

ORIGIN ENERGY AUDIT REPORT SUMMARY

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 non-compliance occurs, it is able to be quickly identified and remedied by the licensee.

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 business' 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*.

While the auditors may identify specific instances of non-compliance during the audit process, the role of the auditor is to test and assess process 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.

BASIS FOR ASSESSMENT

A traffic light system is used to indicate overall compliance with obligation areas as follows:

Grade	Description	Definition
	Non-compliance	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.
	Partial Compliance	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.
	General Compliance	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.

ORIGIN ENERGY AUDIT

Protiviti were engaged to conduct the compliance audit for Origin Energy (Origin). The audit consisted of 10 key areas.

Six areas were graded General Compliance:

- Compliance Program,
- Financial Hardship Program,
- Complaints and Dispute Resolution,
- Disconnection and Reconnection,

- Outsourcing, and
- Retail Licence.

Three areas were graded Partial Compliance:

- life support and Sensitive load (eligibility and confirmation requirements),
- Billing (GSL payments and late bills); and
- Marketing (call recording retrieval and use of interpreter service).

One area was graded Non-Compliance:

- Advanced Metering Infrastructure (providing flexible pricing information)

A number of issues were also identified in relation to Origin's reporting against the Energy Retail Performance Indicators, including one instance being identified where Origin was incorrectly interpreting its reporting requirements.

Following receipt of the draft audit report, the Commission entered into discussions with Origin about the findings and the remediation required to address the findings. In all but one instance (in relation to undercharging), the Commission considers Origin's response to the audit findings to be satisfactory.

The section below outlines the key findings, the actions taken by Origin to address each issue and the Commission's response.

(a) Undercharging

When an energy retailer discovers that it has undercharged a customer for his or her electricity consumption, that retailer is only entitled to seek payment of the amount undercharged from the customer for a period of 9 months prior to the date on which it has notified the customer of the undercharged amount.

The auditors tested Origin's compliance with this obligation and found 2 instances out of 31 sampled where Origin recovered an amount over the 9 month period allowed. In responding to the audit finding, Origin said that it had provided feedback to the agents involved and their team leaders, that it was providing refresher training to all

agents who process undercharges and that its quality assessments were focusing on the application of undercharges.

Commission staff did not consider this to be an adequate response and so engaged in discussions with Origin about this non-compliance. In response to those discussions, Origin advised that:

- both accounts had been credited for the undercharged amounts; and
- in order to reduce the risk of human error in processing these payments, Origin is developing a tool which automatically calculates the credit offset period. This will be delivered by 30 March 2016. .

The Commission supports these actions taken by Origin but is seeking further information from Origin about the extent of the non-compliance and further actions required to remedy any instances of non-compliance.

(b) Performance indicators

The audit identified a number of issues with Origin's reporting against the tested performance indicators, particularly in the areas of financial hardship, reconnections and customer numbers.

Origin conducted an internal review of all performance indicator reporting requirements, and self-identified several other opportunities for improvement to the Commission. Origin further provided a retrospective performance indicator submission to the Commission addressing all the issues identified. Origin has updated its systems to ensure that future reporting is in line with the Commission's indicators and where possible Origin has moved to an automated system for extracting data.

(b) Marketing

The audit identified 4 instances of door to door sales agents who had not passed the required training prior to performing sales activities. This issue had previously been self-identified by Origin. Upon identification of this issue, Origin verified all successful sales by these agents to ensure that there were no further issues.

The auditors tested 169 telephone call recordings to ensure that customer consent was obtained and that non-English speaking customers were provided an opportunity to seek assistance before entering into a contract.

There were 9 instances where call recordings could not be provided by Origin. Origin have explained the causes of these non-compliances and informed the Commission that in order to address these, Origin is reviewing its data storage practices for call recordings via a review of infrastructure (hardware and software), accountabilities between Operations and IT services and related processes. In addition, Origin is implementing a practice of regular retrieval audits to ensure ongoing compliance with recording and storage expectations. The Commission is satisfied that the actions taken by Origin are sufficient to address this issue.

