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Dr Ron Ben-David  
Chairperson  
Essential Services Commission  
2 Lonsdale Street  
Melbourne, Vic 3000

4 October 2018

Dear Dr Ben-David

I am writing in response to your letter of 14 September 2018 and following our subsequent meeting on 27 September 2018, regarding the submission of performance data by the relevant licensees of AGL Energy Limited (AGL) to the Essential Services Commission (the Commission).

Firstly, I would like to extend my appreciation for the constructive meeting between our organisations on 27 September 2018, and hope to continue an open and constructive dialogue on all matters.

I, and my leadership team, understand the obligations placed upon AGL and have a strong commitment to meeting all compliance obligations and instilling a positive compliance culture throughout the organisation. AGL is keenly aware of the critical nature of its obligations relating to the provision of accurate and timely performance data to the Commission, and takes seriously its failures to provide accurate and timely data to the Commission during 2017-18. We accept that the public reporting of industry data is important to engendering community trust and confidence in the industry and apologise unreservedly for these failures. The AGL board of directors is disappointed in what has occurred and a full review of all external reporting has been initiated.

Since identifying these reporting deficiencies, we have established a dedicated project team with substantial funding and resources to implement the necessary processes and capability to provide accurate performance data to the Commission. This project is progressing well and as agreed between our staff on 2 October 2018, further detail will be provided by AGL to the Commission on a fortnightly basis, commencing 5 October 2018.

*Concerns outlined in letter of 14 September 2018*

AGL provides the following comment in relation to the concerns outlined in your letter of 14 September 2018.

- As you note, as part of the Commission's 2016-17 audits of AGL and Powerdirect, both businesses outlined a remediation plan to address all agreed process improvements. Following the audit, actions were taken to address the audit findings, which will be further strengthened through the reporting capability uplift currently underway. At the time of the audit, AGL was not aware of any further deficiencies of our reporting systems.
- AGL acknowledges the Commission was notified of its reporting deficiencies after the Australian Energy Regulator (AER) was notified. The initial investigations and communications with the AER occurred earlier in the year because they were brought about by a series of specific data queries that the AER raised. We subsequently investigated our data sources and definitions to answer the AER's questions and through this process identified that the root causes of the data discrepancies could also impact our Victorian reporting. Once we conducted further analysis, and validated that the Victorian reports had been impacted, we communicated this with the Commission.



- Further, the submission of revised data was provided to the AER one month earlier than the date committed to for the Commission. The reason for this is, as per above, deficiencies in our AER reporting was identified initially. AGL had commenced the project to uplift our reporting capability to address the AER metrics when deficiencies in the Victorian metrics were identified, and a practical solution was to continue with the work already underway for the AER metrics with the Victorian metrics to follow immediately.

#### *Assurances*

We note the Commission's requirements of additional assurances around both the project status, and the data submission. The formal assurance of data reliability is an additional requirement to the usual process of data submission.

As communicated to Commission staff on 2 October 2018, AGL will provide a formal report regarding the progress of its reporting capability rebuild with appropriate and independent assurances from AGL's Internal Audit team. We anticipate providing this initial report to the Commission no later than Friday 5 October 2018, with subsequent progress updates by Friday 19 October 2018, and on Wednesday 31 October alongside the revised performance reporting submission.

Regarding the provision of assurances of data reliability by 31 October, as agreed at a meeting between our staff on 3 October, our properly qualified independent third party, PwC, will provide assurance options for the Commission to consider, noting the challenge between timeframes of the data being available and the assurance standards required. For clarity, AGL will provide data by 31 October regardless of whatever assurance process is agreed. We accept that due to this compliance failure the Commission desires independent, one-off assurance for this submission.

AGL expects the Commission to audit the reporting system and compliance with obligations under the Compliance and Performance Reporting Guideline. The proposed timing of this follow up audit, was briefly discussed and will be initiated post 31 October 2018.

#### *Data provided prior to 2017-18*

Our review has focussed on the financial year 2017-18, and AGL has not to date re-reviewed previously submitted data.

As stated in our meeting on 27 September 2018, I will contact you if there are any issues in meeting our commitments, although I am confident in our ability to deliver revised performance data to the Commission by 31 October 2018.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Redman'.

**Brett Redman**

Interim Chief Executive Officer

AGL Energy Limited