

Synergy
November 2009
Gas Trading Licence – GLT8
Performance Audit Report

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1 Executive Summary

1.1 Background

Section 11ZA of the Energy Coordination Act 1994 (Act) requires Synergy to provide the Economic Regulation Authority (the Authority) with a performance audit conducted by an independent expert approved by the Authority not less than once every 24 months. The Authority approved PricewaterhouseCoopers (PwC) to undertake the performance audit in July 2009.

We have conducted the performance audit in accordance with the Standard on Assurance Engagements (ASAE) 3500 "Performance Engagements". The performance audit is an audit of the effectiveness of the measures taken by Synergy to meet the obligations of the performance and quality standards referred to in the Gas Trading Licence 8 (GTL8). This is the first audit of the Gas Trading Licence and covers the period 1 July 2007 to 30 June 2009.

An audit plan was developed and approved by the Authority using a risk based approach to focus on key risk areas in accordance with Synergy's Gas Trading business risk profile and the industry best practice standard AS/NZS 4360:2004. It also recognised that Synergy is currently not permitted to supply residential gas customers who consume less than 180 GJ per annum.

A preliminary analysis was performed on the licensing framework and the Authority's Gas Reporting Compliance Manual, March 2009 for the gas trading licence to ascertain the performance and compliance audit requirements of Synergy and to determine the nature and extent of audit activity. We have prioritised the audit coverage based on the assigned risk profile with the emphasis on providing greater focus and depth of testing for higher risk areas.

We have assessed the controls and performance against those standards by Synergy with the relevant licence obligations through a combination of interviews/enquiries, observation, examination of documents and detailed testing.

The report presents the findings from the performance audit.

1.2 Audit Objectives, Scope and Approach

The audit objective is to evaluate the effectiveness of the measures taken by Synergy to meet the obligations of the performance and quality standards referred to in the Gas Trading Licence.

The audit focuses on Synergy's systems and effectiveness of processes used to ensure compliance with the obligations, standards, outputs and outcomes as required by the Licence.

1 Executive Summary (cont'd)

Audit Scope

The performance audit covered the period from 1 July 2007 to 30 June 2009. We performed our audit during the period July to October 2009.

The performance audit focused on the provisions of the Energy Coordination Act 1994 (WA) and the applicable licencing requirements of the following industry regulations and codes:

- Energy Coordination (Customer Contracts) Regulations 2004
- Energy Coordination (Last Resort Supply) Regulations 2005
- Energy Coordination (Licensing Fees) Regulations 1999
- Energy Coordination (Ombudsman Scheme) Regulations 2004
- Energy Coordination (Gas Tariffs) Regulations 2000
- Australian Gas Association Natural Gas Customer Service Code (AG 755-1998)
- Gas Marketing Code of Conduct.

For each applicable licencing requirement, the audit effort considered the following:

- **Process Compliance** – the effectiveness of the systems and procedures in place including the adequacy of internal controls
- **Outcome Compliance** – the actual performance against standards prescribed in the licence
- **Output Compliance** – the existence of the output from systems prescribed in the licence
- **Integrity of Performance Reporting** – the completeness and accuracy of the performance reporting to the Authority
- **Compliance with any individual licence conditions** – the requirements imposed on Synergy or specific issues to follow up that are advised by the Authority.

1 Executive Summary (cont'd)

Audit Approach

Our audit has been conducted in accordance with the Standard on Assurance Engagements (ASAE) 3500 "Performance Engagements" and accordingly included such tests and procedures as we considered necessary in the circumstances. These procedures have been undertaken to form an opinion whether in all material respects, the control procedures in relation to Synergy's Gas Trading Licence operated effectively based on the relevant licensing requirements referred to above.

An audit plan was developed and approved by the Authority using a risk based approach to focus on key risk areas in accordance with AS/NZ 4360:2004. Preliminary analysis was performed on the licensing framework for the Gas Trading Licence to ascertain the performance and compliance audit requirements of Synergy and to determine the nature and extent of audit activity. The Authority's Gas Reporting Compliance Manual, March 2009 provided a consolidated list of the key obligations relating to trading licences and was utilised as part of the risk assessment process to suitably tailor the audit approach as required.

In accordance with the Performance Audit Plan approved by the Authority in August 2009, the audit adopted a risk based approach to validate compliance with the licence conditions. Under this approach, we have used the audit priority assessment and the alignment of the Trading Licence requirements to Synergy's business processes to determine the nature and extent of testing within the audit. The nature and extent of testing varied so that as the audit priority of the licence obligations increased, the persuasiveness of the evidence that was obtained was also increased. Where the audit priority of similar requirements was different, the audit priority defaulted to the highest priority to ensure that any interdependencies were considered.

In addition, the Performance Audit Plan also takes into account the Authority's views with respect to audit priority and testing following the Authority's review and feedback of the draft Audit Plan.

It is important to emphasise that not all licence conditions are applicable to Synergy as they may relate to residential use customers and accordingly the audit did not evaluate the performance of Synergy's compliance with those licence conditions (8 out of 143). Refer to Appendix A for a listing of those licence conditions that are not within the scope of the audit and the reasons for their exclusion.

1 Executive Summary (cont'd)

1.3 Business Processes and Systems

Our audit confirmed that the following business units within Synergy were responsible for managing compliance with licence conditions and other regulations:

- Legal, Regulatory and Audit
- Credit Management
- Retail
- Wholesale
- Products
- Customer Resolution
- Customer Transactions
- Finance.

Synergy utilises the following internal and external information technology systems to support its gas trading procedures and these were considered as part of the review of the compliance against the licence obligations:

- IBAAN – Customer relationship management application
- CIS (Customer Information System) – Customer management system
- CBS (Contract Billing System) – Billing system for contract customers
- RGMS – Database recording meter data from other source system (e.g. gas distributor Westnet).

Synergy has a sound regulatory compliance culture which was demonstrated during the audit. A compliance policy has been implemented to provide a top-down commitment to comply with the applicable regulatory requirements. The Retail and Wholesale Energy Compliance Teams are an integral part of monitoring and achieving the Compliance Policy. These teams provide the conduits to drive and foster the desired compliance culture throughout Synergy. The role of these teams is to facilitate and embed a culture of compliance within Synergy that is consistent with the Compliance Policy, by identifying and addressing compliance issues, thus ensuring Synergy meets its regulatory obligations and minimises the risk of breaches. Additionally we noted that training of the Gas Customer Service code for staff will be transitioned to the new SALT system during 2009/10.

1 Executive Summary (cont'd)

1.4 Audit Time

The audit was conducted by the following staff:

Staff	Hours
Justin Eve, Partner	24
Ryan Menezes, Senior Manager	55
Sheila Bulandran, Senior Consultant	65
Iara Steingiesser, Consultant	75
Sam Beagley, Consultant	63

1.5 Performance Summary

The compliance ratings have been applied based on the definitions stipulated in the "Audit Guidelines: Electricity, Gas and Water Licences" issued by the Authority. Compliance ratings have been determined based on the following scale:

COMPLIANCE STATUS	RATING	DESCRIPTION OF COMPLIANCE
Compliant	5	Compliant with no further action required to maintain compliance
Compliant	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
Compliant	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
Non-Compliant	2	Does not meet minimum requirements
Significantly Non-Compliant	1	Significant weaknesses and / or serious action required

