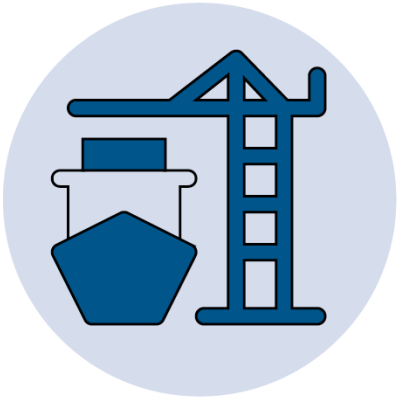
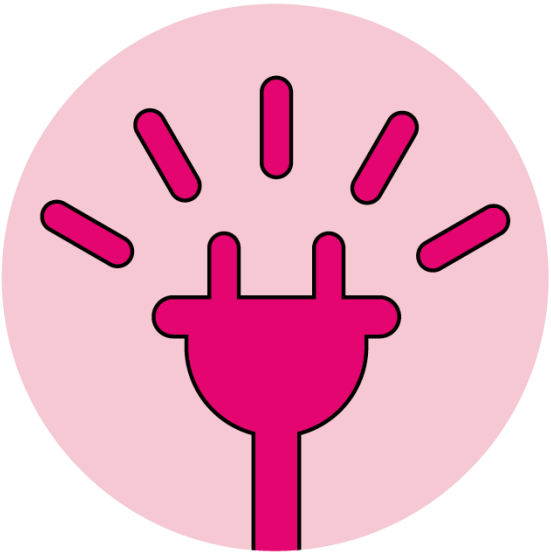


Essential Services Commission **Annual Report 2025–26**











ESSENTIAL SERVICES COMMISSION

About this report

This annual report summarises the performance of the Essential Services Commission for 2025–26.

This report is available on our website: <www.esc.vic.gov.au>.

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.



***Dill-ba-din Balluk Biik* – Protect Community and Country**

Artist: Simone Thomson © 2023

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6/10/2026

C/26/15926

The Hon Enver Erdogan MLC
Minister for Finance
Level 16, 8 Nicholson Street
MELBOURNE VIC 3000

Dear Minister

We are pleased to present the Essential Services Commission's annual report for the year ending 30 June 2026.

The annual report has been prepared in accordance with Part 7 of the *Financial Management Act 1994* and as required by section 31 of the *Essential Services Commission Act 2001*. It also satisfies the requirements of Regulation 7 of the Essential Services Commission Regulations 2021.

I would like to record my appreciation of commission staff for their commitment to delivering our regulatory, administrative and advisory program in 2025–26.

Yours sincerely



Gerard Brody
Chairperson
Essential Services Commission

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From the CEO and Chairperson

As Victoria's independent essential services regulator, the Essential Services Commission is firmly committed to promoting the long-term interests of Victorian consumers of essential services.

This annual report marks the first year of operation under our new outcomes-based *Strategic Plan 2025–29*, with our vision of 'Fair and dependable essential services, today and tomorrow'. The plan guides all our work under four key domains: Efficient Pricing, Equitable Services, Resilience and Sustainability, and Integrity and Trust.

Throughout 2025–26, we have made significant progress in terms of achieving meaningful outcomes for consumers in line with our priorities. Our key achievements, some of which are highlighted below, were delivered through close engagement with consumer groups, the sectors we regulate as well as government. We look forward to continuing to work together to achieve our vision of fair and dependable essential services, today and tomorrow.

Shaping essential services

We continued our extensive review of the Energy Retail Code of Practice in 2025–26, resulting in a number of reforms to Victoria's energy rules. Victorians will soon be better protected from paying more than they should for energy, with new rules commencing to help end the 'loyalty tax' for long-term customers. Energy retailers must also provide greater support to customers struggling to pay their bills, by automatically switching them to the cheapest plan.

We are also improving how energy businesses maintain their life support registers for customers who rely on life support equipment in the home. More accurate life support registers means emergency services can prioritise support to those who need it most during emergencies and prolonged power outages.

Strengthening engagement and partnerships

Our regulatory decisions, priorities and actions are informed by effective consultation with the Victorian community and the businesses that we regulate. Consulting widely through platforms such as Engage Victoria, our Community Sector Roundtables, and sector forums, provides us with insights that guide our work.

In December 2025, we established the Victorian Energy Upgrades (VEU) Industry Reference Group to strengthen industry engagement, program delivery and consumer outcomes. The group provides a forum for industry participants to test ideas and provide feedback which contributes to future program improvements.

In 2025–26, we updated our *Better Practice Handbook in Responding to Family Violence* following consultation with essential services providers and people with lived experience of family violence. The new handbook forms part of our work to provide service providers with the tools they need to keep their customers safe – and continually improve their processes.

Regulating for the future

Our independent pricing decisions support objective, predictable and credible decision-making over the long term, balancing consumer needs with infrastructure investment and service improvement. Our final decision on the Melbourne Water price review[1], for example, allowed it to maintain reliable services, responding to growth and future challenges, while ensuring consumers pay a fair amount for their water supply.

In 2025–26, we also took action to improve the systems and processes that enable essential services to be reliable and sustainable over time.

1 https://www.esc.vic.gov.au/water/water-prices-tariffs-and-special-drainage/water-price-reviews/water-price-review-2026

We focused on cutting unnecessary red tape to reduce the burden on the businesses we regulate. This promotes efficiency, translating to improved services for consumers. For example, Victorian electricity generation licence holders will now operate under a single set of standard licence conditions[2]; and we revoked two outdated codes of practice. We also continued to improve the new VEU Registry, introduced in June 2025, with a focus on stability, usability and efficiency.

We supported the introduction of new and emerging electrification activities into the VEU program, and worked with the Department of Energy, Environment and Climate Action and partner regulators to prepare for new VEU insulation activities.

Impactful compliance and enforcement

Our compliance and enforcement work was guided by our 2025–26 regulatory priorities which address actions that: exacerbate cost-of-living pressures; fail to support vulnerable consumers; increase the likelihood and impact of harm to consumers affected by family violence; and compromise market integrity.

We took strong enforcement action for a wide range of breaches in 2025–26. This included accepting our largest ever court enforceable undertaking, requiring Greater Western Water to deliver a $130 million remediation package[3] following billing failures. We also secured approximately $1.2 million in credits and debt waivers from EnergyAustralia following alleged failures to inform customers of their payment assistance entitlements.

We increased our Fraud Taskforce capacity and compliance checks to support the integrity of the VEU program, making sure that energy efficient upgrades deliver genuine energy savings to consumers. This led to 32 investigations resulting in significant enforcement outcomes and requiring businesses to forfeit approximately $15 million in certificates.

Regulating for all Victorians

We recently released our *Getting to Fair: Advancing Equity* strategy and one of the two supporting frameworks, our *First Nations Self-Determination Framework*. Advancing Equity reflects our view that fairness and equity are central considerations in economic regulation and in promoting the long-term interests of consumers. It also broadens the focus from individual vulnerability to the structural and system-level factors that can cause or worsen inequity over time.

Our *First Nations Self-Determination Framework* aims to improve how First Nations people access, engage with and benefit from essential services, while ensuring First Nations perspectives are better reflected in our work and decision-making.

While considering consumer experiences of vulnerability and First Nations interests is not new to our work, we know there is more to be done to embed system-level thinking across the commission. We look forward to progressing this work.

Finally, we thank all commission staff for their continued dedication to our regulatory work and the collective achievements outlined in this annual report.



Gerard Brody
Chairperson and Commissioner
Essential Services Commission



Sarah Sheppard
Chief Executive Officer
Essential Services Commission

2 https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-licences-and-exemptions/electricity-and-gas-licences/electricity-generation-licence-review
3 https://www.esc.vic.gov.au/media-centre/greater-western-water-customers-receive-130-million-redress-package-after-billing-failures

Section 1: Who we are

What we do

The Essential Services Commission is Victoria's economic regulator. Our areas of responsibility include regulating Victoria's energy, water and transport sectors, and administering the rate-capping system for the local government sector. We also regulate the Victorian Energy Upgrades program, which supports access to discounted energy efficiency products and services for homes and businesses.

Our purpose

We promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.

Our vision

Fair and dependable essential services, today and tomorrow.

Our values

- Integrity
- Collaboration
- Impartiality
- Excellence
- Respect

Our Strategic Plan 2025–29

We seek to create long-term impact across the following domains:



Efficient Pricing

Prices are fair, economically efficient, and represent the best value for consumers.



Equitable Services

Essential services are accessible, inclusive, and responsive to all consumers, regardless of circumstances.



Resilience and Sustainability

Essential services remain just, reliable and cost-effective as they respond to long-term changes, including the transition to carbon neutrality.

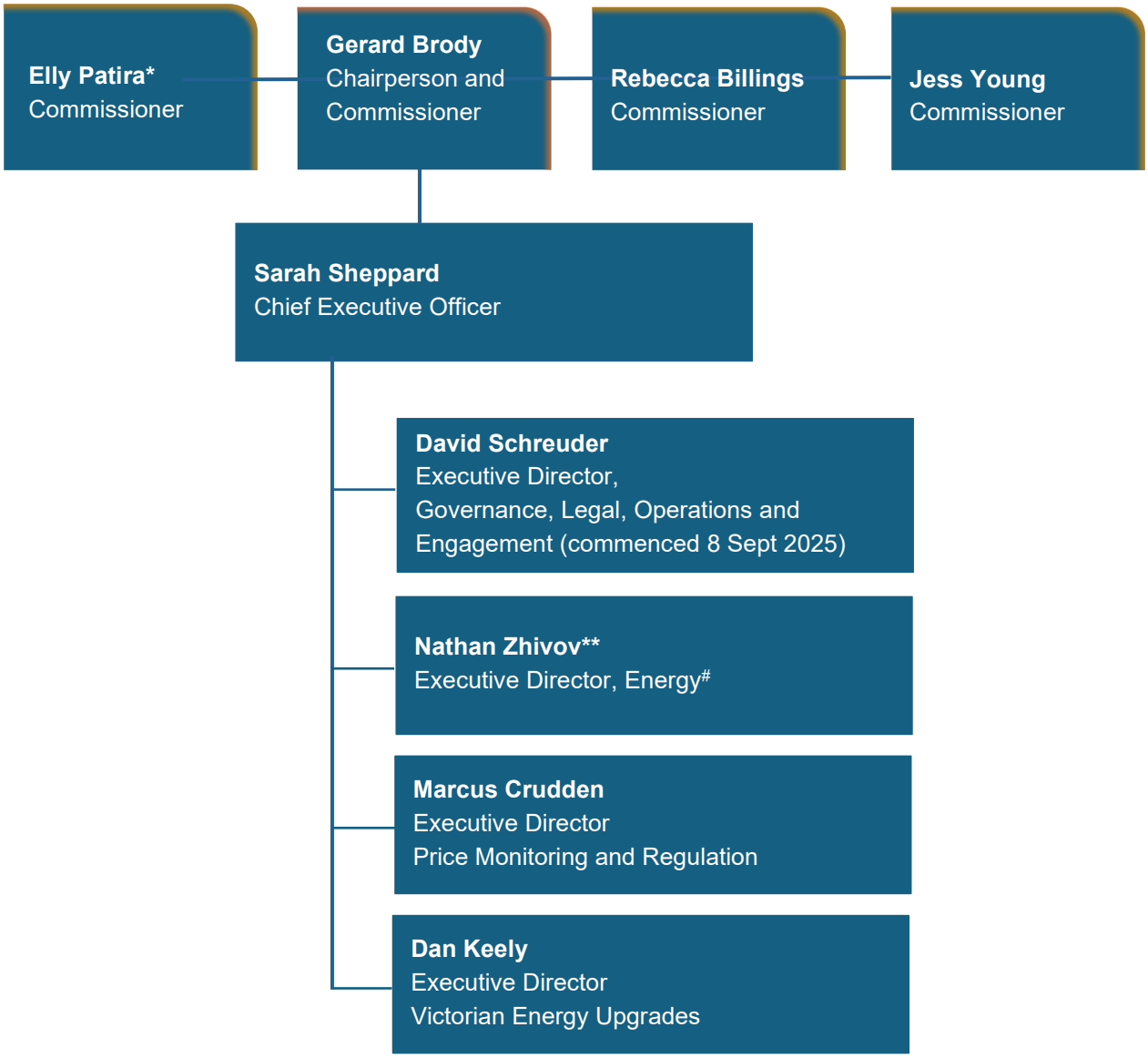


Integrity and Trust

Markets operate with integrity and trust, and regulation promotes transparency, accountability, certainty and consumer confidence.

Our leadership team

Organisational chart as at 30 June 2026



Notes

* Four-month leave of absence from 20 April to 10 August 2026 to undertake interim role as CEO of Gellung Warl.

** Acting Executive Director, Governance, Legal, Operations and Engagement, 5 May to 5 September 2025.

\# Rachel Fry, Acting Executive Director, Energy, 5 May to 5 September 2025.

Commissioners

Our commissioners are responsible for making decisions in relation to determinations, reviews, penalty notices, litigation and other decisions that respond to our primary responsibilities as an economic regulator.

- Gerard Brody, Chairperson and Commissioner
- Rebecca Billings, Commissioner
- Jess Young, Commissioner
- Elly Patira, Commissioner (four-month LOA from 20 April to 10 August 2026)

Executive team

The executive team as at 30 June 2026:

Chief Executive Officer – Sarah Sheppard

Sarah was appointed Chief Executive Officer in August 2023. Sarah manages the operations of the commission and leads the executive team.

Executive Director, Governance, Legal, Operations and Engagement – David Schreuder

David oversees the Governance, Legal, Operations and Engagement division which oversees key internal functions. These include IT, information management, legal, people and culture, finance, governance and risk, and strategic communications.

Executive Director, Price Monitoring and Regulation – Marcus Crudden

Marcus oversees projects including, approving metropolitan and regional water businesses prices, setting the Victorian Default Offer for retail electricity prices, administering local government rate caps, and regulatory functions related to the Port of Melbourne.

Executive Director, Victorian Energy Upgrades – Dan Keely

Dan oversees the Victorian Energy Upgrades program, including assessing and registering VEECs, approving products and accrediting participants. He also oversees project-based activities and monitoring and enforcement of compliance with the program rules.

Executive Director, Energy – Nathan Zhivov

Nathan oversees the Energy division, including market entry and exit of energy companies, compliance and audit, and enforcement action. He is also responsible for the development of energy codes and guidelines, and market performance reporting.

Section 2: Delivering on our Strategic Plan

Fair and dependable essential services, today and tomorrow

Our *2025–29 Strategic Plan*[4] clearly guides all our regulatory, compliance, reporting and enforcement priorities.

The following section highlights examples of our 2025–26 achievements under the four domains of the Strategic Plan.

Efficient Pricing

- We released the Victorian Default Offer 2026–27[5] to ensure that all Victorian households and small businesses have access to a fair and reasonable electricity price. The default offer is designed to be a simple, trusted and reasonably priced electricity option that safeguards customers who are unwilling or unable to engage in the electricity market. The new prices came into effect 1 July 2026 and are lower than 2025–26.
- In May 2026, we provided advice to the Minister for Energy and Resources about the Midday Power Saver offer. This included our tariff design approach, recommended tariffs, and the consumer protections to apply to the offer.
- We completed the 2026 water price reviews for Melbourne Water and North East Water.[6] Following assessment and consultation, we approved the maximum prices Melbourne Water and North East Water may charge their customers for the next 5 years, starting from 1 July 2026. This includes prices for water, sewerage, waterways and drainage charges.
- We announced a taxi fare increase on 1 September 2025 which was driven by higher labour and insurance costs, slightly offset by lower fuel costs. The pricing increase aims to strike the right balance between protecting customers from paying too much and ensuring the industry remains sustainable.

Equitable Services

- We made significant changes to the Energy Retail Code of Practice in 2025 to ensure that vulnerable customers get the best price and stay connected. The new rules will also help Victorian consumers avoid 'loyalty tax'. From 1 July 2026, energy retailers must start identifying customers who have been on the same plan for more than four years and start taking steps to move them onto a cheaper plan if they are no longer paying a reasonable price.
- We held three Community Sector Roundtables in 2025–26, chaired by Commission Chairperson Gerard Brody and Independent Co-Chair Sue Fraser. The roundtables keep us informed about the issues facing consumers, particularly those experiencing vulnerability, and strengthen relationships between us, Victorian community representatives and government stakeholders. The roundtables also provide insights into how our regulatory and business activities affect people's daily lives.
- We updated our Better Practice Handbook in Responding to Family Violence to help energy and water businesses assess and strengthen their response to family violence. Family violence remains an urgent issue for Victorians, and we all have a role to play in preventing the harm it creates. We consulted widely to ensure the handbook was informed by energy and water businesses, other essential services providers, the community sector and people with lived experience of family violence.

4 https://www.esc.vic.gov.au/about-us/our-performance/strategic-plan
5 https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer/victorian-default-offer-price-review-2026-27
6 https://www.esc.vic.gov.au/water/water-prices-tariffs-and-special-drainage/water-price-reviews/water-price-review-2026#tabs-container2

- We partnered with Women's Health in the North for the PowerUp Victoria project to understand and address barriers to accessing energy services and support for migrant and refugee women. Through Women's Health in the North's established networks, the pilot reached consumers who may not typically engage with regulators or essential service providers. The pilot program delivered eight energy information workshops to migrant and refugee women in English, Dari, Nepalese, Arabic and Urdu.

Resilience and Sustainability

- We supported the safe and effective implementation of new and expanding activities in the Victorian Energy Upgrades program in 2025–26. This included commercial and industrial solar photovoltaic system upgrades for Victorian businesses and ceiling insulation upgrades into public and social housing, which started in April 2026. The insulation activity will extend to all Victorian residential premises in October 2026.
- We proposed new rules to improve how energy businesses register customers who rely on life support equipment in March 2026. More accurate life support registers will help emergency services focus their efforts on those needing critical help during major power outages and extreme weather events like bushfires. We are also developing a standard Medical Confirmation Form for Life Support to be used across all jurisdictions in Australia.
- We published our New Customer Contributions Framework[7] in January 2026. The framework sets out our approach to strengthening the operation, transparency and governance of new customer contributions to water infrastructure across Victoria's water sector.
- We focused on making our regulatory requirements clearer and easier for businesses to meet their obligations in 2025–26, while maintaining consumer protections. Victorian electricity generation licence holders will now operate under a single set of standard licence conditions, instead of multiple individual conditions set out across existing licences. We also revoked the Electricity Customer Transfer Code of Practice and the Electricity Customer Metering Code of Practice, which are outdated and no longer fit-for-purpose.

Integrity and Trust

- We increased our Victorian Energy Upgrades program compliance checks in 2025–26 to support the integrity of the program and make sure that energy efficient upgrades deliver genuine energy savings for consumers. Our compliance checks included thousands of phone audits and hundreds of inspections across Victoria which led to enforcement action against 18 accredited businesses. A special Fraud Taskforce continued its work to tackle fraudulent activity in the program.
- We continued to take strong enforcement action for a wide range of breaches in 2025–26. The breaches ranged from failures to protect vulnerable customers, to illegal telemarketing and billing issues. In October 2025, we accepted a court enforceable undertaking with EnergyAustralia Pty Ltd after it allegedly did not provide information about available assistance to at least 6,934 customers who had been recognised as having difficulty paying their bills. And in October 2025, EnergyAustralia was penalised $1,066,986 for allegedly giving over 150,000 customers incorrect information about its best energy deal in communications about price changes.

