



Origin Energy Australian Energy Regulator Disconnections Audit

Audit conducted in November – December 2019

March 2020

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Executive Summary

1.1. Introduction

Protiviti has been engaged by Origin Energy Limited (**Origin**) to execute an audit in accordance with an enforceable undertaking (**Undertaking Agreement**), covering the scope areas in the Disconnections Audit – Detailed Audit Plan approved by the Australian Energy Regulator (**AER**) on 25 October 2019. The audit has been conducted as a “Reasonable Assurance Engagement” in accordance with Standard on Assurance Engagement ASAE3100 Compliance Engagements.

1.2. Background

The offered Undertaking Agreement, signed on 27 June 2019 by Origin’s Chief Executive Officer and Managing Director, [REDACTED], and Secretary, [REDACTED], and accepted on 12 August 2019 by the Australian Energy Regulator (**AER**) Chair [REDACTED], requires Origin to audit its compliance with the de-energisation provisions in the National Energy Retail Rules (**NERR**). This follows AER concerns in relation to 54 reported cases of wrongful disconnection of a small customer’s premises as a result of:

- Origin’s IT system failing to send a de-energisation cancellation request to the distributor; and
- Origin agents failing to ensure a de-energisation order was cancelled or arranging de-energisation otherwise than as agreed with the customer.

As part of the Undertaking Agreement, the AER requires Origin to undertake an independent audit of their relevant compliance obligations. Protiviti has undertaken this engagement in line with the AER’s Compliance Procedures and Guidelines, Version 6, April 2019 and the Practice Guide for Compliance audit program.

1.3. Scope

The areas subject to review during the course of the audit are contained in the Detailed Audit Plan approved by the AER on 25 October 2019. This document is included in **Appendix C – Terms of Reference** of this report. The obligations in the NERR identified for review are outlined in the Undertaking Agreement and include:

- NERR Part 6, Division 2, Rule 111 – De-energisation for not paying bill;
- NERR Part 6, Division 2, Rule 115 – De-energisation for non-notification for move-in or carry-over customers;
- NERR Part 6, Division 2, Rule 116 – When retailer must not arrange de-energisation; and
- NERR Part 6, Division 2, Rule 118 – Request for de-energisation;

Additionally, the audit scope included:

- Assessment of the root cause of MDH system failure and sufficiency of rectification actions;
- Audit of Origin’s systems, process and controls in place to ensure that:
 - customers are only de-energised in accordance with the rules in the NERR;
 - there are systems, processes and controls in place to facilitate the identification, escalation and remediation of any detected instances of wrongful de-energisation caused by IT systems or agent error; and
 - current training programs and associated materials in relation to de-energisation obligations are sufficient.

1.4. Methodology

Specifically, to the extent considered appropriate, we have undertaken the following procedure to complete this audit:

- **Analysed documented policies and procedures** to assess whether they were consistent with the regulatory definition of the obligation and Origin processes;
- **Interviewed responsible Origin staff and process owners** to assess whether they understood and complied with the documented procedures and regulatory requirements;
- **Analysed information systems** to assess the extent to which they produced information that complied with regulatory definitions;
- **Analysed quality controls** to identify whether non-compliance was detected and fed back through appropriate channels for correction;
- **Analysed a sample of cases or data** to establish the extent to which the obligation has actually been delivered (for example, to assess the accuracy of the reported data);
- **Reviewed artefacts** from a sample of cases based on an agreed sampling methodology to collect, review and analyse volumes of evidence to validate compliance with requirements; and
- **Assessed the licensee’s plan to ensure compliance**, where a case of significant non-compliance was detected. In particular, we assessed whether the plan was adequate and effective.

We have undertaken a critical but co-operative examination of the possible causes which resulted in an increased risk of a WD. This was undertaken through the review of both obligation specific and generic compliance questions. We have assessed compliance in accordance with the assessment criteria set out within **Section 2.2** of this document.

Consistent with the AER’s recommendation, samples were selected in accordance with the approved Detailed Audit Plan and Assurance Engagement Standard ASAE3100 using a 95% confidence level and interval of 7.5% for Disconnection for non-payment (DNP) samples, and 10% for move out and VC samples. The following is a breakdown of the disconnection populations provided and the samples selected:

Disconnection Type	Approx. 12-month population	Sample size
Non-Payment	27,000	170
Move-out	51,800	96
Vacant Consumption	28,300	96

Following Origin’s investigation to identify the root cause and wrongful disconnections as a result of the MDH System Error failures, it was identified that the related WDs occurred between January and September 2018. As a result, our samples were randomly selected as follows:

- 67% of samples were randomly selected between April 2019 to September 2019; and
- 33% of samples were randomly selected between October 2018 to April 2019.

This concentrated sample selection on the period April to September 2019 in consideration of Origin’s remedial activities to address the MDH system issues, which had been fully implemented by end of March 2019.

1.5. Limitations

As required by the AER, this audit has been based on the general principles stated in Standard on Assurance Engagements ASAE 3100 Compliance Engagements. Our work does not guarantee that errors, irregularities or instances of non-compliance will not occur, and may not detect errors, irregularities or instances of non-compliance should they occur. This is illustrated through our observations detailed in **Section 3.2**, below.

