



Report on the Audit of the Retail Supply Management Plan of Aquacell

Independent Pricing and Regulatory Tribunal
Water Industry Competition Act 2006

Retail Supplier's Licence Audit Report
(Licence Plan Audit)

Retail Supplier's Licence No. 09_004R: Aquacell

Final Report (revision 2)
31 March 2017

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1. Executive Summary

This report sets out the findings of a Licence Plan Audit completed in respect of the Retail Supplier's Licence (Licence No. 09_004R) for the Retail Supply Management Plan for Aquacell. An Operational Audit, which is reported separately, was undertaken in conjunction with this audit.

The auditors were provided with sufficient and appropriate evidence, as described in the *IPART Audit Guideline for Greenfield Schemes, Water Industry Competition Act 2006 (NSW), July 2013* and *IPART Audit Guideline for Brownfield Schemes, Water Industry Competition Act 2006 (NSW), July 2013* (the Audit Guidelines), on which to base the conclusions reached during the audit.

The auditors have observed the requirements of the Audit Guidelines and the Audit Deed in conducting the audit, determining audit findings and preparing this report.

The reported audit findings accurately reflect the professional opinion of the auditors. The findings have not been unduly influenced either by the Licence Holder or any of its associates and express the auditors' opinions as to whether the Licence Holder has met the Licence conditions and regulatory requirements as specified in the scope.

A summary of the audit findings is given in the following chapters and a detailed breakdown of the full audit findings against the audited criteria is given in the detailed Audit Tables in Appendix A.

The Retail Supply Management Plan of the audited Licence Holder, Aquacell, was found to be compliant with the audited requirements of the Regulation and Licence conditions.

2. Introduction

2.1 Objective

This report presents the findings of an audit undertaken for the Independent Pricing and Regulatory Tribunal (IPART) under the *Water Industry Competition Act 2006*.

The audit comprised of a Retail Supply Management Plan audit as required in respect of the Retail Supplier's Licence (Licence No. 09_004R) for Aquacell. The Licence Holder is Aquacell.

An Operational Audit was undertaken in conjunction with this audit and is reported separately.

2.2 Licence Holder's systems and procedures

The Licence Holder's systems and procedures audited were those related to all licensed retail water supply schemes managed by Aquacell.

2.3 Audit method

Audit scope

This audit covers the provision of the licenced retail services and addresses the scope specified by IPART in its letter to Aquacell dated 2 December 2016 relating to a Retail Supply Management Plan Audit.

Audit standard

The audit broadly followed the generic principles of auditing given in *ISO 19011:2011 - Guidelines for auditing management systems*. The principal document used to guide the audit was the *IPART Audit Guideline for Greenfield Schemes, Water Industry Competition Act 2006 (NSW), July 2013* and *IPART Audit Guideline for Brownfield Schemes, Water Industry Competition Act 2006 (NSW), July 2013* (the Audit Guidelines).

Audits are by necessity limited to sampling processes. It is not practicable, nor necessary, to inspect 100 per cent of items within an audit scope. Auditing forms part of the broader risk management process, providing an independent check on the veracity of the processes and procedures in place to manage risk. Finding a balance between audit effort and practicality requires the exercise of experienced professional judgement. The amount of effort allocated to this audit has been kept to a reasonable minimum level.

The audit was undertaken and reported in accordance with the Audit Guideline and its associated Appendices. The audit templates given in the Guideline provided the reporting format for the audit as well as the detailed audit criteria.

Audit steps

An Audit Proposal was submitted to both IPART and the Licence Holder prior to the audit taking place. Documentation was supplied by the Licence Holder to both the auditor and IPART.

Desktop auditing took place both prior and subsequent to the site audit. An office-based audit took place on 20 March 2017. Some evidence was followed up after the audit with the report being prepared and submitted to the Licence Holder as draft, then a final, before submission to IPART.

The audit process involved seeking objective evidence that the Licence Holder met the Licence obligations identified for audit by IPART. The auditors collected evidence through interview and document review. The auditors randomly sampled examples sufficient to verify claims made by the Licence Holder.