7 https://www.esc.vic.gov.au/water/industry-standards-codes-and-guidelines/new-customer-contributions-guiding-resources

- We accepted a court enforceable undertaking in November 2025, requiring Greater Western Water to provide a $130 million customer remediation package after billing system issues and delayed billing. This was the largest undertaking the commission has ever accepted. In addition to writing off charges and applying credits to bills, Greater Western Water was ordered to give customers more time to pay and offer flexible payment plans and hardship grants.
- We established a taskforce to investigate energy retailer ENGIE after receiving a referral from the Energy and Water Ombudsman Victoria (EWOV). Between 1 April 2024 and 31 March 2025, EWOV received an influx of complaints about ENGIE. Following our investigation, ENGIE was penalised $1,206,050 for allegedly failing to respond to customer complaints about billing issues in a timely manner. The taskforce's investigations continued in relation to other complaints regarding ENGIE. In March 2026, we commenced civil proceedings against ENGIE over allegations it failed to provide hardship assistance and family violence protections to customers, as well as not complying with debt collection restrictions and rules designed to prevent bill shock.

Our Stakeholder Engagement Framework

Our regulatory decisions, priorities and actions rely on effective consultation with the Victorian community and the businesses that we regulate.

All consultations are underpinned by our Stakeholder Engagement Framework[8] which is built around five principles:

- We are transparent and accountable.
- Our engagement is considered, planned and genuine.
- Our engagement is inclusive.
- Our information is clear, accessible and simple to understand.
- We listen and learn to improve our consultation and engagement.

Stakeholder survey 2025

The commission undertakes an annual stakeholder survey[9] to measure how we are tracking against the key objectives of our Strategic Plan and identify areas for improvement. The independent survey was conducted by SEC Newgate in October 2025. It included 30 interviews and an online survey completed by 141 respondents.

Key findings

- Our 77 per cent reputation score (the proportion of respondents who gave a score of 7 or more out of 10) was a solid result (up from 69 per cent in 2024).
- Seventy-two per cent of stakeholders were satisfied with how we perform our functions as a regulator (up from 62 per cent in 2024).
- Seventy-five per cent of respondents trust the commission to do the right thing by Victorian consumers (up from 73 per cent in 2024).

Key strengths identified by stakeholders

- Improved quality of engagement.
- Progressive thought leadership with consumers at the heart of decision-making, particularly concerning those experiencing vulnerability.
- A reliable organisation, delivering promises and predictable in the way we operate.
- Professional and highly respected staff.
- A trusted partner on regulatory matters.

Areas identified for continuous improvement

- Clarifying determination methodologies and considering business impacts of decisions.
- Increasing transparency regarding decision-making.
- Developing our regulation and enforcement capabilities.
- Setting clear expectations.
- Increasing constructive and collaborative engagement.

8 https://www.esc.vic.gov.au/about-us/how-we-regulate/stakeholder-engagement-framework-and-charter-consultation
9 https://www.esc.vic.gov.au/about-us/our-performance/stakeholder-survey

Section 3: Compliance and enforcement

Regulatory priorities 2025–26

We review and update our compliance and enforcement priorities every year to ensure that they meet the changing needs of Victorian consumers and the businesses that we regulate. We released our *Essential Services Commission Regulatory Priorities 2025–26*[10] on 1 July 2025.

The priorities guide our compliance and enforcement work by highlighting the areas of most risk and harm in the energy and water sectors, and Victorian Energy Upgrades program.

Our Compliance and Enforcement Policy sets out our approach to compliance and enforcement, and describes how we use our investigative and enforcement powers.

Our priorities for 2025–26

- Take action to address practices that exacerbate cost-of-living pressures.
- Hold businesses accountable when they fail to provide consumers experiencing vulnerability with fair and equitable access to essential services.
- Deter conduct that increases the likelihood and impact of harm to consumers affected by family violence.
- Address conduct that compromises market integrity, focusing on conduct impacting Victoria's First Nations people.

10 https://www.esc.vic.gov.au/electricity-and-gas/victorian-energy-market-reporting-hub/compliance-activities/our-energy-compliance-and-enforcement-priorities

Energy enforcement action 2025–26

Month	Company	Description of enforcement action
July 2025	Pacific Blue Retail Pty Ltd	**25 penalty notices** **Penalty amount:** $961,550 **Description:** Pacific Blue allegedly failed to apply Guaranteed Service Level payments to customer accounts within 10 business days.
October 2025	EnergyAustralia	**Enforceable undertaking** **Consumer redress amount:** $1.2 million in credit and debt waivers **Description:** The Essential Services Commission accepted a court enforceable undertaking from EnergyAustralia following failures to meet retailer obligations under the Payment Difficulty Framework.
October 2025	EnergyAustralia Pty Limited	**27 penalty notices** **Penalty amount:** $1,066,986 **Description:** EnergyAustralia allegedly failed to provide accurate deemed best offer messages on customers' bill change alerts.
October 2025	Momentum Energy Pty Ltd	**20 penalty notices** **Penalty amount:** $764,380 **Description:** Momentum Energy allegedly disclosed confidential information about three affected customers to another person without the customer's consent, and failed to take reasonable steps to elicit an affected customer's preferred method of communication after the customer disclosed that they were a victim-survivor of family violence.
November 2025	IPower Pty Limited and IPower 2 Pty Limited (trading as ENGIE)	**31 penalty notices** **Penalty amount:** $1,206,050 **Description:** ENGIE allegedly failed to conduct bill reviews when requested to do so by customers, in accordance with its standard complaints and dispute resolution procedures, including any time limits applicable under those procedures.
March 2026	IPower Pty Limited and IPower 2 Pty Limited (trading as ENGIE)	**Commenced litigation** **Description:** ENGIE allegedly failed to assist customers experiencing financial difficulties, failed to provide family violence protections, failed to follow rules designed to prevent bill shock, and collected debts from customers receiving financial difficulty assistance.

Victorian Energy Upgrades program enforcement action 2025–26

Month	Company	Description of enforcement action
July 2025	GB Environmental Pty Ltd (Greenbank Environmental)	**Restriction of accreditation. Voluntary withdrawal of 1,178 VEECs.** **Description:** Allegedly created VEECs that did not comply with the rules of the VEU program.
September 2025	AK Alvi (Zerowatt) Enterprises Pty Ltd	**Refused to register 200 VEECs and required an independent compliance audit.** **Description:** Allegedly created VEECs that did not comply with the rules of the VEU program.
	Phenix Trading Pty Ltd (LED Saves)	**Restriction of accreditation. Refused, and ordered the surrender of 4,552 VEECs. Required an independent compliance audit.** **Description:** Self-reporting of misrepresentation of numbers of upgrades that were completed.
	MYOM Australia	**Restriction on accreditation.** **Description:** Allegedly using falsified photo evidence for its energy efficiency projects.
October 2025	Electra Energy Efficient Solutions Pty Ltd	**Suspension of accreditation. Refused, and ordered the surrender of 900 VEECs. Required an independent compliance audit.** **Description:** Allegedly creating VEECs for work that was not undertaken.
	In2 Energy	**Formal warning letter and mandatory surrender order for 180 VEECs.** **Description:** Allegedly exaggerating energy savings and misusing the Victorian Government logo.
	NRGPAL Pty Ltd	**Penalty notice of $23,077.** **Description:** Allegedly failing to provide clear and accurate information about the VEU program in marketing emails to around 600 consumers.
	Business Channel Australia Pty Ltd (Opt Energy)	**Formal warning issued. 13,879 VEECs refused or withdrawn.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	Sustainable Renew Energy Pty Ltd	**Formal warning issued. 1,083 VEECs refused or withdrawn.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	Renewable Energy Pty Ltd (Re-Energi)	**Suspension of accreditation for 3 months. 28 VEECs refused or surrendered. Compliance audit required.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.

Month	Company	Description of enforcement action
	GB Environmental Trading Pty Ltd (Greenbank Environmental)	**Restriction of accreditation for 3 months in relation to commercial and industrial heat pump water heater activities. 240 VEECs surrendered.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
December 2025	Vision Environmental Solutions Pty Ltd	**Restriction of accreditation for 6 months in relation to weather sealing and shower upgrade activities. 2,494 VEECs refused.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	Green Energy Trading Pty Ltd	**Restriction of accreditation for 3 months in relation to non-building-based lighting activities. 15,881 VEECs refused or surrendered and 1, 116 VEECs withdrawn.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
January 2026	Save Energy Solutions	**Cancellation of accreditation. 1,920 VEECs surrendered or refused.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	Target Green Pty Ltd	**Suspension of accreditation for 3 months. 64 VEECs surrendered. Compliance audit required.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	Cyanergy Pty Ltd	**Restriction of accreditation for 6 weeks in relation to heat pump water heater activities. 36 VEECs surrendered.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
February 2026	Planetwise Solutions Pty Ltd	**Cancellation of accreditation. 662 VEECs refused, ordered surrender of 773 VEECs.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	AK Alvi (Zerowatt) Enterprises Pty Ltd	**Cancellation of accreditation.** **Description:** Allegedly continuing to advertise energy upgrades as an accredited business while suspended from the program.
	Multiple Accredited Persons (17 APs)	**Formal Warning and voluntary surrender of 20,614 Small-scale Technology Certificates or VEECs.** **Description:** claiming dual benefits across multiple energy saving schemes.

Month	Company	Description of enforcement action
March 2026	Ecovantage Pty Ltd	**Court enforceable undertaking accepted.** **Description:** Matter related to alleged non-compliant installations and claims for up to 31,666 VEECs.
	Shantey Pty Ltd (Energy Efficient Upgrades)	**Cancellation of accreditation. 2,110 VEECs refused or surrendered.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program. Banned from reapplying for 5 years. In June 2026, VCAT granted a temporary stay of the cancellation decision, pending the outcome of the final hearing.
	Ecosaver Australia	**48,550 VEECs refused.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
April 2026	Evitech Pty Ltd	**Surrender order – 1,021 VEECs.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
May 2026	Cyanergy Pty Ltd	**Cancellation of accreditation.** **Description:** Allegedly ceased to be a fit and proper person and competent and capable person to be accredited and hold a VEET Scheme Registry Account by entering into external administration and resolving to wind up the company.
	Glower Pty Ltd	**Cancellation of accreditation. Cancellation of VEET Scheme Registry Account.** **Description:** Allegedly ceased to be a fit and proper person and competent and capable person after entering external administration and appointing a liquidator.
	Renewable Energy Pty Ltd (Re-Energi)	**Cancellation of accreditation. 279 VEECs surrendered.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program. Alleged provision of false or misleading information. Decision currently subject to internal review.
	Add On Services Pty Ltd (Solar On Roof)	**Cancellation of accreditation. 1,228 VEECs surrendered. Suspension of VEET Scheme Registry Account.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program. Alleged provision of false or misleading information. Decision currently subject to internal review.
	MYOM Australia	**66,576 VEECs refused, 8,677 VEECs to be surrendered, restriction to undertake activity 35 and notice of proposed further action** **Description:** Allegedly using falsified photo evidence for its energy efficiency projects.

Month	Company	Description of enforcement action
June 2026	Go Green Solutions Pty Ltd	**Immediate suspension.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program. Alleged provision of false or misleading information.
	Saath Group	**Cancellation of accreditation.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program.
	Ruhi Pty Ltd ATF Kosamia Family Trust (Energy Goals)	**Cancellation of accreditation. 2,734 VEECs ordered for surrender. Cancellation of VEET Scheme Registry Account.** **Description:** Allegedly creating VEECs that did not comply with the rules of the VEU program. Alleged provision of false or misleading information.
	Discount LEDs	**Ordered to undertake a compliance audit.** **Description:** For allegedly creating certificates where no prescribed activity has been undertaken or did not meet the requirements for the activity.

Water enforcement action 2025–26

Month	Company	Description of enforcement action
November 2025	Greater Western Water	**Enforceable undertaking** **Customer remediation package:** $130 million **Description:** We accepted a court enforceable undertaking from Greater Western Water after billing system issues and delayed billing. In addition to writing off charges and applying credits to bills, Greater Western Water was ordered to give customers more time to pay and offer flexible payment plans and hardship grants.

Section 4: Sector reporting

Energy

We regulate Victoria's energy sector through legislation, licences, codes and guidelines.

We review Victoria's energy rules and monitor businesses to promote the interests of Victorian energy consumers.

We are responsible for licensing businesses that are involved in the supply or sale of electricity and gas in Victoria. This includes energy retailers, distributors, transmission companies and generators. We also register businesses selling electricity in embedded networks.

We set the Victorian Default Offer[11] each year, and publish quarterly energy market performance and sector information on our Victorian Energy Market Reporting Hub.[12]

Our year in review

Compliance and enforcement

Energy is a significant expenditure item for Victorian households. With increasing cost-of-living pressures, compliance with Victoria's energy rules is important to ensure that consumers get the value and service they expect.

The commission has legislative functions and powers to take enforcement action against energy businesses where they don't follow the energy rules.

Promoting compliance

We encourage energy businesses to engage in best practice approaches to compliance aimed at preventing customer harm.

We do this by:

- publishing guidelines
- conducting compliance reviews
- engaging regularly with energy businesses and community groups.

Enforcement activity 2025–26

- We commenced proceedings against ENGIE in the Supreme Court of Victoria. The proceedings relate to alleged failures to comply with obligations, including:
  - failing to assist customers experiencing financial difficulties
  - failing to provide family violence protections
  - failing to follow rules designed to prevent bill shock
  - collecting debts from customers receiving financial difficulty assistance.
- We issued 103 penalty notices to four energy retailers totalling $3.99 million.
- We accepted an enforceable undertaking from EnergyAustralia relating to obligations under the Payment Difficulty Framework. The undertaking included a remediation package for impacted customers consisting of credit or waived debt. This amounted to approximately $1.38 million.
- We finalised our monitoring of Jemena's enforceable undertaking for non-notification of a planned interruption. The undertaking concluded with confirmation from Jemena that it had implemented internal compliance uplift processes. Jemena also provided a formal final update report confirming customer and system remediation was complete.

11 https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer
12 https://www.esc.vic.gov.au/electricity-and-gas/victorian-energy-market-reporting-hub

Compliance projects

We completed the following compliance projects in 2025–26:

- Reminder and disconnection notices: a proactive compliance check to reduce the risk of wrongful disconnections and identify potential breaches. The findings will assist us to develop industry guidance and best-practice examples for energy retailers.
- Inclusion of the Energy and Water Ombudsman's contact details on customer bills: a desktop compliance review of retailers' bills. This was a recent change under stage 1 of our Energy Retail Code of Practice (ERCoP) reforms implemented on 1 February 2026. The findings will help us develop guidance for energy retailers.
- Inter-agency First Nations Initiatives Working Group established: we will coordinate quarterly meetings to strengthen regulated businesses' leadership and cultural capabilities when considering First Nations communities.
- Monitoring Victoria's emergency backstop mechanism: we engaged with electricity distributors to monitor compliance with obligations.

Engagement with business and community

In 2025–26, we engaged with energy businesses on more than 50 separate occasions to discuss compliance matters. We held 62 meetings with members of the community sector, government agencies, and the Energy and Water Ombudsman Victoria to address both longstanding and emerging issues.

Regulatory priorities: outcomes

This section outlines the Energy division's compliance and enforcement outcomes for each priority area.

1. Acting on practices that exacerbate cost-of-living pressures

We prioritised action against energy businesses' conduct that contributed to cost-of-living pressures.

Enforcement outcome – Guaranteed Service Level payments

In July 2025, Pacific Blue Retail Pty Ltd (trading as Tango Energy and Pacific Blue Retail) paid $961,550 for allegedly failing to credit 8,131 Guaranteed Service Level payments to 6,376 customers within 10 business days. The late payments to customers totalled $860,165, with some entitled to multiple payments totalling hundreds of dollars each.

Improving energy literacy for multicultural consumers

In July 2025, we partnered with Women's Health in the North to deliver energy workshops for multicultural women based in the northern metropolitan suburbs of Melbourne. The PowerUp Project aimed to improve energy literacy using the peer education model and test the potential for community engagement to generate intelligence to support our compliance and enforcement functions.

Eight peer-led workshops were delivered to 128 multicultural women from Arabic, Afghan, Nepalese, Indian and Pakistani backgrounds. The project concluded with a community engagement roadshow in October 2025, which was attended by over 60 participants and 9 service providers.

2. Holding businesses accountable when they fail to provide consumers experiencing vulnerability with fair and equitable access to essential services

We are committed to ensuring that Victorians experiencing vulnerability have fair and equitable access to the energy services we regulate.

Enforcement action against ENGIE

In June 2025, we received a systemic issue referral from the Energy and Water Ombudsman, Victoria regarding ENGIE (Victoria's fifth largest energy retailer). The referral raised concerns about ENGIE's approach to complaints handling, billing, and payment difficulty assistance. In response to the referral, we set up a taskforce to investigate ENGIE's alleged conduct.

In November 2025, we fined ENGIE $1,206,050 for allegedly failing to respond to customer complaints about billing issues in a timely manner. Our taskforce investigation identified alleged failures by ENGIE to review bills for 487 customers within the timeframes specified in its complaints policy. One customer waited for over a year to have their bill reviewed. Some impacted customers were also experiencing payment difficulties when they requested a bill review.

In March 2026, we commenced civil proceedings against ENGIE over allegations that it failed to provide hardship assistance and family violence protections to customers, as well as not complying with debt collection restrictions and rules designed to prevent bill shock.

Enforcement outcome – Payment Difficulty Framework matter

In October 2025, we accepted a court enforceable undertaking with EnergyAustralia Pty Ltd after it allegedly did not provide information about available assistance to at least 6,934 customers who had been recognised as having difficulty paying their bills. This likely led to customers missing out on concessions and grants they were eligible for, leading to further debt. The alleged conduct happened between 4 December 2019 and 9 August 2024.

EnergyAustralia agreed to provide a customer remediation package of approximately $1.2 million of credits and debt waivers, averaging an estimated $179 per affected customer.

Compliance reviews

In December 2024, we directed 1st Energy Pty Ltd, AGL Sales Pty Ltd, Alinta Energy Retail Sales Pty Ltd and Pacific Blue Retail Pty Ltd to nominate an independent reviewer to conduct a compliance review for the commission's approval. This compliance review was part of our proactive compliance program aimed at identifying potential or actual non-compliance with Victoria's Payment Difficulty Framework.

We found three areas for improvement: record keeping and training; enhancing systems and processes; and contacting customers and information sharing. The compliance reviews concluded in September 2025.

Fair and reasonable market study

Our study examined retailers' decision-making and customer-support processes to understand how these principle-based obligations operated in practice. We found that although retailers often identified and recorded customer circumstances, this information did not consistently influence decisions or outcomes. Our findings indicated shortcomings in the interpretation of what fair and reasonable means in the context of the code of practice, rather than gaps in the code of practice itself.

We have used insights from this market study to develop guidance for energy retailers that clarifies our expectations and sets out better practice examples for retailers to follow. This guidance will be published early in the 2026–27 financial year.

3. Deterring conduct that increases the likelihood and impact of harm to consumers affected by family violence

Energy businesses play a critical role in preventing and reducing the physical and financial harm that can arise when perpetrators misuse essential services.

Enforcement outcome – family violence matter

In October 2025, Momentum Energy Pty Ltd paid $764,380 in penalties after it allegedly disclosed or provided access to confidential information about three affected customers without consent, and failed to take reasonable steps to elicit an affected customer's preferred method of communication after it was disclosed that they were a victim-survivor of family violence.

Building capability through shared insights

We hosted a joint workshop with the Australian Energy Regulator to strengthen our collective approach to assessing and investigating family violence matters.

The workshop enabled energy regulators to:

- exchange insights from high-profile investigations
- discuss better practice approaches for minimising harm to customers affected by family violence
- explore ways to collaborate across jurisdictions and with other sector partners.

The workshop included a panel discussion with relevant community sector representatives from the Energy and Water Ombudsman, Victoria, Uniting Vic Tas and Thriving Communities Australia. Discussions focused on the importance of proactive compliance work, including education initiatives, to improve retailers' capability and understanding of their obligations under existing family violence frameworks.

4. Addressing conduct that compromises market integrity

We took action to address conduct that reduced consumer trust in the market.

