



Notice

16 December 2020

Simply Energy

2020 performance audit

The Economic Regulation Authority has published the 2020 [performance audit report](#) and [post-audit implementation plan](#) for IPower 2 Pty Ltd and IPower Pty Ltd's (trading as Simply Energy) gas trading licence GTL16.

Simply Energy retails energy across New South Wales, Queensland, South Australia, Victoria and Western Australia.¹ As at 30 June 2020, Simply Energy supplied gas to more than 23,000 residential and business gas customers in Western Australia.

The ERA's decision

The ERA considers that Simply Energy has achieved an adequate level of compliance with its licence.

The ERA has decided to maintain the audit period at 24 months. The next audit will cover the period 1 March 2020 to 28 February 2022, with the report due by 31 May 2022.

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 for the areas of focus were assigned a higher audit priority.²

Audit ratings

The auditor assessed 207 licence obligations applicable to Simply Energy's licence and found:

- 15 were rated A1 (adequate controls, compliant)
- six were rated C1 (inadequate controls, compliant)
- 131 were rated N/P 1 (controls assessment not performed, compliant)

¹ Simply Energy does not retail electricity in Western Australia.

² Increasing the audit priority required the auditor to undertake more extensive testing, including sampling and re-performing data calculations.

- three were rated B2 (generally adequate controls, minor non-compliance)
- one was rated A3 (adequate controls, moderate non-compliance)
- five were rated B3 (generally adequate controls, moderate non-compliance)
- six were rated C3 (inadequate controls, moderate non-compliance)
- four were rated C N/R (inadequate controls, not rated for compliance)
- 36 were rated N/P N/R (controls and compliance were not assessed).

The audit found 15 non-compliances, one of which the ERA considers was incorrectly rated as non-compliant.³ Three of the non-compliances related to the areas of special focus:⁴

- Incorrect data for two indicators in the 2018/19 performance report.
- Not assessing whether a residential customer was experiencing payment difficulties or financial hardship within the required timeframe.
- Not always advising customers who were experiencing financial hardship of their right to have their bill redirected to a third party.

The remaining 11 non-compliances were outside the areas of special focus:⁵

- Consequential non-compliances (for example, being non-compliant with any clause of the Gas Marketing Code automatically means the licensee is non-compliant with obligation 114, which requires that a licensee complies with the Gas Marketing Code). There were four consequential non-compliances.
- Not obtaining or recording a customer's verifiable consent to enter into a non-standard contract, or to verify the prescribed information had been provided to the customer. This applied to two non-compliances.
- Not providing customers with prescribed information or not providing it within the required timeframes.
- Not providing a compliance report on time and not publishing a performance report on time.
- Not having a copy of the *Energy Coordination Customer Contract Regulations 2004* or the *Gas Marketing Code of Conduct* at Simply Energy's office for customers to view.
- One instance of arranging for a customer to be disconnected after they had settled the overdue balance on their account.

The 16 controls deficiencies can be categorised as follows:⁶

- Prescribed timeframes not having been incorporated into procedures.
- Adequate processes are in place, but records to show evidence of compliance are not kept for all processes.
- Some training records for staff and marketing agents could not be located.

³ The auditor incorrectly assessed the late submission of the 2017/18 compliance report to be a non-compliance against obligations 102 and 282, whereas it should only have been recorded as a non-compliance against obligation 102.

⁴ Obligation 281 was also rated as a controls deficiency.

⁵ Six of the non-compliances were also rated as a controls deficiency.

⁶ The 16 controls deficiencies include the six non-compliances that were also rated as a controls deficiency.

- Inadequate procedures to calculate performance data resulting in incorrect data for two indicators.
- Consequential control deficiencies.

Audit recommendations

The auditor made 10 recommendations to address the non-compliances and controls deficiencies.⁷

The post-audit implementation plan states that Simply Energy will address most of the audit recommendations by December 2020.

The ERA's assessment of the audit findings

Simply Energy has achieved an adequate level of compliance with its licence obligations. Most of the non-compliances and controls deficiencies caused only minor inconvenience to customers. Simply Energy has committed to implementing changes to address the causes of the non-compliances and control deficiencies that were identified by the auditor.

Further information

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⁷ The report lists 11 recommendations, but recommendation 4/2020 is not required as it does not propose the licensee take any further action. It should not have been included as a recommendation in the audit report.