



Port of Melbourne Select Committee

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TRIM REF:

Who is the ESC?

- We are the independent economic regulator for essential services in Victoria established by legislation (*Essential Services Commission Act 2001*)
- The ESC has a number of regulatory roles in key sectors including water, electricity, gas, transport (ports, taxis, tow-trucks, rail)
- The primary objective of the ESC is to ‘promote the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services’
- Key roles:
 - Pricing
 - Energy customers protection framework
 - Performance monitoring of utility services
 - Administration of the Victorian energy efficiency targets scheme
 - Advice to government

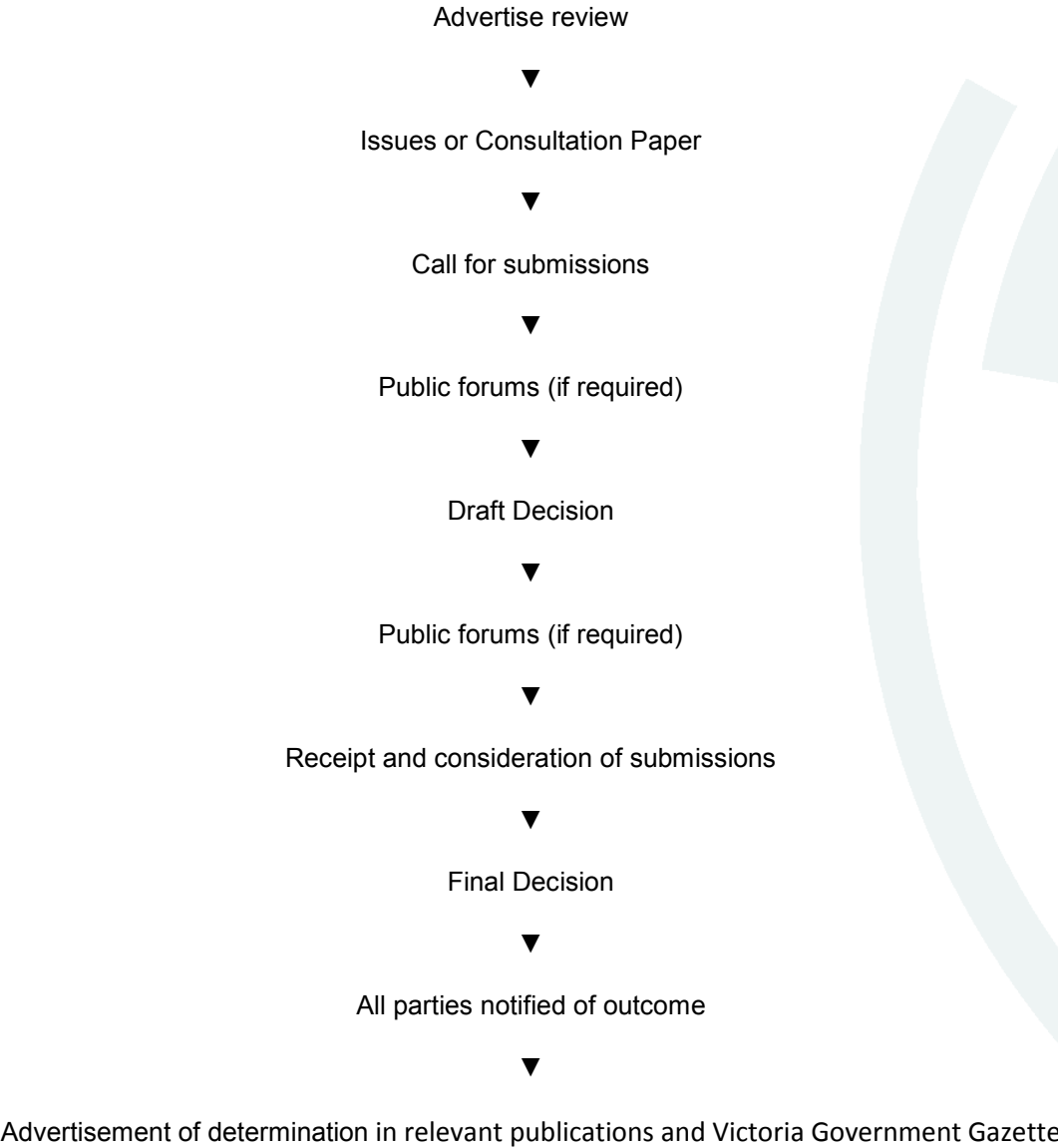
Structure of the ESC

- Established in 1994 to provide support to the Victorian Government's microeconomic reform program to improve the efficiency and competitiveness of the State's economy
- Structured as a Commission comprising a Chairperson and two part-time Commissioners, supported by around 70 staff
- The ESC's regulatory and analytical staff are mostly qualified in economics, accounting, law and engineering
- Specialist consultants experienced in advice on technical, economic and legal matters also support the ESC as needed
- Funded by grant from DTF (annual \$18m)
 - offset by 50% to 60% through licence fees paid by entities we regulate

How does the ESC go about doing its work?

- Guided by relevant legislation
- Open and transparent process and consultation
=> we publish and follow a charter of consultation and regulatory practice
- Limited own-motion powers
- Large reviews and inquiries initiated by Ministerial terms of reference (eg: energy hardship practices, taxi fare setting, accident towing regulation, local government rate capping).

Price and regulatory reviews – a typical process



Some examples of the ESC's decisions

- Every five years, the ESC sets the water prices for 19 urban and rural water businesses
- Every five years, the ESC reviews the economic regulation in Victorian ports
- In July 2014, the ESC set the taxi fares for metropolitan Melbourne to apply for the next two years
- Every four years we advise the Minister for roads on accident towing & storage fees in Metropolitan Melbourne
- In 2012–13, almost 8 million energy efficiency certificates were created (each certificate represents a deemed tonne of greenhouse gas abated). This brings to around 19 million the total number of certificates registered by the ESC since start of scheme in 2009

ESC's role in Ports

Legislation

- The *Port Management Act 1995 (Vic)* (PMA) establishes the economic regulatory framework for Victoria's ports
