

**AusNet Services – AMI Customer
Rebates
Final Audit Report – Executive
Summary**

Version 1.1

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1. Executive Summary

1.1. Background

The rollout of smart meters in Victoria is now effectively complete with almost 2.8 million meters installed across the state. It is the Government's policy that smart meters are, and will continue to be, the standard meters in Victoria.

Under new regulations made by the Victorian Government, if an electricity distributor has not attempted to install a smart meter in a Victorian home or small business by 30 June 2014, the customer at that premise will be entitled to a rebate (provided the customer has not refused the installation of a smart meter). Furthermore if an electricity distributor has not facilitated a remotely read smart meter by 31 March 2015 an additional rebate was payable.

AusNet Services was required to provide a rebate of \$125 to eligible Account Holders who did not have a smart meter that could be remotely read as at 31 March 2015. AusNet Services assessed that there were 225,212 eligible customers that would receive the rebate.

The Essential Services Commission required an independent auditor to confirm whether AusNet Services complied with the regulatory obligations related to this rebate and Grant Thornton Australia was selected to perform the audit.

Grant Thornton Australia (the auditors) confirms Guideline No. 22 - Regulatory Audits of Retail Energy Businesses and the Tripartite Audit Deed have been complied with when the audit was performed.

1.2. Scope

The audit scope as per the Essential Services Commission is outlined as the following:

If there is on 31 March 2015 no logically converted remotely read interval meter for a metering installation for a customer with annual metering consumption of 160MWh or less, the distributor that was on 31 December 2013 the responsible person for that metering installation must pay the rebate amount.

The rebate amount:

- 1 Must be paid to the account holder;
- 2 May be paid by direct credit to the account holder unless otherwise directed by that person; and
- 3 Must be paid on or before 30 June 2015.

As per the Advanced Metering Infrastructure Cost Recovery Order in Council, has clause 14AAA.3, parts (a) through to (f) been achieved? If not, what are the reasons for not meeting this requirement? How many customers are due to be paid? How many have been paid? What systems and processes are in place to rectify and make payment?

Per clause 14AAA.6, if a distributor has not paid the rebate amount to the account holder on or before 30 June 2015, an account holder may request the payment of the rebate amount from the distributor. The account holder must request payment of the rebate amount on or before 31 December 2015. If an account holder makes a request under this clause, the distributor must pay the rebate amount as soon as practicable after receipt of the request. As at the time of this audit has an account holder made a request for payment of the rebate? If so, has clause 14AAA.6 (c) been achieved?

Clause 14AAA.7 states that a distributor must publish on its website (the payment notice) that account holders who did not receive the rebate amount on or before 30 June 2015 have until 31 December 2015 to request the distributor for payment of the rebate amount, and the distributor will pay the rebate amount as soon as practicable after receipt of that request. As at the time of this audit, has AusNet Services so far achieved clause 14AAA.7 (a) and (b)?

1.3. Methodology

Our approach was conducted in accordance with the Standard on Assurance Engagements ASAE 3100 Compliance Engagements to perform testing in accordance with the requirements of Section 46D of the Electricity Industry Act, AMI Order in Council, clause 14AAA.3, 14AAA.6, 14AAA.7 and 14AAA.8. We assessed AusNet Services' compliance with the relevant clauses, including:

- Identifying reasons for non-compliance;

- Information systems and processes utilised to support and rectify payment of rebates;
- The design effectiveness of the controls through the evaluation of the control environment (assignment of authority and responsibility, documentation of policies and procedures, records management and compliance attitude); and
- Evaluation of AusNet Services' overall compliance.

In consideration of the operational effectiveness of AusNet Services' controls throughout the scope period, we concerned ourselves with the consistency with which AusNet Services has applied its control procedures and by whom.

To ensure AusNet Services obtained the highest benefit from a structured audit process, we operated within the principles of established methodologies and frameworks.

Limited assurance obtained - Our review has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE 3100 Compliance Engagements) to provide limited assurance that AusNet Services has complied with clauses 14AAA.3, 14AAA.6, 14AAA.7 and 14AAA.8 of Section 46D of the Electricity Industry Act, AMI Order in Council. Our procedures were performed to obtain evidence to support our conclusion and included examination, on a test basis, of evidence supporting the entity's compliance with the requirements of the regulatory obligations.

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or noncompliance may occur and not be detected. A review is not designed to detect all instances of non-compliance with the regulatory obligations as documented in the audit scope, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with the regulatory obligations as documented in the audit scope are undertaken on a test basis.

