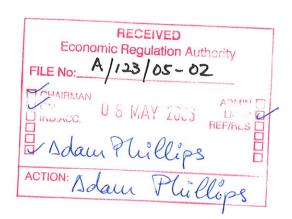


3 May 2006

Mr Adam Phillips
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VIA EMAIL: audit.scope@era.wa.gov.au

Dear Adam

DRAFT AUDIT GUIDELINES: ELECTRICITY, GAS AND WATER LICENCES

Thank you for the opportunity to comment on the Draft Audit Guidelines. The Economic Regulation Authority ("Authority") is to be congratulated on producing a document that is clear, precise and well thought out.

Verve Energy supports the audit concept and the proposed approach to conducting the audits. Of particular value is the ability for audit frequency to be varied according to the audit history of the auditee.

We have the following specific comments:

- 1.2.2 1st para"....proper maintenance of assets...." should be "...proper management of assets..." as asset management covers the full spectrum of acquisition, operation, maintenance and disposal.
- Who retains the auditor the auditee or the Authority? (see also 2.2.2 below)
- 2.1 "auditor's selection" would read better as 'selection of auditor'.
- 2.2.2 If the auditor has a duty of care to the Authority, should the auditor be selected and appointed by the Authority rather than simply approved, and retained by the Authority rather than the auditee?

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DMS#: 3004211v1

3.6.2

The proposal to make the audit report publicly available on the ERA website is of concern. The audit report is likely to contain information that is confidential to the auditee. The auditee should have the ability to claim confidentiality over relevant parts of the report. Alternatively, it might be more appropriate for just the audit outcome to be made public.

End of Comments

Thank you again for the opportunity to comment on Draft Audit Guidelines.

Yours sincerely

ANDREW EVERETT

MANAGER REGULATION