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5	
											Minor
1	A licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Reg Clause 4 & 5)	Minor	Unlikely	Low	Strong						✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
2	A licensee must, subject to the regulations, not supply gas to a customer other than under a standard form or non-standard contract.	Moderate	Probable	Medium	Weak				✓	
3	A licensee must comply with a direction given to the licensee under section 11WI.	Minor	Unlikely	Low	Strong				✓	
4	Gas is deemed to be supplied under the standard form contract if a customer commences to take a supply of gas at premises without entering into a contract with the holder of a trading licence.	Minor	Unlikely	Low	Strong				✓	
5	A standard form contract continues in force until it is terminated or supply becomes subject to a non-standard contract with the supplier.	Minor	Unlikely	Low	Strong				✓	
6	A licensee must take reasonable steps to minimise the extent of the duration of any interruption, suspension or restriction of the supply of gas due to an accident, emergency, potential danger or other unavoidable cause.	Moderate	Unlikely	Medium	Strong					✓
10	A licensee must provide the Authority with a performance audit by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows).	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
19	A licensee that sells gas that is transported through a distribution system must be a member of an approved retail market scheme if a scheme is in force.	Moderate	Unlikely	Medium	Strong					✓
20	A licensee must not engage in prohibited conduct relating to the operation of a retail market scheme.	Moderate	Unlikely	Medium	Strong					✓
21	A licensee must not assist another party to engage in prohibited conduct relating to the operation of a retail market scheme.	Minor	Unlikely	Low	Strong					✓
22	A licensee, as a member of a retail scheme, must comply with a direction given to it by the Authority to amend the scheme, and to do so within a specified time.	Minor	Unlikely	Low	Strong					✓
24	The licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme and is bound by any decision or direction of the ombudsman under the Scheme.	Minor	Unlikely	Low	Strong					✓
25	A licensee must comply with the applicable standards of the Gas Standards Act 1972.	Moderate	Unlikely	Medium	Strong					✓
29	A licensee supplying gas in an area referred to in Regulation 3(a), (b), or (c) is required to have at least one capped tariff for any supply of gas in that area.	Moderate	Unlikely	Medium	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
30	A licensee is required to offer to supply gas to each of its existing standard contract customers under the terms of the customer's existing contract but at a capped tariff unless the existing contract already entitles the customer to be supplied at a capped tariff.	Minor	Unlikely	Low	Strong					✓
31	When offering to supply gas to a new customer, a licensee is to offer to supply gas under an approved contract but at a capped tariff.	Moderate	Unlikely	Medium	Strong					✓
32	Except in prescribed circumstances, a licensee must not disconnect or cause disconnection to occur if — (a) a customer has provided to the licensee a written statement from a medical practitioner to the effect that supply is necessary in order to protect the health of a person who lives at the customer's supply address; and (b) the customer has entered into arrangements acceptable to the licensee in relation to payment for gas supplied.	Moderate	Unlikely	Medium	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
33	Before disconnecting supply for non-payment of a bill, a licensee must give a written reminder notice to a customer not less than 14 business days after the day on which a bill was issued advising the customer that payment is overdue and requiring payment to be made on or before the day specified in the reminder notice (being a day not less than 20 business days after the billing day).	Minor	Probable	Low	Strong					✓
34	Before disconnecting supply for non-payment of a bill, a licensee must give a disconnection warning to a customer not less than 22 business days after the billing day advising the customer that disconnection will occur unless payment is made on or before the day specified in the disconnection warning (being a day not less than 10 business days after the day on which the disconnection warning is given).	Minor	Probable	Low	Strong					✓
35	A licensee must reconnect supply to a customer within 10 business days after disconnection for non-payment of a bill if the customer pays the overdue amount or makes an arrangement for its payment and the customer has paid any applicable reconnection fee.	Moderate	Probable	Medium	Weak					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
		Minor Moderate Major	Likely Probable Unlikely	Low Medium High	Strong Moderate Weak					
36	A licensee must reconnect supply to a customer within 10 business days after disconnection for denial of access to a meter, if the customer provides access to the meter and the customer has paid any applicable reconnection fee.	Minor	Unlikely	Low	Strong					✓
37	A licensee must reconnect supply to a customer within 10 business days after disconnection for unlawful consumption of gas, if the customer pays for the gas consumed and the customer has paid any applicable reconnection fee.	Minor	Unlikely	Low	Strong					✓
38	A licensee must reconnect supply to a customer within 10 business days after disconnection for refusal to pay a refundable advance, if the customer pays the refundable advance and the customer has paid any applicable reconnection fee.	Minor	Unlikely	Low	Strong					✓
39	A licensee must reconnect supply to a customer within 20 business days after disconnection in an emergency situation or for health, safety or maintenance reasons, if the situation or problem giving rise to the need for disconnection has been rectified, and if the customer has paid any applicable reconnection fee.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
41	A licensee must not disconnect supply to a business customer until: it has used its best endeavours to contact the customer; it has offered the customer an extension of time to pay the bill; and it has provided the customer a written notice of its intention to disconnect at least 5 business days notice prior to the disconnection date, and the customer has refused to accept the alternative payment option or failed to make payments under it.	Moderate	Unlikely	Medium	Strong					✓
42	A licensee must not disconnect supply to a customer who denies access to a meter until: the customer has refused access on at least 3 concurrent billing cycles, the customer is given the option to offer alternative access arrangements; the customer is provided written advice on each occasion access was denied; it has used its best endeavours to contact the customer; and it has provided the customer a written notice of its intention to disconnect at least 5 business days prior to the disconnection date.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
43	A licensee who disconnects in the event of an emergency must provide a 24 hour information service, estimate the time when gas supply will be restored and use best endeavours to restore supply when the emergency is over.	Moderate	Unlikely	Medium	Strong					✓
44	A licensee who disconnects supply for health and safety reasons must provide the customer written notice of the reason; allow the customer 5 business days to remove the reason where the customer is able to; and after the 5 business days issued a notice to the customer of its intention to disconnect supply at least 5 business days notice prior to the disconnection date.	Moderate	Unlikely	Medium	Strong					✓
45	A licensee who disconnects supply for planned maintenance must provide the customer 4 days written notice; and used best endeavours to minimise disruption and restore supply.	Moderate	Unlikely	Medium	Strong					✓
46	A licensee must not disconnect supply for failure by a customer to pay a refundable advance without giving a written notice to the customer of its intention to disconnect at least 5 business days prior to the disconnection date.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						1	2	3	4	5
		Minor Moderate Major	Likely Probable Unlikely	Low Medium High	Strong Moderate Weak					
47	A licensee must not disconnect supply where the bill owing is less than the average bill over the past 12 months and the customer has agreed to pay.	Minor	Unlikely	Low	Strong					✓
48	A licensee must not disconnect supply where the issue is the subject of complaint by the customer and is being reviewed externally and is not resolved.	Minor	Unlikely	Low	Strong					✓
49	A licensee must not disconnect supply where an application for a government concession has not been decided.	Minor	Unlikely	Low	Strong					✓
50	A licensee must not disconnect supply where a customer has failed to pay a debt that is not a direct service charge.	Minor	Unlikely	Low	Strong					✓
51	A licensee must not disconnect supply after 3pm on any day; and not on a Friday, weekend or public holiday or on a day before a public holiday unless it is a planned interruption.	Moderate	Unlikely	Medium	Strong					✓
52	If a licensee is under an obligation to reconnect supply and the customer makes a request for reconnection after 3pm on a business day, the licensee use best endeavours to reconnect the customer as soon as possible on the next business day.	Moderate	Unlikely	Medium	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
53	If a licensee uses a refundable advance to offset an amount owed, it must provide to the customer an account of its use and pay any balance within 10 business days to the customer.	Minor	Unlikely	Low	Strong				✓	
54	A licensee must place refundable advances in separate trust accounts and separately identify the amounts in its accounting records.	Minor	Unlikely	Low	Strong				✓	
55	A licensee must return interest earned on refundable advances accounts to customers.	Minor	Unlikely	Low	Strong				✓	
56	A licensee must inform customers that the supply charge is either for residential or non residential supply; includes a specified fixed component and specified usage component; and describes the circumstances a customer needs to meet to qualify for residential tariffs.	Minor	Unlikely	Low	Strong					✓
57	A licensee must give notice of the tariffs charged and provide these notices to customers without charge upon request.	Minor	Unlikely	Low	Strong					✓
58	A licensee must give notice of a variation in tariffs charged and provide these notices to customers affected by the change no later than the next bill.	Minor	Unlikely	Low	Strong					✓
59	A licensee must issue a bill to a customer at least once every 3 months, unless agreed otherwise.	Moderate	Probable	Medium	Weak				✓	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
60	A licensee must prepare a bill in accordance with the terms specified in the AGA code, including the inclusion of any refundable advance.	Minor	Unlikely	Low	Strong				▼	
61	A licensee must apply payments received from a customer as directed by the customers (if the bill includes charges for other goods and services).	Minor	Unlikely	Low	Strong					✓
62	If a customer does not direct how a payment is to be allocated, a licensee must apply the payment: (i) to charges for the supply of gas before applying any portion of it to such goods or services; or (ii) if such goods or services include electricity, to the charges for gas and the charges for electricity in equal proportion before applying any portion of it to any other such goods or services.	Minor	Unlikely	Low	Strong					✓
63	A licensee must provide available bill data to customers upon request free of charge subject to clause 47 (2) and (4) of the Energy Coordination (Customer Contracts) Regulations 2004.	Minor	Unlikely	Low	Strong				▼	
64	A licensee must base a customer's bill on a meter reading and meters must be read at least once per year.	Moderate	Probable	Medium	Weak				▼	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
65	A licensee, who accepts a customer reading of the meter, must not adjust the bill in favour of the licensee if the licensee subsequently discovers the reading was incorrect in favour of the customer.	Minor	Unlikely	Low	Strong				✓	
66	A licensee, who provides a customer with an estimated bill and is subsequently able to read the meter, must adjust the estimated bill in accordance with the meter reading.	Minor	Unlikely	Low	Strong				✓	
67	A licensee must read a customer's meter upon request and may impose a fee for doing so.	Minor	Unlikely	Low	Strong				✓	
68	A licensee must offer payment in person and payment by mail.	Minor	Unlikely	Low	Strong					✓
70	A licensee must not terminate a contract if a customer commits a breach of the contract (other than a substantial breach) unless — (a) the licensee has a right to disconnect supply under the contract, a written law or a relevant code; and (b) the licensee has disconnected supply at all supply addresses of the customer covered by the contract.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
71	A licensee must provide a customer: (a) a copy of their customer service charter; (b) copies of regulations or any relevant code; (c) information about fees and charges payable under the contract; (d) with information on energy efficiency; (e) billing data; and (f) with information on Government Assistance Programs and Financial Counselling Services if requested by the customer.	Minor	Unlikely	Low	Strong				▼	
72	A licensee must offer a customer who is experiencing payment difficulties: instalment plan options; right to have bill redirected to third person; information or referral on government assistance programs; and information on independent financial counselling services.	Minor	Unlikely	Low	Strong					✓
73	A licensee must not supply gas to the customer under a door to door contract during the cooling-off period unless the customer requests supply.	Minor	Unlikely	Low	Strong					✓
74	A licensee must not commence legal action in relation to a customer debt if the customer has entered into arrangements to pay and is maintaining this arrangement.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
		Minor Moderate Major	Likely Probable Unlikely	Low Medium High	Strong Moderate Weak					
75	A licensee must only provide a credit reporting agency with default information relevant to one of their bills.	Minor	Unlikely	Low	Strong					✓
76	A licensee must notify a credit reporting agency immediately if a customer has cleared their debt.	Minor	Unlikely	Low	Strong					✓
77	If a customer remedies a default and demonstrates extenuating circumstances, a licensee must request the credit reporting agency to remove the default record.	Minor	Unlikely	Low	Strong					✓
78	A licensee must not refer a default to a credit reporting agency that is the subject of a complaint or matter of review.	Minor	Unlikely	Low	Strong					✓
79	A licensee must include information about its complaint handling process and contact details of the energy ombudsman on any disconnection warning given to a customer.	Moderate	Probable	Medium	Weak					✓
80	When a non-standard contract is due to expire a licensee must issue a notice in writing to a customer at least 2 months prior to the expiry date (or at the commencement of the contract if the contract is less than 1 month) with information about: the expiry date; alternative supply options, and the terms and conditions for continued supply post contract expiry.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence Minor Moderate Major	Likelihood Likely Probable Unlikely	Inherent Risk Low Medium High	Adequacy of Existing Controls (pre-audit) Strong Moderate Weak	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
81	Upon request, a licensee must provide a customer free of charge with a copy of its customer service charter within 2 business days of the request.	Minor	Unlikely	Low	Strong				✓	
82	A licensee must from time to time provide the customer with advice with their bill that a customer service charter is available free of charge.	Minor	Unlikely	Low	Strong					✓
83	Upon request, a licensee must provide a customer with a copy of the Energy Coordination (Customer Contracts) Regulations 2004 or a relevant code.	Minor	Unlikely	Low	Strong				✓	
84	A licensee must ensure that a copy of the Energy Coordination (Customer Contracts) Regulations 2004 or a relevant code is available for inspection at its offices at no charge.	Minor	Unlikely	Low	Strong				✓	
90	A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification.	Minor	Unlikely	Low	Strong					✓
91	A licensee must notify a customer of any amendment to a non-standard contract.	Minor	Unlikely	Low	Strong				✓	
96	A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the performance audit.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						1	2	3	4	5
97	A licensee's independent auditor must be approved by the Authority prior to the audit.	Minor	Unlikely	Low	Strong					✓
98	A licensee may be subject to individual performance standards.	Minor	Unlikely	Low	Strong					✓
99	Unless otherwise specified, all notices must be in writing and will be regarded as having been sent and received in accordance with defined parameters.	Minor	Unlikely	Low	Strong					✓
100	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards.	Minor	Unlikely	Low	Strong					✓
101	A licensee must report to the Authority if the licensee is under external administration or experiences a significant change in its corporate, financial or technical circumstances.	Minor	Unlikely	Low	Strong					✓
102	A licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the Authority.	Moderate	Unlikely	Medium	Strong					✓
103	A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
105	A licensee must develop and lodge with the Authority, and thereafter be in a position to implement, a complaints handling process that complies with clause 2.5 of the customer service code.	Moderate	Unlikely	Medium	Strong					✓
106	A licensee must ensure that its complaints handling process provides for the licensee to manage a complaint made to it by a customer in accordance with the Australian Standard on Complaints Handling (AS 4269) 1995.	Moderate	Unlikely	Medium	Strong					✓
107	A licensee must ensure that it publishes information which will assist its customers in utilising its complaints handling process.	Minor	Unlikely	Low	Strong					✓
108	A licensee must ensure that, when requested by a customer, the licensee provides the customer with information about the licensee's complaints handling process and external dispute resolution bodies.	Minor	Unlikely	Low	Strong					✓
109	A licensee must ensure that its complaints handling process provides for the customer to make a complaint to the licensee about the licensee's acts or omissions.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						1	2	3	4	5
110	A licensee must ensure that its complaints handling process provides that, where the customer is not satisfied with the licensee's response to the complaint, the customer may raise the complaint to a higher level with the licensee's management structure.	Minor	Unlikely	Low	Strong					✓
111	A licensee must ensure that its complaints handling process provides that, where, after raising the complaint to a higher level, the customer is not satisfied with the licensee's response, the customer may refer the complaint to an external dispute resolution body, as appropriate.	Minor	Unlikely	Low	Strong					✓
115	A licensee must, if directed by the Authority, review the standard form contract and submit to the Authority the results of that review within the time specified by the Authority.	Minor	Unlikely	Low	Strong				✓	
116	A licensee must comply with any direction given by the Authority in relation to the scope, process and methodology of the standard form contract review.	Minor	Unlikely	Low	Strong				✓	
117	A licensee must only amend the standard form contract in accordance with the Energy Coordination Act 1994 and Regulations.	Minor	Unlikely	Low	Strong				✓	
118	A licensee must prepare a customer service charter.	Moderate	Unlikely	Medium	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
119	A licensee must, unless otherwise notified in writing by the Authority, review the customer service charter at least once every 36 months and submit the results of that review to the Authority within 5 days after it is completed.	Minor	Unlikely	Low	Strong					✓
120	A licensee must maintain supply to a customer if it supplies, or within the last 12 months supplied, gas to that customer's premises unless another supplier starts supplying the customer.	Moderate	Unlikely	Medium	Strong					✓
121	A licensee must provide the Authority within 3 business days of a request by the Authority with reasons for refusing to commence supply to a customer if requested by the Authority.	Minor	Unlikely	Low	Strong					✓
122	A licensee must comply with a direction from the Authority to supply a customer, subject to specified conditions.	Minor	Unlikely	Low	Strong					✓
123	Subject to specified conditions, a licensee must use its best endeavours to maintain a level of customer service at least consistent with the customer service code.	Minor	Unlikely	Low	Strong					✓
124	A licensee must make available to the Authority a copy of its customer service charter which must at least include a statement of the general principles upon which it will provide services to its customers.	Minor	Unlikely	Low	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
125	A licensee must make certain information available to its customers whether under its customer service charter or otherwise.	Moderate	Unlikely	Medium	Strong					✓
126	A licensee must make the information referred to in Schedule 3, clause 2.5, or a list of that information, available to each customer either on, or before, the date of the first gas invoice.	Minor	Unlikely	Low	Strong				✓	
127	A licensee must make available at its own expense a copy of the terms of the standard form contract to any customer or prospective customer who requests them.	Minor	Unlikely	Low	Strong				✓	
128	A licensee must provide a copy of any changed terms of its standard form contract to each affected customer.	Minor	Unlikely	Low	Strong				✓	
129	A licensee must lodge a customer safety awareness program with the Authority within 3 months of the commencement date.	Moderate	Unlikely	Medium	Strong					✓
130	A licensee must consult with the Authority when preparing the customer safety awareness program.	Minor	Unlikely	Low	Strong					✓
131	A licensee must address, at a minimum, the information specified in Schedule 2, clause 4.3 in its customer safety awareness program.	Moderate	Unlikely	Medium	Strong					✓