The conclusion expressed in this report has been formed on the above basis.

1.4. Audit Work Performed

The audit was conducted in August 2015. To test compliance of all required clauses, AusNet Services' business processes, controls, information technology systems, data extracts and communications were reviewed. The following work was performed to assess whether the following clauses were met:

- 14AAA.3 – parts (a) through to (f) – To assess whether customers were eligible or ineligible for the rebate, sample testing was performed across all AusNet Services' retail partners (who directly interact with customers). These tests specifically verified whether customers met or did not meet specific eligibility criteria. Similarly, sample testing across all AusNet Services' retailers was performed to verify whether customers eligible for the rebate were in fact paid the rebate. To assess whether AusNet Services' provided the required reporting to the Minister and the Commission, email communications were reviewed and verified.
- 14AAA.6 – To assess whether customers eligible for the rebate, who were not paid by the 30 June 2015 deadline, but requested payment and were later paid, sample testing was performed across all AusNet Services' retail partners (where requests were found). Correspondence data was reviewed to verify payment request and payment processing data was reviewed to verify payment.
- 14AAA.7 and 14AAA.8 – To assess whether AusNet Services published payment notices on its website and maintained those notices, the current website and its specific wording was reviewed.

1.5. Limitations

There were no limitations of the licensee's internal controls or the auditor's review to report to Essential Services Commission Management.

Recommendations included in this report should be assessed by AusNet Services' Management for their full commercial impact before they are implemented.

This report has been prepared solely for the use of AusNet Services and the Essential Services Commission in relation to the AMI Customer Rebate Program. No responsibility to any third party is accepted as the report has been prepared, and is not intended, for any other purpose.

1.6. Management of Obligations Summary

To ensure that obligations of the AMI Cost Recovery Order in Council (CROIC) were met, AusNet Services commissioned Deloitte as its outsourced provider to assist in the delivery of the AMI Customer Rebate.

Deloitte was responsible for processing and managing claims (through a contact centre, online processing and Australia Post), maintaining the customer management system and database and providing ongoing progress reporting to AusNet Services.

AusNet Services was responsible for determining the eligibility of customers (which Deloitte based its processing on) and the physical payment (cheques and EFT) to the customer.

The following descriptions provide a summary on how AusNet Services managed the obligations.

14AAA.3

In summary, 14AAA.3 outlines obligations around customer eligibility/ineligibility, payment processing and reporting to the Minister and Commission.

To identify all customers eligible for the rebate, AusNet Services developed an eligibility criteria process which:

1. Confirmed and developed a set of eligibility requirements which included both the required obligations and additional obligations set out by AusNet Services (AusNet Services decided to pay the rebate above and beyond what is required by the obligations. For example, instances where remote signal reads hadn't been received in the 10 business days before 31 March 2015 for a logically converted meter and where a smart meter was not yet installed for customers no longer classified as refusal to install, inability to install, or inability to access. These customers were given the rebate).
2. Developed customer data extracts based on eligibility requirements to help narrow the list of eligible customers.
3. Finalised and approved the final list of eligible customers.

To ensure successful payment of the rebate, AusNet Services created a payment process that included the following:

- A structured communications strategy informing eligible customers of the available rebate. This included a minimum of 5 communications (2 letters and 3 phone calls/SMS);
- 3 rebate payment methods available which were by cheque, EFT and over-the-counter cash payment at Australia Post;
- A website and contact centre to process claims requiring cheque or EFT payments;
- A customer identity verification process for all channels; and
- A structured quality assurance (QA) and tracking process to ensure customers were properly paid the rebate.

To ensure reports were sent to the Minister and Commission, AusNet Services compiled reports based on their QA and tracking data which were subsequently reviewed and approved by AusNet Services' Management prior to submission.

14AAA.6

In summary, 14AAA.6 outlines obligations around eligible customers not paid the rebate at 30 June 2015, who have subsequently requested payment and obligations around ensuring those customers are paid.

For those customers who requested the rebate post 30 June 2015, AusNet Services' contact centre channel remained available. Customers could simply use this channel and go through the existing claims and payment process. AusNet Services managed these customers through the process instigated for payments post 30 June 2015 which are only by cheque.

14AAA.7

In summary, 14AAA.7 outlines obligations around the website and its notification to customers.

AusNet Services maintained a dedicated customer rebate program webpage on its existing website. This webpage included the relevant information for customers to claim the rebate.

14AAA.8

In summary, 14AAA.8 outlines obligations around ensuring the customer rebate program webpage remains active until 31 December 2015.

