



McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OF WESFARMERS KLEENHEAT GAS PTY LTD DISTRIBUTION LICENCE GDL 9 REPORT

PREPARED BY: Kevan McGill

DATE: 2 October 2013



McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

Michael Cassidy

Gas Distribution Network Manager - Kleenheat Gas P/L
Wesfarmers Chemicals, Energy & Fertilisers | Campus Drive (off Murdoch Drive)
Murdoch
PO Box 4184, Myaree Business Centre, Western Australia 6960

PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OF WESFARMERS KLEENHEAT GAS PTY LTD DISTRIBUTION LICENCE GDL 9

The fieldwork on the performance audit and asset management system review of Wesfarmers Kleenheat Gas Pty Ltd Distribution Licence GDL 9 for the audit period 1 June 2011 to 31 May 2013 is complete and I am pleased to submit the report to you.

In my opinion, except for matters referred to in the report, the Licensee maintained control procedures in relation to the Gas Distribution licence GDL 9 for the audit period based on the relevant clauses referred to within the scope section of this report.

In my opinion, the Licensee maintained, in all material aspects, effective control procedures in relation to the Gas Distribution licence GDL 9 for the audit period on the relevant clauses referred to within the objectives section of this report. Consistent with the scope limitation, the reports are accurate.

In my opinion, the Licensee has maintained a reasonable level of compliance with the licence conditions with 4 non-compliant obligations

In respect of the asset management system review for the audit period 1 June 2011 to 31 May 2013 the licensee has improved a number of control procedures from the last review however there are still improvements to be made to have effective controls.

In my opinion, the licensee has improved the asset management system overall but needs to make changes to the system to satisfy the 12 key processes that the Authority have identified for an asset management system. The Asset management system is effective and will be improved by a financial plan.

Yours sincerely

Kevan McGill
24 September 2013

**PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OF
WESFARMERS KLEENHEAT GAS PTY LTD DISTRIBUTION LICENCE GDL 9
REPORTS**

CONTENTS

1	EXECUTIVE SUMMARY	5
2	AUDIT CONCLUSION	5
2.1	PERFORMANCE AUDIT	6
2.2	ASSET MANAGEMENT SYSTEM REVIEW	6
2.3	PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OBJECTIVES	7
	SCOPE	7
2.4	LICENSEE AND ENVIRONMENT	8
2.5	AUDIT PERIOD FOR GDL9	9
2.6	SCOPE LIMITATION	9
2.7	PHASES OF AUDIT	9
2.8	FACILITIES VISITED AND KEY CONTACTS	10
3	SECTION 1 PERFORMANCE AUDIT	11
3.1	AUDIT RESULTS AND RECOMMENDATIONS	11
	THE RESULTS OF THE AUDIT ARE SUMMARISED BELOW:	11
3.2	SUMMARY OF SIGNIFICANT RESULTS	11
	ITEMS REQUIRING ACTIONS	11
	OPPORTUNITIES FOR IMPROVEMENT	13
3.3	AUDIT / REVIEW EVIDENCE	14
3.4	ITEMS FROM PREVIOUS PERFORMANCE AUDITS REQUIRING ATTENTION	16
3.5	AUDIT ELEMENTS COMPLIANCE DETAILS	18
3.6	RATING SUMMARY	47
4	SECTION 2: ASSET MANAGEMENT SYSTEM REVIEW	56
4.1	ASSET MANAGEMENT SYSTEM REVIEW INTRODUCTION	56
4.2	ASSET MANAGEMENT EFFECTIVENESS RATINGS	57
4.3	ASSET MANAGEMENT PROCESS AND POLICY DEFINITION ADEQUACY RATINGS TABLE	57
4.4	ASSET MANAGEMENT PERFORMANCE RATINGS TABLE	58
4.5	ASSET MANAGEMENT SYSTEM EFFECTIVENESS SUMMARY	59

Performance Audit & Asset Management System Review GDL 9

4.6	SUMMARY OF SIGNIFICANT RESULTS	59
4.7	ITEMS FROM PREVIOUS ASSET MANAGEMENT SYSTEM REVIEWS REQUIRING ATTENTION	60
	CORRECTIVE ACTION REQUIRED - ISSUES STILL OUTSTANDING FROM OLDER REVIEWS	60
	CORRECTIVE ACTIONS REQUIRED AS A CONSEQUENCE OF THE PREVIOUS REVIEW.....	62
4.8	ASSET MANAGEMENT SYSTEM REVIEW	65
	ACTIONS REQUIRED	65
	ASSET MANAGEMENT SYSTEM REVIEW DETAILS.....	66
5	Photographs	87

1 EXECUTIVE SUMMARY

Wesfarmers Kleenheat Pty Ltd engaged McGill Engineering Services Pty Ltd to undertake the Performance Audit and Asset Management System Review required by the Economic Regulation Authority (Authority) under the Distribution Licence GDL9. The report contains the findings from the performance audit and asset management system review.

Section 11ZA of the *Energy Coordination Act 1994* (the Act), requires Wesfarmers Kleenheat Gas Pty Ltd to provide the Economic Regulation Authority (Authority) a report by an independent expert acceptable to the authority as to the effectiveness of the measures taken by Wesfarmers Kleenheat Gas Pty Ltd to meet the standards referred to in section 11Z of the Act and performance criteria specified in the licence (audit).

Section 11Y of the Act requires Wesfarmers Kleenheat Gas Pty Ltd to provide to the Authority, a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system in respect of the licensee's assets (review).

The audit and review have been conducted in accordance with the prevailing Authority documents 'Audit Guidelines: Electricity Gas and Water Licences' (Guidelines) and 'The Gas Compliance Reporting Manual' (Manual). As two editions of the Manual were issued during the audit and review period both Manuals have been referenced. The Manuals identify each performance criteria specified in the licence and resolve them into a number of obligations (obligations), each of which is required to be addressed individually by the audit.

The Authority approved the appointment of McGill Engineering Services Pty Ltd on 30 May 2013 and following approval, required the auditor to develop a plan for their approval. A plan covering the Performance Audit and the Asset Management System Review was prepared and submitted to the Authority and approval of the plan was provided on 22 July 2013.

The audit and review periods are 1 June 2011 to 31 May 2013 and the previous period was 1 April 2010 to 31 May 2011 and this report details the outcome of the audit and review.

BUSINESS BACKGROUND

Wesfarmers Kleenheat Gas Pty Ltd is a company that supplies liquefied petroleum gas (LPG) from cylinders and also supplies gas to customers from distribution systems that it owns and operates throughout Australia. In Western Australia Wesfarmers Kleenheat Gas Pty Ltd has a gas distribution licence (GDL9) issued by the Authority under the provisions contained in the *Energy Coordination Act 1994*. This licence allows Wesfarmers Kleenheat Gas Pty Ltd to own and operate LPG distribution systems in the areas detailed in Schedule 1 of the licence including Oyster Harbour (Albany), Margaret River and Leinster.

2 AUDIT CONCLUSION

The Performance Audit and Asset Management System Review each have a separate and distinct purpose and scope.

2.1 PERFORMANCE AUDIT

The purpose of the performance audit is to assess the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence. The audit has focused on the systems and effectiveness of the processes used by the licensee to ensure compliance with the standards, outputs and outcomes required by Distribution Licence GDL9. Using the methodology outlined in the Plan approved by the Authority and assessing and testing the control environment, the information systems, control procedures and compliance attitude of the licensee, the auditor has gained a reasonable assurance that Wesfarmers Kleenheat Gas Pty Ltd has complied with its Distribution Licence during the audit period. The audit found that the licensee had not complied with 4 obligations during the audit period.

The 4 non compliances related to providing information on time. The licensee had taken action to rectify the non compliances and systems but these failed to have sufficiently robust controls to ensure meeting the requirements. The Licensee has introduced action processes but not check/review processes to ensure that the actions are achieved and in particular on time.

2.2 ASSET MANAGEMENT SYSTEM REVIEW

The purpose of the asset management system review is to assess the measures taken by the licensee for the proper management of the distribution system assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

The review focused on the licensee's asset management plans, and examined the measures taken by the licensee for the proper operation and maintenance of the distribution system assets.

The review also assessed the adequacy and effectiveness of the licensee's asset management system by examining the 12 key processes described in the Authority's Audit Guidelines.

The distribution systems are fairly static and expansion will only be considered if a developer releases additional land and wants reticulated LPG and requests the licensee to expand the system. The licensee does not actively seek to grow the business. This means that their asset management system has fewer emphases on some areas than that contemplated in the guidelines.

The systems are constructed to a high standard using the latest materials and installation methods and the design provides considerable spare capacity. The system is then operated in a prudent manner to maximise the return on investment throughout its predicted life. This approach enables the licensee to minimise any future capital, replacement and maintenance costs.

For the system to conform with the guidelines the licensee would need to undertake modifications/additions to the system particularly in the areas of financial planning.

The need to develop and implement a Safety Case has resulted in the licensee documenting how the distribution systems are managed to ensure their continued reliable and safe operation.

Performance Audit & Asset Management System Review GDL 9

The licensee has integrated the content of the Safety Case into the asset management system to improve its effectiveness.

There is need to enhance a financial plan for the distribution system.

2.3 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OBJECTIVES

The auditor is required to examine the licensee's operations in order to formally report to the licensee and the Authority whether, in all material respects, all or part of the licensee's activities meet the obligations of the performance and quality standards specified in the licensee's distribution licence GDL 9.

McGill Engineering Services Pty Ltd has been engaged to carry out the Performance Audit (audit) and Asset Management System Review (review) of Distribution Licence GDL 9 for Wesfarmers Kleenheat Gas Pty Ltd. A plan setting out the details of how the performance audit and asset management system review were to be undertaken was prepared and submitted to the Authority and approval to the plan was provided by the Authority on 22 July 2013.

In respect of the asset management system review for the audit period 1 June 2011 to 31 May 2013 the licensee has improved a number of control procedures from the last review however there are still improvements to be made to have effective controls.

In my opinion, the licensee has improved the asset management system overall but needs to make changes to the system to satisfy the 12 key processes that the Authority have identified for an asset management system. The Asset management system is effective and will be improved by a financial plan.

SCOPE

Section 11ZA of the *Energy Coordination Act 1994* (the Act), requires Wesfarmers Kleenheat Gas Pty Ltd to provide the Economic Regulation Authority (*Authority*) a report by an independent expert acceptable to the authority as to the effectiveness of the measures taken by Wesfarmers Kleenheat Gas Pty Ltd to meet the standards referred to in section 11Z of the Act and performance criteria specified in the licence (audit).

Section 11Y of the Act requires Wesfarmers Kleenheat Gas Pty Ltd to provide to the Authority a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system in respect of the licensee's assets (review).

The audit and review were conducted in accordance with the prevailing Authority documents 'Audit guidelines: Electricity gas and water licences' (guidelines) and the 'Gas compliance reporting manual' (manual). As two editions of the manual were issued during the audit and review period both manuals will be referenced. The manuals identify each performance criteria specified in the licence and resolve them into a number of obligations (obligations), each of which is required to be addressed individually by the audit.

The guidelines require the review include an assessment of the adequacy and effectiveness of the licensee's asset management system by evaluating the following 12 key processes:

- Asset planning
- Asset creation/acquisition
- Asset disposal
- Environmental analysis
- Asset operations
- Asset maintenance
- Asset management information system
- Risk management
- Contingency planning
- Financial planning
- Capital expenditure planning
- Review of the asset management system

2.4 LICENSEE AND ENVIRONMENT

The licensee operates liquefied petroleum gas (LPG) distribution systems in Margaret River, Oyster Harbour Albany and Leinster. The systems at Margaret River and Oyster Harbour Albany comprise of a network of underground pipes installed in the road verge with individual off-takes (services) to each customer terminating at the side of the customers property in a meter box that includes a service isolation valve, pressure regulator (that reduces the pressure to 2.75kPa) and a diaphragm meter that measures the gas consumed in cubic metres.

The LPG is supplied as a vapour from onsite bulk storage vessels that store the LPG as a liquid and following vaporisation of the LPG as it leaves the storage vessel regulate the pressure to a suitable pressure for distributing (typically 35 to 100 kPa) before entering the distribution system. All of the storage vessels have a device that measures the quantity of liquid in the storage vessels that can be dialled up remotely to enable product deliveries to be scheduled.

The Oyster Harbour and Margaret River distribution systems have been constructed from polyethylene pipe utilising an electro-fusion jointing system. The use of this material has resulted in a system that requires minimum maintenance, has a long life cycle (in excess of 50 years) is easily made safe if ruptured or damaged by a third party and has the ability to cope with a substantial increase in gas load (as additional customers are connected to the system) because the pressure in the distribution system can be increased to cope with the increased gas load. Additionally the size of the piping system has been based on natural gas thereby providing additional capacity because of the difference in energy content of the two gases.

The distribution system in Leinster is constructed predominantly from un-plasticised polyvinyl chloride (UPVC) and until recently operated in a similar manner to the other distribution systems. The system is much older than the other systems and has been constructed within the mining lease owned and operated by BHP Billiton.

