



Economic Regulation Authority

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INFORMATION

Electricity Networks Corporation (t/a Western Power)

CONTRAVENTION OF A TYPE 1 LICENCE OBLIGATION

On 6 December 2011, the Economic Regulation Authority (**Authority**) was notified of a contravention of clause 7.6(f) of the *Code of Conduct for the Supply of Electricity to Small Use Customers (Code)* by Electricity Networks Corporation (t/a Western Power). Clause 7.6(f) of the Code is classified as a Type 1 licence obligation (considered the most serious and therefore are immediately reportable) licence obligation.

On the business day before the CHOGM public holiday, Thursday 27 October 2011, a contractor working for Western Power disconnected two residential premises and one farm shed in Northam, in contravention of clause 7.6(f) of the Code. The contravention was not reported to the Authority until 6 December 2011.

The Authority is very disappointed that this is the third time that Western Power has reported a contravention of clause 7.6 of the Code in the past seven months; the previous contraventions were reported in May 2011 and September 2011.

The contraventions reported in May 2011 and December 2011 highlight Western Power's failure to implement adequate controls on the Metering Business System (**MBS**) to ensure that non-compliant disconnections are promptly detected. On both of these occasions the contravention of clause 7.6 of the Code has been detected by independent audits of the disconnection data.

The Authority is of the view that Western Power needs to further improve its internal controls in respect of customer disconnections covered by clause 7.6 of the Code, particularly as this is the third reported contravention of clause 7.6 of the Code during the past seven months.

The Authority notes that Western Power is implementing its Type 1 licence obligations compliance framework. The Authority is of the view that, while implementing the framework will go some way towards further strengthening Western Power's controls to ensure compliance with its Type 1 licence obligations, more needs to be done to improve the performance of the business units that are directly responsible for complying with the obligations.

The Authority understands that the reports on the independent audits of the controls relating to Type 1 obligations will be finalised by 31 March 2012. The Authority requires Western Power to provide it with a report on outcomes of these audits by 13 April 2012.

BACKGROUND

Type 1 licence compliance obligations are classified as having a major impact on the basis that:

- the consequences of a contravention would cause major damage, loss or disruption to customers; or
- the consequences of a contravention would endanger or threaten to endanger the safety or health of a person.

Clause 7.6(f) of the Code prohibits a distributor from disconnecting or arranging for the disconnection of a customer's supply address [for non-payment of a bill] on a Saturday, Sunday, public holiday or on the business day before a public holiday, except in the case of a planned interruption.

Western Power states that the contravention was caused by human error. The contractor who disconnected the premises was in the Northam area to perform other work and simply forgot about the CHOGM public holiday disconnection prohibition, despite the contractor's employer circulating a reminder to staff in advance of the weekend in question.

The information available to the Authority indicates that MBS did not alert Western Power to the three non-compliant disconnections at the time they were loaded into MBS because MBS had not been programmed with the CHOGM public holiday (28 October 2011).

The contravening disconnections were detected by the audit of Western Power's disconnections process that resulted from a previous contravention of clause 7.6 of the Code that was reported to the Authority in May 2011. The May 2011 contravention involved 197 non-compliant customer disconnections during the 18 months to April 2011 that had remained undetected until the 2011 performance audit of the licence.

Western Power states that both of the residential premises that were disconnected have been reconnected, although the dates of the reconnections have not been provided. There has been no request to reconnect the farm shed.

Western Power has identified two actions taken to rectify the contravention and prevent future recurrence of a contravention of clause 7.6(f) of the Code:

1. Taken action under the contract with AMRS (the contractor who performed the disconnections) seeking further improvements to their internal controls to prevent contraventions of this nature in future. Western Power will monitor the implementation by AMRS of the control improvements outlined in their response to the contract breach notice that has been served on them.
2. Implementing a Type 1 licence obligation compliance framework, which will include a range of measures to enhance Western Power's controls in respect of its Type 1 licence obligations and improve the level of monitoring of these controls. Western Power states that the controls relating to Type 1 obligations will be independently audited in January and February 2012.

Clause 14.2 of the Code provides for service standard payments to be made to customers in the event that they have been wrongfully disconnected. The current version of clause 14.2 does not extend the right to a service standard payment to customers who have been disconnected in circumstances similar to those that occurred on 27 October 2011. The Authority notes that amendments to address this issue are being considered in the review of the Code that is currently being conducted by the Electricity Code Consultative Committee.

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