



14/09/2018

RM/18/22989

Mr Brett Redman
Interim Chief Executive Officer
AGL Energy
699 Bourke Street
Docklands VIC 3008

CC: Elizabeth Molyneux, General Manager Energy Markets Regulation

Dear Mr Redman,

I write concerning the capacity of AGL Energy (and relevantly related licensees) to provide accurate and timely performance data to the Essential Services Commission (the Commission).

The Commission monitors, investigates and enforces compliance with Victoria's energy regulatory framework. Pursuant to section 23A of the Electricity Industry Act 2000 and section 33 of the Gas Industry Act 2001, licensees are required to submit information to the Commission in accordance with the requirements set out in the Compliance and Performance Reporting Guideline. As part of our monitoring function, it is critical that the data which retailers are required to provide to us is accurate and received in a timely manner. The Commission takes this matter seriously, particularly in the context of its reporting on the Victorian energy market for 2017-18.

In correspondence from AGL to the Commission dated 22 and 28 August, AGL states it cannot provide performance reporting data as required by our Compliance and Performance Reporting Guideline. The letters notes that limitations in AGL's existing reporting platform to provide this data are necessitating a 'full rebuild' of AGL's performance reporting capability. Presumably, this also means there is potential unreliability or inaccuracies in the performance data previously submitted to the Commission for reporting purposes. We note that as a result, AGL is currently rebuilding its reporting systems. We also understand that this impacts at least the 2017-18 data submitted to us by both AGL and Powerdirect.

We are also concerned about the following, relating to AGL making us aware of its deficient reporting capability only in August 2018:

- As part of our 2016-17 audits of AGL and Powerdirect, both businesses outlined a comprehensive remediation plan to address all agreed process improvements. AGL and Powerdirect did not highlight any further difficulties with their reporting systems at that time, and the Commission relied on those representations.
- AGL formally notified the Commission of its reporting inadequacies in August 2018, despite having notified the Australian Energy Regulator months earlier in April 2018.
- AGL has committed to providing data to the Commission by the end of October 2018, despite having committed to providing data to the Australian Energy Regulator a month earlier in September 2018.

In response to these reporting inadequacies, the Commission requests:

1. A meeting with you to present and discuss the project plan and assurance processes associated with the rebuilding of AGL's reporting systems. At that meeting, the Commission expects AGL to provide an explanation of the problems with AGL's existing reporting systems and why AGL did not see fit to inform the Commission sooner of these problems
2. The provision of formal reports from AGL regarding the progress of its systems rebuild, with appropriate sign-offs and independent assurances from AGL's auditors or supporting consultants.
3. The provision of 2017-18 retailer performance data from AGL by 31 October 2018, with assurances from a properly qualified and independent third party on its reliability.
4. The provision of assurances from a properly qualified and independent third party on the reliability of data provided to us prior to 2017-18.

When AGL's systems upgrade is nearing completion, the Commission will undertake an audit of AGL's compliance with its obligations under the Compliance and Performance Reporting Guideline. Moreover, if AGL does not provide data with reasonable assurance of its reliability by 31 October 2018, the Commission will conduct a separate audit on AGL for the purposes of assessing its technical capacity as a licensed energy retail business in Victoria.

This letter and all subsequent correspondence between AGL and the Commission will be published on the Commission's website until such time as the Commission considers the matter closed.

My staff will contact AGL shortly to discuss these arrangements.

Yours sincerely



Dr Ron Ben-David
Chairperson