Enforcement matter – best offer messages

In October 2025, EnergyAustralia Pty Ltd paid $1,066,986 for allegedly giving over 150,000 customers incorrect information about its best energy deal in communications about price changes. We alleged that EnergyAustralia informed customers they were on its best plan when it had cheaper energy plans available.

This denied customers the opportunity to switch to a cheaper plan and save money.

On average, affected customers could have saved approximately $56 per year by switching to EnergyAustralia's best offer.

5. Focusing on conduct impacting Victoria's First Nations people

We committed to building strong foundations and relationships with First Nations communities in Victoria to better understand the barriers they face in accessing energy services. Forming a genuine partnership with our First Nations communities is the first step towards addressing those barriers.

In March 2026, we commenced as Chair and secretariat of the Inter-Agency First Nations Initiative Group meeting. The group brings together energy regulators to build collective knowledge, strengthen leadership cultural capability and identify opportunities for cross-agency collaboration.

Facilitating Victorian energy market entry and exit

Between 1 July 2025 and 30 June 2026, we:

- issued 14 new energy licences:
  - 8 electricity generation licences
  - 1 electricity transmission licence
  - 4 electricity retail licences
  - 1 gas retail licence
- revoked 3 licences:
  - 3 gas retail licences, revoked by agreement
- transferred 3 licences:
  - 1 electricity generation licence
  - 1 electricity retail licence
  - 1 gas retail licence.

We also registered 812 electricity licence exemptions.

Assessing licence applications

When assessing licence applications, we must have regard to our objective to promote the long-term interests of Victorian consumers.

All initial licence and transfer applications are subject to public consultation. We continue to receive, consult and efficiently process licence applications, including for businesses that play a key role in Victoria's transition to net zero emissions.

In 2025–26, we licensed 8 new generation facilities with a total nameplate capacity of 1725.2 MW. Generation licence applications (from receipt to grant) were processed in 14 weeks (on average).

Electricity generation licence review

On 27 May 2026, the commission completed a review of all electricity generation licences. Eighty-five generation licences were varied by agreement to introduce standard generation licence conditions and to promote consistency across all generation licence conditions.

Standard licence conditions for electricity generation were consolidated into the 'Standard Electricity Licence Conditions for Electricity Generation', which is now a generation licence condition. This means that anyone who holds a licence to generate electricity in Victoria will now operate under a single set of standard licence conditions, instead of multiple individual conditions set out across existing licences. This reduces the time and effort needed to apply for and manage a licence.

Licensing applicants to sell electricity in embedded networks

In 2025–26, we granted three electricity retail licences to sell electricity to residential customers in embedded networks only. (Previously these businesses were exempt from holding a retail licence.) We consider this is a positive outcome for customers. Moving these customers under the licensing framework gives them greater protections.

Codes of practice reviews

New rules to help Victorians access affordable energy and stay connected

In September 2025, we finalised new retail energy rules to help households pay less for energy and enhance protections for energy consumers.

Notification of free dispute resolution services

Under the new rules, from 1 February 2026, retailers must include information about the Energy and Water Ombudsman Victoria on energy bills. This aims to increase Victorians' awareness of the independent and free dispute resolution services available.

Concession eligibility

From 1 July 2026, retailers must check if a customer is eligible for concessions at key times, and take all reasonable steps to ensure the customer receives it.

Avoiding 'loyalty tax'

To address the 'loyalty tax' issue, retailers must check yearly if customers on contracts older than four years are paying a reasonable price. If not, the retailer must lower their tariffs or switch them to a cheaper plan.

For all contracts, retailers must also limit all additional retail charges and conditional discounts related to a payment condition to reasonable costs.

Automatic switch to best offer

From 1 October 2026, retailers must automatically switch customers experiencing payment difficulty to their best offer. This applies to customers receiving assistance from their retailer, or who have been in debt for more than three months and owe more than $1,000.

Under the new rules, retailers must have an effective process for customers to switch to their best offer, and retailers cannot restrict plans to a specific payment method. For example, a retailer cannot restrict a customer's access to a plan by requiring them to pay by direct debit only.

Streamlining regulation

In 2025–26, we revoked three codes of practice, to streamline obligations and reduce unnecessary complexity for energy businesses.

Electricity Customer Metering Code of Practice and the Electricity Customer Transfer Code of Practice: revoked

In September 2025, we revoked the Electricity Customer Metering Code of Practice and the Electricity Customer Transfer Code of Practice. These codes were established more than twenty years ago. We reviewed the codes and found their obligations were outdated or duplicated in other instruments or under national energy rules.

Public Lighting Code: revoked

In November 2025, we made a final decision to revoke the Public Lighting Code. The code governs how electricity distributors provide public lighting services, setting standards and processes to support its delivery. Key rules included how electricity distributors connect and work with public lighting customers, like councils and VicRoads. However, we found that most of these obligations were duplicated in national and other Victorian regulations. We retained some key obligations and transferred them to the Electricity Distribution Code of Practice.

Energy Retail Code of Practice: changes

In March 2026, we published a consultation paper to seek stakeholder feedback to inform further amendments to the Energy Retail Code of Practice. In September 2026, we will release a draft decision paper to seek feedback on proposed amendments that will focus on targeted reforms to clarify the regulatory framework and reduce regulatory burden while maintaining strong consumer protections.

Better protections for life support customers in Victoria

In 2025–26, we conducted a review of Victoria's life support framework to increase the accuracy of life support registers and enable more efficient relief activities during prolonged power outages. We considered recent government reviews, which found that life support customers' information was inaccurate and out of date.

Under the life support framework, energy retailers and distributors must maintain a register of life support customers. Customers in the register cannot be disconnected for non-payment. During prolonged power outages, life support customer information is shared with emergency agencies to enable welfare checks.

We worked closely with the Australian Energy Market Commission to co-design a consistent approach to life support frameworks across jurisdictions nationally.

Changes to the life support rules

We released our draft decision in March 2026 for public consultation, which proposed:

- introducing a new life-threatening flag and requiring retailers to record a customer's life support equipment – this aims to help emergency agencies to better triage life support customers
- clarifying roles and accountability for life support processes, by requiring retailers to maintain life support registers
- requiring retailers to remove a customer from the register if requested by the customer or if life support is no longer required at the premises
- requiring retailers to check-in with life support customers annually. This is to keep their information up to date, confirm if they still need protections, and follow up on outstanding medical confirmation
- enabling customers to nominate a secondary contact to receive life support and emergency notifications.

We have proposed the new rules to come into effect from December 2027.

Victorian Default Offer

The Victorian Default Offer (VDO) is a cornerstone of the commission's commitment to ensuring accessible, fair and transparent electricity pricing for Victorian consumers.

Introduced as a safeguard for households and small businesses, the VDO sets a regulated electricity price independent of energy retailers' commercial strategies.

The VDO provides a standardised electricity offer available to all Victorian households and small businesses – particularly helping those who are unable or unwilling to take part in the competitive energy market. It offers:

- a consistent reference price for electricity usage
- protection against excessive retail charges
- a simplified comparison for evaluating market offers.

Retailers must make the VDO available to existing customers upon request. Additionally, it serves as a benchmark for retailers to display discounts on their market-based contracts.

Each year, the commission decides the Victorian Default Offer using current data and extensive stakeholder consultation.

The annual assessment includes:

- review of the efficient costs associated with electricity provision by retailers
- engagement with industry, consumer advocates and regulatory bodies
- economic modelling and analysis of market trends.

This rigorous process ensures the VDO reflects the efficient cost of electricity supply while supporting market transparency.

The VDO currently protects customers within embedded networks – such as apartment buildings and commercial complexes – as a regulated maximum price, rather than a standard offer.

While the VDO is not necessarily the cheapest offer, its role as a reference price helps consumers compare electricity tariff options. This contributes to enhanced consumer awareness, customer switching decisions and retail competition.

The VDO continues to promote integrity and fairness in the electricity market, supporting the long-term goal of a well-functioning energy sector that serves all Victorians.

Lower Victorian Default Offer prices

From 1 July 2026, the average amount Victorian Default Offer domestic customers pay for their electricity across the five electricity distribution zones is an $84 (five per cent) lower than 2025–26. For small business customers, the average across the five zones is a $241 (six per cent) decrease compared to last year.

In formulating the final decision, we considered feedback from stakeholders, new and updated market data, and the Australian Energy Regulator's approved network tariffs for 2026–27. This included the introduction of a three-part time of use tariff for residential customers, shifting from a two-part which has been in place in the VDO since 2021.

The decrease in average annual VDO bills in 2026–27 compared to 2025–26 is driven by lower environmental, network and wholesale electricity costs. All other costs remained relatively stable.

Figure 1: Change in cost components of the average Victorian Default Offer annual bill for domestic customers (annual usage of 4,000 kWh)

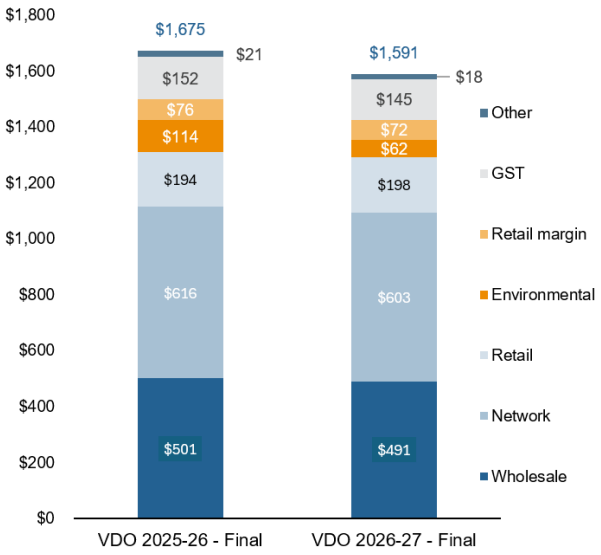
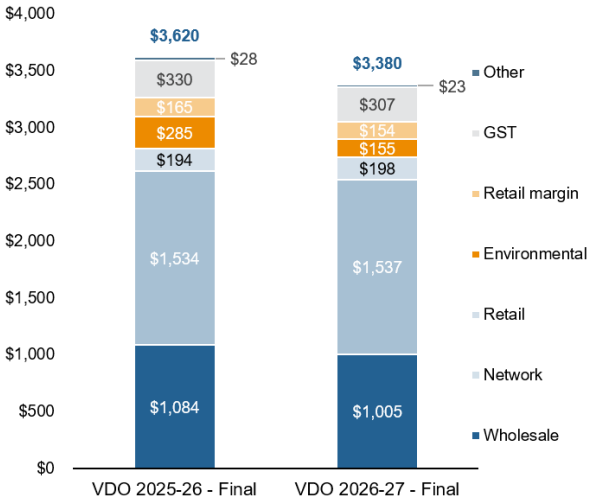


Figure 2: Change in cost components of the average Victorian Default Offer annual bill for small business customers (annual usage of 10,000 kWh)



Midday Power Saver advice

On 10 November 2025, we received a request from the Minister for Energy and Resources to seek views on the suitability and safeguards for a regulated electricity offer that provided a free usage period in the middle of the day. We collected views through our Request for Comment Paper on the 2026–27 Victorian Default Offer. We then received a letter from the minister on 16 March requesting tariffs and advice for a Midday Power Saver offer to apply from 1 October 2026.

On 22 May 2026, we provided advice to the Minister for Energy and Resources in the form of a letter, schedule of tariffs and Technical Paper for the electricity industry. These materials included our tariff design approach, recommended tariffs, and advice on consumer protections to apply to a Midday Power Saver offer. This advice is for the minister to consider in making an Order by the Governor in Council under section 13(1) of the *Electricity Industry Act 2000*.

Feed-in tariff determination

From 1 July 2025, the Essential Services Commission no longer sets minimum feed-in tariffs, following an amendment to the Electricity Industry Act. We have not set a minimum feed-in tariff for 2025–26 or 2026–27 as this is no longer our role. Electricity retailers now set their own feed-in tariffs. However, retailers cannot set a rate below zero ($0.00) cents per kWh.

Water

We conduct price reviews, monitor and report on the performance of the water sector.

We also specify the standards and conditions of service that Victorian water businesses must meet.

Our year in review

Preparing for the 2028 water price review

As part of our PREMO (Performance, Risk, Engagement, Management and Outcomes) improvement project, we engaged with water businesses, including boards, executive and regulatory teams, to deepen their understanding of the regulatory framework. We also reviewed our processes and guidance in preparation for the 2028 water price review.

As part of our PREMO improvement project we:

- presented at a VicWater forum on preparing for the 2028 water price review
- held a forum with water business managing directors
- released an updated *Information for Board Members* paper in April 2026.

We published our *Directions paper: Preparing for the 2028 Price Review* in April 2026. The paper provides water businesses early direction regarding our priorities for the water sector and requirements for the 2028 water price review. This includes how we will review and monitor water businesses' performance during the current regulatory period and advice on longer-term themes and regulatory priorities for the water sector.

Varying a price determination

We published *Guideline 3 (2025): Varying a Price Determination (Re-opening)* in September 2025. Guideline 3:

- provides guidance on the circumstances in which a price determination may be varied
- outlines the process for varying a determination, including how a water business may apply to the commission to vary its price determination (via a re-opening of the determination)
- sets out our expectations of a water business when making an application.

New Customer Contributions

We released our *New Customer Contributions Framework*[13] in January 2026. The framework sets out our approach to strengthening the operation, transparency, and governance of new customer contributions across the Victorian water sector. It supports water businesses, as they prepare price submissions, in setting and administering new customer contributions. It also helps businesses and connecting parties understand how we expect the framework to be applied in practice.

Water price reviews

We completed price reviews for North East Water and Melbourne Water, approving how much each business can charge customers for water and sewerage services over the next five years, starting 1 July 2026.

The typical household water and sewerage bill for North East Water's owner-occupier customers will increase by about 9.9 per cent (around $109 during 2026–27) and by around 5.4 per cent or about $70 on average (excluding inflation and price adjustments) from 2027–28. The typical household bill for renters will increase by around 6.3 per cent or $32 in 2026–27 and by around 1.8 per cent or $10 on average (excluding inflation and price adjustments) from 2027–28.

The final decision allows North East Water to invest $280 million in continuing to provide safe and clean drinking water and reliable sewerage treatment, and supports the long-term planning and infrastructure needed to deliver the essential services customers rely on now and into the future.

Our final decision on Melbourne Water allows for it to spend approximately $10 billion over the next five years to support the continued delivery of safe drinking water, sewerage and waterways and drainage services.

13 https://www.esc.vic.gov.au/water/industry-standards-codes-and-guidelines/review-new-customer-contributions

It allows for Melbourne Water to invest $7.3 billion in infrastructure such as upgrades to water, sewerage and drainage infrastructure to support population growth and maintain reliable services. This is a $2.9 billion (51 per cent) increase in infrastructure spending compared with the previous five-year period.

Water tariff approvals

We approved the 2026–27 tariffs for 16 Victorian water businesses, verifying that they were consistent with their price determinations.

In 2026–27, typical household water and sewerage bills (for owner-occupier households) will rise on average by around:

- $73 (7 per cent) in metropolitan Melbourne
- $68 (5 per cent) in regional Victoria.

The new prices came into effect 1 July 2026.

Strengthened protections for customers

To improve support for customers affected by family violence, we updated our *Better Practice in Responding to Family Violence Handbook* in September 2025.

The updated handbook includes:

- lived experience insights focused on customer needs and experiences
- information on how businesses can design their systems and services for improved customer safety
- new business case studies
- a resource list to support businesses to develop their family violence response.

Promoting compliance

We continue to promote water businesses compliance with the Water Industry Standards in order to prevent and minimise customer harm.

We also monitor water business self-reporting of any potential and actual non-compliance with the standards.

Family violence protections

Following the release of the *Better Practice in Responding to Family Violence Handbook*, we wrote to Victorian water businesses to remind them about their obligations to self-report, and in relation to customers who are affected by family violence. In particular, we reminded them of their obligation to ensure the secure handling of customer information.

Centrepay overcharges

In March 2026, we requested that Victorian water businesses review their closed accounts for any Centrepay overcharges. They were also asked to identify their Centrepay overcharges obligations in the Water Industry Standards.

Through this process, we were able to verify that all water businesses have measures in place to avoid collecting or retaining customer payments made on closed accounts.

Billing system upgrades

Water businesses routinely upgrade billing systems and customer management systems. We meet regularly with water businesses as they prepare for and deliver these upgrades. We use these meetings to ensure systems are fully compliant and to remind water businesses of their self-reporting obligations.

Enforcement activity

In November 2025, we accepted a court enforceable undertaking from Greater Western Water following billing system failures and delayed billing, requiring Greater Western Water to deliver a $130 million customer remediation package. In addition to writing off charges and applying credits to bills, Greater Western Water was ordered to give customers more time to pay and offer flexible payment plans and hardship grants. We continue to closely monitor Greater Western Water's compliance with this undertaking.

Reporting on customer outcomes

Commitments to customers

We published our *Outcomes Report 2024–25* in October 2025. The report considers the self-assessed performance of Victoria's water businesses against their commitments to customers.

The report covered the period from 1 July 2024 to 30 June 2025. There are clear variations in how businesses rate themselves and demonstrate accountability for their own performance.

Ten water businesses reported they had overall 'met' or delivered on their outcome commitments to customers in 2024–25, one more than last year. The remaining businesses reported they had overall 'almost' or 'mostly' met their outcome commitments.

Performance reporting

We published our *Water Performance Report 2024–25* in December 2025. The report compares Victoria's water businesses across common indicators of service and performance. We found that Victorian water customers continued to be impacted by cost-of-living pressures in 2024–25, while facing drier conditions across much of the state. Support for customers experiencing financial hardship increased significantly.

We updated our interactive performance dashboard to accompany the performance report. The dashboard allows customers to easily view and compare their water business's performance across a range of key indicators.

We continued to release quarterly snapshots of results from our survey of water customers on the performance of their water business. Across the measures of satisfaction, value for money, trust, and reputation, average ratings remained relatively steady over 2025–26.

Local government

We administer the application process for higher council rate caps and produce compliance reports. We also conduct inquiries and reviews to promote sustainable outcomes for councils and the Victorian community.

Our year in review

Monitoring rate cap compliance

Rate capping limits the amount Victorian councils can increase their average rates by each year. We monitor councils' compliance with rate caps yearly, based on data provided by the councils.

The Minister for Local Government set the average rate cap at 3.00 per cent for the 2025–26 rating year. Two councils – Hepburn Shire Council and Indigo Shire Council – had approved higher caps in place following our consideration and approval of their applications in May 2025.

In 2025–26, 77 of 79 councils complied with the average rate cap (or approved higher caps).

Two councils were non-compliant:

- Alpine Shire Council was materially non-compliant with an average rate increase of 3.96 per cent.
- Hindmarsh Shire Council was immaterially non-compliant with an average rate increase of 3.05 per cent.

We asked both councils to explain the reason for non-compliance and identify the actions they would take to rectify and prevent non-compliance in the future. Both councils committed to rectifying the non-compliance when issuing rate notices for 2026–27.

Higher rate cap applications

We assess higher rate caps proposed by councils. In 2025–26, we received one application from Glen Eira City Council seeking a higher rate cap for the 2026–27 financial year.

We approved Glen Eira City Council's application for a higher rate cap of 5 per cent (2.25 percentage points above the 2.75 per cent cap set by the minister for 2026–27). Our decision was guided by the legislative criteria and the objectives of the Fair Go Rates system. We considered whether the proposal promoted the long-term interests of ratepayers and supported the council's capacity to deliver services and infrastructure.

Glen Eira City Council's application showed the council needs additional revenue to improve its long-term financial stability and ensure it can continue providing the services expected by its community.

Advice to the minister

The commission provided the following advice to the Minister for Local Government in 2025–26:

- November 2025: advice on the rate cap for 2026–27.
- December 2025: submission on the draft Ministerial Guidelines for councils relating to the payment of rates and charges. Our submission to the Department of Government Services' consultation identified areas where the draft guidelines could be further strengthened to better facilitate effective and consistent practice in the sector.

