



**PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM
REVIEW OF
ESPERANCE POWER STATION PTY LTD.
DISTRIBUTION LICENCE GDL 10
REPORT**

PREPARED BY: GEOFF WOOD
ACHIEVE IT CONSULTING
131 PONTE VECCHIO BOULEVARD
ELLENBROOK WA 6069
ABN 57 756 102 881

**PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OF
ESPERANCE POWER STATION PTY LTD.
DISTRIBUTION LICENCE GDL 10**

The fieldwork on the performance audit and asset management system review of Esperance Power Station Pty Ltd Distribution Licence GDL10 for the audit period 1 September 2010 to 31 August 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 10 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 10 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 only 1 item of non-compliance.

In respect of the asset management system review for the audit period 1 September 2010 to 31 August 2013 the review concluded that the licensee has overall an excellent asset management system in place given the size and complexity of the distribution system. The review has recommended a number of improvements that will further improve the effectiveness of the asset management system.

Yours sincerely

Geoff Wood
Achieve It Consulting
30 October 2013

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EXECUTIVE SUMMARY

Esperance Power Station Pty Ltd (EPS) engaged Achieve It Consulting to undertake the Performance Audit and Asset Management System Review required by the Economic Regulation Authority (Authority) under the Distribution Licence GDL10. 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 Esperance Power Station 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 Esperance Power Station 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 EPS 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 Achieve It Consulting on 10 July 2013 and following approval, required the auditor to development 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 1 August 2013.

The audit and review periods are 1 September 2010 to 31 August 2013 and this report details the outcome of the audit and review.

BUSINESS BACKGROUND

EPS the Licensee has a gas distribution system (GDS) at Esperance. The system was constructed in 2005 and comprises approximately 40 kilometres of low pressure polyethylene mains which supply natural gas currently to 36 business and 296 residential customers. The Licence covers the central business district and adjoining suburbs of Chadwick, Nulsen and Sinclair.

The distribution system sources gas from the Kambalda to Esperance Gas Pipeline (KEGP) through a pressure reducing station (PRS) at KEGP Main Line Valve No. 4. The PRS is the only source of supply into the distribution system and is important as it controls the pressure and flow to ensure gas consumer demands are met throughout the Esperance GDS.

The licensee has appointed WorleyParsons Asset Management Pty Ltd (WPAM) as the network operator for the distribution system. All work on the distribution system is

carried out under a contract by the contractor ATIVO. The 3 person ATIVO team are located in Esperance and work from a workshop/storage facility in an industrial area of Esperance. The ATIVO team are well equipped to undertake their work and all the team members are motivated and committed to ensuring all work is carried out safely and to a high standard.

WPAM has an office in the centre of the town staffed by 2 people the Area Manager and the Business Support Officer. The office undertakes work for both the distributor and retailer. Additional support is provided by WPAM staff in Perth and regulatory and technical assistance is provided by the parent company Worley Parsons through its Pipeline Systems group.

AUDIT CONCLUSION

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

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 GDL10. 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 EPS has complied with its Distribution Licence during the audit period. The audit found that the licensee had not complied with 1 obligation during the audit period. The audit also recommended one item for improvement.

The one non-compliance rated 2 item 247 relates to the availability of electronic copies of the Gas Marketing Code and the Compendium. The Gas Marketing Code is available on the licensee's website but the Gas Customer Code needs to be replaced with the Compendium.

The suggestion for improvement is item 25 that relates to complying with the applicable standards of the *Gas Standards Act 1972*. During the audit period a low odorant analysis occurred and it is suggested the licensee wait until EnergySafety have completed their investigation into the matter and accept and implement any recommendation that is made by EnergySafety. At the time of finalizing the audit this matter was still outstanding.

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. Particular focus was given to the measurement of unaccounted for gas, leakage survey, and customer awareness programs in relation to recognising and reporting gas leaks.

As the licensee is required to operate the distribution system in accordance with a Safety Case approved by EnergySafety (the technical and safety regulator) there is considerable duplication between the content of the Safety Case and the Asset Management System. Therefore it was necessary to reference the Safety Case as part of the review.

The review 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 and the content of the Safety Case.

The review found that the licensee's asset management system is comprehensive and overall more than adequate for the GDS but some areas could be improved. The GDS was constructed several years ago and currently under the instructions of the owner is not being extended.