The Audit Guidelines (11.7) require the auditor to raise issues about the licence. As there are no customers connected to the pipes (the essence of the definition of a distribution system) it is arguable if it is still a distribution system and should be part of Wesfarmers Kleenheat Gas Pty Ltd's licence.

This issue was raised in past audits/reviews and dealt with in 2012. However the Licensee may wish to revisit the Leinster licence with the *Authority*/Public Utilities Office and Energy Safety.

2.5 AUDIT PERIOD FOR GDL9

The audit and review period is 1 June 2011 to 31 May 2013 and previous period was 1 April 2010 to 31 May 2011.

2.6 SCOPE LIMITATION

The Act requires that the relevant licence conditions and the applicable standards in the *Gas Standards Act 1972* be audited. This will be achieved by examination of the business functions, documents, interviews with key persons and observations and will not be a detailed inspection of physical items.

2.7 PHASES OF AUDIT

The audit and review has been conducted in 3 phases:

1. RISK AND MATERIALITY ASSESSMENT

Utilising AS/NZS 31000:2009 Risk Management a preliminary assessment has been made of the risk and materiality of noncompliance with the required licence conditions in order to focus the audit and review effort on areas of higher compliance risk and identify areas for testing and analysis. This assessment is detailed in the audit plan.

2. SYSTEM ANALYSIS, ASSERTION SETTING AND REVIEW

Through discussion, observation and review, a sample of cases or data has been analysed relating to the licensee's quality and performance systems and standards against requirements of the licence conditions that have been the subject of the audit and a similar process has been followed in respect of the asset management system.

3. FIELDWORK: TESTING AND ANALYSIS

Using the results of the risk assessment and systems analysis, detailed testing and analysis has been performed to compare those standards maintained by the licensee with the relevant clauses of the licence. As part of this section of the audit and review the Margaret River and Leinster operating areas have been visited (refer photographs). Documentation relating to policies and procedures has also been examined in addition to items mentioned in the audit elements.

The audit and review has also looked at the actions taken in response to the recommendations that relate to the distribution licence contained in the previous performance audit and the asset management system review that covered the previous audits.

2.8 FACILITIES VISITED AND KEY CONTACTS

The facilities visited during the audit/review were:

- Kleenheat Gas head office Murdoch Perth to enable records, computer systems, databases, documents, procedures and financial records to be examined.
- The key contacts were Michael Cassidy, Gas Distribution Network Manager, and Tom Hutton, National Maintenance Manager, Manny Micallef FM and EC LPG and LNG Maintenance Services Manager and Robert Revy, Student Engineer.
- Margaret River storage facilities and tour of reticulated area to assess condition of storage vessels and distribution components. Key contacts were Michael Cassidy, Gas Distribution Network Manager and Michael Wilcox of Enviroflow Plumbing (responsible for constructing and repairing the distribution system).
- Leinster storage facilities were visited and inspection of a consumer gas installation. Key contacts were Michael Cassidy, Gas Distribution Network Manager and Ron Hoddy, National Accounts Manager
- The representative from McGill Engineering will be Kevan McGill, Director and Kim Wong Consultant.
- EnergySafety to discuss compliance with the *Gas Standards Act 1972* and to examine records relating to compliance issues that relate to the distribution systems at Margaret River, Oyster Harbour Albany and Leinster. Key contacts were Cornelis DeGroot (Principal Engineer Gas Supply) and David Robertson (Principal Engineer Gas Utilisation).

The audit and review was conducted during July/August 2013. The results of the audit and review are presented separately in the report:

- Section 1 covers the Performance Audit; and
- Section 2 covers the Asset Management System Review.

3 SECTION 1 PERFORMANCE AUDIT

3.1 AUDIT RESULTS AND RECOMMENDATIONS

THE RESULTS OF THE AUDIT ARE SUMMARISED BELOW:

Assessment	Audit Priority 1	Audit priority 2	Audit priority 4	Audit priority 5
Compliant 5	1	6	27	8
Compliant 4		1	2	
Compliant 3	1			
Non-compliant 2	1		3	
Significantly non compliant 1				
Not Rated			7	1
Not Applicable		0	7	0
Totals	3	7	46	9

3.2 SUMMARY OF SIGNIFICANT RESULTS

The audit resulted in 4 non compliances being recorded.

ITEMS REQUIRING ACTIONS

Item 102 /102 Distribution Licence clause 21.1	Type 2	Compliance Rating Not Compliant - 2
------------------------------------------------	--------	----------------------------------------

Performance Audit & Asset Management System Review GDL 9

Energy Coordination Act section 11M

A licensee must provide to the Authority any information that the Authority may require in connection with its functions under the *Energy Coordination Act 1994* in the time, manner and form specified by the Authority.

Compliance summary

Not Compliant. The 2012 reports (Compliance and Performance) were late.

Corrective Action/Opportunity for Improvement

Develop a control procedure to ensure regulatory requirements are scheduled and actioned and monitored for action.

Item 277/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	<i>Type 2</i>	Compliance Rating Not Compliant - 2
--------------------------------------------------------------------------------------	---------------	----------------------------------------

Energy Coordination Act section 11M

The annual retailer and distributor reports specified in clauses 13.15 and 13.16 are to be published not later than the following October 1.

Compliance summary

Not Compliant

Corrective Action/Opportunity for Improvement

A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.

Item 279/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(3)	<i>Type 2</i>	Compliance Rating Not Compliant - 2
--------------------------------------------------------------------------------------	---------------	----------------------------------------

Energy Coordination Act section 11M

A copy of each report must be given to the Minister and the Authority not less than 7 days before it is published.

Compliance summary

Not Compliant

Corrective Action/Opportunity for Improvement

A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.

Item 280/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18	<i>Type 2</i>	Compliance Rating Not Compliant - 2
-----------------------------------------------------------------------------------	---------------	----------------------------------------

Energy Coordination Act section 11M

A retailer and distributor must provide the information in the records in clauses 13.15 and 13.16 to the Authority in a format acceptable to the Authority no later than the following

23 September.

Compliance summary

Not Compliant

Corrective Action/Opportunity for Improvement

A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.

OPPORTUNITIES FOR IMPROVEMENT

Item 1/1 Distribution Licence clause 4.1	Type 2	Compliance Rating Compliant 4
<i>Energy Coordination Act section 11Q(1-2)</i> The requirement is that a Licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Regulations Clause 4 & 5).		
Compliance summary Compliant. 2010 fees were late (but outside the audit period) but 2011 and 2012 were on time.		
Corrective Action/Opportunity for Improvement Current status The necessary process to ensure payment occurs within the required timeframe has recently been implemented. This is to put the payments on a 7 day payment cycle (immediate) and while this should ensure payment on time, a control process is also recommended.		
Item 28 /28 Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 4
<i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)</i> A licensee shall not commence to supply gas to a customer's gas installation unless that installation meets the requirements prescribed in respect of that installation.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement Verify with EnergySafety the authorisation of gas fitters to make connection to the supply has occurred.		
Item 276/265 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.16	Type 2	Compliance Rating Compliant - 3

Energy Coordination Act section 11M

A distributor must prepare a report in respect of each reporting year setting out the information in the records specified in clause 13.16(a)-(d).

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.

Item 278/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(2)

Type 2

Compliance Rating
Compliant - 4

Energy Coordination Act section 11M

A report is published for the purposes of clause 13.17(1) if copies of it are available to the public, without cost, at places where the retailer or distributor transacts business with the public, and a copy of it is posted on a website maintained by the retailer or distributor.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Licensee to put in place process where all relevant staff (located at offices where the Licensee transacts business) are trained and made aware of providing relevant information, including reports requested by the public.

3.3 AUDIT / REVIEW EVIDENCE

The following evidence was gathered for the audit.

Legislation and standards,

Energy Coordination Act 1994,

Gas Standards Act 1972,

Gas Customer Code Compendium,

Gas Distribution Licence GDL9,

Licensee's documents,

Previous Performance Audit and Asset Management Review reports;

Wesfarmers Annual reports (2011 and 2012),

Customer service charter [public document/website],

Complaints handling manual and policy [public document/website] also in Charter,

Annual information returns,

Performance Audit & Asset Management System Review GDL 9

Asset Management Plan [Gas Distribution Asset Management Plan, April 2013],
Safety Case [KHG LPG Reticulation Systems Safety Case - KHO-TR-OPS-000-01, Feb 2013],
KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010 [KHO-GM-SAL-000-03, 2010]
LPG Gas Consumers Installation Inspection SAL-00-P14
LP Gas Consumers Installation Report [KHO-SF-SAL-000-17 July12]
Facilities Maintenance Manual [Distribution Network Maintenance Manual, KHO-GM-MNT-050-03 , March 2013 & PROMS457]
Incident reporting Procedure [Incident Reporting and Investigation, KH-GM-OHS-060-01, 2013]
Installation of gas main procedure [Installation of a Gas Main, KHO-MP-MNT-050-15, 2013]
Installation of gas service procedure [Installation of a Gas Service, KHO-MP-MNT-050-20, 2013]
Reticulated Gas Emergency Response Communications System [Reticulated Gas Emergency Response Communications System, KHO-MP-MNT-050-05, 2013]
Meter Disconnection and Reconnection Procedure [PROMS438]
Meter turned off tag [Meter Turned Off Tag KHO-IF-MNT-050-02]
Notification of Serious Incidents by State [Notification of Serious Incidents by State, KH-GM-OHS-060-02, 2013]
Pressure Testing of Mains and Services [Pressure Testing of Mains and Services, KHO-MP-MNT-050-13, 2013]
Unaccounted for gas procedure,[UAFG PROMS452]
Health and Safety Risk Register [PROMS508]
Risk Management [Risk Management KH-GM-OHS-050-01 2013]
Emergency Management [Emergency Management KH-GM-OHS-090-01 2013]
Emergency Event log form [PROMS513]
Reticulated gas leak survey procedure [Reticulated gas leak survey procedure KHO-MP-MNT-050-25 2013]
Reticulated Gas Quality Testing [Reticulated Gas Quality Testing KHO-MP-MNT-050-21 2013]
Asset Management Design planning and Asset disposal document [2012]
National Reticulation Return on Capital Spreadsheet [R15]
Various databases [eAm and Oracle Financial Viewed],
Contingency Plan [Distribution Systems Asset Contingency Plan, KHO-GM-MNT-580-02, 2012],
Decommissioning Mains [Decommissioning Mains and Services, KHO-MP-MNT-050-17 2013]
Reports on LPG quality analysis [Wesfarmers LPG Laboratory 17 reports 2007-20012],
Records and plans of distribution systems [Viewed on site/safety case],
Emergency information package provided at each storage site [Viewed on site].
EnergySafety Notices of Completion,

Cintellate – incident reporting IT system how to information,
Sample aged information,
Lease payment information Shire of Augusta Margaret River,
Leinster incident forms/emails,
Connections/Disconnections/Reconnections spreadsheets and emails

3.4 ITEMS FROM PREVIOUS PERFORMANCE AUDITS REQUIRING ATTENTION

Item 1 Distribution Licence Clause 4.1

Energy Coordination Act section 11Q(1-2)

The requirement is that a Licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Regulations Clause 4 & 5).

Recommendations

The Licensee to implement a process that ensures payment within the required period (30 days) rather than in accordance with their standard payment period.

Current status The necessary process to ensure payment occurs within the required timeframe has recently been implemented.

Action taken

Records were examined to determine if fees have been paid on time and they were but the supporting controls could be reinforced.

Item 257/251 Distribution Licence Clause 2.1 and Schedule 2 Gas Customer Code clause 12.3

Energy Coordination Act section 11M

A retailer, distributor and marketer must give a customer on request, at no charge, information that will assist the customer in utilising the respective complaints handling processes.

Corrective Action

Complaints manual to be amended to include information on how a customer on request, at no charge, gets information that will assist the customer in utilising the respective complaints handling processes and a brochure developed for handing to the customers.

Current status

As the retailer and distributor are the same entity, following the recent trading audit a brochure has been developed that provides information that will assist the customer in utilising the respective complaints handling processes. The brochure will also be available on the licensee's website.

Action taken

Records were examined and the required information has been made available to customers. No further action required.

Item 279/261 Distribution Licence clause 2.1 and
Schedule 2 Gas Customer Code clause 13.17(3)

Energy Coordination Act section 11M

A copy of each report must be given to the Minister and the Authority not less than 7 days before it is published.

Corrective Action

Process to be developed by licensee for submitting the report directly to the Minister within the required timeframe.

Current Status

The required process is now in place.

Action taken

Records were examined to determine if the above report has been made and on time. The last report was late and a control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.