Furthermore, the internal control structure within which the reviewed procedures operate has not been assessed in all instances, and no opinion is expressed on its effectiveness. Our work is not designed to detect all weaknesses in the system of internal control because it is not performed continuously during the period subject to review, and the tests performed are on a sample basis.

Origin management is fully and solely responsible for applying independent business judgement with respect to the contents of this report, to make implementation decisions, if any, and to determine further courses of action with respect to any matters addressed in any advice, recommendations, services, reports or other work products or deliverables produced as a result of our review.

The grading and findings expressed in this report have been formed on the above basis. Any projection of the gradings and findings regarding the internal control system to future periods is subject to the risk that the internal control procedures may change, or that the degree of compliance with them may also change.

This document has been prepared for Origin for the purposes of reviewing compliance with the provisions of various obligations, as detailed in **Appendix C – Terms of Reference** as specified by Protiviti and the AER. Protiviti takes no responsibility for any reliance placed upon this report by any external party.

1.6. Executive comment

The 2018 MDH system failure arose from a series of network, system and internal failures which regrettably led to 24 of Origin's customers being wrongfully disconnected. Origin conducted a widespread internal investigation to identify all contributing factors leading to the root cause of the wrongful disconnections. Following this, Origin implemented short- and long-term measures to prevent further incidents, the details of which are further outlined under section 3.1 of this report.

Aside from the MDH system failure, which was an isolated incident, Origin's system and process controls are designed to ensure that disconnection occurs only in accordance with our regulatory obligations and our quality assurance and monitoring functions comprise, what is in our view, a robust disconnection compliance program. Origin is pleased that the review completed by the auditor attests to the adequacy and effectiveness of our controls in maintaining our compliance with obligations for disconnection.

We recognise that the auditor has identified some further opportunities for improvement, which Origin accepts and will seek to implement by no later than 31 July 2020. The details of our commitment to address these improvement opportunities is further outlined in section 2.1 of the report.

1.7. Other Matters

Our summary audit findings are presented in **Section 2 Summary of Audit Findings** and are aligned to the audit areas in the Audit Plan identified in **Appendix C – Terms of Reference** of this document. Please refer to the tables overleaf for a summary of gradings provided for each section of the Audit Scope.

On 19 December 2019, Origin informed Protiviti of 18 wrongful disconnection (WD) breaches of rule 116(g) which had occurred between 30 January 2019 and 15 October 2019 and been reported to the AER on 29 November 2019. Origin later updated the report to the AER to include 3 additional breaches, and subsequently confirmed with the AER on 15 January 2020 that no further additional related WDs had been identified. These breaches were not among the audit samples. Refer to **Section B3**.

Opportunities for Improvement (OFI) identified are tabled in **Appendix A – Opportunities for Improvement**.

2. Summary of Audit Findings

2.1. Summary of findings

We have assessed Origin as per the controls referenced in the Audit Plan in **Appendix C – Terms of Reference**, taking into consideration the effectiveness of such controls in achieving compliance with the Obligations stated in **Section 1.3 Scope**, above.

A summary of findings relating to the relevant Obligations is presented in the table below. Further detail of the grading and assessment of specific compliance issues are presented in **Section 3 Detailed Findings** of this document.

We have assessed compliance in accordance with the assessment criteria set out within **Sections 2.2 Assessing and determining compliance**. Further, a listing of the number of controls that relate to the Obligations stated in the Terms of Reference are included at **Appendix D – Controls identified per the Terms of Reference**.

Additionally, OFI's observed during the audit are tabled in **Appendix A – Opportunities for Improvement**.




Scope Item	Grading	Finding	Observation and recommendation	Agreed target date
MDH Failure Investigation	Adequate / Effective	No findings in relation to the relevant obligation(s).	<p>While no findings were noted, the following OFI was identified:</p> <ul style="list-style-type: none"> Document the process for escalating MDH system failures to executive management. <p>Origin management comments: Origin has implemented Protiviti's recommendation to document an escalation protocol for MDH system failures.</p>	Completed
National Energy Retail Rules	Adequate / Effective	No findings in relation to the relevant obligation(s).	<p>While no findings were noted:</p> <ul style="list-style-type: none"> In relation to one sample, the Service Order (SO) for de-energisation in accordance with a customer request was raised for the date which the customer had requested, but because the customer requested disconnection after 3 pm on that date the request should have been raised for the following day. While the disconnection was performed by the distributor on a later date than requested (<i>i.e.</i> there was no wrongful disconnection), there was a risk the customer could have been disconnected on the wrong date. Refer to Section B4. On 19 December 2019, Origin informed Protiviti they had reported to the AER a then total of 18 WD breaches of rule 116(1)(g). The AER report was updated in January 2020 to include a total of 21 breaches. These breaches were not identified in the samples we tested. Refer to Section B3. <p>Additionally, the following OFI was identified:</p> <ul style="list-style-type: none"> Update documented disconnection processes to reflect actual disconnection practices. 	30 April 2020