Changes to our local government role

In 2025–26, two of our roles in the local government sector were removed and will no longer be undertaken:

- Rate cap advice: we previously provided advice to the minister each year to assist in setting the average rate cap for councils. Our advice for 2026–27 will be the final rate cap advice.
- Local Government Outcomes Report: we previously reported every two years on the impact of rate capping in Victoria, with a focus on identifying emerging trends across the local government sector. Our 2025 report (covering 2022–24) will be the final Outcomes Report.

Transport

Our economic regulation responsibilities for 2025–26 included roles relating to the Port of Melbourne, commercial passenger vehicles charges and accident towing fees.

We undertake inquiries into the Port of Melbourne's compliance with the *Port Management Act 1995* and Pricing Orders made under that Act, and annually assess its wharfage charges for compliance with the Pricing Orders.

Every two years, we set maximum unbooked taxi fares in metropolitan Melbourne and Geelong, Ballarat and Bendigo, and debit, credit and charge card payment surcharges for all taxi trips.

From 2026–27, these roles will be changing. We will no longer have a role in regulating commercial passenger vehicles and providing advice on accident towing fees. Our transport work will continue to focus on our responsibilities related to the Port of Melbourne.

Our year in review

Taxi fares

On 1 September 2025, we released our final update for maximum unbooked taxi fares. We applied the fare adjustment mechanism from the 2024 maximum unbooked determination, which was to increase standard charges by 2.8 per cent and higher occupancy charges by 2.6 per cent.

The new maximum fares took effect from 23 September 2025, adding $0.47 for a three-kilometre trip or $1.70 from Melbourne's central business district to the Melbourne International Airport.

Booked taxi trips and rideshare service are not covered by the maximum fares.

Port of Melbourne

On 30 May 2025, the Port of Melbourne submitted its annual Tariff Compliance Statement for 2025–26. We provided a brief commentary on this on 5 September, noting the Port had adjusted its prices in accordance with the constraints set in the Pricing Order. On 1 July, we formally commenced our five-yearly inquiry of the Port's compliance with the Pricing Order for the period 2021–26, and this inquiry will continue for the remainder of 2026.

On 25 June 2026, separate amendments were made to the Pricing Order under the Port Management Act.

The amendments provide the commission with a new role in approving expenditure allowances and associated price adjustments for the Port of Melbourne's large capacity expansion projects.

Victorian Energy Upgrades

The Victorian Energy Upgrades (VEU) program helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient products and services. The program also encourages investment, employment and innovation in the industries that supply these products and services.

We administer the VEU program, and regulate the creation of certificates, program participants and products.

Victorian energy efficiency certificates

Victorian energy efficiency certificates (VEECs) are electronic certificates that are created when energy efficiency upgrades are undertaken in Victorian homes and businesses under the VEU program. The number of VEECs that may be created by an accredited person and the corresponding greenhouse gas abatement this represents is set out in the *Victorian Energy Efficiency Target Act 2007*, Victorian Energy Efficiency Target Regulations and VEU Specifications. VEECs are sold to energy retailers who have a liability based on the level of greenhouse gas emissions generated by their sales of electricity or gas.

Our year in review

Reducing emissions and energy costs in Victoria

The VEU program registered around 6.4 million VEECs in 2025–26.

These VEECs were generated through almost 175,000 upgrades across more than 163,000 households and almost 12,000 businesses. Although there were fewer upgrades than in 2024–25, each upgrade generated a higher average number of VEECs, driven by growth in space heating and cooling.

Consumer protections and program integrity

We strengthened program integrity and consumer protections in 2025–26 through compliance monitoring, audits, consumer surveys and targeted enforcement.

Expanding electrification

We continued to work with the Department of Energy, Environment and Climate Action to support the uptake of new and emerging electrification activities under the VEU program. This included introducing commercial and industrial solar PV system upgrades, streamlining project-based activity methods, and amending commercial and industrial heat pump water heater upgrades.

Preparing for insulation

We worked with the Department of Energy, Environment and Climate Action and partner regulators to prepare for the introduction of insulation activities under the VEU program. This included developing governance arrangements, regulatory settings and inspection programs to manage safety, quality and integrity risks.

Implementing future reforms

In 2025–26, we began implementing reforms arising from the *Victorian Energy Efficiency Target Amendment (Energy Upgrades for the Future) Act 2025.* The reforms support the continued operation of the VEU program to 2045 and strengthen program administration and compliance activities.

We provided advice to the Department of Energy, Environment and Climate Action on the Victorian Energy Upgrades Strategic Review reforms, introduced into parliament in June 2026 through the Energy and Resources Legislation Amendment (VEET Strategic Review and Other Matters) Bill 2026. We supported development of the legislative amendments and advised on implementation impacts.

Improving the VEU Registry

We continued to improve the VEU Registry following its introduction in June 2025, with a focus on stability, usability and efficiency. We also progressed the transition from legacy systems and implemented process improvements to support future program delivery.

Engaging with industry

We established the VEU Industry Reference Group in December 2025 to strengthen industry engagement, program delivery and consumer outcomes. The group provides a forum for industry participants to test ideas, provide feedback and inform future improvements to the program.

We held three quarterly meetings in 2025–26, supported by three sub-working group meetings focused on priority reform areas for 2026–27.

Responding to complaints

We received 1,203 program-related complaints in 2025–26, a 7.2 per cent decrease from 2024–25. Space heating and cooling products remained the main source of complaints.

Complaint volumes increased in some cases where accredited persons entered insolvency. We worked closely with the Department of Energy, Environment and Climate Action and other regulators to respond to complaints and ensure dispute resolution obligations were met.

Delivering our regulatory services

In 2025–26, we assessed 266 applications for accreditation or renewal and 64 applications for variation, imposing conditions on 80 applicants to better manage compliance risks. We approved more than 45,000 energy efficient products for installation under the program. This included over 44,000 double glazing products in collaboration with the Australian Glass and Window Association via its Window Energy Rating Scheme.

We completed more than 12,025 substantive desktop compliance reviews to validate the creation of more than 1 million VEECs, representing around 16 per cent of certificates created during the year.

Where non-compliance could not be remedied, certificates were withdrawn or referred for potential compliance and enforcement action.

We also reviewed a random sample of activity claims, including supporting evidence and consumer contact, to test compliance with program requirements. Of the activities reviewed, 91 per cent were found to be compliant at the time of assessment (note that accredited persons may subsequently provide further information to demonstrate compliance following this initial assessment).

We issued 112 assurance audit notices to accredited persons during the year. These audits assess a sample of an accredited person's upgrades as well as its systems and processes, present the findings and make recommendations for corrective and preventive actions. We required six accredited persons to undertake compliance audits in response to identified compliance issues.

We improved product assessment processes in 2025–26, resulting in faster assessments and greater product choice for consumers. Risk-based process reviews for project-based activity assessments also supported the approval of 9 per cent more applications in 2025–26 compared to 2024–25.

VEEC surrenders for 2024 compliance year

Twenty-nine energy retailers met their VEEC surrender liability for the 2024 compliance year (1 January to 31 December 2024). This represents 99 per cent of the total VEECs required across all retailers. One energy retailer paid shortfall penalties totalling over $3.4 million for failing to surrender sufficient certificates to meet its 2024 liability.

Energy retailer	Penalty paid
Iberdrola Australia Energy Markets Pty Ltd (trading as Iberdrola Energy)	$3,440,250

We extended the submission date for energy retailers' Annual Energy Acquisition Statements for the 2024 calendar year from 30 April 2025 to 30 June 2025.

A penalty notice was issued to Iberdrola Australia Energy Markets Pty Ltd on 31 October 2025 for a shortfall penalty. The infringement was paid on 5 November 2025.

Safeguarding the integrity of the Victorian Energy Upgrades program

Our 2025–26 compliance and enforcement work focused on four key program risks:

- falsified activities
- baseline manipulation
- code of conduct breaches, including telemarketing and doorknocking
- co-payment breaches.

We addressed these risks through compliance assessments, inspections, consumer verification calls, data analysis and targeted enforcement action across the VEU program.

Falsified activities

We targeted falsified activity risks through compliance assessments and inspections across residential and commercial heat pump hot water system installations; space heating and cooling; and non-building-based lighting activities.

Our Fraud Taskforce conducted desktop, phone and site inspections targeting high-risk activities and operators.

Baseline manipulation

We used consumer phone and email checks, data analysis and data matching to monitor compliance with requirements to accurately record the type and number of products being replaced.

Code of conduct breaches

We continued to monitor compliance with the telemarketing and doorknocking bans, including through consumer verification calls. In response to proactive compliance work, consumer complaints and industry tip-offs, we took enforcement action against a range of accredited persons.

Co-payment breaches

We monitored compliance with co-payment requirements through desktop and phone-based assessments.

We also took enforcement action where certificates were created without the required co-payment being paid, or where co-payments were reimbursed to consumers.

Section 5: Our organisation

Corporate governance

The commission was established by the *Essential Services Commission Act 2001* to perform its regulatory and advisory functions to promote the long-term interests of Victorian consumers.

Protecting Victorian consumers

We perform functions under a range of legislation. The Minister for Finance is the responsible minister for the commission.

The Essential Services Commission Act requires us to:

- perform functions as required by legislation
- provide advice and recommendations to the Minister for Finance on matters relating to economic regulation and regulated industries
- conduct inquiries (at the request of the Minister for Finance) into any systemic reliability of supply issues related to a regulated industry or other essential service
- conduct inquiries and report on matters relating to regulated industries
- conduct public education programs for the purposes of promoting our objectives and in relation to significant changes in the regulation of a regulated industry.

In seeking to achieve our objectives, we must have regard to the following matters to the extent they are relevant in any particular case:

- efficiency in regulated industries and incentives for long-term investment
- the financial viability of the industry
- competition within the industry
- relevant health, safety, environmental and social legislation applying to the industry
- benefits and costs of regulation for consumers and users of products or services (including low-income and consumers experiencing vulnerability) and regulated entities
- consistency in regulation between states and on a national basis
- any other matters specified in the empowering instrument (s 8A(1)(g) of the Essential Services Commission Act).

Exercising our statutory functions and powers

We use a formal process to exercise our functions and powers. These include:

- developing reports on how markets operate
- delivering price determinations, compliance assessments and audits
- taking enforcement action when required.

We also administer the Victorian Energy Upgrades program and consider higher rate cap applications from councils.

Consultation and engagement

We consult with our stakeholders on our work through formal submission processes, workshops, public forums and other engagement activities.

Legislation

In addition to the Essential Services Commission Act, the functions and powers of the commission are also set out in other legislation, including the:

- *Accident Towing Services Act 2007*
- *Electricity Industry Act 2000*
- *Gas Industry Act 2000*
- *Local Government Act 1989*
- *National Electricity (Victoria) Act 2005*
- *National Gas (Victoria) Act 2008*
- *Port Management Act 1995*
- *Victorian Energy Efficiency Target Act 2007*
- *Water Act 1989*
- *Water Industry Act 1994*.

Our commission oversees organisational governance

Our commissioners meet regularly as the responsible body to deal with organisational governance. Their focus is to:

- set and monitor the organisation's overall strategic direction
- oversee delivery of services, achievement of objectives and overall performance
- monitor financial performance and financial governance arrangements
- ensure compliance with statutory frameworks and integrity requirements.

Managing risk and maintaining integrity

The Audit and Risk Committee assists the commission to fulfil its responsibilities in line with the requirements of the Standing Directions under the *Financial Management Act 1994*. The committee's main responsibilities are:

- financial management and reporting
- systems of risk oversight and management, including workplace safety and wellbeing, and technology
- integrity management
- internal and external audit activities
- compliance with relevant laws and policies
- business continuity.

During 2025–26, the committee comprised the following members at various times:

- Peter Lewinsky, external member and committee chair
- Michelle Beveridge, external member
- Elly Patira, commissioner
- Paul White, external member and committee chair
- Jess Young, commissioner
- Mary Robinson, external member.

RSM Australia provided our internal audit services in 2025–26.

Our memorandums of understanding help improve outcomes

We enter into memorandums of understanding with Victorian Government agencies and other organisations with which we have important working relationships.

These arrangements support effective communication, information sharing and regulatory processes and help reduce unnecessary duplication.

We held memorandums of understanding with the following organisations in 2025–26:

- Australian Energy Regulator
- Consumer Affairs Victoria
- Energy and Water Ombudsman (Victoria) Limited
- Energy Safe Victoria
- Solar Victoria, Department of Energy, Environment and Climate Action
- Sustainability Victoria.

Essential Services Commission Financial Management Compliance Attestation Statement

I, Gerard Brody, on behalf of the Responsible Body, certify that the Essential Services Commission has no Material Compliance Deficiency in respect to the applicable Standing Directions issued under the *Financial Management Act 1994* and the associated Instructions for the 2025–26 financial year.



Gerard Brody
Chairperson

Our people

As of 30 June 2026, we had 243 people working at the commission: 126 women,116 men and 1 self-described employee.

Our organisation grew by 3.4 per cent in 2025–26.

Figure 3: Our workforce breakdown

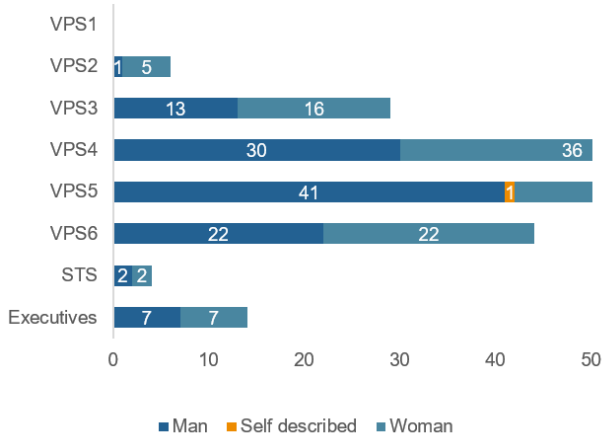
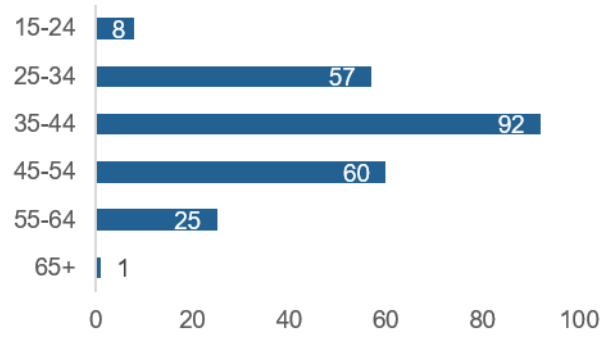


Figure 4: Our age demographic



People Strategy 2025–29

Our *People Strategy 2025–29* establishes a clear framework to attract, develop and support our people, strengthen organisational capability and foster a positive workplace culture. The strategy is structured around four pillars: workforce adaptability, belonging, leading what matters, and performance excellence. We progressed a range of initiatives across each pillar in 2025–26. Most planned activities were completed or were on track at 30 June 2026.

Workforce adaptability

We focused on building a more agile and adaptable workforce by strengthening internal mobility, capability development and opportunities for employees to broaden their experience.

During 2025–26, we:

- formalised internal expression of interest and higher duties processes
- updated internal movement arrangements
- incorporated short-term opportunities into recruitment guidance and manager training.

These initiatives have supported greater workforce mobility and provided employees with opportunities to develop new skills and experience through temporary roles and cross-divisional work.

We also partnered with the Department of Treasury and Finance to pilot a secondment exchange program, providing opportunities for employees to broaden their experience and professional networks through work in another organisation.

Belonging

Psychosocial safety

A psychosocial safety review was completed to establish baseline data. We commenced work with divisions to identify psychosocial risks, safety priorities and improvement opportunities. This provides a foundation for future initiatives that support employee wellbeing and workplace culture.

Diversity, equity and inclusion

We continued to strengthen diversity, equity and inclusion across the organisation. Our Diversity, Equity and Inclusion Working Group continued to work throughout 2025–26 to prioritise initiatives and events reflecting the diversity of our workforce.

The commission recognised a range of days of significance during 2025–26, representing the diversity of our workforce. This included Global Accessibility Awareness Day, Human Rights Day, the International Day Against Homophobia, Biphobia and Transphobia, the International Day for the Elimination of Violence Against Women, the International Day of People with Disability, Lunar New Year, International Women's Day, NAIDOC Week, National Coming Out Day, Reconciliation Week and Wear it Purple Day.

These employee-led events, coordinated by our inclusion networks, provided opportunities for connection, advocacy and shared learning across the organisation.

Gender equity

We consulted with staff to develop and submit our 2025–29 Gender Equality Action plan to the Commission for Gender Equality in the Public Sector.

At 30 June 2026, our workforce comprised 126 women, 116 men and one employee who self-described their gender.

Women represented 51 per cent of all recruitment appointments in this reporting period.

Leading what matters

We commenced our Senior Leadership Program for commissioners, the Chief Executive Officer and Executive Directors. The program is designed to foster a cohesive and strategically aligned senior leadership team, strengthen leadership capability and support leaders to effectively deliver organisational priorities.

This work forms part of a broader commitment to establish clear leadership expectations and consistent development pathways across the organisation.

Performance excellence

During 2025–26, we strengthened management capability and embedded more consistent approaches to recruitment, performance and development.

We updated our Manager Essentials program to support people managers in building core leadership and management capabilities. Training topics included effective recruitment, performance management, inclusive leadership and leading a neurodiverse workforce.

We also further integrated the Victorian Public Sector Capability Framework into key people processes. The framework is now reflected in position descriptions, recruitment tools, interview resources and performance development planning. This strengthens alignment between capability, development and performance expectations across the commission.

Learning and development

We continued to invest in the capability and professional development of our workforce through a range of internal and externally facilitated learning opportunities.

In addition to commencing the Senior Leadership Program and enhancing Manager Essentials, we continued our partnership with the Victorian Planning Authority, Sustainability Victoria and Infrastructure Victoria to provide an interagency mentoring program.

The mentoring program provided opportunities for knowledge sharing, professional development and connection with VPS colleagues. Employees were supported to develop their skills through a range of training opportunities, including brief-writing programs, introductory government training and on-demand learning through LinkedIn Learning.

VicGov Learning

We transitioned to VicGov Learning, a new learning management system integrated with our new Human Resource Information System. This streamlined learning administration and the user experience.

To support the development of our own eLearning content, we procured an eLearning content creation tool. We began publishing internally developed content, including new induction and compliance training modules.

Workforce planning and recruitment

The People and Culture team supported a high volume of recruitment across the commission during 2025–26, with a strong focus on attraction, selection and workforce mobility.

We continued to deliver our in-house recruitment training for hiring managers to strengthen capability in conducting fair, objective and merit-based recruitment processes.

We also supported the organisation-wide transition to the Victorian Government's new VicGov People system by delivering training, updating guidance materials and providing tailored support to managers throughout the implementation period. Our recruitment training supports managers to conduct fair and objective selection processes, identify suitable candidates and comply with relevant policies and procedures.

The continued use of short-term opportunities, higher duties arrangements and internal expression of interest processes provided employees with valuable development opportunities while supporting organisational flexibility and capability growth.

Graduate program and internships

We remained committed to developing future talent through participation in the Victorian Public Service Graduate Program and university internship programs.

The commission hosted 12 rotating graduates across the organisation in 2025–26 and recruited one graduate for the 2026 intake.

Graduates were provided with opportunities to broaden their understanding of government through learning activities, networking opportunities and visits to key Victorian public sector institutions. We also continued to support university internship programs, providing early-career development opportunities and pathways into the public sector.

Health and safety

Health, Safety and Wellbeing Committee

The Health, Safety and Wellbeing Committee met four times during 2025–26. Attendees included health and safety representatives, members of our People and Culture team, a wellbeing representative and a member of our facilities team. The committee supports health, safety and wellbeing across the organisation.