3.5 AUDIT ELEMENTS COMPLIANCE DETAILS

Item 1/1 Distribution Licence clause 4.1	Type 2	Compliance Rating Compliant 4
<i>Energy Coordination Act section 11Q(1-2)</i> The requirement is that a Licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Regulations Clause 4 & 5).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the accounts paid ledger		
Observations Established date when invoice was received and fees were paid. Licensee operates on a 30 day payment cycle. The 30 days commence at the start of the month that follows the month in which the invoice is received. The licence requires at clause 4 that the fees be paid according to the regulations which set the values but not the payment time. Clause 4 of the licence requires compliance with applicable legislation including the Act, which requires payment within a month.		
Compliance summary Compliant. 2010 fees were late (and outside the audit period) but 2011 and 2012 were on time.		
Corrective Action/Opportunity for Improvement Current status The necessary process to ensure payment occurs within the required timeframe has recently been implemented. This is to put the payments on a 7 day payment cycle (immediate) and while this should insure payment on time a control process is also recommended.		

Item 6/6 Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11X(3)</i> A licensee must take reasonable steps to minimise the extent of the duration of any interruption, suspension or restriction of the supply of gas due to an accident, emergency, potential danger or other unavoidable cause.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the emergency plan template		

Observations

During the audit period only one incident occurred that resulted in a disruption to supply. The incident occurred at Leinster where a 3rd party dug up the gas supply. This affected the BHP Billiton mess. The incident was resolved in less than 3 hours after the licensee became aware of the problem. The incident was reported to Energy Safety but not the Authority (the incident was not such an extent to be categorised as an emergency that required reporting to the *Authority*/Minister).

The time taken by the licensee to rectify the situation indicates that a process exists for dealing with customer outages which includes a provision to minimise the extent of the duration.

The licensee has developed an Emergency Plan template for distribution systems that addresses how emergencies affecting the distribution systems will be managed.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Item 7/7 Distribution Licence clause 14.1	Type NR	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11Y(1)(a)</i> A licensee must provide for an asset management system in respect of its assets within 2 business days from the commencement date, or from the completion of construction of the distribution system, whichever is later.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined Asset Management System documentation		
Observations The licensee has assets throughout Australia and the asset management system covers all the licensee's assets including the distribution systems in Margaret River, Oyster Harbour, Albany and Leinster. As the asset management system covers all the licensee's assets it is not specific to the Western Australian assets.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 8/8 Distribution Licence clause 14.1 and 14.2	Type 2	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11Y(1)(b)</i> A licensee must notify details of the asset management system and any substantial changes to it to the Authority within 10 business days.		

Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined Asset Management System documentation
Observations The licensee has an Asset Management System however, because the distribution licence was granted prior to the Authority being established it has not been necessary for the licensee to provide a copy to the Authority. As no substantial changes have occurred to the Asset Management System it has not been necessary for the licensee to notify the Authority of any changes.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 9/9 Distribution Licence clause 14.3	Type 2	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11Y(1)(c)</i> A licensee must provide the Authority with a report by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows) as to the effectiveness of the asset management system.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined previous asset management system review report Examined letter from Authority approving McGill Engineering Services Pty Ltd as the auditor		
Observations The last Asset Management System Review was completed by Achieve It Consulting and was for the period 1 April 2010 to 31 May 2011. McGill Engineering Services Pty Ltd with the approval of the Authority has been appointed to undertake this review and Achieve It Consulting the previous review. The audit period is 1 June 2011 to 31 May 2013. These accords with the above requirement.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 10/10 Distribution Licence clause 15.1	Type 2	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11ZA(1)</i> A licensee must provide the Authority with a performance audit by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows).		

Verification/Tests

Interviewed Gas Distribution Network Manager, National Maintenance Manager
Examined previous performance audit report
Examined letter from authority requesting the audit
Examined letter from Authority approving McGill Engineering Services Pty Ltd as the auditor

Observations

The last Performance audit was completed by Achieve It Consulting.
McGill Engineering Services Pty Ltd with the approval of the Authority has been appointed to undertake this performance audit. The audit period is 1 June 2011 to 31 May 2013 and previous period 1 April 2010 to 31 May 2011.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Item 17/17 Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11ZK(3)</i> A licensee must pay the costs and expenses incurred in the taking of an interest or easement in respect of land held by a public authority.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined payment records		
Observations The licensee leases land in Forrest Road Margaret River from the local council and pays an annual lease cost. The storage vessels supplying part of the Margaret River distribution system (the Riverslea estate) are located on this parcel of land. Sample Lease payments provided.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 18 /18 Distribution Licence clause 17.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZOR(1)</i> A licensee that transports gas through a distribution system must be a member of an approved retail market scheme if a scheme is in force.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		

Performance Audit & Asset Management System Review GDL 9

Observations
No retail market scheme is in force therefore the obligation does not apply.
Compliance summary
Not applicable
Corrective Action/Opportunity for Improvement

Item 20/20 Distribution Licence clause 5.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZOV(1)</i> A licensee must not engage in prohibited conduct relating to the operation of a retail market scheme.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations As no retail market scheme applies this obligation is not applicable.		
Compliance summary Not applicable		
Corrective Action/Opportunity for Improvement		

Item 21/21 Distribution Licence clause 5.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZOV(2)</i> A licensee must not assist another party to engage in prohibited conduct relating to the operation of a retail market scheme.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations As no retail market scheme applies this obligation is not applicable.		
Compliance summary Not applicable		
Corrective Action/Opportunity for Improvement		

Item 22/22 Distribution Licence clause 5.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZOZ(3)</i> A licensee, as a member of a retail scheme, must comply with a direction given to it by the Authority to amend the scheme, and to do so within a specified time.		

Performance Audit & Asset Management System Review GDL 9

Verification/Tests
Interviewed Gas Distribution Network Manager, National Maintenance Manager
Observations
As no retail market scheme applies this obligation is not applicable.
Compliance summary
Not applicable
Corrective Action/Opportunity for Improvement

Item 23 /23 Distribution Licence clause 5.1	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act Schedule 3, section 2(1)</i> A licensee, as the operator of a supply system, must notify the Minister if a state of emergency exists in relation to a supply system as soon as practicable after becoming aware of it.		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations		
The licensee is aware of the need to notify the Minister if a state of emergency was to occur in respect of one of their distribution systems. However, as no such emergency occurred during the audit period this obligation could not be tested. (The gas leak at Leinster was not an emergency). Given the size of the distribution systems, the manner in which supply is provided and the customer base it is unlikely that should an outage occur that effected supply (i.e. storage vessels running out of liquid or major break) it would constitute an emergency as envisaged in Schedule 3 of the Act.		
Compliance summary		
Not rated		
Corrective Action/Opportunity for Improvement		

Item 24 /24 Distribution Licence clause 17	Type 2	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11ZQH</i> The licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme and is bound by any decision or direction of the ombudsman under the Scheme.		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations		
The licensee is a member of Gas Industry Ombudsman Scheme and the payments		

Performance Audit & Asset Management System Review GDL 9

ledger entries confirmed that the licensee has paid the required fees. During the audit period no decision or direction was provided by the Ombudsman.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Item 25 /25 Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11Z</i> A licensee must comply with the applicable standards of the <i>Gas Standards Act 1972</i> .		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the LPG supplied into the storage vessels supplying the gas into the distribution systems for various dates during the audit period. The licensee developed and operated in accordance with a safety case approved by the Director of EnergySafety. No other breaches of the Act and Regulations occurred during the audit period. Gas quality was also maintained within required specification.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 26 /26 Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 8(1)</i> A licensee must not supply gas at less than the relevant approved minimum heating value.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the LPG supplied into the storage vessels supplying the gas into the distribution systems for various dates during the audit period.		
Observations Reports showed gas quality was within required specification throughout audit period. Principal Engineer Gas Supply EnergySafety confirmed no issue with heating value being less than minimum prescribed in regulations occurred during the audit period. The licensee is sampling gas in vapour state as recommended by last audit. The test indicated no issues.		

Performance Audit & Asset Management System Review GDL 9

Compliance summary Compliant
Corrective Action/Opportunity for Improvement None

Item 27 /27 Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 9(1)</i> A licensee shall not cause or permit any alteration to be made in the specific gravity, flame speed or other prescribed characteristic of gas supplied by him unless he has first applied for, and obtained, the written approval of the Minister.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Interviewed Principal Engineer Gas Supply Energy Safety Examined reports on the analysis of the LPG supplied into the storage vessels supplying the gas into the distribution systems for various dates during the audit period.		
Observations Report showed gas quality was within required specification throughout audit period Principal Engineer Gas Supply Energy Safety confirmed no alteration was made in the specific gravity, flame speed or other prescribed characteristic of gas supplied during the audit period.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 28 /28 Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 4
<i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)</i> A licensee shall not commence to supply gas to a customer's gas installation unless that installation meets the requirements prescribed in respect of that installation.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager. Examined Licensee's Inspection Plan and a sample of Notices of Completion. Interviewed Principal Engineer Gas Utilisation Energy Safety		

Observations

The licensee operates under an Inspection Plan approved by the Director of Energy Safety under section 13 of the *Gas Standards Act 1972*. The Plan allows the licensee to undertake sample inspections of gas installations to satisfy the above obligation based on the percentage contained in the plan. This includes both distribution and cylinder supplied customers and it also allows for some of the inspections to be carried out after supply has commenced.

The licensee's compliance with their inspection plan is currently being audited by EnergySafety and information provided by the Principal Engineer Gas Utilisation indicates that the licensee has maintained the required level of inspection as required by the plan during the audit period for the distribution systems. EnergySafety advises that there have been no breaches.

The Licensee allows the gas fitter, after making the final connection to commence gas supply and this activity may be required to be authorised by the Licensee.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Verify with EnergySafety the authorisation of gas fitters to make connection to the supply has occurred.

Item 87 /87 Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant 5
<p><i>Energy Coordination (Customer Contract) Reg 28, clause 3.1.2 AGA Code</i></p> <p>The licensee must re-connect to a supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within 1 business day or period agreed with the customer from the date of the application and subject to the customer meeting the requirements in clause 3.1.2.2 of the AGA code.</p>		
<p>Verification/Tests</p> <p>Interviewed Gas Distribution Network Manager, National Maintenance Manager</p>		
<p>Observations</p> <p>There were 122 new connections to existing infrastructure (called reconnections in reporting manual). <i>As the Licensee does not physically disconnect supply, all reconnections occur within one business day. Disconnections/Reconnections through non payment are covered by other items in the audit.</i></p>		
<p>Compliance summary</p> <p>Compliant</p>		
<p>Corrective Action/Opportunity for Improvement</p>		

Item 88 /88 Distribution Licence clause 5.1, Distribution Licence Schedule 3 clause 2	Type NR	Compliance Rating Compliant - 5
------------------------------------------------------------------------------------------	---------	------------------------------------

Performance Audit & Asset Management System Review GDL 9

Energy Coordination Act section 11M, Energy Coordination (Customer Contract) Reg 28, clause 3.1.3.1 AGA Code

A licensee must connect a new supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within an agreed date, or where no date is agreed then within 20 business days from the date of the application.

Verification/Tests

Interviewed Gas Distribution Network Manager, National Maintenance Manager
Examined process used for connecting new customers.

Observations

The majority of connections are to newly constructed property and are managed by the builder. As the process is managed by the builder the work is always completed within the 20 day period. The 20 day period has also been achieved for installations that the licensee has managed.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Item 89 /89 Distribution Licence clause 5.1	Type NR	Compliance Rating Not Rated
Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.1 AGA Code		
A licensee must give at least four days notice to a customer of its intentions to undertake inspections, repairs, testing or maintenance at the customer's supply address.		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations		
During the audit period no inspections, repairs, testing or maintenance at the customer's supply address has occurred. However, should such an activity need to occur the licensee has a process in place to ensure the necessary notice is provided.		
Compliance summary		
Not Rated		
Corrective Action/Opportunity for Improvement		

Item 90 /90 Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.2 AGA Code</i>		
A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry, and show official identification.		
Verification/Tests		

Performance Audit & Asset Management System Review GDL 9

Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined licensee's official identity card
Observations Identity card issued to all employees that require access to customer's property shows holder is representative of the licensee.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 92 /92 Distribution Licence clause 12	Type 1	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must continuously operate those parts of the distribution system required to meet its obligations to supply gas, except to the extent necessary for compliance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> .		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations The licensee has continuously operated all parts of the distribution system thereby ensuring all customers have continuously been supplied with gas during the audit period.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 93 /93 Distribution Licence clause 13	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A licensee must give the Authority written notice where it proposes to permanently cease or substantially decrease its activities under the licence 6 months before the cessation or decrease or, if this is not practicable, as soon as possible.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations During the audit period the licensee did not permanently cease or substantially decrease its activities under the licence and currently has no plans to permanently cease or substantially decrease its activities under the licence.		
Compliance summary Not rated		

Performance Audit & Asset Management System Review GDL 9

Corrective Action/Opportunity for Improvement

Item 94 /94 Distribution Licence clause 14.4	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the asset management review.		
Verification/Tests Auditor provided with a copy of the <i>Authority's</i> standard guidelines dealing with the asset management review.		
Observations The asset management review has been carried out in compliance with the <i>Authority's</i> standard guidelines dealing with the asset management review.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 95 /95 Distribution Licence clause 14.6	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee's independent expert must be approved by the Authority prior to reviewing the effectiveness of the asset management system.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the letter provided by the Authority approving the independent expert.		
Observations Letter contained approval to independent expert proposed by licensee undertaking the asset management system review.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 96 /96 Distribution Licence clause 15.2	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the performance audit.		

