

28 July 2020

REFERENCE NUMBER
JED2020/18089

Kimberlee McKay
Director Utilities Commission
Utilities Commission of the Northern Territory
Floor 11, Charles Darwin Centre
19 Smith Street
Darwin, NT 0801

Dear Kimberlee,

Stakeholder consultation – EIP Code Independent Compliance Audit Guidelines

Thank you for the opportunity for Jacana Energy to make a submission on the Draft Independent Compliance Audit Guidelines (**Draft Guidelines**) proposed to be published by the Utilities Commission (the **Commission**) in accordance with the Electricity Industry Performance Code (EIP Code) and the *Utilities Commissioner Act 2000* (NT).

1. Introduction

Jacana Energy supports the Commission in the performance of its functions under the *Utilities Commission Act* which requires the Commission to have regard to (amongst other things) the need to:

- promote competitive and fair market conduct;
- prevent misuse of monopoly or market power;
- promote economic efficiency;
- ensure consumers benefit from competition and efficiency;
- protect the interests of consumers with respect to reliability and quality of services and supply in regulated industries; and
- facilitate maintenance of the financial viability of regulated industries.

Jacana Energy recognises the importance of having efficient, effective regulation of electricity industry performance and clear compliance reporting requirements. This is provided through provision of a report, by 31 August for a retailer, on actual performance in the financial year against performance indicators set out in the EIP Code.

To ensure compliance with the requirement to collect and maintain data, clause 6.2 of the EIP Code requires an independent audit to be undertaken at least once every three years for each of the performance indicators. The Commission has drafted guidelines to assist electricity entities in meeting the obligation in clause 6.2 of the Code.

2. Comments Regarding Draft Guidelines

Jacana Energy's comments regarding the Draft Guidelines are as follows:

1. *Clause 2 Audit Period*

Jacana Energy notes that the audit is to be completed no later than 30 November of the relevant year, a period of three months following the last performance report. It is noted that clause 3.2 provides that a final report is to be provided as soon as practical after the audit is completed, following consideration by the electricity entity of the findings and recommendations of the audit and any comments in response. Jacana Energy seeks confirmation that this understanding is correct.

Jacana Energy is concerned that meeting the requirement to complete the audit by 30 November in the current year, will be impacted by the time for consultation with the Commission on the scope (clause 3 of the Draft Guidelines) and the process of appointing the independent auditor (clause 4 of the Draft Guidelines). Below, Jacana Energy has commented on how the Commission could assist retailers to meet the requirements.

2. *Clause 3 Audit Scope and Reporting*

Jacana Energy notes that clause 3.1.1 of the draft Guidelines provides that the scope of the report is to be determined by the electricity entity. While clause 3.1.2 provides that consultation must occur with the Commission on the scope, it is the view of Jacana Energy that the Commission should provide a standard scope to all retailers. This will ensure consistency across similar electricity entities and that once the audit is commenced there is no variation which may further delay the audit being completed by 30 November of the relevant year.

3. *Clause 4 Appointing an independent auditor*

Jacana Energy has expressed concern with the availability of appropriately skilled auditors with the relevant technical expertise within the Northern Territory to meet the requirements of clause 4 of the Draft Guidelines. In Jacana Energy's experience, it can be a lengthy process to procure auditors with the required technical expertise and this may be further impacted if interstate travel is required, particularly in the current environment with COVID-19 travel restrictions. Jacana Energy suggests including early engagement with the Commission in the Guidelines to ensure that the report can be completed prior to 30 November of the relevant year, but especially in 2020 given the COVID-19 restrictions.

Jacana Energy notes the view of the Commission that auditors appointed to undertake professional internal audits as part of an Internal Audit Program, are not sufficiently independent for the purposes of an audit per clause 6.2 of the EIP Code and the Commission's Compliance Framework and Reporting Guidelines. Unfortunately this rules out an auditor who has already qualified as having the relevant expertise from a small pool of firms. Jacana Energy does however agree that such an auditor would be insufficiently independent to undertake a review requested by the Commission in respect of compliance under the retail licence. It is Jacana Energy's view that a distinction can be drawn between a compliance audit and audit of the veracity and accuracy of data reported under clause 6.1 of the Code.

Jacana Energy reserves the right to consult with the Commission on the appointment of an auditor who is also appointed to undertake internal audits, if an independent auditor cannot be engaged and complete the audit report, for the purposes of clause 6.2, by 30 November 2020.

3. Conclusion

Other than the concerns expressed above, Jacana Energy is satisfied that the draft Guidelines provide assistance towards meeting the requirements of clause 6.2 of the Code.

Thank you again for this opportunity to provide feedback on the draft Guidelines. Please do not hesitate to contact me should you wish to discuss the contents of this letter.

Yours sincerely,



Grant Draper
Acting Chief Executive Officer
Jacana Energy