Scope Item	Grading	Finding	Observation and recommendation	Agreed target date
			<p>Origin management comments:</p> <p>Origin has completed further investigation regarding the sample identified in the findings above (and section 3.2 B4) and confirmed this to be an isolated incident with the particular agent.</p> <p>In line with Protiviti's recommendation, Origin is undertaking a review of all documented disconnection processes to ensure that these align with current practices.</p>	
Quality Assurance, Reconnections, Complaints, AER Reporting	Adequate / Effective	No findings in relation to the relevant obligation(s).	Not applicable.	Not applicable
Staff Training	Adequate / Effective	No findings in relation to the relevant obligation(s).	<p>While no findings were noted, the following OFIs were identified:</p> <ul style="list-style-type: none"> • Formalise reporting on key trends of Origin staff identification of potentially wrongful disconnections (PWDs); • Clearly document the assessment grading threshold; and • Periodically review and update Learning Management System (LMS) and PeopleSoft data. <p>Origin management comments:</p> <p>In line with Protiviti's recommendations Origin will:</p> <ul style="list-style-type: none"> • Formalise reporting on key trends of Origin staff identification of potentially wrongful disconnections (PWDs); • Clearly document the assessment grading threshold; and • Periodically review and update Learning Management System (LMS) and PeopleSoft data 	30 April 2020




2.2. Assessing and determining compliance

Protiviti has used a traffic light grading system consistent with standard planned AER audits to indicate the adequacy and effectiveness of controls identified for each compliance obligation as provided in the *Assessment Criteria and Guidance Controls* (Appendix C of the Terms of Reference). The Auditor is expected to apply professional judgement when determining the adequacy of the controls and should consider the definitions below when deciding a grading.

Grading control adequacy

Grade	Description	Definition
	Inadequate (requires significant improvement)	Significant to full revision or implementation of processes and controls is required for the control objective and ultimately the compliance obligation to be met.
	Partially adequate (requires improvement)	Revision of some key processes and controls is required for the control objective and ultimately the compliance obligation.
	Adequate	Minimal or no action is required for the control objective and ultimately the compliance obligation is being met. Improvement opportunities exist in some key processes and controls for the control objective to achieve best practice in meeting the compliance obligation.

Grading control effectiveness


Grade	Description	Definition
	Ineffective (requires significant improvement)	The requirements of the control objective have not been met, or adequate, relevant and suitable information to form an objective determination on effectiveness was not available to demonstrate compliance. Findings noted are considered material in nature and require urgent remedial action.
	Partially effective (requires improvement)	Key requirements of the control objective have been met but only minor achievements in compliance have been demonstrated. Findings noted are considered significant and require substantial effort to correct.
	Effective	Most requirements of the control objective have been met with only some minor failures and low risk obligation breaches. Findings noted are considered minor and require routine efforts to correct in the normal course of business.


Grading Matrix

		CONTROLS		
		Inadequate (requires significant improvement)	Partially adequate (requires improvement)	Adequate
EFFECTIVENESS	Ineffective (requires significant improvement)			
	Partially effective (requires improvement)			
	Effective			

Overall Grade

Grade	Description
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 Non-compliant

 Partially Compliant

 Compliant

3. Detailed Audit Findings

3.1. Assessment of root cause of Market Data Hub (MDH) gateway system failure and sufficiency of rectification actions

Instrument Clause Event: National Energy Retail Law

Obligation: N/A

Overall Rating: N/A

Testing Summary:

To confirm that Origin performed an effective independent assessment of the MDH gateway system failure in 2018 and consequently implemented an appropriate rectification plan to mitigate future instances, we:

- Interviewed key stakeholders responsible for the management and maintenance of MDH processes
- Reviewed the independent analysis of MDH system failures
- Reviewed procedural documentation of the implementation of new controls including reconciliation reports for both inbound and outbound messages

The following opportunity for improvement was identified (Refer to Appendix A):

- Document the process for escalating MDH system failures to executive management.

Corrective					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
A1	Review of Undertaking Agreement including de-energisation obligations, conduct of concern and specific actions outlined by the undertaking.	N/A	████████████████████ ████████████████████ ████████████████████ ████████████████████	<p>Discussions held with:</p> <ul style="list-style-type: none"> • Group Manager, Retail Compliance • Compliance Analyst <p>Key controls:</p> <ul style="list-style-type: none"> • Scoping of Undertaking Agreement prepared by Origin and submitted to AER <p>Information obtained:</p> <ul style="list-style-type: none"> • AER Undertaking Agreement <p>Tests performed:</p> <ul style="list-style-type: none"> • Reviewed Undertaking Agreement • Held discussions with Compliance <p>Conclusion:</p> <p>We identified no evidence of non-compliance or issues to the identified corrective controls.</p> <p>Recommendation:</p> <p>No further recommendations as part of this audit.</p>	Effective / Adequate

Corrective					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
			<p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] 		

3.2. An audit of Origin's systems, processes and controls currently in place to ensure that customers are only de-energised in accordance with retail rules

Instrument Clause Event: National Energy Retail Rules

Obligations:

De-energisation for not paying bill Rule 111

De-energisation for non-notification by move-in or carry over customers – Rule 115

When retailer must not arrange de-energisation – Rule 116

Request for de-energisation – Rule 118

Overall Rating: **Compliant**

Testing Summary:

- To test compliance with National Energy Retail Rule 111, a randomly selected sample of 170 disconnection for non-payment (DNP) records was requested from Origin. The results of our testing identified no non-compliances.
- To test compliance with National Energy Retail Rule 115, a randomly selected sample of 96 vacant consumption records was requested from Origin. The results of our testing identified no non-compliances.
- To test compliance with National Energy Retail Rule 116, a randomly selected sample of eight disconnected life support, eight disconnected complaint, and 36 disconnected customer hardship records was requested from Origin. The results of our testing identified no non-compliances.
- To test compliance with National Energy Retail Rule 118, a randomly selected sample of 96 customer move out records was requested from Origin. The results of our testing identified no instances of non-compliances. However, for one sample, a disconnection SO was raised for a date prior to that requested by the customer. This did not subsequently result in a WD, as the distributor de-energised the customer six days later than instructed in the SO. Refer to **Section B4** for further information.