Audit team

The audit was conducted by one auditor, Dr Dan Deere, and quality reviewed by another auditor, Mr Tom Carpenter. Both auditors hold relevant Lead Auditor Accreditation under IPART's *Technical Services and Water Licensing Audit Panel*.

Acknowledgements

The audit team notes, and greatly appreciates, the presence of IPART staff member Dr Kaye Power as a valuable observer and commentator during the audit.

The audit team notes, and greatly appreciates, the work and effort put in by those audited, including Justin Taylor.

Audit grades

Audit grades were awarded in accordance with the definitions given in the Audit Guideline. Compliance of provision of the retail services with the relevant legal and formal requirements was assessed. Grades were allocated as follows:

- No Requirement
- Compliant
- Non-compliant Insignificant
- Non-compliant Significant

2.4 Regulatory regime

The scheme operates under the *Water Industry Competition Act 2006* (WICA) which in turn references the following requirements:

- *Water Industry Competition (General) Regulation (2008)*.
- *Conditions of Retail Supplier's Licence No. 09_004R*.
- *IPART Audit Guideline for Greenfield Schemes, Water Industry Competition Act 2006 (NSW), July 2013*.
- *IPART Audit Guideline for Brownfield Schemes, Water Industry Competition Act 2006 (NSW), July 2013*.
- Relevant aspects of the national *Australian Guidelines for Water Recycling: Managing Health and Environmental Risks (Phase 1) 2006*.
- Relevant water industry and environmental NSW and national codes of practice and regulations, as applicable.

2.5 Quality assurance process

Quality was assured using a professional review process. The first auditor's work was reviewed and approved by the second auditor. Both auditors are longstanding members of the IPART audit panel.

2.6 Audit findings

Audit findings are summarised in the above Executive Summary; they are presented in more detail in Section 3 and in full detail in Appendix A.

2.7 Audit agenda for Monday 20 March 2017

Time	Item and audit questions
09:51	Meet at Werrington Station.
10:00	Opening meeting
10:10	Incidents Have the required incident notifications taken place and are systems in place to ensure that they do?
10:20	Payment assistance Has payment assistance been provided and has this been reported?
10:30	Translation Has notice of translation services been provided?
10:35	Customer complaints Has a customer complaints code of practice been developed in line with AS/ISO 10002- 2006 and have customers been kept informed of it?
10:40	Debt recovery Have customers, the Minister and IPART been kept informed of the code of practice for debt recovery and does that code allow for deferment of payments?
10:45	RSMP Is the Retail Supply Management Plan kept implemented and under regular review and has the RSMP been audited if required?
10:50	Break
11:00	Website Does the website contain details of relevant government policies?
11:20	Authorised use Have customers been informed of authorised uses and have customers only been supplied water for those uses?
11:30	Contracts Have all water, recycled water or sewerage contracts been serviceable with respect to quality, quantity, infrastructure, capacity and connectivity?
12:00	Termination Have any water, recycled water or sewerage customers had their supply terminated?
12:15	Restrictions Have any water restrictions been placed upon any customers?

Time	Item and audit questions
12:30	<p>Small customers</p> <p>All small retail customers are covered under a contract that specifies that customers will not be disconnected because of non-payment, will notify customers of intent to change contracts and covers the items listed in WIC Reg Schedule 2, cl 14(2) and 19(2).</p> <p>Have small retail customers been supplied with water or sewerage services been supplied with a disclosure notice regarding the customer's name and address, the date on which supply is to commence, fees and charges that will be payable, circumstances in which the customer's premises may be disconnected, procedures for handling customer complaints, government-funded rebates and where customers can obtain a copy of the contract.</p>
12:30	Lunch
13:30	<p>Scope of operations</p> <p>Confirm that water, recycled water or sewerage services have only been provided by means of the water industry infrastructure, for purposes, to the customers, and within the area of operations, specified in the Licence</p>
13:50	<p>Technical capacity</p> <p>Is the technical capacity and resource allocation adequate to meet the Licence requirements?</p>
14:00	<p>Insurance</p> <p>Has insurance changed during the audit period?</p>
14:10	<p>Reporting</p> <p>Have reports been submitted as required by the Reporting Manual?</p>
14:20	<p>Changes in plans</p> <p>Have updated Licence Plans been submitted to IPART?</p>
14:30	<p>Code of conduct</p> <p>Has a suitable code of conduct been established and implemented?</p>
14:40	<p>Incident preparedness</p> <p>Confirm that the RSMP considers events and circumstances that could adversely affect the supply water, recycled water or sewerage services, risks of such events, risk management options and alternative sources of services.</p>
14:50	<p>Compliance</p> <p>Confirm that the RSMP considers the code of practice for customer complaints, code of practice for debt recovery for small retail customers, the marketing code of conduct and transfer code of conduct.</p>
15:00	Contingency period to cover any items arising.
16:00	Audit close

