

# Combined audit process for Scheme Participants consultation – What we heard

24 November 2022

This paper outlines the outcome and key themes of stakeholder submissions from consultation on our proposal to combine audit processes for Scheme Participants under the Energy Savings Scheme (**ESS**) and Peak Demand Reduction Scheme (**PDRS**).

## 1 Next steps

We thank the stakeholders who provided written submissions on the proposed combined audit process for Scheme Participants.

We have refined our proposed approach based on feedback.

Timings for the Scheme Participant processes for the ESS and PDRS will be aligned, allowing Scheme Participants to conduct combined audits if they choose to do so. Scheme Participants will also be able to conduct separate audits if this better suits their business needs.

We have also extended the timeline for a number of processes. The outcomes of the consultation process are summarised in section 4.

We will publish updated guidance on the audit process to assist Scheme Participants and auditors at a later date.

## 2 Background

The PDRS has the same Scheme Participants as the ESS. Introducing the PDRS means Scheme Participants have additional but similar reporting requirements. If we did not make any changes to timing requirements, PDRS reporting and ESS reporting would occur at different times, meaning that some Scheme Participants would have to complete 2 separate audits.

We consulted in September 2022 on a proposal to combine the audit process for the 2 schemes to reduce the regulatory burden on Scheme Participants and auditors.

## 3 Consultation process

We published a consultation paper on our website on 7 September 2022 and invited stakeholders by email and through our website to provide written submissions by 28 September

2022. The consultation paper and submissions are available on our [website](#).

We received 5 submissions: one from an auditor (Clear Environment) and 4 from Scheme Participants (AGL, Energy Australia, Origin Energy, and a combined submission from Red Energy and Lumo Energy). A majority of respondents (4 out of 6) supported a combined audit process to streamline the audit process, improve efficiency and reduce internal resourcing burdens.

Key themes of the submissions and our response to each issue are summarised in Table 1.

We note that some submissions raised issues outside the scope of the consultation. These issues will be addressed separately.

## 4 Outcome of the consultation process

Reporting dates for the ESS and PDRS will be aligned for the 2022–23 compliance period to allow Scheme Participants to conduct combined or separate audits to suit their circumstances.

Figure 1 sets out the timeline for the aligned Scheme Participant process, which has been refined based on respondent feedback and allows additional time for Scheme Participants to meet reporting obligations as they become more familiar with PDRS requirements.

Key changes to the proposal presented for consultation include:

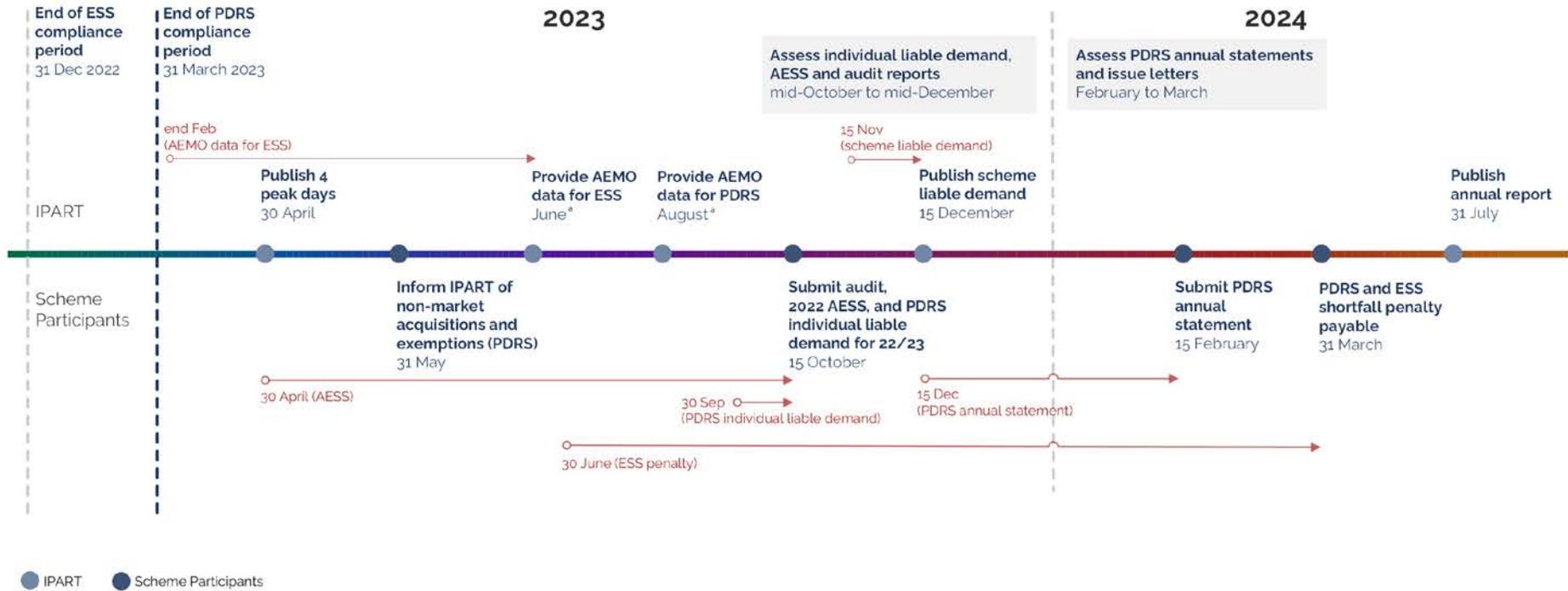
- Extending the date for submitting AESS and individual liable demand from 30 September to 15 October.
- Extending the date for submitting PDRS annual statement from 15 December to 15 February.
- Changing the date for ESS and PDRS shortfall penalty payments from 15 April to 31 March to align with the legislated PDRS penalty shortfall payment date.
- Scheme Participants will be able to engage an auditor to undertake separate audits or a combined audit to meet their obligations. This means a Scheme Participant can have their Annual Energy Savings Statement (**AESS**) and individual liable demand audited separately if it suits their circumstances.
- We will collate and provide Scheme Participants with 2 sets of market-related data based on AEMO 20-week revised statement data to enable separate audits. We anticipate ESS data will be provided in June and PDRS data in August. These dates are indicative and are dependent on when data is received from AEMO and when the last peak day occurs for PDRS. If there are delays or the last peak day occurs late in the compliance period we will adjust the timeline.
- The Detailed Scope of Works (**DSW**) will be modified to cover both schemes, allowing the same DSW to be submitted to commence an audit.

ESS and PDRS audits will be assessed by IPART after 15 October no matter when they are submitted.

We will engage with Scheme Participants and auditors after the first compliance cycle is complete to obtain feedback on the process and make improvements as necessary.

