

## EXPLANATORY MEMORANDUM

### ENERGYSAFETY BUSINESS PLAN 2015/16

Pursuant to Section 11(2) of the *Energy Safety Act 2006*, I am pleased to table the Department of Commerce – EnergySafety Division Business Plan 2015/16 for the information of Members of the Parliament of Western Australia.

The Plan is a key part of the statutory provision for annual industry funding of the Director of Energy Safety and staff (“EnergySafety”). EnergySafety is responsible for technical and safety regulation of all of WA’s electrical industry, most of the gas industry and related activities.

This is the tenth Business Plan for EnergySafety. The first was submitted during the first half of 2006.

The 2015/16 Plan is the basis on which the quantum of the Industry Levy for the year will be determined, through a future *Energy Safety Levy Notice 2015* published in the *Government Gazette*. The levy is payable by electricity network operators and gas distribution system operators.

The main financial details of the Business Plan appear at page 34 with some explanation and rationale for the budget-setting from page 32.

The Financial Plan indicates that the bank balance has slightly decreased over the past few years and that cost escalation is expected in 2015/16, as EnergySafety finds success in recruiting to its vacant (predominantly) electrical inspection roles and accommodates increased corporate services charges. The cost escalation requires a levy increase for 2015/16 and each subsequent year.

While the budget estimates are presented on a full accrual basis, the cash impact is also presented, including cash reserve estimates.

EnergySafety is expecting a carry-forward bank balance at the end of 2014/15 of \$10.3m. The bank balance has built up historically for two main reasons:

- Firstly, licensing incomes were higher than budgeted. The extent and effects of the resources boom were underestimated and the effect of the global financial crisis was over-estimated. The mining growth in Western Australia has dramatically increased the number of fly-in-fly-out electrical operatives; and
- Secondly, there was under-expenditure. This occurred primarily because EnergySafety had experienced difficulties in attracting staff, which has meant that labour and on-costs have been lower than budget. The staff shortages have meant that some projects have not been completed, including delays in the new IT-based Compliance Management System (CMS).

EnergySafety is confident that its future budgets are more accurate and sustainable. It has improved its licensing forecasting techniques and has recently experienced more success in filling vacancies.

As the costs of EnergySafety have been steadily increasing over the past four years without a commensurate increase in the levy, the levy will need to increase. The Financial Plan for 2014/15 had indicated an increase in line with CPI each year from 2014/15, however expenditure forecasts indicate this level of funding will result in cash reserves reducing to a level below that considered prudent (see section 8.3 of the Business Plan at page 37).

The proposed 2015/16 levy is \$6.876m which is increased from the 2014/15 levy by 4%, slightly higher than CPI.

External economic factors remain the most significant risk to EnergySafety's budget. The resources boom experienced in Western Australia has resulted in numbers of electrical and gas licences growing at an exponential rate for the past ten years or so. However, approximately 28% of electrical licences are currently issued to persons with an interstate address and, should the resources sector slow-down affect EnergySafety's licensing activity, without another trades-related sector experiencing significant growth, revenues from licensing activity may decline over several years in the future.

**Hon. Michael Mischin MLC  
MINISTER FOR COMMERCE**