

IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION
(For AEMO to complete and administer)

Issue Number	IN028/13, IN025/13 and IN009/14		
Impacted Jurisdiction (s)	VIC, NSW/ACT, QLD and SA		
Proponent	Tim Sheridan	Company	AEMO
Affected Gas Markets(s)	Retail	Consultation process (Ordinary or Expedited)	Expedited
Industry Consultative forum(s) used	GRCF	Date Industry Consultative forum(s)consultation concluded	5 August 2014
Short Description of change(s)	Harmonisation of Audit Provisions Removal of Obligation to Publish SA Profiling Guideline SA Disconnection by User		
Procedure(s) or Documentation impacted	Refer to artefacts listed in section 2 of this Impact and Implementation Report (IIR)		
Summary of the change(s)	The proposed changes are documentation only changes that increase consistency in the audit provisions in the Retail Market Procedures (RMP) for each of the retail gas markets.		
I&IR Prepared By	Tim Sheridan	Approved By	Fiona Savage
Date I&IR published	29 August 2014	Date Consultation under 135EE or 135EF concludes	19 September 2014
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

<p>1. Description of change(s) and reasons for change(s)</p>	<p>The proposed changes in this IIR are based on a series of non-material amendments to the RMPs to enhance consistency between:</p> <ol style="list-style-type: none"> 1. Each of the jurisdictional RMPs; and 2. The RMPs, the National Gas Law, and National Gas Rules; <p>AEMO’s long term objective is to enhance consistency between the regulatory frameworks for all retail gas markets. The proposed changes in this IIR are documentation only changes that increase consistency in the audit provisions in the RMPs for each of the retail gas markets.</p> <p>In summary, proposed changes are as follows:</p> <p>IN028/13 (Harmonising of Audit Provisions)</p> <p>This is a documentation only change to the provisions relating to market audits in the RMPs for each jurisdiction. The purpose of this change is to align the audit provisions in the RMPs for each of the retail gas markets.</p> <p>Refer to Attachment A for the marked-up amendments associated with this change.</p> <p>AEMO has decided not to proceed with the following changes:</p> <ul style="list-style-type: none"> • IN025/13 (Removal of Obligation to Publish SA Profiling Guideline); and • IN009/14 (SA Disconnection by User) <p>See section 9 for further details.</p> <p>The effective date for the proposed changes in IN028/13 is 3 November 2014.</p>
<p>2. Reference documentation</p> <ul style="list-style-type: none"> • Procedure Reference • GIP/Specification Pack Reference • Other Reference 	<p>RMPs for VIC, QLD, SA and NSW/ACT</p>
<p>3. The high level details of the change(s) to the existing Procedures</p> <p>This includes:</p> <ul style="list-style-type: none"> • A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures 	<p>As noted in section 1, the proposed amendments in this IIR are documentation only changes that increase consistency in the audit provisions in the RMPs for each of the retail gas markets.</p>

<ul style="list-style-type: none"> • A marked up version of the Procedure change 	
<p>4. Explanation regarding the order of magnitude of the change (eg: material, non-material or non-substantial)</p>	<p>These proposed amendments are documentation only changes to the RMPs and considered to be non-material.</p>

ASSESSMENT OF LIKELY EFFECT OF PROPOSAL	
<p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>	<p>As prescribed in the “Approved Process”, registered participants and interested stakeholders were requested to complete submissions to the Proposed Procedure Change (PPC). Submissions closed on 16 April 2014. AEMO received submissions from AGL, Alinta, Energy Australia, Envestra, Lumo and Origin.</p> <p>Using the Gas Retail Consultative Forum (GRCF) participants and stakeholders were asked to complete and submit Stakeholder Assessment Forms (SAFs) to provide AEMO with cost benefit data that AEMO could use, in summarised form, to develop the IIR.</p> <p>In terms of costs, AEMO did not receive feedback from participants that raised any concerns in relation to any cost impacts to industry. AEMO has therefore concluded that there are no participant costs for implementing any of the proposed changes.</p> <p>For AEMO, these are documentation changes only and therefore there are no costs to implement.</p> <p>In terms of benefits, the following tangible and intangible benefits are likely to be realised:</p> <ul style="list-style-type: none"> • Operational efficiencies and cost savings for AEMO. • Improved clarity of RMPs and greater understanding of what arrangements apply in each jurisdiction.
<p>6. The likely implementation effect of the change(s) on stakeholders (e.g. Industry or end-users)</p>	<p>The implementation effect of this change enhances consistency between the regulatory frameworks for all retail gas markets. These changes support harmonisation of RMPs across all jurisdictions by introducing consistent audit provision across all retail gas markets.</p>
<p>7. Testing requirements</p>	<p>Nil.</p>
<p>8. AEMO's preliminary assessment of the proposal's compliance with section 135EB: - consistency with NGL and NGR, - regard to national gas objective - regard to any applicable access arrangements</p>	<p><u>Consistency with NGL and NGR:</u></p> <p>AEMO's view is that the proposed changes for IN028/13 are consistent with the NGL and NGR. The proposed changes promote clarity and consistency across four jurisdictions.</p> <p><u>National gas objective</u></p> <p><i>"Promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."</i></p> <p>It is AEMO's view that each of the proposed changes for</p>

