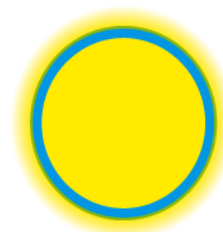


11 April 2017

Submissions
Electricity Authority
PO Box 10041
WELLINGTON 6143



Dear Sir/Madam

Requirements and processes for audits: Inherent risk registers and update to audit guidelines

This is Powerco Limited's submission on the Electricity Authority's 'Making hours-ahead price forecasts more accurate' Consultation paper dated 28 February 2017.

Powerco supports the Authority's review of the participant audit regime. The outcome is an improvement on current state. Attachment One contains our responses to the Consultation paper questions. In addition:

- We expect the audit regime to evolve through time. If the ultimate outcome is risk-based audits, customised risk registers will be a natural next step.
- Inherent risk assessments should determine the audit focus and priorities. Section 2.5 potentially infers that the "residual risk" does this. Clarification is worthwhile.
- EDB's should be able to replicate the auditor's checks to perform self-assessments. These self-assessments will be valuable when participants have an extended audit period. They will also allow participants to provide a pro-active contribution to an audit and improve the understanding of their risk profile.

If you have any questions about this submission, please contact Andrew Kerr
Andrew.Kerr@Powerco.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read "Richard Fletcher".

Richard Fletcher
General Manager Regulation and Corporate Affairs

Attachment One: Consultation questions

Question	Comment
Q1. Do you agree that the inherent risk registers address the issues of identifying inherent risk in the context of the audit regime?	Yes
Q2. Do you agree that the inherent risk registers should be reviewed regularly? If so, how often?	Yes. The risk register is generic so the inherent risks should be reviewed at fixed intervals. We do not have a firm view on frequency. The review process should allow out-of-period reviews to capture changes in the business environment e.g., to regulation, economy, or technology). This would be best if done by consultation with relevant class of participants.
Q3. Are there any additional inherent risks or inherent risk registers that should be covered? If yes, please provide details in terms of the risk, associated clauses and key goals at risk?	No.
Q4. Do you agree with the Authority's assessment of the inherent risks? If not, please provide details.	Yes.
Q5. Do you agree that the audit guidelines should be updated to align with changes to the audit regime?	Yes. The update should include a review of common terms. This ensures consistency in interpretation and prevents confusion. There may be issues with the current alignment of <ul style="list-style-type: none">• Risk and Materiality Guidelines,• Auditor Protocol• Inherent risk Register Guidelines. For example, the classification naming in the Risk and Materiality guidelines (tables 4-6) differs from that in the Inherent Risk Register Guidelines (tables 1-3).
Q6. Do you agree with the proposed changes to the audit guidelines attached to this paper? If not, please provide details.	Yes
Q7. Are there any additional areas or obligations that should be covered any of the audit guidelines? If yes, what additional areas or obligations are required?	Not at this stage