There was one instance where it has been determined that explicit informed consent to a transaction was not provided because the customer had difficulties communicating in English and an interpreter was not offered. The issue cannot now be remedied as the customer has left Origin. To address this issue, Origin has reinforced the use of interpreter services to all telesales agents.

(d) Life Support

When a customer provides an energy retailer with confirmation from a medical practitioner that a person residing at their premises requires life support equipment, the retailer must do a number of things including registering the premises as requiring life support, advising the distributor of this and giving the customer an emergency telephone number for the distributor.

The auditors identified 3 instances where letters were not sent to customers giving the distributors' emergency telephone number. Origin advised the Commission that these occurrences were due to a manual processing error and that it has commenced a new process whereby these letters are now triggered automatically.

Testing also identified instances where evidence of the customer's medical confirmation could not be observed. Although there is no requirement for Origin to retain customers' medical confirmations, given the importance of ensuring accurate record keeping, Origin has advised that these are now being kept in its billing system. In addition, although not required to do so, Origin has also implemented a process to

follow up customers who have not returned their application forms. The Commission supports these changes and encourages all retailers to take similar measures. The auditors found that a facilitator training guide used by Origin did not include all of the eligible life support equipment. Origin updated the guide upon notification of this non-compliance.

(e) Billing

When testing Origin's compliance with its billing obligations, the auditors identified instances where customers had been issued late bills due to a delay in receiving an acceptable meter read from the distributor. The auditors observed that there were appropriate processes in place to monitor and manage late bills. As such, no recommendations were made in relation to this issue.

The auditors also identified a customer who had been charged an early termination fee twice for a single contract termination. Origin investigated this issue and found that it was due to human error. The impacted customer has been refunded the duplicate charge. The Commission recognises that human errors will occur from time to time. Given that Origin have refunded the impacted customer, no further action is required.

In addition, Guaranteed Service Level ("GSL") payments were not applied or applied in a timely manner in all instances. This non-compliance had previously been self-identified by Origin. Origin has explained the cause of the non-compliances, informed the Commission that all payments have now been made and advised that it has made changes to ensure future compliance. Given that Origin made a number of process improvements, no further action is required.

(f) Advanced Metering Infrastructure ("AMI")

The auditors reported that not all bills contained an index read at the start of the billing cycle as required. Origin explained that the instances identified were for customers' first bills, where the data required to populate the start index read was not available to Origin. Origin had previously self-identified this issue and its inability to comply with the requirement due to these external factors. Although this is a technical breach of the Energy Retail Code, in the circumstances the Commission does not require anything further from Origin on this issue.

The auditors also reported issues with flexible pricing, in particular that explicit informed consent could not be provided for customers who entered into a flexible tariff during the audit period and that not all customers on a flexible tariff were notified of their right to opt-out of the flexible tariff.

In relation to both of these issues, Origin explained that they related to customers who installed solar panels and that consent for a tariff change was obtained when the customer accepts the agreement. Origin has updated its processes so that in future these customers are not set up on a flexible pricing tariff. For the customers who had already been set up on the flexible tariff, Origin contacted those who had been disadvantaged by the change to obtain their consent about which tariff they wanted and also notified them of a credit reimbursement. Advantaged customers were informed they were on flexible tariffs and were advised of the steps they need to take if they wanted to change. As this non-compliance has now been remediated, no further action is required.

The auditors also reported that Origin did not provide interval data in the approved format for loading onto the My Power Planner (now Victorian Energy Compare) website. Origin had previously identified and rectified this issue. As such, no further action is required.

Conclusion

The Commission is generally satisfied that Origin has implemented the required improvements to ensure ongoing compliance with its obligations pertaining to life support, billing, marketing and advanced metering infrastructure. In relation to managing its obligations relating to practices following an undercharging incident, the Commission has sought further information about the extent of this non-compliance and the further actions required to remedy those instances of non-compliance.

Finally, the Commission would like to thank both Protiviti and Origin for their work on and constructive approach to the audit.