The licensee does not actively seek to grow the business but complies with the statutory requirement to supply a new customer on line of main if the distance/cost is within the defined amount or the customer pays the required contribution.

The network operator is aware that a possibility exists to extend the GDS to supply a new residential subdivision that has been reticulated for gas by the developer and is currently looking into the possibility of obtaining a government grant to fund the extension.

As the system is fully integrated and only has one supply point it is not feasible to consider retiring any parts because they are not performing (lack of customer connections).

The GDS is constructed to a high standard using the latest materials and installation methods and the original design has following construction provided considerable spare capacity. Therefore no issues exist with the ability of the GDS to meet customer demand.

The GDS is operated and maintained in a safe, effective and efficient manner and the key components are subject to regular scheduled maintenance to minimise any possibility of failure. A leak survey was undertaken earlier this year by a third party accredited contractor and no significant leaks were found.

A decision has been taken that future surveys will be undertaken by ATIVO and it is proposed to train ATIVO staff in the near future and to purchase the specialised equipment required to undertake a leak survey.

As the system has only been in operation for a few years the need to replace and /or dispose of assets is not currently being considered. Although a process exists should such a need arise.

The need to develop and implement a Safety Case has resulted in the licensee undertaking a formal safety assessment to identify all the risks and hazards associated with the GDS and to put in place processes and procedures to manage the risks and hazards.

The asset management system documents contain the processes and procedures that the licensee uses to manage the risks and hazards identified in the Safety Case.

To reduce duplication and the possibility of error when entering data the licensee is implementing a new computerised mapping system that will also record data, such as meter readings electronically via wireless, currently stored manually in other databases.

The licensee does not currently measure unaccounted for gas (UFG) and as the licensee has set a target for UFG at up to 2.5% the licensee should implement a process for measuring UFG.

The licensee also has an emergency plan but has yet to test the plan. Arrangements should be put in place to test the effectiveness and adequacy of the plan as soon as practical.

As the product being supplied is one of choice the licensee should consider surveying customers to assess their satisfaction levels with the service provided. This could be undertaken in conjunction with the retailer.

PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OBJECTIVES

The auditor is 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 10.

Achieve It Consulting has been engaged to carry out the Performance Audit (audit) and Asset Management System Review (review) of Distribution Licence GDL 10 for Esperance Power Station 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 1 August 2011.

SCOPE

Section 11ZA of the *Energy Coordination Act 1994* (the Act), requires Esperance Power Station 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 Esperance Power Station 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 Esperance Power Station 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 are to be 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

The audit will focus on the effectiveness of the licensee's systems and processes used to ensure compliance with the standards, outputs, and outcomes required by the licence. The audit utilises a risk rating scheme based on types of risk, risk consequences and the likelihood of the risk occurring to quantify the inherent risk. The adequacy of the internal controls of the licensee to mitigate these inherent risks is then used to determine for each obligation an audit priority on a 5-point scale (plus 2 exception categories). The audit priority is then used to determine the nature and extent of audit measures that need to be performed to ensure the licensee is complying with each obligation.

The auditor will undertake sufficient examination and testing to provide the licensee and the Authority with reasonable assurance that the performance against the obligations is

accurate and represents a true picture of the licensee's compliance. The audit will identify areas where improvement is required and recommend corrective action as necessary. In accordance with the standard ASAE 3000 the auditor "shall obtain sufficient appropriate evidence on which to base the conclusion".

The auditor will undertake sufficient examination and testing to provide the licensee and the Authority with reasonable assurance of the effectiveness of the asset management system used by the licensee to ensure the licensee properly operates and maintains its assets.

LICENSEE AND ENVIRONMENT

The licensee Esperance Power Station Pty Ltd (EPS) has appointed WorleyParsons Asset Management Pty Ltd (WPAM) as the network operator for the distribution system with regulatory and technical assistance provided by the parent company Worley Parsons through its Pipeline Systems group. The network operator on behalf of the owner distributes natural gas through a gas distribution system in Esperance currently licensed under Gas Distribution Licence GDL10 issued by the Economic Regulation Authority of Western Australia.