	<p>IN028/13 will assist to facilitate the efficient operation of each of the retail gas markets, and are in the long-term interests of consumers as it promotes clarity and consistency.</p> <p><u>Applicable access arrangements</u></p> <p>AEMO's view is that the proposed changes for IN028/13 are not in conflict with existing Access Arrangements. No Distributor raised concerns with the proposed amendments in relation to their Access Arrangement.</p>
<p>9. Consultation Forum Outcomes (e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views)</p>	<p>The proposed procedure changes were initially included in Proposed Procedure Change (PPC) for RMP Changes 2014 (Package 2).</p> <p>On 6 May 2014, AEMO published a notice under Rule 135EG of the NGR extending the time limit for publishing an IIR for the proposed changes for IN028/13, IN025/13 and IN009/14. In this notice, AEMO indicated it would publish the IIR by 29 August 2014.</p> <p>The following is a summary of the consultation that has occurred since AEMO published the notice of time extension.</p> <p>IN028/13 (Harmonisation of Audit Provisions)</p> <p>At the GRCF meeting on 22 July 2014, AEMO presented a paper clarifying some of the issues raised by participants in relation to this proposal. This paper included some revised drafting changes which included:</p> <ul style="list-style-type: none"> • Using the current definitions of “market participant” or “participant” in the RMPs for each jurisdiction, instead of creating a single definition to be applied across each jurisdiction; and • Creating a new obligation for AEMO to publish the final audit report on its website. <p>AEMO invited comments from the GRCF to these revised changes and received feedback from AGL and Lumo. This feedback, including AEMO's response, is summarised below.</p> <p><u>Rationale for bi-annual audits</u></p> <p>AGL and Lumo indicated that it is not clear what the benefits are for moving to bi-annual audits. Specially, what the expected operational efficiencies and cost savings are for AEMO and participants.</p> <p>AEMO considers that recent retail market audits in VIC, QLD and SA have produced low level findings and some efficiencies are expected to be achieved if bi-annual audits are adopted for all the retail gas markets. The operational efficiencies for AEMO (and its service providers) in having bi-annual audits for each jurisdiction include time and resources saved in preparing and collating materials for audits.</p> <p><u>Process for requesting audits</u></p> <p>AGL and Lumo questioned whether a mechanism is required in the RMPs to specify how participants can request audits within the prescribed two year period. Also, whether there would be additional fees on the participant directly requesting the audit.</p> <p>AEMO does not believe it is necessary to prescribe a mechanism</p>

in the RMPs how participants can request audits. Participants can request audits at any time by either formally writing to AEMO or raising this request at the GRCF. The costs for any additional audits will not be imposed directly on the participant requesting the audit and will instead be recovered from all participants via AEMO's existing market fees.

Transparency of audit findings

AGL and Lumo indicated that AEMO needs to improve future audits reports to deliver transparency in regards to audit findings which will in turn enhance the value of report for participants.

AEMO provides as much information to the extent possible in its audit reports that are published on its website. Any information that is commercially sensitive cannot be released. Audits are conducted by an independent party and reports are prepared in accordance with the Auditing Standard ASAE 3000. Participants may request additional information on any of the audit findings detailed in the report.

