV has focused on residential solar installations to ensure highly competent work remains a major priority. As part of this focus, ESV established a close relationship with Solar Victoria to ensure defective photovoltaic installations were identified early and works that failed to comply were rectified.

Outcomes

ESV conducted 178 investigations in 2019–20 which resulted in:

- 173 warning letters
- 66 infringement notices

The team also:

- made 52 industry presentations
- responded to 7,942 technical phone and email enquiries

- audited 21 RTOs to ensure licensed electrical assessments were carried out correctly
- managed 331 private overhead electric line referrals from distribution businesses
- processed 85 applications for electrical exemptions from the electrical industry.

Strategy for safe electrical equipment and domestic/commercial gas appliances

UNCERTIFIED GAS APPLIANCES ARE UNSAFE TO SELL AND USE

Type A gas appliances and component safety

A Type A gas appliance is a gas appliance for which there is an Australian standard that the appliance can be certified to by an independent third-party certification body or which is accepted on the basis of compliance with the relevant Australian standard by ESV in accordance with Section 69 of the *Victorian Gas Safety Act*.

Outputs

- In addition to the deeds of undertaking that ESV has with the manufacturers of gas space heaters, ESV also helped suppliers and the Australian Competition and Consumer Commission with five voluntary recalls this year and, in particular through its leadership of the GTRC, facilitated the recall of the Suburban water heater in caravan installations.
- ESV has and is contributing to the amendment and revision of relevant standards, including AS/NZS5601.1, AS/NZS5601.2, AS/NZS5363.0, AS/NZS5263.1.7, AS2473.1, AS2473.2 AS4627 and AS/NZS1596 to facilitate the introduction of the safer Type 27 LPG cylinder valve. All relevant standards have moved to ballot stage.
- ESV continued to ensure that uncertified Type A gas appliances were removed from online platforms, such as eBay, when we were notified.

Outcomes

- ESV engaged independent risk advisers to consider a significant change to the regulatory framework for certified Type A gas appliances and components. The current regulatory framework relies on third-party certification bodies to periodically (usually annually) visually inspect certified Type A appliances and gas components to ensure that they continue to be constructed to the certified design. This framework is not adequate as it does not allow for certification bodies to determine if the equipment they certify continues to operate safely. The proposed framework will require products considered high-risk (based upon incidents and recall data) to be subjected to periodic safety critical testing to ensure correct operation for the certification to continue. A report from the risk advisers is expected later in 2020 and will be followed by further consultation with affected stakeholders.
- All relevant standards relating to the safer Type 27 LPG cylinder valve are due for publication in the second half of 2020. Once these standards are published, then the transition to the safer valve will begin.
- ESV is implementing a process to proactively remove uncertified Type A gas appliances from online platforms in 2020–21.

UNCERTIFIED ELECTRICAL APPLIANCES ARE UNSAFE TO SELL AND USE

Electrical equipment safety

Outputs

- ESV conducts check-testing on electrical equipment to ensure products being offered for supply are safe and comply with their relevant standard. The check-testing activity has now been standardised through the Electrical Equipment Safety Scheme (EESS) standing committee of officials as a national activity. ESV check tested 37 RCBOs. The check-testing activity was the testing of residual current-operated circuit breakers with over-current protection (RCBOs).

- ESV used data from consumer complaints and incidents to target the inspection of stores. Inspection activity was focused on compliance with the new EESS requirements and educating suppliers and retailers about their responsibilities under the new legislation. Inspections were done at 177 stores, including inspecting products at stores and products offered online. About 60 per cent of the stores targeted had supplied products not compliant with EESS requirements.
- ESV helped suppliers and the ACCC with 13 voluntary recalls this year.
- ESV conducted 150 investigations into electrical equipment incidents to identify the cause of the failure, to take relevant enforcement action, to mitigate the identified safety risks and drive changes to product designs.
- ESV assessed 570 applications for certification.
- ESV responded to over 1,500 technical enquiries in relation to compliance with the EESS legislation.

Outcomes

ESV engaged and contributed to maintaining and developing electrical safety standards by considering check-testing outcomes, investigations, complaints, incidents and recalls (both nationally and internationally) to ensure that all identified safety concerns were addressed.

Valuable data was collected from complaints, store inspections, investigations and check-testing to drive the market to supply safe and compliant electrical equipment in Victoria. ESV was able to identify repeat offenders and removed unsafe products from the market.

Suppliers were better educated regarding their responsibility under the EESS legislation due to store inspections, technical assistance, and check-testing activities.

ENFORCEMENT CASE STUDIES

CASE STUDY: EXTENDING THE RCBO PROHIBITION

A 10-year prohibition on the supply of certain compact residual current-operated circuit breakers with over-current protection (RCBOs)—a common type of electrical safety switch— was issued on 2 July 2020 and expires on 30 June 2030. The prohibition means the RCBOs must pass additional testing set by ESV and for the brand and model to be listed on the ESV website before the product can be supplied in Victoria.

The prohibition was extended because ESV identified a design shortfall in some RCBOs. This posed an unacceptable risk to the Victorian public and the relevant standards committee was not willing to amend the standard to address the shortfall. The shortfall was identified during an investigation into the death of a third-year electrical apprentice at a residential property in Victoria.

ESV completed the regulatory impact statement (RIS) for the 10-year prohibition of compact RCBOs.

Five submissions were received on the RIS. After the submissions were reviewed, ESV found that there was no new information to suggest that extension of the prohibition for 10 years was unwarranted or additionally burdensome.

The outcome of the prohibition will be that safer RCBOs, without the design shortfall, will be supplied in Victoria and it will provide the market with stability on the type of products that are to be supplied in Victoria.

CASE STUDY: EESS CHECK-TESTING OF RCBOs

In 2019–20, check-testing focused on RCBOs. ESV's check-testing activity has been harmonised through the EESS as a national activity. The check-testing program looked at 37 models of RCBO available in the Australian market to ensure they met safety clauses of the relevant Australian standard.

Some 29 of the 37 models failed at least one clause of the relevant standard, and 22 models required action to be taken by the relevant suppliers. These actions included recommending stopping the sale of products and recalling products.

As a result of the check-testing, the following actions have been taken:

- two products are being recalled from the market.
- 13 products have been taken off the market
- four products are still undergoing investigation and testing by the relevant suppliers.

ESV had a lead role in drafting and gave significant input to the electrical safety standards used.

Ensuring relevant technical and safety standards

Output

ESV has been a substantial contributor to the development and updating of electrical equipment safety standards and has contributed to 42 new editions and amendments being published.

Outcomes

Electronic switches standard updated to accommodate LED loads

ESV led the modification of switch standards to include LED lamp load requirements. These changes will ensure that products sold in Australia keep up to date with new technology on the market and address the safety risks.

Addressing safety concerns related to the interchangeability of lamp caps for ELV and LV

ESV received multiple enquiries and reports of safety concerns about the potential use of extra-low-voltage (ELV) LED lamps at low voltage (LV). An inadvertent mistake could cause an electric shock or serious injury. ESV looked at adopting a safety standard to address the issue.

On 31 January 2020, AS/NZS 62838 was published. It gives manufacturers and suppliers the means to show compliance with safety and interchangeability requirements for such products and provides a level playing field for achieving compliance.

The new standard has resulted in improving the safety of consumers who buy and use these products in their homes.

Improving the safety of salt lamps

Traditionally, salt lamps were considered low risk if they were installed in luminaires that had no other metal parts apart from the spring supporting the lamp holder.

However, salt lamps are hygroscopic, meaning they attract moisture from the atmosphere. This raises the risk of water going into live parts of the lamp holder, creating a risk of an electric shock or injury and potentially compromising the safety of the electrical installation to which they are connected.

ESV, in partnership with other state regulators, has had significant involvement in the amendment of the safety standard for a portable luminaire to include new design and construction requirements for salt lamps that address the identified safety concerns. Those changes were published in AS 60598.2.4:2019 Appendix ZB.

Under the EESS, salt lamps are now classified as high-risk (Level 3) electrical equipment that requires certification and registration.

Essential safety requirements for electrical equipment AS/NZS 3820

ESV was instrumental in updating AS/NZS 3820: Essential safety requirements for electrical equipment. This standard is prescribed in ESV's EESS legislation and had to be updated to ensure consistency in its application and to ensure it was clear what documentation was needed to show compliance. Successfully amending this standard will help ensure success in implementing the EESS law in Victoria.

CASE STUDY: STANDARD FOR PERSONAL E-TRANSPORTERS (PeTs)

Following extensive investigations, ESV prohibited hoverboards that did not meet ESV's requirements for safety for 12 months in 2016. The prohibition meant suppliers of hoverboards had to independently certify their products to show they complied with the new safety requirements. The requirements developed by ESV engineers in 2016 were adopted by Australia and New Zealand, and then internationally by the International Electrotechnical Commission (IEC) TC 61 in 2018.

A new IEC committee, TC 125: Personal e-Transporters (PeTs), started work in 2019 on the safety of electric transport devices with one or more wheels where the speed and/or steering is controlled electrically. This includes electric scooters and monocytes but excludes electric bicycles, motorbikes and cars as they are addressed by other technical committees.

ESV's head of electrical equipment safety was appointed in a liaison role between TC 61 and TC 125 to give guidance on how IEC 60335-2-114 could be used to ensure the electrical safety requirements of products captured by TC 125 are met consistently.

Using this role, ESV has been able to coordinate international working groups involving experts around the globe. It has now been recommended that IEC 60335-2-114 (originally evolving from ESV's initial prohibition requirements in 2016) have its scope increased to cover the general electrical safety of all PeTs globally. This will enable an internationally consistent approach and will ensure standardisation involving electrical safety will keep pace with this rapidly emerging technology.

As the popularity and use of e-scooters and other personal e-transporters grows around the world, so will the reliance on standards to keep consumers and the community safe. Demonstrating its ongoing work setting safety standards in the region and globally, ESV will continue to lead the way, setting high-quality standards for electrical safety compliance.

Reduction in fatalities and serious incidents

Fatalities

ESV was involved in the investigation of three deaths in 2019–20 due to electrical incidents. There were no fatalities involving gas.

On 25 November 2019, a 37-year-old man who was working from a scaffold made contact with a 22 kV high-voltage overhead distribution powerline, causing him to fall from the scaffolding. He was taken to hospital in a serious condition suffering from multiple injuries and later died.

ESV attended this incident at St Leonards with Victoria Police, WorkSafe and Powercor. ESV's initial investigation found that the worker's metal tape measure made contact with the high-voltage line, and that the scaffolding was not in breach of regulatory clearances to the overhead distribution system.

Victoria Police is leading the investigation and will prepare a report for the Coroner. ESV has provided technical support.

On 16 April 2020, ESV was notified that someone trespassing in a CitiPower substation, allegedly to steal copper, had been electrocuted and died. ESV attended the incident, along with CitiPower, Victoria Police and WorkSafe.

The initial investigation found that the victim had been removing bolts and cables from a neutral bar inside the substation to get copper components when the substation lighting and power neutral cable broke while wrapped around his adjustable spanner. This created a potential difference between the cable and the neutral bar resulting in his electrocution.

ESV has provided an incident report for Victoria Police.

On 25 May 2020, ESV officers attended an incident in which a Restricted Electrical Worker's Licence-holder refrigeration mechanic died while replacing a domestic split-system air conditioner at a residence in Ballarat. The investigation found that electricity supply was available and live equipment was accessible in the air conditioner that was being installed. A brief is being prepared for the Coroner by Victoria Police.

Responses to the Coroner

VICTORIAN GOVERNMENT RESPONSE TO THE CORONERS COURT INQUEST INTO THE DEATH OF SONIA SOFIANOPOULOS

Recommendation 7: Energy Safe Victoria conduct a review on the best way for Energy Safe Victoria to communicate guidelines, changes to legislation and industry updates to relevant industry stakeholders using all forms of modern technology including phone applications, social media, and YouTube videos.

Outputs

ESV commissioned research among gasfitters. One of the key findings was that gasfitters seek regulatory information from the ESV and Victorian Building Authority websites. Further, the report recommended that ESV develop a website with up-to-date information that gasfitters were able to easily search for the information they needed. The ESV website is the first point of contact for most stakeholders. ESV developed a plan and started a research project on our existing website to determine any barriers to gasfitters and other stakeholders accessing information.

