

# **Electricity Industry Performance Code Independent Compliance Audit Guidelines**

3 September 2020

### Version History

Version	Date of publication
1	3 September 2020

# 1 Introduction

## 1.1 Authority

1.1.1 These **Guidelines** are made by the **Commission** under section 7 of the **Utilities Commission Act** and clause 1.5 of the **Code**.

## 1.2 Application

1.2.1 These **Guidelines** apply to **electricity entities** in the Northern Territory.

1.2.2 To avoid doubt, these **Guidelines** will only apply to an **electricity entity** to the extent that it provides **generation services, network services, or retail services** in the **regulated network**.

## 1.3 Scope

1.3.1 Clause 6.1.1 of the **Code** requires an **electricity entity**, in accordance with **good electricity practice**, to:

(a) periodically collect and maintain data (in connection with the **target standards, performance indicators** or reporting requirements under clause 5 of the **Code**), as is reasonably sufficient for the purpose of complying with its obligations under the **Code** and enabling the Commission to perform its functions under the Code, and

(b) make this data available on request to the **Commission** and an auditor appointed under clause 6.2 or clause 6.3 of the **Code**.

1.3.2 Clause 6.2 of the **Code** requires an **electricity entity** to undertake an independent audit to ensure compliance with clause 6.1.1(a) of the **Code** at least once every three years for each **performance indicator** that the **electricity entity** is required to report against pursuant to clause 5 of the **Code**.

1.3.3 These **Guidelines** set out the requirements and guidance in relation to periodic independent audits of data to be undertaken by **electricity entities** in accordance with clause 6.2 of the **Code**.

1.3.4 In making these Guidelines, the **Commission** has sought to promote and achieve the objects of the **Utilities Commission Act** and the **Electricity Reform Act**. The **Commission** has also had regard to section 6(2) of the **Utilities Commission Act**, and all matters it is required to consider under the **Utilities Commission Act** and **Regulations**.

## 1.4 Date of commencement

1.4.1 These **Guidelines** take effect on and from the date of publication.

## 1.5 Interpretation

1.5.1 These **Guidelines** will be interpreted in the same manner as the **Code**, except for the following:

(a) a reference in these **Guidelines** to a clause, annexure, appendix, schedule or table is a reference to a clause, annexure, appendix, schedule or table in these **Guidelines**, unless otherwise stated, and

- (b) words appearing in bold and italics like '*this*' are defined in clause 5, or in the absence of such a definition, Schedule 7 of the **Code**.
- 1.5.2 Where these **Guidelines** are inconsistent with the **Code**, the **Code** shall prevail and the **Guidelines** will be invalid to the extent of the inconsistency.
- 1.6 Adding to or amending the Guidelines**
- 1.6.1 The **Commission** may revoke or vary these **Guidelines**.
- 1.6.2 An **electricity entity** may request the **Commission** to vary or revoke any part of these **Guidelines**.
- 1.6.3 The **Commission** will consult with affected parties before revoking or varying these **Guidelines**.

## 2 Audit Period

### 2.1 Auditing period

- 2.1.1 Subject to clause 2.2 of these **Guidelines**, **electricity entities** must audit their compliance with clause 6.1.1(a) of the **Code** for all three financial years which make up an **auditing period**.
- 2.1.2 Independent audits undertaken in accordance with clause 6.2.1 of the **Code** by **generation entities** and **retail entities** must be completed no later than 30 November of the relevant year, being three months after the last performance report of the **auditing period** is due to be submitted to the **Commission** under clause 5.1.1 of the **Code**.
- 2.1.3 Independent audits undertaken in accordance with clause 6.2.1 of the **Code** by **network entities** must be completed no later than 31 January in the relevant year, being three months after the last performance report of the **auditing period** is due to be submitted to the **Commission** under clause 5.1.2 of the **Code**.
- 2.1.4 Where an **electricity entity** is issued a **licence** partway through an **auditing period**, the **electricity entity** must undertake an independent audit in accordance with clause 6.2.1 of the **Code** for the periods that it operated during the **auditing period**.
- 2.1.5 If an **electricity entity** reports nil for all performance indicators for all periods during the **auditing period**, such as would be the case for a **retail entity** with no small customers for example, the **electricity entity** is not required to undertake an independent audit.

