

M2 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 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.

While the auditors may identify specific instances of non-compliance during the audit process, 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.

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.

M2 ENERGY AUDIT

RSM were engaged to conduct the compliance audit for M2 Energy (M2). The audit consisted of 11 key areas.

Three areas were graded General Compliance:

- Disconnection and Reconnection,
- Tariff Variation, and
- Deemed Customer Arrangements.

Eight areas were graded Partial Compliance:

- Energy Performance Indicators,
- Compliance Program,
- 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 M2 to address each issue and the Commission's response.

(a) Business process documentation

The audit identified a major finding relating to the lack of documented business policies and procedures in a number of key business areas. The auditors recommended that M2 develop processes for performance reporting, the Compliance Framework, disconnection and reconnection, managing deemed customers and tariff variations. In addition, a number of existing documents required updating to ensure adherence to regulatory obligations and currency; these include those related to compliance reporting, the Billing Manual, the Hardship Policy and the Complaints Handling Policy.

M2 has developed and updated a number of documents to date and will finalise all other documents by 1 June 2016. As M2 is working on remediating this issue the Commission will not seek any further action but will monitor the completion of this task.

(b) Quality assurance processes

The auditors recommended that M2 strengthen quality assurance processes in the areas of billing and Advanced Metering Infrastructure. This is because breaches were identified in relation to not providing interval meter data to customers within the required time frame and also because quality assurance processes did not cover staff compliance surrounding the billing process. As a consequence of this, management may not be aware of breaches and opportunities for staff coaching and training. M2 have committed to improving quality assurance practices by revising the quality assurance process to incorporate monitoring of staff compliance surrounding the billing process and implementing a weekly review of customer data requests. The Commission will monitor the completion of both tasks.

(c) Retention of records

The auditors identified that although individual assessment results are maintained in a “Daily Training Records” document, records of the training conducted, such as attendance records and the assessments undertaken, were not maintained for hardship agents and sales agents. M2 have revised their training processes to ensure appropriate records are in future maintained.

(d) Life Support

Of note was an issue identified regarding [2] two instances where the customer account was not flagged as life support immediately upon notification by the customer. Although identified by the auditors as a breach, this is not a breach of the Energy Retail Code as the obligation to register a customer as life support only arises once the customer has provided confirmation of their requirement from a medical practitioner. However, given the importance of ensuring life support customers are not disconnected, best practice is for retailers to flag these customers immediately. As such, the Commission supports the auditor’s recommendation that M2 implement a quarterly review of Life Support flagged customers to ensure that records are accurate and complete. M2 has now implemented these changes.

(e) Hardship

The auditors identified breaches of M2’s obligation to inform hardship customers of the existence of its hardship policy as soon as practicable after a customer is identified as

a hardship customer. M2 will ensure all current hardship program customers are provided with a copy of the policy by 1 June 2016 and has provided refresher training to staff to ensure they are aware of this obligation. Commission staff will monitor M2's progress to ensure that all hardship customers are provided with a copy of M2's hardship policy.

Conclusion

The Commission is generally satisfied that M2 has implemented the required improvements to ensure ongoing compliance with its obligations pertaining to reporting on Energy Performance Indicators, the Compliance Program, Billing, Advanced Metering Infrastructure, the Financial Hardship Program, Marketing, Complaints and Dispute Resolution and Life Support. As M2 has accepted all of the auditor's and Commission's recommendations and commenced remediation, the Commission will continue to monitor the completion all activities.

Finally, the Commission would like to thank both M2 and RSM for their constructive approach whilst working on this audit.