Outcomes

The website research program was underway on 30 June 2020. However, small-scale changes have been implemented, including a new online platform that ensures content quality-assurance and accessibility compliance. Once it is completed, the project will inform a plan for a broader website restructure which will result in significant improvements to the way stakeholders access information—particularly regulatory updates. The research program will be completed in October 2020 and the full restructure is expected by April 2021. The new website will form the basis for other communication, including social media.

Five year financial summary

Overview

ESV operates by fully recovering its costs from industry; it does not receive any government appropriation. ESV generates income from levies raised on industry, in accordance with relevant legislation and determinations made by the Minister for Energy, Environment and Climate Change. In addition, ESV earns income from the sale of

certificates and the issue of licences. The most significant element of ESV's expenditure base relates to employee cost. ESV aims to generate sufficient accumulated cash surpluses to renew and enhance its asset base, and improve the efficiency of the services it provides to industry and the community.

FIVE YEAR FINANCIAL SUMMARY

	2019-20 \$'000	2018-19 \$'000	2017-18 \$'000	2016-17* \$'000	2015-16 \$'000
Total income	47,551	40,868	38,089	36,357	35,333
Total expenses	(45,812)	(38,846)	(36,835)	(35,230)	(33,585)
Net result from transactions	1,739	2,022	1,254	1,127	1,748
Other economic flows	(27)	(322)	(145)	(43)	(238)
Comprehensive result	1,712	1,700	1,109	1,084	1,510
Total assets	25,344	22,050	15,524	13,274	12,342
Total liabilities	(13,053)	(11,471)	(6,645)	(5,503)	(5,650)
Net assets	12,291	10,579	8,879	7,771	6,692

* Restated figures

Current year financial review

In the five-year period to 2019–20, ESV's income has increased at a compound annual growth rate of 6.1 per cent per annum, reflecting agreed increases in levy rates and prices, coupled with an increase in economic activity, notably in the Victorian house-building sector.

In the same period, expenses have increased at a compound annual growth rate of 6.4 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 reflect adjustments to the revaluation of long service leave and are not expected to follow a pattern year-on-year.

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

The results for 2019–20 have tracked positively against budgetary objectives. This was achieved by focusing on creating value through prudent spending on key initiatives outlined in the corporate plan.

2019–20 Comprehensive operating statement

INCOME FROM TRANSACTIONS

In 2019–20, 54 per cent of ESV's income was raised through levies, consistent with previous years. Overall, levy income was 16.1 per cent higher than 2018–19, reflecting the agreed rate of increase. Fee income was 6.5 per cent higher than 2018–19 reflecting continued strong economic activity and approval rates for new dwellings.

Overall, income was 16.4 per cent higher than 2018–19 and 11.9 per cent better than the 2019–20 budget.

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

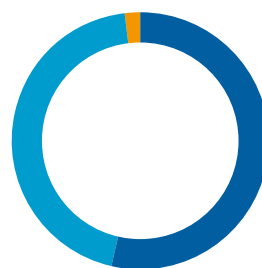
EXPENSES FROM TRANSACTIONS

Salaries and wages increased by 20.8 per cent, reflecting growth in overall employee numbers and Enterprise Agreement wage increases. During the year, depreciation increased significantly due to the depreciation of building leases and motor vehicle leases under the new lease accounting standard. Expenditure in compliance audits decreased by reducing the sample size over the previous year. This was to ensure sufficient funding for the configured computer software (ESVConnect COES project) which allows the organisation to focus on a more targeted audit scope. Other costs comprise several elements such as travel, outsourced audits, and computer expenses which increased from last year.



2019–20 income

Total income
\$47.6 m



2018–19 income

Total income
\$40.9 m

- Levy determination income
- Fee income
- Interest and other income

Balance sheet as at 30 June 2020

ASSETS

Net assets increased \$1.7 million to \$12.3 million. Increase in total assets of was mainly due to an increase in investment in intangible assets of configured software.

LIABILITIES

ESV's most significant liability related to the provisions for employee-related costs such as long service and annual leave, reflecting the impact of new staff.

ESV had no borrowings at 30 June 2020.

COMMITMENTS

As at 30 June 2020, ESV had commitments for future expenditure of \$4.7 million. This is mainly due to obligations in respect of vehicles and property leases.

2019-20 Cash flow statement

ESV generated \$4.9 million (net) from its operating activities in the year. Of this, \$3.6 million was expended on the purchase of non-financial, largely intangible, assets. ESV's cash holdings are invested in accordance with the requirements of the Department of Treasury and Finance.

LOOKING FORWARD

ESV will continue to focus on sound financial management and ensuring that its expenditure demonstrates value-for-money. The strategic reinvestment of accumulated surpluses into business improvement initiatives will continue in 2020–21, reflecting the intent of ESV's *Corporate Plan 2020–2023* and the rationale for the 2020–21 levy determinations, approved by the Minister for Energy, Environment and Climate Change.

SECTION 2

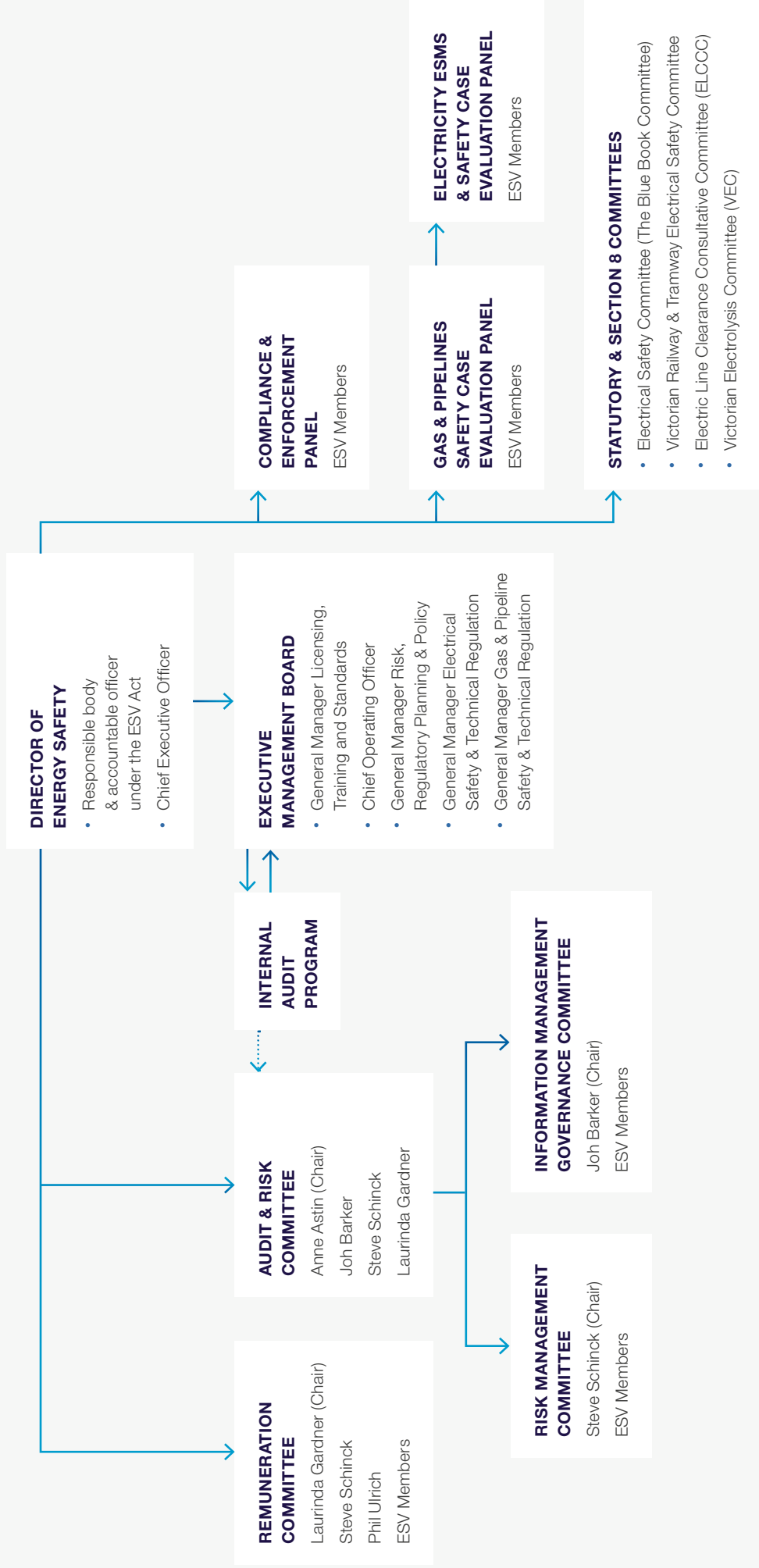
Organisational structure and corporate governance

ESV's mission and objectives are achieved through the commitment and collaborative efforts of its leadership team and people. ESV's corporate structure is led by the Director of Energy Safety (the Director) and CEO, Marnie Williams, who is appointed under the *Energy Safe Victoria Act 2005*. The Executive Management Board 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 board, both individually and collectively, support the Director in the performance of ESV, including setting the strategy, budgets, and corporate policies.



2019–20

Energy Safe Victoria governance structure



MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

Director of Energy Safety/CEO **Marnie Williams**

RESPONSIBILITIES

- Commission Chair-designate
- Implement reforms recommended by the Grimes Review
- Achieve safety objectives and performance of ESV functions and exercise powers specified in the *Electricity Safety Act 1998* and the *Gas Safety Act 1997*, and any other Act
- Promote efficient, effective and ethical use of ESV's resources in accordance with the Director's obligations under the *Financial Management Act 1994*.

BACKGROUND

- Chief Business Operations, WorkSafe Victoria (June 2018 to March 2020)
- Executive Director Health and Safety Business Unit, WorkSafe Victoria (August 2015 to June 2018)
- Chief Executive Officer, Taxi Services Commission (July 2013 to March 2015)
- Bachelor of Applied Science (Applied Chemistry)
- Master of Applied Science (Applied Chemistry)
- Graduate Diploma Occupational and Environmental Health.

General Manager Licensing, Training and Standards **Neil Fraser**

RESPONSIBILITIES

- Ensure efficacy of the electrical safety system (COES) and processes and practices of the installation audit system
- Co-ordinate and review the licensing of electrical workers, registration of electrical contractors and sale, lodging and audit of COES
- Act as Director of Energy Safety when required
- Represent and co-ordinate ESV representation on standards committees, national forums and at ERAC.

BACKGROUND

- Represent ERAC and ESV on the Electrotechnologies Industry Reference Committee to ensure the national Certificate III Electrician meets Victoria's needs
- Represent ESV on the Victorian Skills Commissioner's Electrotechnologies Industry Advisory Group to oversee the development and accreditation of specialist training in new and emerging technologies
- Councillor for Standards Australia representing the Victorian Government
- Co-ordinating chair of ERAC
- Australian representative – Joint Regulatory Advisory Commission on electrical and electronic equipment (JRAC) at the Asia-Pacific Economic Forum (APEC) forum.

APPOINTMENTS

- Chair of Electrical Regulators Advisory Council (ERAC)
- ERAC member of Standards Australia IEC national committee
- Member of Standards Australia EL-011 Technical committee – smart meters
- Member of Standards Australia EM-001 Technical committee – electric cars
- Member of the Victorian Skills Commissioner's industry advisory committee
- Member of the Australian Industry Standards industry reference committee.

Chief Transformation Officer
Sharife Rahmani
RESPONSIBILITIES

- Lead ESV's response to and management of coronavirus (COVID-19)
- Lead ESV's transformation to a commission
- Sponsor of the Enterprise Architect project
- Lead management and proposal of levies.

BACKGROUND

- Bachelor of Economics and Bachelor of Commerce
- Graduate Certificate in Public Administration
- Graduate of Australian Institute of Company Directors
- Graduate of IPAA Integrity and Ethical Leadership executive program
- ESV Chief Operations Officer 2017–20.

APPOINTMENTS

- Chair of ESV Diversity and Inclusion Advisory Group
- Chair of ESV Reference panel
- Judge – IPAA Public Sector (Innovative Regulation) Awards
- Member of IPAA People and Culture Community of Practice
- Member of VPSC People Matter Survey Reform advisory group.

