



Performance Reporting Compliance Audit

In March 2020 the Australian Energy Regulator (AER) required Red Energy to carry out a limited assurance compliance audit in connection with its performance reporting obligations under the National Energy Retail Law and the *AER (Retail Law) Performance Reporting Procedures and AER Guidelines*.

Red Energy was required to assess the adequacy and effectiveness of their compliance policies, procedures and systems in a number of key areas.

Below is a summary of the key findings and recommendations made by Red Energy's nominated auditor, PricewaterhouseCoopers (PwC). Red Energy has considered the recommendations and is implementing remediation plans to improve on each of the key areas.

Findings

Recommendations

Reporting requirements for regulated entities

Finding 1: Categorisation of residential and small business customers

The incorrect set-up of a script for one performance indicator led to the miscategorisation of residential customers as small business customers. This resulted in negligible variances for the FY20 Q2 performance report.

Recommendation 1: Recommendations focused on reviewing data reported for other periods to identify whether they had been similarly affected, correcting the relevant performance indicator script to ensure correct customer categorisation and the implementation of a periodic script review process.

Finding 2: Procedural documentation

The procedural documentation outlining the performance reporting processes could be enhanced to provide more detailed guidance for areas such as roles

Recommendation 2: Recommendations focused on updating procedural documentation and establishing a process to review this periodically.

Findings

and responsibilities, training requirements, data sources, quality assurance procedures and document retention requirements.

Finding 3: Delivering training to key roles

The key team members involved in the performance reporting process received regular on the job training, however this was not formalised. At the time of the review management were in the process of developing a training document outlining requirements for the performance reporting process.

Finding 4: Managing changes to performance indicator extraction scripts

Changes made to scripts used to extract performance indicator data were recorded within a version control log; however, details of the relevant performance indicator reference, name/position of change approver and change reviewer were not recorded.

Finding 5: Performing trend analysis

Trend analysis was performed to identify notable quarter-on-quarter and year-on-year movements; however, evidence of investigation was not retained.

Simulation activity: Q2 1 October to 31 December 2019 Quarterly Report

Finding 1: Retaining snapshots of performance data for reporting periods

The snapshot script to capture source data as at the end of the FY20 Q2 reporting period was not retained for one performance indicator. As such, recalculations using current source data identified negligible variances which had arisen from source data timing differences between the initial AER submission and the audit.

Recommendations

Recommendation 3: Recommendations focused on finalising training documentation to ensure that the training provided to key team members is fit for purpose, current, effective and regularly reviewed.

Recommendation 4: Recommendations focused on developing a change log to document details and approvals for all performance indicator script changes.

Recommendation 5: Recommendations focused on updating the trend analysis process to include documentation of investigation procedures performed and conclusions reached.

Recommendation 1: Recommendations focused on creating a snapshot script to retain source data for the relevant performance indicator.