

Mr Harry Hilton  
A/Assistant Director, Monitoring  
Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849

22 June 2009

Dear Harry,

## SUBMISSION ON DRAFT AUDIT GUIDELINES

Thank you for the opportunity to make a submission on the draft audit guidelines.

LGP is a small generator and retailer of electricity. Our retail activities focus on Small to Medium Enterprises and we perceive we are the principal supplier of contestable local government sites in the Western Australian market. Our performance pursuant to our Retail Licence was recently audited and was found to be fully compliant.

LGP supports the Authority's mission and in particular the goal to "Minimise regulatory compliance costs in the promotion of competitive outcomes", as supported by the value of "Excellence - Dedicated to carrying out our work in an effective and efficient manner and in accordance with our overall mission."

On this basis, LGP wishes to seek the Authority's confirmation that the audit process in its entirety achieves these criteria. In particular, we perceive that many of the Licence Conditions are difficult to positively prove and do not of themselves improve retail performance.

We cite a small number of the available examples as follows, taken from the Authority's Electricity Compliance Reporting Manual. In reviewing them, please bear in mind that many of the activities are web-based and must be complied with in order for the transaction to be accepted.

Number	Description
1	A retailer must submit a separate data request for each exit point unless otherwise agreed.
7.	A retailer, unless otherwise agreed, must submit a data request electronically and must not submit more than a prescribed number of standing or historical data requests in a business day.
9.	A retailer must pay any reasonable costs incurred by the network operator for work performed in relation to a

	withdrawn request for historical consumption data.
23.	A retailer must submit a separate customer transfer request for each exit point unless otherwise agreed.
24.	A retailer's reason for a transfer must be specified in the customer transfer request form as either to transfer a contestable customer to the retailer which submitted the customer transfer request or to reverse an erroneous transfer.
25.	A retailer may only submit a customer transfer request if it has an access contract for the network, unless it is to reverse an erroneous transfer.
27.	A retailer, unless otherwise agreed, must submit a customer transfer request electronically and must not submit more than a prescribed number of customer transfer requests in a business day or with the same nominated transfer date.
29.	A retailer must nominate a transfer date in a customer transfer request in accordance with specified timeframes, except if the customer transfer request is to reverse an erroneous transfer.
30.	A retailer must pay any reasonable costs incurred by a network operator for providing and/or installing a meter if a customer transfer request is withdrawn.
39.	A network operator and the retailer must take certain action if the contestable customer's meter is not read on the nominated transfer date.
40.	The parties to an access contract must negotiate in good faith any necessary amendments to the access contract arising from certain circumstances.
43.	In the case of a transfer to reverse an erroneous transfer, a network operator and all affected retailers (and the independent market operator if applicable) must act in good faith to ensure that the rights and obligations of the affected contestable customer are as they would have been had the erroneous transfer not occurred.

We would emphasise that LGP endorses the intent of the above Licence Conditions and agrees that non-compliance should be remedied; we question only the requirement that compliance be positively proven and substantiated.

We also wish to take this opportunity to place on record that LGP does not participate in the opportunity to supply “Small Use Customers” in part because of the excessive compliance costs incurred in doing so. Again, we would emphasise that we endorse the intent of the Code of Conduct for the Supply of Small Use Customers and even conduct our business informally in accordance with it. However, supply of Small Use Customers approximately doubles the audit burden, even though such customers may seek redress of grievances via the ombudsman. While we agree that Small Use Customers need proper protection, and our staff participated in the development of that protection, we question whether it is so costly as to substantially diminish the competition it seeks to facilitate.

Ironically, we note that we are ourselves a Small Use Customer and would not supply our own operations even if we were eligible to do so.

Referring to the Draft Audit Guidelines Document, we advise that have no objections to the proposed approach. We would, however, welcome review of section 8.3 (Auditor Rotation) to provide for repeated use of an auditor in circumstances where the licence holder is a small company with a track record of compliance, in order to minimize compliance costs.

If you require any further information, please contact LGP’s General Manager Retail on 041 250 8291.

Yours sincerely

GRAEME ALFORD  
CHIEF EXECUTIVE OFFICER