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
132	A licensee must provide reasonable information relating to its activities under the licence as requested by the holder of a distribution licence to enable for the safe and efficient operation of the relevant distribution system, provided such disclosure does not prejudice the commercial interests of the licensee.	Moderate	Unlikely	Medium	Strong				✓	
133	A licensee must notify the Minister at least one month before a change to any price, price structure, fee or interest rate under the standard form contract is to come into effect.	Minor	Unlikely	Low	Strong					✓
134	A licensee must comply with the Gas Marketing Code of Conduct.	Moderate	Unlikely	Medium	Strong				✓	
135	A licensee must ensure all agents and employees comply with the Gas Marketing Code of Conduct.	Moderate	Unlikely	Medium	Strong				✓	
136	A marketer must ensure that its marketing representatives comply with Part 2 of the Code of Conduct.	Moderate	Unlikely	Medium	Strong				✓	
137	A marketer must ensure that standard and non-standard contracts are entered into in the manner and satisfying the conditions specified.	Minor	Unlikely	Low	Strong				✓	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
138	A marketing representative must ensure that the information specified is provided to the customer before arranging a contract and that the customer is provided with a written copy of the contract on request.	Minor	Unlikely	Low	Strong				▼	
139	Where a standard form contract is not entered into as a result of door to door marketing or for a non-standard contract initiated by telephone, a marketing representative must obtain and make a record of the customer's verifiable consent that the specified information has been given.	Minor	Unlikely	Low	Strong				▼	
140	Where a standard form contract is entered into as a result of door to door marketing or for a non-standard contract (other than that initiated by the customer by telephone or electronic means), a marketing representative must obtain the customer's written acknowledgement that the specified information has been given.	Minor	Unlikely	Low	Strong		✓			
141	Where the customer has entered into a new contractual relationship with a retailer, a retailer or marketing representative must offer to provide the customer with a copy of the contract and, where this offer is accepted by the customer, provide a copy of the contract at that time or as soon as possible thereafter.	Minor	Unlikely	Low	Strong				▼	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating										
						Minor	Moderate	Major	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5			
						Minor	Moderate	Major	Strong	Moderate	Weak					
142	Where the customer has entered into a new contractual relationship with a retailer, a retailer or marketing representative must give the information specified to the customer.	Minor	Unlikely	Low	Strong							✓				
143	In circumstances where a standard form contract is not entered into as a result of door to door marketing, a retailer or marketing representative must give the specified information no later than with or on the customer's first bill and a copy of the contract if requested by the customer (and the customer has not previously received a copy).	Minor	Unlikely	Low	Strong							✓				
144	In circumstances where a standard form contract is entered into as a result of door to door marketing or a non-standard contract, a retailer or marketing representative must give the specified information and a copy of the contract before the customer has entered into the contract and must obtain a written acknowledgement that the information has been given.	Minor	Unlikely	Low	Strong							✓				
145	A marketing representative must not, when marketing, engage in conduct that is misleading, deceptive or likely to mislead or deceive or that is unconscionable.	Moderate	Unlikely	Medium	Strong							✓				

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
146	A marketing representative must not exert undue pressure on a customer, nor harass or coerce a customer.	Minor	Unlikely	Low	Strong				✓	
147	A marketing representative must ensure that the inclusion of concessions is made clear to customers and any prices that exclude concessions are disclosed.	Minor	Unlikely	Low	Strong				✓	
148	A marketing representative must ensure that all standard form contracts that are entered into as a result of door to door marketing and all non-standard contracts are in writing.	Minor	Unlikely	Low	Strong				✓	
149	A marketer must ensure that a customer is able to contact the marketer on the marketer's telephone number during normal business hours for the purposes of enquiries, verifications and complaints.	Minor	Unlikely	Low	Strong				✓	
150	A marketing representative must provide the information specified to the customer when marketing by means other than face to face and after having identified the purpose of the contact, if the contact is not by electronic means, the marketing representative must ask the customer whether they wish to proceed further.	Minor	Unlikely	Low	Strong				✓	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
151	A marketing representative must, on request, provide the customer with its and the retailer's complaints telephone number and marketing identification number.	Minor	Unlikely	Low	Strong				✓	
152	A marketing representative who meets with a customer face to face must: as soon as practicable tell the customer the purpose of the visit; wear a clearly visible and legible identity card showing the information specified; and as soon as practicable provide the information specified in writing to the customer.	Minor	Unlikely	Low	Strong				✓	
153	If, when marketing to a customer, the customer indicates that they wish to end the contact, the marketing representative must end the contact as soon as practicable and not attempt to contact the customer for the next 30 days unless the customer agrees otherwise.	Minor	Unlikely	Low	Strong				✓	
154	Unless requested by the customer, a marketing representative must not make contact with a customer outside the permitted call times, unless the contact is by electronic means or the contact arises outside the customer's premises in circumstances where the customer initiates contact.	Minor	Unlikely	Low	Strong				✓	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence	Likelihood	Inherent Risk	Adequacy of Existing Controls (pre-audit)	Compliance Rating				
						Minor	Moderate	Major	Compliance Rating 1	Compliance Rating 2
			Likely Probable Unlikely	Low Medium High	Strong Moderate Weak					
155	A marketing representative must ensure that contact for the purposes of marketing does not continue for more than 15 minutes past the end of the permitted call times without the customer's verifiable consent unless the contact is by electronic means.	Minor	Unlikely	Low	Strong				✓	
156	Except in response to a customer request or query, a marketer must keep the specified records each time it initiates contact with a customer for the purposes of marketing.	Minor	Unlikely	Low	Strong				✓	
157	Where the customer requests not to be contacted for the purposes of marketing a marketer must ensure that a customer is not contacted on its behalf in relation to the supply of gas for a period of two years unless: the customer requests contact; or the customer has moved premises; or a marketer has a legal obligation to contact the customer.	Minor	Unlikely	Low	Strong				✓	
158	A marketer must keep a record of each customer who has requested not to be contacted, that includes the name, address and telephone number of the customer at the time the customer made the request.	Minor	Unlikely	Low	Strong				✓	
159	A marketer must give a copy of the record to the Gas Ombudsman or the Authority on request.	Minor	Unlikely	Low	Strong				✓	

1 Executive Summary (cont'd)

Compliance Manual Reference	Licence Condition	Consequence Minor Moderate Major	Likelihood Likely Probable Unlikely	Inherent Risk Low Medium High	Adequacy of Existing Controls (pre-audit) Strong Moderate Weak	Compliance Rating 1	Compliance Rating 2	Compliance Rating 3	Compliance Rating 4	Compliance Rating 5
160	A marketer must provide the customer on request with written confirmation that the customer will not be contacted for the next two years.	Minor	Unlikely	Low	Strong				✓	
161	A marketing representative must comply with a notice on or near the premises indicating that the customer does not wish to receive unsolicited mail or other marketing information.	Minor	Unlikely	Low	Strong				✓	
162	A retailer and a marketer must comply 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.	Moderate	Unlikely	Medium	Strong				✓	
163	A marketer must keep a record of each complaint made by a customer or a person contacted for the purposes of marketing and, on request, give all information relating to the complaint to the Gas Ombudsman.	Moderate	Probable	Medium	Strong				✓	
164	A marketer must keep a record or other information required by the Code to be kept for at least 2 years.	Moderate	Probable	Medium	Strong				✓	

1 Executive Summary (cont'd)

1.6 Key Findings

The table below provides a summary of findings, recommendations and management's agreed actions. As per the Performance Summary table in Section 1.5, the following area of non-compliance was noted.

Compliance Manual Reference	Report Reference	Finding	Recommendations for Improvement	Post Audit Action Plan
140	3.2.3iia	While Synergy does provide the required information as per the Marketing Code of Conduct 2.3 (2) and 2.3 (3) to all customers, there is no specific form utilised to record a customers acknowledgement that they have been provided all the required information under a non-standard contract other than the generic contract execution provision.	The non standard contract "Agreement Application" could be enhanced further to include a clause saying that upon signing the agreement the customer acknowledges receiving the required information.	<p>Responsibility: Simon Thackray (Manager Retail Regulatory and Compliance).</p> <p>Action Plan: The non-standard agreement has been amended to make the matter more explicit. Refer to DMS number 3275916.</p> <p>Implementation Date: Action Complete.</p>

Additionally, the following issues were identified that relate to recommendations for improvements to processes and/or controls relating to compliance requirements.

Compliance Manual Reference	Report Reference	Finding	Recommendations for Improvement	Post Audit Action Plan
2	3.4.3a	In a sample of 20 customer contracts tested, the signed non-standard contract could not be located for one customer who Synergy has been supplying gas since 28/04/2009. This was because the customer did not respond to Synergy's negotiated supply offer in a timely manner but commenced supply. The customer subsequently requested and accepted supply under the standard contract agreement. Additionally, we noted that for three customers the "Agreement Applications" were signed by the customer after the supply of gas had commenced.	The contract follow-up process should be improved to ensure that contracts are signed by the customer prior to the supply of gas commencing and copies of all signed contracts should be maintained on the DMS.	<p>Responsibility: Peter Lampkin (Business Manager/Gas Compliance Coordinator).</p> <p>Action Plan: No action required as in the mentioned example of the 'missing' Non Standard Agreement, persistent attempts were made to contact the new occupier of the premise following the issue of a new agreement. Gas was supplied at the site as the previous occupier was previously on a Synergy Non Standard Agreement. The new customer agreed to opt for a Standard Form of Agreement and no signed contract is therefore required.</p> <p>Implementation Date: Action Complete.</p>

1 Executive Summary (cont'd)

Compliance Manual Reference	Report Reference	Finding	Recommendations for Improvement	Post Audit Action Plan
2	3.4.3b	In a sample of 20 customer contracts tested, the supply start date on the Application Agreement for 17 customers differed to the actual supply start date. The contract was not subsequently amended to reflect the actual gas supply date although some did have the amended date documented on the contract in pencil.	The correct supply start date should be documented on the customers file either through an amendment to the contract or a file note.	<p>Responsibility: Peter Lampkin (Business Manager/Gas Compliance Coordinator).</p> <p>Action Plan: The current process document states that unless requested by the customer the gas supply must not start until 10 days after the agreement has been signed by Manager Retail Sales. The welcome letter sent to the customer advises the actual supply date and would kept on file as an audit trail of any changes.</p> <p>Implementation Date: Action Complete.</p>
53, 54, 55	3.13.3a	Without a formal policy or procedure regarding payment in advance, there is a risk that should this occur in the future, staff may not be aware of the requirements of this obligation and therefore could lead to non compliance.	Synergy should establish a procedure to handle refundable advances that ensures that staff will comply with the requirements of this obligation.	<p>Responsibility: Craig Butler, (Credit Management Coordinator)</p> <p>Action Plan: Draft to be prepared in consultation with affected departments. In the meantime, should an event requiring a refundable advance occurs the electricity refundable advance process will be adopted.</p> <p>Implementation Date: 31 December 2009.</p>
64	3.10.3a	The current procedures by Customer Transaction staff to monitor meter readings is not formally documented. Without documented procedures, inconsistent practices may occur and roles and responsibilities may not be clearly communicated.	Documented procedures for monitoring actual meter reading for customers at least once a year should be established and communicated to the relevant staff.	<p>Responsibility: Ryan Torrens (Contracts Billing Officer).</p> <p>Action Plan: With the introduction of the SAP system, Customer Transactions is writing policies and procedures to handle any of these exceptions. SAP has a facility that automates the collection of meter readings removing the requirement for manual intervention and any possibilities for inconsistencies.</p> <p>Implementation Date: 31 March 2010.</p>

1 Executive Summary (cont'd)

Compliance Manual Reference	Report Reference	Finding	Recommendations for Improvement	Post Audit Action Plan
84	3.6.3a	There is no documented procedure relating to customer requests to inspect relevant regulation or code at the Synergy office. Without documented procedures in place roles and responsibilities may not be clearly communicated and this may result in inconsistent practices within Synergy.	Customers' request to inspect relevant regulation or code at Synergy should be documented as a procedure and communicated to relevant Synergy staff.	<p>Responsibility: Simon Thackray (Manager Retail Regulatory and Compliance).</p> <p>Action Plan: The Legal, Regulatory and Audit division supports the suggestion for improvement and has created a procedure in September 2009. Refer to DMS# 3293267.</p> <p>Implementation Date: Action Complete.</p>
132	3.9.3a	There is no log to record any requests from the distributor and when it has been addressed. Without the log it is difficult to ensure all the distribution holder requests have been addressed on a timely manner.	A request log should be implemented to monitor if there are any requests from the distribution holder.	<p>Responsibility: Allan McDougall (Manager Wholesale Gas).</p> <p>Action Plan: No requests have been received to date but an entry form will be added to the Wholesale Gas database that will enable Synergy to log and monitor requests by 18 December 2009.</p> <p>Implementation Date: 18 December 2009.</p>
151	3.2.3ia	There is no Information Request Log in place which tracks and monitors customers request for information. Without the log it is difficult to ensure all the customer requests have been addressed timely.	There should be a correspondence log between Synergy and the customer. This ensures all correspondence to a customer is logged with the timeframe for better audit trail and compliance requirements.	<p>Responsibility: Peter Lampkin (Business Manager/Gas Compliance Coordinator).</p> <p>Action Plan: All customer interactions were recorded in the Ibaan CRM system and now in the interaction record in the newly implemented SAP.</p> <p>Implementation Date: Action Complete.</p>
163	3.2.3iib	Complaints that are raised and resolved directly by the customer's Account Manager in Retail are only recorded in iBaan and not on the Customer Resolution CIS system which is the designated system to capture all complaints within Synergy.	Complaints which are received and resolved by the Retail Account Manager should be forwarded onto Customer Resolutions and recorded within the CIS system which is Synergy's complaints handling system.	<p>Responsibility: Peter Lampkin (Business Manager/Gas Compliance Coordinator)</p> <p>Action Plan: Any potential issues that are resolved for a managed customer by the applicable account manager would be recorded in the interaction record in the newly implemented SAP system.</p> <p>Implementation Date: Action Complete.</p>

Details of both positive findings and recommendations for improvements to further strengthen the existing compliant processes have been provided in Section 2.