Further Commentary:

On 19 December 2019, Origin informed Protiviti of 18 wrongful disconnection (**WD**) breaches of rule 116(g) which had occurred between 30 January 2019 and 15 October 2019 and been reported to the AER on 29 November 2019. Origin later updated the report to the AER to include 3 additional breaches, and subsequently confirmed with the AER on 15 January 2020 that no further additional related WDs had been identified. These breaches were not among the audit samples.

Preventative					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
			[Redacted]	<ul style="list-style-type: none"> Reviewed all procedural documentation utilised to ensure compliance with Rule 116. Out of the random sample tested for compliance with Rules 111 and 115, where life support, hardship, and active complaint records are identified, test them in accordance with Rule 116 to ensure correct procedures had been followed. <p>Conclusion: Per testing performed, we have not identified evidence of non-compliance or issues to the identified preventative controls.</p> <p>Recommendation: No further recommendations.</p>	
B4	Request for de-energisation (Rule 118)	N/A	[Redacted]	<p>Discussions held with:</p> <ul style="list-style-type: none"> Delivery Manager, Inbound Sales Manager, Inbound Sales Delivery Analyst, Inbound Sales <p>Key controls:</p> <ul style="list-style-type: none"> Induction training provided to all inbound sales staff KHub Procedures Customer is contacted to confirm the timing of the de-energisation request. <p>Control information obtained:</p> <ul style="list-style-type: none"> Organise a Move Out KHub Procedure Resolve a Move Issue KHub Procedure <p>Tests performed:</p> <ul style="list-style-type: none"> Reviewed all move-out procedural documentation used by inbound sales agents to determine whether these adhere to move-out requirements. Tested a random sample of move-out records, to ensure correct procedures had been followed. <p>Conclusion: Per testing performed, we have not identified evidence of non-compliance to the identified preventative controls. In relation to one sample, the SO for a move-out de-energisation in accordance with a customer request was raised for the date which the</p>	Effective / Adequate

Preventative					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
				<p>customer had requested, but because the customer requested disconnection after 3 pm on that date the request should have been raised for the following day. While the disconnection was performed by the distributor on a later date than requested (i.e. there was no wrongful disconnection), there was a risk the customer could have been disconnected on the wrong date. Management confirmed the increased risk of WD as a result of an agent error [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>We note that this is an isolated incident and therefore we consider these corrective actions as sufficient to address this issue.</p> <p>Recommendation: No further recommendations.</p>	

3.3. An audit of Origin’s systems, processes and controls currently in place which facilitate the identification, escalation and remediation of any detected instances of wrongful de-energisation caused by IT systems or Agent error.

Obligation: N/A

Overall Rating: N/A

Testing Summary:

The results of our testing identified no instances where systems, processes and controls in place are inadequate for the identification, escalation and remediation of any WDs.

A review of procedural documentation and walkthrough’s with key stakeholders provided the necessary insight to assess the design effectiveness of controls in the identification, management and rectification of a WD.

Detective					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
C1	Quality Assurance Practices	Confirm the following processes are in place and operating effectively as intended: <ul style="list-style-type: none"> Establishment of quality assurance practices relevant to de-energisation processes Reporting and escalation of exceptions identified including root cause analysis Establishment of remediation action plans (including training, system, third party issues) and monitoring of completion 	[Redacted Process Description]	Discussions held with: <ul style="list-style-type: none"> Compliance Analyst Manager, BPO Operations & Governance Key controls: <ul style="list-style-type: none"> Cal bration Checklists are completed to identify audit inconsistencies between Accenture and Origin auditing processes. Weekly meetings are held with Operations and Governance to identify and address any issues that may require remediation, including reviewing outstanding items. Origin and Accenture staff have documented guidance (Quality Checklist) to standardise quality assurance practices. Control information obtained: <ul style="list-style-type: none"> Billing & Metering & LPG Monthly Quality Report Retail Weekly Operational Updates Cal bration and Quality Checklist Tests performed: <ul style="list-style-type: none"> Reviewed all quality assurance procedural documentation used by Operations and Governance. Reviewed a sample of recently completed quality assurance programs. Conclusion:	Effective / Adequate

