



Container number: MC2020/85

Ms Kimberlee McKay
Director
Utilities Commission
GPO Box 915
DARWIN NT 0801

Dear Ms McKay

Submission on the proposed Electricity Industry Performance Code Independent Compliance Audit Guidelines

Thank you for the opportunity to make a submission to the Utilities Commission's consultation process for the proposed Electricity Industry Performance Code (the Code) Independent Compliance Audit Guidelines (the Guidelines).

Power and Water Corporation (Power and Water) is broadly supportive of the proposed Guidelines. In accordance with clause 1.2.2 of the Guidelines, the audit will be undertaken against performance indicators in the regulated network under the Network Licence for the year 2019-20. Power and Water look forward to further consultation with the Utilities Commission (the Commission) on the audit scope and auditor selection. Power and Water would like to raise the following matters and seek clarification, as outlined below.

Efficiency and Value to Customers:

- In Power and Water's view there is a risk of significant duplication of effort and cost associated with auditing of both the EIPC code and the response to the Australian Energy Regulator's (AER) annual Regulatory Information Notice (RIN). The information and processes used to measure Power and Water's performance against the Code are the same as those audited prior to submitting the RIN responses to the AER since 2017-18. To ensure an efficient outcome, Power and Water will be seeking to target the scope of the audit to those aspects of the Code which are not audited as part the RIN response to the AER and to leverage the audit outcomes already identified in the RIN audit. Power and Water look forward to working with the Commission to achieve an efficient outcome for the upcoming audit of the Code and those that will be undertaken in future years.

Submission Timing:

- Power and Water's original intent was to utilise existing Internal Auditors to meet the reporting deadline of 31 January 2021. Power and Water was confident that the existing Internal Auditors

would have met the requirements set out in the Guidelines and could have achieved a more efficient auditor appointment and execution. However, based on the Commission's correspondence relating to clauses 4.1.1 and 4.1.4 of the Guidelines, Power and Water will require a separate process to be initiated to appoint an independent auditor.

- Clause 3.2.1 *"The electricity entity must provide the independent auditor's final report and recommendations to the Commission as soon as practical once the independent audit is complete"*. Power and Water's interpretation is that the report is considered "final" after management responses to the auditor's draft report have been consolidated, and Power and Water's Audit and Risk Management Committee endorsement has been provided in line with Power and Water's governance framework. Please clarify if Power and Water's interpretation is correct, and if so, respectfully recommend clause 3.2.1 of the Guidelines be removed, in deference to the timelines contained in clauses 2.1.2 and 2.1.3 of the Guidelines.

Achieving Compliance:

- Clause 3.2.3 *"Where the independent audit identifies instances of non-compliance.... **Electricity entities** must keep the Commission informed on the progress of achieving compliance"*. While Power and Water supports full disclosure of its efforts to address areas of non-compliance, it does wish to clarify expectations upfront so that it does not become an administratively burdensome and therefore, cost inefficient, regulatory requirement. Power and Water management has a standing commitment to provide progress updates on completed audits and associated actions to its Audit and Risk Management Committee every two months and therefore proposes that for the purposes of satisfying this clause, that its reporting to the Commission under this clause of the Guidelines follows a similar schedule.

Thank you again for the opportunity to respond to the Commission's consultation process for the proposed Electricity Industry Performance Code Independent Compliance Audit Guidelines. I trust this information is of assistance in finalising the Guidelines and Power and Water looks forward to receiving clarification on the points outlined above.

If you wish to discuss any of this further, please contact Christopher Hanlon, Risk and Resilience Principal (Compliance) on (08) 8923 4688 or by email: Christopher.Hanlon@powerwater.com.au.

Yours sincerely



Djuna Pollard
Chief Executive Officer

28 July 2020