

SIMPLY 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 occur, the retailer is able to quickly identify and remediate 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 are 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.

SIMPLY ENERGY AUDIT

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

- Disconnection and Reconnection,

- Tariff Variation, and
- Deemed Customer Arrangements.
- Energy Performance Indicators,
- Compliance Program,
- Billing,
- Advanced Metering Infrastructure,
- Financial Hardship Program,
- Marketing,
- Life Support and
- Complaints and Dispute Resolution.

EY assessed all areas as being Generally Compliant but did note some individual issues.

AUDIT FINDINGS

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

a) Letters sent to deemed customers

When a retailer becomes financially responsible for a deemed customer (eg. a customer who moves into premises supplied by that retailer but who does not have a formal contract with the retailer), the retailer must write to the deemed customer and provide certain information.

Correspondence sent by Simply to deemed customers did not meet all requirements of the Energy Retail Code because the letters failed to specify the customer's option to establish a standing contract and that the customer can enter into a contract with another retailer to avoid disconnection. Simply will review these letters during the second half of 2016 and Commission staff will monitor this to completion.

b) Complaints handling

Retailers are required to have a complaints handling policy that is 'substantially consistent' with the requirements of the AS ISO 10002-2006 Australian Standard on Complaints Handling ("the Australian Standard").

Although EY reported that Simply's complaints handling policy is substantially consistent with these requirements, EY recommended that Simply Energy stipulate a timeframe in which it will contact a customer if a complaint is not resolved. Simply has now updated its policy to include a timeframe and therefore no further action is required.

c) Disconnections

There are certain days (for example, public holidays) when retailers cannot disconnect customers' supply. These are called 'protected periods'.

Although Simply has manual controls in place to ensure that disconnections do not occur during protected periods, EY recommended that an automated control be implemented which would identify the protected periods in which a disconnection cannot be raised.

We encourage Simply to implement the recommended system changes in order to strengthen the safeguards against wrongful disconnections. Simply will consider this as part of a broader review of its disconnection processes occurring in the second half of 2016 and Commission staff will monitor the outcome of this review.

d) Life Support

Retailers' obligations towards customers requiring life support equipment commence from the time the customer provides medical confirmation of their requirement. Simply flags these customers in their system upon being first notified of the customer's requirement, prior to receiving medical confirmation. This approach is commended, as it means that life support customers are immediately given the required protections rather than there being a gap between notification and provision of medical confirmation.

However, the Commission considers it good business practice to follow up receipt of the medical confirmation to ensure that life support records are accurate and up to date. As such, we recommend that Simply implement a program to regularly follow up customers who have not provided their medical confirmation.

e) Marketing concerns, outsourcing and the compliance program

EY assessed Simply's compliance in the areas of marketing, outsourcing and the compliance program as 'Generally Compliant' and there were no individual breach findings in these areas. Despite this, the Commission notes that Simply has self-reported a number of individual breaches of its compliance obligations in these areas.

Simply provided the Commission with a detailed outline of the program of improvements it has implemented to address these concerns and also a plan of the initiatives which have not yet been commenced or completed. The initiatives are extensive and will require time to implement, embed and refine. As such, we will continue to monitor these actions and consider any further steps in early 2017.

COMMISSION'S RESPONSE

The Commission is generally satisfied that Simply has implemented the required improvements to ensure ongoing compliance with its obligations in relation to complaint handling, disconnections and life support customers. The Commission will continue to monitor the completion all activities.