Additional audits in NSW/ACT

AGL and Lumo indicated that given significant changes are likely to occur as a result of the NSW/ACT retail gas project (NARGP), annual audits need to be conducted in NSW/ACT in 2015 and 2016 for the delivery of this project.

AEMO agrees with the comments from AGL and Lumo and support the retention of annual audits in NSW/ACT over this period, to correspond with the delivery of the NARGP.

IN025/13 (Removal of Obligation to Publish SA Profiling Guideline)

This proposal relates to the removal of clause 209(2) from the RMP-S which requires AEMO to publish a guideline that sets out the principles on which profiled pipeline nominations and profiled sub-network nominations are calculated.

AEMO received comments on the proposed changes from AGL and Lumo following the publication of the PPC on 2 April 2014.

Lumo indicated that clause 209(2) should being retained in the event that another sub-network is established in SA. If this were to occur, then AEMO would be required to determine the necessary profiles for this new sub-network. Therefore, AEMO should publish the guideline outlining the process for how it prepares these profiles.

AGL sought confirmation on whether AEMO has developed and published a policy on the retention and management of profiles referred to in clause 209(2)(c).

At the GRCF meeting on 23 June 2014, AEMO indicated that based on feedback from AGL and Lumo, it has decided not to proceed with this proposal on the basis the guideline may be required if a new sub-network is ever created in SA.

Therefore, AEMO will develop a draft guideline to be included in the SA Information Pack.

IN009/14 (SA Disconnection by User)

This proposal relates to Envestra's recommendation for the removal of a redundant provision (clause 111) currently in the

	<p>RMP-S that permits a user to disconnect a basic meter, and makes provision for the user to take a disconnection meter read and provide it to the network operator.</p> <p>AEMO received comments on the proposed changes from AGL, Alinta Energy and Envestra following the publication of the PPC on 2 April 2014.</p> <p><i>Note: on 7 April 2014, AEMO facilitated a teleconference with the GRCF to discuss the proposed changes for IN009/14 (SA Disconnection by User).</i></p> <p>Envestra (the proponent) indicated that the proposed change is consistent with its Access Arrangement and current practices in SA, whereby users are not allowed to physically disconnect or interfere with any of its meters.</p> <p>AGL indicated that it did not support the proposed change on the basis that RMPs should align with the overriding legislation (the SA Gas Act) which permits disconnection to occur by a retailer, stating that ‘a gas entity, subject to conditions determined by the Minister, may appoint a gas officer’. AGL noted that if the Minister were to determine the accreditation criteria for an alternative service provider, then the NERR would support this process.</p> <p>Alinta Energy questioned the need for the proposed change and indicated that the existing provisions are not creating any significant issues. Alinta Energy noted the potential divergence between the RMP and the SA Gas Act and indicated that consideration should be given in terms of the overriding legislation that governs relevant activities and ensuring the RMP is aligned to this.</p> <p>At the GRCF meeting on 23 June 2014, AEMO provided a summary of the legal advice it had received on this proposal. The legal advice recommended the proposed changes not proceed on the basis that the removal of clause 111 from the RMP-S would result in a misalignment between the RMPs and the provisions of the overriding legislation (the SA Gas Act).</p> <p>Therefore, based on this legal advice, AEMO decided not to proceed with the proposed changes under IN009/14.</p>
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RECOMMENDATION(S)	
<p>10. Should the proposed Procedures be made, (with or without amendments)?</p>	<p>AEMO recommends that the changes be made as drafted for the procedure change for IN028/13 (Harmonisation of Audit Provisions). As noted in section 9, AEMO does not recommend that the procedure changes proceed for:</p> <ul style="list-style-type: none"> • IN025/13 (Removal of Obligation to Publish SA Profiling Guideline) • IN009/14 (SA Disconnection by User).
<p>11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.</p>	<p>AEMO proposes an effective date of 3 November 2014 for the proposed changes for IN028/13 (Harmonisation of Audit Provisions).</p>

ATTACHMENT A – PROPOSED RETAIL MARKET PROCEDURE CHANGES

IN028/13 – Harmonisation of Audit Provisions

Blue represents additions Red and strikethrough represents deletions – Marked up changes

Extract from Version 13.0 of the RMP-N/A

Amend the definitions in clause 1.3 as follows:

review means an examination in accordance with the standard (as varied from time to time) for a review specified in Auditing Standard ASAE 3000 (Explanatory Framework for Standards on Audit and Audit Related Services) prepared by the Auditing and Assurance Standards Board.