Detective					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
			[REDACTED]	<p>Per testing performed, we have identified no evidence of non-compliance or issues to the identified detective controls.</p> <p>Recommendation: No further recommendations.</p>	
C2	Reconnection Protocols	<ul style="list-style-type: none"> Confirmation that frontline agents consider wrongful disconnection processes as part of reconnection process Confirmation that potential wrongful disconnections are reported for investigation 	[REDACTED]	<p>Discussions held with:</p> <ul style="list-style-type: none"> Senior Business Analyst Customer Relations Consultant Retail Compliance Analyst <p>Key controls:</p> <ul style="list-style-type: none"> Frontline agents undertake training to identify and escalate PWDs. Ombudsman team reviews all PWD investigations. All information relating to PWDs and WDs is documented in a spreadsheet and stored within SharePoint to ensure consistency of case information amongst teams. <p>Control information obtained:</p> <ul style="list-style-type: none"> SOP – Reconnection After DNP Monitoring <p>Tests performed:</p> <ul style="list-style-type: none"> Held discussions with Credit and Ombudsman. Reviewed the design effectiveness of the reconnection process and the identification and escalation of PWDs. <p>Conclusion: Per testing performed, we have identified no evidence of non-compliance or issues to the identified detective controls.</p> <p>Recommendation: No further recommendations.</p>	Effective / Adequate

Detective					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
C3	Complaints Handling	<ul style="list-style-type: none"> Establishment of root cause analysis of issues identified by customer complaints Reporting and escalation of exceptions identified including root cause analysis Establishment of remediation action plans including monitoring of completion 	[REDACTED]	<p>Discussions held with:</p> <ul style="list-style-type: none"> Group Manager, Customer Services Customer Relations Consultant <p>Key controls:</p> <ul style="list-style-type: none"> All frontline agents are trained to resolve or escalate complaints to their team leader. Complaints management processes are documented for Origin staff. Ombudsman team perform an investigation of complaints where the customer is not satisfied with the proposed outcome. <p>Information obtained:</p> <ul style="list-style-type: none"> Handle Feedback or Complaint procedure Business Offer Compensation procedure <p>Tests performed:</p> <ul style="list-style-type: none"> Held discussions with Customer Relations and Ombudsman teams. Reviewed the design effectiveness of the reconnection process and the identification and escalation of PWDs process. <p>Conclusion: Per testing performed, we have identified no evidence of non-compliance or issues to the identified detective controls.</p> <p>Note that the samples we randomly selected to test compliance with Rules 111, 115 and 118 did not include instances of WDs and/or where a complaint was raised in relation to disconnections.</p> <p>Recommendation: No further recommendations.</p>	Effective / Adequate
C4	Reporting of compliance to the AER	Completeness and accuracy of reporting practices including notification of breaches	[REDACTED]	<p>Discussions held with:</p> <ul style="list-style-type: none"> Retail Compliance Analyst <p>Key controls:</p> <ul style="list-style-type: none"> Standardised reports are used in reporting compliance breaches to the AER. Executive sign off procedures for breach reports prior to distributing to the AER. <p>Control information obtained:</p> <ul style="list-style-type: none"> Sample of Origin Compliance Breach Reports submitted to the AER 	Effective / Adequate

Detective					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
			<ul style="list-style-type: none"> ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] ■ [Redacted] 	<ul style="list-style-type: none"> • Wrongful Disconnection Reporting – Process for reporting <p>Tests performed:</p> <ul style="list-style-type: none"> • Held discussions with compliance staff to determine adequacy and accuracy of reporting processes. <p>Conclusion: Per testing performed, we have identified no evidence of non-compliance or issues to the identified detective controls.</p> <p>Recommendation: No further recommendations.</p>	

3.4. An audit of Origin’s current training programs and associated materials in relation to the De-energisation Obligations.

Instrument Clause Event: National Energy Retail Law

Obligation: N/A

Overall Rating: N/A

Testing Summary:

The results of our testing identified no instances where inadequate training was provided to staff which may result in a WD.

To ensure training materials are developed in accordance with de-energisation obligations, disconnection training materials were mapped against compliance obligations. Additionally, walkthroughs were performed with Learning and Development to gain a key understanding of current validation processes, as well as, training requirements for Origin staff.

The results of our testing identified no instances where disconnection training was not adequately mapped to the de-energisation obligations or instances where staff had not successfully completed the required training according to Origin’s standard practice.

However, the following opportunities for improvement were identified:

- Formalise reporting on key trends of Origin staff identification of PWDs;
- Clearly document the assessment grading threshold; and
- Periodically review and update Learning Management System and PeopleSoft data.

Refer to **Appendix A** for further details.

Preventative					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
D1	Review training platform to determine the completeness of training materials in accordance with de-energisation obligations.	This review included: <ul style="list-style-type: none"> • Mapping training activities to compliance obligations • Verifying the currency and completeness of training materials including frequency of review by suitable personnel • Assessing the process to monitor completion of training programs by operators on a periodic basis 	[Redacted]	Discussions held with: <ul style="list-style-type: none"> • Manager, Learning and Development Key controls: <ul style="list-style-type: none"> • Induction training is provided to all front-line staff on the identification and management of a PWDs. • All front-line staff must perform refresher training on an annual basis. • All training related to disconnections is refreshed on an ad hoc basis utilising staff feedback, key trends identified from business leads and change in relevant legislation or standards. • All relevant stakeholders are involved in the mapping process in the development or review of training materials. Stakeholders include: <ul style="list-style-type: none"> ○ Learning and Development; 	Effective / Adequate