The Stakeholder Engagement Manager, a key member of the rebate program is responsible for keeping the website active until 31 December 2015.

2. Summary of Audit Findings and Compliance Plans

The following tables provide summary **non-compliance** findings of the Audit.

Audit Findings	Management Compliance Plans
<p>AusNet Services is not compliant with 14AAA.3 (b), specifically with identifying whether customers have consumed 160 MWh or less on 31 March 2015, which is a criterion used to determine whether a customer is eligible for a rebate.</p> <p>Instead of using 31 March 2015 as per the obligation, AusNet Services used 31 December 2014 as this was the common regulatory reported figure for AusNet Services. This appears to have affected an estimated 96 customers who were flagged ineligible, but could in fact be eligible. This approach was documented in AusNet Services Eligibility Criteria document, but inconsistent with the 31 March 2015 requirement.</p> <p>The rationale given for this decision was as follows:</p> <p>“AusNet Services used the 31 December 2014 extract because the process to extract this data is highly labour intensive and using the 31 March 2015 extract would have delayed the commencement of the rebate processing. AusNet Services uses the annual December extract throughout the business because it is the figure reported to regulators and, the extraction process is labour intensive and the population is generally quite static. It is important to note that only 96 NMI's were excluded from the rebate because they had annual consumption > 160MWh.”</p> <p>Since the beginning of the review, AusNet Services has highlighted approximately 96 customers (0.04% of the 225,212 eligible customers) who were ineligible based on using consumption records as at 31 December 2014. As a result of the finding above, AusNet Services is currently verifying whether these 96 customers are in fact eligible for the rebate when using the 31 March 2015 date.</p> <p>AusNet Services should review these 96 and identify if they have been affected by using the incorrect date. If these customers are in fact eligible and were originally identified ineligible, then AusNet Services should contact them, inform them of the rebate and if the customer wishes to claim it, process their claim as soon as practicable.</p>	<p>As at 31 December 2015, AusNet Services completed the review of the 96 customers. 14 were eligible for the rebate and these customers were sent a rebate cheque.</p>

AusNet Services was non-compliant with 14AAA.3 (c) (iii) which states rebate payments must be paid to eligible customers on or before 30 June 2015. Paying 100% of all eligible customers was not achieved by 30 June 2015 as a result of various reasons including customers not interested in the rebate, requesting it after the deadline or customers not physically cashing cheques by the deadline.

It should be noted that compliance with this obligation has been impacted by customers failing to request the rebate prior to 30 June 2015. Although AusNet Services had the systems and processes in place to satisfy the requests, it technically did not meet the obligation.

Additionally, customers who were yet to be paid at 30 June 2015 included those who had accepted the rebate and received a cheque by AusNet Services, but had not cashed the cheque prior to the 30 June 2015 deadline. In this circumstance, AusNet Services made the effort to meet the deadline, but since the customer had not physically cashed the cheque, AusNet Services technically had not met the obligation.

Several other reasons of non-payment were identified by AusNet Services including:

- The customer not being interested in the rebate.
- The customer was travelling or unavailable.
- Properties not continuously populated (e.g. holiday home).
- Incorrect or unavailable contact details.

As a result, as at 30 June 2015:

- 20,936 (9.3% of the 225,212 eligible customers) had not claimed their rebate;
- An additional 12,802 had received a cheque from AusNet Services after requesting it, but did not cash it by 30 June 2015; and
- An additional 3,037 customers had requested their rebate by 30 June 2015, but their claim had not been processed by 30 June 2015.

If the raw interpretation of the obligation is that, customers are paid only if they have the physical money in their possession, then 36,775 of the 225,212 eligible customers (16.3%) were not paid the rebate on or before 30 June 2015.

As at 31 December 2015:

- 206,947 of the 225,212 eligible customers (91.9%) had claimed their rebate, leaving 18,265 eligible customers (8.1%) yet to claim their rebate. These rebates will be transferred to the State Revenue Office as Unclaimed Monies.
- 1,838 eligible customers had received a cheque, but had not yet cashed the cheque. These cheques that have not been cashed will be managed under AusNet Services' unrepresented cheque company procedures.
- 22 eligible customers had claimed the rebate in December. These cheques were mailed on 12 January 2016.

The below table provides an overview of the payment status at 30 June 2015 and 31 December 2015.

	30-Jun	31-Dec
Collected	188,437	205,087
Received	12,802	1,838
Processing	3,037	22
	204,276	206,947

Collected: Claimed at a post office; received EFT; cashed cheque.