1 Executive Summary (cont'd)

1.7 Previous Audit Findings

Synergy was formed in April 2006 and granted a Gas Trading Licence under the Act on 1 July 2007. The Act requires Synergy to conduct a performance audit by an independent expert every 24 months. This is Synergy's first performance audit of the Gas Trading Licence, and therefore, there are no review requirements.

1.8 Conclusion

In summary, we noted that only one of the 143 Compliance Manual obligations reviewed was determined to be non compliant. The breach was limited to four instances which occurred during the period 1 January 2009 to 30 June 2009. All other obligations were determined to be compliant or compliant with recommendations to improve and strengthen the internal controls to maintain compliance and as such confirms the reporting performed by Synergy to the Authority.

2 Audit Opinion



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Report on the Performance Audit of the Gas Trading Licence – GLT8

We have audited the compliance of Synergy with the controls over the performance and quality standards of the Gas Trading Licence GLT8 as measured by the Authority's Gas Reporting Compliance Manual, March 2009 for the period from 1 July 2007 to 30 June 2009.

Respective Responsibilities

Synergy is responsible for compliance with the performance and quality standards of the Gas Trading Licence GLT8 as measured by the Authority's Gas Reporting Compliance Manual, March 2009. Our responsibility is to provide reasonable assurance and express a conclusion on compliance with the performance and quality standards of the Gas Trading Licence GLT8 as measured by the Authority's Gas Reporting Compliance Manual, March 2009, in all material respects.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE) 3500 "Performance Engagements". Our procedures have been included in Section 3 of this report and have been undertaken to form a conclusion as to whether Synergy has complied in all material respects, with the performance and quality standards of the Gas Trading Licence GLT8, as measured by the Authority's Gas Reporting Compliance Manual, March 2009 for the period from July 2007 to 30 June 2009.

Use of Report

This compliance audit report has been prepared for Synergy and the Authority in accordance with the Audit Guidelines: Electricity, Gas and Water Licences issued by the Authority. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than Synergy and the Authority, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the performance and quality standards of the Gas Trading Licence GLT8 as measured by the Authority's Gas Reporting Compliance Manual, March 2009, as an audit is not performed continuously throughout the period and the audit procedures performed are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

Findings

We noted that only one of the 143 Compliance Manual obligations reviewed was determined to be non compliant. The breach was limited to four instances which occurred during the period 1 January 2009 to 30 June 2009 and related to the written acknowledgement from customers that they have been provided all the required information under a non-standard contract other than the generic contract execution provision. All other obligations were determined to be compliant or compliant with recommendations to improve and strengthen the internal controls to maintain compliance and as such confirms the reporting performed by Synergy to the Authority.

Unqualified Auditor's Opinion

In our opinion, Synergy has complied, in all material respects, with the performance and quality standards of the Gas Trading Licence GLT8 as measured by the Authority's Gas Reporting Compliance Manual, March 2009 for the period from 1 July 2007 to 30 June 2009.

PricewaterhouseCoopers

Justin Eve Perth
Partner 19 November 2009

Liability limited by a scheme approved under Professional Standards Legislation

3 Audit Observations

3.1: Regulation / Coordination of Licence Requirements		
Audit Test Reference: 1	Audit Priority: 4	Compliance Rating: 5
3.1.1: References Gas Reporting Manual Reference 1, 19, 20, 21, 22, 24 and 25 Trading Licence Clause 4.1, 20.1, 16.1 and 20		
<ul style="list-style-type: none"> A licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Reg Clause 4 & 5). A licensee that sells gas that is transported through a distribution system must be a member of an approved retail market scheme if a scheme is in force. A licensee must not engage in prohibited conduct relating to the operation of a retail market scheme. A licensee must not assist another party to engage in prohibited conduct relating to the operation of a retail market scheme. A licensee, as a member of a retail scheme, must comply with a direction given to it by the Authority to amend the scheme, and to do so within a specified time. The licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme and is bound by any decision or direction of the ombudsman under the Scheme. A licensee must comply with the applicable standards of the Gas Standards Act 1972. 		
3.1.2: Observations		
<p>The Legal, Regulatory and Audit (LRA) division maintains a Regulatory Calendar which tracks all compliance related dates. This calendar triggers a request for an invoice from the Authority prior to the payment due date and payments are made based on this invoice.</p> <p>Synergy is a current member of an approved retail market scheme, REMCo. Through observation and enquiry with the Manager Gas Procurement and Trading, there have been no reports of prohibited conduct within the scheme or requests from the Authority to modify the scheme.</p> <p>Synergy became a member of the Energy Ombudsman Western Australia on 1 July 2007.</p> <p>Through observation and enquiry with the Manager Retail Regulatory and Compliance, the Gas Standards Act 1972 does not have any applicable clauses for Synergy as they do not sell any gas appliances to customers or distribute gas.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> Simon Thackray (Manager Retail Regulatory and Compliance) Allan McDougall (Manager Gas Procurement and Trading). <p>Documents Reviewed:</p> <ul style="list-style-type: none"> Regulatory Calendar ERA Invoice Synergy Record of Payment of Invoice Email explaining invoice process Energy Ombudsman Website Screenshot Energy Ombudsman Fact Sheet Screenshot of REMCo Stantons International Letter. 		
3.1.3: Issues		
No exceptions noted		
3.1.4: Suggestions for Improvements		
N/A		
3.1.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.2i: Gas Marketing		
Audit Test Reference: 2	Audit Priority: 4	Compliance Rating: 4
<p>3.2.1i: References Gas Reporting Manual Reference 134, 135, 136, 137, 138, 139, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163 and 164 Trading Licence Clause 21.1 and 21.2</p>		
<ul style="list-style-type: none"> • A licensee must comply with the Gas Marketing Code of Conduct. • A licensee must ensure all agents and employees comply with the Gas Marketing Code of Conduct. • A marketer must ensure that its marketing representatives comply with Part 2 of the Code of Conduct. • A marketer must ensure that standard and non-standard contracts are entered into in the manner and satisfying the conditions specified. • A marketing representative must ensure that the information specified is provided to the customer before arranging a contract and that the customer is provided with a written copy of the contract on request. • Where a standard form contract is not entered into as a result of door to door marketing or for a non-standard contract initiated by telephone, a marketing representative must obtain and make a record of the customer's verifiable consent that the specified information has been given. • Where the customer has entered into a new contractual relationship with a retailer, a retailer or marketing representative must offer to provide the customer with a copy of the contract and, where this offer is accepted by the customer, provide a copy of the contract at that time or as soon as possible thereafter. • Where the customer has entered into a new contractual relationship with a retailer, a retailer or marketing representative must give the information specified to the customer. • In circumstances where a standard form contract is not entered into as a result of door to door marketing, a retailer or marketing representative must give the specified information no later than with or on the customer's first bill and a copy of the contract if requested by the customer (and the customer has not previously received a copy). • In circumstances where a standard form contract is entered into as a result of door to door marketing or a non-standard contract, a retailer or marketing representative must give the specified information and a copy of the contract before the customer has entered into the contract and must obtain a written acknowledgement that the information has been given. • A marketing representative must not, when marketing, engage in conduct that is misleading, deceptive or likely to mislead or deceive or that is unconscionable. • A marketing representative must not exert undue pressure on a customer, nor harass or coerce a customer. • A marketing representative must ensure that the inclusion of concessions is made clear to customers and any prices that exclude concessions are disclosed. • A marketing representative must ensure that all standard form contracts that are entered into as a result of door to door marketing and all non-standard contracts are in writing. • A marketer must ensure that a customer is able to contact the marketer on the marketer's telephone number during normal business hours for the purposes of enquiries, verifications and complaints. • A marketing representative must provide the information specified to the customer when marketing by means other than face to face and after having identified the purpose of the contact, if the contact is not by electronic means, the marketing representative must ask the customer whether they wish to proceed further. • A marketing representative must, on request, provide the customer with its and the retailer's complaints telephone number and marketing identification number. • A marketing representative who meets with a customer face to face must: <ul style="list-style-type: none"> - as soon as practicable tell the customer the purpose of the visit; - wear a clearly visible and legible identity card showing the information specified; and - as soon as practicable provide the information specified in writing to the customer. • If, when marketing to a customer, the customer indicates that they wish to end the contact, the marketing representative must end the contact as soon as practicable and not attempt to contact the customer for the next 30 days unless the customer agrees otherwise. • Unless requested by the customer, a marketing representative must not make contact with a customer outside the permitted call times, unless the contact is by electronic means or the contact arises outside the customer's premises in circumstances where the customer initiates contact. • A marketing representative must ensure that contact for the purposes of marketing does not continue for more than 15 minutes past the end of the permitted call times without the customer's verifiable consent unless the contact is by electronic means. • Except in response to a customer request or query, a marketer must keep the specified records each time it initiates contact with a customer for the purposes of marketing. 		

3 Audit Observations (cont'd)

3.2i: Gas Marketing

- Where the customer requests not to be contacted for the purposes of marketing a marketer must ensure that a customer is not contacted on its behalf in relation to the supply of gas for a period of two years unless:
 - the customer requests contact; or
 - the customer has moved premises; or
 - a marketer has a legal obligation to contact the customer.
- A marketer must keep a record of each customer who has requested not to be contacted, that includes the name, address and telephone number of the customer at the time the customer made the request.
- A marketer must give a copy of the record to the Gas Ombudsman or the Authority on request.
- A marketer must provide the customer on request with written confirmation that the customer will not be contacted for the next two years.
- A marketing representative must comply with a notice on or near the premises indicating that the customer does not wish to receive unsolicited mail or other marketing information.
- A retailer and a marketer must comply 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.
- A marketer must keep a record of each complaint made by a customer or a person contacted for the purposes of marketing and, on request, gives all information relating to the complaint to the Gas Ombudsman.
- A marketer must keep a record or other information required by the Code to be kept for at least 2 years.

3.2.2i: Observations

Confirmed through inquiry and observation with the Business Manager that Synergy follows the requirements of Clause 2.2 of the marketing code of conduct. Synergy contacts potential new customers through direct telemarketing campaigns. The marketing call guide which is utilised by the marketing representatives included a welcome statement which requests if the customer wishes to proceed further with the call.

The small gas customer sales process involves either Emailing or calling a potential customer and explaining Synergy's value offering through a non-standard contract. Customers are provided an "Agreement Application" with a "Cover Letter" and the non-standard contract (Gas Sales Agreement Terms and Conditions June 2007). The "Cover Letter" provides the customer with information around standard or non-standard agreements. Information provided in the Gas Sales Agreement Terms and Conditions June 2007 includes information required to be provided by Synergy under clause 2.4(2) of the Code of Conduct including:

- How to attain a copy of their Customer Service Charter (CSC) or any other relevant regulations or codes.
- Fees and charges payable under the contract.
- Assistance if customers are experiencing financial hardship.
- How to access the customers TTY line.
- How to access multilingual services.
- Information on the cooling off period.
- The complaints handling process and who to contact.
- Emergency situation and a 24 hour emergency line.

As Synergy is precluded from selling gas to residential customers, there are no business concessions or rebated available.

Consent to agree supply (although a contract may not be signed) is recorded in the iBaan system when they receive consent through the provision of the MIRN number which is provided by the customer.

Once the agreement is signed by the customer, a copy of the signed "Agreement Application" is sent back to them, with the Customer Service Charter (CSC) and a welcome letter which is all prior to their first bill.

Through inquiry and observation with the Business Manager, it was confirmed that Synergy had a total of 98 small gas use customers during the period 1 July 2007 to 30 June 2009. Each of these customers are on a non-standard contract which has been signed by the customer. A copy of the contract is maintained in each customer's file.

All communications with customer's are recorded in the Customer Relationship Management system iBaan. Email correspondence from marketing representatives at Synergy must have their marketing identification number included on the Email. However there is no central log maintained to record all requests for information that is received from customers.

The Customer Service Charter includes information on Synergy's gas safety awareness program.

3 Audit Observations (cont'd)

3.2i: Gas Marketing

Synergy maintains a 'Do Not Call Register' on iBaan and records any customers who request to not be contacted. During the audit period 1 July 2007 to 30 June 2009, there was only one customer on this list which a note stipulating that this customer cannot be contacted for a period of two years. A "Do Not Contact" policy which outlines how to administer this process in iBaan is in place.

The Legal, Regulatory and Audit department conducted a training course for all Gas Marketing Representatives, outlining the requirements in the Code and regulations including the National Privacy principles and Privacy Act 1998. This training occurred in June 2007, prior to Synergy beginning to operate under the Gas Trading Licence. There has been no turnover in the Gas Marketing Representatives during the audit period 1 July 2007 to 30 June 2009. The Gas Marketing Representatives are also required to complete annual online training about the Customer Service Code in relation to electricity. This includes similar aspects outlined in the Gas Marketing Code of Conduct.

A complaints handling process in accordance with Clause 2.5 of the Gas Customer Service Code has been implemented and a record of complaints is maintained through the Customer Information System (CIS). This information including any correspondence relating to the complaint is maintained in hard copy for a period of three years. Through inquiry and observation with the Customer Relations Coordinator, Business Manager and Manager Retail Regulatory and Compliance, there was only one small gas customer complaint during the audit period 1 July 2007 to 30 June 2009. This complaint was in relation to the distributor and not the retailer. If complaints are raised directly with the customer's Account Manager in the Retail Division, the complaint may only be forwarded to the Customer Resolution Division if it cannot be resolved by the Account Manager.