Figure 1 Timeline for the aligned Scheme Participant process

**NOTE:** Date changes are indicated with red arrows



**a:** These dates are indicative. We will adjust the timeline if AEMO data is delayed

Table 1 Summary of submissions

Topic	Summary of stakeholder submissions	IPART response
Administrative efficiency and impact on business practices	<ul style="list-style-type: none"> <li>• AGL, Energy Australia and Red Energy/Lumo Energy submitted that a combined audit process would improve efficiency and reduce scheme administration costs.</li> <li>• AGL and Red Energy/Lumo Energy submitted that a combined audit process would:               <ul style="list-style-type: none"> <li>- streamline the audit process by enabling Scheme Participants to engage a single auditor to fulfil similar obligations</li> <li>- reduce the regulatory and internal resourcing burden on Scheme Participants.</li> </ul> </li> <li>• Clear Environment submitted:               <ul style="list-style-type: none"> <li>- current ESS audits have common information and reporting periods with Victorian Energy Upgrade (VEU) and GreenPower audits. The existing process offers greater efficiencies than combining ESS and PDRS audits</li> <li>- the proposed process would clash with other existing audit obligations in September, which limits the availability of auditors</li> <li>- it would prefer auditor workload to be spread across schemes throughout the year.</li> </ul> </li> <li>• Origin submitted:               <ul style="list-style-type: none"> <li>- the proposal clashes with competing deadlines set by other schemes, internal reporting. The additional PDRS requirements in September/October add to an already challenging period</li> <li>- there is limited availability of auditors</li> <li>- June–August would be a more suitable period to conduct an audit</li> <li>- shifting proposed timeline earlier in the year would address resourcing challenges experienced at the end of the year.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We have aligned reporting requirements for the ESS and PDRS to allow Scheme Participants to conduct combined or separate audits to suit their circumstances.</li> <li>• The submission date for the individual liable demand cannot be brought forward from 30 September due to statutory constraints and availability of AEMO 20-week revised data.</li> <li>• We have extended the individual liable demand submission date to 15 October to give auditors and Scheme Participants more time to undertake audits and meet their reporting obligations.</li> </ul>
Audit and reporting timeframe	<p>AGL supported the proposed deadline of 30 September for the submission of individual liable demand and AESS audits.</p> <ul style="list-style-type: none"> <li>• Red Energy/Lumo Energy suggested delaying the submission deadline for annual statements from 30 September to 31 October. This is due to the proposed timing of the release of AEMO data, which would reduce the timeframe to complete the AESS. Delays in releasing AEMO data would further compress deadlines.</li> <li>• Clear Environment and Origin (based on external advice) submitted the proposed 30 September deadline for submission would be challenging, noting:               <ul style="list-style-type: none"> <li>- releasing of AEMO data in mid-August means auditors have a small timeframe to undertake combine audits</li> <li>- delays in the release of AEMO data further compresses the timeframe.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We have revised the submission date for the audit reports, AESS and individual liable demand to 15 October. This will give auditors and Scheme Participants more time to collate data and complete audits.</li> <li>• We note that the 30 September is a challenging timeframe given the timing for the release of AEMO data. Moving the date by which individual liable demand is to be reported to 15 October will provide Scheme Participants with more time to complete audits.</li> <li>• Should AEMO data be delayed, we will consider extending the reporting time for Scheme Participants.</li> <li>• Scheme Participants can conduct separate audits to suit their business requirements.</li> </ul>

Topic	Summary of stakeholder submissions	IPART response
	<ul style="list-style-type: none"> <li>Clear Environment noted that while some audit tasks can be undertaken prior to receiving AEMO data, audits would be conducted in a piecemeal manner, which is inefficient.</li> <li>Origin noted stakeholders may have to engage in costly progress arrangements with auditors throughout the year, rather than distinct audit periods.</li> </ul>	
Proposed timeline	<ul style="list-style-type: none"> <li>Origin submitted: <ul style="list-style-type: none"> <li>the proposed timeline appears to be drawn out in certain sections and compressed in others. It is unclear from where efficiencies are derived</li> <li>publication of scheme liable demand and submission of PDRS annual statement is too close to the end of the year and should be brought forward by one month.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Publishing the scheme liable demand and submitting PDRS annual statements cannot be brought forward due to statutory constraints. We have extended the timeframe for submitting individual liable demand to 15 October to allow more time to complete audits.</li> <li>Publishing the scheme liable demand has been extended to 15 December to allow time to assess Scheme Participants' individual liable demand and make default assessments if required.</li> <li>The submission deadline for the PDRS annual statement has been extended to 15 February to move away from the Christmas period and give Scheme Participants sufficient time to complete and submit the statement.</li> </ul>
ESS and PDRS are different schemes	<ul style="list-style-type: none"> <li>Clear Environment submitted that because individual liable demand and AESS audits differ, undertaking audits separately is more efficient.</li> <li>Origin submitted that Scheme Participants have established processes for the ESS: <ul style="list-style-type: none"> <li>the schemes have different compliance periods and should be kept separate until the compliance periods have been aligned.</li> <li>stakeholders need to master the new scheme and will be better-placed to identify opportunities for improve and provide meaningful feedback or recommendations once the scheme is in operation.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>As ESS and PDRS audits will cover similar data including market and non-market acquisitions/liabilities and exemptions there may be efficiencies from combining the audits for some Scheme Participants.</li> <li>Aligning the timeline allows Scheme Participants to conduct combined or separate ESS and PDRS audits to suit their circumstances. Scheme Participants may continue to follow established processes under the ESS, however, AEMO data for the ESS will be provided in June rather than February so more accurate AEMO 20-week revised statement data can be used to determine ESS liabilities. We will adjust the timing if there are delays in receiving data from AEMO.</li> </ul>
AEMO data	<ul style="list-style-type: none"> <li>Origin submitted: <ul style="list-style-type: none"> <li>the impacts of the proposed audit deadline and increased reporting and risk burden outweighs the improved accuracy of using the 20-week revised statement from AEMO for ESS reporting</li> <li>AEMO data should be supplied as close as possible to the current ESS timeframe.</li> </ul> </li> <li>AGL submitted "With respect to the 20-week revised statement from [AEMO] for ESS reporting, AGL supports delaying the statement as we believe it will contribute to a more accurate outcome as AEMO will have an opportunity to keep revising the available data"</li> <li>Red Energy and Lumo Energy suggested that IPART may be able to account for 30-week revisions, rather than 20-week revisions, depending on the timing of the release of AEMO data.</li> </ul>	<ul style="list-style-type: none"> <li>Market data for the ESS and PDRS will be provided separately to Scheme Participants for each compliance period within one month of us receiving 20-week revised statement data from AEMO.</li> <li>Using 20-week revised data allows liabilities to be determined more accurately using data with fewer estimates. We do not propose to use 30-week revisions as it is unlikely to result in more accurate data and would delay the provision of market data and the reporting of individual liable demand.</li> </ul>
Deferral of ESS shortfall penalty payments and aligning ESS and PDRS payments	<ul style="list-style-type: none"> <li>Origin submitted: <ul style="list-style-type: none"> <li>there would be no impacts of deferring ESS shortfall penalty payments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>ESS shortfall penalty payments will be deferred to 31 March to align with payment of PDRS shortfall penalties (i.e. 15 months after the end of the ESS compliance period)</li> </ul>