General Manager Corporate Services
Karen Fitzpatrick
RESPONSIBILITIES

Corporate Services provides communications and marketing, finance and business services, information services and people services support to ESV activities to ensure that ESV's strategic initiatives are achieved.

BACKGROUND

- Bachelor of Business Studies
- Graduate Diploma in Human Resource Management
- General Manager Corporate Services, ESV, May 2020
- Head of People Services, ESV, February 2019 to May 2020.

APPOINTMENTS

- VPSC People Matter Survey Reform Performance Improvement advisory group.

Risk, Regulatory Planning and Policy,
General Manager
Dr Roanne Allan

RESPONSIBILITIES

Risk, Regulatory Planning and Policy provides legal support to ESV activities, and oversees the organisational risk, planning, regulatory practice and policy functions. It also manages freedom of information (FOI) services and complaints and incident reports.

BACKGROUND

- Doctor of Philosophy of Chemistry (University of Melbourne)
- Graduate Australian Institute of Company Directors
- Executive Manager Policy and Strategy 2013–17
- General Manager Risk, Regulatory Planning and Policy 2017.

APPOINTMENTS

- Chair and member of the Electric Line Clearance consultative committee.

Electrical Safety and Technical Regulation,
General Manager
Ian Burgwin

RESPONSIBILITIES

Electrical Safety and Technical Regulation is responsible for the safety of electrical networks, installations and equipment. The position is also responsible for the data and analytics capability that services ESV.

APPOINTMENTS

- Member of the Senior Council of Officials overseeing the delivery of the Australian Electrical Equipment Safety Scheme.

Gas and Pipeline Safety and Technical
Regulation, General Manager
Steve Cronin

RESPONSIBILITIES

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

APPOINTMENTS

- Chair of Gas Emergency Management consultative forum
- Statutory Chair of the Victorian Electrolysis committee
- Member of the Program Steering Committee for Research Program 2 (Social Acceptance, Public Safety and Security of Supply) of the Future Fuels Cooperative Research Centre
- Member of Australian Standards committees ME-038 and ME-092.

**ESV MANAGEMENT BOARD MEETING
ATTENDANCE 2019–20**

Member	Members attended/ Eligible to attend
Marnie Williams (Chair) (23 March to 30 June 2020)	3/3
Paul Fearon (Chair) (30 June 2019 to 7 February 2020)	5/5
Sharife Rahmani	11/11
Ian Burgwin	11/11
Karen Fitzpatrick (appointed 4 May 2020)	2/2
Neil Fraser (Acting Chair) (8 February to 22 March 2020)	11/11
Roanne Allan	10/11
Steve Cronin	11/11

Audit and Risk committee

ESV's Audit and Risk committee oversees and reviews the processes of management and the internal and external audit functions with a view to assisting the Director in achieving her governance responsibilities.

The committee assists the Director in the discharge of responsibilities for risk management, financial reporting, compliance, internal control systems, audit activities, and any other matters referred to her by the Minister or the Victorian Government.

The committee provides independent oversight of ESV for:

- risk management
- internal controls and systems
- financial statements
- legislative and policy compliance
- internal and external audit
- governance arrangements.

Dr Anne Astin PSM AM (Chair)

Anne is a former CEO of Dairy Food Safety Victoria and has held several senior executive and management positions in the Victorian public sector. She is Chair of Food Agility, Chair of William Angliss Institute of TAFE, Chair of Wellsprings for Women Inc (a not-for-profit organisation that provides integration and training programs to isolated women) and a Director of Australian Dairy Farmers Ltd. She is a council member of Catholic Social Services Victoria, a Member of CSIRO's Agriculture and Food Advisory committee and the Commonwealth's representative on Australia and New Zealand's Health Star Rating advisory committee. Anne is the Chair of ESV's Risk Management committee. In 2020, Anne was recognised on the Australia Day Honours List for her service to the dairy industry, and to food safety regulations with Membership in the General Division of the Order of Australia (AM).

Joh Barker

A Certified Practising Accountant, Johanna (Joh) was previously an executive with ANZ with responsibility for several departments including risk and performance management across both operations and innovation. Before this, she held senior roles with leading ICT and consulting firms, including IBM. She has contributed her expertise in business, finance, auditing and risk in both the private and public domain for more than 20 years. This includes Chair of the Royal Showgrounds Joint Venture, Executive Director for SMS, and an independent member of the Victorian Government Shared Services advisory board and Goulburn Valley Water. Joh is currently a board member and Chair of the Audit and Risk committee at GenITex. Joh is also the Chair of ESV's Information Management Governance committee.

Steve Schinck

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

Laurinda Gardner

Laurinda is a board director, organisational change consultant and career coach. Laurinda has over 25 years senior executive experience and was formerly a deputy secretary with the Victorian Department of Treasury and Finance and a Director at the City of Melbourne. She is a member of the Board of the Victorian Equal Opportunity and Human Rights Commission and chairs the commission's Audit and Risk committee. She is also on the board of the Victorian Planning Authority and was a government-appointed administrator of the City of Greater Geelong from 2016–2017. Laurinda has led large operational teams across diverse disciplines including organisational reform, human resources, strategic and business planning, communications, town planning, stakeholder engagement, IT, finance, and risk. Laurinda has extensive experience on public sector and not for profit boards and is a fellow of the Institute of Public Administration Australia (Victoria).

Committees

REMUNERATION COMMITTEE:

The committee is chaired by Laurinda Gardner of the Audit and Risk committee and includes other members with expertise in human resources and Victorian public sector remuneration governance. The Remuneration committee provides advice to the Director on assessment and remuneration concerning new or revised executive and senior ESV roles.

RISK MANAGEMENT COMMITTEE

Chaired by Steve Schinck of the Audit and Risk committee, the Risk Management committee provides advice to the Director (via the Audit and Risk committee) about ESV's enterprise risk management, including processes, emerging risks and significant enterprise risks.

INFORMATION MANAGEMENT GOVERNANCE COMMITTEE

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

Panels

ELECTRICITY ESMS AND SAFETY CASE EVALUATION PANEL

GAS AND PIPELINE SAFETY CASE EVALUATION PANEL

These panels provide assurance advice to the Director about the safety case, ESMS and safety management plan (SMP) acceptance decisions of ESV. Safety cases, ESMSs and SMPs are documents provided by a licensed network operator/owner (LNO) to ESV for acceptance of a safety proposition that outlines how the LNO plans to manage risk and achieve the safety objectives of relevant legislation. The panels test that ESV officers have followed appropriate assessment and validation processes and that the findings and conclusions are impartial, robust and defensible. The panel also offers a broader ESV perspective in advising on what future regulatory action should be taken/planned to test and confirm the validity and effectiveness of a safety proposition accepted by ESV.

COMPLIANCE AND ENFORCEMENT PANEL

The panel is chaired by an independent member and provides assurance advice to the Director about significant enforcement decisions and planning of regulatory audits and inspections.

Statutory committees

The Minister appoints members for committees established under the *Electricity Safety Act*. Expertise or agency representation may be required 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. The committee fulfilled its purpose in 2019–20.

ELECTRICITY LINE CLEARANCE CONSULTATIVE COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Ministerial appointments representing	Members attended/ Eligible to attend
Roanne Allan (Chair)	Energy Safe Victoria	3/3
Ivor Awty	Interest of private landowners	3/3
Andrea Dickson	AusNet Services – transmission company	3/3
Claire Dunn	Municipal Association of Victoria – interests of Local Government	3/3
Catherine Lee	Jemena – distribution company	3/3
Sandy Morris	CitiPower/Powercor – distribution company	3/3
Mike Tshaikiwsky	United Energy – distribution company	3/3
Howard Templeton	Interest of private landowners	3/3
George Wright	Environment or planning – independent member	3/3
Jane Tovey	Interest of land management and nature conservation (DELWP) – 12-month appointment from 2 August 2018	1/1
Andrew Andreou	Country Fire Authority	2/3

Note: Committee vacancies created by change of circumstances have not been included.

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 the mitigation of stray current corrosion. The committee fulfilled its purpose in 2019–20.

VICTORIAN ELECTROLYSIS COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Ministerial appointments representing	Members attended/ Eligible to attend
Steve Cronin (Chair)	Energy Safe Victoria	3/3
George Marulli	Train industry	3/3
John Uiterwijk	Tram industry	3/3
Ali Kouklan	Gas industry	2/2
Kathleen Murphy	Gas industry (new member)	1/1
Farah Tan-Sawa	Petroleum industry	2/2
Nicole Lowndes	Petroleum industry (new member)	1/1
Luke Farrugia	Electricity industry	2/2
Claire Cass	Electricity industry (new member)	1/1
Yulia Koksharova	Water industry	3/3
Robert Cox	Telecommunications industry	3/3

POWERLINE BUSHFIRE SAFETY COMMITTEE

(Section 8 *Energy Safe Victoria Act 2005*)

Established to provide specialist advice to the Director on the implementation of technologies required under Bushfire Mitigation Regulations. The committee fulfilled its purpose in 2019–20.

POWERLINE BUSHFIRE SAFETY COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Ministerial appointments representing	Members attended/ Eligible to attend
David Harris (Chair)	Energy Safe Victoria	2/2
Gaye Francis	Director, R2A – risk management best practice	2/2
Steve MacDonald	General Manager Infrastructure, Orion – powerline earth fault management in relevant international jurisdictions	2/2
Tony Marxsen	Director, Marxsen Consulting – powerline ignition research and associated technology development	2/2
Gail Moody	Director, Wilmin Consulting – infrastructure, strategic engineering planning and project delivery	2/2
Claire Noone	Principal, Nous Group – policy development and regulatory practice in the public sector	1/2
Gary Towns	Director, Facio – electricity network planning and operations	1/2

Consultative technical committees

ELECTRICAL REGULATORY AUTHORITIES COUNCIL

The council coordinates liaison between the safety and electrical regulatory functions—including licensing—of Australia and New Zealand to encourage a uniform regulatory environment across the two countries.

GAS TECHNICAL REGULATORS COMMITTEE

The committee is a forum for gas and pipeline technical and safety regulators across Australia developing and maintaining a consistent regulatory environment and a consistent and common approach (where applicable) between jurisdictions for gas and pipeline technical and safety activities.

STANDARDS AUSTRALIA TECHNICAL COMMITTEES

Review and develop relevant Australian and international standards concerning electricity, gas and pipelines.

STATE FIRE MANAGEMENT PLANNING COMMITTEE

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

PLUMBING ADVISORY COUNCIL

An 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

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 MEETINGS

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, which provides the secretariat function. It is a planning and coordination forum of industry representatives to consider issues pertaining 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 concerning gas safety issues.

LPG SAFETY COMMITTEE

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

SECTION 3

Our people

People Matter Survey

The 2019 People Matter Survey was conducted during June and results were made available in August.

Our 2019 response rate continued to be very strong, at 91 per cent, compared with 83 per cent in 2018. The average response rate across comparable Victorian Public Service (VPS) agencies was 46 per cent. This high level of participation is an indicator of powerful staff engagement and a very positive outcome for ESV.

With a few exceptions, our results in 2019 remain consistently positive with movements of about 2 per cent as the average in our results year-on-year. After the 2018 survey and based on analysis of our results and focus group discussions, two themes were identified as our focus: diversity and inclusion and psychological health and wellbeing.

Addressing gender diversity

ESV's Director of Energy Safety was recently featured on Work180's website as ESV's first female director. The article described her journey to executive leadership and highlighted ESV's commitment to cultivating a talented, diverse and gender-balanced workforce.

In 2019–20, ESV appointed women to the following technical roles:

- Senior Gas Engineer, Type A Gas Appliance Safety
- Safety and Energy Efficiency Engineer, Electrical Equipment Safety and Efficiency
- Safety Compliance Officer, Electrical Equipment Safety and Efficiency
- Education and Assessment Advisor, Electrical Installation Safety
- Test Analyst, Information Services
- Business Systems Developer, Information Services.

Building capability and capacity

ESV is focused on continuous improvement and investing to grow the capability of its people to ensure they can deliver on the organisation's commitment to the Victorian community and so that ESV remains a leading safety regulator.

In October 2019, ESV implemented a new progression framework to guide this process. The framework sets out the behaviours, responsibilities, qualifications and experience required to effectively progress within the band classification outlined in ESV's enterprise agreement.