The licence covers the central business district and adjoining suburbs of Chadwick, Nulsen and Sinclair. The distribution network sources gas from the Kambalda to Esperance Gas Pipeline (KEPG) through a single pressure reducing station located at the KEPG main line valve No 4.

The distribution system was constructed in 2005 and comprises approximately 40 Kilometres of low pressure polyethylene mains operating at one pressure supplying gas currently to 36 business and 296 residential customers. All work on the distribution system is carried out under a contract by the contractor ATIVO. The 3 person ATIVO team are located in Esperance and work from a workshop/storage facility in an industrial area of Esperance. To provide support and assistance to the contractor WPAM has an office in the centre of the town staffed by 2 people; the Area Manager and the Administrative Assistant.

AUDIT PERIOD FOR GDL10

The audit and review period is 1 September 2010 to 31 August 2013.

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.

SCOPE 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 non-compliance 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 Esperance operating areas have been visited. 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 period 1 September 2007 to 31 August 2010.

FACILITIES VISITED AND KEY CONTACTS

The facilities visited during the audit/review were:

- EPS office in Esperance, to enable records, computer systems, documents, and procedures to be examined, the Esperance distribution system and the office/yard of ATIVO the contractor. Key contacts were:
 - WorleyParsons Business and Regulatory Manager
 - Lawrence Teo
 - Esperance Area Manager
 - Neville Selby
 - Esperance ATIVO Supervisor
 - Shae Turrel
- Achieve It Consulting

- Geoff Wood

- The asset manager WPAM office in Perth to enable records, computer systems, databases, documents, procedures and financial records to be examined.

- EnergySafety to discuss compliance with the *Gas Standards Act 1972* and to examine records relating to compliance issues. Key contacts were:
 - Cornelis DeGroot (Principal Engineer Gas Supply) and
 - David Robertson (Principal Engineer Gas Utilisation).

The audit and review was conducted during September 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.

SECTION 1 PERFORMANCE AUDIT

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	Totals
Compliant 5	3	7	23	7	40
Compliant 4		1			1
Compliant 3					
Non-compliant 2			1		1
Significantly non-compliant 1					0
Not Rated			11	1	12
Not Applicable		1	7	1	9

SUMMARY OF SIGNIFICANT RESULTS

The audit resulted in 1 non-compliance being recorded (Item 247) and 1 suggestion for improvement (item 25).

Item 247 relates to the availability of electronic copies of the Gas Marketing Code and the Compendium, at no charge, on the licensee's website. The Gas Marketing Code is available but the Gas Customer Code needs to be replaced with the Compendium.

The suggestion for improvement is: item 25 which relates to a low odorant analysis and it is suggested the licensee wait until EnergySafety have completed their investigation into the matter and accept and implement any recommendations that is made by EnergySafety. At the time of finalizing the audit this matter was still outstanding.

AUDIT EVIDENCE

The following evidence was gathered for the audit.
Legislation and standards,
Energy Coordination Act 1994,
Gas Standards Act 1972,

Gas Customer Code,
Compendium of Gas Customer Licence Obligations (Compendium)
Gas Distribution Licence GDL10,
Licensee's documents,
Customer safety awareness program,
Customer service charter,
Complaints handling Manual and Policy,
Annual information returns,
Expenditure reports
Management reports
Environmental Management Plan
Safety Case
Asset Management Philosophy and Strategy Document
Major Incident Plan
Risk Management Plan
Design and Control Management Procedure
GIS system for the distribution system
Network Asset Replacement Strategy
Contractor's training records and matrix

ITEMS FROM THE PREVIOUS AUDIT (AUDIT PERIOD 1 SEPTEMBER 2007 TO 31 AUGUST 2010) REQUIRING ATTENTION

<p>Item 23 Distribution Licence Clause 5.1</p>	<p>Compliance rating Non-compliant - 2</p>
<p>Energy Coordination Act Schedule section 2(1) <i>The requirement is that 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.</i></p>	
<p>Recommendation from previous audit Add advice to Minister to emergency plans.</p>	
<p>Observations An examination of the emergency plan shows the licensee has included this requirement in the Emergency Plan.</p>	
<p>Current status Compliant.</p>	

