

9 June 2004

Mr Pat Walsh
Director Licensing and Performance Monitoring
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001



Pat
Dear Mr Walsh

Re: Compliance Audit Framework for the Electricity Sector – Discussion Paper

Thank you for the opportunity to comment on the above discussion paper. As a regulated business, Envestra has an interest in any regulatory framework that may be applicable to compliance auditing, in this instance in relation to the electricity sector. In commenting on the discussion paper, Envestra acknowledges that there are material differences between the importance of gas and electricity in the community, and therefore the Commission may approach the framework for electricity and gas differently.

Envestra supports the Commission's view and intention that the use of compliance audits would be "restricted to key obligations as determined by means of a risk assessment approach". Provided the risk assessment is appropriately carried out, in consultation with the regulated business, we believe this would mitigate the risk of unnecessary regulatory costs, which would ultimately be borne by consumers.

As the Commission is aware, the compliance approach used by the Office of the Technical Regulator, as described in the paper, has been used in the gas industry for some time and this has been found to be adequate and appropriate for the gas industry while imposing little additional costs.

The Commission specifically seeks comments on the appropriateness of a tripartite audit agreement as adopted by the ESCV. Envestra has experienced this approach in relation to its Victorian gas business and has found this approach to be overly bureaucratic and legalistic, and in our view unwarranted. It also appears that the ESCV may adopt an increasingly statistical approach to compliance grading. In our view this is also unwarranted and will only increase the associated auditing costs for little benefit.

We believe the measures adopted by the ESCV are not been in keeping with good regulation, whereby step increases in regulatory measures and controls only occur where there is evidence or good reason to believe that they are warranted. While Envestra is not qualified to comment on the adequacy of current systems or auditing practices in the electricity industry in South Australia, Envestra urges the Commission to

give due consideration to the adequacy of current systems before instituting more complex and costly arrangements.

As always, we would be pleased to discuss the above further if required.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R. Mignone', written in a cursive style.

Ralph Mignone
Manager Regulatory Affairs