It provides:

- a robust framework to support a fair and transparent progression process across all ESV divisions and workgroups
- clarity around capability development requirements for our people
- a stronger link between capability demonstrated performance and pay progression.

The implementation of this framework is part of ESV's response to Recommendation 5 of the Grimes Review, which stated ESV should develop and implement a workforce strategy to attract and retain high-performing staff.

Training and development

This year, 30 authorised officers completed the two-week Certificate IV in Government Investigations program. One of these programs was delivered remotely during the Stage 3 coronavirus (COVID-19) lockdown. The course content is tailored to reflect the circumstances that ESV's investigations address.

A team leader development program was launched during this year. It used formal training, education and on-the-job coaching to support 20 staff in team leader roles.

Recruitment and on-boarding

ESV is committed to applying merit and equity principles when appointing staff. Our selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections in accordance with ESV's enterprise agreement.

In response to the introduction of a State of Emergency in March 2020, ESV's recruitment and on-boarding processes continued and were revised to comply with the directive for all ESV people to work from home. Remote working for all ESV people was effectively implemented and new employees were given the necessary equipment and induction training to start their roles. ESV's recruitment and on-boarding processes during this period were further enhanced and refined through consultation and feedback, while strictly adhering to Victorian Government protocols.

Public sector values and employment principles

ESV is committed to and applies policies and practices that are consistent with the Victorian Public Sector Commission's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

ESV has educated its staff on how to avoid conflicts of interest, how to respond to offers of gifts and offers of hospitality. It also makes clear expectations in the areas of human rights and equal opportunity, following the Public Sector Values and Employment principles. This commitment is demonstrated by:

- All new staff must complete compliance training, including training on the VPS code of conduct and the (Victorian) Charter of Human Rights and Responsibilities.
- ESV's Conflict of Interest and Gifts Benefits and Hospitality policies and supporting procedures were updated in 2019–20. All staff completed online training to support the understanding of these policies.
- The Victorian Ombudsman delivered customised conflict of interest training to ESV managers in September 2019.
- ESV has continued to use policies and practices that are consistent with the Victorian Public Sector Commission's employment standards. These policies and practices provide fair treatment, career opportunities and the early resolution of workplace issues.

Occupational health and safety

ESV has an occupational health and safety statement describing its commitment to provide a healthy work environment, and the expected behaviours and leadership required to provide a safe and healthy workplace. ESV's Health and Wellbeing program continued to support the physical and psychological wellbeing of our workforce.

ESV adopted new safety measures and implemented working-from-home initiatives to create a safe and healthy virtual work environment. ESV conducted a series of risk-assessment workshops, we also continued to assess hazard and risks, and current controls, and put in place additional mitigation to create a safe workplace.

ESV continued to deliver training to support our commitment to provide a safe and healthy workplace. Programs delivered included:

- First Aid training
- Health and safety representative training
- Accidental counsellor (supporting those who provide informal counselling to others)
- Dealing with difficult customers.

Hazards/Incidents (per 100 full-time equivalent)			Lost time claims			Average cost/claim			Fatalities/serious injuries		
2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
11.78	3.06	10.07	4	1	0	\$30,095	\$2,861	0	0	0	0

Comparative workforce data

DETAILS OF EMPLOYMENT LEVELS IN JUNE 2020

	All employees		Ongoing			Fixed term and casual	
	number (headcount)	FTE	full time (headcount)	part time (headcount)	FTE	number (headcount)	FTE
Gender							
Male	119	118.7	108	2	109.7	9	9
Female	65	59.5	40	16	50.7	9	8.8
Age							
15-24	0	0	0	0	0	0	0
25-34	26	23.9	17	5	19.9	4	4
35-44	60	57.5	49	8	54.7	3	2.8
45-54	54	53.1	45	3	47.1	6	6
55-64	36	35.8	30	1	30.8	5	5
65+	8	7.9	7	1	7.9	0	0
Classification							
Executive	6	6	1	0	1	5	5
Senior manager	17	17	17	0	17	0	0
Administration	61	57.3	38	12	46.5	11	10.8
Field staff	89	88.9	86	1	86.9	2	2
Customer service	11	9.0	6	5	9.0	0	0
Total employees	184	178.2	148	18	160.4	18	17.8

Note: This table does not include the Director of Energy Safety as the position is a statutory appointment.

DETAILS OF EMPLOYMENT LEVELS IN JUNE 2019

	All employees		Ongoing			Fixed term and casual	
	number (headcount)	FTE	full time (headcount)	part time (headcount)	FTE	number (headcount)	FTE
Gender							
Male	106	105.6	100	2	101.6	4	4
Female	56	51.7	38	13	47.4	5	4.2
Age							
15-24	1	0.8	0	0	0	1	0.8
25-34	25	24.2	20	2	21.4	3	2.8
35-44	50	47.2	41	8	46.6	1	0.6
45-54	43	42.4	36	3	38.4	4	4
55-64	37	36.7	35	2	36.7	0	0
65+	6	6	6	0	6	0	0
Classification							
Executive	5	5	5	0	5	0	0
Senior manager	17	17	17	0	17	0	0
Administration	54	51.2	36	11	44.7	7	6.4
Field staff	74	74	73	0	73	1	1
Customer service	11	9.1	6	4	8.3	1	0.8
Total employees	162	157.3	138	15	149	9	8.2

Notes: This table does not include the Director of Energy Safety, as the position is a statutory appointment. Historically, ESV has reported Executives as ongoing employees, however they are engaged on fixed-term contracts. This error has been corrected in the June 2020 table.

Workforce diversity and inclusion

ESV is committed to fostering a diverse and inclusive culture consistent with all our values and increasing the diversity of our workforce and strengthening the culture of inclusiveness.

This year has been significant for diversity and inclusion. In July 2019, ESV established a Diversity and Inclusion advisory group, which includes representatives of staff and leaders from across ESV.

The group aims to provide input into ESV's Diversity and Inclusion strategy, set objectives for diversity and inclusion, and monitor and measure progress against these objectives. An infographic was used to support ESV's Diversity and Inclusion Strategy's roll-out to staff.

The strategy set out a clear program of work for diversity and inclusion at ESV for the next 18 months. ESV's first Diversity and Inclusion Strategy aimed to remove the stigma surrounding differences to build a wider base of support to develop future strategies.

Another priority was to increase workforce diversity, particularly the gender balance in technical and management roles and to strengthen their culture of inclusiveness.

ESV launched a Family Violence policy and resources in 2020 and provided training to staff and leaders in understanding the prevalence, impacts, gendered nature and dynamics of family violence.

All ESV leaders completed a program helping them to understand the link between unconscious bias in decision making in the workplace and unlawful discrimination in the workplace.

Other milestones in 2019–20 included:

- securing an endorsement from Work180 as an approved employer of women
- participating in the Barring Djinang Aboriginal Internship program
- celebrating the International Day of Action Against Homophobia, Biphobia and Transphobia (IDAHOBIT)
- celebrating International Women's Day
- providing rainbow lanyards for staff to use.

Other disclosures

Local Jobs First – Victorian Industry Participation Policy

ESV has not been required to apply the Local Jobs First – Victorian Industry Participation Policy (VIPP).

ESV did not have any metropolitan Melbourne or state-wide procurement or project activities valued at \$3 million or more. ESV did not have any procurement activities in regional Victoria valued at \$1 million or more.

Government advertising expenditure

Campaign	Description	Start/end date	Media buy (\$'000)	Creative (\$'000)	Merchandise (\$'000)	Total (\$'000)
Be Sure	Raising awareness of the dangers of carbon monoxide	July–August 2019, June–July 2020	\$1,166	\$135	\$9	\$ 1,451
Don't Do It Yourself (DDIY)	Raising awareness of the dangers of DIY electrical work	November–December 2019	\$150	\$114**	\$0	\$264
Be on the Right Side of Power Safety	Encouraging people to check household wiring and test safety switches	October–November 2019	\$150	\$17	\$0	\$167
Know the Drill Before You Grill	Raising awareness of BBQ gas bottles	November–January 2019	\$150	\$2	\$4	\$156
Look Up and Live	Long-running campaign raising awareness about overhead powerlines	May–June 2020	\$100	\$4	\$23	\$127
Never Work Live/ DDIY Gas*	Raising awareness of the dangers of working live and the dangers of DIY Gas	June 2020	\$100	\$0	\$0	\$100

* With the onset of coronavirus (COVID-19), the Never Work Live campaign was cancelled for 2019–20 and replaced with a new campaign – DDIY Gas. Similar to DDIY Electrical, this campaign warned Victorians against attempting to complete their own repairs or maintenance on gas appliances.

** Includes creative development of DDIY Gas

Building Act

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*.

Consultancy expenditure

In 2019–20, 25 consultants received total fees payable of more than \$10,000. The total expenditure incurred during 2019–20 from these consultancies was \$1,180,078.28 (excluding GST). Details of individual consultancies are listed on the next page.

DETAILS OF CONSULTANCIES UNDER \$10,000

In 2019–20, 27 consultants received total fees payable of less than \$10,000.

The total expenditure incurred in 2019–20 in relation to these consultancies was \$128,712.90 (excluding GST).

Information communication technology expenditure

For 2019–20, ESV had a total information communication technology (ICT) expenditure of \$5,138,957 with the details shown below:

TOTAL ICT EXPENDITURE

	(\$'000)
Business as usual (BAU) ICT Expenditure	\$1,388
Non-business as usual (non-BAU) operational expenditure	nil
Non-BAU capital expenditure	\$3,751
Total non-BAU ICT expenditure	\$3,751

ICT expenditure refers to ESV's costs in providing business-enabling ICT services. It consists of 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.

Major contracts

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

Competitive Neutrality policy

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

Carers Recognition Act

ESV supports the principles set out in the *Carers Recognition Act 2012* to recognise the importance of carers and care relationships in our community.

The principles and obligations of the Act are encompassed within ESV's Enterprise Agreement and Flexible Working Arrangement guidelines.

Consultant	Purpose	2019–20 YTD Exp (ex GST) (\$)
Bureau Veritas Australia	Audit 2019–20	19,950.00
David Matassoni	Power pole management consultancy	174,288.66
Deloitte Access Economics	Electricity Safety Regulation regulatory impact assessment	60,438.66
Future Fuels CRC	ESV annual contribution to the cooperative research centre	30,000.00
Garry De Vercelli	Supply of technical services related to the making of Electricity Safety Regulations	13,010.00
Hays Specialist Recruitment (Aust)	Legal consultant temp	19,812.58
HRL Technology Group	Salt Creek HV insulator testing scope	18,400.00
Ithaca Group	Review of Licensed Electrician's Assessment Practice rules	23,500.00
Marxsen Consulting	Committee fees and Harmonics study	13,719.25
Pitcher Partners Consulting	Internal audit	16,000.00
Deakin University	Analysis of factors influencing electrical network-related incidents.	10,328.00
Energy Market Consulting Associates	South West Poles investigation	166,679.29
Grosvenor Performance Group	Maximising the effectiveness of Gas and Pipeline Infrastructure Safety outcomes proposal development	89,769.00
Jester Tools	Platform for creating and monitoring strategy	20,000.00
Justitia	Legal and workplace services	39,670.00
Mercer Consulting (Australia)	Consultancy services – incentive plan review	25,000.00
MinterEllison	Legal services	19,088.50
Nous Group	Proposal to provide a comprehensive analysis of cost and assessment of the benefit derived for the rapid earth fault current limiter (REFCL) deployment	21,600.00
Olikka	Azure Network connectivity	10,760.00
R2A	GTRC briefing, generative interviews, bushfire mapping	43,000.00
Readify Limited	Osiris software system	15,695.00
Regulatory Impact Solutions	Remake of Electrical Safety Installations Registration and licensing regulations	24,127.27
Auld Planning and Projects	Consulting service for land development around pipeline program	33,714.63
Telstra Purple	Maintenance support for Osiris system	89,200.00
Workforce Advantage	Employee Agreement Planning/Preparation – consulting Fee	200,320.00
Total		1,198,070.78

Freedom of Information

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

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

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

FOI processing times for requests are 30 days. In some cases, this time may be extended for consultation. If any applicant is not satisfied by a decision made by ESV, under Section 49A of the FOI Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

MAKING A REQUEST

FOI requests can be lodged online at www.foi.vic.gov.au.