<p>Item 102 Distribution Licence Clause 25.1</p>	<p>Compliance Rating Non-compliant -2</p>
<p>Energy Coordination Act section 11M <i>The requirement is that 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.</i></p>	
<p>Recommendation from previous audit Develop a compliance manual that has scheduled reminders for regulatory compliance items.</p>	
<p>Observations The licensee now has a process in place to 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</p>	
<p>Current status Compliant.</p>	

<p>Item 245 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.11(2)</p>	<p>Compliance Rating Non-compliant -2</p>
<p>Energy Coordination Act section 11M <i>A retailer and, where appropriate a distributor, must include the telephone number for their special information services and for independent multi-lingual services, on the documents specified.</i></p>	
<p>Recommendation from previous audit Add required TTY service information to bill, reminder and disconnection notices.</p>	
<p>Observations The recommendation relates to activities undertaken by the retailer. The only documents the distributor provides are the customer service charter and a safety awareness document. Both documents include the telephone number for their special information</p>	

services and for independent multi-lingual services.
Current status Compliant

SUGGESTIONS FOR IMPROVEMENT FROM PREVIOUS AUDIT

Item 101 Distribution Licence Clause 20	Compliance Rating Non- compliant -2
Energy Coordination Act section 11M <i>The requirement is that 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.</i>	
Recommendation from previous audit Advise the Authority of the change in ownership.	
Observations The trail of documentation and emails relating to a change in ownership of Esperance Power Station Pty Ltd has been reviewed and in February 2011 WorleyParsons provided the Authority with an organisation chart showing that ownership of Esperance Power Station Pty Ltd had changed to Infrastructure Capital Group (ICG) and WorleyParsons Asset Management Pty Ltd (formerly BRWPGE Pty Ltd) had been contracted to manage the Distribution assets on behalf of Esperance Power Station.	
Current status Compliant	

Item 250 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(1)	Compliance Rating Non- compliant -2
Energy Coordination Act section 11M <i>A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.</i>	
Recommendation from previous audit Amend the complaints handling process to include a reference to the Distributor.	
Observations The complaints handling process has been amended to include a reference to the Distributor.	
Current status Compliant	

Item 251 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(2)	Compliance Rating Non-compliant -2
Energy Coordination Act section 11M <i>A retailer and distributor must develop, maintain and implement a complaints handling process that meets the specified requirements.</i>	
Recommendation from previous audit Amend the complaints handling process to include a reference to the Distributor	
Observations The complaints handling process meets the specified requirements and has been amended to include a reference to the Distributor	
Current status	

Compliant.

COMPLIANCE ELEMENTS REQUIRING CORRECTIVE MEASURES CURRENT AUDIT

Item 247/243 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(2)	<i>Type 2</i>	Compliance Rating Non-Compliant-2
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make electronic copies of the Gas Marketing Code and the Compendium available, at no charge, on their website.		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer Examined website		
Observations The Gas Marketing Code is available on the licensee's website but the Gas Customer Code has not been changed following updating and the change in name to the Compendium.		
Compliance summary Non-compliant		
Corrective Action/Opportunity for Improvement Licensee to amend website to replace the Gas Customer Code with the Compendium		

SUGGESTIONS FOR IMPROVEMENT CURRENT AUDIT

Item 25/25 Distribution Licence clause 5.1	<i>Type 1</i>	Compliance Rating Compliant-4
<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 Business and Regulatory Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the natural gas supplied into the distribution system for various dates during the audit period.		
Observations During the audit period the regulations have been amended making it mandatory that all network operators develop and operate in accordance with a Safety Case approved by the Director of Energy Safety. The Safety Case requirement came into force in August 2011. The licensee submitted the Safety Case and was granted approval and now operates in accordance with the Safety Case. No other breaches of the Act and Regulations occurred during the audit period. Gas quality was also maintained within required specification. One of the odorant samples taken during the audit period was following analysis found to have an odorant reading below the required level. As this was an isolated occurrence EnergySafety is not sure if it was due to a contaminated sample rather than too little odorant being added to the gas. EnergySafety is investigating further.		
Compliance summary		

Compliant
<p>Corrective Action/Opportunity for Improvement Licensee to wait for results of the EnergySafety investigation and dependant on the outcome take the necessary action to prevent a reoccurrence. At time of concluding the audit the outcome was still to be determined.</p>

AUDIT ELEMENTS COMPLIANCE DETAILS

(2013/2010 Manual)