Performance Audit & Asset Management System Review GDL 9

Verification/Tests Auditor provided with a copy of the <i>Authority's</i> standard guidelines dealing with the performance audit.
Observations The performance audit was carried out in compliance with the <i>Authority's</i> standard guidelines dealing with the performance audit.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 97 /97 Distribution Licence clause 15.4	<i>Type NR</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee's independent auditor must be approved by the Authority prior to the audit.		
Verification/Tests Examined letter from Authority confirming approval of auditor.		
Observations Letter confirms that Authority approved the auditor		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 98 /98 Distribution Licence clause 16	<i>Type NR</i>	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A licensee may be subject to individual performance standards.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations No individual performance standards were imposed during the audit period		
Compliance summary Not rated		
Corrective Action/Opportunity for Improvement		

Item 99 /99 Distribution Licence clause 18	<i>Type NR</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> Unless otherwise specified, all notices must be in writing and will be regarded as having		

been sent and received in accordance with defined parameters.
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager
Observations The licensee has not during the audit period issued any notices. However, should it be necessary to issue a notice it would be provided in writing.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 100 /100 Distribution Licence clause 19.1	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards.		
Verification/Tests Examined Annual Report of licensee		
Observations Annual Reports state that accounting records comply with the required standards.		
Compliance summary Compliant.		
Corrective Action/Opportunity for Improvement		

Item 101 /101 Distribution Licence clause 20	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A licensee must report to the Authority if the licensee is under external administration or experiences a significant change in its corporate, financial or technical circumstances that may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations The Licensee has not been under external administration or experienced a significant change in its corporate, financial or technical circumstances during the audit period.		

Compliance summary Not rated
Corrective Action/Opportunity for Improvement

Item 102 /102 Distribution Licence clause 21.1	Type 2	Compliance Rating Not Compliant - 2
<i>Energy Coordination Act section 11M</i> A licensee must provide to the Authority any information that the Authority may require in connection with its functions under the <i>Energy Coordination Act 1994</i> in the time, manner and form specified by the Authority.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined compliance reports and the annual performance reports Examined records to establish when delivery of the reports occurred		
Observations The licensee has not provided all information requested during the audit period within the required timeframe. This included the annual compliance reports and performance reports.		
Compliance summary Not Compliant. The 2012 reports (Compliance and Performance) were late.		
Corrective Action/Opportunity for Improvement Develop a control procedure to ensure regulatory requirements are scheduled and actioned and monitored for action.		

Item 103 /103 Distribution Licence clause 22	Type 2	Compliance Rating –Not Rated
<i>Energy Coordination Act section 11M</i> A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined 'performance report' Sighted report on website.		
Observations The Authority has not directed the Licensee to publish anything outside those obligations of the Gas Code. Licensee published a 'Performance Report' as per clause 13.16 of the Gas Customer Code on their website if not always on time.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Performance Audit & Asset Management System Review GDL 9

Item 104 /104 Distribution Licence Schedule 3 clause 1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11M</i> A licensee must, in relation to pipelines not covered by the National Access Code, exchange information with a trading licensee under section 9.5 of the National Access Code as if they were covered pipelines.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations The licensee has no pipelines as distribution systems are supplied from storage vessels. Therefore this obligation does not apply.		
Compliance summary Not applicable		
Corrective Action/Opportunity for Improvement		

Item 105 /105 Distribution Licence Schedule 3 clause 2	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must offer to connect residential premises located within the licence area to the distribution system if requested by a trader, subject to certain defined conditions.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations As the licensee holds both the trading and distribution licenses the licensee connects all residential customers requested by the trader.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 226 /224 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.5	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A distributor who disconnects a customer's supply address for emergency reasons must provide a 24 hour emergency line and use its best endeavours to restore supply as soon as possible.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		

Observations

No disconnections for emergency reasons have occurred during the audit period. However, the licensee has a 24 hour emergency line and should a disconnection be required for emergency reasons this line would be utilised. The licensee would also use its best endeavours to minimise the duration of the interruption.

Compliance summary

Not rated

Corrective Action/Opportunity for Improvement

Item 227 /225 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.6

Type 1

Compliance Rating
Compliant 5

Energy Coordination Act section 11M

A retailer or a distributor must not arrange for disconnection or disconnect a customer's supply address in the circumstances specified in clause 7.6.

Verification/Tests

Interviewed Gas Distribution Network Manager, National Maintenance Manager

Observations

The licensee disconnected 5 customers and all satisfied the requirements.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Item 230/ 228 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2

Type 2

Compliance Rating
Compliant 5

Energy Coordination Act section 11M

A distributor must reconnect the customer's supply address upon the request of a retailer and subject to the retailer complying with the retail market rules, within 2 business days of receipt of the request. This timeframe does not apply in the event of an emergency.

Verification/Tests

Interviewed Gas Distribution Network Manager, National Maintenance Manager

Observations

The licensee reconnected 4 customers in the audit period and all were within 2 days.

Compliance summary

Compliant

Corrective Action/Opportunity for Improvement

Item 244/ 240 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.6	<i>Type 2</i>	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A distributor must give a customer on request, at no charge, or direct the customer to a person or class of persons who can provide the information specified in clause 10.6(c)-(i).		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager		
Observations		
No requests for information were received from customers that required redirection to a third party. However, should such a circumstance occur the licensee would at no charge either provide the specified information or if this was not possible redirect the customer to a person or class of persons who can provide the specified information.		
Compliance summary		
Not rated		
Corrective Action/Opportunity for Improvement		

Item 245/ 241 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.9	<i>Type NR</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer, distributor and marketer must, to the extent practicable, ensure that any written information that must be given to a customer under the Gas Customer Code is expressed in clear, simple, and concise language and is in a format that makes it easy to understand.		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined information provided on the website and to customers		
Observations		
Information provided to a customer under the Gas Customer Code is in the auditor's opinion expressed in clear, simple, and concise language and is in a format that makes it easy to understand.		
Compliance summary		
Compliant		
Corrective Action/Opportunity for Improvement		

Item 246/242 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(1)	<i>Type 2</i>	Compliance Rating Compliant - 5
----------------------------------------------------------------------------------------	---------------	------------------------------------

<i>Energy Coordination Act section 11M</i> A retailer and distributor must tell a customer on request how the customer can obtain a copy of the Gas Customer Code and the compendium.
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined website
Observations The information provided was sufficient for me to download a copy from the Licensee's website or the Authority's website and I was also informed that I could obtain a hard copy from the office of the Licensee. A sample of documentation available was tested at Bunbury office and required document was available (Customer Charter).
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 247/243 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(2)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make electronic copies of the Gas Customer Code and the Compendium available, at no charge, on their website.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined website.		
Observations The Gas Customer Code and the Compendium is available on the licensee's website.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 248/244 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(3)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make a copy of the Gas Customer Code and the Compendium available for inspection, at no charge, at their offices.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager		

Observations Copies available and requested copy of the Gas Customer Code and the Compendium whilst at the office of the Licensee and was able to view a hard copy. Informed that copies available at other branch offices. A sample of documentation available was tested at Bunbury office and required document was available (Customer Charter).
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 249/245 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make available to a residential customer on request, at no charge, services that assist the residential customer in interpreting information provided by the retailer or distributor, (including independent multi-lingual and TTY services, and large print copies).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined customer charter on website and in paper, complaint handling documents and customer bill.		
Observations All written information provided by the licensee contains information that assists the residential customer in interpreting information provided by the distributor. In addition the call centre provides information to the customer to assist them in interpreting information being provided.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 250/246 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(2)	Type 2	Compliance Rating Not Applicable
<i>Energy Coordination Act section 11M</i> A retailer and, where appropriate a distributor must include on a residential customer's bill and bill related information, reminder notice and disconnection warning: the telephone number for their TTY services; the telephone number for independent multi-lingual services; the National Interpreter Symbol with the words "Interpreter Services".		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the Customer Service Charter, sample customer bill		

Observations Residential customer's bill includes the telephone number for their TTY services; the telephone number for independent multi-lingual services; the National Interpreter Symbol with the words "Interpreter Services".
Compliance summary Not applicable
Corrective Action/Opportunity for Improvement

Item 251/247 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate .Examined complaints manual and records.		
Observations A procedure has been developed by the licensee on how to deal with complaints and resolve disputes and is available to all employees on the licensee's intranet.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 252/248 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(2)(a) and (b)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> The complaints handling process must comply with AS ISO 10002 – 2006 and address, at the least, the criteria specified in clause 10.2(b).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate. Examined complaints procedure and records.		
Observations A procedure has been developed by the licensee on how to deal with complaints and meets the code requirements.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Performance Audit & Asset Management System Review GDL 9

Item 253/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(2) (d)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> The complaints handling process must detail how the retailer will handle complaints about a retailer or marketing, and be available at no cost to customers		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate. Examined complaints manual and records.		
Observations A procedure has been developed by the licensee on how to deal with complaints and meets the code requirements. No complaints recorded with Ombudsman.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 254/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(a)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer or distributor must advise the customer that the customer has the right to have the complaint considered by a senior employee within the retailer or distributor, when responding to a customer complaint.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate. Examined complaints manual and records.		
Observations A procedure has been developed by the licensee on how to deal with complaints and meets the code requirements.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 255/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(b)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> When a complaint has not been resolved internally in a manner acceptable to the customer, a retailer or distributor must advise the customer of the reasons for the outcome (on request, the retailer or distributor must supply such reasons in writing); and		

that the customer has the right to raise the complaint with the gas ombudsman or another relevant external dispute resolution body and provide the Freecall telephone number of the gas ombudsman.
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate. Examined complaints manual and records.
Observations A Manual has been developed by the licensee on how to deal with complaints and meets the code requirements. No complaints recorded with Ombudsman.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 257/251 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.3	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer, distributor and marketer must give a customer on request, at no charge, information that will assist the customer in utilising the respective complaints handling processes.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate. Examined complaints manual and records.		
Observations A procedure has been developed by the licensee on how to deal with complaints and meets the code requirements. No complaints recorded with Ombudsman.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 258/252 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.4	<i>Type 2</i>	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A retailer, distributor or marketer who receives a complaint that does not relate to its functions, must refer the complaint to the appropriate entity and inform the customer of the referral.		

Verification/Tests
Interviewed Gas Distribution Network Manager, National Maintenance Manager and Customer Advocate. Examined complaint manual and policy
Observations
No complaint received during the audit period that needed to be referred. A process exists for referring a complaint to the appropriate entity and informing the customer of the referral. On these areas the trader and the distributor are the same and so no referral is likely.
Compliance summary
Not rated
Corrective Action/Opportunity for Improvement

Item 259/253 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(1)	Type 2	Compliance Rating Compliant 5
<i>Energy Coordination Act section 11M</i> A retailer, distributor or marketer must keep a record or other information as required to be kept by the Gas Customer Code and the Compendium for at least two years from the last date on which the information was recorded, unless expressly provided otherwise.		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined records		
Observations		
All relevant information is retained for at least the required period.		
Compliance summary		
Compliant		
Corrective Action/Opportunity for Improvement		

Item 261/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(3)	Type 2	Compliance Rating Compliant 5
<i>Energy Coordination Act section 11M</i> For the purposes of clause 13.1(1), a distributor must keep records or other information specified in clause 13.1(3)(a)-(g).		
Verification/Tests		
Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined records		
Observations		
All relevant information is retained for at least the required period.		

Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 269/ 259 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of connections provided and connections not provided on or before the agreed date.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the records database		
Observations The licensee records in a database the total number of connections and has provision for recording connections not provided on or before the agreed date as specified in the Act. However, to date no occurrences of this nature have occurred.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 270/260 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)	Type 2	Compliance Rating Compliant 5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of reconnections provided other than those specified in clause 13.8(2)(a) and the total number of those reconnections not provided within the prescribed timeframe.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the records database		
Observations The licensee has records but the number under 13.8(2) is nil.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 271/261 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(1)	Type 2	Compliance Rating Compliant - 5
----------------------------------------------------------------------------------------	--------	------------------------------------

<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the customer complaints received, the action taken to address a complaint and the customer indicators specified in clause 13.10(1)(a)-(e).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the complaints database		
Observations Two customer complaints were received during the audit period. The database has provision for recording the information on customer complaints required under clause 13.10(1) of the Gas Customer Code.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 272/262 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(2)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A distributor must keep a copy of each customer complaint referred to in clause 13.10(1).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the complaints database		
Observations Two customer complaints were received during the audit period, and these are recorded in database on customer complaints required under clause 13.10(2) of the Gas Customer Code.		
Compliance summary Not rated		
Corrective Action/Opportunity for Improvement		

Item 273/263 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.12	<i>Type 2</i>	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the call centre performance indicators specified in clause 13.12(a)-(e).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the records database		
Observations The database contains a record of the call centre performance indicators specified in		

Performance Audit & Asset Management System Review GDL 9

clause 13.12 of the Gas Customer Code. The data is not split between trader and distributor as the same centre is used.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 274/264 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.14	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of delivery points on the distributor's distribution system.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined the records database Examined the Safety Case document		
Observations The database and Safety Case document contains information on the total number of delivery points.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 276/265 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.16	<i>Type 2</i>	Compliance Rating Compliant - 3
<i>Energy Coordination Act section 11M</i> A distributor must prepare a report in respect of each reporting year setting out the information in the records specified in clause 13.16(a)-(d).		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined annual performance report submitted by licensee		
Observations The report was prepared, submitted and published but not in accordance with the required timeframe last year.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.		