An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large and the search for material time-consuming. ESV has the discretion to waive application fees in cases of financial hardship and can waive access charges in prescribed circumstances.

Access to documents can also be obtained through a written request to the ESV FOI Officer as detailed in Section 17 of the FOI Act.

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

Requests for documents should be addressed to:

The FOI Officer
Energy Safe Victoria
PO Box 262
Collins Street West VIC 8007
Email: foi@energysafe.vic.gov.au

FOI STATISTICS

During 2019–20, ESV received 42 FOI requests. Of these:

- 26 were received from legal firms or insurance companies
- 15 were from the general public
- 1 was from a Member of Parliament

ESV made 39 decisions in 2019–20. Of these:

- 21 requests were granted in full
- 7 granted in part
- None were denied in full
- 2 were processed outside the FOI Act.

FOI TIMELINES

For the 42 FOI requests received in 2019–20:

- 18 decisions were made within the statutory 30 days
- 15 decisions were made within an extended 30-45 day period
- 4 decisions were made within 46-90 days
- 2 decisions were made in more than 90 days.

The average time to finalise the requests in 2019–20 was 33 days.

In 2019–20, ESV had two decisions that were subject to OVIC's review. One decision, which was carried over from 2018–19, was finalised in November 2019. The other decision was subject to review by OVIC and occurred in April 2020. A decision had not been finalised by 30 June 2020.

ESV was not involved in any Victorian Civil and Administrative Tribunal proceedings in 2019–20.

FURTHER INFORMATION

Further information regarding the operation and scope of an FOI can be obtained from the FOI Act and through the OVIC website (ovic.vic.gov.au).

Public Interest Disclosures Act

The Public Interest Disclosures Act which replaced the *Protected Disclosures Act 2012* came into effect on 1 January 2020. It 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 'public interest disclosure'?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body. ESV is a 'public body' under 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.

What is 'detrimental action'?

Detrimental action is action taken against a person in reprisal for making a public interest disclosure.

How do I make a 'public interest disclosure'?

You can make a public interest disclosure about ESV, officers or employees by contacting the Independent Broad-based Anti-corruption Commission (IBAC) on the contact details provided below.

ESV is not able to receive public interest 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 public interest disclosure about ESV, its board members, officers or employees.

You can access ESV's procedures on its website:

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

Tel: 1300 735 135

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

Disability Act

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The Act requires that public sector bodies (including all government departments) prepare a disability action plan and report on its implementation in their annual report.

Absolutely everyone: state disability plan for 2017–2020 is the Victorian Government's framework for enabling people with a disability to participate in and contribute to the social, economic and civic life of their community. The proposed ESV Diversity and Inclusion framework will consider possible ways ESV can support this plan.

ESV engaged the Australian Network on Disability to host a student with a disability as part of the 'Stepping Into' Internship program. This was postponed due to coronavirus (COVID-19) and the associated restrictions on movement.

As a part of the current website research project, ESV is reviewing the accessibility of the website against web content accessibility guidelines (WCAG) AA-standards and Easy English. We are also reducing technical language where possible. We will also conduct observational testing with people from culturally and linguistically diverse communities and people with disabilities to further assess the accessibility for these groups.

DataVic Access policy

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

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*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- a general statement on industrial relations within the entity, including details of time lost through industrial accidents and disputes
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.

The information is available on request from:

The FOI Officer
 Energy Safe Victoria
 Tel: (03) 9203 9700
 Email: foi@energysafe.vic.gov.au

Additional information included in annual report

Details of the following items are included in ESV's annual report:

- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services — pages 24–27 and 65
- details of assessments and measures undertaken to improve the occupational health and safety of employees — page 61
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved — pages 55–59
- a list of consultants paid more than \$10,000 — page 67.

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 any major external reviews carried out on the entity (No major external reviews of ESV.)
- details of major research and development activities undertaken by the entity (No major research and development undertaken.)

Financial management compliance attestation

I, Marnie Williams, on behalf of the Responsible Body, certify that Energy Safe Victoria has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and instructions.



Marnie Williams
Director of Energy Safety
Energy Safe Victoria

2 September 2020

Financial statements

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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 Assistant Treasurer 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 2020 and financial position of Energy Safe Victoria at 30 June 2020.


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 2 September 2020.



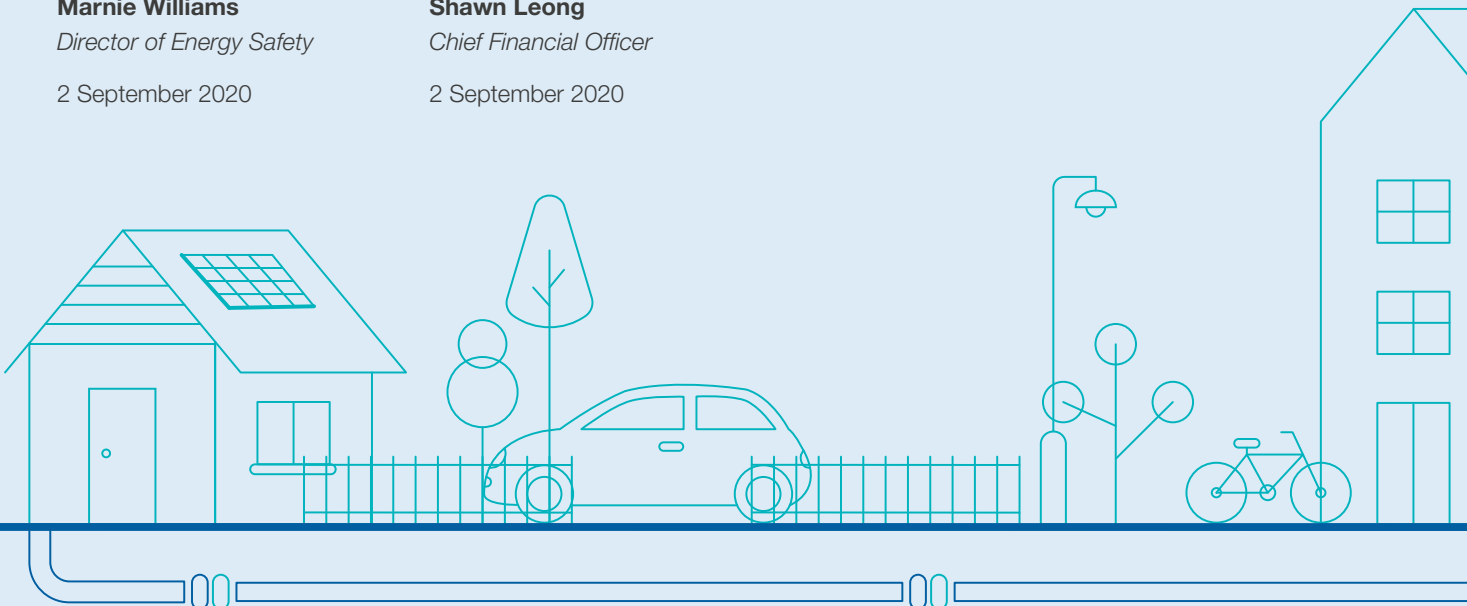
Marnie Williams
Director of Energy Safety

2 September 2020



Shawn Leong
Chief Financial Officer

2 September 2020



Comprehensive operating statement

for the financial year ended 30 June 2020

		(\$ thousand)	
	Notes	2020	2019
CONTINUING OPERATIONS			
Income from transactions			
Levy determination income	2.1.1	25,520	21,980
Fee income	2.1.2	19,342	18,158
Grant income	2.1.3	2,519	349
Interest income	2.1.4	140	313
Other income	2.1.5	30	68
Total income from transactions		47,551	40,868
Expenses from transactions			
Employee benefits	3.1.1	28,252	23,388
Compliance audit expenses		2,722	2,781
Public relations and advertising		2,875	1,933
Motor vehicles		525	1,386
Rent and outgoings		385	1,165
Computer expenses		1,248	1,496
Consulting fees		1,309	1,236
Contractors		1,055	1,318
Depreciation	4.1.1	3,398	508
Interest expense	6.2.3	134	-
Other operating expenses	3.3	3,909	3,635
Total expenses from transactions		45,812	38,846
Net result from transactions (net operating balance)		1,739	2,022
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Other loss from other economic flows*		(27)	(322)
Total other economic flows included in net result		(27)	(322)
Net result from continuing operations		1,712	1,700
NET RESULT		1,712	1,700
OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>			
Changes in physical asset revaluation surplus	8.1	-	-
Total other economic flows – other comprehensive income		-	-
COMPREHENSIVE RESULT		1,712	1,700

*Net loss arising from reduction of long service liability

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

Balance sheet

as at 30 June 2020

(\$ thousand)

	Notes	2020	2019
ASSETS			
Financial assets			
Cash and cash equivalents	6.1	9,944	10,732
Receivables	5.1	1,238	4,196
Contract assets	5.2	228	-
Total financial assets		11,410	14,928
Non-financial assets			
Plant and equipment	4.1	797	959
Right-of-use asset	4.2	4,068	-
Intangible assets	4.3	7,545	5,436
Prepayments		1,524	727
Total non-financial assets		13,934	7,122
Total assets		25,344	22,050
LIABILITIES			
Employee related provisions	3.1.2	5,347	4,180
Payables	5.3	2,497	2,885
Contract liability	5.4	580	-
Other liabilities	5.5	-	4,406
Lease liability	6.2.6	4,629	-
Total liabilities		13,053	11,471
Net assets		12,291	10,579
EQUITY			
Accumulated surplus		8,505	6,793
Physical asset revaluation surplus	8.1	176	176
Contributed capital		3,610	3,610
Net worth		12,291	10,579

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

Cash flow statement

for the financial year ended 30 June 2020

(\$ thousand)

Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Receipts from other entities	50,889	42,448
Goods and Services Tax	-	1,608
Interest received	140	369
Total receipts	51,029	44,425
Payments		
Payments to suppliers and employees	(46,342)	(40,602)
Total payments	(46,342)	(40,602)
Net cash flows from operating activities	6.1.1 4,687	3,823
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of non financial assets	(3,686)	(1,881)
Sale of non-financial assets	-	-
Net cash flows used in investing activities	(3,686)	(1,881)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease repayments	(1,789)	-
Net cash flows used in financing activities	(1,789)	-
Net (decrease)/increase in cash and cash equivalents	(788)	1,942
Cash and cash equivalents at the beginning of the financial year	10,732	8,790
Cash and cash equivalents at the end of the financial year	6.1 9,944	10,732

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.

Statement of changes in equity

for the financial year ended 30 June 2020

(\$ thousand)

	Physical asset revaluation surplus	Accumulated surplus	Contributions by owner	Total
Balance at 1 July 2018	176	5,093	3,610	8,879
Net result for the year	-	1,700	-	1,700
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2019	176	6,793	3,610	10,579
Net result for the year	-	1,712	-	1,712
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2020	176	8,505	3,610	12,291

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 2020

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 ESV's operations, and its principal activities, is included in the Report of Operations which does not form part of these financial statements.

BASIS OF PREPARATION

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

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

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

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

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

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

COMPLIANCE INFORMATION

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

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

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

Notes to the financial statements for the financial year ended 30 June 2020

2. Funding delivery of our services

INTRODUCTION

Energy Safe Victoria (ESV) is the regulator responsible for electrical and gas safety in the state. This statutory authority audits the design, construction and maintenance of electricity and gas networks and installations and ensures that appliances meet stringent safety and energy efficiency standards before they are sold.

The 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.

Significant judgement: Grant Revenue

DELWP (the department) has made judgement on the recognition of grant revenue as income of not-for-profit entities where they do not contain sufficiently specific performance obligations. Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers is recognised when the department satisfies the performance obligation by providing the relevant technology services to the relevant health agencies. Income from grants to construct the capital assets that are controlled by the department are recognised progressively as the asset is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

STRUCTURE

2.1 Income from transactions

- 2.1.1 Levy determination income
- 2.1.2 Fee income
- 2.1.3 Grant income
- 2.1.4 Interest income
- 2.1.5 Other income
- 2.1.6 Disaggregated revenue
- 2.1.7 Transaction price allocated to remaining performance obligations
- 2.1.8 Details regarding performance obligations

2.1 INCOME FROM TRANSACTIONS

Current period

Revenue from Contracts with Customers

ESV has applied AASB 15 *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 *Revenue* and AASB 1004 *Contributions*.