Item 1/1 Distribution Licence clause 4.1	<i>Type 2</i>	Compliance Rating Compliant - 5
<p><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).</p>		
<p>Verification/Tests Interviewed Business and Regulatory Manager Examined the accounts payment summary</p>		
<p>Observations The dates when the invoices were received and the fees paid was within 30days. Therefore payment meets the requirements of the above obligation.</p>		
<p>Compliance summary Compliant</p>		
<p>Corrective Action/Opportunity for Improvement</p>		

Item 6/6 Distribution Licence clause 5.1	<i>Type NR</i>	Compliance Rating Compliant -5
<p><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.</p>		
<p>Verification/Tests Interviewed Business and Regulatory Manager and Esperance Area Manager Examined the emergency plan</p>		
<p>Observations During the audit period no incidents occurred. However, the licensee has a process in place 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</p>		
<p>Compliance summary Compliant</p>		
<p>Corrective Action/Opportunity for Improvement</p>		

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Item 7 (7) Distribution Licence clause 14.1	<i>Type NR</i>	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 Business and Regulatory Manager and Esperance Area Manager Examined Asset Management System documentation		
Observations The licensee has a comprehensive asset management system in place to cover the Esperance Distribution System assets		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 8/8 Distribution Licence Clause 14.1 and 14.2	<i>Type 2</i>	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 Business and Regulatory Manager and Esperance Area Manager Examined Asset Management System documentation		
Observations The licensee has an Asset Management System and the details have been notified 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	<i>Type NR</i>	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 Business and Regulatory Manager Examined previous asset management system review report		

Examined letter from Authority approving Achieve It Consulting as the auditor
<p>Observations</p> <p>The last Asset Management System Review was completed in August 2010 by McGill Engineering Services Pty Ltd and was for the period 1 September 2007 to 31 August 2010.</p> <p>Achieve It Consulting with the approval of the Authority has been appointed to undertake the review. The audit period is 1 September 2010 to 31 August 2013.</p> <p>This accords with the above requirement.</p>
<p>Compliance summary</p> <p>Compliant</p>
<p>Corrective Action/Opportunity for Improvement</p>

Item 10/10 Distribution Licence clause 15.1	<i>Type 2</i>	Compliance Rating Compliant-5
<p><i>Energy Coordination Act section 11ZA(1)</i></p> <p>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).</p>		
<p>Verification/Tests</p> <p>Interviewed Business and Regulatory Manager Examined previous performance audit report Examined letter from authority requesting the audit Examined letter from Authority approving Achieve It Consulting as the auditor</p>		
<p>Observations</p> <p>The last Performance audit was completed in January 2011 by McGill Engineering Services Pty Ltd and was for the period 1 September 2007 to 31 August 2010.</p> <p>Achieve It Consulting with the approval of the Authority has been appointed to undertake the performance audit. The audit period is 1 September 2010 to 31 August 2013.</p> <p>The period covered by the audit is 36 months which is longer than the normal interval of 24 months.</p>		
<p>Compliance summary</p> <p>Compliant</p>		
<p>Corrective Action/Opportunity for Improvement</p>		

Item 17/17 Distribution Licence clause 5.1	<i>Type NR</i>	Compliance Rating Not applicable
<p><i>Energy Coordination Act section 11ZK(3)</i></p> <p>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.</p>		
<p>Verification/Tests</p> <p>Interviewed Business and Regulatory Manager</p>		
<p>Observations</p> <p>The licensee has no interest or easement in respect of land held by a public authority.</p>		
<p>Compliance summary</p> <p>Not applicable</p>		