Key activities included conducting regular workplace inspections, promoting relevant initiatives within their designated work groups, and consulting on health, safety and wellbeing related matters and improvements. In addition, the committee played an important role in supporting the implementation of the Occupational Health and Safety (Psychological Health) Regulations 2025 by providing feedback from their designated work groups and assisting with the identification of psychosocial hazards and risks.

Following the introduction of the Occupational Health and Safety (Psychological Health) Regulations 2025 in December 2025, we updated our Health, Safety and Wellbeing Policy and associated procedures to reference the new regulatory requirements.

Incident management

During 2025–26, there were five hazards, incidents or near misses reported. Each was investigated and appropriate responses were implemented to address identified issues and support the employees involved.

The following table shows the WorkCover claims accepted in the last three financial years.

Claim no.	Financial year	Lost time	Actual costs incurred since lodgement	Estimated future costs
1	2023–24	Yes	$74,311	$122,282
2	2024–25	Yes	$59,553	$48,467
3	2024–25	No	$5,557	$6,679
4	2025–26	Yes	$101,169	$52,474

There was one new accepted WorkCover claim in 2025–26. No claims were for notifiable incidents.

The cost of claims accepted in 2025–26 is $153,643. The average cost per claim for the above table is $117,623. (This figure includes payments to date and an estimate of outstanding claim costs as advised by WorkSafe.)

Employee relations

We are committed to ensuring that employee relations matters are treated fairly and that employees are aware of our grievance processes. No employee time was lost in 2025–26 due to industrial disputes.

Informal disputes are handled with discretion, with external mediators engaged where appropriate.

Employment and conduct principles

We are committed to applying merit and equity principles when we appoint employees.

Our selection processes ensure that applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other requirements of the role.

We have correctly classified our employees in workforce data collections.

Workforce data

The following table reconciles executive numbers presented in the report of operations with Note 7.2 ‘Remuneration of executives’ in the financial statements.

		2026	2025
	Executives (financial statement Note 7.2)	15	14
	Accountable Officer (Chief Executive Officer)	1	1
Less	Separations	(2)	(2)
	Total executive numbers at 30 June	14	13

The following table shows the head count and full-time staff equivalent (FTE) of all active employees of the commission employed in the last full pay period in June 2026.

	All employees		Ongoing			Fixed term and casual	
June 2026	Number	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Women	126	117.1	89	27	108.0	10	9.1
Men	116	114.9	96	6	101.1	14	13.8
Self-described	1	0.8	0	1	0.8	0	0
Age							
15–24	8	7.4	7	0	7.0	1	0.4
25–34	57	55.9	45	3	46.9	9	9.0
35–44	92	86.3	61	20	75.5	11	10.8
45–54	60	58.6	51	7	56.6	2	2.0
55–64	25	24.0	21	3	22.3	1	0.7
65+	1	0.6	0	1	0.6	0	0
VPS 1–6 Grade**	**225**	**215.8**	**170**	**32**	**193.6**	**23**	**22.2**
VPS 1	0	0.0	0	0	0	0	0
VPS 2	6	5.3	3	1	3.9	2	1.4
VPS 3	29	28.4	26	2	27.4	1	1.0
VPS 4	66	65.4	55	2	56.4	9	9.0
VPS 5	80	74.3	54	18	66.5	8	7.8
VPS 6	44	42.4	32	9	39.4	3	3.0
Senior employees	**18**	**16.9**	**15**	**2**	**16.2**	**1**	**0.7**
STS***	4	3.7	3	0	3.0	1	0.7
Executives	14	13.2	12	2	13.2	0	0.0
Other							
Total employees	**243**	**232.8**	**185**	**34**	**209.9**	**24**	**22.9**

* FTE = full-time equivalent, **VPS = Victorian Public Service; ***STS = Senior technical specialist

This data excludes our commissioners and chairperson.

(These figures also exclude two employees: one employee on secondment who is paid by the secondment employer, and one employee on parental leave.)

The following table shows the head count and full-time staff equivalent (FTE) of all active employees of the commission employed in the last full pay period in June 2025.

	All employees		Ongoing			Fixed term and casual	
June 2025	Number	FTE*	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Women	122	114.5	86	25	103.8	11	10.7
Men	112	111.0	93	3	95.4	16	15.6
Self-described	1	1.0	1	0	1.0	0	0
Age							
15–24	15	15.0	13	0	13.0	2	2.0
25–34	51	50.0	41	3	43.0	7	7.0
35–44	96	91.0	71	15	81.4	10	9.6
45–54	52	50.2	39	7	44.5	6	5.7
55–64	20	19.3	15	3	17.3	2	2
65+	1	1.0	1	0	1	0	0
VPS 1–6 Grade**	**215**	**207.6**	**164**	**26**	**183.0**	**25**	**24.6**
VPS 1	0	0.00	0	0	0	0	0
VPS 2	10	10.0	9	0	9	1	1.0
VPS 3	25	24.3	18	2	19.3	5	5.0
VPS 4	63	62.4	52	2	53.4	9	9.0
VPS 5	72	68.00	53	14	63.2	5	4.8
VPS 6	45	42.8	32	8	38.0	5	4
Senior employees	**20**	**18.9**	**16**	**2**	**17.2**	**2**	**1.7**
STS***	7	6.7	5	0	5.0	2	1.7
Executives	13	12.2	11	2	12.2	0	0
Other							
Total employees	**235**	**226.5**	**180**	**28**	**200.2**	**27**	**26.3**

* FTE = full-time equivalent

** VPS = Victorian Public Service

*** STS = Senior technical specialist

This data excludes our commissioners and chairperson.

Executive numbers

Annualised total salary for senior employees of the commission, by $20,000 bands*

Income band (salary)	Executives	STS**	PS	SMA	SRA	Other/VPS 7
$<160,000	–	–	–	–	–	–
160,000 – 179,000	–	–	–	–	–	–
180,000 – 199,000	–	1	–	–	–	–
200,000 – 219,000	–	3	–	–	–	–
220,000 – 239,000	6	–	–	–	–	–
240,000 – 259,000	2	–	–	–	–	–
260,000 – 279,000	1	–	–	–	–	–
280,000 – 299,000	3	–	–	–	–	–
300,000 – 319,000	1	–	–	–	–	–
320,000 – 339,000	–		–	–	–	–
340,000 – 359,000	–	–	–	–	–	–
360,000 – 379,000	–	–	–	–	–	–
380,000 – 399,000	–	–	–	–	–	–
400,000 – 419,000	–	–	–	–	–	–
420,000 – 439,000	1	–	–	–	–	–
440,000 – 459,000	–	–	–	–	–	–
460,000 – 479,000	–	–	–	–	–	–
480,000 – 499,000	–	–	–	–	–	–

* The salaries reported above are for the full financial year at a one-full-time-equivalent rate and exclude superannuation.

** STS = senior technical specialist; PS = principal scientist; SMA = senior medical advisor; SRA = senior regulatory analyst; VPS = Victorian Public Service.

Environmental reporting

We monitored the following indicators of our environmental impact in 2025–26:

- electricity usage.

Our environmental impact has also been considered in procurement decision-making.

Snapshot

Category	Quantity used	Quantity per employee
Electricity consumption (MWh)	241.53	1.03

Overview of performance

Electricity

Electricity consumption is taken from our energy retailer billing information: we used 241.53 megawatt-hours in 2025–26.

Based on our full-time equivalent staffing of 235 employees (as of 30 June 2026) this equates to 1.03 megawatt-hours of electricity used per full-time employee.

Our building has a 5.2 NABERS (National Australian Built Environment Rating System) rating for energy usage.

Performance against output measures

The Economic Regulatory Services output contributes to the Department of Treasury and Finance's objective to strengthen Victoria's economic performance. The measures and targets align with our objective to promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services.

The table below summarises our performance for all output measures in 2025–26.

Performance measures	Unit of measure	2025–26 actual	2025–26 target	Performance variation (%)	Result
Quantity					
Performance reports for regulated industries	number	12	12	0%	✓
Setting of regulated price and tariffs in the energy sector	number	15	15	0%	✓
Price determinations of regulated businesses	number	20	18–21	0%	✓
Victorian Energy Upgrades program approvals and refusals	number	1,423	1,100	+30%	✓
The 2025–26 actual is higher due to higher than anticipated application volumes across accreditation, product, and project-based activity assessments during 2025–26.					
Reviews, investigations or advisory projects(i)	number	4	2	+100%	✓
The 2025–26 actual is higher than target due to additional requests for advice after the target was set.					
Compliance and enforcement activities – energy	number	244	150	+63%	✓
The 2025–26 actual is higher than target due to the increased number of penalty notices and warning letters being issued.					
Compliance and enforcement activities – Victorian Energy Upgrades program	number	5,935	200	2,868%	✓
The 2025–26 actual is higher than target due to increased compliance and enforcement activity across the Victorian Energy Upgrades program, reflecting a stronger regulatory posture. The target represents a minimum expected level of regulatory activity, not a cap.					
Quality					
Stakeholder satisfaction survey result	per cent	77	≥65	+18%	✓
This measure reflects the proportion of stakeholders who rated the commission's reputation as 7 or more out of 10, based on their personal interactions and what they have seen, read or heard about the commission.					
Timeliness					
Delivery of major milestones within agreed timelines	per cent	100	100	0%	✓
Cost					
Total output cost	$ million	7.27	6.92	5.1%	✓
The higher 2025–26 result is mainly due to funding received to implement the streamlining of regulation across essential services initiatives.					

✓ Performance target achieved

○ Performance target not achieved – within five per cent variance

● Performance target not achieved – exceeds five per cent variance

(i) The Essential Services Commission recommended removing the Operational Performance Reporting measure for 'Reviews, investigations, or advisory projects', which relates specifically to rate cap advice and accident towing reviews and currently has a target of two. Removal was recommended because these functions are no longer supported by ongoing funding following recent budget decisions and have been discontinued through related legislative reform, including the Entities Legislation Amendment (Consolidation and Other Matters) Bill 2025. As a result, the measure is now redundant and no longer reflects the commission's ongoing responsibilities.

Our finances

Current year financial review

The commission continued to operate under the hybrid funding model, effective from 1 July 2022. This model resulted from amendments to the Essential Services Commission Act (effective 1 December 2021) which required the commission to establish two trust funds: the Operating Fund and the Enforcement Fund.

Funding is derived from:

- energy licence fees
- Victorian Energy Upgrades (VEU) program fees
- water licence fees
- grants provided through parliamentary appropriations
- penalties
- interest income.

Licence and other fees income remained the commission's main recurring source of operating income, with grant income now contributing less than 11 per cent of total revenue. Licence and other fees income increased by more than 22 per cent, primarily driven by growth in VEU program fees. This increase was due to higher program activity and the revised VEU fee structure introduced from 1 January 2026.

Penalty income was $10.6 million, down from the elevated level recorded in 2024–25, when two significant penalties totalling $45.6 million contributed to penalty income of $56.8 million. Penalty income can significantly vary from year to year depending on enforcement activity and the timing of penalty determinations. It is non-recurring and should not be relied on to assess underlying operating sustainability.

Interest income was higher than the prior year, reflecting higher average cash balances and elevated interest rates during the period. While interest income contributes to the commission's overall financial position, it remains subject to movements in financial market conditions and should not be treated as a stable core funding source.

The Enforcement Fund continued to support enforcement and compliance activities, consistent with the previous year.

The commission manages two trust funds:

- Operating Fund: funds the commission's ongoing operating costs in carrying out its statutory functions.
- Enforcement Fund: funds major compliance and enforcement activities, including civil litigation and criminal prosecutions.

Relevant ministers set licence and other fees under applicable legislation. We use multi-year, sector-specific cost recovery models to inform those fees for the Energy, Water and VEU sectors, consistent with the Department of Treasury and Finance's *Pricing for value: A guide for government services*.[14]

This approach provides funding certainty for the commission and fee certainty for regulated businesses recovering costs over multiple years. We actively manage cash flow and use trust fund reserves to smooth the impact of fluctuations in income and expenditure.

We recorded a net surplus of $11.3 million in 2025–26. The Enforcement Fund recorded a surplus of $6.6 million, primarily because penalty income exceeded expenditure during the year. As penalty revenue is unpredictable and not directly linked to annual enforcement expenditure, the Enforcement Fund may record either a surplus or deficit in any given year.

The Operating Fund recorded a surplus of $4.7 million, due to:

- higher-than-expected VEU program fee revenue
- lower operating expenditure than budgeted.

14 https://www.dtf.vic.gov.au/pricing-value

VEU program fee revenue exceeded the cost of administering the program by $4.0 million. In accordance with approved funding arrangements, the commission's Enforcement Fund contributed $2.0 million towards VEU compliance and enforcement activities.

This represents an improvement from the $3.0 million under-recovery recorded in 2024–25. The over-recovery will assist in ensuring cost recovery of the VEU program's efficient administration costs over the longer-term, after several years of under-recovery in the VEU program since 2023–24.

Financial performance summary

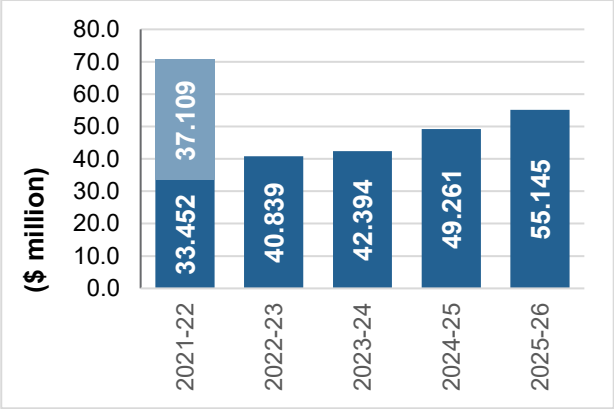
The table below summarises our financial performance from 2021–22 to 2025–26.

Financial performance 2021–22 to 2025–26

	2021–22 $m	2022–23 $m	2023–24 $m	2024–25 $m	2025–26 $m
Total income from transactions	72.8	44.8	45.1	106.1	**65.8**
Total expenses from transactions	33.7	37.5	46.5	77.8	**52.4**
Net result from transactions	39.1	7.3	(1.4)	28.4	**13.3**
Comprehensive result	37.0	6.5	(1.3)	28.4	**11.3**
Total assets	58.9	65.5	66.6	95.9	**108.0**
Total liabilities	7.5	7.5	8.3	9.2	**10.0**
Net assets	51.4	57.9	58.3	86.7	**98.0**
Net cash flow from operating activities	0	36.8	7.6	28.3	**10.6**

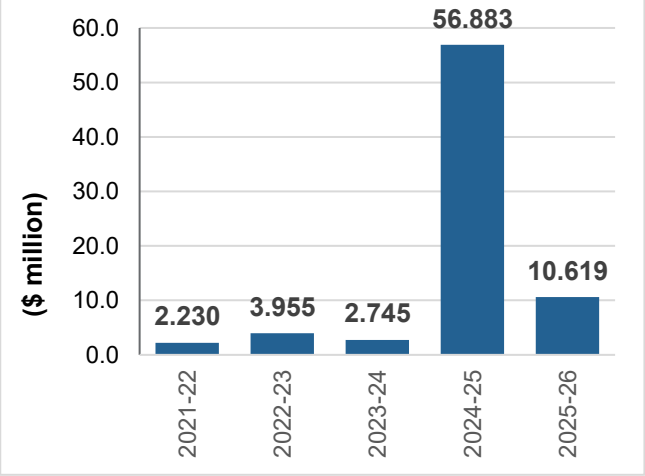
Income

Figure 5: Licence and other income, excluding penalty income, 2021–22 to 2025–26



In 2025–26, income excluding penalties increased by approximately $5.9 million compared with 2024–25, driven by higher fee income and interest revenue.

Figure 6: Penalty income, 2021–22 to 2025–26



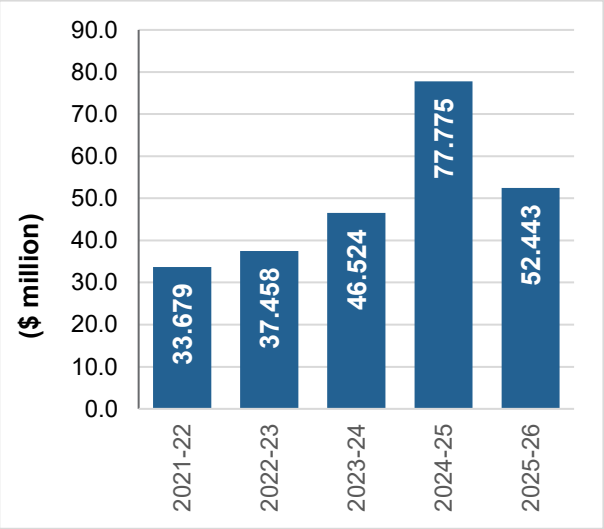
All penalty income is allocated to the Enforcement Fund to support current and future major compliance and enforcement activities.

In 2025–26, penalty income decreased by approximately $46.3 million compared with the prior year. In 2024–25 the commission received two significant penalties: a $28.0 million VEU shortfall penalty and a $17.6 million penalty imposed on an energy retailer for breaches of Victoria's energy rules. No penalties of comparable magnitude were recognised in 2025–26.

Penalty income in 2025–26 includes a $2.2 million shortfall penalty for an energy retailer that subsequently entered voluntary administration. A doubtful debt provision has been recognised for the full amount.

Expenses

Figure 7: Our expenses, 2021–22 to 2025–26



In 2025–26, total expenses were $52.4 million, a decrease of approximately $25.3 million compared with 2024–25. This reduction largely reflects a one-off $21.8 million payment to the Consolidated Fund in 2024–25 relating to a VEU shortfall penalty, which was recognised as a grant expense. Excluding this item, total expenditure in 2024–25 was approximately $56.0 million.

Employment costs remained our largest expense, increasing by almost 2.5 per cent to $39.2 million (from $38.3 million in 2024–25), primarily reflecting annual salary increases.

In 2024–25, we invested $7.7 million in replacing the VEU IT system. As the new system became operational in June 2025, these implementation costs were not incurred in 2025–26, although expenditure continued on routine system enhancements and maintenance.

The Enforcement Fund supported $3.7 million in enforcement and compliance-related employment and legal expenditure (excluding the doubtful debt provision), compared with $3.6 million in 2024–25.

Other economic flows

Other economic flows comprise a doubtful debt provision recognised in relation to a shortfall penalty issued to an energy retailer that subsequently entered into voluntary administration. The remaining other economic flows relate to actuarial remeasurement adjustments to employee leave liabilities.

Assets and liabilities

At 30 June 2026, we held net assets of $98.0 million, an increase of approximately $11.3 million from the previous year. This increase was primarily driven by higher cash balances across both the Operating and Enforcement Funds.

Liabilities increased to $10.0 million, mainly due to higher employee provisions.

Our working capital remains sufficient to support operations over the forward estimates period based on current cash balances.

Key movements during the year included:

- The Operating Fund cash balance increased by $3.1 million to $34.7 million, reflecting the positive operating result for 2025–26.
- A further $12.8 million was receivable from the Department of Treasury and Finance at year end for the Operating Fund. Of this, approximately $8.4 million relates to funding held to support the commission's employee leave provisions.
- The Enforcement Fund cash balance increased by $7.5 million to $48.5 million, reflecting a surplus in the Enforcement Fund.

- A further $0.7 million was receivable from the Department of Treasury and Finance at year end for the Enforcement Fund.
- At 30 June 2026, the commission had committed more than $12.6 million from the Enforcement Fund to support current and planned compliance and enforcement activities over the coming years.

Net assets as a percentage of total assets 2021–2026

	2021–22	2022–23	2023–24	2024–25	2025–26
Net asset percentage	87.2%	88.4%	87.5%	90.4%	90.7%

Most of our assets comprise cash or cash equivalents, providing financial resilience. We also hold receivables from the Victorian Government, as described above. The remainder represents previously applied undrawn parliamentary appropriations.