Item 277/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	Type 2	Compliance Rating Not Compliant - 2
<i>Energy Coordination Act section 11M</i> The annual retailer and distributor reports specified in clauses 13.15 and 13.16 are to be published not later than the following October 1.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined annual performance report submitted by licensee		
Observations The report was prepared, submitted and published but not in accordance with the required timeframe last year. The advice to the Minister was 8 October 2012 (published 12 Oct 2012) and to the Authority was in November and so the following report was late. The 2011 report was published on 11 Sept 2011 and satisfies the requirements.		
Compliance summary Not Compliant		
Corrective Action/Opportunity for Improvement A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.		

Item 278/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(2)	Type 2	Compliance Rating Compliant - 4
<i>Energy Coordination Act section 11M</i> A report is published for the purposes of clause 13.17(1) if copies of it are available to the public, without cost, at places where the retailer or distributor transacts business with the public, and a copy of it is posted on a website maintained by the retailer or distributor.		
Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined annual performance report submitted by licensee		
Observations The report was prepared submitted and published (viewed on website as test), if not always in the required timeframe. It is available as required.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement Licensee to put in place process where all relevant staff (located at offices where the Licensee transacts business) are trained and made aware of providing relevant information, including reports requested by the public.		

Performance Audit & Asset Management System Review GDL 9

Item 279/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(3)	Type 2	Compliance Rating Not Compliant - 2
<p><i>Energy Coordination Act section 11M</i> A copy of each report must be given to the Minister and the Authority not less than 7 days before it is published.</p>		
<p>Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined annual performance report submitted by licensee</p>		
<p>Observations The report was prepared, submitted and published but not in accordance with the required timeframe last year.</p>		
<p>Compliance summary Not Compliant</p>		
<p>Corrective Action/Opportunity for Improvement A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.</p>		

Item 280/- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18	Type 2	Compliance Rating Not Compliant - 2
<p><i>Energy Coordination Act section 11M</i> A retailer and distributor must provide the information in the records in clauses 13.15 and 13.16 to the Authority in a format acceptable to the Authority no later than the following 23 September.</p>		
<p>Verification/Tests Interviewed Gas Distribution Network Manager, National Maintenance Manager Examined annual performance report submitted by licensee</p>		
<p>Observations The report was prepared, submitted and published but not in accordance with the required timeframe in every year. 2012 report was published on Nov 12 2012. And therefore late. The 2011 report was published on 11 Sept 2011 and satisfies the requirements.</p>		
<p>Compliance summary Not Compliant</p>		
<p>Corrective Action/Opportunity for Improvement A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.</p>		

3.6 RATING SUMMARY

2013 MANUAL

2013 manual Ref number	2010 Manual Ref number	Obligations under -Energy Coordination Act Section	Licence conditions – Distribution Licence Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
1.	1.	11Q(1-2)	4.1	2	2	C	Medium	M	4				<input checked="" type="checkbox"/>			
6.	6.	11X(3)	5.1	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
7.	7.	11Y(1)(a)	14.1	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
8.	8.	11Y(1)(b)	14.1 and 14.2	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
9.	9.	11Y(1)(c)	14.3	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
10.	10.	11ZA(1)	15.1	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
17.	17.	11ZK(3)	5.1	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
18.	18.	11ZOR(1)	17.1	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	
20.	20	11ZOV(1)	5.1	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	
21.	21	11ZOV(2)	5.1	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	
22.	22	11ZOZ(3)	5.1	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	
23.	23.	Schedule 3, section 2(1)	5.1	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under -Energy Coordination Act Section	Licence conditions – Distribution Licence Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
24.	24.	11ZQH	17	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
25.	25.	11Z	5.1	1	3	C	High	S	2					<input checked="" type="checkbox"/>		
26.	26.	11Z Gas Standard s Act 1972 Section 8(1)	5.1	1	3	C	High	S	2					<input checked="" type="checkbox"/>		
27.	27.	11Z Gas Standard s Act 1972 Section 9(1)	5.1	1	3	C	High	S	2					<input checked="" type="checkbox"/>		
28.	28.	11Z Gas Standard s Act 1972 Section 13(1)	5.1	1	3	C	High	S	2				<input checked="" type="checkbox"/>			

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Customer Contracts) Reg AGA Code Clause	Licence conditions – Distribution Licence Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
87.	87.	Reg 28, clause 3.1.2	5.1	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
88.	88.	Act S11M Reg 28, clause 3.1.3.1	5.1, Schedule 3 clause 2	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
89.	89.	Reg 33 (3), clause 3.5.2.1	5.1	NR	1	C	Low	M	5							<input checked="" type="checkbox"/>
90.	90.	Reg 33 (3), clause 3.5.2.2	5.1	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Act Section	Licence conditions – Distribution Licence Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
92.	92.	11M	12	1	3	C	High	S	2					<input checked="" type="checkbox"/>		
93.	93.	11M	13	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>
94.	94.	11M	14.4	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
95.	95.	11M	14.6	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
96.	96.	11M	15.2	1	3	C	High	S	2					<input checked="" type="checkbox"/>		
97.	97.	11M	15.4	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
98.	98.	11M	16	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
99.	99.	11M	18	NR	1	C	Low	M	5					<input checked="" type="checkbox"/>		
100.	100.	11M	19.1	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
101.	101.	11M	20	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>
102.	102.	11M	21.1	2	3	C	Medium	W	1		<input checked="" type="checkbox"/>					
103.	103.	11M	22	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>
104.	104.	11M	Schedule 3 clause 1	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	
105.	105.	11M	Schedule 3 clause 2	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Act Section	Licence conditions – Distribution Licence Clause Compendium Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
226.	224.	11M	2.1 and Schedule 2 7.5	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>
227.	225.	11M	2.1 and Schedule 2 7.6	1	3	C	High	S	2					<input checked="" type="checkbox"/>		
230.	228.	11M	2.1 and Schedule 2 8.2	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
244.	240.	11M	2.1 and Schedule 2 10.6	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>
245.	241.	11M	2.1 and Schedule 2 10.9	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
246.	242.	11M	2.1 and Schedule 2 10.10(1)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Act Section	Licence conditions – Distribution Licence Clause Compendium Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
247.	243.	11M	2.1 and Schedule 2 10.10(2)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
248.	244.	11M	2.1 and Schedule 2 10.10(3)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
249.	245.	11M	2.1 and Schedule 2 10.11(1)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
250.	246.	11M	2.1 and Schedule 2 10.11(2)	2	2	C	Medium	M	4						<input checked="" type="checkbox"/>	
251.	257.	11M	2.1 and Schedule 2 12.1(1)	2	3	C	Medium	W	1					<input checked="" type="checkbox"/>		
252.	248.	11M	2.1 and Schedule 2 12.1(2) (a) and (b)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Act Section	Licence conditions – Distribution Licence Clause Compendium Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
253.	-	11M	2.1 and Schedule 2 12.1(2) (c) and (d)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
254	-	11M	2.1 and Schedule 2 12.1(3) (a)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
255	-	11M	2.1 and Schedule 2 12.1(3) (b)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
257.	251.	11M	2.1 and Schedule 2 12.3	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
258.	252.	11M	2.1 and Schedule 2 12.4	2	2	C	Medium	M	4							<input checked="" type="checkbox"/>
259.	253.	11M	2.1 and Schedule 2 13.1(1)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Act Section	Licence conditions – Distribution Licence Clause Compendium Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
261.	.	11M	2.1 and Schedule 2 13.1(2)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
269.	259.	11M	2.1 and Schedule 2 13.8(1)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
270.	260	11M	2.1 and Schedule 2 13.8(2)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
271.	261.	11M	2.1 and Schedule 2 13.10(1)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
272.	262.	11M	2.1 and Schedule 2 13.10(2)	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
273.	263.	11M	2.1 and Schedule 2 13.12	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		
274.	264.	11M	2.1 and Schedule 2 13.14	2	2	C	Medium	M	4					<input checked="" type="checkbox"/>		

Performance Audit & Asset Management System Review GDL 9

2013 manual Ref number	2010 Manual Ref number	Obligations under - Energy Coordination (Act Section	Licence conditions – Distribution Licence Clause Compendium Clause	Type	Consequences 1=Minor, 2=Moderate, 3=Major	Likelihood ()A=Likely B =probable C=unlikely	Inherent Risk	Adequacy of Existing Controls S=S, M=Moderate, W =W	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating Nr
276.	265.	11M	2.1 and Schedule 2 13.16)	2	3	C	Medium	W	1			<input checked="" type="checkbox"/>				
277.		11M	2.1 and Schedule 2 13.17(1)	2	2	C	Medium	M	4		<input checked="" type="checkbox"/>					
278	-	11M	2.1 and Schedule 2 13.17(2)	2	2	C	Medium	M	4				<input checked="" type="checkbox"/>			
279	-	11M	2.1 and Schedule 2 13.17(3)	2	2	C	Medium	M	4		<input checked="" type="checkbox"/>					
280	-	11M	2.1 and Schedule 2 13.18	2	2	C	Medium	M	4		<input checked="" type="checkbox"/>					

4 SECTION 2: ASSET MANAGEMENT SYSTEM REVIEW

4.1 ASSET MANAGEMENT SYSTEM REVIEW INTRODUCTION

Section 11Y of the Act requires Wesfarmers Kleenheat Gas Pty Ltd (Kleenheat Gas) to provide to the Authority a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system in respect of the licensee's assets (review).

The review is to be conducted in accordance with the prevailing *Economic Regulation Authority (Authority)* documents 'Audit Guidelines: Electricity Gas and Water Licences' (Guidelines).

The guidelines require the review include an assessment of the adequacy and effectiveness of the licensee's asset management system by evaluating the following 12 key processes:

- Asset planning,
- Asset creation/acquisition,
- Asset disposal,
- Environmental analysis,
- Asset operations,
- Asset maintenance,
- Asset management information system,
- Risk management,
- Contingency planning,
- Financial planning,
- Capital expenditure planning,
- Review of the asset management system.

The asset management system review will assess the measures taken by the licensee for the proper management of assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

The asset management system review will focus on the asset management system, including asset management plans, which set out the measures that are to be taken by the licensee for the proper operation and maintenance of assets. The plans will be examined to determine if the licensee's business strategies ensure the effective management of its assets over at least a five year period.

The scope of the asset management system review will include an assessment of the adequacy and effectiveness of the asset management system by evaluating the 12 key processes listed above.

4.2 ASSET MANAGEMENT EFFECTIVENESS RATINGS

Utilising the process and policy definition adequacy ratings and the performance ratings provided in the following tables an assessment has been made of the effectiveness of licensee's asset management system.

4.3 ASSET MANAGEMENT PROCESS AND POLICY DEFINITION ADEQUACY RATINGS TABLE

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none">Processes and policies are documented.Processes and policies adequately document the required performance of the assets.Processes and policies are subject to regular reviews, and updated where necessary.The asset management information system(s) are adequate in relation to the assets that are being managed
B	Requires some improvement	<ul style="list-style-type: none">Process and policy documentation requires improvement.Processes and policies do not adequately document the required performance of the assets.Reviews of processes and policies are not conducted regularly enough.The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).
C	Requires significant improvement	<ul style="list-style-type: none">Process and policy documentation is incomplete or requires significant improvement.

		<ul style="list-style-type: none">Processes and policies do not document the required performance of the assets.Processes and policies are significantly out of date. The asset management information system(s) require significant improvement
D	Inadequate	<ul style="list-style-type: none">Processes and policies are not documented.The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).

4.4 ASSET MANAGEMENT PERFORMANCE RATINGS TABLE

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none">The performance of the process meets or exceeds the required levels of performance.Process effectiveness is regularly assessed and corrective action taken where necessary.
2	Opportunity for improvement	<ul style="list-style-type: none">The performance of the process requires some improvement to meet the required level.Process effectiveness reviews are not performed regularly enough.Process improvement opportunities are not actioned.

Performance Audit & Asset Management System Review GDL 9

3	Corrective action required	<ul style="list-style-type: none">• The performance of the process requires significant improvement to meet the required level.• Process effectiveness reviews are performed irregularly, or not at all.• Process improvement opportunities are not actioned.
4	Serious action required	<ul style="list-style-type: none">• Process is not performed, or the performance is so poor that the process is considered to be ineffective.