Corrective Action/Opportunity for Improvement

Item 18/18 Distribution Licence clause 17.1	<i>Type 2</i>	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 Business and Regulatory Manager		
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	<i>Type 2</i>	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 Business and Regulatory 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	<i>Type 2</i>	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 Business and Regulatory 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.		
Verification/Tests Interviewed Business and Regulatory 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 Business and Regulatory Manager		
Observations The licensee is aware of the need to notify the Minister if a state of emergency was to occur in their distribution system. As no such emergency occurred during the audit period this obligation could not be tested. However, the licensee has an emergency plan that includes the steps to be taken to satisfy this requirement.		
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 Business and Regulatory Manager Examined payment records.		
Observations The licensee is a member of Gas Industry Ombudsman Scheme and the payment record 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	<i>Type 1</i>	Compliance Rating Compliant-4
<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 Business and Regulatory Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the natural gas supplied into the distribution system for various dates during the audit period.		
Observations During the audit period the regulations have been amended making it mandatory that all network operators develop and operate in accordance with a Safety Case approved by the Director of Energy Safety. The Safety Case requirement came into force in August 2011. The licensee submitted the Safety Case and was granted approval and now operates in accordance with the Safety Case. No other breaches of the Act and Regulations occurred during the audit period. Gas quality was also maintained within required specification. One of the odorant samples taken during the audit period was following analysis found to have an odorant reading below the required level. As this was an isolated occurrence EnergySafety is not sure if it was due to a contaminated sample rather than too little odorant being added to the gas. EnergySafety is investigating further.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement As the investigation by EnergySafety had still to be finalised at the time of conducting the audit, the licensee to wait for results of the EnergySafety investigation and dependant on the outcome take the necessary action to prevent a reoccurrence.		

Item 26/26 Distribution Licence clause 5.1	<i>Type 1</i>	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 Business and Regulatory Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the natural gas supplied into the distribution system for various dates during the audit period.		
Observations Reports showed gas quality was within the 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.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 27/27 Distribution Licence clause 5.1	<i>Type 1</i>	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 Business and Regulatory Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the natural gas supplied 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 EnergySafety 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	<i>Type 1</i>	Compliance Rating Compliant - 5
<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 Business and Regulatory Manager Interviewed Principal Engineer Gas Utilisation EnergySafety		
Observations The licensee operates under section 13 of the <i>Gas Standards Act 1972</i> and is required to inspect all new gas installations to ensure they comply with the <i>Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999</i> before providing gas. As the licensee does not have an inspector a contract inspector is used (from either Perth or Albany) and all new installations are inspected and must comply before the gas supply is turned on. It is understood the licensee is considering having one of the ATIVO operatives designated as an inspector.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

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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> 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 Interviewed Business and Regulatory Manager and Area Manager Examined Standard Form Contract</p>		
<p>Observations The licensee only disconnects as a last resort and has a process in place that ensures compliance with the above obligation. During the audit period following the appointment of the new staff at Esperance 5 disconnections occurred of which 3 were subsequently reconnected to the same customer. The remaining 2 were reconnected to new customers. All the reconnections were in compliance with regulation 28 of the <i>Energy Coordination (Customer Contract) Regulations</i> The Standard Form Contract sets out the action to be taken regarding disconnections and reconnections. It is understood from reports provided to the Authority other disconnections occurred during the audit period but because the staff at the time have left the auditor could not verify what process was followed regarding the disconnections.</p>		
<p>Compliance summary 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
<p><i>Energy Coordination Act section 11M, Energy Coordination (Customer Contract) Reg 28, clause 3.1.3.1 AGA Code</i> 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.</p>		
<p>Verification/Tests Interviewed Business and Regulatory Manager and Area Manager Examined process used for connecting new customers. Examined Standard Form Contract</p>		
<p>Observations All new connections are to new builds or existing property on line of main. As the process for new builds is managed by the builder or gasfitter and for existing property by the gasfitter the work is always completed within the 20 day period. . The Standard Form Contract specifies how a customer obtains a connection.</p>		
<p>Compliance summary Compliant</p>		
<p>Corrective Action/Opportunity for Improvement</p>		

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Item 89/89 Distribution Licence clause 5.1	Type NR	Compliance Rating Not rated
<i>Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.1 AGA Code</i> 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 Business and Regulatory Manager and Area Manager		
Observations During the audit period no inspections, repairs, testing or maintenance at a customer's supply address has occurred. However, should such an activity need to occur the licensee has a process in place that will ensure the required notice is given.		
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 Interviewed Business and Regulatory Manager Examined licensee's official identity card		
Observations Photo 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 Business and Regulatory Manager and Area 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	<i>Type 2</i>	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 Business and Regulatory 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		
Corrective Action/Opportunity for Improvement		