Our main liabilities relate to accounts payable and employee entitlements.

Cost of each regulated sector

The table below outlines the total cost of our programs by regulated sectors in 2025–26 including allocated corporate support.

Regulated sector costs 2025–26

Sector	Cost $m
Energy	17.8
Water	5.3
Transport and the Port of Melbourne	2.5
Local government	2.8
Victorian Energy Upgrades	16.4

Section 6: Financial statements for the year ended 30 June 2026

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Declaration in the financial statements

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2026 and financial position of the commission at 30 June 2026.

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 28 September 2026.



Gerard Brody
Chairperson and Commissioner

Melbourne
28 September 2026



Sarah Sheppard
Chief Executive Officer

Melbourne
28 September 2026



Nathan Mitchell
Acting Chief Financial Officer

Melbourne
28 September 2026

Independent auditor's report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Commissioner of the Essential Services Commission

Opinion

I have audited the financial report of Essential Services Commission (the Commission), which comprises the:

- balance sheet as at 30 June 2026
- 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 material accounting policy information
- declaration in the financial statements

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2026 and its financial performance and cash flows for the year then ended, in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and Australian Accounting Standards - Simplified Disclosures.

Basis for opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975.* My staff and I are independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

The Commissioner's responsibilities for the financial report

The Commissioner of the Commission is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Simplified Disclosures and the *Financial Management Act 1994*, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioner is responsible for assessing the Commission'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.

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 Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.

2

Auditor's responsibilities for the audit of the financial report (continued)

- conclude on the appropriateness of the Commissioner'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 Commission'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 Commission 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 Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE

6 October 2026

Janaka Kumara

as delegate for the Auditor-General of Victoria

3

Comprehensive operating statement for the financial year ended 30 June 2026

	Notes	2026	($thousand) 2025
Income from transactions			
Licence and other fees income	2	43,924	35,826
Penalties income	2	10,619	56,883
Grant income	2	7,273	10,158
Interest income	2	3,502	2,898
Resources received free of charge	2	446	379
Total income from transactions		**65,764**	**106,144**
Expenses from transactions			
Employee expense	3.1.1	(39,230)	(38,276)
Depreciation		(124)	(136)
Grant expense	3.2	–	(21,843)
Supplies and services	3.3	(13,089)	(17,520)
Total expenses from transactions		**(52,443)**	**(77,775)**
Net result from transactions		**13,321**	**28,369**
Other economic flows included in net result			
Impairment loss on statutory fines receivable	4.1	(2,157)	–
Net gain/(loss) from revaluation of leave liabilities		140	13
Total other economic flows included in net result		**(2,017)**	**13**
Net result		**11,304**	**28,382**
Comprehensive result		**11,304**	**28,382**

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

Balance sheet
as at 30 June 2026

	Notes	2026	($thousand) 2025
Assets			
Financial assets			
Cash and deposits	5.1	83,161	72,589
Receivables	4.1	24,188	21,955
Total financial assets		**107,349**	**94,544**
Non-financial assets			
Prepayments		602	1,199
Property, plant and equipment		82	167
Total non-financial assets		**684**	**1,366**
Total assets		**108,033**	**95,910**
Liabilities			
Payables	4.2	1,356	1,182
Lease liabilities		27	–
Employee related provisions	3.1.2	8,378	7,769
Make good provision		276	267
Total liabilities		**10,037**	**9,218**
Net assets		**97,996**	**86,692**
Equity			
Accumulated surplus		95,248	83,944
Contributed capital		2,748	2,748
Total equity		**97,996**	**86,692**

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

Statement of changes in equity for the financial year ended 30 June 2026

	Accumulated surplus $	Contributed capital $	($thousand) Total $
Balance at 30 June 2024	**55,562**	**2,748**	**58,310**
Net result for the year	28,382	–	28,382
Balance at 30 June 2025	**83,944**	**2,748**	**86,692**
Net result for the year	11,304	–	11,304
Balance at 30 June 2026	**95,248**	**2,748**	**97,996**

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

Cash flow statement
for the financial year ended 30 June 2026

	Notes	2026	($thousand) 2025
Cash flows from operating activities			
Receipts			
Receipts from government		5,030	9,405
Receipts from other entities		52,366	93,581
Interest received		3,502	2,898
Total receipts		**60,898**	**105,884**
Payments			
Payments to suppliers and employees		(50,323)	(55,718)
Payments of grant expenses		–	(21,843)
Total payments		**(50,323)**	**(77,561)**
Net cash flows from/(used in) operating activities		**10,575**	**28,323**
Cash flows from financing activities			
Repayment of leases		(3)	–
Net cash flows from/(used in) financing activities		**(3)**	**–**
Net increase/(decrease) in cash and cash equivalents		**10,572**	**28,323**
Cash and cash equivalents at start of year		72,589	44,266
Cash and cash equivalents at end of year	5.1	**83,161**	**72,589**

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

Notes to the financial statements

Note 1. About this report

The Essential Services Commission (the commission) is a commission established under the *Essential Services Commission Act 2001*.

A description of the nature of its operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Its principal address is:

Essential Services Commission
Level 8
570 Bourke Street
Melbourne VIC 3000

Basis of preparation

These financial statements are Tier 2 general purpose financial statements prepared in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities* (AASB 1060) and Financial Reporting Direction 101 *Application of Tiers of Australian Accounting Standards* (FRD 101).

These financial statements have been prepared on an accruals basis, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Transactions and balances are based on historical costs unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The functional and presentation currency is the Australian dollar. Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

Judgements, estimates and assumptions are made in applying Australian Accounting Standards. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements, assumptions and estimates that have significant effects on the financial statements are disclosed in the notes under the heading ‘significant judgements or estimates’.

These financial statements cover the Essential Services Commission as an individual reporting entity and include all its controlled activities.

Compliance information

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

Where appropriate, those Australian Accounting Standards' paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that 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.

Note 2. Funding delivery of our services

The objective of the commission is to promote the long-term interests of Victorian consumers having regard to the price, quality and reliability of essential services. The commission is an independent economic regulator that was established under the *Essential Services Commission Act 2001* (the Act). The commission has functions as conferred by the Act and other relevant legislation in relation to regulated industries providing an essential service.

At 30 June 2026, the regulated industries included electricity, gas, water, sewerage, and ports. Other functions conferred under other legislation include operating the Victorian Energy Upgrades program and local government rate capping.

The commission is funded through a variety of sources including licence and other fees, penalties, grants and interest income that are paid into two trust funds:

- Operating Fund
- Enforcement Fund.

The types of payments to be paid into the Operating Fund are identified in the Act. Payments into the Operating Fund include fees paid under relevant legislation, other amounts required under the Act, and interest received on money invested in the Operating Fund.

The types of payments to be paid into the Enforcement Fund are identified in the Act. Payments into the Enforcement Fund include fines ordered by a court in respect of an offence against the Act or other relevant legislation, including the *Electricity Industry Act 2000*, *Gas Industry Act 2001*, *Water Industry Act 1994* and the *Victorian Energy Efficiency Target Act 2007* (VEET Act). Payments also include any amount paid to the commission under a civil penalty order or monetary benefits order, any notice penalty paid under the Act, and any energy efficiency shortfall penalty paid to the commission under the VEET Act, and any costs awarded to the commission in any court proceeding.

Total income from transactions was recognised as follows:

	($thousand) 2026	2025
Income from transactions		
Licence and other fees income		
• Energy licence fees income	16,860	16,632
• Water licence fees income	4,633	4,334
• Victorian energy efficiency certificate fees income	22,431	14,860
Penalties income [(i)]	10,619	56,883
General purpose grant income	7,273	9,808
Grant to acquire non-financial assets	–	350
Interest income	3,502	2,898
Resources received free of charge	446	379
Total income from transactions	**65,764**	**106,144**

(i) The 2024–25 penalties income included a $28.0 million Victorian Energy Upgrades program shortfall penalty and a $17.6 million penalty imposed on an energy retailer for breaches of Victoria's energy rules.

Income that funds the delivery of the commission's services are accounted for consistently with the requirements of the relevant accounting standards disclosed below.

Licence and other fees income is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. **Penalties income** is recognised under AASB 1058 *Income of Not-for-Profit Entities*.

The commission collects licence fees related to the operations of the commission under the *Electricity Industry Act 2000*, the *Gas Industry Act 2001*, and the *Water Industry Act 1994*. Licence fees are invoiced on the basis of a determination made by the relevant minister. The commission also collects fees under the VEET Act, and penalties issued under the Act and VEET Act.

Licence and other fees income is recognised when an invoice is issued, which establishes the entitlement to payment. Penalty notices issued under the Act are recognised when payment is received. Energy efficiency shortfall penalties issued under the VEET Act are recognised when a shortfall penalty is issued. The different recognition criteria are attributable to the different statutory frameworks pursuant to which the penalties are issued.

Grant income was received from the Department of Treasury and Finance and relates to arrangements that are either not enforceable and/or do not contain sufficiently specific performance obligations. Therefore, grant income is recognised under AASB 1058 when the commission has an unconditional right to receive cash, which usually coincides with the receipt of cash.

Interest income is the interest received on bank deposits. Interest income is recognised using the effective interest method, which allocates interest over the relevant period. Refer to Note 6.1 for further information on interest income.

Resources received free of charge are recognised, at their fair value, for the administrative services provided by the Department of Government Services to support the operations of the commission. The corresponding expense is included in 'other' expenses in Note 3.3.

Note 3. Cost of delivering services

This note provides an account of the expenses incurred by the commission in delivering services. In Note 2 the funds that enable the provision of services were disclosed and in this note the costs associated with the provision of services are disclosed.

3.1. Employee benefits

3.1.1. Employee expenses in the comprehensive operating statement

	($thousand) 2026	2025
Salaries and wages, annual leave and long service leave	35,110	34,538
Termination benefits	446	202
Defined contribution superannuation	3,674	3,536
Total employee expenses	**39,230**	**38,276**

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

Superannuation expenses represent the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the commission is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.1.2. Employee related provisions in the balance sheet

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

	($thousand) 2026	2025
Current provisions		
Annual leave	2,820	2,489
Long service leave	3,200	3,131
On-costs	1,225	1,143
Total current provisions for employee benefits	**7,245**	**6,763**
Non-current provisions		
Long service leave	941	836
On-costs	192	170
Total non-current provisions for employee benefits	**1,133**	**1,006**
Total provisions for employee benefits	**8,378**	**7,769**

Annual leave liabilities are recognised in the provision for employee benefits as current liabilities because the commission does not have the unconditional right to defer settlement of these liabilities.

Long service leave liabilities are recognised in the provision for employee benefits.

Unconditional long service leave is disclosed as a current liability, even where the commission 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 long service leave liability are measured at: undiscounted value if the commission expects to wholly settle within 12 months; or present value if the commission does not expect to wholly settle within 12 months.

Conditional long service leave is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current long service leave is measured at present value. Any gain or loss following revaluation of the present value of non-current long service leave liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond rates for which it is then recognised as an ‘other economic flow’ in the net result.

Employee on-costs such as payroll tax, superannuation and workers compensation 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.

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.

Salaries and wages liabilities are in payables (Note 4.2).

3.2. Grant expense

	($thousand) 2026	2025
Grant expense		
Grant expense to the Department of Treasury and Finance	–	21,843
Total grant expense	**–**	**21,843**

At the Treasurer's direction, the grant paid to the Department of Treasury and Finance in 2024–25 was provided for the specific purpose that the department would pay the cash into the consolidated fund in accordance with section 54ZR(e) of the Act. Grant expenses are recognised in the reporting period in which they are paid or payable.

3.3. Supplies and services

	($thousand) 2026	2025
Supplies and services		
Contractors, professional services and consultants	7,151	11,268
Property management services	1,818	2,305
Information technology services	2,627	2,573
Other	1,493	1,374
Total supplies and services	**13,089**	**17,520**

Supplies and services generally represent the day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

Note 4. Other assets and liabilities

This note sets out those assets and liabilities that arose from the commission's operations.

4.1. Receivables

	($thousand) 2026	2025
Contractual receivables		
Debtors	404	383
Statutory receivables		
Amounts owing from government	23,631	21,388
GST recoverable	153	184
Fines receivable [(i)]	2,157	–
Allowance for impairment loss for fines receivable [(i)]	(2,157)	–
Total receivables	**24,188**	**21,955**
Represented by:		
Current receivables	23,055	20,950
Non-current receivables	1,133	1,005

(i) On 24 June 2026, the commission issued a Victorian Energy Upgrades program shortfall penalty to ZEN Energy Pty Ltd, who subsequently entered voluntary receivership. An allowance for the impairment loss for this penalty was recognised pending the outcome of the receivership and any recovery actions. The impairment loss associated with raising the allowance is under 'Impairment loss on statutory fines receivable' under 'Other economic flows' in the Comprehensive Operating Statement.

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

Statutory receivables arise from amounts due under legislation. Statutory receivables are recognised similarly to contractual receivables and are initially measured at fair value plus any directly attributable transaction costs. Statutory receivables are not classified as financial instruments for disclosure purposes and are recognised and disclosed separately from contractual receivables.

Impairment of receivables

The commission applies the AASB 9 simplified approach for the contractual receivables and statutory receivables. The loss allowance is measured at an amount equal to lifetime expected credit losses based on assumptions about risk of default and expected loss rates.

The risk of default and expected loss rates for the majority of the commission's receivables are negligible, and therefore no loss allowance has been recognised for those receivables. With the exception of statutory fines receivable arising from shortfall penalties, which were separately assessed and for which an impairment loss for fines receivable was recognised as an 'other economic flow' in the Comprehensive Operating Statement.

4.1.1 Statutory fines receivable – impairment allowance

	($thousand) 2026	2025
Impairment loss		
Impairment loss on statutory fines receivable recognised in other economic flows	**(2,157)**	–

4.2 Payables

	($thousand) 2026	2025
Contractual payables		
Creditors and accruals	1,336	982
Statutory payables		
Amounts payable to other government agencies	20	200
Total payables	**1,356**	**1,182**
Represented by: Current payables	1,356	1,182

Contractual payables represent liabilities for goods and services provided to the commission prior to the end of the financial year that are unpaid. They are classified as financial instruments and measured at amortised cost.

The average credit period for trade creditors under the Victorian Government's Fair Payments Policy of settling financial obligations is 10 business days for invoices with a contract value of less than $3 million and 30 business days for invoices with a contract value over $3 million. The 10 business days commences from the date of receipt of a correct and complete invoice. The payment terms do not apply to an invoice which is incorrect, incomplete or under dispute. An invoice must also be received by the commission with correct address and recipient details for the payment terms to apply. In the event of a dispute, the commission makes payments within 10 to 30 business days from the date of resolution based on the value of the invoice.

Statutory payables are recognised and measured similarly to contractual payables but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost because they do not arise from contracts.

Note 5. Financing operations

This note provides information on the sources of finance utilised for the commission's operations.

5.1. Cash and deposits

Cash and deposits are held within the central banking system and are held in trust as shown in the table below.

	Opening balance	Total receipts	Total payments	($thousand) Closing balance
2026				
Cash and deposits held in trust				
Operating fund (i)	31,611	50,055	(46,962)	34,704
Enforcement fund (i)	40,978	10,893	(3,414)	48,457
Total cash and deposits in trust	**72,589**	**60,948**	**(50,376)**	**83,161**
2025				
Cash and deposits held in trust				
Operating fund (i)	36,597	43,899	(48,885)	31,611
Enforcement fund (i)	7,669	58,177	(24,868)	40,978
Total cash and deposits in trust	**44,266**	**102,076**	**(73,753)**	**72,589**

(i) Established under the *Essential Services Commission Act 2001* to hold monies in accordance with that Act.

5.2. Commitments for expenditure

	Under 1 year	1 to 5 years	Over 5 years	($thousand) Total
2026				
Outsourcing commitments				
Information technology services	1,715	1,492	–	3,207
Property management services	584	–	–	584
Internal audit	80	–	–	80
Total outsourcing commitments (inclusive of GST)	**2,379**	**1,492**	**–**	**3,871**
2025				
Outsourcing commitments				
Information technology services	1,497	2,236	–	3,733
Property management services	1,732	584	–	2,316
Internal audit	80	80	–	160
Total outsourcing commitments (inclusive of GST)	**3,309**	**2,900**	**–**	**6,209**

Commitments for future expenditure include outsourcing commitments arising from contracts. These commitments are disclosed above at their nominal value and inclusive of GST.

.

Note 6. Financial instruments and contingencies

This note sets out financial instrument specific information, as well as those items that are contingent in nature.

6.1. Financial instrument specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Due to the nature of the commission's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation* and therefore are not disclosed in this note.

Categories of financial instruments held by the commission

Financial assets at amortised cost

Financial assets are measured at amortised cost 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 the commission to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

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. The commission's cash and deposits and contractual receivables are in this category.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised on the date they are originated and are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest rate method. The commission's contractual payables are in this category.

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
- the commission 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
- the commission has transferred its right to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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Derecognition of financial liabilities

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

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

6.1.1. Carrying amount and net gain/(loss) of financial instruments by category

	Notes	Carrying amount	($thousand) Total interest income/ (expense)
2026			
Financial assets at amortised cost			
Cash and deposits	2 & 5.1	83,161	3,502
Contractual receivables	4.1	404	–
Total financial assets at amortised cost		**83,565**	**3,502**
Financial liabilities at amortised cost			
Contractual payables	4.2	1,336	–
Lease liabilities		27	–
Total financial liabilities at amortised cost		**1,363**	**–**
2025			
Financial assets at amortised cost			
Cash and deposits	2 & 5.1	72,589	2,898
Contractual receivables	4.1	383	–
Total financial assets at amortised cost		**72,972**	**2,898**
Financial liabilities at amortised cost			
Contractual payables	4.2	982	–
Lease liabilities		–	–
Total financial liabilities at amortised cost		**982**	**–**

6.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed in this note and, if quantifiable, are measured at nominal value and presented inclusive of GST.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

There were no contingent assets as at 30 June 2026 and 30 June 2025.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity
- 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 measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

6.2.1 Quantifiable contingent liabilities

	($thousand) 2026	2025
Legal proceedings and disputes [(i)]	300	–
Total	**300**	**–**

(i) The commission is involved in legal proceedings relating to an employment dispute. The commission has denied liability and is defending the action. The dispute is unlikely to be settled within the next 12 months, and the timing and outcome of the matter remain uncertain.

Note 7. Other disclosures

This note includes additional material disclosures required by accounting standards or otherwise for the understanding of this financial report.

7.1 Responsible persons

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

Names

The people who held the positions of Minister, Accountable Officer (Chief Executive Officer), and Commissioner of the commission (from 1 July 2025 to 30 June 2026) were as follows.

Position Held	Name	From (date)	To (date)
Minister for Finance	The Hon. Danny Pearson MP	1 July 2025	14 April 2026
	The Hon. Sonya Kilkenny MP	15 April 2026	30 June 2026
Acting Minister for Finance	The Hon. Jaclyn Symes MP	13 July 2025 9 November 2025 5 January 2026 7 February 2026	20 July 2025 16 November 2025 26 January 2026 13 February 2026
Chief Executive Officer	Sarah Sheppard	1 July 2025	30 June 2026
Acting Chief Executive Officer	Marcus Crudden	15 September 2025	3 October 2025
	Nathan Zhivov	25 May 2026	29 May 2026
Chairperson and Commissioner	Gerard Brody	1 July 2025	30 June 2026
Commissioner	Rebecca Billings	1 July 2025	30 June 2026
Commissioner	Jess Young	1 July 2025	30 June 2026
Commissioner	Elly Patira	1 July 2025	30 June 2026*

* Commissioner Elly Patira commenced a leave of absence on 20 April 2026 and returned on 10 August 2026.

