

ALINTA ENERGY AUDIT REPORT SUMMARY AND COMMISSION RESPONSE

RETAIL AUDIT PROGRAM

The Essential Services Commission ("the Commission") commenced the retail audit program in late 2014. The purpose of the audit program is to provide the Commission and energy consumers with independent assurance that energy retail licensees have appropriate policies, systems and processes in place to comply with their regulatory obligations, that they are complying with their regulatory obligations and that when breaches occurs, the retailer is able to quickly identify and remedied that breach.

Under the conditions of their licence, retail businesses are required to appoint independent auditors to conduct compliance audits when required by the Commission to do so.




The auditors assess the retailer's compliance with the regulatory obligations set out in the audit scope set by the Commission.

As required by the Commission, audits are based on the general principles stated in the Standard on Assurance Engagements ASAE 3100 Compliance Engagements.

The role of the auditor is to test and assess processes and controls and to form an overall view of the retailer's level of compliance in each of the areas audited. In order to do this, auditors were required to obtain sufficient appropriate evidence on which to base their conclusions. Such evidence could be gathered through enquiry and observation, tests of controls and representations received from management. In addition to this, auditors may also identify specific instances of non-compliance.

BASIS FOR REPORTING

A traffic light system is used to report the auditor's assessment of overall compliance with obligation areas as follows:

Grade	Description	Definition
	Non-compliant	The requirements of the obligation have not been met, or adequate, relevant and suitable information to form an objective determination on compliance was not available to demonstrate compliance. Findings noted are considered material in nature and require urgent remedial action.
	Partially Compliant	Key requirements of the obligation have been met but only minor achievements in compliance have been demonstrated. Findings noted are considered significant and require substantial effort to correct.
	Generally Compliant	Most requirements of the obligation have been met with some minor failures or breaches. Findings noted are considered minor and require routine efforts to correct in the normal course of business.

ALINTA ENERGY AUDIT

Deloitte Touche Tohmatsu (Deloitte) was engaged to conduct the compliance audit for Alinta Energy (Alinta). The audit consisted of 11 key areas.

One area was assessed as Partially Compliant:

- Energy Performance Indicators

All other areas were assessed as Generally Compliant. These were:

- Compliance Program*
- Disconnection and Reconnection*,

- Tariff Variation,
- Deemed Customer Arrangements
- Billing*,
- Advanced Metering Infrastructure,
- Financial Hardship Program,
- Marketing*,
- Life Support* and
- Complaints and Dispute Resolution*.

* *Opportunities for improvement identified.*

No areas were graded Non-Compliant.

KEY FINDINGS

The following sections outline the key findings, the actions taken by Alinta to address each issue and the Commission's response.

(1) Performance reporting

The auditors identified the following issues in relation to performance reporting:

- There were no formally documented policies and procedures to provide guidance on the generation, review and submission of performance indicator data to the Commission; and
- Performance data submitted to the Commission was inaccurate for the following indicators, Complaints, Financial Hardship and Disconnection and Reconnections.

The auditors recommended that Alinta:

- Finalise the performance indicator policies and procedures to ensure they provide adequate guidance to personnel involved in the generation and submission of

performance indicator data and commit to periodically reviewing the procedures to ensure they reflect current processes and systems; and

- Perform a detailed review of performance indicator data prior to submission to the Commission which should include reconciliation to source documentation.

Alinta accepted both recommendations and will finalise the policies and procedures by 31 August 2016. Alinta will continue to engage with the Commission as this development progresses. Alinta has also committed to performing a detailed review of performance indicator data by 31 August 2016.

The Commission will monitor the completion of remedial actions.

OTHER FINDINGS

(1) Breach reporting

The auditors identified the following issues in relation to breach reporting:

- Alinta did not always comply with the timing requirements set out in the Compliance Reporting Manual when reporting type 1 breaches to the Commission;
- The Annual Breach Report did not include all wrongful disconnections; and
- Nil reporting of wrongful disconnections was not provided to the Commission as required in months where no wrongful disconnections occurred.