4.5 ASSET MANAGEMENT SYSTEM EFFECTIVENESS SUMMARY

ASSET MANAGEMENT SYSTEM	Asset management process and policy definition adequacy rating	Asset management performance rating
asset planning	A	2
asset creation/acquisition	B	Not Rated
asset disposal	B	Not Rated
environmental analysis	A	2
asset operations	A	1
asset maintenance	A	2
asset management information system	A	1
risk management	A	2
contingency planning	A	2
financial planning	C	2
capital expenditure planning	B	Not Rated
review of the asset management system	A	2

4.6 SUMMARY OF SIGNIFICANT RESULTS

The distribution systems are fairly static and expansion will only be considered if a developer releases additional land and wants reticulated LPG and requests the licensee to expand the system. The licensee does not actively seek to grow the business. This means that their asset

management system has fewer emphases on some areas than that contemplated in the guidelines.

The systems are constructed to a high standard using the latest materials and installation methods and the design provides considerable spare capacity. The system is then operated in a prudent manner to maximise the return on investment throughout its predicted life. This approach enables the licensee to minimise any future capital, replacement and maintenance costs.

It was noted that the distribution systems were of the same nature as the previous review as were the financial model/approval process for distribution system extensions. It was noted that there was good improvement in the asset management plan and improvement in asset operations, maintenance and risk management. It was also noted an improvement in documentation of processes and procedures. However, for the system to conform with the guidelines the licensee would need to undertake modifications/additions to the system particularly in the areas of financial planning.

The need to develop and implement a Safety Case has resulted in the licensee documenting how the distribution systems will be managed to ensure their continued reliable and safe operation. The licensee has integrated the content of the Safety Case into the asset management system to improve its effectiveness.

4.7 ITEMS FROM PREVIOUS ASSET MANAGEMENT SYSTEM REVIEWS REQUIRING ATTENTION

CORRECTIVE ACTION REQUIRED - ISSUES STILL OUTSTANDING FROM OLDER REVIEWS

1. Asset planning

Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).

Recommendation

The Asset Management Plan to be enhanced through the inclusion of the relevant sections of the Safety Case. The plan has still to be endorsed by senior management together with testing of the emergency plans and this should be undertaken as soon as possible.

Actions taken

The Asset management plan incorporates elements of the Safety Case relevant to established networks such as these.

Resolved No further Action required.

5. Asset operations

Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.

Performance Audit & Asset Management System Review GDL 9

Monitoring of pressures and flows to commence during the winter period in 2012. Unaccounted for gas associated with metering errors to be examined to enable it to be quantified and strategies developed to ensure it is maintained at a realistic level. A leak survey of the reticulated systems to be carried out every 5 years.

Testing of the emergency plans to be undertaken as soon as practical.

Action taken

Partially Resolved. The monitoring of the distribution system such as by leak surveys is at 5 yearly intervals which is appropriate. System formal safety assessment is every 5 years. Emergency plans have not been recently exercised and recorded. Incomplete actions carried into this review.

6. Asset maintenance

Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.

.

Recommendation

The maintenance procedures manual has scheduled reviews and consequent upgrades. The maintenance manual is to ensure that comprehensive refurbishment of bulk containers takes place routinely. Implement maintenance procedures required by EnergySafety – which requires procedures to cover the activities regularly performed on the network. For maintenance, these include leak survey, leak classification and repair and meter / regulator servicing and replacement.

.

Action taken

Partially Resolved. The maintenance manual now has maintenance of bulk containers. Maintenance procedures from Safety Case incorporated into manual .Leak surveys did not take place in review period but the first took place at Leinster after the audit period.

11. Capital expenditure planning

The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.

Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would usually be based on firm estimates.

Recommendation

The need for a capital expenditure plan to be discussed with the Authority.

Action taken

Capital plans have not been discussed with the *Authority*. The ROC assessment process will establish capital expenditure but the capital expenditure values are very low and do not justify a capital expenditure plan.

Resolved. No further action required.

CORRECTIVE ACTIONS REQUIRED AS A CONSEQUENCE OF THE PREVIOUS REVIEW

1. Asset planning

Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).

Recommendation

A decision needs to be taken on the future status of Leinster and whether it should still be a requirement of the licence.

The licensee needs to hold discussions with the Authority to determine what is required to be addressed in the asset management system, to satisfy the Authority's requirements because of the unique nature of the systems and their relative importance to the licensee's overall business.

Actions taken

Position on Leinster actioned from last review.

Asset Management Plan developed to a satisfactory level and for this item no further action required.

.

3. Asset Disposal

Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives are evaluated in cost-benefit terms.

Recommendation

The replacement strategy to be documented and to clearly identify the assets to be replaced, the alternatives considered and the frequency of replacement.

Actions taken

Maintenance procedures establish condition as basis for replacement decision. There is a document describing the disposal process and consequent processes such as a decommissioning procedure developed. Licensee has a documented process in place to deal with asset disposal, but currently has no need to replace any asset

Resolved No further action required.

4. Environmental analysis

Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.

Performance Audit & Asset Management System Review GDL 9

Recommendation

The threats evaluated in the Safety Case to be integrated into the Asset Management System.

Actions taken

Threats incorporated into Asset Management Plan.

No further action required.

6. Asset maintenance

Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.

Recommendation

The Licensee to include the maintenance activities contained in the Safety Case that need to be carried out that are not already contained in the Asset Management System. Operational activities include emergency plan testing, UAFG monitoring, pressure and flow monitoring within the networks.

Actions taken

Maintenance activities contained in the Safety Case have been integrated into the Asset Management System.
No further action required.

8. Risk management

Risk management involves the identification of risks and their management within an acceptable level of risk.

Recommendation

The Formal Safety Assessment contained in the Safety Case to be integrated into the Asset Management System.

Actions taken

Formal safety assessments contained in the Safety Case has been integrated into the Asset Management Plan
No further Action required

10. Financial planning

The financial planning component of the asset management plan brings together the financial elements of the service delivery to ensure its financial viability over the long term.

Recommendations

The licensee to develop a financial plan that covers the following requirements:

The financial objectives and strategies and actions to achieve the objectives

- The financial objectives and strategies and actions to achieve the objectives;
- Firm predictions on income for the next five years and reasonable indicative predictions beyond this period;
- The operations and maintenance, administration and capital expenditure requirements of the services; and
- Identifies significant variances in actual/budget income and expenses and the corrective action to be taken.

Action taken

While elements of a financial plan exist no financial plan has been developed. Incomplete actions carried into this review.

11. Capital expenditure planning

The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years. Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would usually be based on firm estimates.

Recommendation

The licensee develop a capital expenditure plan that sets out the process the licensee follows when seeking capital expenditure and how the funding is made available.

Action taken

The licensee has developed a process for seeking capital expenditure based on ROC (return on capital) assessment process over a period. The Asset Management Plan sets out the process for “capital works”. The ROC assessment process establishes capital expenditure but the capital expenditure values are very low and do not justify a capital expenditure plan which will be covered by a financial plan. The need for Capital expenditure plan is not justified with expenditures of this level (and the issues are covered by a financial plan). No further action required.

4.8 ASSET MANAGEMENT SYSTEM REVIEW

ACTIONS REQUIRED

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
8.0 Risk management	A	2
Risk management involves the identification of risks and their management within an acceptable level of risk.		
Recommendations Schedule regular exercise of emergency plans and record results.		

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
10.0 Financial planning	C	2
The financial planning component of the asset management plan brings together the financial elements of the service delivery to ensure its financial viability over the long term.		
Recommendations KHG needs to develop a separate financial plan for its gas distribution network in WA. Relevant financial information in the Annual Operating Budget and Profit/Loss and Balance Sheet Statements for its overall business needs to be identified and incorporated (together with other financial elements from other documents) into a 'Financial plan' for managing the gas distribution network in WA.		

ASSET MANAGEMENT SYSTEM REVIEW DETAILS

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
1.0 Asset Planning	A	2
Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).		
Evidence Examined [see Audit / Review evidence section for version details] <ul style="list-style-type: none">• Previous Asset Management Review reports;• Wesfarmers Annual reports (2011 and 2012),• Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case,• KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010• LPG Gas Consumers Installation Inspection• LP Gas Consumers Installation Report• Facilities Maintenance Manual• Incident reporting Procedure• Installation of gas main procedure [Installation of a Gas Main,• Installation of gas service procedure [Installation of a Gas Service,• Reticulated Gas Emergency Response Communications System• Meter Disconnection and Reconnection Procedure• Meter turned off tag• Notification of Serious Incidents by State [Notification of Serious Incidents by State,• Pressure Testing of Mains and Services [Pressure Testing of Mains and Services,• Unaccounted for gas procedure• Health and Safety Risk Register• Risk Management• Emergency Management• Emergency Event log form• Reticulated gas leak survey procedure• Reticulated Gas Quality Testing• Asset Management Design planning and Asset disposal document		

- National Reticulation Return on Capital Spreadsheet
- Various databases [eAm and Oracle Financial Viewed],
- Contingency Plan
- Decommissioning Mains
- Reports on LPG quality analysis
- Records and plans of distribution systems [Viewed on site/safety case],
- Emergency information package provided at each storage site [Viewed on site].

Interviewed:

- Gas Distribution Network Manager
- National Maintenance Manager
- National Accounts Manager at Leinster
- Enviroflow (contractor at Margaret River)

Observations Distribution System

It was noted that the distribution systems were of the same nature as the previous review as were the financial model/approval process for distribution system extensions. The asset management system covers the 3 distribution systems owned and operated by the licensee in Western Australia. The distribution business forms a very small part of the national LPG business of the licensee. As such the asset management system reflects the size of this part of the business, the capital investment and the simplistic nature of the network. The licensee has designed and constructed the systems to minimise the amount of maintenance required to the assets and for the assets to be maintenance free and have as long a life-cycle as possible before requiring replacement.

Each of the distribution systems is self contained comprising a compound with a number of storage vessels that store the LPG as a liquid. Each compound is equipped with a liquid measuring gauge that can be accessed via a phone link to enable deliveries of LPG to be scheduled and ensure the storage vessels do not run out of product. The liquid boils off in the top of the storage vessel as the vessels are only filled to a maximum of 85% and turns into a vapour. As the vapourised gas leaves the storage vessels the pressure is regulated to either 35 or 70 kPa before entering the distribution system. The pressure regulator incorporates over pressure protection to ensure the distribution system pressure is maintained at both a safe and adequate level. An isolation valve is provided in the compound to enable the supply to be shut off if a break or incident was to occur in the distribution system.

With the exception of Leinster (which is predominantly constructed from un-plasticised polyvinyl chloride UPVC) the other distribution systems are constructed from medium density polyethylene pipe.

The piping is located in the road reserve on an alignment and to a depth that complies with the Public Utility Providers Manual. Tracer wire and warning tape is installed with the piping to act as a warning and to enable the pipe to be easily located.

Customers are supplied from the system via a gas service pipe that terminates in a meter box located on the wall of the property. The meter box houses a service valve, pressure regulator (reduces the pressure to 2.75kPa) and a meter where the gas is measured for billing purposes. The attached photographs show details of the key components.

While dealt with in past audits it is open for the Licensee to revisit the Leinster licence.

Observations Criteria

1.1 Planning process and objectives reflect the needs of all stakeholders and are integrated with business planning

It was noted that the financial model/approval process for distribution system extensions was the same as for the previous review. The responsibility for strategic review of reticulated networks resides with the Sales Manager and business representative of the relevant geographical area. The operating performance of the network and the maintenance activities are the responsibility of the Gas Distribution Network Manager. On a monthly basis the Sales Manager / business representative review financial reports to determine if the asset (the reticulated network/site) is being operated in a financially efficient manner. The review can include assessing revenue, profitability and operational expenditure indicators. Any indication that the above measures are outside of accepted ranges will result in the Sales Manager initiating a review of business drivers. Responsibility for the operation and maintenance of the asset resides with the Gas Distribution Network Manager.

1.2 Service levels are defined

Key operating parameters for each system have been established and they are monitored by the Gas Distribution Network Manager. Management and review of service delivery is the responsibility of the Sales Manager and Customer Service Manager. The Customer Service Manager sets annual targets and reviews progress on a monthly basis.

1.3 Non-asset options (e.g. demand management) are considered

The Licensee operates the systems at a level that there is capacity in the piping systems for extra load and can also raise pressure to further allow extra capacity. All investment must meet the Licensees' Return on Capital (ROC) requirements before proceeding. The standard option is bottled gas without developing an asset. The option of reticulated service is only taken where financially viable and not in competition with natural gas.

1.4 Lifecycle costs of owning and operating assets are assessed

All investment must meet the Licensees' Return on Capital (ROC) requirements before proceeding. Life-cycle costs are included in the business case and allow for a long asset life for the distribution system with a shorter life for the storage vessels and consumer meters.

The assumption for the distribution system is once it is constructed it will operate virtually trouble free for a considerable number of years and as such will require minimal expenditure on maintenance.

1.5 Funding options are evaluated

All investment must meet the Licensees' Return on Capital (ROC) requirements before proceeding.

1.6 Costs are justified and cost drivers identified

All investment must meet the Licensees' Return on Capital (ROC) requirements before proceeding.