Remuneration

Remuneration received or receivable by the Accountable Officer (Chief Executive Officer) and Commissioners in connection with the management of the commission during the reporting period was in the range: $1,870,000–$1,879,000 (2025: $1,820,000–$1,829,000).

The Ministers' remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the State's financial report.

7.2 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. Accordingly, remuneration is determined on an accrual basis.

Remuneration of executives	2026 $	2025 $
Total remuneration of executives (i)	$3,522,409	$3,279,482
Total number of executives (i)	15	14
Total annualised employee equivalents (ii)	11.3	12.0

(i) Includes people who meet the definition of key management personnel (KMP) of the commission under AASB 124 Related Party Disclosures and are also reported within the related party disclosure in Note 7.3. The number of executives disclosed in the financial statements reflects individual executive officers who held an executive role during the reporting period, excluding the Accountable Officer. More than one individual may have occupied the same executive position during the year.

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

7.3 Related parties

Related parties of the commission include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole-of-State consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) and their remuneration

Key management personnel are also the responsible persons of the commission, and their positions, names and remuneration are disclosed in Note 7.1.

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public, for example, stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Purchasing Board requirements.

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

Significant transactions with government-related entities

The commission received grants from and paid a grant to the Department of Treasury and Finance as shown in Notes 2 and 3. The commission also collected licence fees from Victorian water businesses as shown in Note 2.

7.4 Remuneration of auditors

Remuneration of auditors	2026	($thousand) 2025
Victorian Auditor-General's Office		
Audit of annual financial statements	44	38
Total remuneration of auditors	44	**38**

7.5 Subsequent events

Subsequent to 30 June 2026, the commission's occupancy agreement for Level 8, 570 Bourke Street, was extended until 31 October 2031. As the agreement was entered into after the reporting date, the extension is considered a non-adjusting event. The commission has therefore not adjusted the financial statements for the year ended 30 June 2026, including the commitments disclosed in Note 5.2. The extension adds about $11.8 million in property management services commitments over the extended term.

Note 8. Glossary of terms

Annualised employee equivalent

Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.

Commitments

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

Comprehensive result

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

Controlled item

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

Depreciation

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

Employee benefits expenses

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

Financial asset

A financial asset is any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
  - to receive cash or another financial asset from another entity
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity
  - 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
    - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

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

Financial liability

A financial liability is any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity
  - 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 deliver a variable number of the entity's own equity instruments
    - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- a comprehensive operating statement for the period
- a balance sheet as at the end of the period
- a statement of changes in equity for the period
- a cash flow statement for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements
- a balance sheet 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 statements in accordance with paragraph 41 of AASB 101.

Grants

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.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

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.

Interest expense

Costs incurred in connection with the borrowing of funds. Interest expense includes:

- interest on bank overdrafts and short term and long-term borrowings
- amortisation of discounts or premiums relating to borrowings
- interest component of lease repayments
- the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Leases

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 result

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

Net result from transactions

Net 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.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Other economic flows included in net result

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

- gains and losses from disposal, revaluation and impairment of non-current physical and intangible assets
- actuarial gains and losses arising from defined benefit superannuation plans
- fair value changes of financial instruments.

In simple terms, they are changes arising from market remeasurements.

Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in the net result. The components of 'other economic flows – other comprehensive income' include changes in physical asset revaluation surplus.

Payables

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

Receivables

Includes amounts owing from government through appropriation receivable, short- and long-term trade credit and accounts receivable, grants, taxes and interest receivable.

Supplies and services

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

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity, such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (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.

Section 7: Appendices

Appendix A: Disclosure index

The Annual Report of the Essential Services Commission is prepared in accordance with relevant Victorian legislation and reporting requirements. This index facilitates the identification of the commission's compliance with statutory disclosure requirements, including Financial Reporting Directions (FRDs) and Standing Directions (SDs).

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Report of operations		
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FRD 22	Manner of establishment and relevant ministers	36–37
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FRD 8	Objectives, indicators and outputs	8, 11–35
FRD 22	Key initiatives and projects	14–35
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Financial and other information		
FRD 8	Performance against output performance measures	46
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FRD 22	Occupational health and safety policy	40
FRD 22	Summary of the financial results for the year	48
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FRD 22	Compliance with building and maintenance provision of *Building Act 1993*	83
FRD 22	Statement on National Competition Policy	83
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FRD 22	Details of consultancies under $10,000	83
FRD 22	Disclosure of advertising expenditure	83
FRD 22	Disclosure of grants and transfer payments	84
FRD 22	Disclosure of ICT expenditure	84
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Legislation	Requirement	Page number
FRD 22	Procurement complaints	83
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FRD 22	Emergency procurement	83
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SD 5.2	Declaration requirements under Standing Direction 5.2	37, 52
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Declaration		
SD 5.2.2	Declaration in financial statements	52
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SD 5.2.1 (a)	Compliance with Australian accounting standards and other authoritative pronouncements	52
SD 5.2.1 (a)	Compliance with standing directions	52
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Other disclosures as required by Financial Reporting Directions in notes to the financial statements		
FRD 11	Disclosure of ex-gratia expenses	83
FRD 21	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	74–75
FRD 103	Non-financial physical assets	57
FRD 110	Cash flow statements	59
FRD 112D	Defined benefit superannuation obligations	64
FRD 114	Financial instruments – general government entities and public non-financial corporations	71–72

Legislation	Page number
Freedom of Information Act 1982	98
Building Act 1993	83
Public Interest Disclosures Act 2012	98
Local Jobs First Act 2003	84
Financial Management Act 1994	52
All other legislation	36–37

Appendix B: Disclosures

Advertising expenditure

In 2025–26 there were no government advertising campaigns with a total media spend of $100,000 or greater (exclusive of GST).

Building works

We did not have any buildings under our direct control and are therefore exempt from notifying our compliance with the building and maintenance provisions of the *Building Act 1993*.

Consultancies over $10,000

We engaged 19 consultancies at a total expenditure of $1,024,548 (excluding GST). View details of individual consultancies on our website.[15]

We engaged no consultancies under $10,000.

Emergency procurement

The emergency procurement plan was not activated in 2025–26.

Procurement complaints

No complaints were received in relation to the procurement of goods and services by the commission.

Ex-gratia payments

	2026 $	2025 $
NAIDOC speaker	$300	—
International Day for the Elimination of Violence Against Women event – speaker honoraria	$300	—
Total ex gratia payments	**$600**	**—**

Major contracts

We awarded no major contracts greater than $10 million during 2025–26.

National Competition Policy

We complied with the National Competition Policy and the Competitive Neutrality Policy Victoria policy statement, as well as any subsequent reforms.

Sponsorship

Details of any sponsorship arrangements made by the commission in 2025–26 are available upon request.

15 www.esc.vic.gov.au/about-us/our-performance/annual-reports

Local Jobs First Act 2003

Projects commenced – Local Jobs First Standard

The *Local Jobs First Act 2003* brings together the Victorian Industry Participation Policy and Major Project Skills Guarantee policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all Metropolitan Melbourne or statewide projects valued at $3 million or more, or $1 million or more for projects in regional Victoria.

In the 2025–26 financial year, the commission has not commenced any new projects where the Local Jobs First Policy would be applicable, nor did any projects conclude where this policy has been applied. For projects currently in train, where Local Jobs First applies, the commission continues to monitor and appropriately report on the Local Jobs First commitments as required.

Grants and transfer payments

The commission did not make any grants or transfer payments during the 2025–26 financial year.

Information and communications technology expenditure

For the 2025–26 reporting period, the commission had a total ICT expenditure of $9,025,000 – see the table below for details.

Type of expenditure	Expenditure $
All operational ICT expenditure	
Business as usual ICT expenditure	7,601,000
Total Business as usual ICT expenditure	**7,601,000**
ICT expenditure related to projects to create or enhance ICT capabilities	
Operational expenditure	1,424,000
Capital expenditure	0
Total non-business as usual ICT expenditure	**1,424,000**
Total ICT expenditure	**9,025,000**

Information and communications technology expenditure refers to our costs in providing business-enabling information and communications technology services.

Non-business as usual ICT expenditure relates to extending or enhancing our current technology capabilities. Business as usual ICT expenditure is all remaining ICT expenditure relating to ongoing activities to operate and maintain the current information and communications technology capability

Review and study expenses

During 2025–26 we undertook the following reviews and studies.

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Market study	Automation and artificial intelligence (AI) market study	The scope of our market study required a mix of small, medium and large energy retailers in Victoria to provide us with information about how each use automated decision-making and AI with Victorian energy consumers. The study's findings aimed to: • identify best practices on how consumer protections are handled by automated decision-making systems and AI and their governance structures • provide insight into automated decision-making and AI practices that may create or perpetuate significant risk to consumer protections • ensure licensees have appropriate controls and mitigations in place to address risk when using automated decision-making and AI.	The anticipated outcomes included obtaining insights related to automated decision-making and AI. Ideally, the outcomes will highlight best practice and areas that may create or perpetuate significant risk to consumer protections.	*Internal staffing costs only*	*Internal staffing costs only*	*No – the selected retailers and webpage are not yet publicly available*

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Market study	Fair and reasonable	The purpose of the market study was to assess how retailers apply the obligation to act fairly and reasonably when providing payment difficulty assistance, escalating debt and considering disconnection for non-payment. It is one piece of work that forms the Fair and Reasonable Project, bringing together this market study, the Pay to Reconnect project and targeted investigations into Red Energy, Lumo Energy and ENGIE.	We found that retailers relied heavily on internal controls and standardised processes when making customer-assistance decisions. These standardised processes and controls did not always deliver outcomes that reflect individual circumstances. Our findings highlighted shortcomings in how the obligation to act fairly and reasonably is interpreted and applied in practice rather than gaps in the Code. We presented our findings to commission on 20 May and commission endorsed development of guidance that addresses the shortcomings. The guidance is in development and will consist of: • outlining the commission's expectations for applying the obligation to act fairly and reasonably • adopting an outcomes-focused approach, focusing on how customer circumstances inform decisions, how retailers monitor customer outcomes, and how the commission will assess compliance in practice. We anticipate publishing the guidance in late August 2026.	*Internal staffing costs only*	*Internal staffing costs only*	*No – the guidance is not yet publicly available. We are not proposing to publicly release the names of the retailers involved in the market study.*

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Codes of practice review	Energy Consumer Reforms (Energy Retail Code of Practice)	This review was in response to reforms proposed by the Energy and Climate Change Ministerial Council and the Victorian Minister for Energy and Resources. The review required a Regulatory Impact Statement (RIS) to assess possible options, prior to making reforms.	The final reforms aim for the following outcomes: • Protections for customers paying higher prices and on legacy contracts • Automatic best offer for customers experiencing payment difficulty • Improving application of concessions • Improving consumer awareness of independent dispute resolution services • Increasing the best offer threshold and minimum debt amount for disconnection • Improving access to cheaper offers, and the ability to switch to the best offer.	*$9,000 for specialist support on Regulatory Impact Statement* *Internal staffing costs*	*$99,000 for consumer panel research* *$49,000 for specialist support on Regulatory Impact Statement*	*Energy Consumer Reforms 2025 | Essential Services Commission*[16]

16 https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-inquiries-studies-and-reviews/energy-consumer-reforms-2025

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Codes of practice review	Reviewing the Energy Retail Code of Practice (ongoing)	We regularly review and amend the Energy Retail Code of Practice to reflect legislative and statutory requirements, and to ensure that obligations on energy retailers work to serve the long-term interests of consumers. We are currently reviewing the code Practice to enhance protections for Victorian energy customers.	This review is focused on targeted reforms to clarify the regulatory framework and reduce regulatory burden while maintaining strong consumer protections. This includes: • Protections for consumers with secondary meters • Information for consumers on gas disconnection and abolishment • Strengthening requirements for handling complaints • Reducing costs and regulatory burden, including removing the requirement to publish notices and changes to standing offer prices in newspapers. A draft decision paper for consultation is expected in September 2026 and a final decision paper is expected in December 2026.	*$5,000 for family violence survivor advocate workshops* *Internal staffing costs*	*Not yet completed*	*Reviewing the Energy Retail Code of Practice | Essential Services Commission*[17]

17 https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice/reviewing-energy-retail-code-practice

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Codes of practice review	Electricity Customer Metering and Transfer Codes	To improve regulation and reform codes to respond effectively to a changing environment. We review energy codes to ensure that they remain up to date and are aligned with our enforcement framework. We also remove instruments which are outdated. This review considered whether the electricity customer metering and transfer Codes of Practices should be revoked.	The Transfer and Metering Codes were regulatory instruments established in 2001 that contained obligations for Victorian electricity retail and distribution businesses relating to electricity customer metering and transfers. The review found that the code's obligations were outdated or duplicated other instruments such as the National Electricity Rules and the National Electricity Law. The codes were revoked in September 2025. Their revocation streamlines obligations that are sufficiently regulated by other instruments and reduce unnecessary complexity of Victoria's energy regulation.	*Internal staff costs only*	*Internal staff costs only*	*Revoking the Electricity Customer Metering Code of Practice and the Electricity Customer Transfer Code of Practice | Essential Services Commission*[18]

18 https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-inquiries-studies-and-reviews/revoking-electricity-customer-metering-code-practice-and-electricity-customer-transfer-code-practice

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Codes of practice review	Public Lighting Code	To improve regulation and reform codes to respond effectively to a changing environment. We review energy codes to ensure that they remain up to date and are aligned with our enforcement framework. We also remove instruments which are outdated. This review considered whether the Public Lighting Code should be revoked.	The Public Lighting Code was established in 2001. It contains obligations for electricity distribution businesses to regulate public lighting services and activities. The review found that many of the code's obligations were outdated or duplicated by other instruments such as the National Electricity Rules and the National Electricity Law. The code was revoked in December 2025. Some obligations that were considered to be relevant were transferred to the Electricity Distribution Code of Practice. This ensures that those obligations will continue for electricity distribution businesses in the delivery of public lighting services. The transferred obligations took effect from 1 January 2026. The revocation of this code streamlines obligations that are sufficiently regulated by other instruments and reduce unnecessary complexity of Victoria's energy regulation.	*Internal staff cost only*	*Internal staff cost only*	*Revoking the Public Lighting Code | Essential Services Commission*[19]

19 https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-inquiries-studies-and-reviews/public-lighting-code-practice-review

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Codes of practice review	Review of Life Support Protections for Customers	This reviews the life support protections which are contained in the Victorian energy rules that retailers, distributors and exempt persons that operate embedded networks must comply with. This follows the Electricity Distribution Resilience Review, and the Network Outage Review which were conducted in response to Victoria's 2021 and 2024 storms that led to prolonged power outages. The review considered the Energy Charter's 'Better protections for life support customers' rule change proposal that the Australian Energy Market Commission (AEMC) is currently assessing.	We released a draft decision in March 2026. The proposed changes aim to improve the accuracy of life support registers and their use by emergency agencies. One proposed key change would help identify customers with a life-threatening condition. This information could help emergency agencies focus their efforts on those needing critical help, during prolonged power outages.	*$37,000 for consultation and design of medical confirmation form* *Internal staff costs*	*Not yet completed*	*Review of life support protections in Victoria | Essential Services Commission*[20]
Energy Licensing	Electricity Generation Licence Review	The review considered all the licence conditions on existing generation licences with the aim of: • introducing standard generation licence conditions • improving consistency by removing variations that have arisen over time in licence conditions and have not applied to existing licensees • removing licence conditions that are no longer required or to promote consistency where appropriate • modernise older licences so they remain fit for purpose.	The review was completed in May 2026. Licensees, following consultation consented to the updated generation licence conditions. This update met the aim outlined in the scope of the review.	*Internal staff cost only*	*Internal staff cost only*	*Electricity generation licence review | Essential Services Commission*[21]

20 https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/review-life-support-protections-victoria
21 https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-licences-and-exemptions/electricity-and-gas-licences/electricity-generation-licence-review

Review/s	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available: URL = Y or N
Victorian Energy Upgrades program – Fraud Taskforce Data Analytics (Anywise)	Assess whether current VEU registry data, analytical methods and fraud detection controls are sufficient to identify fraud and non-compliance risk and identify opportunities to strengthen fraud detection capability.	Desktop diagnostic review of VEU Registry data and fraud detection capability, including assessment of data quality, current controls, analytical methods, behavioural indicators and fraud risks. Focused on residential activities using an eight-month data window (June 2025 to January 2026).	Recommendations to strengthen fraud detection capability, improve analytical methods and data quality, and inform development of a scalable fraud detection capability and future system enhancements.	*$20,000*	*$20,000*	*N*

Appendix C: Ministerial statement of expectations

The Minister for Finance sets out expectations for our contribution to the Victorian Government's regulatory reform program. This table shows our progress against these expectations.

Key area	Progress as of 30 June 2026
Implement the reforms to the Victorian Energy Upgrades program, in line with budget funding and proposed legislation.	The commission continued implementation of reforms to strengthen the Victorian Energy Upgrades program, including reforms introduced through the *Victorian Energy Efficiency Target Amendment (Energy Upgrades for the Future) Act 2025*. Throughout 2025–26, the commission worked to strengthen program administration, compliance and enforcement arrangements, and support the ongoing expansion of electrification activities. During 2025–26, the commission worked closely with the Victorian Government on the Victorian Energy Upgrades Strategic Review reforms. The reforms were introduced into parliament in June 2026 through the Energy and Resources Legislation Amendment (VEET Strategic Review and Other Matters) Bill 2026. The commission provided detailed feedback in the drafting and finalising of the Bill amendments to support the delivery of legislative amendments which reflect the desired policy and regulatory intent. We also commenced preliminary implementation planning to support decisions on commencement dates of the new parts of the Bill to ensure orderly transition to the new legislative framework. The commission continues to work with the Department of Energy, Environment and Climate Action to support the adoption of new and emerging electrification activities under the VEU program including the introduction of commercial and industrial solar PV system upgrades, streamlining project-based activities' methods, and amendments to commercial and industrial heat pump water heater upgrades. The commission also prepared for the introduction of the insulation activity under the VEU program, working with government and regulatory partners to develop regulatory settings, compliance arrangements and consumer protection measures to support safe implementation. The commission continued to enhance the VEU Registry system following its introduction in June 2025, focusing on system stability, usability and efficiency while strengthening program administration and integrity.
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.	We continued to meet with the Department of Government Services on the development of a hardship guideline. We made a submission on the draft Ministerial Guidelines for councils relating to the payment of rates and charges in December 2025. Our submission identified areas where the draft guidelines could be further strengthened to better facilitate effective and consistent practice in the sector. It also reiterated our previous advice from 2024 on setting a maximum interest rate for late payments. We continue to advocate for the development of an implementation-focused best practice toolkit to supplement the Ministerial Guidelines, and for setting a cost-reflective maximum interest rate.

Key area	Progress as of 30 June 2026
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.	Reforms associated with the amendment were implemented in FY 23–24. We have implemented the funding model outlined in the amended Act, including establishment of operating and enforcement trust funds.
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.	We have updated our Getting to Fair strategy. *Getting to Fair: Advancing Equity*[22] sets out our plan to promote just and equitable outcomes for all Victorians, today and tomorrow. *Advancing Equity* builds on our Getting to Fair 2021–2024 strategy which focused on removing barriers to accessing essential services for consumers experiencing vulnerability. Our updated strategy broadens our focus to also consider the structural and system-level factors that can cause, reinforce or worsen inequity over time. The updated strategy is available on our website: <www.esc.vic.gov.au>
Conduct ongoing monitoring of the activities of the Port of Melbourne, including functions as part of the requirements of the *Port Management Act 1995*, which are consistent with the commission's objective to promote the long-term interests of Victorian consumers.	In September 2025, we issued our Interim Commentary on the Port of Melbourne's 2025–26 Tariff Compliance Statement. The commentary noted the Port's increase in prescribed tariffs was in line with the limit imposed in the Pricing Order issued under the Port Management Act. We also noted that the Port continues to demonstrate its commitment to stakeholder engagement and improving sustainability outcomes.