Preventative					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
		including induction and re-training; and <ul style="list-style-type: none"> Examination of induction, training, coaching and assessment processes 	[Redacted]	<ul style="list-style-type: none"> SME's; and Compliance. <p>Control information obtained:</p> <p>Training packages developed for staff to manage disconnections include the following:</p> <ul style="list-style-type: none"> PWD eLearn; Inbound/outbound Sales Induction Pack; Universal Induction Pack; Centralised Energy Services Payment Induction Pack; Credit and Collections Induction Pack; Customer Advocacy Induction Pack; and Premium Business Centre induction Pack. <p>Information to support the review of training completed by staff include:</p> <ul style="list-style-type: none"> Universal Induction data; Survey Monkey template; PWD eLearn document; and All in one document (attendance records). <p>Tests performed:</p> <ul style="list-style-type: none"> Held a discussion with Learning and development. Reviewed the design effectiveness of all training materials including assessments. <p>Conclusion:</p> <p>Per testing performed, we have identified no evidence of non-compliance or issues to the identified preventative controls.</p> <p>Recommendation:</p> <p>Refer to the opportunities for improvement identified in Appendix A.</p>	
D2	Assess findings identified as part of the audit in scope item 2 to confirm instances of issues relating to user error and confirm alignment with training practices.	N/A	[Redacted]	<p>Discussions held with:</p> <ul style="list-style-type: none"> Refer to Item B4 and D1 <p>Key controls:</p> <ul style="list-style-type: none"> Refer to Item D1 <p>Information obtained:</p> <ul style="list-style-type: none"> Refer to Item D1 <p>Tests performed:</p> <ul style="list-style-type: none"> Held discussions with Inbound Sales and Learning and Development. 	Effective / Adequate

Preventative					
Ref	Test Step	Sub-test Step	Process Description	Testing	Grading/ Impact
				<p>Conclusion: Per testing performed, we have identified no evidence of non-compliance or issues to the identified preventative controls.</p> <p>Recommendation: No further recommendations.</p>	

4. Auditor Statement

The key findings set out above reflect in all material respects the professional opinion of the auditor to the level of confidence specified by the Australian Energy Regulator and consistent with the audit approach and methodology described in this report.

Professional auditor opinion – Compliance with NERL and NERR de-energisation provisions

It is the professional opinion of Protiviti that Origin has demonstrated compliance with the following areas identified in the audit scope. Accordingly, we have assessed “Compliant” with respect to the following obligations in the National Energy Retail Rules (NERR) and the National Energy Retail Law (NERL) identified for review:

- NERR Part 6, Division 2, Rule 111 – De-energisations for not paying bill;
- NERR Part 6, Division 2, Rule 115 – De-energisations for non-notification for move-in or carry-over customers; and
- NERR Part 6, Division 2, Rule 116 – When retailer must not arrange de-energisation; and
- NERR Part 6, Division 2, Rule 118 – Request for de-energisation.

Comments in relation to Origin’s compliance with NERR rule 116

On 19 December 2019, Origin informed Protiviti of 18 wrongful disconnection (WD) breaches of rule 116(g) which had occurred between 30 January 2019 and 15 October 2019 and been reported to the AER on 29 November 2019. Origin later updated the report to the AER to include 3 additional breaches, and subsequently confirmed with the AER on 15 January 2020 that no further additional related WDs had been identified. These breaches were not among the audit samples.

These breaches arose from a specific scenario in relation to the re-issue of a DNP SO which affected a particular subset of customers. The system issue fix was implemented on 13 December 2019.

Noting the controls that have been tested as part of the audit program, we have assessed these instances as not materially impacting the level of compliance under rule 116 and have assessed the grading of rule 116 as Effective/Adequate according to the audit Grading Scale (see **section 2.2**).

Professional auditor opinion – MDH system failure and remediation, and training programs

It is the professional opinion of Protiviti that Origin has demonstrated adequate controls in the following areas identified in the scope:

- Assessment of root cause of Market Data Hub “MDH” gateway system failure and sufficiency of rectification actions; and
- Current training programs and associated materials in relations to the De-energisation Obligations.