Amend clause 38 as follows:

38. AUDIT OF AEMO'S FUNCTIONS UNDER THE PROCEDURES

38.1 ~~AEMO may appoint independent auditor~~ There is no clause 38.1.

~~AEMO may at any time appoint an independent, appropriately qualified person to undertake a negative assurance audit of the compliance by AEMO with some or all of the obligations of the entity or entities (as the case may be) under the Procedures.~~

38.2 ~~AEMO must consider necessity of negative assurance audit~~ There is no clause 38.2.

~~At least once every 12 months AEMO must consider appointing a person to undertake a negative assurance audit under clause 38.1.~~

38.3 ~~Terms of auditor's retainer~~ There is no clause 38.3.

(1) ~~Subject to clause 38.3(2), the terms of retainer of an auditor appointed under clause 38.1 (including regarding remuneration, expenses, insurance and liability) are to be agreed between the auditor and AEMO.~~

(2) ~~AEMO must ensure that the auditor appointed under clause 38.1 provides a report of the negative assurance audit that at least:~~

(a) ~~provides reasonable detail regarding the auditor's investigations and methodology; and~~

(b) ~~either:~~

(i) ~~states that the negative assurance audit did not disclose non-compliance; or~~

(ii) ~~provides details of each breach, non-compliance or other circumstance which prevents a statement under clause 38.3(2)(b)(i) being made.~~

38.4 ~~Auditor's report~~ There is no clause 38.4.

~~AEMO must make a copy of an auditor's report provided under clause 38.3 available to a market participant upon request.~~

38.5 Market Audit

- (a) AEMO must undertake a *Review* at least every two years.
- (b) In undertaking a *Review*, AEMO must appoint a Market Auditor who in AEMO's reasonable opinion is independent and suitably qualified to conduct a *Review*.
- (c) A *Review* must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the *Procedures*, including but not limited to:
 - (i) AEMO's compliance processes and compliance with the *Procedures*;
 - (ii) IT Controls, including software management and business continuity;
 - (iii) integrity of the AEMO meter register;
 - (iv) profiling and allocation processes and systems; and
 - (v) retail billing and information systems.
- (d) AEMO will determine, in consultation with *market participants*, the extent and scope of the *Review* to be undertaken.
- (e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.
- (f) The report prepared by the Market Auditor in accordance with clause (e) must be published on the AEMO website and made available by AEMO to *market participants* on request.

Extract from Version 8.0 of the RMP-V

Amend the definitions in clause 1.1.1 as follows:

review means an examination in accordance with the standard (as varied from time to time) for a review specified in Auditing Standard ASAE 3000 (Explanatory Framework for Standards on Audit and Audit Related Services) prepared by the Auditing and Assurance Standards Board.

1.7 Market Audit

- (a) AEMO must undertake a *Review* at least every two years.
- (b) In undertaking a *Review*, AEMO must appoint a Market Auditor who in AEMO's reasonable opinion is independent and suitably qualified to conduct a *Review*.
- (c) A *Review* must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the *Procedures*, including but not limited to:
 - (i) AEMO's compliance processes and compliance with the *Procedures*;
 - (ii) IT Controls, including software management and business continuity;
 - (iii) integrity of the AEMO meter register;
 - (iv) profiling and allocation processes and systems; and
 - (v) retail billing and information systems.
- (d) AEMO will determine, in consultation with *Market Participants* and *Distributors*, the extent and scope of the *Review* to be undertaken.
- (e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.
- (f) The report prepared by the Market Auditor in accordance with clause (e) must be published on the AEMO website and made available by AEMO to *Market Participants* and *Distributors* on request.