Received: Cheque sent but not cashed.

Processing: EFT/Cheque requested by customer but not yet processed.

AusNet Services was non-compliant with 14AAA.3 (e) (i) which states a list of eligible customers who are required to be paid the rebate must be sent to the Minister and the Commission by 31 May 2015. AusNet Services submitted the list after this date, however it has been evidenced that AusNet Services requested an extension with the DEDJTR, which was acknowledged by the DEDJTR.

Review of the submission to the Minister and the Commission did contain a list with all the relevant information as per the obligation. However, it was submitted on 19 June 2015, past the 31 May 2015 deadline.

Audit sighted evidence that AusNet Services communicated a request for a submission extension, and this was acknowledged and agreed upon by the Principal Regulatory Officer, Energy Sector Development, Department of Economic Development in an email dated 26 May 2015.

One of AusNet Services' Eligibility Criteria was to provide customers for which we didn't hold a name, a written notice informing them that in order to be eligible they must formally update their name and contact details with their retailer.

This final batch of formal notices to unknown customers was distributed on 30 April, and provided these unknown customers one month to update their details with their retailer. Given the expected 1-4 days for postage, and the B2B requirement for 2-3 business days for processing customer detail changes to our systems, AusNet Services sought a minor extension to the deadline of 31 May to ensure that these customer details are captured, and a correct and final list of eligible customers was provided to DEDJTR and the ESC.

Additionally as per the scope of the audit, the Essential Services Commission outlined several questions that required a response. Those questions and responses are outlined here.

Essential Services Commission Questions	Outcomes of Audit	Management Comments
<p>At the time of this audit, has AusNet Services so far achieved clause 14AAA.3 parts (a) through (f)? If not, what are the reasons for not meeting this requirement?</p>	<p>At the time of this audit, AusNet Services has so far achieved clause 14AAA.3 parts (a) and (f) only. Audit has found non-compliance with 14AAA.3 (b), (c) and (e).</p> <p>It should be noted the scale of the impacts of non-compliance vary depending on the obligation.</p> <p>Non-compliance with 14AAA.3 (b), which was a result of AusNet Services' use of a different date for eligibility criteria, impacted approximately 96 customers.</p> <p>Non-compliance with 14AAA.3 (c) was a result of AusNet Services not able to pay the rebate to 100% of eligible customers for various reasons including customers not interested in the rebate or customers not physically cashing the cheques sent by AusNet Services. In this specific case, over 12,000 customers did not cash their cheque by the deadline.</p> <p>Non-compliance with 14AAA.3 (e) was a result of a late submission of a list to the Minister and Commission, however a request for an extension and the acknowledgement of that extension was evidenced,</p>	<p>Actions against the particular findings will be instigated to address the discrepancies for clauses (b), (c) and (e).</p>
<p>How many customers are due to be paid? How many have been paid?</p>	<p>At the time of this audit (14/08/2015), 18,606 eligible customers are still due to be paid the rebate and 206,606 eligible customers have been paid the rebate. This totals 225,212 total eligible customers. Their status as outstanding customers is due to a number of factors, not exclusively as a result of the actions of AusNet Services.</p>	<p>AusNet Services will continue to complete payments that are in-flight and will make payments for those requested up until 31 December 2015.</p>
<p>What systems and processes are in place to rectify and make payments?</p>	<p>AusNet Services delivered a structured communication strategy to inform eligible customers of the rebate, as well as remind them of their eligibility for the rebate. This included a minimum of:</p> <ul style="list-style-type: none"> • 2 mailed letters; • 3 phone call/SMS communication; and • A website page dedicated to the rebate <p>For customers who had not claimed the rebate by 30 June 2015, AusNet Services maintained its call centre operations in order to receive and process claims. Customers could contact the centre, go through the claims process and if eligible, would receive a cheque. This process has been verified through this audit's testing and review.</p> <p>Note: During the review, AusNet Services provided a list of instances where customers had not received the above correspondence. These were highlighted during the review using AusNet Services' ongoing quality review process (e.g. mailing records, returned mail, phone call logs, etc.). This impacted an estimated</p>	<p>All of the payment discrepancies highlighted will be rectified by 30 September 2015 and any new requests up until 31 December 2015 will be processed.</p>