3. Retail Supply Management Plan audit

3.1 Summary of findings

Aquacell's compliance with the various relevant provisions of the *Water Industry Competition Act 2006*, the *Water Industry Competition (General) Regulation 2008* and the Retail Suppliers Licence has been assessed with respect to Aquacell's *Retail Supply Management Plan* obligations. The *Retail Supply Management Plan* of the audited Licence Holder, Aquacell, was found to be compliant with the audited requirements of the Regulation and Licence conditions.

3.2 Review of actions

The Licence Holder is acknowledged for providing helpful suggestions for corrections and clarifications following the review of the draft report prior to the final report being issued.

3.3 Opportunities for improvement

No opportunities for improvement have been identified in respect of the *Retail Supply Management Plan* as a result of this audit.

Appendix A Retail Supply Management Plan Audit tables

WIC Reg Sched 2 cl. 7A(1)(a-c)	Requirement	Compliance Grade
	<p>The Retail Supply Management Plan indicates the events and circumstances that could adversely affect the licensee's ability to supply water and/ or provide sewerage services.</p> <p>The Retail Supply Management Plan indicates the arrangements in relation to the probability of the occurrence of any such event or circumstance that could adversely affect the licensee's ability to supply water and/ or provide sewerage services.</p> <p>The Retail Supply Management Plan indicates the arrangements in relation to the measures to be taken by the licensee to prevent the occurrence, or minimise the effect, or any such event or circumstance that could adversely affect the licensee's ability to supply water and/ or to provide sewerage services.</p> <p>The Retail Supply Management Plan indicates the arrangements in relation to the measures to be taken by the licensee to arrange alternative supplies of water and/ or the provision of alternative sewerage services in response to any such event or circumstance that could adversely affect the licensee's ability to supply water and/ or provide sewerage services.</p>	Compliant

Risk	Target for Full Compliance
No significant risks were identified.	N/A

Evidence sighted

- Interview with Justin Taylor held 20 March 2017 at Aquacell Werrington Office.
- Aquacell *Retail Supply Management Plan* Revision 2, Reference EM020-2, dated 6th March 2017 (RSMP).
- Aquacell Monthly Customer Report for 1 Bligh St for January 2016.
- 1 Bligh Street Recycled Water Quality Management Plan, Revision 8, dated 24th June 2015, filename A0047-RWQMP-8.pdf (WQP (npw)).
- 1 Bligh Street Infrastructure Operating Plan, Revision 4, dated 23rd June 2015, filename A0047-Infrastructure Operating Plan-04.pdf (IOP).
- Workplace 6 Recycled Water Quality Management Plan, Revision 13, dated 30th June 2015, filename S0063 RWQMP-13.pdf (WQP (npw)).
- Workplace 6 Infrastructure Operating Plan, Revision 4, dated 30th June 2015, filename S0063-Infrastructure Operating Plan-04.pdf (IOP).
- Aquacell *S0063 Service Agreement November 2012* supply contract for Workplace 6, 2012.
- Dibbs Barker *Blackwater service, test, maintenance and reporting services – 1 Bligh Street Sydney* supply contract between Dexus Funds Management Limited and Aquacell Proprietary Limited, 24 October 2014.

Summary of reasons for grade

The Retail Supply Management Plan, considered as a package, along with its referenced *Water Quality Plan, Infrastructure Operating Plan*, customer contract documents and supporting risk assessments,

indicate the events and circumstances that could adversely affect the Licence Holder's ability to supply water, their probability of occurrence, measures to prevent their occurrence or minimise their effect, and measures to provide alternative supply arrangements if necessary. Consequently, Aquacell was found to be in compliance with this group of clauses.