22 https://www.esc.vic.gov.au/other-work/getting-fair-advancing-equity-strategy

Appendix D: Further information required under the Essential Services Commission Regulations 2021

Price determinations made under the Essential Services Commission Act

The following price determinations were made under section 33 of the Essential Services Commission Act in the 2025–26 financial year:

- Victorian Default Offer Price Determination 2026–27 (1 July 2026 to 30 June 2027): 20 May 2026
- Melbourne Water Price Determination 2026 (1 July 2026 to 30 June 2031): 1 June 2026
- North East Water Price Determination 2026 (1 July 2026 to 30 June 2031): 1 June 2026.

Third-party access regime determinations under the Essential Services Commission Act

The commission did not make any third-party access regime determinations under Part 3A of the Essential Services Commission Act during 2025–26.

Inquiries conducted under the Essential Services Commission Act

There were no inquiries conducted under the Essential Services Commission Act in 2025–26.

Proceedings for a contravention order under the Essential Services Commission Act that were finalised

There were no proceedings for a contravention order under the Essential Services Commission Act that were finalised in 2025–26.

Disclosures of information or the contents of documents under section 60C(3) of the Essential Services Commission Act

There were no disclosures of information or the contents of documents under section 60C of the Essential Services Commission Act during 2025–26.

Notices issued under section 36 of the Essential Services Commission Act

Section 36 of the Essential Services Commission Act empowers us to obtain information or documents where we consider it necessary for the purposes of performing our functions or exercising our powers. Thirty-five (35) notices were issued under section 36 during 2025–26.

These notices were issued to regulated entities for the purposes of the commission performing its functions under:

- Section 10(da) of the Essential Services Commission Act to, relevantly, amend codes of practice.
- Section 10AAA of the Essential Services Commission Act, to publicly report on, relevantly, the performance of a regulated industry.
- Section 10AA(a) of the Essential Services Commission Act, to monitor and report on compliance by persons with, relevantly, relevant legislation.
- Section 10AAB of the Essential Services Commission Act, to monitor and report on the competitiveness and efficiency of the Victorian retail markets for electricity.
- Section 33 of the Essential Services Commission Act, to make a price determination for the Victorian Default Offer, pursuant to an Order in Council made under s13(1) of the *Electricity Industry Act 2000*.

Notices issued under section 37 of the Essential Services Commission Act

Section 37 of the Essential Services Commission Act empowers us to obtain information or documents in relation to a matter that constitutes, or may constitute, a contravention of an essential services requirement. 'Essential services requirements' include legislative requirements and (for example in the Electricity Industry Act or Gas Industry Act), licence conditions and provisions of codes of practice. The commission issued 13 notices under section 37 during 2025–26. These notices were issued to energy retailers for the purpose of performing the commission's functions to investigate contraventions or possible contraventions of essential services requirements.

Proceedings commenced to challenge the validity of information gathering notices

There were no proceedings commenced to challenge the validity of information gathering notices during 2025–26.

Number of entries onto premises by an inspector under section 39P of the Essential Services Commission Act

There were no entries onto premises under section 39P of the Essential Services Commission Act during 2025–26.

Number of search warrants issued under section 39S of the Essential Services Commission Act

There were no search warrants issued under section 39S of the Essential Services Commission Act during 2025–26.

Summary of complaints received in relation to regulated entities and the Victorian Energy Upgrades program

Energy

In 2025–26, the commission received 449 enquiries and complaints regarding energy. Two hundred and sixty were classified as enquiries and 189 as complaints in relation to energy and relevant regulated entities. These included enquiries and complaints about metering, billing, payment difficulty, sales, contracts and supply issues. We handled these enquiries and complaints within 10 business days of receipt by responding to customers directly, including referrals to the relevant external agency. For example, many customers were referred to the Energy and Water Ombudsman (Victoria) which resolves individual complaints.

We also used the intelligence gathered from energy enquiries and complaints within our broader compliance and enforcement work.

A total of 298 enquiries and complaints related to licensed electricity and gas retailers. Most of these involved customers contacting us regarding billing, sales and contracts, payment difficulty, solar and the minimum feed-in tariff.

Sixty-two enquiries and complaints related to licensed electricity and gas distributors. These involved issues including supply and electricity outages, metering, guaranteed service level payments and compensation.

Sixty-three enquiries and complaints related to exempt sellers and suppliers. These mostly involved the sale and supply of electricity within embedded networks found within apartment buildings. The main issues customers raised were about billing, contracts and payment difficulty.

The remainder of the enquiries and complaints received were referred to the correct agency, such as Energy Safe Victoria.

We primarily responded to enquiries and complaints via email, with a smaller number of customers requesting a phone discussion.

We also referred customers to our website for information and provided information about customer protections in the commission's codes of practice and other regulatory instruments to educate customers on their rights under Victoria's energy laws.

Local government

The commission received 25 enquiries related to the local government sector. Most of these enquires related to increases in rates for ratepayers compared to the rate cap; increases in council charges for waste services; council compliance with the rate cap; council higher cap applications and questions about how rate capping works. We aim to respond as quickly as we can and generally within 10 days.

Water

The commission received 142 complaints from water consumers. The complaints were mostly about water business billing and water services with responses prepared by staff with expertise in customer service, water pricing, or expenditure. Team members sought input from legal specialists on matters relating to water law. Most complaints about water businesses were referred to the Energy and Water Ombudsman (Victoria). We aim to respond to all complaints within 10 days.

Victorian Energy Upgrades program

The commission received 1,203 complaints from Victorian Energy Upgrades consumers in 2025–26. These included complaints about issues with space heating and cooling products and installations. We also received an increased number of complaints relating to accredited persons entering insolvency.

We dealt with these complaints by facilitating resolutions between accredited persons and consumers and referring matters to other bodies where applicable (for example, Consumer Affairs Victoria or the Australian Communications and Media Authority). We also conducted investigations based on intelligence received from consumers regarding non-compliant program activity by installers and accredited providers.

The number of times the commission commenced proceedings for a contravention order under the Essential Services Commission Act

Proceedings against IPower Pty Ltd (ACN 111 267 228) and IPower 2 Pty Ltd (ACN 070 374 293) (ENGIE) commenced on 18 March 2026 and are still active.

Applications for review made to VCAT under section 55 of the Essential Services Commission Act

No appeal or application for a review of a requirement, decision or determination of the commission was lodged under section 55 of the Essential Services Commission Act during 2025–26.

Applications for price determination review made under section 33 of the Essential Services Commission Act

The commission did not receive any applications for a price determination review under section 33 of the Essential Services Commission Act during 2025–26.

Appendix E: Integrity and accountability

Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies.

The Act:

- provides protection to people who make disclosures in accordance with the Act
- establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

We do not tolerate improper conduct or reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in administrative and management practices and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

We will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to the person who is the subject of the disclosure to the extent that is legally possible.

Reporting procedures

Disclosures of improper conduct or detrimental action by us or any of our employees may be made to the Independent Broad-Based Anti-Corruption Commission:

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Internet: <www.ibac.vic.gov.au>

Email: see the Independent Broad-Based Anti-Corruption Commission website for their secure email disclosure process, which also provides for anonymous disclosures.

More information

You can request our public interest disclosure procedures for the protection of persons from detrimental action by us or any of our employees and/or officers. This request can be made by emailing <reception@esc.vic.gov.au>.

Freedom of information

The *Freedom of Information Act 1982* (Vic) allows the public a right of access to some documents held by the commission. The purpose of the Freedom of Information 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, such as the commission, who are subject to the Act.

We hold several categories of documents:

- internal administrative and operational documents
- internal policy and procedural documents
- documents about developing and implementing policy and legislation
- documents obtained or created in the course of conducting investigations or making enquiries, or conducing reviews
- human resources documents
- financial records.

An applicant has a right to apply for access to documents held by the commission. This comprises documents both created by the commission or supplied to the commission by an external organisation or individual. This may include emails and correspondence, reports, photos, videos and recordings, maps and plans and digital or paper records.

The Freedom of Information Act allows the commission 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:
  - personal information about other people
  - and information provided to us in confidence.

If an applicant is not satisfied by a decision made by the commission, under section 49A of the Freedom of Information Act, they have the right to seek a review by the Office of the Victorian Information Commissioner within 28 days of receiving a decision letter.

Making a request

An application fee may apply. Access charges may also be payable if the document pool is large and the search for material is time-consuming.

Access to documents can also be obtained through a written request to:

Privacy Officer
Essential Services Commission
Level 8, 570 Bourke Street Melbourne, Vic 3000
Email: <privacy@esc.vic.gov.au>

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

Freedom of information statistics and timeliness

The commission received 9 applications in 2025–26. Most of these requests were from the general public. One request was from a journalist, and one was from the office of a Member of Parliament.

The commission made 4 freedom of information decisions during the 12 months ended 30 June 2026.

All 4 decisions were made within the relevant statutory time periods (including any extensions agreed with the applicant under the Freedom of Information Act).

Of the total decisions made:

- 1 granted access to documents in full
- 2 granted access in part
- 1 had no applicable documents.

The average number of days to decide the 4 applications was 50 days.

None of the freedom of information decisions made by the commission in 2025–26 have been requested to be reviewed by the Office of the Victorian Information Commissioner (OVIC). OVIC has completed a review of six decisions relating to applications received by the commission in the previous financial year.

During 2025–26, three applications were made to the Victorian Civil and Administrative Tribunal (VCAT) for review of four of the OVIC decisions. In addition, during 2025–26, an application to VCAT lodged in the previous financial year was withdrawn.

More information

Further information on the operation and scope of freedom of information can be obtained from the Freedom of Information Act and through the Office of the Victorian Information Commissioner website: <ovic.vic.gov.au>.

Reports, publications and informal requests

Details about our reports and publications can be found on our website at <www.esc.vic.gov.au>.

Subject to the provisions of the Freedom of Information Act, additional reporting information has been retained and is available on request.

Requests may be directed to:

Essential Services Commission
Level 8, 570 Bourke Street, Melbourne, Vic 3000
Telephone: (03) 9032 1300 or 1300 664 969
Email: <communication@esc.vic.gov.au>

Appendix F: Victorian Energy Upgrades 2025 reporting

The *Victorian Energy Efficiency Target Act 2007* (VEET Act) established the VEET scheme, known as the Victorian Energy Upgrades (VEU) program. The VEET Act commenced on 1 January 2009 and gave the Essential Services Commission responsibility for a range of functions to support the operation of the VEU program.

This appendix is published to meet the commission's statutory reporting requirements under sections 7(3) and 67 of the VEET Act. This includes publishing data related to:

- the number of Victorian energy efficiency certificates (VEECs) created in a particular year
- the number of VEECs surrendered in a particular year
- information about any VEEC shortfalls for that particular year.

The table below presents information about VEECs created and surrendered by accredited persons and relevant entities for the 2025 calendar year (1 January to 31 December 2025).

VEECs created and surrendered by accredited persons in 2025

Required statutory information	Number
VEECs created in 2025 (1 January to 31 December)	7,544,791
VEECs surrendered by accredited persons in 2025 (1 January to 31 December)	6,048
Compliance details	
Energy retailers identified as relevant entities under the VEET Act	33
Number of relevant entities that surrendered VEECs for the 2025 compliance year (i)	31
Number of relevant entities that surrendered sufficient VEECs to meet their annual liability (i)	31
Number of relevant entities that had a VEEC shortfall	1
Number of VEECs surrendered by relevant entities for the 2025 compliance year (i)	6,814,961
Amount of energy efficiency certificate shortfalls by entity	
Zen Energy Retail Pty Ltd	23,965

(i) As at 9 September 2026.

Information reported separately in 2025

The commission previously granted extensions to a number of relevant entities for the submission of their annual energy acquisition statements and surrender of VEECs to meet their obligations for 2024. Information relating to energy retailer compliance was published on the commission's website and is reproduced below.

Compliance details	Total
Energy retailers identified as relevant entities under the VEET Act	30
Number of relevant entities that surrendered VEECs for the 2024 compliance year	30
Number of relevant entities that surrendered sufficient VEECs to meet their annual liability	29
Number of relevant entities that had a VEEC shortfall	1
Number of VEECs surrendered by relevant entities for the 2024 compliance year	6,573,818

Compliance details	Total
Amount of energy efficiency certificate shortfalls by entity	
Iberdrola Australia Energy Markets Pty Ltd	38,225
Total	**38,225**

The commission's strengthened regulatory posture

During 2025–26, the commission continued to strengthen its regulation of the Victorian Energy Upgrades program across the full compliance lifecycle, including accreditation decisions, certificate assessment and registration, statutory audits, compliance monitoring, investigations and strong enforcement action.

This work was directed to protecting consumers and maintaining the integrity of the program.

More rigorous accreditation assessments

During 2025–26, the commission approved 334 accreditation applications, comprising 184 renewals, 64 variations and 86 new applications. It refused 20 applications.

Accreditation assessments considered whether applicants met the legislative requirements for participation in the program, including the 'fit and proper person' and 'competent and capable person' requirements. In 2025–26, the commission strengthened its assessment of applicants, including additional scrutiny of policies and procedures, websites and marketing material and the past conduct of directors and senior officers. Failure to disclosure relevant matters or past associations, or a lack of candour in applications also contributed to refusal decisions.

One internal review of an accreditation refusal decision was completed during the year, with the original decision upheld.

Targeted certificate assessment and registration

During 2025–26, the commission completed more than 12,000 assessments relating to approximately one million certificates and registered more than 6.5 million certificates.

It also refused registration of 57,200 certificates, accepted the voluntary surrender of more than 11,500 certificates, and received 22,000 certificates in response to mandatory surrender orders.

Expanded inspections and consumer phone audits

During 2025–26, the commission expanded its monitoring and assurance activities to verify compliance with program rules and installation requirements.

This included 101 site inspections by the commission's authorised officers across Melbourne metropolitan and regional Victoria, covering activities such as commercial and residential hot water systems, space heating and cooling, and non-building-based lighting. This was augmented by 300 inspections by independent auditors as part of the statutory assurance audit program.

The commission completed more than 5,000 consumer phone audits, by commission staff and supported by an outbound call centre.

This risk-based monitoring provided valuable data and intelligence to support our regulatory interventions – including increased regulatory guidance and support to comply for program participants via regular bulletins and compliance alerts, investigations and strong enforcement outcomes.

Increased use of data and intelligence to detect fraud and other non-compliance

The commission strengthened its capacity to identify and respond to suspected fraud and serious non-compliance through increased use of intelligence and data analysis, information sharing, and the continuation of the Fraud Taskforce.

The commission established an Industry Reference Group to hear from industry about risks and potential non-compliance. We continued to promote and receive industry tip-offs via the commission's reporting function.

The Fraud Taskforce undertook investigations involving 10 accredited persons during 2025–26. Regulatory outcomes arising from this work are included in the enforcement outcomes reported below.

Stronger enforcement outcomes

Throughout 2025–26, the commission continued to harden its regulatory posture and strengthen enforcement outcomes for non-compliance. We targeted accredited persons where they undermined program integrity or consumer protections. We held accredited persons accountable for the action of the business, as well as their contractors and lead generators.

These enforcement outcomes included immediate suspensions, cancellations and suspensions, restrictions on accredited persons, refusal of certificate registration, certificate surrender orders, refusal of accreditation applications, a penalty notice for breaches of the VEU code of conduct, and an enforceable undertaking to secure remediation for affected consumers.

See Section 3 for full details of the Victorian Energy Upgrades program enforcement action 2025–26.

Glossary

Term	Definition
Australian Energy Regulator	An independent entity established by section 44AE of the *Competition and Consumer Act 2010* (Cth). The Australian Energy Regulator enforces: the laws for the National Electricity Market and spot gas markets in southern and eastern Victoria; the electricity networks and covered gas pipelines in all jurisdictions except Western Australia; and the National Energy Retail Law.
Best (energy) offer	The 'best offer' is based on how much energy a customer has used over the past year and may be less than the independently set Victorian Default Offer. Energy companies must provide information to consumers about best offers in accordance with the Energy Retail Code of Practice.
Consumer Affairs Victoria	A unit of the Victorian Government's Department of Government Services, which supports Victorians in being responsible and informed businesses and consumers.
Embedded network	A distribution system connected at a parent connection point to either a distribution system or transmission system that forms part of the national grid and which is owned, controlled or operated by a person who is not a network service provider. Many Victorians get their electricity through an embedded network, such as those in apartment buildings and caravan parks.
Energy and Water Ombudsman Victoria	A body corporate that operates a customer dispute resolution scheme that is a free (for consumers) and independent service that resolves disputes between Victorians and their energy (gas and electricity) and water companies.
Energy Retail Code of Practice	A code that sets out the rules electricity and gas retailers must follow when selling energy to Victorian customers.
Essential Services Commission	We are an independent regulator established under the Essential Services Commission Act that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. We regulate Victoria's energy, water and transport sectors, administer the rate-capping system for the local government sector, and regulate the Victorian Energy Upgrades program.
Fair Go Rates system	The Victorian Government's Fair Go Rates system establishes rate caps to limit the amount by which Victorian local councils can increase rates in a year without seeking additional approval. Each year, the Minister for Local Government sets the average rate cap – that is, the maximum percentage increase in councils' average rates for the forthcoming financial year. If any council considers the average rate cap increase to be insufficient for its needs, the council can apply to the Essential Services Commission for a higher percentage.
Feed-in tariffs	Payments that energy companies may pay customers who feed energy back into the grid through sources such as solar panels.
Higher rate cap application	An application where a local council asks for a rate increase above the cap set by the Minister for Local Government. Councils submit their applications to the commission; we then assess and accept or reject the applications (see Fair Go Rates system).
Higher council rate cap	The maximum amount a council can increase general rates and municipal charges. The cap is set by the Minister for Local Government and can apply to all councils, a group of councils or a single council (see Fair Go Rates system).
Loyalty tax	Where energy retail customers on long-term plans pay higher prices than if they switched to new deals which may be available.

Term	Definition
Non-cash payment surcharge	The additional charge a customer bears when paying for a taxi trip by means other than cash. The surcharge is applied when a taxi passenger pays for a fare using non-cash payment transaction options, including credit, debit and charge card. Payment processors are the entities which provide this service.
Payment Difficulty Framework	A set of energy rules introduced by the commission in 2019 to better support residential customers experiencing payment difficulty.
PREMO	A water pricing framework which aims to put customers at the centre of a water business's decision-making through incentives focused on five elements: performance, risk, engagement, management and outcomes.
Retailer of Last Resort	The Retailer of Last Resort scheme is a legislative framework designed to protect consumers when their energy retailer goes out of business. It transfers customers of failed retailers to new providers to make sure that their energy service continues.
Tariff	A list or table showing the costs (prices) of a service or item. The tariffs the commission regulates include water tariffs and the Port of Melbourne 'port user' tariffs.
Utility Relief Grant Scheme	A Victorian Government grant which provides help to eligible customers to pay a mains electricity, gas or water bill that is overdue due to a temporary financial crisis.
Victorian Default Offer	A simple and trusted electricity price that is set by the Essential Services Commission, not energy companies. The Victorian Default Offer provides all Victorian households and small businesses access to a fair electricity deal, including those who are unable or unwilling to engage in the retail market.
Victorian energy efficiency certificates	Electronic VEECs which are created when energy efficient products and services are made available to homes and businesses under the Victorian Energy Upgrades program. Each VEEC represents one tonne of greenhouse gas emissions reduction (CO_2-e). Large energy retailers are required to acquire and surrender a certain number of VEECs each year.
Victorian Energy Upgrades program	A Victorian Government energy efficiency initiative that helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient products and services. The program also encourages investment, employment and innovation in industries that supply these products and services. The program operates under the Victorian Energy Efficiency Target Act.
Victorian Midday Power Saver	A Victorian Government initiative which will give consumers 3 hours of electricity free-of-charge in the middle of the day. The initiative aims to help reduce energy bills and ease demand on the electricity grid during peak periods.



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