- The PMA identifies which ports services are prescribed for regulation by the ESC (*called prescribed services*)
- Narrow set of prescribed services (ie channels and berths for ships carrying containers and motor vehicles)
- The *Essential Services Commission Act 2001* (ESC Act) provides powers for the ESC to price regulate prescribed port services

Current regulatory framework

- Current regulatory framework is a price monitoring framework
- Price monitoring is given effect through the *Price Monitoring Determination (PMD)*
- The PMD sets out the requirements of the regime and obligations on the Port of Melbourne Corporation (PoMC). It requires PoMC to:
 - publish its reference tariffs (port prices) each year
 - provide certain information to the ESC for monitoring purposes
 - comply with a set of pricing principles and publish a pricing policy statement

Key features of the regime

Transparency

- PoMC must publish its prices annually (reference tariff schedule)

Information & reporting

- PoMC must provide a range of business and financial information to the ESC for monitoring (for its 5 yearly reviews)
- PoMC must develop a Pricing Policy Statement (PPS) that explains to its customers how it calculates its prices

Industry consultation

- PoMC must consult port users on its Pricing Policy Statement and its annual reference tariff schedule

Key features (cont'd)

Reviews

- The regime also requires that every five years the ESC must conduct a review and make recommendations to the Minister for Finance on:

=> whether the prescribed port services should continue to be subject to price regulation, and if so the form of that price regulation
- 2014 Review was undertaken in context of existing legislative, regulatory and ownership arrangements. It was a narrow review
=> only focused on prescribed services (channels and berths for containers and motor vehicles) provided by Port of Melbourne Corporation.

Expiry of current regime

- The current price monitoring regime has been extended until the Port lease transaction is complete.
- The new regulatory regime is being designed and developed by the Department of Treasury & Finance (not the ESC).
- The new regulatory regime takes effect when amendments to the *Port Management Act* and *Essential Services Commission Act* commence.

Questions?

The image features a solid teal background. On the right side, there is a decorative graphic consisting of several concentric, semi-circular arcs of varying shades of teal, creating a sense of depth and movement. In the lower-left quadrant, the word "Questions?" is written in a bold, white, sans-serif font.