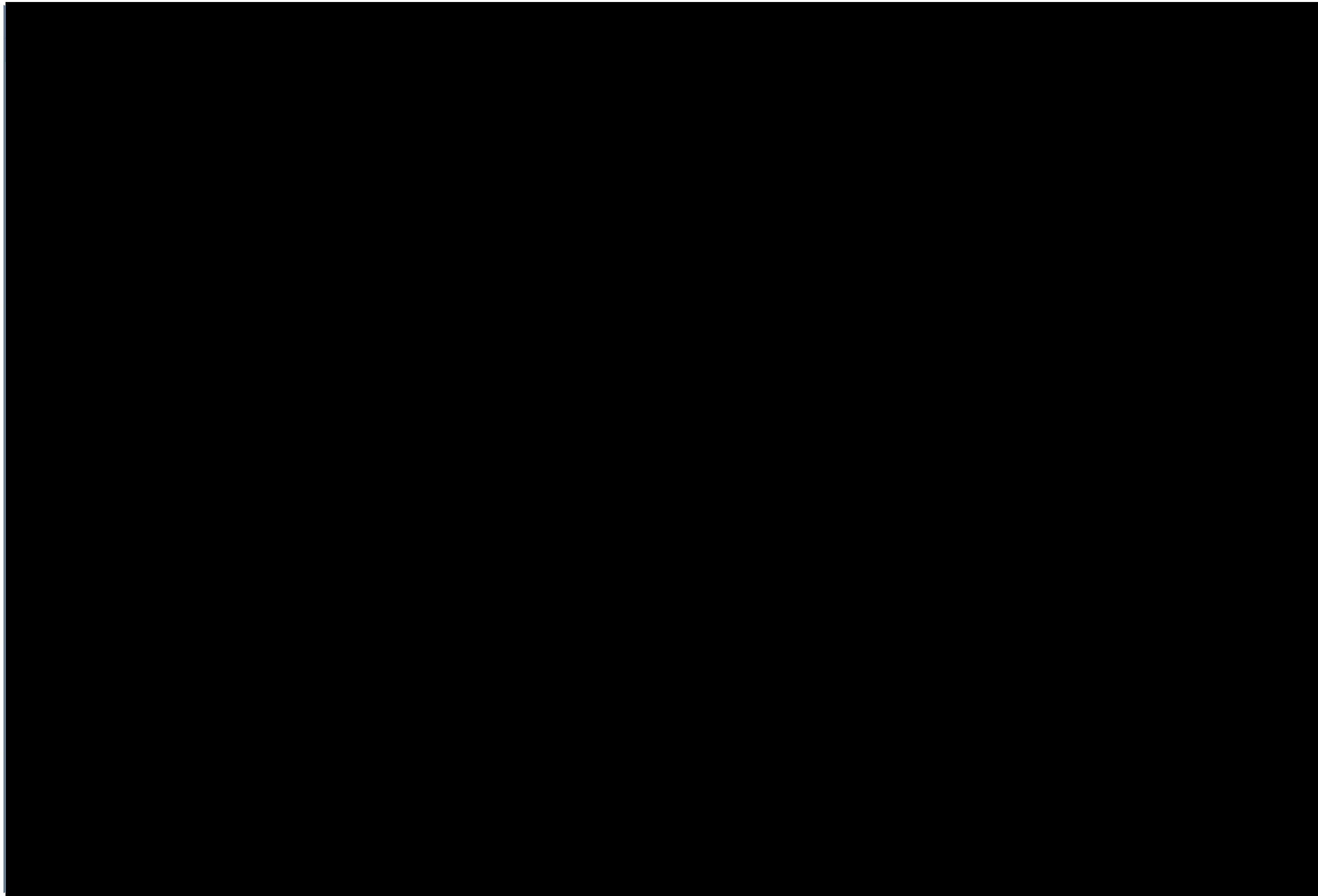
Opportunities for improvement were identified during this audit and are outlined in **Appendix A**.

Appendix A – Opportunities for Improvement

The following observations do not relate to non-compliance. Instead they represent opportunities for Origin to strengthen its current processes and controls.

Opportunities for Improvement	
<p>Scope Item 1 Scope Area: Market Data Hub Failure</p>	<p>Document the process for escalating MDH system failures to executive management Discussions with Origin stakeholders indicated that for the MDH system failure in 2018, Rectification Plans, once developed, were submitted to executive management for consideration and endorsement. However, there is no documented procedure in place to ensure this escalation protocol is consistently exercised, should other MDH system failures arise in future. This in turn increases the risk that proposed mitigation controls are not fully reviewed to confirm fitness for purpose prior to implementation. As such, we recommend that the escalation protocol for MDH system failures be documented.</p>
<p>Scope Item 2 Scope Area: Disconnections Processes Instrument Clause Event: National Energy Retail Rules Obligation: Rules 111, 115, 116 and 118</p>	<p>Update documented disconnection processes to reflect actual disconnection practices. A review of Origin's documented disconnection processes indicated some of these are out of date and do not reflect current practices. For example, the following process in the Quick Reference Guide – Disconnection Checklist is no longer required: Origin must issue a Disconnection Imminent Letter more than six weeks after the final bill due date before disconnecting Queensland gas customers. Discussions with management indicated that disconnection procedures and guidelines are currently under review and will be updated where necessary. This review is scheduled for completion in early 2020.</p>
<p>Scope Item 4 Scope Area: Staff Training</p>	<p>Formalise reporting on key trends of Origin staff identification of PWDs No formal reporting is developed from business unit leads on areas where PWD training is required for Origin staff. Currently, the Learning and Development team meet with the business unit leads on an ad hoc basis to gain key insights on Origin staff performance in the identification and management of PWDs. This process ensures that refresher training can be updated to address Origin staff needs. The implementation of a templated report, designed in collaboration with Learning and Development and relevant business units, will ensure the required analysis is performed in the review of Origin staff ability to identify and manage a PWD. This will improve Learning and Development's ability to update training to accommodate Origin staff needs.</p> <p>Clearly document the assessment grading threshold A review of the completion rate of all PWD induction training performed by staff from the period 29 July to 23 September 2019 indicated that staff who do not achieve an 80% grading in their final assessment are required to re-take the assessment. This is further confirmed through discussions with Learning and Development staff. However, Origin does not have a documented process or procedure that clearly articulates this threshold, to minimise any confusion amongst agents with regards to this assessment requirement.</p> <p>Periodically review and update Learning Management System (LMS) and PeopleSoft data Currently, Learning and Development generate reports from LMS on a monthly basis to follow up with staff who are due in the next 30 days to complete upcoming training. However, in a review of the LMS data and master data extracted from PeopleSoft, 110 employees were identified as not completing the refresher training within the required time period. Discussions with Learning and Development confirmed these exceptions are due to the following:</p> <ul style="list-style-type: none"> • Staff who do not receive have customer-facing responsibilities are assigned training requirements in error; • Staff have been terminated but the wrong form has been completed to deactivate learners from PeopleSoft; and/or • All front-line staff completed refresher training in October 2018 regardless of how recently the training had previously been. Learning and Development are progressing through the overdue training items for Origin staff and re-scheduling the refresher training sessions as required. <p>As a result, Origin should continue to make the required system adjustments to correct all items that are incorrectly recording Origin staff who are overdue in completing the refresher training. Additionally, the training data should be reviewed on a periodic basis to ensure necessary adjustment are made in a timely manner for increased reporting accuracy.</p>

