

MOMENTUM 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.

MOMENTUM ENERGY AUDIT

PricewaterhouseCoopers (PwC) were engaged to conduct the compliance audit for Momentum Energy (Momentum). The audit consisted of 11 key areas.

Two areas were assessed as Partially Compliant:

- Energy Performance Indicators, and

- Compliance Program.

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

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

No areas were graded Non-Compliant.

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

(a) Performance data

The auditors identified that key performance data provided to the Commission did not reconcile with source data, resulting in 38 of the 99 (38%) performance indicators being inaccurate for the six month period ended 30 June 2015. Of the 38 indicators found to have an error, approximately half had an average variation of less than 5%. The auditors recommended that work instructions be updated and additional checks be performed prior to the submission of data. Momentum have completed the remedial action required to implement these recommendations. In addition, the Commission has sought retrospective submissions for the periods January to June 2015 and July to December 2015.

(b) Compliance reporting

The auditors found that breaches of obligations were not always reported to the Commission in accordance with the timing requirements in the Compliance Reporting

Manual. Momentum has committed to updating its Compliance Reporting Framework to expressly prescribe the breach reporting process, including timing of reporting. The Framework document is expected to be effective on 31 May 2016. Commission staff will monitor its completion.

(c) Training assessments and retention of training records

The auditors identified that records of refresher training were not always maintained and that training assessments did not always contain questions to test compliance knowledge. Momentum has agreed to update the compliance training to include assessments relevant to the Code of Conduct for Marketing Retail Energy in Victoria and to retain all assessments. The training documentation is expected to be effective on 31 May 2016. Commission staff will monitor its completion. In addition, Momentum has retrained all of its customer facing and customer communication staff.

Commission response

The Commission is satisfied that Momentum has implemented the required improvements to ensure ongoing compliance with its obligations pertaining to the reporting of energy performance indicators and compliance breaches and to the training and assessment of agents.

The Commission will continue to monitor the completion all outstanding actions arising from the audit.

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