



Notice

4 March 2020

Alinta Sales Pty Ltd 2019 performance audit

The Economic Regulation Authority has published the [2019 performance audit report](#) and the [post-audit implementation plan](#) for Alinta Sales Pty Ltd's gas trading licence GTL9.

Alinta is the largest gas retailer operating in Western Australia. As at 30 June 2019, Alinta supplied gas to more than 460,000 residential customers and almost 6,000 business customers.

The ERA's decision

The ERA considers that Alinta has achieved an adequate level of compliance with its licence, but its controls require improvement.

The ERA has decided to maintain the audit period at 36 months. The next audit will cover the period 1 October 2019 to 30 September 2022, with the report due by 31 December 2022.

The 36-month audit period is conditional on Alinta resolving the recommendations in its post-audit implementation plan to the satisfaction of the ERA by 30 June 2020. If the recommendations are not resolved to the ERA's satisfaction, the ERA will review whether the audit period should be reduced to 24 months.

Background to the ERA's decision

Areas of focus

The ERA selected two areas of focus for the audit: performance reporting, and payment difficulties and financial hardship. The licence obligations related to the areas of focus were assigned higher audit priority.¹

The ERA requested Alinta to instruct the auditor to review the effectiveness of the processes and systems used to prepare Alinta's annual performance data for the ERA. As part of this review, the auditor had to confirm that the processes and procedures used by Alinta to collect performance data resulted in accurate data, which met the performance indicators in the ERA's gas trading licence performance reporting handbook. The auditor was asked to pay

¹ Increasing the audit priority required the auditor to undertake more extensive testing, including sampling and re-performing data calculations.

particular attention to the performance indicators for energy bill debt and hardship programs that were introduced over the past two years.

The auditor was required to undertake a detailed assessment of the effectiveness of Alinta's processes to assist customers experiencing payment difficulties and financial hardship.

Audit ratings

The auditor assessed 243 licence obligations applicable to Alinta's licence and found:

- 148 were rated A1 (adequate controls; compliant).
- Two were rated A2 (adequate controls; non-compliant – minor effect on customers).
- 20 were rated B1 (generally adequate controls; compliant).
- Eight were rated B2 (generally adequate controls; non-compliant – minor effect on customers).
- Three were rated B/NR (generally adequate controls; no relevant activity took place during the audit period).
- Four were rated C1 (inadequate controls – significant improvement required; compliant).
- Three were rated C3 (inadequate controls – significant improvement required; non-compliant - moderate effect on customers).
- 15 were rated C/NR (inadequate controls – significant improvement required; not rated for compliance due to lack of relevant activity).
- 40 were rated NP/NR (controls assessment not performed; not rated for compliance due to lack of relevant activity).

The audit found 13 non-compliances:

- Data on complaints, financial hardship and bill debt performance indicators submitted by Alinta to the ERA in its 2018/19 annual performance report did not match the data in Alinta's systems.
- Alinta did not issue bills within prescribed timeframes or containing all the required information (five non-compliances).
- Alinta did not obtain meter data from the distributor at least once every 12 months.
- Alinta did not ask customers for instructions on where to refund credit amounts when an account was closed (two non-compliances).
- Alinta's reminder notices and disconnection warnings did not include the telephone numbers for TTY, multi-lingual and interpreter services.
- Alinta's non-standard form contract did not including all the required information (two non-compliances).
- Alinta did not make a copy of the *Energy Coordination (Customer Contracts) Regulations 2004* or any relevant code available for inspection at its offices.

The audit found 22 controls deficiencies:

- 16 of the 21 obligations in the areas of focus were found to have controls deficiencies:
 - Alinta's systems could not identify customers experiencing payment difficulties or financial hardship. This meant the auditor could not obtain a sample of customer accounts to test Alinta's compliance with these obligations (15 obligations).

- A controls deficiency was found with the obligation to provide performance data to the ERA (see non-compliances for further information).
- The remaining six controls deficiencies were:
 - A lack of oversight of training provided to external marketing agents (three obligations).
 - Alinta had inadequate controls to ensure it asked for instructions on where to refund credit amounts when an account was closed (two obligations).
 - Alinta’s systems could not identify business customers experiencing payment difficulties (Alinta was unable to provide the auditor with examples of business customer accounts with a request for alternative payment arrangements).

Audit recommendations

The auditor made 23 recommendations, seven of which addressed non-compliances, 14 addressed controls deficiencies and two addressed both non-compliances and controls deficiencies.²

The post-audit implementation plan states that Alinta will address the audit recommendations between now and 30 June 2020.

The ERA’s assessment of the audit findings

Alinta has achieved an adequate level of compliance with its licence obligations. The auditor found 13 non-compliances from 243 obligations, with a majority causing minor inconvenience to customers.

However, the controls deficiencies identified by the auditor in the areas of focus are a concern and need to be addressed. While there is no evidence that customers were affected, or that Alinta failed to comply with these obligations, this is only because the auditor did not have the information necessary to rate Alinta’s compliance. It is concerning that Alinta’s systems could not identify customers experiencing payment difficulties or in financial hardship, or what Alinta had done about those customers. This affected the auditor’s ability to conduct the audit and affects Alinta’s ability to monitor its compliance with these obligations.

It is also a concern that Alinta may have submitted inaccurate performance data to the ERA during the audit period.

It is encouraging that Alinta has committed to investigating ways to address the deficiencies in its systems and will implement additional controls by 30 June 2020 to ensure it provides the ERA with accurate performance data.

Due to Alinta’s previous good compliance history and its commitment to address the controls deficiencies, the ERA has decided to maintain the audit period at 36 months. However, due to the nature of the controls deficiencies, the 36-month audit period is conditional on Alinta resolving the recommendations in its post-audit implementation plan to the ERA’s satisfaction by 30 June 2020. Alinta must provide the ERA by 3 July 2020 with:

- the outcome of Alinta’s investigations
- Alinta’s proposed actions to address the system limitations

² Recommendations were not made to address two non-compliances that were resolved by Alinta during the audit period.

- the completion date for implementing the actions.

Further information

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