



# Energy Safe Victoria Response - Statement of Expectations

13 February 2012

The Hon Michael O'Brien  
Minister for Energy and Resources  
1 Spring Street  
MELBOURNE VIC 3001

Dear Minister

## STATEMENT OF EXPECTATIONS FOR ENERGY SAFE VICTORIA

Thank you for your letter dated 9 December 2011 providing me with your Statement of Expectations which will apply for this Parliamentary term or otherwise as amended.

I acknowledge the role your statement plays in communicating the high level priorities of Government. As such the Statement will inform Energy Safe Victoria's (ESV) corporate plan which is the formal process by which your expectations and priorities are transformed into approved work programs, consistent with Division 3 of the Energy Safe Victoria Act 2005. The 2012-15 Corporate Plan is required to be submitted to you by 30 May 2012.

I can confirm that ESV is well advanced in increasing its capacity and capability to achieve the corporate plan approved by you on 22 August 2011 as well as meeting the commitments made by Government in its response to the recommendations of the Victorian Bushfire Royal Commission. There is still an ongoing and significant challenge in recruiting experienced senior power distribution engineering professionals which has in part been addressed by sourcing candidates with non-traditional but related work skills and experience, supplemented with in house training. This is supported by rigorous individual performance planning (including learning and development) which will ensure that ESV can maintain its capacity to meet the demands and expectations of Government and community. The recently approved Enterprise Agreement also contains a number of initiatives relating to workforce planning, knowledge management and skill development that will assist in ensuring that safety risks associated with the energy supply, installations and equipment is minimised as far as practical.

As noted, ESV has a well-developed, clearly articulated and monitored system of regulatory management supported by a culture of continuous improvement. ESV's Corporate Planning cycle includes continuous internal and external risk assessment as well as operational scanning of emerging risks that are detailed in the formal reports provided to your office and the Department. IT systems and support are also being upgraded and integrated to provide detailed tracking of corporate performance and staff development.

I am advised by an Audit and Risk Committee consisting of four independent members experienced in the fields of finance, regulation and public administration as well as ESV's risk management sub-committee. As part of ESV's business planning process, ESV's overall risk profile is reviewed annually with alternate reviews facilitated by external specialist consultants.

### *Government policy and objectives*

The Government's commitment to the implementation of the 2009 Victorian Bushfires Royal Commission recommendations in a manner that is affordable and practical is noted and it will remain of highest priority to ESV.

Following the Government's response to the recommendations of the Powerline Bushfire Safety Taskforce, ESV has made a number of organisational changes that will increase the executive level focus on what will be a very significant program of

work over a number of years. ESV will continue to publicly report the distribution businesses' progress on implementing bushfire mitigation obligations as well as working with the DPI's Project Control Board and the high level oversight committee chaired by the Secretary of DPC.

Recent changes to legislation have facilitated ESV's comprehensive audit program of electrical distribution businesses' Electricity Safety Management Schemes (ESMS). This complements the existing annual audit of Major Electricity Business's bushfire mitigation plans and Electric Clearance Plans. ESV has widened its purview of the Victorian traction sector with an audit of the operator's electrical safety practices. The public reporting of the performance of the electrical distribution businesses on a number of key indicators and the results of audit outcomes will also remain a priority for ESV. Plans are also in place to review the audit approach and program for gas safety cases and pipeline safety management plans in line with updated risk assessments, particularly in relation to pipeline integrity and industry asset management.

ESV remains alert to the constant challenge of ensuring regulation is effective and efficient. This includes ensuring that national initiatives designed to reduce regulatory burden achieve their desired objectives as well as working with industry to identify new risks from advances in technology and ensuring the compliance regime is adequate. ESV will also continue to work closely with the Australian Energy Regulator to provide advice on the likely safety outcomes that might be expected from the proposed electrical distribution businesses' capital and operating expenditure proposals.

Other notable initiatives to improve the effectiveness and efficiency of regulation include undertaking a review of the entire bushfire mitigation regime under the Electricity Safety Act prior to the 2013 sunset date for the Electricity Safety (Bushfire Mitigation) Regulations and commencing a review of ESV's overall compliance strategies. New on-line work management processes for improving the efficiency of handling incident investigations and complaints are well advanced. The implementation of an improved complaints process will also assist in efficiently identifying unsafe work across the industry. Regular all-staff briefings and development sessions continue to ensure a strong awareness of developments and practices within industry.

ESV continues to enhance its leadership role in facilitating industry and community awareness, knowledge, technical support and information to ensure the very best safety outcomes. ESV now chairs the Gas Safety Consultative Committee for Victorian Government departments which meets biannually. This meeting has been discussing ventilation, high efficiency buildings and the need for regular gas appliance servicing along with other gas safety issues. ESV also chairs regular meetings with the natural gas distribution businesses where topics such as faulty gas meter installations, Certificates of Compliance and the new ESV safety risk assessment process are discussed. The Plumbing Industry Commission (PIC) / ESV forum is held on a quarterly basis and covers a large number of varied gas related topics including licensing of gasfitters, Certificates of Compliance for caravan installations and gas investigations.

ESV also provides support to various Registered Training Organisations such as the Plumbing Industry Climate Action Centre for the training of practitioners in commercial and industrial appliances, consultation with apprentices and the awareness campaign on the dangers of carbon monoxide via its 1800 Helpline and information on its website.

In electricity, ESV has undertaken a number of direct training sessions for licensed electrical inspectors and registered electrical contractors to communicate changes to Regulations, Wiring Rules and solar installation standards.

ESV is directly communicating to all eligible apprentices on the importance of safety, the compliance regime (COES) and the dangers associated with split metal conduit and substandard installations and equipment. ESV has increased its capacity to investigate equipment related incidents by 25% in response to the growing risks associated with importing equipment and components.