	0.002% to 0.031% of total eligible customers. AusNet Services is currently remediating any customers that did not receive the minimum amount of communication.	
Per clause 14AAA.6, if a distributor has not paid the rebate amount to the account holder on or before 30 June 2015, an account holder may request the payment of the rebate amount from the distributor. The account holder must request payment of the rebate amount on or before 31 December 2015. If an account holder makes a request under this clause, the distributor must pay the rebate amount as soon as practicable after receipt of the request. As at the time of this audit has an account holder made a request for payment of the rebate? If so, has 14AAA.6 (c) been achieved?	At the time of this audit, account holders had in fact, made a request for payment of the rebate. A sample of 19 eligible customers tested across all retailers who had requested payment of the rebate after 30 June 2015 confirmed that 14AAA.6 (c) had been achieved, as outlined below in section 3.2 of 'Detailed Audit Findings and Compliance Plans'.	Refer to actions associated with the audit finding.
Clause 14AAA.7 states that a distributor must publish on its website (the payment notice) that account holders who did not receive the rebate amount on or before 30 June 2015 have until 31 December 2015 to request of the distributor payment of the rebate amount, and the distributor will pay the rebate amount as soon as practicable after receipt of that request. As at the time of this audit, has AusNet Services so far achieved clause 14AAA.7 (a) and (b)?	AusNet Services is compliant with 14AAA.7 (a) and 14AAA.7 (b) as outlined below in section 3.3 of 'Detailed Audit Findings and Compliance Plans'.	Refer to actions associated with the audit finding.

In reference to GL No. 22 compliance grading, audit have graded the compliance obligations as follows:

Compliance Section	GL No.22 Compliance Grading	Comments
14AAA.3		
14AAA.3 (a)	A	
14AAA.3 (b)	B	Data integrity is compromised due to minor compliance failures by using reporting at 31 December 2014. This appears to have affected an estimated 96 customers who were flagged ineligible, but could in fact be eligible.
14AAA.3 (c)	A	Note: non-compliance was a result of AusNet Services not able to pay 100% of eligible customers by the deadline as a result of various reasons including those out of their control (e.g. customers not cashing cheques by the deadline).
14AAA.3 (d)	A	
14AAA.3 (e)	A	Note: non-compliance was a result of late submission, but a request for extension and the acknowledgement of that extension was evidenced.
14AAA.3 (f)	A	
14AAA.6		
14AAA.6 (a)	A	
14AAA.6 (b)	A	
14AAA.6 (c)	A	
14AAA.7		
14AAA.7 (a)	A	
14AAA.7 (b)	A	
14AAA.8		
14AAA.8	A	

2.1. Other Matters

Though AusNet Services is compliant with 14AAA.6 (a), several discrepancies related to the customer communication process were identified. The obligation states if a distributor has not paid the rebate amount to the account holder on or before 30 June 2015 as required by 14AAA.3 (c) (iii), an account holder may request the payment of the rebate amount from the distributor.

One of the key factors in driving compliance with 14AAA.6 (a) was AusNet Services' structured communication strategy. It ensured customers were informed of the rebate by contacting them a minimum of 5 times, including 2 mail-outs and 3 phone contacts. On a regular basis AusNet Services identified customers who didn't receive the 5 contacts and took remedial action. However, during the course of the audit (as at COB on 28 August 2015), AusNet Services identified of the 225,212 eligible customers:

- 5 customers who didn't receive 2 letters. These were being remedied by AusNet Services.

It is important to note that the above figures exclude:

- Customers who asked AusNet Services not to contact them;
- Customers who had an exception e.g. the majority of these were customers who required a significant name change (maiden name to married name or deceased estates);
- Customers for which AusNet Services didn't have a phone number (excluded from the outstanding phone contacts only);
- Customers who called AusNet Services (excluded from the outstanding phone contacts only); and
- Customers for which AusNet Services received returned mail (excluded from the outstanding letter only).

AusNet Services will review the customers who have not received the standard of communication as per AusNet Services agreed process, and where these customers haven't claimed the rebate, further communication will be instigated.

Where the customer requests the rebate from this additional communication a rebate will be paid by September 2015.

AusNet Services had a process in place to identify instances where it had not met its commitment to send each customer a minimum of 2 letters and make a minimum of 3 phone contacts. This process was run three times during the course of the project and corrective action was taken. The results are shown in the below table. As at COB on 28 August 2015, 5 customers were outstanding. AusNet Services will contact these customers and process any resulting rebates.

	30-Jun	21-Jul	14-Aug
No Letter Sent	6	6	4
One Letter Sent	2	1	1
No Phone Contact Made	448	60	0
One Phone Contact Made	334	60	16
Two Phone Contacts Made	2,258	215	69
Contacts Outstanding	4,284	528	110