[REDACTED]



Appendix C – Terms of Reference

The Scope of this audit was based on the Undertaking Agreement made between Origin and the AER on 12 August 2019 pursuant to section 288 of the National Energy Retail Law. The Detailed Audit Plan was developed prior to the commencement of fieldwork and was approved by the AER on 25 October 2019.

In delivering this audit to the AER, the scope of the audit included coverage of the undertakings made by Origin to the AER in relation to the following:

- De-energisation obligations; and
- Conduct of concern.

Specifically, the audit scope included the following components:

1. **Assessment of root cause of MDH system failure and sufficiency of rectification actions**, in which we:

- Reviewed the Undertaking Agreement including de-energisation obligations, conduct of concern and specific actions outlined by the undertaking.
- Reviewed post failure analysis undertaken by Origin and independently assessed the following:
 - Interviewed key controls, system owners as well as the author of the analysis
 - Confirmed robustness and independence of investigation process
 - Validated root cause analysis of failures
 - Validated controls identified including recommended corrective control and system enhancements
 - Confirmed the status of corrective actions including mitigating controls that had possibly been implemented in short term
 - Confirmed the level of reporting and escalation of recommendations within Origin and the status of corrective actions including outstanding actions
 - In assessing the design and operating effectiveness of controls, Protiviti assessed this as part of the broader audit requirement as detailed at Scope item 2 noting that the highest level of risk was associated with de-energisation for not paying the bill (NERL Rule 111)

2. **An audit of Origin's systems, processes and controls currently in place to ensure that customers had only been de-energised in accordance with the retail rules**, in which we undertook detailed testing with respect to a range of National Energy Retail Rules (Version 13, July 2018) relating to:

- De-energisation for not paying the bill (Rule 111);
- De-energisation for non-notification for move-in or carry-over customers (Rule 115);
- When retailer must not arrange de-energisation (Rule 116); and
- Request for de-energisation (Rule 118).

As part of the approved test procedures, we performed sample testing from a population of in-scope activities included the request of audit artefacts including documentation, policies, procedures and call recordings. To achieve a level of Reasonable Assurance, our sample sizes was calculated based on a 95% confidence level.

Recognising the requirements of Scope Item 1 to assess the sufficiency of rectification actions in relation to the "MDH" gateway system failure, key attributes of our sampling approach included the following:

- We increased the level of sampling (by reducing the confidence interval from 10% to 7.5%) to focus on disconnection based on non-payment as this disconnection type is most impacted by the MDH gateway failure.

- Sampling was concentrated in the last six months of the audit period being April – September 2019.
- Sample sizes had been calculated based on 12-month populations of disconnection types.

The following is a breakdown of the disconnection populations provided and the samples selected:

Disconnection Type	Approx. 12-month population	Sample size
Non-Payment	27,000	170
Move-out	51,800	96
Vacant Consumption	28,300	96

3. An audit of Origin’s systems, processes and controls currently in place which facilitated the identification, escalation and remediation of any detected instances of wrongful de-energisation caused by IT systems or Agent error

In auditing this scope item, Protiviti undertook detailed testing with respect to establish policies, systems and procedures to enable Origin to effectively and efficiently monitor obligations with NERL.

This included the quality assurance, reconnection protocols, complaints handling and reporting practices. Specifically, this scope item addressed the following:

- Quality Assurance Practices:
 - Establishment of quality assurance practices relevant to de-energisation processes
 - Reporting and escalation of exceptions identified including root cause analysis
 - Establishment of remediation action plans (including training, system, third party issues) and monitoring of completion
- Reconnection Protocols
 - Confirmation that frontline agents consider wrongful disconnection processes as part of reconnection process
 - Confirmation that potential wrongful disconnections are reported for investigation

Specifically, this scope item addressed the following:

- Complaints Handling
 - Establishment of root cause analysis of issues identified by customer complaints
 - Reporting and escalation of exceptions identified including root cause analysis
 - Establishment of remediation action plans including monitoring of completion
- Reporting of compliance to the AER
 - Completeness and accuracy of reporting practices including notification of breaches

4. An audit of Origin's current training programs and associated materials in relation to the De-energisation Obligations, in which we:

- Reviewed training platform to determine the completeness of training materials in accordance with de-energisation obligations. This included review of but not limited to the following:
 - Mapping to compliance obligations
 - Currency and completeness of training materials including frequency of review by suitable personnel
 - Process to monitor completion of training programs by operators on a periodic basis including induction and re-training
 - Induction, training, coaching and assessment processes
- Assessed findings (where identified) as part of the audit in scope item 2 to confirm instances of issues relating to user error and confirmed alignment with training practices.