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which ESV expects to be entitled in exchange for those goods or services

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contract.
5. Recognising revenue as and when the performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) ESV satisfies performance obligations by transferring the promised goods or services to its customers.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 5.4). Where the performance obligations is satisfied but not yet billed, a contract asset is recorded (Note 5.2).

The impact of applying AASB 15 *Revenue from Contracts with Customers* is disclosed in note 8.7.

Prior period

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	2020	2019
Gas industry levy	13,868	11,846
Electrical industry levy	10,519	9,201
Gas pipeline industry levy	1,133	933
Total levy determination income	25,520	21,980

Levies on energy sector participants are used to fund regulatory activities. Levies are set for a two-year period with the approval of ESV's responsible Minister and levied each year. The levies are invoiced to the companies once a year. Electrolysis mitigation fee is an annual fee that supports ESV's regulatory activities in the Electrolysis space.

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.

Notes to the financial statements for the financial year ended 30 June 2020

2.1.2 FEE INCOME

	(\$ thousand)	
Fee Income	2020	2019
Certificates of Electrical Safety	11,849	11,403
Licence fees	4,261	3,865
Electrolysis mitigation fees	1,955	1,954
Equipment and appliance approval fees	409	316
Appliance efficiency fees	868	620
Total fee income	19,342	18,158

Current Period

Sales of Certificates of Electrical Safety

Performance obligations arising from contracts for sales of certificates of electrical safety are determined to be satisfied at a point in time when the certificates are registered in the name of the buyers (or transfer of title). Accordingly revenue from sales of such certificates is recognised when the sales are completed.

Revenue from Licensing

Performance obligations arising under licensing arrangements are satisfied at a point in time when the underlying assets rights are transferred. Accordingly revenue from licensing is recognised at a point in time.

Revenue from registration, electrolysis mitigation and appliance efficiency approval fees

In respect of these services, performance obligations are satisfied at a point in time and hence revenue from these services is recognised when the services are completed.

Prior Period

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

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

2.1.3 GRANT INCOME

	(\$ thousand)	
	2020	2019
Grant Income from DIIS	-	50
Grant Income from DELWP	1,401	299
Grant Income from EESS	1,118	-
Total Grant	2,519	349

Current Period

Performance obligations attached to grants received are determined to be satisfied over time in accordance with AASB 15, as ESV has no alternative use of the asset transferred to customer and is entitled to an enforceable payment to date. Therefore revenue is recognised over time. The output method (involving an assessment of the extent of completion of the activities) is used to estimate the amount of revenue to be recognised on progress of satisfaction of performance obligation.

Prior Period

Grant income mainly relates to the development and production of the 2019 Carbon Monoxide Awareness Campaign on behalf of the Victorian government and is recognised in the reporting period when earned.

2.1.4 INTEREST INCOME

	(\$ thousand)	
	2020	2019
<i>Interest from financial assets not at fair value through profit or loss</i>		
Interest on cash and cash equivalents	140	313
Total interest	140	313

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

2.1.5 OTHER INCOME

	(\$ thousand)	
	2020	2019
Other income	30	68
Total other income	30	68

Current period

Other fees may arise from application fees, advertising and so on. Revenue from such services is recognised at a point in time when the service is completed.

Prior period

Other income comprises:

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

Notes to the financial statements for the financial year ended 30 June 2020

2.1.6 DISAGGREGATION OF REVENUE

ESV has disaggregated revenue into various categories in the below table. The revenue is disaggregated by service line, government and non-government revenue, and timing of revenue recognition.

(\$ thousand)

Segments	Government Bodies	Non-Government organisations	TOTAL
Major goods/service lines:			
Fee income	-	19,342	19,342
Grants income	2,519	-	2,519
Other income	-	30	30
TOTAL	2,519	19,372	21,891
Timing of revenue recognition:			
Goods transferred at a point in time	-	19,372	19,372
Goods/services transferred over time	2,519	-	2,519
TOTAL	2,519	19,372	21,891

2.1.7 TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 30 June 2020

(\$ thousand)

Type of Obligation	2021	2022	Total
Grants income	447	-	447
Total	447	-	447

2.1.8 DETAILS REGARDING PERFORMANCE OBLIGATIONS

Particulars	Fee income	Grants income	Other income
Nature of goods or services involved	Licence and Certificate fees	Government grant	Licence Assessment fee; Installation Exemption fee
Satisfaction of performance obligations	Recognised income when issuing the certificate	Recognise income when services delivered	Recognise income when licence issued
Significant payment terms	Payment due within 30 days	Payment due within 30 days	Payment due within 30 days

3. The cost of delivering services

This section provides an account of the expenses incurred by ESV in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

STRUCTURE

3.1 Employee benefits

3.1.2 Employee benefits in the comprehensive operating statement

3.1.3 Employee benefits in the balance sheet

3.1.4 Superannuation contributions

3.2 Grant expenses

3.3 Other operating expenses

3.1 EMPLOYEE BENEFITS

3.1.1 EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT

	(\$ thousand)	
	2020	2019
Salaries, wages, annual leave and long service leave	25,867	21,397
Post-employment benefits		
Defined contribution superannuation expense	2,314	1,796
Termination benefits	71	195
Total employee benefits	28,252	23,388

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

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.

Notes to the financial statements for the financial year ended 30 June 2020

3.1.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET

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

(\$ thousand)

	2020	2019
Current provisions		
Annual leave		
Unconditional and expected to be settled within 12 months	1,343	1,046
Unconditional and expected to be settled after 12 months	487	291
Long service leave		
Unconditional and expected to be settled within 12 months	340	307
Unconditional and expected to be settled after 12 months	1,914	1,358
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months	283	227
Unconditional and expected to be settled after 12 months	392	269
Total current provisions for employee benefits	4,759	3,498
Non-current provisions		
Long service leave	506	587
Employee benefit on-costs	82	95
Total non current provisions for employee benefits	588	682
Total provisions for employee benefits	5,347	4,180
Reconciliation of movement in on-cost provision		
Opening balance	591	
Additional provisions recognised	359	
Reductions arising from payments	(220)	
Unwinding of discount and effect of changes in the discount rate	27	
Closing balance	757	
Current	675	
Non-current	82	
Closing balance	757	

WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

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

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

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

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' in the net result.

Notes to the financial statements for the financial year ended 30 June 2020

3.1.3 SUPERANNUATION CONTRIBUTIONS

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

(\$ thousand)

	Paid contribution for the year		Contribution outstanding at year end	
	2020	2019	2020	2019
Total defined contribution superannuation contributions	2,314	1,796	-	-

3.2 GRANT EXPENSES

(\$ thousand)

Supplies and services	2020	2019
Specific purpose grants for on-passing	2,519	349
Total grant expenses	2,519	349

Included within public relations and advertising, and contractor's expense in the comprehensive operating statement are grant expenses mainly relating to the development and production of the 2020 Carbon Monoxide Awareness Campaign on behalf of the Victorian government.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

3.3 OTHER OPERATING EXPENSES

(\$ thousand)

Supplies and services	2020	2019
Printing and stationery	99	65
Telecommunications	285	320
Legal fees	732	416
Administration fees - Certificates of Electrical Safety	211	253
Insurance	502	413
Travel expenses	276	336
Compliance and audit services	190	293
Conferences and training	571	566
Publication and subscriptions	107	156
Other expenses	936	817
Total other operating expenses	3,909	3,635

Other operating expenses generally represent the day-to-day running costs involved in normal operations.

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

4. Key assets available to support service delivery

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 Total plant and equipment

- 4.1.1 Depreciation and impairment
- 4.1.2 Reconciliation of movements in carrying values

4.2 Right-of-use assets

- 4.2.1 Carrying values of Right-of-use assets
- 4.2.2 Reconciliation of carrying values of Right-of-use assets
- 4.2.3 AASB 16 related amounts recognised in the statement of profit or loss

4.3 Intangible assets

Notes to the financial statements for the financial year ended 30 June 2020

4.1 TOTAL PLANT AND EQUIPMENT

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

Carrying values of plant and equipment by purpose group

(\$ thousand)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2020	2019	2020	2019	2020	2019
PUBLIC SAFETY AND ENVIRONMENT						
Nature-based classification						
Plant and equipment at fair value						
Furniture and fittings	509	509	(164)	(120)	345	389
Equipment	684	505	(444)	(317)	240	188
Leasehold improvements	514	514	(374)	(278)	140	236
Vehicles	41	41	(9)	(7)	32	34
Plant and equipment at fair value	1,748	1,569	(991)	(722)	757	847
Assets under construction at cost	40	112	-	-	40	112
	1,788	1,681	(991)	(722)	797	959

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 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, AMORTISATION AND IMPAIRMENT

(\$ thousand)

Depreciation charge for the period	2020	2019
Furniture and fixtures	44	44
Equipment	127	108
Leasehold improvements	97	164
Vehicles	2	2
Total Plant and equipment	270	318
Intangible assets	1,469	190
Right-of-use asset	1,659	-
Total depreciation	3,398	508

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)	18

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

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

Notes to the financial statements for the financial year ended 30 June 2020

4.1.2 RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT OF PLANT AND EQUIPMENT

(\$ thousand)

	Plant and equipment at fair value		Assets under construction at cost		Total	
	2020	2019	2020	2019	2020	2019
PUBLIC SAFETY AND ENVIRONMENT						
Opening balance	847	1,140	112	5	959	1,145
Additions	-	-	108	133	108	133
Disposals	-	-	-	-	-	-
Transfer in/(out) of asset under construction	180	26	(180)	(26)	-	-
Depreciation	(270)	(319)	-	-	(270)	(319)
Closing balance	757	847	40	112	797	959

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 RIGHT-OF-USE ASSETS

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, and are also subject to revaluations.

Whenever ESV incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that ESV expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

ESV applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

4.2.1 CARRYING VALUES OF RIGHT-OF-USE ASSETS

	(\$ thousand)
	2020
Leased building	3,951
Accumulated depreciation	(961)
Net carrying amount lease building	2,990
Leased motor vehicles	1,776
Accumulated depreciation	(698)
Net carrying amount lease building	1,078
Net carrying amount	4,068

LEASED BUILDINGS

ESV leased buildings include 4 Riverside Quay, Southbank and 540 Springvale Road, Glen Waverley. The lease at 4 Riverside Quay, Southbank expires in August 2024 and is subject to an annual increase of 3.75 per cent. The lease at 540 Springvale Road, Glen Waverley expires in October 2021, the lease is fixed for the first three years and is subject to an annual increase of 3.75 per cent for years 4–6.

MOTOR VEHICLES

ESV lease a significant amount of motor vehicles. All motor vehicle leases are for a 3 year period and are not subject to annual increases.

4.2.2 RECONCILIATION OF CARRYING VALUES OF RIGHT-OF-USE ASSETS

	(\$ thousand)		
	2020		
	Leased Buildings	Leased Motor Vehicle	Total
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	3,951	548	4,499
Additions	-	1,228	1,228
Depreciation expense	(961)	(698)	(1,659)
Net Carrying Amount	2,990	1,078	4,068

4.2.2 AASB 16 RELATED AMOUNTS RECOGNISED IN THE COMPREHENSIVE OPERATING

	(\$ thousand)
	2020
Depreciation charge related to right-of-use assets	1,659
Interest expense on lease liabilities (under finance cost)	134
Short-term leases expense	-
Low-value asset leases expense	165
Total amount recognised in Comprehensive operating statement	1,958

Notes to the financial statements for the financial year ended 30 June 2020

4.3 INTANGIBLE ASSETS

(\$ thousand)

	Computer software		Work in progress		Total	
	2020	2019	2020	2019	2020	2019
Gross carrying amount						
Opening balance	1,001	4,564	4,985	3,274	5,986	7,838
Additions	-	36	3,578	1,711	-	1,747
Disposals	-	(3,599)	-	-	-	(3,599)
Transfers between asset sub-classes	-	-	-	-	-	-
Transfer in/out of work in progress	8,077	-	(8,077)	-	-	-
Revaluation of plant and equipment	-	-	-	-	-	-
Closing balance	9,078	1,001	486	4,985	9,564	5,986
Accumulated depreciation						
Opening balance	(550)	(3,959)	-	-	(550)	(3,959)
Amortisation of intangible produced assets	(1,469)	(190)	-	-	(1,469)	(190)
Disposals	-	3,599	-	-	-	3,599
Closing balance	(2,019)	(550)	-	-	(2,019)	(550)
Net book value at the end of the financial year	7,059	451	486	4,985	7,545	5,436

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.

