



Ms Michelle Flanagan  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne Victoria 3000

1 February 2018

[energy.submission@esc.vic.gov.au](mailto:energy.submission@esc.vic.gov.au)

Dear Michelle

**Audit Guideline for Energy Businesses (draft)**

AGL Energy (AGL) welcomes the opportunity to comment on the Essential Services Commission of Victoria (the Commission) proposed changes to the Audit Guideline for Energy Businesses (Draft Guideline).

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to over 3.6 million customers accounts throughout eastern Australia.

AGL is a customer-focussed business and we endeavour to provide customers with products and services that best meet their diverse wants and needs. We have undertaken extensive consultation and research to obtain feedback on the ways in which we can better serve our customers. For example, AGL is developing solutions to help customers better manage their energy usage in their homes and business. Our Energy Insights initiative, part of a \$300 million program of digitally transforming how customers interact and engage with us, educates customers about the drivers of their own energy consumption and how to save on it. Other innovative offerings include our Self-Service Meter Read, our Prepaid Product and One Minute Move.

AGL is committed to maintaining a culture of integrity and compliance that is underpinned by its values, corporate governance and compliance policies and frameworks. Building and upholding a strong compliance culture is critical to achieving AGL's strategic, operational and commercial objectives. AGL takes seriously its obligations under the codes, Acts and other relevant compliance obligations. AGL has demonstrated effective compliance programs through several regulatory compliance audits. AGL supports the Commission reviewing Guideline Number 22, Regulatory Audits of Energy Businesses to align the requirements of the Draft Guideline to the current processes of the Commission when requesting energy Licensees undertake regulatory Audits. AGL provides the following comments on the changes.

In connection with the operation of clause 3.1.3 (c) of the Draft Guideline –

The Commission requires that all relevant aspects of Orders in Council, industry codes, standards, rules, guidelines and procedures applicable to the Licensee under a Licence or relevant Act as suitable criteria for the purpose of an Audit.

AGL considers this to be a very broad range of regulatory instruments for the Commission to use as criteria for regulatory Audits. It's AGL's view that the obligations subject to Audit should not go beyond the Commission's statutory obligations, be limited to those administered or enforced by the Commission and contained in Acts, Orders in Council, Licence's and codes.



In connection with the operation of clause 3.2.2, Identifying risk, and determining type, frequency and timing of an Audit –

The Commission will give priority to auditing high risk obligations and Licensees.

AGL is supportive of a regulatory Audit program that provides appropriate assurances to the Commission and helpful insights to AGL. However, for the Audit program to add value, having a variety of obligations audited rather than the same high-risk obligations audited periodically would be a more productive outcome without imposing unnecessary auditing costs and burden on Licensees. It's AGL's view that unless a major breach is identified the same obligations should not be audited more than once every three years.

In connection with the operation of clause 3.2.3(k), Identifying risk, and determining type, frequency and timing of an Audit –

The Commission will consider additional factors relevant to the Licensee and their Obligations in conducting a Risk Assessment including 'any matter considered relevant by the Commission'.

AGL has some concern with 'any matter considered relevant by the Commission' to be included in the Risk Assessment. In our view, this should be limited to any matter considered *reasonably* relevant. Alternatively, a definition of what is considered relevant would provide clarity, for example the relevant matters are limited to those of public interest or in the long-term interests of consumers. Further, AGL regards the Risk Assessment as an indicator of Licensee performance and is seeking to encourage the Commission to make the assessment available to Licensees upon request.

In connection with the operation of clause 5.1.3, Type of Audit –

The Commission may require a pulse check self-assessment to be performed. This is a light touch review which will be conducted in accordance with the terms and templates specified by the Commission.

In our view a pulse check is not an Audit, it is a request for information that should not be held to the same standard as an Audit or have the same level of administration. Licensees are aware that requesting information is an acceptable part of the Commission's monitoring function, and is not an activity that needs to be included in the Draft Guideline per se.

In connection with the operation of clause 7.14.1(f)(d), Reporting Procedures –

For all corrective actions described, the title of the accountable individual needs to be included in the management comments in the Audit Report.

AGL does not see how the title of the accountable individual the Licensee has deemed responsible for a corrective action is relevant information to be provided to the Commission or adds value to the management comments. Licensees follow their own internal sign-off and accountability procedures for management comments, and the title of the responsible role has no bearing on the completion of the corrective action commitments made in the management comments. We encourage the Commission to remove this requirement from the final drafting.

In connection with the operation of clause 8, Responding to the Audit –

The planning phase of the Audit is to be no more than 30 days between the issue of the indicative to engagement of Auditor and issue of final Audit scope. The fieldwork and reporting phase of the Audit is to be no more than 90 days between the start of the Audit fieldwork to issue of the final Audit report.



The additional drafting specifying timeframes to complete the required tasks during the planning, fieldwork and reporting phases of the Audit unnecessarily overcomplicates the procedures. Further, the timing in the planning phase is not logically sequenced, the scope preparation session is to be completed within 25 business day (5 weeks) from the issue of the indicative scope, however the time available to finalise the scope is only 30 days (4 weeks) from the issue of the indicative scope, logically the time available to finalise the scope should allow for the scope preparation session to be completed prior. AGL encourages the Commission to take a more practical approach to the Audit timelines, that can be determined by agreement at the time of Audit engagement which properly reflects the Audit scope, approach, operational constraints, and complexity of the Audit, with the time allowed for any Audit not exceeding 90 business days in total.

Should you have any questions in relation to this submission please contact Naomi Bott

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rebecca Bringham'.

Rebecca Bringham

**Manager Regulatory, Compliance & Risk**