Extract from Version 9.0 of the RMP-Q

Amend the definitions in clause 1.1.1 as follows:

~~*Market Auditor*~~ — ~~A person appointed by AEMO to carry out a Review under clause 1.7.~~

Review

Means An an examination in accordance with the standard specified (as varied from time to time) for a “review” specified in Auditing Standard ~~AUS106: “ASAE 3000 (Explanatory Framework for standards on Audit and Audit Related Services)”~~ prepared by the Auditing and Assurance Standards Board ~~of the Australian Accounting Research Foundation, as varied from time to time.~~

1.7 Market audit

- (a) AEMO must ~~arrange for~~undertake a *Review* ~~to be conducted at least annually by a Market Auditor~~ at least every two years.
- (b) In undertaking a Review, AEMO must~~shall~~ appoint a ~~Market Auditor~~Market Auditor who in AEMO’s reasonable opinion is independent and suitably qualified to conduct the required *Review*.
- (c) ~~The A~~ *Review* must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of any activities as set out in or contemplated by the *Procedures*, including but not limited to:
- ~~(i)~~ ~~AEMO business processes;~~
 - ~~(ii)~~(i) AEMO’s compliance processes and compliance with the *Procedures*;
 - ~~(iii)~~(ii) IT Controls, including software management and business continuity;
 - ~~(iv)~~(iii) integrity of the AEMO meter register;
 - ~~(v)~~(iv) profiling processes and systems; and
 - ~~(vi)~~(v) retail billing and information systems ~~(balancing and STTM distribution system allocation processes).~~
- (d) AEMO will determine, in consultation with Participants, the extent and~~must establish and implement a consultative process that enables Users and Distributors to provide input into the development of the~~ scope of the *Review* on an annual basis~~to be undertaken.~~
- (e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.
- (f) The report prepared by the ~~Market Auditor~~Market Auditor in accordance with clause 1.7(e) must be published on the AEMO website and made available by AEMO to ~~Users, the AER and Distributors~~Participants on request.

Extract from Version 6.0 of the RMP-S

Amend the definitions in clause 2 as follows:

~~“appointor” has the meaning given to it under clause 228(2).~~

~~“auditor” means an auditor appointed under Part 7.2.~~

~~“negative assurance audit” means a review with the objective of enabling the auditor to state whether, on the basis of review procedures that do not provide all the evidence that would be required in a standard audit, anything has come to the auditor’s attention that indicates (as applicable):~~

~~(a) AEMO’s non-compliance with the clauses set out under clause 228(1); or~~

~~(b) a network operator’s non-compliance with the clauses set out under clause 228(1).~~

“review” means an examination in accordance with the standard (as varied from time to time) for a review specified in Auditing Standard ASAE 3000 (Explanatory Framework for Standards on Audit and Audit Related Services) prepared by the Auditing and Assurance Standards Board.

Part 7.2– Audit

350. There is no clause 350.

351. Market a~~Audit of~~ AEMO

~~(1) AEMO must appoint an auditor, by having regard to clause 353, to undertake a negative assurance audit of AEMO’s compliance with the following parts of these Procedures: Part 2.1, Part 2.2, Part 2.3, Part 3.1, Part 3.3, Part 3.5, Part 3.6, Part 5.5, Part 5.6, Part 5.7, Part 5.8, Part 5.10, Part 5.11, Part 5.12 in accordance with clause 351(1A) to (3).~~

~~(1A) A negative assurance audit under clause 351(1) may cover some or all of the Parts of the Procedures listed in clause 351(1), provided that at least once every 3 years, each Part of the Procedures listed in clause 351(1) is subject to a negative assurance audit covering 12 consecutive months within that 3 year period.~~

~~{Note: the first 3 year period starts from commencement of these Procedures and ends 3 years thereafter. The next year 3 year period starts immediately on the completion of this 3 year period and so on.}~~

~~(2) AEMO may determine, in consultation with participants, the extent and scope of a negative assurance audit to be undertaken under clause 351(1).~~

~~(3) AEMO must:~~

~~(a) ensure that the auditor conducts any negative assurance audit in accordance with this Part 7.2; and~~

~~(4) obtain the auditor’s final report of its findings within 3 months after the end of the period to which the negative assurance audit relates.~~

(a) AEMO must undertake a Review at least every two years.

(b) In undertaking a Review, AEMO must appoint a Market Auditor who in AEMO’s reasonable opinion is independent and suitably qualified to conduct a Review.

(c) A Review must examine compliance by AEMO with its processes and the effectiveness and appropriateness of systems utilised in the operation of

any activities as set out in or contemplated by the *Procedures*, including but not limited to:

- (i) AEMO's compliance processes and compliance with the *Procedures*;
- (ii) IT Controls, including software management and business continuity;
- (iii) integrity of the AEMO meter register;
- (iv) profiling and allocation processes and systems; and
- (v) retail billing and information systems.