Synergy Contacts:

- Peter Lampkin (Business Manager/Gas Compliance Coordinator)
- Simon Thackray (Manager Retail Regulatory and Compliance)
- Judy Palmer (Customer Relations Coordinator).

Documents Reviewed:

- Gas Sales Process
- Gas Call Guide
- Correspondence from Synergy regarding Written Acknowledgement
- Welcome Letter
- Agreement Application
- Gas Sales Agreement Terms and Conditions June 2007
- Gas Customer Service Charter
- Do Not Contact Record in iBaan
- Do Not Contact Process
- Marketing Regulation Training Presentation
- iBaan Screenshots.

3.2.3i: Issues

3.2.3ia (Improvement Opportunity) Clause 151: There is no Information Request Log in place which tracks and monitors customers request for information. Without the log it is difficult to ensure all the customer requests have been addressed timely.

3.2.3ib (Improvement Opportunity) Clause 163: Complaints that are raised and resolved directly by the customer's Account Manager in Retail are only recorded in iBaan and not on the Customer Resolution CIS system which is the designated system to capture all complaints within Synergy.

3.2.4i: Suggestions for Improvements

3.2.4ia: There should be a correspondence log between Synergy and the customer. This ensures all correspondence to a customer is logged with the timeframe for better audit trail and compliance requirements.

3.2.4ib: Marketing complaints which are received and resolved by the Retail Account Manager should be forwarded onto Customer Resolutions and recorded within the CIS system which is Synergy's complaints handling system.

3 Audit Observations (cont'd)

3.2i: Gas Marketing

3.2.5i: Management Action Plan.

3.2.5ia: Action complete – all customer interactions were recorded in the Ibaan CRM system and now in the interaction record in the newly implemented SAP system.

3.2.5ib: Action complete – any potential issues that are resolved for a managed customer by the applicable account manager would be recorded in the interaction record in the newly implemented SAP system.

3 Audit Observations (cont'd)

3.2ii: Gas Marketing		
Audit Test Reference: 2	Audit Priority: 4	Compliance Rating: 2
3.2.1ii: References Gas Reporting Manual Reference 140 Trading Licence Clause 21.1 and 21.2		
<ul style="list-style-type: none"> Where a standard form contract is entered into as a result of door to door marketing or for a non-standard contract (other than that initiated by the customer by telephone or electronic means), a marketing representative must obtain the customer's written acknowledgement that the specified information has been given. 		
3.2.2ii: Observations Confirmed through inquiry and observation with the Business Manager that Synergy that there is no specific form utilised to record a customers acknowledgement that they have been provided all the required information as per the Marketing Code of Conduct 2.3 (2) and 2.3 (3) under a non-standard contract other than the generic contract execution provision. The non-standard contract "Agreement Application" could be enhanced further to include an explicit provision saying that upon signing the agreement the customer acknowledges receiving the required information.		
Synergy Contacts: <ul style="list-style-type: none"> Peter Lampkin (Business Manager/Gas Compliance Coordinator) 		
Documents Reviewed: <ul style="list-style-type: none"> Gas Sales Process Gas Sales Agreement Terms and Conditions June 2007 		
3.2.3ii: Issues		
3.2.3iia (Non Compliance) Clause 140: While Synergy does provide the required information as per the Marketing Code of Conduct 2.3 (2) and 2.3 (3) to all customers, there is no specific form utilised to record a customers acknowledgement that they have been provided all the required information under a non-standard contract other than the generic contract execution provision.		
3.2.4ii: Suggestions for Improvements		
3.2.4iia: The non standard contract "Agreement Application" could be enhanced further to include a clause saying that upon signing the agreement the customer acknowledges receiving the required information.		
3.2.5ii: Management Action Plan.		
3.2.5iia: Action complete – the non-standard agreement has been amended to make the matter more explicit. Refer to DMS number 3275916.		

3 Audit Observations (cont'd)

3.3: Customer Service Charter		
Audit Test Reference: 3	Audit Priority: 4	Compliance Rating: 5
<p>3.3.1: References Gas Reporting Manual Reference 82, 105, 106, 107, 108, 109, 110, 111, 118, 119, 123, 124 and 125 Trading Licence Clause 14.1, 14.2, schedule 3 clause 3 and clause 2</p>		
<ul style="list-style-type: none"> • A licensee must from time to time provide the customer with advice with their bill that a customer service charter is available free of charge. • A licensee must develop and lodge with the Authority, and thereafter be in a position to implement, a complaints handling process that complies with clause 2.5 of the customer service code. • A licensee must ensure that its complaints handling process provides for the licensee to manage a complaint made to it by a customer in accordance with the Australian Standard on Complaints Handling (AS 4269) 1995. • A licensee must ensure that it publishes information which will assist its customers in utilising its complaints handling process. • A licensee must ensure that, when requested by a customer, the licensee provides the customer with information about the licensee's complaints handling process and external dispute resolution bodies. • A licensee must ensure that its complaints handling process provides for the customer to make a complaint to the licensee about the licensee's acts or omissions. • A licensee must ensure that its complaints handling process provides that, where the customer is not satisfied with the licensee's response to the complaint, the customer may raise the complaint to a higher level with the licensee's management structure. • A licensee must ensure that its complaints handling process provides that, where, after raising the complaint to a higher level, the customer is not satisfied with the licensee's response, the customer may refer the complaint to an external dispute resolution body, as appropriate. • A licensee must prepare a customer service charter. • A licensee must, unless otherwise notified in writing by the Authority, review the customer service charter at least once every 36 months and submit the results of that review to the Authority within 5 days after it is completed. • Subject to specified conditions, a licensee must use its best endeavours to maintain a level of customer service at least consistent with the customer service code. • A licensee must make available to the Authority a copy of its customer service charter which must at least include a statement of the general principles upon which it will provide services to its customers. • A licensee must make certain information available to its customers whether under its customer service charter or otherwise. 		
<p>3.3.2: Observations</p> <p>Confirmed through inquiry and observation with the Business Manager that Synergy provides information to customers with their bill that the Customer Service Charter is available free of charge. This is included within the Gas Sales Agreement Terms and Conditions which is included on every bill that is sent to customers.</p> <p>A complaints handling process in accordance with clause 2.5 of the customer service code and the Australian Standard on Complaints Handling (AS 4269) 1995 has been implemented with a record of all complaints being maintained through the Customer Information System (CIS). This information including any correspondence relating to the complaint is maintained in hard copy for a period of three years. The complaints handling process was presented to the Authority on 28 September 2007 and approved on 30 October 2007.</p> <p>Through inquiry and observation with the Customer Relations Coordinator, Business Manager and Manager Retail Regulatory and Compliance, there was only one small gas customer complaint during the audit period 1 July 2007 to 30 June 2009. This complaint was in relation to the distribution holder and not the retailer.</p> <p>Information on who to contact for complaints as well as details on Synergy's complaints handling policy is disclosed in the following documents:</p> <ul style="list-style-type: none"> • Gas Sales Agreement Terms and Conditions June 2007. • Gas Customer Service Charter. • Synergy Website. • On the back of every small gas customer bill. 		

3 Audit Observations (cont'd)

3.3: Customer Service Charter

The complaints handling process is initiated by the customer complaint being received either through the call centre, by Email, post or through the Website. Once a complaint is received it is logged in the CIS system for the Customer Resolutions team to resolve. If the customer wishes to raise the complaint to a higher authority, a Manager from Customer Resolutions gets involved and if not resolved, the issue is raised with a Customer Advocate. At all times the customer has the option of raising the complaint with the Energy Ombudsman.

The Regulatory Calendar has been set to trigger a review of the Customer Service Charter every 36 months. Through inquiry and observation, we noted that the charter was prepared and presented to the Authority on 28 September 2007. There has not been a 36 month period since the creation of the charter and therefore no review has been performed during the audit period. The Customer Service Charter provides the general principles upon which Synergy will provide services to its customers. Additionally, information required under Schedule 2, clause 2.5 of the Trading Licence is also provided to customers within the Customer Service Charter.

Confirmed through inquiry and observation with the Manager Retail Regulatory and Compliance that Synergy ensures compliance with the Gas Customer Service Code through the following processes:

- Gas Regulatory training conducted by the Manager Retail Regulatory and Compliance in June 2007.
- Online annual training in relation to electricity marketing which to a large extent contains identical provisions to the Gas Marketing Code of Conduct.
- Incident reporting and monitoring through the Synergy Incident Management Log.
- The Synergy Gas Trading Licence Compliance Register which outlines each requirement and the Synergy division responsible for its compliance.
- Monthly Compliance meetings where any breaches or potential breaches are discussed.

Synergy Contacts:

- Peter Lampkin (Business Manager/Gas Compliance Coordinator)
- Simon Thackray (Manager Retail Regulatory and Compliance)
- Judy Palmer (Customer Relations Coordinator).

Documents Reviewed:

- Gas Customer Service Charter
- Synergy Customer Bill
- Gas Sales Agreement
- Compliance Registers
- Synergy Complaints Handling Policy
- Incident Log
- Correspondence to the ERA.

3.3.3: Issues

No exceptions noted

3.3.4: Suggestions for Improvements

N/A

3.3.5: Management Action Plan.

N/A

3 Audit Observations (cont'd)

3.4: Customer Contracts

Audit Test Reference:
4

Audit Priority:
3

Compliance Rating:
4

3.4.1: References

Gas Reporting Manual Reference 2, 3, 4, 5, 91, 115, 116, 117 and 128

Trading Licence Clause Schedule 3 12.1, 12.2, 12.3, 13.1 and Schedule 2 Clause 2.8 and 2.9.

- A licensee must, subject to the regulations, not supply gas to a customer other than under a standard form or non-standard contract.
- A licensee must comply with a direction given to the licensee under section 11WI.
- Gas is deemed to be supplied under the standard form contract if a customer commences to take a supply of gas at premises without entering into a contract with the holder of a trading licence.
- A standard form contract continues in force until it is terminated or supply becomes subject to a non-standard contract with the supplier.
- A licensee must notify a customer of any amendment to a non-standard contract.
- A licensee must, if directed by the Authority, review the standard form contract and submit to the Authority the results of that review within the time specified by the Authority.
- A licensee must comply with any direction given by the Authority in relation to the scope, process and methodology of the standard form contract review.
- A licensee must only amend the standard form contract in accordance with the Energy Coordination Act 1994 and Regulations.
- A licensee must provide a copy of any changed terms of its standard form contract to each affected customer.

3.4.2: Observations

Through inquiry and observation with the Business Manager, it was confirmed that Synergy had a total of 98 small gas use customers during the period 1 July 2007 to 30 June 2009. All but one of these customers are on a non-standard contract. All non-standard contracts have been signed by the customer. A copy of the contract is maintained in each customer's file and on the Document Management System (DMS). During the gas offer process, customers are provided with a cover letter which stipulates that they may either have a standard or non-standard contract.

During the audit period 1 July 2007 to 30 June 2009, there have been no amendments to a customer's non-standard contract. The minimum period a contract is in place with all customers is two years and the only time an amendment to a non-standard contract would occur will be during the renegotiation where the customer would be given two months notice of any changes. There have been no contract expiries or renegotiations during the audit period. There have also been no requests from the Authority to review or amend the standard form contract during the audit period 1 July 2007 to 30 June 2009.

Customers contracts are monitored through a monthly report provided to the Manager Retail Sales by the Contracts Billing Officer. This report is generated from the Central Billing System (CBS) which records all contract dates.

Synergy only initiates the transfer process with Westnet once they receive the signed Agreement Application from the customer. The billing period begins on the date the transfer was actioned and this is dependent on Westnet. Through inspection of a sample of 20 customer contracts, three had commenced to take supply prior to the customer signing the contract and one did not have a signed contract in place.

Synergy Contacts:

- Peter Lampkin (Business Manager/Gas Compliance Coordinator)
- Ryan Torrens (Contracts Billing Officer)
- Simon Thackray (Manager Retail Regulatory and Compliance).

Documents Reviewed:

- Gas Sales Agreement
- Cover Letter
- Agreement Application
- CBS List of Active Gas Contracts.

3 Audit Observations (cont'd)

3.4: Customer Contracts

3.4.3: Issues

3.4.3a (Improvement Opportunity) Clause 2: In a sample of 20 customer contracts tested, the signed non-standard contract could not be located for one customer who Synergy has been supplying gas since 28/04/2009. This was because the customer did not respond to Synergy's supply offer but took supply in a timely manner and has since entered into a standard contract agreement. Additionally, we noted that for three customers the "Agreement Applications" were signed by the customer after the supply of gas had commenced.

3.4.3b (Improvement Opportunity) Clause 2: In a sample of 20 customer contracts tested, the supply start date on the Application Agreement for 17 customers differed to the actual supply start date. The contract was not subsequently amended to reflect the actual gas supply date although some did have the amended date documented on the contract in pencil.

3.4.4: Suggestions for Improvements

3.4.4a: The contract follow-up process should be improved to ensure that contracts are signed by the customer prior to the supply of gas commencing and copies of all signed contracts should be maintained on the DMS.