Discussion and notes

The *Retail Supply Management Plan* (RSMP) details at the high level the generic list of the potential risks (Section 3 of the RSMP) and events and circumstances (Section 4 of the RSMP) that could adversely affect the Licence Holder's ability to supply water services and tabulates how those risks and alternatives are managed.

The RSMP explains at Section 1 that additional details are to found in the Network Operator's Licence Plans, e.g. the *Water Quality Plan (non-potable water)* (WQP (npw)) and *Infrastructure Operating Plan* (IOP) for the specific schemes. Aquacell only holds retailer responsibilities where it is also the network operator and, as such, it is reasonable for Aquacell to largely rely on the relevant scheme WQP (npw) and IOP documents to provide the full details of risks and their management.

Standards of service are set out in contracts with individual customers and performance against those obligations is presented through monthly customer reports. Alternative water supplies would be readily provided via potable water backup from the customer's own water supply system delivered by the local water utility and not by Aquacell.

The RSMP, considered as a package, along with its referenced WQP (npw), IOP and supporting risk assessments, indicate the events and circumstances that could adversely affect the Licence Holder's ability to supply water, their probability of occurrence, measures to prevent their occurrence or minimise their effect, and measures to provide alternative supply arrangements if necessary.

Consequently, Aquacell was found to be in compliance with this group of clauses.

Recommendations

There are no recommendations in respect of this requirement.

Opportunities for improvement

No opportunities for improvement have been identified in respect of this requirement.

WIC Reg Sched2d.	Requirement	Compliance Grade
7A(1)(d)(i-ii)	<p>The Retail Supply Management Plan indicates the arrangements that the licensee has made to ensure that it complies with its code of practice for customer complaints and its code of practice for debt recovery, of small retail customers.</p> <p>The Retail Supply Management Plan indicates the arrangements that the licensee has made in relation to ensuring it complies with the marketing code of conduct and transfer code of conduct.</p>	Compliant

Risk	Target for Full Compliance
No significant risks were identified.	N/A

Evidence sighted

- Interview with Justin Taylor held 20 March 2017 at Aquacell Werrington Office.
- Aquacell *Retail Supply Management Plan* Revision 2, Reference EM020-2, dated 6th March 2017 (RSMP).
- Aquacell Customer Service Charter, Revision 2, 6 March 2017.
- Aquacell Code of Practice for Debt Recovery, Revision 1, 6 March 2017.
- Aquacell Code of Practice for Customer Complaints, Revision 1, 6 March 2017.
- <http://aquacell.com.au/resources/regulation-and-compliance/>.

Summary of reasons for grade

The Aquacell *Retail Supply Management Plan* had correctly referenced the relevant arrangements that the Licence Holder had made to ensure that it complies with its codes of practice for customer complaints and debt recovery as well as the marketing and transfer codes of conduct. Accordingly, the Licence Holder was Compliant in respect of these obligations.

Discussion and notes

Section 6 of the *Retail Supply Management Plan* (RSMP) references the Aquacell *Complaints Handling and Dispute Resolution Policy*, the Aquacell *Customer Service Charter* and the Aquacell *Code of Practice for Customer Complaints*. Section 7 of the RSMP references the Aquacell *Code of Practice for Debt Recovery*. Section 8 of the RSMP states that Aquacell will comply with a *Marketing Code of Conduct*, *Transfer Code of Conduct* and any relevant *Code of Conduct*. The relevant documents are the *Transfer Code of Conduct* (dated to July 2012) and the *Marketing Code of Conduct* (dated to July 2012). As of the day of the audit Aquacell had an internet website on which the following matters are available for inspection by members of the public:

- Retail Supply Management Plan.
- Code of Practice for Customer Complaints.
- Code of Practice for Debt Recovery.

The RSMP had correctly referenced the relevant arrangements that the Licence Holder had made to ensure that it complies with its codes of practice for customer complaints and debt recovery as well as the marketing and transfer codes of conduct. Accordingly, the Licence Holder was Compliant in respect of these obligations.

Recommendations

There are no recommendations in respect of this requirement.

Opportunities for improvement

No opportunities for improvement have been identified in respect of this requirement.
