



## Essential Energy Life Support Compliance Audit

In June 2019 the Australian Energy Regulator (AER) required Essential Energy to carry out a compliance audit in connection with its life support obligations under the National Energy Retail Law and Rules.

Essential Energy was required to assess the adequacy and effectiveness of their compliance policies, procedures and systems in a number of key areas and to assign an overall grading of:

- **Adequate/Effective:** Minimal or no action required, with only minor and low risk findings. Improvement opportunities exist to achieve best practice in meeting the relevant obligations.
- **Partially adequate/effective:** Improvement is required to some key processes and controls, and is likely to require substantial effort in order to support compliance with the relevant obligations.
- **Inadequate/Ineffective:** Significant improvement is required, and may require urgent revision to or implementation of processes and controls in order to support compliance.

### Findings

#### Registration of life support equipment

The audit identified that existing processes for registration of life support customers, including issuing information and medical confirmation forms to life support customers, were not being adhered to. Essential was referring customers to the retailer for registration rather than registering the customers themselves. The decision was taken to avoid customers being required to complete multiple registration confirmations, one through direct customer contact and another required by the retailer to apply the rebate available to life support customers in NSW.

Recommendations focused on updating existing policies to executing direct customer registration in accordance with the Rules, training, developing a compliance monitoring framework, and updating and implementing processes to ensure compliance with life support obligations.

#### Confirmation of premises as requiring life support equipment

The audit identified a lack of independent monitoring of compliance with obligations, and non-compliance with obligations in relation to medical confirmation forms and inadequate quality assurance processes.

Recommendations focused on training, developing a compliance monitoring framework, and implementing a periodic review process of medical confirmation processes.

## Findings

### **Ongoing retailer and distributor obligations**

The audit found an overreliance of manual processes when providing *distributor planned interruptions* notices and ensuring notices were compliant with the Retail Rules.

Recommendations focused on process automation, integration of data systems, updating existing policies, procedures and training documents and developing a compliance monitoring framework.

### **Deregistration of premises**

Essential Energy has a policy and procedure for the deregistration of life support customers where they are the registered process owner (RPO). Since Essential Energy did not assume the role of RPO, they did not conduct the deregistration.

Recommendations focused on executing the requirements contained within the existing deregistration policy and procedure where Essential Energy is the RPO, training, automating processes and formally documenting and implementing the processes for life support register maintenance and reconciliation with retailers.

### **Registration and deregistration details kept by retailers and distributors**

The audit identified the absence of a formalised policy and process relating to life support register maintenance and reconciliation.

Recommendations focused on formalising the life support register maintenance and reconciliation process with retailers, training, implementing direct registrations, including the medical confirmation form process, and deregistration.

### **Reporting requirements for regulated entities – AER Compliance Procedures and Guidelines**

The audit identified the absence of a targeted life support training program, an overreliance of manual processes and lack of formal **performance** indicators and compliance monitoring (including quality assurance).

Recommendations focused on training, developing a compliance monitoring framework including mechanisms to identify and subsequently report breaches to the AER in accordance with the AER Compliance Procedures and Guidelines.

## **Next steps**

Essential Energy has considered the recommendations and is implementing action plans to improve on each of the key areas noted above.