### 2.2 Transitional provisions in the Code

- 2.2.1 As per clause S5.1.4 of Schedule 5 of the **Code**, for the first **auditing period**, an **electricity entity** must undertake an independent audit to ensure compliance for either one of the 2017-18 or 2018-19 or 2019-20 financial year. This is a transitional provision to assist **electricity entities** transition to, and achieve full compliance with the **Code**.
- 2.2.2 Whilst **electricity entities** may choose which financial year it wishes to undertake an independent audit on for the first **auditing period**, the **Commission** recommends it be undertaken for the 2019-20 financial year.
- 2.2.3 For the purpose of clause 2.1.2 above, and for the first auditing period only, independent audits undertaken in accordance with clause 6.2.1 of the **Code** by **generation entities** and **retail entities** may be completed no later than 31 January 2021, being five months after the last performance report of the **auditing period** is due to be submitted to the **Commission** under clause 5.1.1 of the **Code**.
- 2.2.4 This clause 2.2 only applies to the 2017-18 to 2019-20 **auditing period**.

## 3 Audit Scope and Reporting

### 3.1 Auditing scope

- 3.1.1 The **electricity entity** is responsible for developing the scope of the independent audit.
- 3.1.2 The **electricity entity** must consult with, and gain the approval of the **Commission** on the scope of the independent audit, prior to the audit commencing.
- 3.1.3 When determining the scope of the independent audit, **electricity entities** must have regard to compliance with clause 6.1.1(a) of the **Code** for each **performance indicator** the **electricity entity** is required to report against pursuant to clause 5 of the Code.
- 3.1.4 To assist the **Commission** in performing its functions under the **Code**, the independent audit must (as far as reasonably practicable) verify the integrity and accuracy of **data** collected and reported by the **electricity entity**.
- 3.1.5 The scope of the independent audit must assess the effectiveness of the data collection and maintenance processes established and used by the **electricity entity** to ensure its compliance with clause 6.1.1(a) of the **Code**.
- 3.1.6 Where the independent audit identifies non-compliance with clause 6.1.1(a) of the **Code**, the independent auditor must provide recommendations to the **electricity entity** to achieve compliance.

### 3.2 Reporting

- 3.2.1 The **electricity entity** must provide the independent auditor's final report and recommendations to the **Commission** within one month following the due date under clauses 2.1.2 and 2.1.3 above. .
- 3.2.2 The independent auditor's final report should be accompanied by a signed statement from the Chief Executive Officer (or delegate of the Chief Executive Officer) of the **electricity entity** acknowledging the findings and recommendations of the independent audit, and providing comments in response, including how the electricity entity will address any findings of non-compliance with clause 6.2.1 of the **Code**.
- 3.2.3 Where the independent audit identifies instances of non-compliance, the **electricity entity** must work towards compliance as soon as reasonably practical. **Electricity entities** must keep the **Commission** informed on the progress of achieving compliance, by providing an update to the Commission every two months.

## 4 Appointing an Independent Auditor

### 4.1 Auditor requirements

- 4.1.1 When selecting its preferred independent auditor, the **electricity entity** should have regard to:
- (a) the technical expertise of the auditor as required by clause 6.2.3 of the **Code** and clause 3.66 of the **Commission's Compliance Framework and Reporting Guidelines**
  - (b) the independence of the auditor, as set out in clause 3.65 of the **Commission's Compliance Framework and Reporting Guideline**
  - (c) the time limitations for the period of appointment for the auditor, as set out in clause 6.2.3 of the **Code**.
- 4.1.2 The **electricity entity** must demonstrate and provide sufficient details to the **Commission** on the preferred independent auditor's suitability to conduct the audit and its reasoning as to how the auditor meets the requirements set out in clause 6.2.3 of the **Code** and clauses 3.65 and 3.66 of the **Commission's Compliance Framework and Reporting Guidelines**.
- 4.1.3 If the **electricity entity** chooses to undertake a combined independent audit, as set out in clause 4.2 of these **Guidelines**, it is important that the **electricity entity's** preferred independent auditor is appropriately qualified, skilled and experienced in relation to the data and processes of the associated multiple types of electricity operations.
- 4.1.4 The **electricity entity** must consult with the **Commission** on its preferred independent auditor to be appointed to conduct an independent audit as per clause 6.2.4 of the **Code**.
- 4.1.5 Where the **Commission** considers an **electricity entity** has not adequately demonstrated that its preferred independent auditor is suitable to conduct the audit, the **Commission** will provide reasons to the **electricity entity** and may request the **electricity entity** to propose another independent auditor (including details of its suitability), or the **Commission** may appoint an independent auditor.

