

A few
words.

**The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne Victoria 8007**

Email to: edcomments@auasb.gov.au

27 October 2011

**Re: Consultation Paper – Assurance Engagements on General
Purpose Water Accounting Reports**

Dear Sir/Madam,

AGL Energy (**AGL**) welcomes the opportunity to comment to the Auditing and Assurance Standards board (**AASB**) and Water Accounting Standards Board (**WASB**) on the Assurance Engagements on General Purpose Water Accounting Reports (**Discussion Paper**).

AGL is Australia's leading renewable energy company and is Australia's largest private owner, operator and developer of renewable generation assets. AGL is taking action towards creating a sustainable energy future for our investors, communities and customers. AGL has major investments in hydro and wind, as well as ongoing developments in key renewables including solar, geothermal, biomass and landfill gas.

Please find AGL's views on the Discussion Paper below:

A. Introduction

AGL maintains a renewable generation portfolio which includes a 798 MW of hydro generation in Victoria and New South Wales.

B. Assurance Reporting as Additional Requirement

AGL supports the general approach taken by AASB and WASB in developing a standard for assurance engagements on general purpose water accounting reports. However, there is a concern that this new reporting requirement, whilst enhancing the confidence of users of GPWAR when utilising those reports for making and evaluating decisions about allocation of resources, adds another layer of obligation to the already numerous government and regulatory reporting and compliance requirements that our generation business is subjected to.

AGL, in managing the various hydro generation assets in Victoria and New South Wales, provide reports to a number of regulatory and government bodies in both national and state-based. The assurance report being proposed translates to increased costs, including ensuring that this new obligation is embedded into our current business systems and processes (which meant developing new systems and processes and training new people in using this), provide resources to manage the process, and build the appropriate IT system that will be required associated with the new reporting requirements. This result in the

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series



industry being faced with substantial costs which ultimately be passed onto end-use consumers.

C. Overview of the approach

1. AGL supports a consistent approach across nationally and some uniformity and harmonisation to achieve objectives in a cost effective manner. It is sensible to consider the type of information that is already collected by various government agencies and for the Bureau to work with other agencies to standardise this.
2. It is also worthwhile to consider that in developing the standard, to apply this not just to water but also in other industries. This is in consideration of the process with which both the agencies have gone through to develop this and utilise the standard so that it will serve other industries.
3. Where reporting is optional and voluntary, positive assurance should also be optional.
4. As this is the first time that the Bureau will be implementing this and whilst it is a principle-based standard, the approach should not be prescriptive and should allow the industry enough time for the standard to be developed and improved so that it meets both the objectives of the Bureau and considers the needs of industries and businesses affected with this new reporting assurance standard.

D. Key issues upon which comments are invited

1. Of the three alternatives proposed, AGL prefers alternative 3 which is to develop a new standard that refers to existing AUASB standards. This way the standard is specific enough to focus on water concepts and requirements, whilst general enough using the existing standards providing consistency in assurance practice and reporting.
2. With regards to who should perform assurance engagements on GPWAR, AGL is supportive of a principles-based assurance standard, without detailed prescriptive requirements regarding qualifications and a formal registration process.
3. Assurance should be provided as a whole, but should be subject to review after the first few assurance engagements to validate whether there it is more useful to provide assurance on components of the GPWAR.
4. The standard should be flexible enough so that affected businesses can provide a multi-level of assurance.
5. Application of traditional assurance procedures (as that applied relating to financial statements) is not recommended; a modified version of it may be applicable for a start, but should be subject to review and where auditing has taken place, this should satisfy part of the process.
6. AGL supports at least no longer than three years where frequency of assurance reporting engagement is undertaken. However, where it is required that GPWAR is prepared on annual basis, then it may be useful to provide an assurance report where a limited assurance engagement is undertaken in that period.

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series



Should you wish to discuss the submission further, please contact Peter Billsdon on (03) 5754 3220 pbillsdon@agl.com.au or Marissa McCauley (03) 8633 7183 mmccauley@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D. Blampied', is written above the printed name.

Dale Blampied
General Manager Merchant Operations

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series