The auditors recommended that Alinta:

- Ensure all Type 1 breach reports are provided to the Commission in accordance with the timing requirements set out in the Compliance Reporting Manual (Energy Retail Businesses);
- Perform reconciliations between the Annual Breach Report and the monthly wrongful disconnection breach reports to ensure all wrongful disconnections contained in the monthly report are also included in the Annual Compliance Report; and

- Provide nil reports to the Commission in the months where there are no wrongful disconnections.

Alinta accepted all recommendations and have secured an additional resource to assist in the management of compliance reporting.

(2) Reconnection procedures

The auditors identified disconnection warning notices did not outline reconnection procedures and recommended that these be included in disconnection warning notices sent to customers. Since identification of this issue, disconnection warning notices are being updated to include reconnection procedures. These updates will be completed by 31 August 2016.

The Commission will monitor the completion of this remedial action.

(3) Bill content

The auditors identified that bills did not contain the website address www.switchon.vic.gov.au as required. Alinta bills contained the old website address of: www.yourchoice.vic.gov.au. The auditors recommended that the bill template be updated to include the new website details. Alinta has updated the bill template to include the website address: www.switchon.vic.gov.au

(4) Marketing

The auditors identified the following issues in relation to marketing conduct:

- Training documentation provided to marketing agents during the audit period failed to include information on Alinta's Financial Hardship Policy. Since identification of this noncompliance, training materials have been updated to include information on Alinta's Financial Hardship Policy; and
- Information regarding the existence and general scope of the Code of Conduct for Marketing Retail Energy in Victoria, as well as about how to access code compliance procedures, was not contained in the information provided to consumers as required.

The auditors recommended that Alinta:

- Ensure that refresher training is provided to marketing agents on Alinta's Financial Hardship Policy and that attendance records of this training are retained as evidence; and
- Provide information regarding the existence and general scope of the Code of Conduct for Marketing Retail Energy in Victoria as well as how to access code compliance procedures in the information provided to customers upon joining the retailer.

Alinta accepted both recommendations and has committed to training all marketing agents with a revised training pack inclusive of Alinta's hardship policy. Alinta will provide retraining briefs to its marketing agents to ensure historic agents are aware of Alinta's Hardship Policy. Alinta has also committed to updating contractual material by 31 January 2017 to include information regarding the existence and general scope of the Code of Conduct for Marketing Retail Energy in Victoria as well as how to access code compliance procedures.

The Commission will monitor the completion of remedial actions.

(5) Life Support

The auditors identified that life support customers are not provided with the distributor's emergency contact details immediately following medical confirmation of life support status is received. Instead, contact details are provided on the customer's first bill. Although this is not a breach of the Energy Retail Code, best practice would suggest that the distributor's emergency contact details should be provided in correspondence sent to life support customers. The auditors consequently recommended that the distributor's emergency contact details should be included in the information pack sent to life support customers.

Alinta accepted the recommendation and will update the letter sent to customers upon notification of life support status to include the distributor's emergency contact details by 31 July 2016.

(6) Complaints policy

The auditors identified that Alinta's Dispute Resolution Policy required updating to reflect the relevant Australian Standard (AS/NZS 10002-2014) and recommended that

Alinta review and update its Energy Dispute Resolution Policy. Alinta has made the required amendments to the Dispute Resolution Policy and has uploaded the updated Policy on its website.

The Commission will monitor the completion of remedial actions.

COMMISSION RESPONSE

The Commission is satisfied that Alinta has implemented the required improvements to ensure ongoing compliance with its obligations pertaining to the reporting of energy performance indicators and compliance breaches, marketing conduct, life support, complaints handling, advising customers of reconnection procedures and bill content.

Results of audits enable the Commission to form an assessment of a licensee's current technical capacity and in particular, the accuracy of the self-identified reported breaches made by licensees. The Commission is concerned that Alinta was unaware of four non-compliances identified by the auditors. As such we will seek further assurance from Alinta regarding the systems, processes and controls to monitor and report on compliance, as well as monitoring the completion of all outstanding actions arising from the audit.

Finally, the Commission would like to thank both Alinta and Deloitte for their collaborative approach while working on this audit.