### 4.2 Multiple licenses

- 4.2.1 Where an **electricity entity** has been issued more than one **licence** (such as a generation **licence** and a retail **licence**), the **electricity entity** may elect to undertake a combined independent audit to meet its obligations under clause 6.2.1 of the **Code**.
- 4.2.2 Where an **electricity entity** elects to conduct a combined independent audit under this clause 4.2, it must advise the **Commission** prior to commencing the audit, including details of the independent auditor's suitability to conduct a combined audit.
- 4.2.3 For the avoidance of doubt, this clause 4.2 only applies to **electricity entities** where the same legal entity has been issued more than one **licence** by the **Commission**. This means that the licensee's name and Australian Company Number or Australian Business Number on each licence must be the same.

## 5 Definitions

auditing period	As defined by clause 6.2.2 of the <b>Code</b> , which for the first auditing period is 2017-18 to 2019-20, and every three years thereafter.
Code	The <b>Commission's</b> Electricity Industry Performance Code which commenced on 25 October 2017.
Commission	The Utilities Commission of the Northern Territory as established by the <b>Utilities Commission Act</b> .
Compliance Framework and Reporting Guidelines	The <b>Commission's Compliance Framework and Reporting Guidelines</b> which commenced on 1 February 2016.
data	Data that results from measuring the performance of <b>generation services, network services or retail services</b> for the purpose of the complying with the reporting requirements of the <b>Code</b> .
electricity entity/entities	Has the meaning given in the <b>Electricity Reform Act</b> .
Electricity Reform Act	The <i>Electricity Reform Act 2000</i> (NT).
generation entity/entities	An <b>electricity entity</b> that provides <b>generation services</b> .
generation services	The services provided by an electricity entity that is licensed to generate electricity for sale under the <b>Electricity Reform Act</b> and excludes the services provided by an Independent Power Producer.
good electricity industry practice	The exercise of that degree of skill, diligence, prudence and foresight that would reasonably be expected from a significant portion of <b>electricity entities</b> carrying on operations in the electricity supply industry under conditions comparable to those applicable to the relevant <b>electricity entity</b> consistent with the applicable regulatory instruments, safety and environmental protection. The determination of comparable conditions is to take into account factors such as the relative size, duty, age and technological status of the relevant <b>electricity entity</b> and the applicable regulatory instruments.
Guidelines	These Electricity Industry Performance Code Independent Compliance Audit Guidelines.
licence	A licence issued by the <b>Commission</b> under Part 3 of the <b>Electricity Reform Act</b> to carry on operations in the electricity supply industry.



network entity/entities	An <b>electricity entity</b> that provides <b>network services</b> .
network services	Has the meaning given in the <b>Electricity Reform Act</b> .
performance indicators	The <b>performance indicators</b> prescribed in Schedules 1 to 4 of the <b>Code</b> .
regulated network	An electricity network that is subject to price regulation by the Australian Energy Regulator or the <b>Commission</b> . For the avoidance of doubt, the <b>regulated network</b> ceases at the electrical installation.
Regulations	The Utilities Commission Regulations 2001 (NT).
retail entity/entities	An <b>electricity entity</b> that provides <b>retail services</b> .
retail services	The services provided by an <b>electricity entity</b> that is licensed to trade in electricity and to retail electricity to customers under the <b>Electricity Reform Act</b> .
target standards	A standard of performance that is approved by the <b>Commission</b> from time to time in accordance with clause 3 of the <b>Code</b> .
Utilities Commission Act	The <i>Utilities Commission Act 2000</i> (NT).