1.7 Likelihood and consequences of asset failure are predicted

The Asset Management Plan requires monitoring of items such as gas leaks and outages. This is allocated to the Distribution Manager

1.8 Plans are regularly reviewed and updated

The Asset Management Plan requires strategic reviews by sales managers and performance review of the network by the Distribution manager. The AMP has been reviewed in 2013 and updated.

Recommendations
None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
2.0 Asset creation/ acquisition	B	Not Rated
Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay.		
Evidence <p>Examined [see Audit / Review evidence section for version details]</p> <ul style="list-style-type: none"> Previous Asset Management Review reports; Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case, Asset Management Design planning and Asset disposal document National Reticulation Return on Capital Spreadsheet <p>Interviewed:</p> <ul style="list-style-type: none"> Gas Distribution Network Manager National Maintenance Manager 		
Observations General <p>It was noted that the financial model/approval process for distribution system extensions was the same as for the previous review. The licensee has an asset management system that reflects the size and complexity of the distribution systems. Asset creation/acquisition would be on a case by case basis and subject to financial evaluation. Currently the licensee has no plans to create or acquire any assets for the distribution systems. No new systems were created in the audit period. Extra tanks were added at Margaret River but this is capacity issue rather than creation of an asset.</p> <p>2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions The Licensee undertakes via a detailed business case a full project evaluation for all new assets and as part of the evaluation the alternative of supplying the LPG in bottles is assessed. The option of reticulated service is only taken where financially viable and not in competition with natural gas.</p> <p>2.2 Evaluations include all life-cycle costs Life-cycle costs are included in the business case and allow for a long asset life for the distribution system with a shorter life for the storage vessels and consumer meters. The assumption for the distribution system is once it is constructed it will operate virtually trouble free for a considerable number of years and as such will require minimal expenditure on maintenance.</p>		

2.3 Projects reflect sound engineering and business decisions

All projects reflect sound engineering and business decisions. The licensee designs the distribution system for natural gas which results in considerable spare capacity to allow for load growth and the material used to construct the system is evaluated for ease of installation and trouble free operation. Business decisions include evaluating the rate of return to ensure that the licensee's hurdle rates are achieved. Currently the rate of return is 20% over 20 years.

2.4 Commissioning tests are documented and completed

Commissioning tests are immediately documented on completion as the documentation is a record that the asset was tested for correct and safe operation before being placed in service.

2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood

Legal/environmental/safety obligations of the asset owner are taken very seriously by the licensee and responsibility for ensuring compliance is assigned to relevant personnel and detailed in policy documents and procedures. Audits are usually out sourced to a relevant expert to ensure a detailed examination is undertaken.

Recommendations None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
3.0 Asset disposal	B	Not Rated
Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives are evaluated in cost-benefit terms.		
Evidence Examined [see Audit / Review evidence section for version details] <ul style="list-style-type: none"> • Previous Asset Management Review reports; • Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case, • Asset Management Design planning and Asset disposal document • National Reticulation Return on Capital Spreadsheet Interviewed: <ul style="list-style-type: none"> • Gas Distribution Network Manager • National Maintenance Manager 		

Observations General

The distribution systems have not been the subject of asset disposal because of their relatively young age. Once the system is constructed the only asset that could be considered for relocation rather than disposal would be a storage vessel. If the quantity of gas required was less than could be delivered from the storage vessels, relocation of a storage vessel would be considered.

The asset management plan contains a section that sets out the actions to be taken if the system is underperforming with the ultimate solution being a change to bottled gas.

3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process

The distribution systems are regularly reviewed to ensure they are performing to the required financial level by the monitoring of the volume of LPG supplied. Should the review indicate, an asset is under-utilised and/or under-performing action is taken to rectify the situation. An example would be surplus storage capacity and could result in a storage vessel being relocated. No action could be taken with the capacity of the distribution system as it is not feasible to remove them, but under-utilised and/or underperforming assets of this type could have an impact on future extensions and connection of additional customers. If the asset continued to underperform the shutting down of the system and the provision of bottled gas would be considered.

3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken

As stated above if an asset is under-utilised and/or under-performing action is taken to rectify the situation. As the systems are still relatively new disposal would not be considered.

3.3 Disposal alternatives are evaluated

As the systems are still relatively new, disposal would not be considered.

3.4 There is a replacement strategy for assets

A disposal process has been developed.

Recommendations

None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
4.0 Environmental analysis	A	2
Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.		

Evidence

Examined [see Audit / Review evidence section for version details]

- Previous Asset Management Review reports;
- Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case,
- Facilities Maintenance Manual
- Unaccounted for gas procedure
- Health and Safety Risk Register
- Risk Management
- Emergency Management
- Emergency Event log form
- Reticulated gas leak survey procedure
- Reticulated Gas Quality Testing
- Asset Management Design planning and Asset disposal document

Interviewed:

- Gas Distribution Network Manager
- National Maintenance Manager
- National Sales Manager at Leinster and
- Enviroflow (contractor at Margaret River)

Observations

General

The Asset Management Plan has a comprehensive risk management section.

4.1 The licensee examines the asset environment to the extent required by the governing legislation.

The principal threat to the business is competition from other energy sources therefore the licensee needs to keep costs to a minimum to continue to offer the LPG at a competitive price.

The other advantage of reticulated LPG over bottles is continuity of supply and the licensee ensures that the supply of LPG to the storage vessels is maintained and to constantly monitors vessel content via telemetry.

4.2 Opportunities and threats in the system environment are assessed

The Safety Case details the threats and how they are to be managed. To date the licensee has not considered opportunities in the system environment. The strategic approach is opportunistic where it relies on a developer making a case for expansion.

4.3 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved

Performance standards have been established and are measured on a regular basis to determine if they meet or exceed the set levels.

4.4 Compliance with statutory and regulatory requirements

The licensee is aware of its statutory and regulatory requirements and has put considerable effort over recent months in ensuring compliance with these requirements through the introduction of policies and processes and training of personnel. The updating documenting of procedures to include safety case items has been a good improvement

4.5 Achievement of customer service levels

As the product being provided is one of choice the licensee is constantly aware of the need to achieve the required customer service levels which are the provision of a continuous supply of good quality product at a competitive cost.

Recommendations

None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
5.0 Asset operations	A	1
Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.		
Evidence Examined [see Audit / Review evidence section for version details] <ul style="list-style-type: none">• Previous Asset Management Review reports;• Customer service charter [public document/website],• Annual information returns,• Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case,• KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010• LPG Gas Consumers Installation Inspection• LP Gas Consumers Installation Report• Facilities Maintenance Manual• Incident reporting Procedure• Installation of gas main procedure [Installation of a Gas Main,• Installation of gas service procedure [Installation of a Gas Service,• Reticulated Gas Emergency Response Communications System• Meter Disconnection and Reconnection Procedure• Meter turned off tag• Notification of Serious Incidents by State [Notification of Serious Incidents by		

State,

- Pressure Testing of Mains and Services [Pressure Testing of Mains and Services,
- Unaccounted for gas procedure
- Health and Safety Risk Register
- Risk Management
- Emergency Management
- Emergency Event log form
- Reticulated gas leak survey procedure
- Reticulated Gas Quality Testing
- Asset Management Design planning and Asset disposal document
- National Reticulation Return on Capital Spreadsheet
- Contingency Plan
- Decommissioning Mains
- Reports on LPG quality analysis
- EnergySafety Notices of Completion,
- Leinster incident forms/emails,
- Records and plans of distribution systems [Viewed on site/safety case],
- Emergency information package provided at each storage site [Viewed on site].

Interviewed:

- Gas Distribution Network Manager
- National Maintenance Manager
- National Sales Manager at Leinster and
- Enviroflow (contractor at Margaret River)

Observations

The Licensee built on its base of processes / procedures and improved documentation of processes and procedures in the audit period. Improvement in Asset Operations was noted.

5.1 Operational policies and procedures are documented and linked to service levels required

The licensee now has documented policies and procedures covering the construction and operation of the distribution systems. These are linked to the service levels and KPI's developed by the licensee and the licensee assesses performance for compliance with the KPI's on a regular basis. There have been no expansions to test these policies/ procedures.

5.2 Risk management is applied to prioritise operations tasks

The Asset Management Plan has identified all the risks associated with operating the distribution system and how they should be managed. As the systems are built and operating, prioritisation of risks is not required as they have been identified and are

managed on a daily basis.

5.3 Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data

The licensee has an Asset Register that contains all the required information. The Oracle eAM system is used for the register.

5.4 Operational costs are measured and monitored

Operational costs that relate to product supply, equipment, staffing contractors and consultants and materials are measured and monitored to ensure they are correct and within estimates.

5.5 Staff receive training commensurate with their responsibilities

All operational work on the distribution system is undertaken by contractors and each contractor has been trained so as to be competent in the work undertaken. The licensee's staff are trained on a continuous basis to ensure they develop their skills and competencies.

Recommendations None

Asset management System Element	Asset management process and policy	Asset management performance rating
6.0 Asset maintenance	definition adequacy rating A	2
Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.		
Evidence Examined [see Audit / Review evidence section for version details] <ul style="list-style-type: none"> • Previous Asset Management Review reports; • Annual information returns, • Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case, • KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010 • LPG Gas Consumers Installation Inspection • LP Gas Consumers Installation Report • Facilities Maintenance Manual • Incident reporting Procedure • Installation of gas main procedure [Installation of a Gas Main, 		

- Installation of gas service procedure [Installation of a Gas Service,
- Reticulated Gas Emergency Response Communications System
- Meter Disconnection and Reconnection Procedure
- Meter turned off tag
- Notification of Serious Incidents by State [Notification of Serious Incidents by State,
- Pressure Testing of Mains and Services [Pressure Testing of Mains and Services,
- Unaccounted for gas procedure
- Health and Safety Risk Register
- Risk Management
- Emergency Management
- Emergency Event log form
- Reticulated gas leak survey procedure
- Reticulated Gas Quality Testing
- Contingency Plan
- Decommissioning Mains
- Reports on LPG quality analysis
- EnergySafety Notices of Completion,
- Leinster incident forms/emails,
- Records and plans of distribution systems [Viewed on site/safety case],
- Emergency information package provided at each storage site [Viewed on site].

Interviewed:

- Gas Distribution Network Manager
- National Maintenance Manager
- National Sales Manager and
- Enviroflow (contractor at Margaret River)

Observations General

The Licensee built on its base of processes / procedures and improved documentation of processes and procedures in the audit period. Improvement in Asset Maintenance procedures was noted.

The licensee has documented all the maintenance functions associated with the distribution systems. The Inspectors Order issued in the earlier reviews has been resolved. A number of these activities which relate to storage vessels are undertaken on a national basis by a central maintenance group located in Melbourne. Responsibility is allocated the National Maintenance Manager to coordinate the maintenance activities throughout Australia. The Gas Distribution Network Manager is the interface to local maintenance activities. For example tanks have been inspected externally but the only ones that require internal inspection are at Leinster and they were not scheduled for

inspection in the review period.

The remaining maintenance which tends to be limited to activities that are required to maintain compliance with EnergySafety's requirements are carried out by local contractors that reside within the reticulated areas.

6.1 Maintenance policies and procedures are documented and linked to service levels required

The licensee now has documented policies and procedures covering the maintenance of the distribution systems. These are linked to the service levels and KPI's developed by the licensee and the licensee assesses performance for compliance with the KPI's on a regular basis.

6.2 Regular inspections are undertaken of asset performance and condition

Regular inspections and maintenance is carried out on the storage vessels as required under legislation.

It is proposed to carry out leakage surveys of the distribution system at intervals specified in the Safety Case. The first survey was at Leinster (outside review period). This survey involved in ground probes to detect the heavier than air LPG. Tanks are inspected according to the requirements.

No other inspections are planned as the licensee has elected to allow all the assets to continue to operate until they fail.

other

6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule

Maintenance plans are in place that covers the storage vessels. The Safety Case has identified other maintenance requirements and the licensee has implemented them. Tanks are inspected according to the requirements. The only ones that require internal inspection are at Leinster and they were not scheduled for inspection in the review period.

6.4 Failures are analysed and operational/maintenance plans adjusted where necessary

If failures were to occur they would be analysed and if found necessary included in operational/maintenance plans. No failures occurred in audit period. There was a leak (caused by third party damage) at Leinster.

6.5 Risk management is applied to prioritise maintenance tasks

The Asset Management Plan has identified all the risks associated with maintaining the distribution system and how they should be managed. Prioritisation of risks is not required as they have been identified and are managed as part of the maintenance activities

6.6 Maintenance costs are measured and monitored

As the maintenance is carried out by a central group the costs are measured and monitored by this group. The financial plan should bring these costs to measure even if the accounting cost centre does not move..

