



INFORMATION

Electricity Retail Corporation (t/a Synergy)

PERFORMANCE AUDIT REPORT

The Economic Regulation Authority today published the 2010 performance audit (**audit**) report for Synergy's electricity retail licence (ERL1).

The Authority is concerned with the scale of the licence contraventions (**non-compliances**) disclosed by the audit report. The report identified that there were two licence obligations that were rated as significantly non-compliant and a further 15 licence obligations that were rated non-compliant (see section 9, pages 59-107 of the report for more details). All except one of the non-compliances relate to obligations under the Code of Conduct for the Supply of Electricity to Small Use Customers (**Code of Conduct**).

The licence obligations that were rated as significantly non-compliant relate to:

- The requirement to issue bills to a customer not more than once a month and at least once every three months. Following the receipt of a letter from the Energy Ombudsman in February 2010 regarding a suspected "substantial" breach of clause 4.1 of the Code of Conduct, the Authority has been monitoring the billing performance of Synergy. Synergy has been providing the Authority with monthly reports on the number of bills that have been issued more than three months after the last bill along with supporting information on the reasons for the delay in issuing the bills.
- Responding to written queries or complaints within specified timeframes. Synergy's 2009/10 compliance report, submitted to the Authority in August 2010, included a non-compliance with clause 14.3(1) of the Code of Conduct (responding to complaints). After receiving further information regarding this non-compliance, the Authority commenced a monitoring program in October 2010 that required Synergy to provide monthly reports on the progress made toward achieving compliance with the Code of Conduct.

The 15 licence obligations that were rated as non-compliant relate to a non-compliance with clause 3.4(1) of the *Electricity Industry Customer Transfer Code 2004* and 14 non-compliances with the Code of Conduct covering:

- The provision of information by a retailer or marketer when they enter into a new contract with a customer.
- Compliance with the National Privacy Principles as set out in the *Privacy Act 1998* in relation to information collected under Part 2 of the Code of Conduct.
- Information provided on a bill.
- Timely review of a bill on request by a customer.
- Correctly estimating bills for customers on a bill smoothing arrangement.

- Timely change of tariff for eligible customers.
- Observing restrictions on disconnecting a customer for non-payment of a bill in specified circumstances.
- Issuing timely reminder notices and disconnection notices prior to arranging for the disconnection of a customer for non-payment of a bill.
- Keeping the records required by clauses 13.2, 13.3(1), 13.4 and 13.6 of the Code of Conduct.

The audit report also disclosed non-compliance with clause 4.5(1) of the Code of Conduct because 7,500 customers who were entitled to the dependent child rebate (DCR) had their entitlement incorrectly terminated by the new billing system between September 2009 and January 2010. The DCR provides a concession on electricity bills for low income customers with dependent children. Synergy applies the rebate to the customer account when the bill is prepared.

The Authority notes that the impact of the loss of the DCR is likely to have been significant for many of the customers affected and it is disappointed that Synergy did not rectify the non-compliance and credit the customer accounts with the unpaid rebate until November 2010.

Action by the Authority

After considering the audit report, and taking into consideration the level of non-compliance with the licence disclosed in the report, the Authority has decided to serve a notice under section 32 (failure to comply with licence) of the *Electricity Industry Act 2004* (**section 32 notice**). The section 32 notice covers six of the non-compliances identified in the audit report and a further non-compliance in relation to clause 5.3 of the Code of Conduct (obtaining the customer's verifiable consent when setting up a direct debit). After reviewing the audit evidence, the Authority has decided that Synergy did not comply with clause 5.3 of the Code of Conduct.

Synergy is required to take the actions prescribed in the section 32 notice, or alternative actions that are satisfactory to the Authority, to rectify the non-compliances and prevent future recurrence by the dates specified in the notice.

The Authority has also decided to reduce the period of time until the next audit of Synergy's electricity retail licence to 18 months. The next audit will cover the period 1 July 2010 to 31 December 2011.

Copies of the [audit report](#) and the [section 32 notice](#) are available on the Authority's website.

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