3.4.4b: The correct supply start date should be documented on the customers file either through an amendment to the contract or a file note.

3.4.5: Management Action Plan.

3.4.5a: In the above mentioned example of the 'missing' Non Standard Agreement, persistent attempts were made to contact the new occupier of the premise following the issue of a new agreement. Gas was supplied at the site as the previous occupier was previously on a Synergy Non Standard Agreement. The new customer agreed to opt for a Standard Form of Agreement and no signed contract is therefore required.

3.4.5b: The current process document states that unless requested by the customer the gas supply must not start until 10 days after the agreement has been signed by Manager Retail Sales. The welcome letter sent to the customer advises the actual supply date and would kept on file as an audit trail of any changes.

3 Audit Observations (cont'd)

3.5: Tariffs		
Audit Test Reference: 5	Audit Priority: 4	Compliance Rating: 5
3.5.1: References Gas Reporting Manual Reference 29, 30, 31, 56, 57, 58 and 133 Trading Licence Clause 5.1 and Schedule 6, clause 6.1		
<ul style="list-style-type: none"> A licensee supplying gas in an area referred to in Regulation 3(a), (b), or (c) is required to have at least one capped tariff for any supply of gas in that area. A licensee is required to offer to supply gas to each of its existing standard contract customers under the terms of the customer's existing contract but at a capped tariff unless the existing contract already entitles the customer to be supplied at a capped tariff. When offering to supply gas to a new customer, a licensee is to offer to supply gas under an approved contract but at a capped tariff. A licensee must inform customers that the supply charge is either for residential or non residential supply; includes a specified fixed component and specified usage component; and describes the circumstances a customer needs to meet to qualify for residential tariffs. A licensee must give notice of the tariffs charged and provide these notices to customers without charge upon request. A licensee must give notice of a variation in tariffs charged and provide these notices to customers affected by the change no later than the next bill. A licensee must notify the Minister at least one month before a change to any price, price structure, fee or interest rate under the standard form contract is to come into effect. 		
3.5.2: Observations During the time of our audit there were appropriate policies and procedures in place to ensure that Synergy is compliant with the capped tariff requirements of the Energy Coordination (Gas Tariffs) Regulations 2000. The capped tariff for the supply of gas to all customers is provided within their contract with Synergy which is for a period of two years. Through inquiry and observation with the Products Group Manager, there have been no contracts which have expired and therefore tariffs which have been altered during the audit period 1 July 2007 to 30 June 2009. Information is provided on whether the supply charge is for residential or non residential supply through the Frequently Asked Questions section of the Synergy website. Additionally information on the fixed and usage components of the supply tariffs is documented within the standard form contract terms and conditions. Synergy Contacts: <ul style="list-style-type: none"> Stephen Watson (Products Group Manager) Documents Reviewed: <ul style="list-style-type: none"> Charges and Fees Gas Customer Charges and Synergy Gas FAQs. 		
3.5.3: Issues No exceptions noted.		
3.5.4: Suggestions for Improvements N/A		
3.5.5: Management Action Plan. N/A		

3 Audit Observations (cont'd)

3.6: Information Provided to Customers

Audit Test Reference:
6

Audit Priority:
5

Compliance Rating:
4

3.6.1: References

Gas Reporting Manual Reference 71, 81, 83, 84, 126 and 127
Trading Licence Clause 4.1 and Schedule 3 clause 2.

- A licensee must provide a customer:
 - copy of their customer service charter;
 - copies of regulations or any relevant code; by the customer
 - information about fees and charges payable under the contract;
 - with information on energy efficiency;
 - billing data; and
 - with information on Government Assistance Programs and Financial Counselling Services if requested
- Upon request, a licensee must provide a customer free of charge with a copy of its customer service charter within 2 business days of the request.
- Upon request, a licensee must provide a customer with a copy of the Electricity Industry (Customer Contract) Regulations 2004 or a relevant code.
- A licensee must ensure that a copy of the Electricity Coordination (Customer Contract) Regulations 2004 or a relevant code is available for inspection at its offices at no charge.
- A licensee must make the information referred to in Schedule 3, clause 2.5, or a list of that information, available to each customer either on, or before, the date of the first gas invoice.
- A licensee must make available at its own expense a copy of the terms of the standard form contract to any customer or prospective customer who requests them.

3.6.2: Observations

Customers are provided with their signed Agreement Application, their non-standard contract (Gas Sales Agreement Terms and Conditions June 2007) and a copy of the Customer Service Charter prior to or with their first bill.

Within the Standard Gas Agreement Terms and Conditions June 2007, the following information is provided:

- How to attain a copy of their Customer Service Charter (CSC) or any other relevant regulations or codes.
- Fees and charges payable under the contract.
- Assistance if customers are experiencing financial hardship.
- The complaints handling process and who to contact.
- Emergency situation and a 24 hour emergency line.

Synergy also sends a "Welcome Pack" to each small gas customer with their first bill. The pack includes:

- A cover letter.
- A copy of the Agreement Application including contractual terms and conditions.
- A copy of the relevant supply contract.
- A copy of the Gas Customer Service Charter.
- A flyer on energy efficiency.
- Billing data in the bill.

Customer requests are logged on the Customer Relationship Management system, iBaan. Through inquiry and observation, confirmed with the Business Manager that during the audit period 1 July 2007 to 30 June 2009, there have been no requests for the Customer Service Charter from customers. On the back of customer invoices there is information on how to attain a copy of the CSC and a number for customer enquiries including for those customers in financial hardship situations.

Through inquiry and observation, confirmed with the Business Manager and Manager Retail Regulatory and Compliance that there have not been any requests from customers to inspect copies of the relevant regulations and code during the audit period 1 July 2007 to 30 June 2009. Should a customer request to inspect any of the relevant regulations or code within Synergy's premises, there is no documented process for the receptionist to follow.

Synergy Contacts:

- Peter Lampkin (Business Manager/Gas Compliance Coordinator)
- Simon Thackray (Manager Retail Regulatory and Compliance)

3 Audit Observations (cont'd)

3.6: Information Provided to Customers

Documents Reviewed:

- Synergy Customer Bill
- Gas Sale Process Flowchart
- Cover Letter and Gas Agreement Application
- Gas Customer Service Charter
- Billing Process Policy.

3.6.3: Issues

3.6.3a (Improvement Opportunity) Clause 84: There is no documented procedure relating to customer requests to inspect relevant regulation or code at the Synergy office. Without documented procedures in place roles and responsibilities may not be clearly communicated and this may result in inconsistent practices within Synergy.

3.6.4: Suggestions for Improvements

3.6.4a: Customers' request to inspect relevant regulation or code at Synergy should be documented as a procedure and communicated to relevant Synergy staff.

3.6.5: Management Action Plan.

3.6.5a: There have been no customer requests since the gas trading licence was granted. Furthermore, the regulatory compliance function is well known and transparent within Synergy. Any customer request to inspect relevant gas regulatory instruments will therefore be forwarded to LRA to action. Notwithstanding this, LRA supports the suggestion for improvement and has created a procedure in September 2009. Refer to DMS# 3293267.

3 Audit Observations (cont'd)

3.7: Access to Supply Addresses		
Audit Test Reference: 7	Audit Priority: 5	Compliance Rating: 5
3.7.1: References		
Gas Reporting Manual Reference 90		
<ul style="list-style-type: none"> A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification. 		
3.7.2: Observations		
<p>In general, access to the supply address of gas customers is would be performed by the distributor who performs that meter readings. Confirmed through inquiry and observations with the Business Manager that during the audit period 1 July 2007 to 30 June 2009, all communications with gas customers was through email, telephone or mail only.</p> <p>In the event that Synergy would need to seek access to a small gas customer supply address, each Synergy Marketing Representatives must have their identification card be worn and on display at all times. This is the same card which provides access to the Synergy office.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> Peter Lampkin (Business Manager/Gas Compliance Coordinator). 		
3.7.3: Issues		
No exceptions noted		
3.7.4: Suggestions for Improvements		
N/A		
3.7.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.8 Gas Supply		
Audit Test Reference: 8	Audit Priority: 4	Compliance Rating: 5
<p>3.8.1: References Gas Reporting Manual Reference 6, 43, 45 and 73 Trading Licence Clause N/A</p>		
<ul style="list-style-type: none"> • A licensee must take reasonable steps to minimise the extent of the duration of any interruption, suspension or restriction of the supply of gas due to an accident, emergency, potential danger or other unavoidable cause. • A licensee who disconnects in the event of an emergency must provide a 24 hour information service, estimate the time when gas supply will be restored and use best endeavours to restore supply when the emergency is over. • A licensee who disconnects supply for planned maintenance must provide the customer 4 days written notice; and used best endeavours to minimise disruption and restore supply. • A licensee must not supply gas to the customer under a door to door contract during the cooling-off period unless the customer requests supply. 		
<p>3.8.2: Observations</p> <p>There have been no gas interruptions including any planned maintenance to Synergy's small gas use customers during the audit period 1 July 2007 to 30 June 2009.</p> <p>The Wholesale division has an Emergency Load Management System (ELMS) Procedure which outlines a step by step process to follow in the event of an emergency to the supply of gas. There is also a Crisis Management Committee which includes members from the executive and a Crisis Management Manual is in place.</p> <p>Planned interruptions to supply would be advised by the network operator directly to the customer. The network operator would not know which retailer supplied the site and therefore Synergy as the retailer would not be notified.</p> <p>Small gas use customers are provided with an Account Manager that they can communicate with for any information requirements they have including in the case of an emergency. Each customer bill includes a gas emergency and faults, 24 hour number.</p> <p>Information in regards to the cooling off period is supplied to customers in the Gas Sales Agreement Terms and Conditions. Through inquiry and observation with the Business Manager, a customer may request the supply of gas during the cooling off period through acknowledgement of the "Application Agreement" which has been approved by the Authority.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> • Allan McDougall (Manager Gas Procurement and Trading) • Peter Lampkin (Business Manager/Gas Compliance Coordinator). <p>Documents Reviewed:</p> <ul style="list-style-type: none"> • ELMS Procedure Document • Information on Back of Bill • Crisis Management Manual Detail • Planned Maintenance Process Email • Extract from Terms and Conditions • Email – Cooling Off Period. 		
<p>3.8.3: Issues</p> <p>No exceptions noted</p>		
<p>3.8.4: Suggestions for Improvements</p> <p>N/A</p>		
<p>3.8.5: Management Action Plan.</p> <p>N/A</p>		

3 Audit Observations (cont'd)

3.9 Information to Distribution Licence holders		
Audit Test Reference: 9	Audit Priority: 4	Compliance Rating: 4
3.9.1: References Gas Reporting Manual Reference 132 Trading Licence Clause Schedule 2 clause 5.1 to 5.2		
<ul style="list-style-type: none"> A licensee must provide reasonable information relating to its activities under the licence as requested by the holder of a distribution licence to enable for the safe and efficient operation of the relevant distribution system, provided such disclosure does not prejudice the commercial interests of the licensee. 		
3.9.2: Observations		
<p>An access arrangement with WA Gas Networks is currently in place. Through inquiry and observation with the Manager Gas Procurement and Trading, there have been no requests from the distributor for information relating to Synergy's activities under the licence during the audit period 1 July 2007 to 30 June 2009.</p> <p>There is no formal process to document and record requests received from the distribution licence holders.</p> <p>Synergy Contact:</p> <ul style="list-style-type: none"> Allan McDougall (Manager Gas Procurement and Trading). <p>Documents:</p> <ul style="list-style-type: none"> Access arrangement with WA Networks. 		
3.9.3: Issues		
<p>3.9.3a (Improvement Opportunity) Clause 132: There is no log to record any requests from the distributor and when it has been addressed. Without the log it is difficult to ensure all the distribution holder requests have been addressed on a timely manner.</p>		
3.9.4: Suggestions for Improvements		
<p>3.9.4a: A request log should be implemented to monitor if there are any requests from the distribution holder.</p>		
3.9.5: Management Action Plan.		
<p>3.9.5a: No requests have been received to date. Manager Wholesale Gas will arrange for an entry form to be added to the Wholesale Gas database that will enable Synergy to log and monitor requests by 18 December 2009.</p>		

3 Audit Observations (cont'd)

3.10 Invoicing of Customers		
Audit Test Reference: 10	Audit Priority: 3	Compliance Rating: 4
3.10.1: References Gas Reporting Manual Reference 59, 60, 63, 64, 65, 66 and 67 Trading Licence Clause N/A		
<ul style="list-style-type: none"> • A licensee must issue a bill to a customer at least once every 3 months, unless agreed otherwise. • A licensee must prepare a bill in accordance with the terms specified in the AGA code, including the inclusion of any refundable advance. • A licensee must provide available bill data to customers upon request free of charge subject to clause 47 (2) and (4) of the Energy Coordination (Customer Contracts) Regulations 2004. • A licensee must base a customer's bill on a meter reading and meters must be read at least once per year. • A licensee, who accepts a customer reading of the meter, must not adjust the bill in favour of the licensee if the licensee subsequently discovers the reading was incorrect in favour of the customer. • A licensee, who provides a customer with an estimated bill and is subsequently able to read the meter, must adjust the estimated bill in accordance with the meter reading. • A licensee must read a customer's meter upon request and may impose a fee for doing so. 		
3.10.2: Observations		
<p>Through inspection of a sample of 20 customers, we verified that customers are billed at least once every three months. Of the 98 customers, the majority are on monthly billing cycles and the rest are on quarterly billing cycles. A standard billing template is utilised to issue bills and this billing template is in accordance with the requirements of the AGA Code. Billing data is also provided to customers free of charge should they request this information.</p> <p>Billing is always based on metering data from Westnet. If an actual meter reading is not conducted, estimated meter readings are utilised based on the average consumption data for that customer.</p> <p>Customer Transaction staff monitor meter readings to ensure that an actual meter reading occurs at least once a year. If a customer has received three estimated meter readings, the Wholesale Division requests an actual meter reading to be performed by Westnet. Once the actual meter reading occurs, Customer Transactions staff process any adjustments and the customer will receive a new bill based on the adjusted reading.</p> <p>If a customer requests for a meter reading to be given at any point in time, the request is forwarded by the Wholesale Division to Westnet.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> • Ryan Torrens (Contracts Billing Officer) • Clare Kenny (Customer Transactions Officer) <p>Documents Reviewed:</p> <ul style="list-style-type: none"> • MIRN Notification Email and Data • Gas Customers by MIRN List • CBS Screenshots • Invoices. 		
3.10.3: Issues		
<p>3.10.3a (Improvement Opportunity) Clause 64: The current procedures by Customer Transaction staff to monitor meter readings is not formally documented. Without documented procedures, inconsistent practices may occur and roles and responsibilities may not be clearly communicated.</p>		
3.10.4: Suggestions for Improvements		
<p>3.10.4a: Documented procedures for monitoring actual meter reading for customers at least once a year should be established and communicated to the relevant staff.</p>		

3 Audit Observations (cont'd)

3.10 Invoicing of Customers

3.10.5: Management Action Plan.

