



# Notice

13 February 2014

## Alinta Sales Pty Ltd

### 2013 PERFORMANCE AUDIT

The Economic Regulation Authority has published the 2013 performance audit (**Audit**) report for the gas trading licence of Alinta Sales Pty Ltd (t/a Alinta Energy) (**Alinta**).

- [2013 Audit report \(including the post-audit implementation plan\)](#)

#### Action by the Authority

The Authority is satisfied that Alinta has demonstrated a satisfactory level of compliance with its licence conditions and has decided to increase the period of time until the next Audit from 24 months to 36 months.

The next Audit will cover the period from 1 October 2013 to 30 September 2016, with the report on the Audit to be provided to the Authority by 31 December 2016.

### BACKGROUND TO THE AUTHORITY'S DECISION

#### 2011 Audit

In Alinta's 2011 Audit, the auditor made 17 recommendations; 11 of which have been completed. Four out of six outstanding recommendations address two non-compliances, and the two remaining recommendations represent process improvement opportunities in relation to electronic recordkeeping. The process improvement recommendations have not been implemented due to Alinta deferring the plan to commission a new IT customer information system.

#### 2013 Audit

The 2013 Audit assessed a total of 268 licence obligations with the following results:

- 2 obligations were not applicable to Alinta's business operations;
- 48 obligations were not rated because no relevant activity took place during the Audit period;
- 201 obligations were rated compliant 5 (highest rating);
- 7 obligations were rated compliant 4 (some scope for improvement); and
- 10 obligations were rated 2 (non-compliant).

Four out of 10 non-compliant obligations had already been rectified by the time of the 2013 Audit. The six remaining non-compliant obligations relate to two new issues identified by the 2013 Audit and two issues that were first identified in the 2011 Audit:

- Alinta's annual licence fee payment to the Authority was late in 2013;



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- Alinta did not formally notify the Minister for Energy about a tariff increase in 2012 and 2013, because it relied on the involvement of the Minister's office in setting the new tariffs [identified in the 2011 Audit];
- approximately 1.4% of Alinta's customer accounts were not billed at least once in every 110 days [identified in the 2011 Audit];<sup>1</sup> and
- Alinta disconnected two customers outside the approved disconnection timeframe due to human error; Alinta reconnected the customers immediately.

The Authority is of the view that the implementation of the actions in Alinta's post-audit implementation plan will address the abovementioned non-compliant obligations and further strengthen Alinta's controls to maintain compliance.

Section 6.4 of the Authority's *Audit Guidelines: Electricity, Gas and Water Licences (Guidelines)* set out the Authority's policy in respect of the period of time between Audits:

For audits and reviews, the cost of regulation may be reduced if the interval between audits/reviews is increased. Hence, the Authority is prepared to, within reasonable bounds, extend the interval between audits/reviews for low risk licensees, i.e. those licensees who are demonstrating high levels of compliance or asset management effectiveness. [...]

Licensees who are assessed as having a strong compliance framework that is achieving a high level of compliance with the licence may be rewarded with an increased interval between audits.

After considering the results of the 2011 and 2013 Audits of Alinta's licence, and the actions Alinta has taken to address the recommendations from the 2011 Audit, the Authority has decided that increasing the period of time until the next Audit by 12 months is consistent with the policy set out in the Guidelines.

To monitor Alinta's compliance with the requirement to bill customers every 110 days, the Authority requires Alinta to provide a quarterly report on the number and percentage of customer accounts that have not been billed on time. The Authority has also requested Alinta to provide an update on the implementation of a new IT customer information system, should Alinta commence the project before the next Audit.

For further information contact:

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<sup>1</sup> After the 2011 Audit, Alinta applied for a licence amendment to align the maximum billing interval with the meter reading frequency set in the distributor's approved access arrangement. The Authority approved Alinta's licence amendment on 17 September 2012 to extend the maximum billing interval from three months to 110 days.