(d) AEMO will determine, in consultation with *participants, pipeline operators and prescribed persons*, the extent and scope of the *Review* to be undertaken.

(e) AEMO must ensure that the person who conducts the *Review* prepares a report in which the results of the *Review* are set out.

(f) The report prepared by the Market Auditor in accordance with clause (e) must be published on the AEMO website and made available by AEMO to *participants, pipeline operators and prescribed persons* on request.

352. There is no clause 352. ~~Audit of network operator's metering responsibilities~~

- ~~(1) For each calendar year, each *network operator* must appoint an *auditor*, having regard to clause 353, to undertake a *negative assurance audit of the network operator's compliance during the year with clauses 62, 153, 156, 160(1)(j) and 169.*~~
- ~~(2) A *network operator* must:~~
 - ~~(a) ensure that the *negative assurance audit* is conducted in accordance with this Part 7.2; and~~
 - ~~(b) provide the auditor's final report of its findings to AEMO within 3 months after the end of the year to which the *negative assurance audit* relates.~~
- ~~(3) Clause 352 will not apply when an *ESCOSA* code relating to *network operator* audits is finalised.~~

353. There is no clause 353. ~~Auditor's qualifications etc~~

~~An auditor appointed under this Part 7.2 must have sufficient qualifications, resources, professional skill and experience to enable it to undertake the audit for which it is appointed.~~

354. There is no clause 354. ~~Auditor's conflict of interest~~

- ~~(1) In this clause 354, but subject to clause 354(4), the term "**conflict of interest**" includes, but is not limited to:~~
 - ~~(a) the holding of any office; or~~
 - ~~(b) the entering into, or giving effect to, any contract, arrangement, understanding or relationship,~~

~~by an auditor or any of its directors, officers, servants or agents whereby, directly or indirectly, duties or interests are or might be created for the auditor or any of the auditor's directors, officers, servants or agents which conflict, or might reasonably be expected to conflict, with any one or more of:~~

- (c) ~~the auditor's duties in conducting an audit under this Part 7.2; or~~
 - (d) ~~the interests of AEMO; or~~
 - (e) ~~the interests of a *participant*.~~
- (2) ~~A person required by this Part 7.2 to appoint an auditor must ensure that the auditor:~~
- (a) ~~before commencing any audit, and in any audit report, provides full disclosure of all actual or potential *conflicts of interest*;~~
 - (b) ~~at all times has in operation effective procedures to detect any actual or potential *conflict of interest* which arises during the course of the audit; and~~
 - (c) ~~forthwith notifies the person who appointed the auditor of any actual or potential *conflict of interest* which arises during the course of the audit, and of any non-compliance with this clause 354.~~
- (3) ~~A person required by this Part 7.2 to appoint an auditor must not appoint an auditor, or having appointed an auditor must terminate the appointment, if the person becomes aware of an actual or potential *conflict of interest* in the auditor which might reasonably be expected to materially adversely affect the auditor's independence and impartiality or the performance of its duties.~~
- ~~{Note: Examples of when an actual or potential conflict of interest in an auditor might reasonably be expected to materially adversely affect the auditor's independence and impartiality or the performance of its duties, would be if the auditor is the person who designed the relevant systems.}~~
- (4) ~~An auditor appointed to conduct an audit under this Part 7.2 is not to be taken to have a *conflict of interest* merely because it has previously been appointed to conduct an audit under this Part 7.2, or because it carries out other audit duties for a *participant*.~~

355. There is no clause 355.Terms of auditor's retainer

~~Except as stated in clause 356, the terms of retainer of an auditor appointed under this Part 7.2 (including regarding remuneration, expenses, insurances and liability) are to be agreed between the auditor and the person required by this Part 7.2 to appoint the auditor.~~

356. There is no clause 356.Confidentiality

- (1) ~~A person required by this Part 7.2 to appoint an auditor must ensure that the auditor enters into a deed of undertaking substantially in the form set out in Appendix 4, but that deed remains subject to clause 356(2).~~
- (2) ~~To the extent that disclosure by an auditor of any information or matter regarding a material non-compliance by a *participant* or AEMO is reasonably necessary for the auditor to report on the material non-compliance, the *participant* or AEMO (as the case may be) by this clause:~~
- (a) ~~waives all of its rights to require that the auditor keep the information or matter confidential; and~~
 - (b) ~~authorises disclosure by the auditor of the information or matter in accordance with this Part 7.2.~~