Topic	Summary of stakeholder submissions	IPART response
Combined approach is untested	<ul style="list-style-type: none"> <li>- the proposed alignment of the timing of shortfall penalty payments is manageable in mid-April. There are competing obligations earlier in the year and in June.</li> </ul> <ul style="list-style-type: none"> <li>• AGL supported the proposed combined audit process but noted:               <ul style="list-style-type: none"> <li>- it is difficult to anticipate what challenges may arise from the proposed approach without it having taken place</li> <li>- IPART should remain flexible and open to Scheme Participant challenges</li> <li>- there will be an opportunity to review the effectiveness of the process when the schemes are up for statutory review</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We will review the Scheme Participant process after the first compliance cycle is completed to consider what refinements could be made to improve the process, and will seek stakeholders feedback on areas for improvement.</li> </ul>
Other feedback	<ul style="list-style-type: none"> <li>• Origin noted Scheme Participants could inform IPART if they had non-market acquisitions or exemptions much earlier than 31 May.</li> <li>• Origin also submitted that if ESS and PDRS reporting were combined, the following should also be aligned:               <ul style="list-style-type: none"> <li>- surrender dates</li> <li>- AESS and PDRS liable demand submission dates.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We note Scheme Participants can inform us if they have non-market acquisitions or exemptions earlier than 31 May. This date was nominated to give Scheme Participants enough time after the 4 peak days had been nominated on 30 April. We understand that customers can change within a compliance period and this would impact on whether a Scheme Participant has an exemption or non-market acquisitions.</li> <li>• Further alignment of processes will be considered as part of the review at the end of the first compliance cycle.</li> <li>• AESS and individual liable demand reporting will be due by 15 October.</li> </ul>
Clarification on certain areas in the consultation paper	<ul style="list-style-type: none"> <li>• Red Energy/Lumo Energy noted the consultation paper indicated that IPART would provide AEMO data to Scheme Participants by mid-August. However, the <i>Electricity Supply Act 1995</i> also requires IPART to nominate the 4 peak days.</li> <li>• Red Energy/Lumo Energy noted the consultation paper refers to 15 February as the due date for PDRS annual statements. This conflicts with the timeline which refers to 15 December as the due date for PDRS annual statements.</li> </ul>	<ul style="list-style-type: none"> <li>• The Scheme Regulator will use AEMO's Historical Aggregated Price and Demand Data to nominate and publish the 4 peak days by 30 April after the end of the compliance period.</li> <li>• The proposed deadline for submission of the PDRS annual statement was 15 December. We have revised the submission date for the annual statement to 15 February based on feedback.</li> </ul>