Recommendations

None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
7.0 Asset Management Information System	A	1
An asset management information system is a combination of processes, data and software that support the asset management functions.		
Evidence Examined [see Audit / Review evidence section for version details] <ul style="list-style-type: none"> • Previous Asset Management Review reports; • • National Reticulation Return on Capital Spreadsheet • Various databases [eAm and Oracle Financial Viewed], • Cintellate – incident reporting IT system how to information, • Sample aged information, • Interviewed: <ul style="list-style-type: none"> • Gas Distribution Network Manager • National Maintenance Manager • Manny Micallef 		
Observations		
General A variety of systems exist which support the effective management of the reticulated systems, these are: Cintellate – This system is used to record and maintain information on breaches, events and corrective actions. It utilises a hierarchical system so that if actions are not completed by the due date they are escalated to the most appropriate manager. There have been no breaches from EnergySafety. There have been licence non compliances but these are not recorded in this system. Oracle CRM – This system is used to record customer and billing information Oracle EAM (V12.0.6) – This system is used to record assets and to ensure they are appropriately maintained. This system is used by the central maintenance group and has the capacity to manage other activities such a leakage surveys and meter replacement (required every 15 years). IPFX – This system is used to record phone statistics e.g. the level of customer service that is achieved. The licensee uses EAM and spreadsheets for his asset register which is backed up during regular backups of the server. Graphical information is used to manage the		

customer data base.

The system has been developed to an adequate level of sophistication appropriate for distribution systems of this scale and complexity. Service standards are collected and can be reported to the Authority. As described in sections 1.1 and 1.2 (Asset Planning) data is collected and reviewed internally.

7.1 Adequate system documentation for users and IT operators

The Oracle EAM system contains all the information required for maintenance and is available to all personnel involved with the maintenance of the distribution system via the licensee's intranet. Additionally the licensee provides training to staff on the systems. The system is also capable of producing management reports on maintenance activities. EAM system viewed.

7.2 Input controls include appropriate verification and validation of data entered into the system

The system is easy to use with a maintenance focus rather than a database focus and includes appropriate verification and validation of data entered into the system.

7.3 Logical security access controls appear adequate, such as passwords

Logical security access control is adequate with hierarchical access by password.

7.4 Physical security access controls appear adequate

Physical security access is adequate with the system only being available in a controlled office environment.

7.5 Data backup procedures appear adequate

Data is backed up daily and recovery is tested routinely with switch over to disaster recovery sites also tested. Data is backed up daily via tapes. A monthly restore is performed on all servers.

7.6 Key computations related to licensee performance reporting are materially accurate

Key computations related to licensee performance reporting are materially accurate, to the extent possible to assess with visual inspection.

7.7 Management reports appear adequate for the licensee to monitor licence obligation

Management reports appear adequate for the licensee to monitor licence obligations. Reports are available covering dollars spent on each site for maintenance, new connections, number of work orders raised, details of all preventative (and breakdown) maintenance performed, what was scheduled versus performed, gas metered through the system, gas delivered to the storage vessels.

Recommendations None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
8.0 Risk management	A	

		2
Risk management involves the identification of risks and their management within an acceptable level of risk.		
<p>Evidence</p> <p>Examined [see Audit / Review evidence section for version details]</p> <ul style="list-style-type: none">• Previous Asset Management Review reports;• Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case,• KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010• Notification of Serious Incidents by State [Notification of Serious Incidents by State,• Pressure Testing of Mains and Services [Pressure Testing of Mains and Services,• Unaccounted for gas procedure• Health and Safety Risk Register• Risk Management• Emergency Management• Emergency Event log form• Reticulated gas leak survey procedure• Reticulated Gas Quality Testing• Contingency Plan• Reports on LPG quality analysis• EnergySafety Notices of Completion, <p>Interviewed</p> <ul style="list-style-type: none">• Gas Distribution Network Manager• Maintenance Services Manager		

Observations General

The development of the Asset Management Plan has required the licensee to undertake a formal safety assessment of all the risks associated with the distribution systems and how the risks will be managed. As the licensee is required to operate in accordance with the Safety Case all risks are required to be managed to an acceptable level and subject to periodic review.

Emergency plans have not been recently exercised and recorded.

8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system

The AMP contains details on the risks associated with the distribution systems and how they are to be managed.

8.2 Risks are documented in a risk register and treatment plans are actioned and monitored

The risks and how they will be treated and monitored are documented in the AMP. The risks from the safety case were added to risk handling system in the audit period and the asset management plan which covers risks was reviewed in 2013.

8.3 The probability and consequences of asset failure are regularly assessed.

The probability and consequences of asset failure have been assessed in the AMP and the licensee will use this assessment for future monitoring of assets.

Recommendations

Schedule regular exercise of emergency plans and record results.

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
9.0 Contingency planning	A	2
Contingency plans document the steps to deal with the unexpected failure of an asset.		
Evidence		
Examined [see Audit / Review evidence section for version details]		
<ul style="list-style-type: none">• Previous Asset Management Review reports;• Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case,• Risk Management• Emergency Management• Contingency Plan• Decommissioning Mains• Reports on LPG quality analysis		

<ul style="list-style-type: none">Leinster incident forms/emails, <p>Interviewed</p> <ul style="list-style-type: none">Gas Distribution Network ManagerNational Maintenance Manager
<p>Observations General</p> <p>The licensee considers it has the resources to handle any contingency arising from the risk assessment and considers the most likely scenario would involve a supply disruption. A contingency plan has been developed based around this scenario. Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</p> <p>Contingency plans have been developed and are based around a supply disruption. It is not intended to test them as the licensee has proven experience in dealing with such an occurrence and would convert all effected customers to bottled supply until the disruption was resolved. Other contingencies include storage facilities, under/over pressure in distribution system, off specification LPG, failure of key isolation valve, failure of customer meters or water in the mains. Systems exist to handle these contingencies.</p>
<p>Recommendations None</p>

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
10.0 Financial planning	C	2
<p>The financial planning component of the asset management plan brings together the financial elements of the service delivery to ensure its financial viability over the long term.</p>		
<p>Evidence</p> <p>Examined [see Audit / Review evidence section for version details]</p> <ul style="list-style-type: none">Previous Asset Management Review reports;Wesfarmers Annual reports (2011 and 2012),Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case,National Reticulation Return on Capital SpreadsheetVarious databases [eAm and Oracle Financial Viewed],Cintellate – incident reporting IT system how to information,Sample aged information, <p>Interviewed</p> <ul style="list-style-type: none">Gas Distribution Network ManagerNational Maintenance Manager		

Observations General

As stated earlier the distribution business is only a small activity and as such does not warrant a separate financial plan. The only financial planning undertaken by the licensee in respect of its assets is to develop and document in an operating budget the costs involved in maintaining the assets and compliance costs (such as performance audits). The licensee also monitors costs but they are not used to develop a financial plan. KHG should identify the relevant financial information (relating to the distribution system in WA) and incorporate this and other relevant information, (existing or new) into a 'Financial plan' for managing the distribution network. While elements of a financial plan exist they need to be consolidated into a plan.

10.1 The financial plan states the financial objectives and strategies and actions to achieve the objectives

The Licensee closely monitors financial targets and performance. This is a line item for the distribution systems. But there is no financial plan.

10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs

There is an opportunistic approach to reticulated systems. If an opportunity presents it is rigorously assessed against financial targets before approval. The ROC system monitors the performance for 5 years out. An annual operating budget is prepared but as this covers all the licensee's assets the reticulation systems covered by this licence are only a small part and as such the costs are not detailed and would only be a line item in the budget.

10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)

The licensee has profit and loss and balance sheet statements. This is not separately undertaken for distribution.

10.4 The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period

The ROC system monitors the performance for 5 years out and capital used beyond that.

10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services

The annual budget contains some of these costs but is an aggregate line item.

10.6 Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary

The ROC system monitors the performance for 5 years out and capital used beyond that.

Recommendations

KHG needs to develop a separate financial plan for its gas distribution network in WA. Relevant financial information in the Annual Operating Budget and Profit/Loss and Balance Sheet Statements for its overall business needs to be identified and incorporated (together with other financial elements from other documents) into a 'Financial plan' for managing the gas distribution network in WA.

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
11.0 Capital expenditure planning	B	Not Rated
<p>The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.</p> <p>Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would usually be based on firm estimates.</p>		
<p>Evidence</p> <p>Examined [see Audit / Review evidence section for version details]</p> <ul style="list-style-type: none"> • Previous Asset Management Review reports; • Wesfarmers Annual reports (2011 and 2012), • Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case, • National Reticulation Return on Capital Spreadsheet • Various databases [eAm and Oracle Financial Viewed], • Cintellate – incident reporting IT system how to information, • Sample aged information, <p>Interviewed:</p> <ul style="list-style-type: none"> • Gas Distribution Network Manager • National Maintenance Manager <p>Observations General</p> <p>The licensee includes a capital allowance of \$24,000 (total \$48,000) in the company's overall budget for each of the distribution systems at Oyster Harbour and Margaret River to cover the connection of new customers to the existing systems.</p> <p>No allowance is included in the capital budget for extending the distribution systems. This type of work is subject to a business case and would be triggered by an approach from a land developer. If the financial hurdles were satisfied funding would be provided from the company's capital budget. Therefore no capital expenditure planning is undertaken as the licensee relies on a developer seeking a gas supply and the licensee reacts accordingly with funding being provided on an as needs basis.</p> <p>The licensee's policy is to operate the assets for the projected life cycle without the need to spend additional capital expenditure on rehabilitation or replacement. It will be necessary for the licensee to provide capital in future years to cover the cost of meter replacements but as this will not need to occur for several years it is not under consideration at this time.</p> <p>11.1 There is a capital expenditure plan that covers issues to be addressed,</p>		

actions proposed, responsibilities and dates

The licensee does not have a capital expenditure plan but the ROC system monitors “capital” issues.

11.2 The plan provides reasons for capital expenditure and timing of expenditure

All capital expenditure with the exception of the \$48,000 allocated for customer connections is subject to a business case and the business case would contain the justification and the timing of the expenditure.

11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan

The licensee does not have a capital expenditure plan The ROC system monitors the performance for 5 years out and capital used beyond that.

11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned

The ROC system monitors the performance for 5 years out and capital used beyond that.

Recommendations

The ROC assessment process establishes capital expenditure but the capital expenditure values are very low and do not justify a capital expenditure plan. A capital plan would not add anything to that in a financial plan.

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
12.0 Review of AMS	A	2
The asset management system is regularly reviewed and updated.		
Evidence Examined [see Audit / Review evidence section for version details] <ul style="list-style-type: none"> • Previous Asset Management Review reports; • Asset Management Plan [Gas Distribution Asset Management Plan, April 2013], Safety Case, • KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010 • LPG Gas Consumers Installation Inspection • LP Gas Consumers Installation Report • Facilities Maintenance Manual • Incident reporting Procedure • Installation of gas main procedure [Installation of a Gas Main, 		

- Installation of gas service procedure [Installation of a Gas Service,
- Reticulated Gas Emergency Response Communications System
- Meter Disconnection and Reconnection Procedure
- Meter turned off tag
- Notification of Serious Incidents by State [Notification of Serious Incidents by State,
- Pressure Testing of Mains and Services [Pressure Testing of Mains and Services,
- Unaccounted for gas procedure
- Health and Safety Risk Register
- Risk Management
- Emergency Management
- Emergency Event log form
- Reticulated gas leak survey procedure
- Reticulated Gas Quality Testing
- Asset Management Design planning and Asset disposal document
- National Reticulation Return on Capital Spreadsheet
- Various databases [eAm and Oracle Financial Viewed],
- Contingency Plan
- Decommissioning Mains
- Reports on LPG quality analysis
- EnergySafety Notices of Completion,
- Cintellate – incident reporting IT system how to information,
- Sample aged information,
- Lease payment information Shire of Augusta Margaret River,
- Leinster incident forms/emails,
- Records and plans of distribution systems [Viewed on site/safety case],
- Emergency information package provided at each storage site [Viewed on site].

Interviewed

- Gas Distribution Network Manager
- National Maintenance Manager

Observations

12.1 A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current

A process has been put in place that provides for the asset management plan and asset management system to be reviewed every 12 months. The last review occurred in April

2013.

12.2 Independent reviews (e.g. internal audit) are performed of the asset management system

Other than the annual review by the licensee no independent review is planned other than the review required by the Authority under the licence conditions.

Recommendations None

5 PHOTOGRAPHS

The following are photographs of the Licensees installations.



Leinster tanks



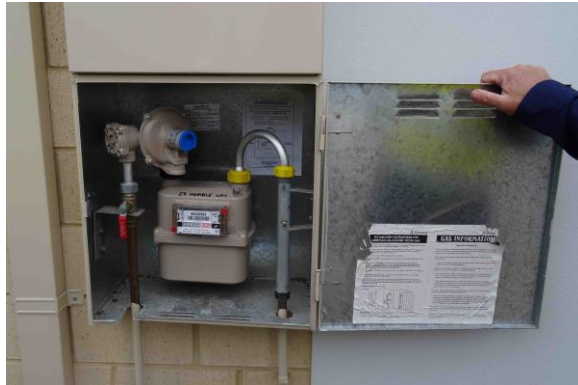
Margaret River Town Tanks



Margaret River Riverslea Tanks



Margaret River yellow marker of off take



Margaret River meter