

2. Section 2.2.1 Independence – The term 'commercial interest' is not a defined term in the guidelines. Clarification of what is deemed to be a commercial interest would be useful. For example, the selection of an auditor may be difficult if a commercial interest is deemed to be an auditor who is a shareholder (without a percentage threshold specified) of the company being audited, as it would rule out the majority of potential candidates.
3. Sections 3.6.2 & 4.5.2 Reporting procedures – Alinta supports the Authority's intention to audit less frequently those licensees who are able to demonstrate consistent and effective compliance through audit results. Alinta suggests the Authority also consider reducing the scope of the audit, such that the audit focuses on areas where the licensee has not been able to demonstrate to the Authority consistent and effective compliance.

Alinta supports the publication of a summary of the audit results in a comparative report or on the Authority's website. However, Alinta does not support the Authority's intention to publicly distributing copies of the final audit report or make the audit report publicly available on the Authority's website without the consent of the licensee as the report may contain commercially sensitive information. Alinta suggests that this section of the guidelines reflects a duty of care to the licensee by requiring the Authority to treat all information in the report as confidential information unless agreed otherwise by the licensee.

4. Section 3.5 Audit conduct – Alinta believes that the auditor should be encouraged to make use of independent audits, such as the audits undertaken on behalf of Retail Energy Market Company Ltd on metering and billing systems, in arriving at a compliance assessment. The auditor is not to use the information gathered during the audit for any other purpose without the consent of the licensee. The terms of the engagement, including the scope, should be agreed by all parties prior to the commencement of the audit.

Alinta proposes the Authority revise the relevant sections of the guidelines to reflect Alinta's suggestions and concerns. Should you wish to discuss any of the above mentioned matters, please contact Siva Moorthy on (03) 8544 9442.

Yours sincerely

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General Manager Regulation