3.10.5a: With the introduction of the SAP system, Customer Transactions is writing policies and procedures to handle any of these exceptions. SAP has a facility that automates the collection of meter readings removing the requirement for manual intervention and any possibilities for inconsistencies. Due Date: March 2010.

3 Audit Observations (cont'd)

3.11 Customer Payments		
Audit Test Reference: 11	Audit Priority: 5	Compliance Rating: 5
3.11.1: References		
Gas Reporting Manual Reference 61, 62 and 68		
<ul style="list-style-type: none"> A licensee must apply payments received from a customer as directed by the customers (if the bill includes charges for other goods and services). If a customer does not direct how a payment is to be allocated, a licensee must apply the payment: <ul style="list-style-type: none"> - to charges for the supply of gas before applying any portion of it to such goods or services; or - (ii) if such goods or services include electricity, to the charges for gas and the charges for electricity in equal proportion before applying any portion of it to any other such goods or services. A licensee must offer payment in person and payment by mail 		
3.11.2: Observations		
<p>Customers receives their invoice through the Post at the nominated postal address. The payment slip at the bottom of the Invoice offers the following methods of payments:</p> <ul style="list-style-type: none"> Electronic Funds Transfer (EFT) Mail In Person Bpay. <p>When payments are received from customers, the amount is credited against the customer account in CIS (Customer Information System). All payments are credited to the supply of gas and electricity prior to any monies owed against goods or services to Synergy.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> Craig Butler (Team Leader Credit Management) <p>Documents Received:</p> <ul style="list-style-type: none"> Customer Invoice. 		
3.11.3: Issues		
No exceptions noted		
3.11.4: Suggestions for Improvements		
N/A		
3.11.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.12 Customer Non-Payments		
Audit Test Reference: 12	Audit Priority: 5	Compliance Rating: 5
3.12.1: References		
Gas Reporting Manual Reference 72, 74, 75, 76, 77 and 78		
<ul style="list-style-type: none"> A licensee must offer a customer who is experiencing payment difficulties: instalment plan options; right to have bill redirected to third person; information or referral on government assistance programs; and information on independent financial counselling services. A licensee must not commence legal action in relation to a customer debt if the customer has entered into arrangements to pay and is maintaining this arrangement. A licensee must only provide a credit reporting agency with default information relevant to one of their bills. A licensee must offer payment in person and payment by mail A licensee must notify a credit reporting agency immediately if a customer has cleared their debt. If a customer remedies a default and demonstrates extenuating circumstances, a licensee must request the credit reporting agency to remove the default record. A licensee must not refer a default to a credit reporting agency that is the subject of a complaint or matter of review. 		
3.12.2: Observations		
<p>A report is generated twice a week which identifies any gas customers who are 20 days past the payment due date and owe more than \$100. The active accounts team follows up with the customer and discusses any other alternative payment methods including instalment plan options, the right to have bill redirected to a third person, information or referral on government assistance programs and information on independent financial counselling services.</p> <p>The Account Manager's contact customers if payments are not made within 10 days of the past due reminder or if the new due date agreed with by customer. If payment is still not received, the invoice and contract is taken to the legal team who Emails the customer detailing the ramifications of non payment. If payment is still not received the next step is disconnection of the customers gas supply and a credit reporting agency is informed of the default. Invoices are written off 30 days after referral to a credit reporting agency. Legal action is not initiated if a customer enters into an alternative payment arrangements and maintains this arrangement.</p> <p>Through inquiry and observation with the Team Leader Credit Management, during the audit period, there have been no long outstanding payments and all late payment invoices have been resolved by customers. There has been no requirement to report any outstanding amounts to any credit reporting agency.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> Craig Butler (Team Leader Credit Management) <p>Documents Reviewed:</p> <ul style="list-style-type: none"> Financial default notice and Collection process timeline 		
3.12.3: Issues		
No exceptions noted		
3.12.4: Suggestions for Improvements		
N/A		
3.12.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.13 Customer Refundable Advances		
Audit Test Reference: 13	Audit Priority: 5	Compliance Rating: 4
3.13.1: References		
Gas Reporting Manual Reference 53, 54 and 55		
<ul style="list-style-type: none"> If a licensee uses a refundable advance to offset an amount owed, it must provide to the customer an account of its use and pay any balance within 10 business days to the customer. A licensee must place refundable advances in separate trust accounts and separately identify the amounts in its accounting records. A licensee must return interest earned on refundable advances accounts to customers. 		
3.13.2: Observations		
Through inquiry and observation with the Team Leader Credit Management, there have been no customers during the audit period 1 July 2007 to 30 June 2009 that have paid in advance. Further there is no documented procedure to process refundable advances, should this event occur.		
Synergy Contacts:		
<ul style="list-style-type: none"> Craig Butler (Team Leader Credit Management) 		
3.13.3: Issues		
3.13.3a (Improvement Opportunity) Clause 53, 54, 55: Without a formal policy or procedure regarding payment in advance, there is a risk that should this occur in the future, staff may not be aware of the requirements of this obligation and therefore could lead to non compliance.		
3.13.4: Suggestions for Improvements		
3.13.4a: Synergy should establish a procedure to handle refundable advances that ensures that staff will comply with the requirements of this obligation.		
3.13.5: Management Action Plan.		
3.13.5a: Draft to be prepared by Manager Credit Management in consultation with affected departments. Due Date: 31/12/09. In the meantime, should an event requiring a refundable advance occur the electricity refundable advance process will be adopted.		

3 Audit Observations (cont'd)

3.14 Customer Disconnections		
Audit Test Reference: 14	Audit Priority: 3	Compliance Rating: 5
3.14.1: References		
Gas Reporting Manual Reference 32, 33, 34, 41, 42, 44, 46, 47, 48, 49, 50, 51, 79		
<ul style="list-style-type: none"> • Except in prescribed circumstances, a licensee must not disconnect or cause disconnection to occur if — <ul style="list-style-type: none"> – customer has provided to the licensee a written statement from a medical practitioner to the effect that supply is necessary in order to protect the health of a person who lives at the customer's supply address; and – (b) the customer has entered into arrangements acceptable to the licensee in relation to payment for gas supplied. • Before disconnecting supply for non-payment of a bill, a licensee must give a written reminder notice to a customer not less than 14 business days after the day on which a bill was issued advising the customer that payment is overdue and requiring payment to be made on or before the day specified in the reminder notice (being a day not less than 20 business days after the billing day). • Before disconnecting supply for non-payment of a bill, a licensee must give a disconnection warning to a customer not less than 22 business days after the billing day advising the customer that disconnection will occur unless payment is made on or before the day specified in the disconnection warning (being a day not less than 10 business days after the day on which the disconnection warning is given). • A licensee must not disconnect supply to a customer who is unable to pay until: alternative payment options have been offered to the customer; the customer is given information on government funded concessions; it has used its best endeavours to contact the customer; and it has provided the customer a written notice of its intention to disconnect at least 5 business days prior to the disconnection date, and the customer has refused to accept the alternative payment option or failed to make payments under it. • A licensee must not disconnect supply to a business customer until: it has used its best endeavours to contact the customer; it has offered the customer an extension of time to pay the bill; and it has provided the customer a written notice of its intention to disconnect at least 5 business days notice prior to the disconnection date, and the customer has refused to accept the alternative payment option or failed to make payments under it. • A licensee who disconnects in the event of an emergency must provide a 24 hour information service, estimate the time when gas supply will be restored and use best endeavours to restore supply when the emergency is over. • A licensee who disconnects supply for health and safety reasons must provide the customer written notice of the reason; allow the customer 5 business days to remove the reason where the customer is able to; and after the 5 business days issued a notice to the customer of its intention to disconnect supply at least 5 business days notice prior to the disconnection date. • A licensee must not disconnect supply for failure by a customer to pay a refundable advance without giving a written notice to the customer of its intention to disconnect at least 5 business days prior to the disconnection date. • A licensee must not disconnect supply where the bill owing is less than the average bill over the past 12 months and the customer has agreed to pay. • A licensee must not disconnect supply where the issue is the subject of complaint by the customer and is being reviewed externally and is not resolved. • A licensee must not disconnect supply where an application for a government concession has not been decided. • A licensee must not disconnect supply where a customer has failed to pay a debt that is not a direct service charge. • A licensee must not disconnect supply after 3pm on any day; and not on a Friday, weekend or public holiday or on a day before a public holiday unless it is a planned interruption. • A licensee must include information about its complaint handling process and contact details of the energy ombudsman on any disconnection warning given to a customer 		
3.14.2: Observations		
<p>Information is documented in the Customer Information System (CIS) if gas is consumed to protect the health of the customer at the supply address. Disconnection will therefore not occur at this address. There are no instances during the audit period where the supply to an address is required for health reasons.</p> <p>The follow-up procedure for non-payment of accounts by customers is documented within the "Collection Process Timeline Procedure". The "Disconnection" Procedure would be utilised if there was a disconnection to be performed.</p> <p>Through inquiry and observation with the Team Leader Credit Management, there have been no disconnections during the audit period 1 July 2007 to 30 June 2009.</p>		
Synergy Contacts:		
<ul style="list-style-type: none"> • Craig Butler (Team Leader Credit Management) 		

3 Audit Observations (cont'd)

3.14 Customer Disconnections
Documents Reviewed: <ul style="list-style-type: none">• Collection process timeline• Disconnection process map
3.14.3: Issues
No exceptions noted
3.14.4: Suggestions for Improvements
N/A
3.14.5: Management Action Plan.
N/A

3 Audit Observations (cont'd)

3.15 Customer Reconnections		
Audit Test Reference: 15	Audit Priority: 3	Compliance Rating: 5
3.15.1: References Gas Reporting Manual Reference 35, 36, 37, 38, 39 and 52		
<ul style="list-style-type: none"> A licensee must reconnect supply to a customer within 10 business days after disconnection for non-payment of a bill if the customer pays the overdue amount or makes an arrangement for its payment and the customer has paid any applicable reconnection fee. A licensee must reconnect supply to a customer within 10 business days after disconnection for non-payment of a bill if the customer pays the overdue amount or makes an arrangement for its payment and the customer has paid any applicable reconnection fee. A licensee must reconnect supply to a customer within 10 business days after disconnection for unlawful consumption of gas, if the customer pays for the gas consumed and the customer has paid any applicable reconnection fee. A licensee must reconnect supply to a customer within 10 business days after disconnection for refusal to pay a refundable advance, if the customer pays the refundable advance and the customer has paid any applicable reconnection fee. A licensee must reconnect supply to a customer within 20 business days after disconnection in an emergency situation or for health, safety or maintenance reasons, if the situation or problem giving rise to the need for disconnection has been rectified, and if the customer has paid any applicable reconnection fee. If a licensee is under an obligation to reconnect supply and the customer makes a request for reconnection after 3pm on a business day, the licensee use best endeavours to reconnect the customer as soon as possible on the next business day 		
3.15.2: Observations The "Energy Coordination (Customer Contracts) Regulations 2004 reconnection requirement" and "REMCo reconnection" process map are available on the document management system to guide Synergy staff on the licence obligations regarding reconnections. Through inquiry and observation with the Team Leader Credit Management, there have been no reconnections during the audit period 1 July 2007 to 30 June 2009. Synergy Contacts: <ul style="list-style-type: none"> Craig Butler (Team Leader Credit Management) Allan McDougall (Manager Gas Procurement and Trading) Documents Reviewed: <ul style="list-style-type: none"> Remco process map Energy Coordination (Customer Contracts) Regulations 2004 reconnection requirement 		
3.15.3: Issues No exceptions noted		
3.15.4: Suggestions for Improvements N/A		
3.15.5: Management Action Plan. N/A		