I note your expectation that ESV continue to take a lead role in influencing the national regulatory agenda to the benefit of Victorians as well as your support for national regulation where this is more efficient and does not dilute Victoria's existing position.

In line with our corporate plan there are a number of national forums that ESV has lifted its profile on. This includes:

- Chairing DTF's Project Board for occupations involved with the National Occupational Licensing System (NOLS).
- Participating in the Energy Supply Industry Safety Committee (ESISC) which has been established as a result of the work of the leaders group set up by MCE to consider harmonisation of technical safety regulation for energy supply. Under ESISC, there is now also a Standards Australia committee which is drafting, with ESV assistance, an Australian standard for safety management systems for electricity transmission and distribution.
- ESV's Executive Manager Electrical Installations, Licensing and Equipment Safety is the Victorian Government's Councillor for Standards Australia. ESV chairs the Electricity Regulators Authorities Council of Australia's (ERAC) Licensing committee, and is a representative for Victoria on NOLS steering and Electrical occupations implementation group.



ESV is providing leadership to industry, from a regulatory perspective, with the establishment of a National Database for certified gas appliances and components on behalf of the Australian Gas Regulators Regulatory Committee (GTRC). ESV is also providing leadership through a number of key roles it undertakes on Standards committees including chairing committee AG006, which is responsible for the Gas Installations standard, and convening a number of working groups related to gas appliance standards.

ESV also audits on behalf of the GTRC certifying bodies responsible for the certification of gas appliances and components. ESV chairs bi-annual meetings between the certifying bodies and the Gas Technical Regulators. In addition, it is playing a major role in the formulation of new GTRC Scheme Rules that certifying bodies will have to abide by and criteria that certification bodies wishing to be recognised for the certification of gas appliances and components will have to meet.

Finally, ESV is playing a major role in researching the impact that building regulations are having on the safe operation of gas appliances.

I note your expectation that ESV participate in national and international fora to develop standards to support effective risk-based regulation across the energy and pipeline sectors as well as protecting consumers from imported equipment and appliances that are unsafe.

ESV has representation on the International Electrotechnical Commission (IEC) the organisation responsible for international standards and conformity assessment for all electrical, electronic and related technologies. ESV participates in IEC committees for standards development of appliance standards for safety and efficiency. In Australia ESV participates in standards development and maintenance for Wiring Rules, Appliances lighting and efficiency.

ESV is the nominated host of the national electrical equipment approvals database as well as responsible for establishing the national approval scheme and supplier registration. ESV has worked hard over the last two years to introduce this initiative using tools and legislation developed by Victoria and which has clear benefit for Victorians and has been sought by industry.

I note your expectation that ESV contribute to and support other government initiatives, taking into account the impact on energy prices, security and reliability of supply, consumer protection and the implications of new technologies to meet the energy supply of consumers.

Promoting awareness of energy efficiency is one of the objectives specified in ESV's Corporate Plan and this will also assist in delivering against broader community and government expectations with respect to energy prices and reliability. ESV is also working in an advisory capacity on the DOT electric vehicle trials, and to ESC's Energy Incentive Scheme to ensure these important innovations and initiatives are delivered safely. ESV is implementing and monitoring the remote de-energisation and re-energisation retailer safety scheme which will enable consumers to take advantage of this cost saving AMI feature.

### *Independence*

Discharging my statutory responsibilities, particularly enforcing compliance and ensuring safety risks are minimised to the lowest practical level, often requires ESV to take firm and sometimes unpopular action. ESV has strong policies and systems to ensure due process and natural justice is followed but this must be balanced against the primacy of ensuring safety, particularly, averting imminent or foreseeable unsafe or dangerous situations. Individuals and businesses have a number of established formal avenues for appeal and review (including VCAT and the Ombudsman) and whilst I acknowledge the important role of MPs and Ministers in facilitating outcomes and assisting constituents on specific issues and decisions, your recognition and support for ESV's independence is appreciated and will assist in ensuring ongoing clarity of role and the effective public administration of energy safety regulation.

### *Stakeholder relationships and engagement*

Stakeholder engagement and consultation will continue to play a significant role in ESV's development of effective and efficient regulation. To assist the community and government understand how this happens in practice ESV recently published a Charter of Consultation and Regulatory Practice which is attached to this formal response to your Statement of Expectations and will be posted on ESV's website shortly.

Greater emphasis has been placed on education and awareness programs for energy related safety. A specific initiative is the proactive and targeted auditing of licensed persons, points of sale, public events and appliance end users in the gas and electricity industries to ensure that compliance is achieved and maintained efficiently and effectively. ESV has raised its profile in regard to the approval of training packages for the electrical generation, transmission and distribution businesses with representation on key industry committees and training provider boards.

### *Transparency and accountability*

ESV participates in the Forum of Primary Industries Regulators (FOPIR) to ensure that experience and learnings can be transferred where relevant. Established by DPI in 2008 FOPIR meets quarterly, and brings together the heads of all DPI's portfolio regulators. Each meeting is chaired by the DPI Secretary and provides a place for high level discussion on the regulatory issues facing the forum members. Guest speakers are invited and forum members make presentations to each other, as well as receiving updates from DPI staff.

I confirm that ESV's Corporate Plan and Annual Report will be published each year consistent with the formal requirements of the Energy Safe Victoria Act 2005 and Financial Management Act 1994. This will include the reporting of key output and outcome performance indicators and progress against your Statement of Expectations.

Finally, I look forward to regularly meeting you and updating you on ESV's progress against the corporate plan as well as emerging issues which are also advised in ESV's formal reports to the Department and to your Office.

Yours sincerely

Paul Fearon

**DIRECTOR OF ENERGY SAFETY**

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