

AUSNET SERVICES ADMINISTRATIVE UNDERTAKING AUDIT SUMMARY AND RESPONSE

In October 2014, the Essential Services Commission (“the Commission”) received the findings from the independent audits of Victorian energy distributors’ compliance with their Advanced Metering Infrastructure (“AMI”) obligations under the AMI Cost Recovery Order in Council. The Commission concluded from those findings that AusNet Services (“AusNet”) had not complied with its obligations, namely that it had not used best endeavours to have installed fully operational smart meters by 31 December 2013.

In July 2015, AusNet entered into an administrative undertaking (“undertaking”) with the Commission setting out the timing by which it would meet its AMI obligations. The undertaking committed AusNet to meet a series of targets for the operation of smart meters, with all meters meeting the required service standards by 31 March 2017. The undertaking also included reporting and auditing requirements, including the provision of quarterly compliance reports by AusNet to the Commission.

The Commission required an independent audit to be conducted of AusNet’s progress in achieving the compliance targets specified in section 1 (a) of the undertaking for the period ending 30 June 2016.

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All areas subject to audit were graded General Compliance, meaning that “*most requirements of the condition 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*”.

While AusNet met the 30 June 2016 overall compliance target for the logical conversion of meters, the auditors identified three improvement opportunities in regards to the processes and controls utilised in the reporting of the progress of the undertaking.

IMPROVEMENT OPPORTUNITIES

This section outlines the key improvement opportunities identified, the actions taken by AusNet and the Commission's response.

1. Service level reporting

As part of the audit, an assessment of AusNet's achievement of the Service Level standards listed in the undertaking was conducted for the period ending 30 June 2016.

- The auditors assessed the accuracy of Service Level reports provided to the Commission in the quarterly compliance report and identified that the business rules surrounding the data that must be included and excluded from the calculations to determine the Service Levels were not clearly stated in the procedural document or within the quarterly compliance report.
- The auditors recommended that AusNet update its procedural documents to state where exclusions¹ are applied in the calculation of Service Levels.
- AusNet accepted the recommendation and has completed remediation.

The Commission acknowledges the finding and seeks no further action as the improvement opportunity has been implemented.

2. Actioning of reports

The auditors undertook an assessment of the effectiveness of the systems, processes and controls in place to determine the accuracy of the quarterly compliance reports provided to the Commission.

- The auditors noted that although exception reports existed to assist staff in resolving issues which may prevent the achievement of service standards, there was no evidence that these reports were reviewed by staff on a daily basis and actioned in a timely manner.
- The auditors recommended that AusNet retain evidence of the review and actioning of daily exception reports.
- AusNet accepted the recommendation and has completed remediation.

The Commission acknowledges the finding and seeks no further action as the improvement opportunity has been implemented.

3. Validation and sign-off of quarterly compliance reports

¹ Exclusions relate to business rules that govern the inclusion or exclusion of metering channels when calculating an expected baseline.

AusNet is required to provide quarterly compliance reports to the Commission on its progress in achieving the compliance targets of the undertaking.

- The auditors noted that AusNet's procedural document, which describes the process for ensuring compliance with the undertaking, did not include the processes for the validation and sign-off of quarterly compliance reports to the Commission. In addition, there was no evidence to support the validation and sign-off of the Compliance Report (30 June 2016) by the Head of Metering Business prior to submission of that report to the ESC.
- The auditors recommended that AusNet update its procedural document to include the processes for the compilation, validation and sign-off for the quarterly compliance reports and that it retain evidence of validation and sign-off of these reports.
- AusNet accepted the recommendations and has completed remediation.

The Commission acknowledges the finding and seeks no further action as the improvement opportunities have been implemented.

COMMISSION RESPONSE

The audit identified that AusNet achieved the overall compliance target for the logical conversion of meters and service levels for the period ending 30 June 2016. The auditors tested the processes, systems and controls in place to report on the progress and achievement of the undertaking and through this review identified three opportunities for improvement. All suggestions have been adopted by AusNet.

The Commission will continue to monitor AusNet's progress in achieving the compliance targets with a further audit to assess progress as at 31 December 2016 to be conducted in February 2017.

The Commission would like to thank both AusNet Services and Grant Thornton for their collaborative approach while working on this audit.