



Notice

4 September 2020

Horizon Power

2020 performance audit

The Economic Regulation Authority has published the 2020 [performance audit report](#) and the [post-audit implementation plan](#) for Horizon Power's electricity integrated regional licence EIRL2.

Horizon Power is a government trading enterprise that operates three interconnected power systems in the East Kimberley (Kununurra, Wyndham and Lake Argyle), two rural systems (Esperance and Hopetoun), the North-West Interconnected System between Port Hedland and Karratha, and 32 microgrids and isolated systems.

As at 30 June 2020, Horizon Power retailed electricity to almost 38,000 residential customers, 7,900 business customers and more than 1,300 pre-payment meter customers.

The ERA's decision

The ERA has decided to maintain the audit period at 36 months. The next audit will cover the period 1 April 2020 to 31 March 2023, with the report due by 30 June 2023.

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 Horizon Power to instruct the auditor to review the effectiveness of the processes and systems used to prepare Horizon Power's annual performance data for the ERA. As part of this review, the auditor had to confirm that the processes and procedures used to collect performance data resulted in accurate data and met the performance indicators in the ERA's electricity retail licence performance reporting handbook. The auditor was asked to pay particular attention to the performance indicators for energy bill debt and hardship programs that were introduced over the past two years.

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

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

Audit ratings

The auditor assessed 381 licence obligations applicable to Horizon Power's licence and found:

- 241 were rated A1 (adequate controls; compliant).
- Seven were rated A2 (adequate controls; non-compliant – minor effect on customers).
- Two were rated A3 (adequate controls; non-compliant – moderate effect on customers).
- 45 were rated A/NR (adequate controls; not rated for compliance due to no relevant activity).
- Three were rated B1 (generally adequate controls; compliant).
- Seven were rated B2 (generally adequate controls; non-compliant – minor effect on customers).
- One was rated B3 (generally adequate controls; non-compliant – moderate effect on customers).
- One was rated C/NR (inadequate controls; not rated for compliance due to no relevant activity).
- 74 were rated NP/NR (controls assessment not performed; not rated for compliance due to no relevant activity).

The auditor found 17 non-compliances and one control deficiency:

- Horizon Power did not give all the required information to customers before they entered into a non-standard contract.
- The auditor identified instances when Horizon Power did not issue bills at least once every three months.
- Horizon Power did not waive late payment fees charged on a financial hardship customer's bill.²
- Horizon Power failed to comply with two obligations, as it did not offer customers who were experiencing financial difficulties or in financial hardship additional time to pay a bill, but customers were offered an interest-free instalment plan, which included more time to pay a bill. Retailers are required to offer customers both.
- Horizon Power failed to comply with two obligations, as it did not advise customers in financial hardship of the consequences of not adhering to an instalment plan.
- Horizon Power's disconnection warning notice did not include information about its complaints handling process or the Energy Ombudsman.
- One business customer and one residential customer were disconnected outside the allowed timeframes for failing to pay a bill.
- Horizon Power did not request annual confirmation or three-year recertification from 48 life support equipment customers.

² The auditor noted that during the audit period, Horizon Power added additional controls to its billing system to prevent this non-compliance from reoccurring.

- Horizon Power did not remove a customer from the life support equipment register who failed to provide confirmation from a medical practitioner that the customer required life support equipment. Horizon Power chose to keep the customer on the register.
- Horizon Power failed to comply with five obligations, because it had 19 meters that did not comply with the *Electricity Industry (Metering) Code 2012*.
- Horizon Power's metering database did not contain all the standing data items for a metering point. The missing standing data items were technical in nature, such as the length of the network between the metering point and the substation.
- The auditor identified a control deficiency, as it was unable to rate Horizon Power's compliance with the obligation that requires licensees to submit performance data to the ERA. The auditor could not sample the data given to the ERA and compare it with the source data extracted from Horizon Power's systems at the time the reports were prepared, because Horizon Power did not retain the source data it used to prepare the reports.

Audit recommendations

Of the 17 non-compliances, five were resolved during the audit period. The auditor made 13 recommendations to address the remaining 12 non-compliances and single control deficiency.

The post-audit implementation plan states that Horizon Power will address the audit recommendations between now and June 2021.

The ERA's assessment of the audit findings

Horizon Power has achieved a satisfactory level of compliance with its licence obligations. The auditor found 17 non-compliances from 381 obligations, with the majority causing minor or no inconvenience to customers.

Life support customers

Horizon Power failed to comply with two life support obligations, because it did not:

- Request annual confirmation or three-year recertification of life support equipment status from 48 customers.
- Remove a customer from the life support equipment register who failed to provide confirmation from a medical practitioner of the customer's life support equipment status when requested.

While these are technical non-compliances, Horizon Power's actions did not adversely affect the customers, as they continued to benefit from the protections available to customers on the life support equipment register.

In February 2020, Horizon Power adopted a more active approach to following up with life support equipment customers on the confirmations and recertifications that trigger removal from the life support equipment register. While the ERA is comfortable with Horizon Power's approach, it has written to Horizon Power to encourage it to consider additional processes to ensure it follows up with customers who do not respond.

Payment difficulties and financial hardship

In the special areas of focus on payment difficulties and financial hardship, the auditor found that Horizon Power failed to comply with four of the 18 obligations.

Horizon Power did not offer customers experiencing payment difficulties or in financial hardship additional time to pay a bill, although it did offer customers an instalment plan, which includes additional time to pay a bill.

The ERA considers that, while these are technical non-compliances, they did not adversely affect customers and Horizon Power met the intent of the obligations.

Performance reporting

There is no evidence to suggest that the performance data submitted by Horizon Power during the audit period was inaccurate. The auditor found that Horizon Power had adequate controls in place to comply with the obligations that the data was based on, such as payment difficulties and financial hardship obligations. This supports the likelihood of the data being accurate, despite the auditor being unable to sample the data used to prepare the performance reports during the audit period.

In its post-audit implementation plan, Horizon Power advised that it addressed the control deficiency in April 2020.

Metering

As part of its Advanced Metering Infrastructure Program, Horizon Power replaced its aging meters with smart meters in 2015/16 and 2016/17. At the end of the 2017 audit, Horizon Power had 159 meters remaining that were non-compliant with the Metering Code. Since then, it has reduced the number of non-compliant meters to 19.

Horizon Power has not been able to replace the final 19 meters with smart meters due to customers either refusing Horizon Power entry to their properties, or the poor condition of the customer's meter box. Horizon Power is in discussions with four customers to replace their meter boxes and meters. There are 15 customers who continue to refuse Horizon Power entry to their properties to change their meters.

Considering the small number of non-compliant meters and Horizon Power's progress during the audit period in reducing that number, the ERA supports Horizon Power's proposed approach to continue to work with the 19 customers to replace the non-compliant meters.

Further information

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