INITIAL RECOGNITION

Intangible assets are initially recognised at cost.

Configured software is an internally generated intangible asset arising from development and is only 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 by ESV;
- an intention to complete the configured software and use it;
- 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; and
- the ability to measure reliably the expenditure attributable to the software's configuration.

SUBSEQUENT MEASUREMENT

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

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

The amortisation method and useful life are 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

ESV has capitalised expenditure for the development of ESV website. The carrying amount of the capitalised development expenditure is \$7,059,000.

Configured software	Configured software useful life
GasTrac	5 years
ESV website	5 years

Notes to the financial statements for the financial year ended 30 June 2020

5. Other assets and liabilities

INTRODUCTION

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

STRUCTURE

5.1 Receivables

5.2 Contract assets

5.3 Payables

5.3.1 Maturity analysis of contractual payables

5.4 Contract liabilities

5.5 Other liabilities

5.1 RECEIVABLES

(\$ thousand)

	2020	2019
Contractual		
Certificate of Electrical Safety agents	475	640
Accrued income	-	199
Other receivables	291	3,115
Total contractual receivables	766	3,954
Statutory		
GST input tax credit recoverable	472	240
Total current receivables	1,238	4,194

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. ESV holds the contractual receivables with the objective to collect the contractual cash flows and therefore are subsequently 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 for disclosure purposes. ESV applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

5.2 CONTRACT ASSETS

	(\$ thousand)
	2020
Contract assets	
Opening balance brought forward from 30 June 2019 adjusted for AASB 15	199
Less: Transfer to receivables	(199)
Add: Amounts recognised as contract assets at balance sheet date	228
Total contract assets	228
<i>Represented by</i>	-
Current contract assets	228
Non-current contract assets	-

Contract assets relate to performance obligations that ESV's right to consideration in exchange for services transferred to customers, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, at this time an invoice is issued. This usually occurs when ESV issues an invoice to the customer.

5.3 PAYABLES

	(\$ thousand)	
	2020	2019
Contractual		
Supplies and services	2,398	2,540
Amounts payable to government and agencies	2	8
Other Payables	90	161
Total contractual payables	2,490	2,709
Statutory		
GST payable	7	176
Total current payables	2,497	2,885

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; and
- 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 2020

5.3.1 MATURITY ANALYSIS OF CONTRACTUAL PAYABLES

(\$ thousand)

	Carrying amount	Nominal amount	Maturity dates		
			Less than 1 month	1-3 months	3-12 months
2020					
Other payables	2,490	2,490	2,468	-	22
Total contractual payables	2,490	2,490	2,468	-	22
2019					
Other payables	2,709	2,709	2,709	-	-
Total contractual payables	2,709	2,709	2,709	-	-

5.4 CONTRACT LIABILITIES

(\$ thousand)

	2020
Contract liabilities	
Opening balance brought forward from 30 June 2019 adjusted for AASB 15	3,850
Less: Revenue recognised in the reporting period that was included in the contract liability at the start of the accounting period	(3,850)
Add: Amounts received for which performance obligations have not been met	580
Total contract liabilities	580
<i>Represented by</i>	
Current contract liabilities	580
Non-current contract liabilities	-

Contract liabilities include consideration received in advance from customers in respect of services. Invoices are raised once the services are delivered provided to them.

5.5 OTHER LIABILITIES

(\$ thousand)

	2020	2019
Lease incentive	-	171
Unearned income	-	3,850
Total current other liabilities	-	4,021
Lease incentive	-	385
Total non-current other liabilities	-	385
Total other liabilities	-	4,406

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 2018–19 represents a specific purpose grant received from DIIS for the review and development of energy measure standards for gas hot water systems. As the grant conditions have not been fully met, grant income is partially deferred, until such time as the costs the grant is intended to compensate are incurred.

6. How we finance our operations

INTRODUCTION

This section provides information on the sources of finance utilised by ESV during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of ESV.

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 Cash flow information and balances

6.1 Reconciliation of net result to cash flow from operating activities

6.2 Lease Liability

6.2.1 ESV's leasing activities

6.2.2 Right-of-use Assets

6.2.3 Amounts recognised in the Comprehensive Operating Statement

6.2.4 Amounts recognised in the Statement of Cash flows

6.2.5 Identification of a lease

6.2.6 Separation of lease and non-lease components

6.2.7 Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

6.2.8 Recognition and measurement of leases (under AASB 117 until 30 June 2019)

6.1 CASH FLOW INFORMATION AND BALANCES

Cash and cash equivalents, comprise cash on hand and cash at bank 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 invest its funds in accordance with the requirements of the Standing Directions of the Minister for Finance.

(\$ thousand)

	2020	2019
Total cash and cash equivalents disclosed in the balance sheet	9,944	10,732
Balance as per cash flow statement	9,944	10,732

Notes to the financial statements for the financial year ended 30 June 2020

6.1.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

(\$ thousand)

	2020	2019
Net result for the period	1,712	1,700
Non-cash movements		
Depreciation and amortisation of non-current assets	3,398	508
Interest expense on lease liabilities	134	-
Movement in assets and liabilities		
Decrease/(increase) in receivables	2,730	(3,270)
(Increase)/decrease in other current assets	(797)	58
(Decrease)/increase in payables	(389)	87
(Decrease)/increase in other liabilities	(3,269)	4,175
Increase in provisions	1,168	565
Net cash flows from operating activities	4,687	3,823

6.2 LEASE LIABILITY

6.2.1 ESV'S LEASING ACTIVITIES

Leased buildings

ESV leased buildings includes 4 Riverside Quay, Southbank and 540 Springvale Road, Glen Waverley. The lease at 4 Riverside Quay, Southbank expires in August 2024 and is subject to an annual increase of 3.75 per cent. The lease at 540 Springvale Road, Glen Waverley expires in October 2021, the lease is fixed for the first three years and is subject to an annual increase of 3.75 per cent for years 4–6.

Motor Vehicles

ESV lease a significant amount of motor vehicles. All motor vehicle leases are for a 3 year period and are not subject to annual increases.

6.2.2 RIGHT-OF-USE ASSETS

Right-of-use assets are presented in note 4.2.1.

6.2.3 AMOUNTS RECOGNISED IN THE COMPREHENSIVE OPERATING STATEMENT

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

(\$ thousand)

	2020
Interest expense on lease liabilities	134
Depreciation charge related to right-of-use assets	1,659
Expenses relating to leases of low-value assets	165
Total amount recognised in the comprehensive operating statement	1,958

6.2.4 AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

The following amounts are recognised in the Statement of Cash flows for the year ending 30 June 2020 relating to leases.

	(\$ thousand)
	2020
Total cash outflow for leases	(1,789)

6.2.5 IDENTIFICATION OF A LEASE

For any new contracts entered into on or after 1 July 2019, ESV considers whether a contract is, or contains a lease.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition ESV assesses whether the contract meets three key evaluations:

- whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to ESV and for which the supplier does not have substantive substitution rights
- whether ESV has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the department has the right to direct the use of the identified asset throughout the period of use; and
- whether ESV has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

6.2.6 SEPARATION OF LEASE AND NON-LEASE COMPONENTS

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

6.2.7 RECOGNITION AND MEASUREMENT OF LEASES AS A LESSEE (UNDER AASB 16 FROM 1 JULY 2019)

Lease Liability – initial measurement

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, ESV uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- payments arising from purchase and termination options reasonably certain to be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Notes to the financial statements for the financial year ended 30 June 2020

6.2 LEASE LIABILITY

6.2.7 RECOGNITION AND MEASUREMENT OF LEASES AS A LESSEE (UNDER AASB 16 FROM 1 JULY 2019)

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

ESV has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of lease liabilities

The lease liability is presented as a separate line in the balance sheet.

(\$ thousand)

	2020
Maturity analysis:	
Year 1	1,580
Year 2	1,355
Year 3	936
Year 4	844
Year 5	141
	4,856
Less: interest payable	(227)
	4,629
Analysed as:	
Current	1,476
Non-current	3,153
	4,629

ESV does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within ESV's treasury function.

6.2.8 RECOGNITION AND MEASUREMENT OF LEASES (UNDER AASB 117 UNTIL 30 JUNE 2019)

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 were recognised as an operating expense in the Comprehensive Operating Statement on a straight-line basis over the lease term.

7. Risks, contingencies and valuation judgements

INTRODUCTION

Energy Safe Victoria (ESV) is exposed to risks from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for ESV related mainly to fair value determination.

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*.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by ESV to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

ESV recognises the following assets in this category:

- cash; and
- receivables (excluding statutory receivables).

Notes to the financial statements for the financial year ended 30 June 2020

Categories of financial liabilities

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. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. ESV recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- lease liabilities.

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.

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.

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

Reclassification of financial instruments: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when ESV's business model for managing its financial assets has changed such that its previous model would no longer apply.

However, ESV is generally unable to change its business model because it is determined by the Performance Management Framework (PMF) and all Victorian government departments are required to apply the PMF under the Standing Directions 2018 under the FMA.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

(\$ thousand)

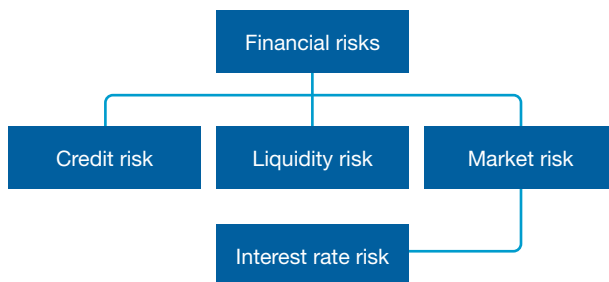
	Note	2020	2019
Contractual financial assets			
Cash and cash equivalents	6.1	9,944	10,732
Receivables	5.1		
Fee income		475	640
Accrued income		-	199
Other receivables		291	3,115
Total contractual financial assets		10,710	14,686
Contractual financial liabilities			
Payables	5.3		
Supplies and services		2,398	2,540
Amounts payable to government and agencies		2	8
Other Payables		90	161
Borrowings			
Lease liabilities	6.2	4,629	-
Total contractual financial liabilities		7,119	2,709

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

Notes to the financial statements for the financial year ended 30 June 2020

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 7.1.

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 manages these risks in accordance with its financial risk management policy.

ESV uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer of ESV.

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 2019–20.

7.1.2.1 CREDIT QUALITY OF FINANCIAL ASSETS

(\$ thousand)

2020	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Other (min BBB credit rating)	Total
Financial assets				
Financial assets with loss allowance measured at 12-month expected credit loss				
Cash and cash equivalents (not assessed for impairment due to materiality)	9,944	-	-	9,944
Statutory Receivables (with no impairment loss recognised)	-	472	-	472
Financial assets with loss allowance measured at lifetime expected credit loss				
Contractual receivables (with no impairment loss recognised)			766	766
Total financial assets	9,944	472	766	11,182

Credit quality of contractual financial assets that are neither past due nor impaired

(\$ thousand)

2019	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Other (min BBB credit rating)	Total
Financial assets				
Financial assets with loss allowance measured at 12-month expected credit loss				
Cash and cash equivalents (not assessed for impairment due to materiality)	10,732	-	-	10,732
Statutory Receivables (with no impairment loss recognised)	-	240	-	240
Financial assets with loss allowance measured at lifetime expected credit loss				
Contractual receivables (with no impairment loss recognised)	2	197	3,755	3,954
Total financial assets	10,734	437	3,755	14,926

Notes to the financial statements for the financial year ended 30 June 2020

Impairment of financial assets under AASB 9

ESV records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include ESV's contractual receivables and statutory receivables. ESV concludes that no impairment is necessary as all financial assets are recoverable.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment however it is immaterial.

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. 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 that are at floating rate.

