



The Hon. Danny Pearson MP

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Ms Kate Symons
Chairperson
Essential Services Commission
Level 8 / 570 Bourke Street
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Dear Ms Symons

STATEMENT OF EXPECTATIONS FOR THE ESSENTIAL SERVICES COMMISSION

I am pleased to provide you with this Statement of Expectations (SOE) for the Essential Services Commission (ESC). This is intended to guide the business planning processes for the ESC.

This SOE sets out my expectations of the ESC's contribution to the Government's program to promote greater efficiency and effectiveness in the administration and enforcement of regulation affecting businesses, not-for-profit organisations, government service providers and households.

The SOE applies from the date of this letter. I request the ESC incorporate these expectations into their business plan and include milestones determining when the SOE needs to be updated or renewed. These milestones are likely to coincide with the business planning cycle and annual reporting obligations.

Legislative framework

As Assistant Treasurer, I am responsible for administering the *Essential Services Commission Act 2001* (the ESC Act). This guidance should be read in the context of the objectives, obligations and functions outlined in this Act and as amended.

This guidance should also be read in the context of any other non-legislative obligations on the ESC.

Emerging priorities and expectations

Based on consultation between Department of Treasury and Finance (DTF), relevant portfolio departments, and the ESC regarding the Government's priorities, my expectations for the ESC are as follows.

- *Implement the reforms to the Victorian Energy Upgrades program, in line with budget funding and proposed legislation*

The Victorian Energy Upgrades (VEU) program is a major Victorian Government initiative helping consumers reduce their greenhouse gas emissions and energy costs, and has been administered by the ESC since 2009 under the *Victorian Energy Efficiency Target Act 2007* (the VEET Act).

The ESC's role in balancing strong compliance with efficient administration of the program is critical to ensuring consumers receive the benefits of energy efficiency and, in turn, reduce cost of living pressures.

The VEET Act is being reviewed and significant changes to the VEU program, including options to expand the ESC's role, are expected from July 2022. I understand that the ESC will be working with the Department of Environment, Land, Water and Planning to ensure there is appropriate cost recovery to deliver these changes.

- *Work with Local Government Victoria and the local government sector in providing advice to the Minister for Local Government on hardship policies and setting maximum interest rates for late payments*

In June 2022, the Local Government Amendment (Rating and Other Matters) Bill 2022 (the Bill) was introduced into Parliament. The Bill will create new powers for the Minister for Local Government, in consultation with the ESC, to set a maximum interest rate that may be levied on unpaid rates and charges, and issue Ministerial Guidelines to inform how councils deal with ratepayers experiencing financial hardship.

I understand the ESC has indicated that they don't see these proposals as having any material resource impacts given that they already have the skill set to undertake similar work in their water and energy roles.

- *Implement the reforms associated with the Essential Services Commission (Compliance and Enforcement Powers) Amendment Act 2021, particularly the new enforcement tools and the establishment of new trusts*

The *Essential Services Commission (Compliance and Enforcement Powers) Amendment Act 2021* (the Compliance Act) came into operation in December 2021. The Compliance Act provides a new enforcement framework for the ESC to administer, including new information-gathering powers and a new civil penalty framework.

With the passage of the Compliance Act, the ESC now has the tools it needs to fulfill its role under the Energy Fairness Plan. This Plan fulfills a government election commitment to reduce the cost of energy for families and small business across the State, increase transparency and competition in the market, and take enforcement action against energy companies that engage in misconduct.

- *Continue to progress the "Getting to fair" strategy to support vulnerable consumers in getting access to essential services, including access to relevant consumer protections and supports, and ongoing delivery of the vulnerability strategy.*

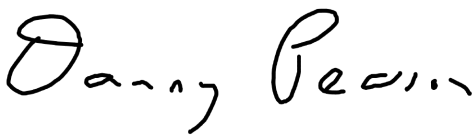
I expect that, in this area, the ESC will proactively engage with the community sector, participants across all regulated sectors, other agencies, and the ESC's partners in government to achieve better outcomes. I expect, as part of this work, the ESC will utilise its information-gathering powers, monitor the market and behaviour of regulated entities, and use a range of compliance and enforcement actions to help achieve the Government's vision for a fairer retail energy market.

- *Conduct ongoing monitoring of the activities of the Port of Melbourne, including functions as part of the requirements of the Port Management Act 1995, and which are consistent with the ESC's objective to promote the long-term interests of Victorian consumers.*

I further request the ESC, in conjunction with DTF, undertake a light touch review of the expectations in this letter as part of annual reporting obligations and advise me if it needs to be updated or renewed.

I also expect that this SOE or a summary of it will be published on the ESC's website, and I look forward to seeing the ESC achieving best practice in the administration and enforcement of regulation.

Yours sincerely

A handwritten signature in black ink that reads "Danny Pearson". The signature is written in a cursive, slightly slanted style.

The Hon. Danny Pearson MP
Assistant Treasurer

28/06/2022