



Notice

27 August 2015

Regional Power Corporation (t/a Horizon Power)

2015 PERFORMANCE AUDIT

The Economic Regulation Authority has published the 2015 performance audit (**audit**) report, including the post-audit implementation plan, for the Regional Power Corporation's (t/a **Horizon Power**) electricity integrated regional licence EIRL2.

- [2015 Audit report and Post-Audit Implementation Plan](#)

Action by the Authority

The Authority is satisfied that Horizon Power has demonstrated an adequate level of compliance with its licence conditions. The Authority has decided to retain the period of time until the next audit at 24 months. The next audit will cover the period from 1 April 2015 to 31 March 2017, with the report on the audit to be provided to the Authority by 30 June 2017.

BACKGROUND

2015 Audit Findings

Of the 447 licence obligations that were tested for compliance in the audit, 235 obligations were rated 1 (compliant), 26 were rated 2 (non-compliant, minor impact) and one was rated 3 (non-compliant, moderate impact). The remaining 185 obligations were not rated, as no relevant activity took place during the Audit period.

The auditor presented the audit findings that require some form of remedial action as 21 groups of related obligations, and made recommendations to address each of these groups. The 21 groups can be categorised as non-compliances with inadequate controls (2 groups); non-compliances with adequate controls (17 groups); and compliant obligations with a controls improvement opportunity (2 groups).

The Authority's response to the Audit

The Authority is of the view that most of the non-compliances identified in the audit occurred because Horizon Power's processes did not accurately reflect the obligations that are applicable to its licence and, in some cases, Horizon Power had misinterpreted the obligations (e.g. business days instead of calendar days). Also, there are instances where Horizon Power's staff did not follow the documented procedures.

The Authority is aware that the recent organisational restructure of Horizon Power has led to some changes in the area that manages compliance with the licence. The Authority is of the view that



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the changes have contributed to a moderate deterioration in the overall level of compliance since the last audit in 2013. The 2015 audit findings also indicate Horizon Power needs to strengthen the systems and processes that manage its licence compliance obligations. Consequently, the Authority has decided to retain the period of time until the next audit at 24 months; the next audit in 2017 will inform the Authority about the effectiveness of the remedial actions that Horizon Power has taken to address the recommendations from the 2015 audit.

The 2015 audit findings provide useful information about the areas that require attention for Horizon Power to improve its internal controls and monitoring processes to improve the overall level of compliance. The Authority will be closely monitoring the implementation of the actions in the post-audit implementation plan with the expectation that this will lead to an improved result in the 2017 audit.

The Authority does not agree with the auditor's rating of NR (not rated because no relevant activity occurred during the audit period) for obligations 138, 139 and 140,¹ which regulate the conduct of marketing agents. The audit report has disclosed instances of customer contact that clearly fall within the scope of marketing. The Authority has requested Horizon Power amend their post-audit implementation plan to include actions to ensure they comply with their marketing obligations when they contact customers to enter into a contract for supply.

Horizon Power's post-audit implementation plan

The auditor made 21 recommendations to address the 27 non-compliances as well as the 36 instances (some of which also relate to the non-compliances) where controls improvements are suggested or required (ratings B and C). The actions to address the recommendations are due to be completed by 28 February 2016.

As mentioned earlier, the Authority also requires Horizon Power to amend its post-audit implementation plan to develop and implement robust processes to comply with obligations 138, 139 and 140 (the conduct of marketing agents).

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¹ The reference numbers are from the Authority's *Electricity Compliance Reporting Manual 2014*.