357. There is no clause 357.Participants, AEMO, pipeline operators and prescribed persons must cooperate with auditor

- (1) ~~A person being audited under clauses 351 or 352 must cooperate with and provide all reasonable assistance to an auditor appointed under this Part 7.2.~~
- (2) ~~Without limiting clause 357(1), a person being audited under clauses 351 or 352 must comply without delay with any request by the auditor for the purpose of conducting an audit under this Part 7.2 for the person:~~

- ~~(a) — to deliver to the auditor specified documents or records; and~~
- ~~(b) — to permit the *auditor*:~~
 - ~~(i) — to access the its premises during a *business day*; and~~
 - ~~(ii) — to take copies of its records.~~
- ~~(3) — Each of a *participant*, AEMO, *pipeline operator* and *prescribed person* who is not being audited under clauses 351 or 352 must cooperate with and provide reasonable assistance to an *auditor* appointed under this Part 7.2.~~
- ~~(4) — As a pre-condition to cooperating and providing assistance under clause 357(3), a person may request to be identified as a covenantee under a deed executed under clause 356(1).~~

358. There is no clause 358. **Audit report**

~~A person required by this Part 7.2 to appoint an *auditor* must ensure that the *auditor's* report of a *negative assurance audit* under this Part 7.2 at least:~~

- ~~(a) — provides reasonable detail regarding the *auditor's* investigations and methodology; and~~
- ~~(b) — details any material restrictions or deficiencies in the *auditor's* access to or use of relevant documents or records; and~~
- ~~(c) — without limiting clause 358(b), details the circumstances of any non-compliance by a participant or AEMO with clause 357, in respect of the *negative assurance audit*; and~~
- ~~(d) — complies with the deed of undertaking under clause 356(1); and~~
- ~~(e) — makes all disclosures required under clause 354(2); and~~
- ~~(f) — either:~~
 - ~~(i) — states that the negative assurance audit did not disclose non-compliance; or~~
 - ~~(ii) — provides details of each breach, non-compliance or other circumstance which prevents a statement under clause 358(f)(i) being made.~~

359. There is no clause 359. **Level of Audit**

- ~~(1) — In this clause 359, “**level**” means the degree of rigour with which a *negative assurance audit* is undertaken, including the size and nature of any sample used and the extent, if any, to which the sample is representative.~~
- ~~(2) — The person who appoints an *auditor* under this Part 7.2 (“**appointor**”) and the appointed *auditor* are to agree the level of the *negative assurance audit*.~~
- ~~(3) — Each *appointor* must ensure that the intensity of the *negative assurance audit* is adequate and reasonable having regard to:~~
 - ~~(a) — the requirements set out in this Part 7.2; and~~
 - ~~(b) — the need for the level to be sufficient for the *auditor* as a *reasonable and prudent person* to state that the *negative assurance audit* did not disclose non-compliance; and~~
 - ~~(c) — the objective that where possible, *participants* are to seek to minimise the costs of participating in the gas retail market and to achieve the best possible cost-benefit mix; and~~
 - ~~(d) — the objective that a *negative assurance audit* is normally designed to verify that systems and processes are functioning correctly.~~

~~(4) — A participant or AEMO may challenge the adequacy or level of a negative assurance audit conducted under this Part 7.2 by referring a matter to AEMO under clause 325.~~

360. There is no clause 360. AEMO's audit summary report

- ~~(1) — For each calendar year, AEMO must produce a report, after consulting with the participant regarding the content of the report, within 4 months after the end of the calendar year which:~~
- ~~(a) — details all significant instances of non-compliance identified in each of the auditor's reports produced under this Part 7.2; and~~
 - ~~(b) — details any action that has been taken or is proposed in respect of each instance of non-compliance identified under clause 360(1)(a).~~
- ~~(2) — AEMO's report under clause 360(1) must as far as practicable be consistent with making adequate disclosure, not disclose details of matters expressly identified to it by a participant during the consultation under clause 360(1) as comprising the participant's intellectual property, marketing systems, information technology or otherwise being confidential or commercially sensitive information.~~