3 Audit Observations (cont'd)

3.16 Contract Expiry		
Audit Test Reference: 16	Audit Priority: 5	Compliance Rating: 5
3.16.1: References		
Gas Reporting Manual Reference 80		
<ul style="list-style-type: none"> When a non-standard contract is due to expire a licensee must issue a notice in writing to a customer at least 2 months prior to the expiry date (or at the commencement of the contract if the contract is less than 1 month) with information about: the expiry date; alternative supply options, and the terms and conditions for continued supply post contract expiry. 		
3.16.2: Observations		
<p>The Contracts Billing Officer generates a report weekly and forwards this to the Retail department who ensures that customers receive notification in writing 2 months prior to the expiry of their contract.</p> <p>Business Mangers within Retail create a new record in IBAAN and generates the new agreement letter. This consists of information regarding the expiry date, alternative supply options and the terms and conditions for continued supply post contract.</p> <p>Synergy Contacts:</p> <ul style="list-style-type: none"> Peter Lampkin (Business Manager/Gas Compliance Coordinator) <p>Documents Reviewed:</p> <ul style="list-style-type: none"> Contract expiry monitoring report. Gas contract renewal letter. 		
3.16.3: Issues		
No exceptions noted		
3.16.4: Suggestions for Improvements		
N/A		
3.16.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.17 Contract Terminations and Transfers		
Audit Test Reference: 17	Audit Priority: 4	Compliance Rating: 5
3.17.1: References Gas Reporting Manual Reference 70,120 Trading Licence Clause 17.1 and 17.2		
<ul style="list-style-type: none"> • A licensee must not terminate a contract if a customer commits a breach of the contract (other than a substantial breach) unless — <ul style="list-style-type: none"> - the licensee has a right to disconnect supply under the contract, a written law or a relevant code; and - (b) the licensee has disconnected supply at all supply addresses of the customer covered by the contract. • A licensee must maintain supply to a customer if it supplies, or within the last 12 months supplied, gas to that customer's premises unless another supplier starts supplying the customer. 		
3.17.2: Observations		
<p>The identification of customer breaches of contract is monitored through the Credit Management function (non payment of invoice) or the Wholesale function (abnormal gas usage). Through inquiry and observation with the Manager Gas Procurement and Trading, during the audit period 1 July 2007 to 30 June 2009, there have not been any customer breaches of contract and subsequently there have not been any disconnections due to customer contract breach.</p> <p>The transfer process for the gas supplier of a customer is initiated by the incoming supplier. Notification of the intent to transfer supplier is performed through the RGMS interface (retail gas market system) which is run by WA Gas Networks. The system provides the commencement date of the new supplier but if on the commencement date the new supplier has not begun supplying gas to the customer, Synergy will continue to supply gas.</p>		
Synergy Contacts: <ul style="list-style-type: none"> • Allan McDougall (Manager Gas Procurement and Trading) • Peter Lampkin (Business Manager/Gas Compliance Coordinator) 		
Documents Reviewed: <ul style="list-style-type: none"> • Print shot from CIS system. • Print shot from RGMS system. 		
3.17.3: Issues		
No exceptions noted		
3.17.4: Suggestions for Improvements		
N/A		
3.17.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.18 Performance Audit over the Licence		
Audit Test Reference: 18	Audit Priority: 5	Compliance Rating: 5
3.18.1: References		
Gas Reporting Manual Reference 10, 96, 97 and 98 Trading Licence Clause 18.1, 18.2, 18.3 and 19		
<ul style="list-style-type: none"> • A licensee must provide the Authority with a performance audit by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows). • A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the performance audit. • A licensee's independent auditor must be approved by the Authority prior to the audit. • A licensee may be subject to individual performance standards. 		
3.18.2: Observations		
An independent audit of the Gas Trading Licence in accordance with the Authority's guidelines was requested by the Authority in January 2009. An independent auditor, PricewaterhouseCoopers was approved by the Authority to perform the audit in July 2009.		
Confirmed through inquiry and observations with the Manager Retail Regulatory and Compliance that there have been no special individual performance standards that has been requested to be complied with by the Authority.		
Synergy Contacts:		
<ul style="list-style-type: none"> • Simon Thackray (Manager Retail Regulatory and Compliance) 		
Documents Reviewed:		
<ul style="list-style-type: none"> • Proposed/Recommended Auditor Correspondence with ERA 		
3.18.3: Issues		
No exceptions noted		
3.18.4: Suggestions for Improvements		
N/A		
3.18.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.19 Notices in Connection with the Licence		
Audit Test Reference: 19	Audit Priority: 5	Compliance Rating: 5
3.19.1: References Gas Reporting Manual Reference 99 Trading Licence Clause 22.		
<ul style="list-style-type: none"> • Unless otherwise specified, all notices must be in writing and will be regarded as having been sent and received in accordance with defined parameters. 		
3.19.2: Observations		
<p>Through inquiry and observation with the Manager Retail Regulatory and Compliance the requirement to ensure that any notice pursuant to the licence must be in writing was evident. Correspondence between Synergy and the Authority regarding matters relevant to the licence were documented and maintained in the file – LS/21/CMP0003-02(3)v1.</p> <p>Synergy Contact:</p> <ul style="list-style-type: none"> • Simon Thackray (Manager Retail Regulatory and Compliance) <p>Documents Reviewed:</p> <ul style="list-style-type: none"> • Requests of information from ERA 		
3.19.3: Issues		
No exceptions noted		
3.19.4: Suggestions for Improvements		
N/A		
3.19.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.20 Financial Requirements		
Audit Test Reference: 20	Audit Priority: 5	Compliance Rating: 5
3.20.1: References Gas Reporting Manual Reference 100 and 101 Trading Licence Clause 23.1 and 24		
<ul style="list-style-type: none"> A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards. A licensee must report to the Authority if the licensee is under external administration or experiences a significant change in its corporate, financial or technical circumstances. 		
3.20.2: Observations		
Through inquiry and observation with the Corporate Finance and Tax Accountant, the accounting records are in prepared and maintained in accordance with AASB or international standards. External audits are conducted every year to monitor and report on compliance.		
Any changes to accounting policies are monitored and approved by the Audit Legal and Compliance Committee.		
Through inquiry with the Manager Retail Regulatory and Compliance is was confirmed that he was aware that there is a responsibility to communicate in writing to the Authority if Synergy is under external administration or experiences a significant change in its corporate, financial or technical circumstances.		
Synergy Contacts: <ul style="list-style-type: none"> Scott McMahon (Manager Compliance and Risk) Glenn Joseph (Corporate Finance & Tax Accountant) Simon Thackray (Manager Retail Regulatory and Compliance) 		
Documents Reviewed: <ul style="list-style-type: none"> Financial Statements FY 08 		
3.20.3: Issues		
No exceptions noted		
3.20.4: Suggestions for Improvements		
N/A		
3.20.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.21 Information Requested by the Authority		
Audit Test Reference: 21	Audit Priority: 4	Compliance Rating: 5
3.21.1: References Gas Reporting Manual Reference 102, 103, 121 and 122 Trading Licence Clause 25.1, 26, Schedule 3, clause 1.5 and 1.7		
<ul style="list-style-type: none"> A licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the Authority. A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified. A licensee must provide the Authority within 3 business days of a request by the Authority with reasons for refusing to commence supply to a customer if requested by the Authority. A licensee must comply with a direction from the Authority to supply a customer, subject to specified conditions. 		
3.21.2: Observations		
<p>Through inquiry and observation with the Manager Retail Regulatory and Compliance that any request by the Authority is directed to the Regulatory team who respond in accordance with its requirements.</p> <p>Through inquiry and observation with the Manager Retail Regulatory and Compliance, there have been no requests from the Authority in regards to reasons for refusing to commence supply to a customer during the audit period 1 July 2007 to 30 June 2009.</p>		
Synergy Contacts: <ul style="list-style-type: none"> Simon Thackray (Manager Retail Regulatory and Compliance) 		
Documents Received: <ul style="list-style-type: none"> Synergy Compliance Report to the ERA 		
3.21.3: Issues		
No exceptions noted		
3.21.4: Suggestions for Improvements		
N/A		
3.21.5: Management Action Plan.		
N/A		

3 Audit Observations (cont'd)

3.22 Customer Safety Program		
Audit Test Reference:	Audit Priority:	Compliance Rating:
22	4	5
3.22.1: References		
Gas Reporting Manual Reference 129, 130 and 131 Trading Licence Clause Schedule 3 clause 4.1, 4.2 and 4.3		
<ul style="list-style-type: none"> • A licensee must lodge a customer safety awareness program with the Authority within 3 months of the commencement date. • A licensee must consult with the Authority when preparing the customer safety awareness program. • A licensee must address, at a minimum, the information specified in Schedule 3, clause 4.3 in its customer safety awareness program. 		
3.22.2: Observations		
Through inquiry and observation with the Manager Retail Regulatory and Compliance, a Customer Safety Awareness program was developed and implemented. The Safety Awareness Program was lodged to the Authority on 20 August 2007 which was within 3 months of the commencement date of 1 July 2007. The Safety Awareness Programs is available on the Synergy Website.		
Synergy Contacts:		
<ul style="list-style-type: none"> • Simon Thackray (Manager Retail Regulatory and Compliance) 		
Documents Reviewed:		
<ul style="list-style-type: none"> • Confirmation Report to ERA regarding Safety Awareness Program. 		
3.22.3: Issues		
No exceptions noted		
3.22.4: Suggestions for Improvements		
N/A		
3.22.5: Management Action Plan.		
N/A		

Appendix A Gas Trading Licence Obligations Not Applicable to Synergy

Ref:	Reporting Obligation	Licence Condition	Description	Authority Classification	Reason why not applicable
11	Energy Coordination Act section 11ZAF(a)	Trading Licence clause 16.1	A licensee must submit a draft last resort supply plan to the Authority within 3 months (or longer if the Authority allows) of being designated with that role.	NR	Synergy is not required to provide the last resort plan to the Authority because the Authority has yet to trigger the obligation since the commencement of the licence in July 2007.
12	Energy Coordination Act section 11ZAF(b)	Trading Licence clause 16.1	A licensee must consult with the Authority with a view to obtaining approval of its draft last resort supply plan.	NR	Synergy is not required to provide the last resort plan to the Authority because the Authority has yet to trigger the obligation since the commencement of the licence in July 2007.
13	Energy Coordination Act section 11ZAF(c)	Trading Licence clause 16.1	A licensee must carry out the arrangements and other provisions in the approved last resort supply plan if it comes into operation.	2	Synergy is not required to provide the last resort plan to the Authority because the Authority has yet to trigger the obligation since the commencement of the licence in July 2007.
14	Energy Coordination Act section 11ZAH(2)	Trading Licence clause 16.1	A licensee must submit any proposed amendment to its last resort supply plan to the Authority for approval.	NR	Synergy is not required to provide the last resort plan to the Authority because the Authority has yet to trigger the obligation since the commencement of the licence in July 2007.
15	Energy Coordination Act section 11ZAJ	Trading Licence clause 16.1	A licensee, who is designated as a supplier of last resort, must perform the functions of the supplier of last resort and carry out the arrangements and provisions of the last resort supply plan if it comes into operation.	2	Synergy is not required to provide the last resort plan to the Authority because the Authority has yet to trigger the obligation since the commencement of the licence in July 2007.
16	Energy Coordination Act section 11ZAJ Energy Coordination (Customer Contracts) Reg 38A (4)	Trading Licence clause 16.1	A licensee, (supplier of last resort) must supply a transferred customer for at least 3 months after the date of transfer unless the transferred customer terminates the contract.	2	Synergy is not required to provide the last resort plan to the Authority because the Authority has yet to trigger the obligation since the commencement of the licence in July 2007.
17	Energy Coordination Act section 11ZK(3)	N/A	A licensee must pay the costs and expenses incurred in the taking of an interest or easement in respect of land held by a public authority.	NR	Synergy does not have any interest in easement over land held by a public authority

Appendix A Gas Trading Licence Obligations Not Applicable to Synergy (cont'd)

Ref:	Reporting Obligation	Licence Condition	Description	Authority Classification	Reason why not applicable
40	Energy Coordination (Customer Contracts) Reg 12.1.6, Clause 5.1.1.2 AGA Code	N/A	A licensee must not disconnect supply to a customer who is unable to pay until: alternative payment options have been offered to the customer; the customer is given information on government funded concessions; it has used its best endeavours to contact the customer; and it has provided the customer a written notice of its intention to disconnect at least 5 business days prior to the disconnection date, and the customer has refused to accept the alternative payment option or failed to make payments under it.	NR	This obligation relates to residential customers which Synergy do not supply gas to.
69	Energy Coordination (Customer Contracts) Reg 15(1), Clause 4.3.2.2 AGA Code	N/A	A licensee must offer customers who are absent for a long period, payment in advance facilities and the option of redirecting the bill.	NR	Synergy's customers are commercial businesses which are unlikely to be away for an extended period of time.

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