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

7.1.2.3(A) INTEREST RATE EXPOSURE OF FINANCIAL INSTRUMENTS

(\$ thousand)

	Weighted average interest rate%	Carrying amount	Interest rate exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2020					
Contractual financial assets					
Cash and cash equivalents	1.1%	9,944	-	9,944	-
Receivables		766	-	-	766
Total contractual financial assets		10,710	-	9,944	766
Contractual financial liabilities					
Payables	-	2,490	-	-	2,490
Lease liabilities	2.6%	4,629	4,629	-	-
Total contractual financial liabilities		7,119	4,629	-	2,490
2019					
Contractual financial assets					
Cash and cash equivalents	1.7%	10,732	-	10,732	-
Receivables	-	3,954	-	-	3,954
Total contractual financial assets		14,686	-	10,732	3,954
Contractual financial liabilities					
Payables	-	2,635	-	-	2,635
Total contractual financial liabilities		2,635	-	-	2,635

The total amounts disclosed here exclude statutory amounts (for example, GST input tax recoverable and taxes payable).

Notes to the financial statements for the financial year ended 30 June 2020

7.1.2.3(B) INTEREST RATE RISK SENSITIVITY

(\$ thousand)

		-100 basis points	+100 basis points
	Carrying amount	Net result	Net result
2020			
Contractual financial assets			
Cash and cash equivalents	9,944	(99)	99
Total impact	9,944	(99)	99
2019			
Contractual financial assets			
Cash and cash equivalents	10,732	(107)	107
Total impact	10,732	(107)	107

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 quantifiable or non-quantifiable contingent liabilities.

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 have 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 2020

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
2020				
Plant and equipment at fair value	757			757
Intangible assets at fair value	7,059	-	-	7,059
2019				
Plant and equipment at fair value	847			847
Intangible assets at fair value	451	-	-	451

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 2020.

Reconciliation of Level 3 fair value movements

(\$ thousand)

	Plant and equipment	Intangible assets	Total
2020			
Opening balance	847	451	1,298
Purchases	180	8,077	8,257
Transfers in/(out) of Level 3	-	-	-
Gains or losses recognised in net result			
Depreciation	(270)	(1,469)	(1,739)
Subtotal	(90)	6,608	6,518
Gains or losses recognised in other economic flows - other comprehensive income			
Revaluation	-	-	-
Closing balance	757	7,059	7,816
Unrealised gains/(losses) on non-financial assets	-	-	-

	(\$ thousand)		
2019	Plant and equipment	Intangible assets	Total
Opening balance	1,140	605	1,745
Purchases	26	36	62
Transfers in/(out) of Level 3	-	-	-
Gains or losses recognised in net result			
Depreciation	(319)	(190)	(509)
Subtotal	(293)	(154)	(447)
Gains or losses recognised in other economic flows - other comprehensive income			
Revaluation	-	-	-
Closing balance	847	451	1,298
Unrealised gains/(losses) on non-financial assets	-	-	-

Description of significant unobservable inputs to Level 3 valuations

2019 and 2020	Plant and equipment / Intangible assets
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.

Notes to the financial statements for the financial year ended 30 June 2020

8. Other disclosures

INTRODUCTION

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

8.1 RESERVES

	(\$ thousand)	
	2020	2019
Physical asset revaluation surplus		
Balance at beginning of financial year	176	176
Revaluation increments/(decrements)	-	-
Disposal or transferred out	-	-
Balance at end of financial year	176	176
Net changes in reserves	-	-

8.2 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 2019 to 30 June 2020

Director of Energy Safety

Paul Fearon

1 July 2019 to 9 February 2020

Acting Director of Energy Safety

Neil Fraser

9 February 2020 to 22 March 2020

Director of Energy Safety

Marnie Williams

23 March 2020 to 30 June 2020

Remuneration

Remuneration received or receivable by the Accountable Officer for the management of ESV during the reporting period was in the range: \$360,000–\$370,000 (2018–19: \$340,000–\$350,000).

8.3 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 (as defined in AASB 119 *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.

REMUNERATION OF EXECUTIVE OFFICERS

(including key management personnel disclosed in Note 8.5)

(\$ thousand)

	2020	2019
Short-term employee benefits	1,438	1,234
Post-employment benefits	107	103
Other long-term benefits	9	10
Termination benefits	-	-
Total remuneration ⁽ⁱ⁾ ⁽ⁱⁱ⁾	1,554	1,347
Total number of executives	6	5
Total annualised employee equivalent	5	5

Notes:

- (i) The total number of executive officers includes persons who meet the definition of key management personnel of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5).
- (ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

Notes to the financial statements for the financial year ended 30 June 2020

8.4 RELATED PARTIES

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

- all key management personnel, their close family members and personal business interests; and
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements

Significant transactions with government-related entities

During the financial year ended 30 June 2020, ESV had the following significant government-related entity transactions:

- on-passed \$54,176 of infringement notice fees to the Consolidated Fund, through the Department of Environment, Land, Water and Planning (2019: \$63,860)
- paid \$501,620 in annual insurance premiums to the Victorian Managed Insurance Authority (2019: \$501,620)
- received a grant of \$1,700,000 from DELWP, which was completely recognised in 2020 financial year.

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

- Portfolio Minister – The Hon. Lily D'Ambrosio MP
- Director of Energy Safety – Ms Marnie Williams
- General Manager Licensing, Standards and Training – Mr Neil Fraser
- Former Director of Energy Safety – Mr Paul Fearon
- Chief Transformation Officer – Mr Sharife Rahmani
- General Manager, Corporate Service – Ms Karen Fitzpatrick

- General Manager, Risk, Regulatory Planning and Policy – Dr Roanne Allan
- General Manager, Electrical Safety and Technical Regulation – Mr Ian Burgwin
- General Manager, Gas and Pipeline Safety and Technical Regulation – Mr Steve Cronin

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

8.5 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	(\$ thousand)	
	2020	2019
Short-term employee benefits	1,776	1,544
Post-employment benefits	135	124
Other long-term benefits	18	16
Termination benefits	-	-
Total	1,929	1,684

Note that key management personnel are also reported in the disclosure of remuneration of executive officers (Note 8.3).

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.

8.5 REMUNERATION OF AUDITORS

(\$ thousand)

	2020	2019
Victorian Auditor-General's Office		
Audit of the financial statements	38	72

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

8.6 SUBSEQUENT EVENTS

There have been no significant events post reporting date.

8.7 CHANGE IN ACCOUNTING POLICIES

8.7.1 INITIAL APPLICATION OF AASB 16 LEASES

ESV has adopted AASB 16 *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognized at 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

ESV has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 *Leases* where ESV is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. ESV's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for the leases were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by ESV in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- leases that have a remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same way as short-term leases;
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate;
- applying AASB 16 to leases previously identified as leases under AASB 117 *Leases* and Interpretation 4: *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application; and
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

Notes to the financial statements for the financial year ended 30 June 2020

The following table shows the operating lease commitments disclosed in applying AASB 117 Leases at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application of the lease liabilities recognised in the balance sheet at the date of initial application.

(\$ thousand)

	2020
Gross operating lease commitments at 30 June 2019	6,439
Low value assets	(165)
Less the effect of discounting the above amounts	(663)
Less lease incentives	(556)
Lease liabilities recognised at 1 July 2019	5,055

ESV weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 2.6%.

The details of the significant changes and quantitative impact of these changes on the initial date of application, being 1 July 2019.

(\$ thousand)

	As presented on 30 June 2019	Application impact of AASB 16	As at 1 July 2019
Balance sheet			
Right-of-use asset	-	4,490	4,490
CURRENT LIABILITIES			
Other liabilities	565	(565)	-
Lease liability	-	5,055	5,055
NET WORTH			
Accumulated surplus	-	-	-

8.7.2 INITIAL APPLICABLE OF AASB 15 AND AASB 1058

ESV has applied AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Under AASB 15 ESV applies this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application.

Therefore, the comparative information has not been restated and continues to be presented under AASB 118 *Revenue* and AASB 1004 *Contributions*.

Except for Levy Income, which falls under AASB 1058 *Income of Not-for-Profit Entities*, all other ESV contract revenue met the requirements of AASB 15 *Revenue from Contracts with Customers*.

The details of the significant changes and quantitative impact of these changes on the initial date of application, being 1 July 2019.

(\$ thousand)

	As presented on 30 June 2019	Application impact of AASB 15 and AASB 1058	As at 1 July 2019
Balance sheet			
Accrued income	199	-	-
Contract asset	-	-	199
CURRENT LIABILITIES			
Unearned income	3,850	-	-
Contract liability	-	-	3,850
NET WORTH			
Accumulated surplus	8,505	-	8,505

8.8 OTHER ACCOUNTING POLICIES

Foreign currency transactions

All foreign currency 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 CORONAVIRUS (COVID-19)

The impact of coronavirus remains uncertain and represents a material downside risk to the economy. However, ESV has considered the impact on its financial assets, non-financial assets and going concern, and has concluded that there has not been a material impact.

8.10 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 2020 reporting period. ESV assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2020, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2020. They become effective for the first financial statement for reporting periods commencing after the stated effective date in the table below.

Notes to the financial statements for the financial year ended 30 June 2020

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on ESV financial statements
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine the definition of material in AASB 10 <i>Events after the Reporting Period</i> , include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.	1 January 2020	ESV is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 <i>Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i> with the intention to defer the application by one year to periods beginning on or after 1 January 2023. ESV will not early adopt the Standard.	1 January 2022	ESV is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on ESV's reporting.

- AASB 17 *Insurance Contracts*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*

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 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.

Notes to the financial statements for the financial year ended 30 June 2020

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

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing are grants paid to one institutional sector (for example, a State general government entity) to be passed on to another institutional sector (for example, local government or a private non-profit institution).

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

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

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 revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

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.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (for example, 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.

Transactions are those economic flows that are considered to arise because of policy decisions, usually an interaction between two entities by mutual 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.

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 2019–20 *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.



Victorian Auditor-General's Office

Independent Auditor's Report

To the Director of Energy Safe Victoria

Opinion	<p>I have audited the financial report of Energy Safe Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • Accountable Officer's and Chief Financial Officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2020 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. I further describe my responsibilities under that Act and those standards 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 the entity 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 Victoria. 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 the entity 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 the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- conclude on the appropriateness of the Director’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Simone Bohan

as delegate for the Auditor-General of Victoria

MELBOURNE
8 September 2020

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Abbreviations

ACCC Australian Competition and Consumer Commission

AEMO Australian Energy Market Operator

AFL Australian Football League

AM Member of the Order of Australia

ANZ Australia and New Zealand Banking Group

AS/NZS Australian Standard/New Zealand Standard

BAU business as usual

CEO Chief Executive Officer

COES Certificate of Electrical Safety

CSIRO Commonwealth Scientific and Industrial Research Organisation

DELWP Department of Environment, Land, Water and Planning

DER Distributed Energy Register

DDO Design and Development Overlay

DIIS Australian Government, Department of Industry, Science, Energy and Resources

DTF Department of Treasury and Finance

EESS Electrical Equipment Safety Scheme

ELV Extra low voltage

EMB Executive management board

ERAC Electrical Regulatory Authorities Council

ESMS Electricity Safety Management Scheme

ESV Energy Safe Victoria

FFCRC Future Fuels Cooperative Research Centre

FOI Freedom of information

FTE full-time equivalent

GST Goods and Services Tax

GTRC Gas Technical Regulators Committee

HBRA Hazardous-bushfire-risk area

HE high energy

HV high voltage

IBAC Independent Broad-based Anti-Corruption Commission

ICT Information communication technology

IDAHOBIT International Day Against Homophobia, Transphobia and Biphobia

IEC International Electrotechnical Commission

IPAA The Institute of Public Administration Australia

LBRA Low-bushfire-risk area

LEA Licensed Electricians Assessment

LED Light emitting diode

LNO Licensed network operator

LPG liquefied petroleum gas

LXRA Level Crossing Removal Authority

LV low voltage

MEC Major electricity company

Metro Metro Trains Melbourne

NA Not applicable

OHS Occupational health and safety

OVIC Office of the Victorian Information Commissioner

PeTs Personal eTransporters

RCBO Residual current circuit breakers with overcurrent protection

REFCL Rapid earth fault current limiter

RIS Regulatory impact statement

RMC Risk Management Committee

RTO Registered training organisation

SMP Safety management plan

STS Senior Technical Specialist

TAFE technical and further education

VCAT Victorian Civil and Administrative Tribunal

VEEC Victorian Electricity Emergency Committee

VPS Victorian public sector

VPSC Victorian Public Sector Commission

WCAG web content accessibility guidelines

YTD Year to date

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