Item 94/94 Distribution Licence clause 14.4	<i>Type 2</i>	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	<i>Type NR</i>	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 Business and Regulatory 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	<i>Type 2</i>	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.		
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 Business and Regulatory 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 Business and Regulatory 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	<i>Type 2</i>	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 Interviewed Business and Regulatory Manager Examined accounts		
Observations Accounting records comply with the required standards.		
Compliance summary Compliant.		
Corrective Action/Opportunity for Improvement		

Item 101/101 Distribution Licence clause 20	<i>Type 2</i>	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 Business and Regulatory 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	<i>Type 2</i>	Compliance Rating Compliant - 5
<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 Business and Regulatory Manager Examined performance report and the annual performance report Examined records to establish when delivery of the reports occurred		
Observations The licensee has during the audit period provided all the reports within the required timeframe.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 103/103 Distribution Licence clause 22	<i>Type 2</i>	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 Business and Regulatory Manager Examined 'Performance Report'		
Observations The Authority has confirmed that the licensee was not directed to publish any information during the audit period therefore unable to rate this obligation.		
Compliance summary Not rated		
Corrective Action/Opportunity for Improvement		

Item 104/104 Distribution Licence Schedule 3 clause 1	<i>Type 2</i>	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 Business and Regulatory Manager
Observations The licensee has no pipelines therefore this obligation does not apply.
Compliance summary Not applicable
Corrective Action/Opportunity for Improvement

Item 105/105 Distribution Licence Schedule 3 clause 2	<i>Type 2</i>	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 Business and Regulatory Manager		
Observations The trading and distribution licences are issued to two different companies but both companies use the same WorleyParsons employees to operate the distribution and trading businesses. As the same personnel operate each business the licensee subject to certain defined conditions 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	<i>Type 2</i>	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 Business and Regulatory Manager and Area 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 the call would be directed to the relevant personnel to allow the disconnection to be actioned.		
Compliance summary Not rated		
Corrective Action/Opportunity for Improvement		

Item 227/225 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.6	<i>Type 1</i>	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11M</i> 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 Business and Regulatory Manager and Area Manager Examined the disconnection process		
Observations The licensee has a process in place in conjunction with the retailer for disconnecting customers that ensures compliance with the above obligation. The licensee only disconnects as a last resort and following the appointment of the replacement Business Services Support Officer in January 2013 every endeavour is taken to try to avoid a disconnection occurring. During the audit period following appointment of the new Business Services Support Officer 5 disconnections occurred and they complied with the above requirements.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 230/228 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2	<i>Type 2</i>	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11M</i> 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 Business and Regulatory Manager, Area Manager and Business Services Support Officer		
Observations The licensee has a process in place for reconnecting customers that ensures the above time-frame is complied with. As stated earlier the market rules do not apply		
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 Business and Regulatory Manager, Area Manager and Business Services		

Support Officer Examined information that is available to customers
Observations Information is available to customers that satisfies the above obligation however during the audit period no request for this information was received.
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 Compendium is expressed in clear, simple, and concise language and is in a format that makes it easy to understand		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer Examined website and other documentation held by the licensee.		
Observations The information provided to a customer under the Compendium is 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 Marketing Code and the Compendium.		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer		
Observations Although no requests have been received from customers on how they can obtain a copy of the Gas Marketing Code and the Compendium the distributor was able to tell the auditor how to obtain a copy of the Gas Marketing Code and the Compendium.		
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 Non-Compliant-2
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make electronic copies of the Gas Marketing Code and the Compendium available, at no charge, on their website.		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer Examined website		
Observations The Gas Marketing Code is available on the licensee's website but the licensee still has to replace the Gas Customer Code with the Compendium.		
Compliance summary Non-compliant		
Corrective Action/Opportunity for Improvement Licensee to replace the Gas Customer Code with the Compendium on the website.		

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 Marketing Code and the Compendium available for inspection, at no charge, at their offices.		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer.		
Observations On request the auditor was provided with a hard copy of the Gas Marketing Code and the Compendium whilst at the licensee's office in Esperance		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 249/245 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(1)	<i>Type 2</i>	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 Business and Regulatory Manager, Area Manager and Business Services Support Officer		
Observations Although no request has been made by a residential customer for the above assistance the licensee is aware of this obligation and would provide the information.		

Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 250/246 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(2)	<i>Type 2</i>	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 Business and Regulatory Manager, Area Manager and Business Services Support Officer		
Observations All of the above documents are the responsibility of the retailer and as such this obligation is not applicable.		
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)	<i>Type 2</i>	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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined process for handling complaints and resolving disputes document c9906b67rev1 .		
Observations Although no complaints have occurred during the audit period a process exists for handling complaints and resolving disputes.		
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)	<i>Type 2</i>	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		

<p>Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined process for handling complaints and resolving disputes document c9906b67rev1.</p>
<p>Observations The process for handling complaints and resolving disputes complies with AS ISO 10002 – 2006 and addresses the criteria specified in clause 10.2(b).</p>
<p>Compliance summary Compliant.</p>
<p>Corrective Action/Opportunity for Improvement</p>

<p>Item 254 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(a)</p>	<p><i>Type 2</i></p>	<p>Compliance Rating Not rated</p>
<p><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.</p>		
<p>Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined process for handling complaints and resolving disputes document c9906b67rev1.</p>		
<p>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.</p>		
<p>Compliance summary Not rated</p>		
<p>Corrective Action/Opportunity for Improvement</p>		

<p>Item 255 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(b)</p>	<p><i>Type 2</i></p>	<p>Compliance Rating Not rated</p>
<p><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.</p>		
<p>Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer.</p>		

Observations As no complaints have occurred during the audit period unable to rate this obligation. However the licensee's complaints process includes the above requirements.
Compliance summary Not rated
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 Not rated
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined the complaints process		
Observations The required information would be provided at no cost to a customer if a request was made. However to date no such request has occurred.		
Compliance summary Not rated		
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 applicable
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer.		
Observations As the staff of the distributor and the retailer are the same this occurs automatically. However, as no complaint has occurred unable to rate.		
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)	<i>Type 2</i>	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 Marketing 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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined the records
Observations All records and information is kept as required by the Gas Marketing Code and the Compendium for at least two years
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 261 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1 (3)	<i>Type 2</i>	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i>		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined the complaints database		
Observations No customer complaints were received during the audit period. However, the database has provision for recording the information on customer complaints required under Compendium clause 13.1 (3).		
Compliance summary Not rated		
Corrective Action/Opportunity for Improvement		

Item 269/259 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(1)	<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 connections provided and connections not provided on or before the agreed date.		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined the records		
Observations The records showed all connections provided in the audit period and that they were provided by the agreed date.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 270/260 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)	<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 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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined records		
Observations A record is kept 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. During the audit 3 reconnections occurred to existing customers and they were within the prescribed time-frame.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 271/261 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(1)	<i>Type 2</i>	Compliance Rating Not rated
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer.		
Observations The licensee has had no customer complaints during the audit period. However a process exists to ensure compliance with the above obligation.		
Compliance summary Not rated		
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 Not rated
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer.		
Observations The licensee has had no customer complaints during the audit period. However a copy will be kept to ensure compliance with clause 13.10(1) should one occur.		
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 Not applicable
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer.		
Observations The customer does not have a call centre and therefore does not keep the above records		
Compliance summary Not applicable		
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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined records		
Observations The distributor maintains a record of the total number of delivery points on the distributor's distribution system.		
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-5
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer.		

Checked with Authority regarding submission of reports Examined reports provided on website
Observations The licensee prepared 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

Item 277 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	<i>Type 2</i>	Compliance Rating Compliant-5
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Checked with Authority regarding submission of reports		
Observations The licensee published the above reports within the required time-frame.		
Compliance summary Compliant-5		
Corrective Action/Opportunity for Improvement		

Item 278 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(2)	<i>Type 2</i>	Compliance Rating Compliant-5
<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 Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined website		
Observations The report is available at no cost to the public at the licensee's office in Esperance and on the website.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

Item 279 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(3)	<i>Type 2</i>	Compliance Rating Compliant -5
<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.
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer.
Observations The licensee has a process in place to ensure that its annual report is provided to the Minister and the Authority not less than 7 days before it is published. This process has ensured during the audit period compliance with the above obligation.
Compliance summary Compliant
Corrective Action/Opportunity for Improvement

Item 280 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18)	<i>Type 2</i>	Compliance Rating Compliant-5
<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.		
Verification/Tests Interviewed Business and Regulatory Manager, Area Manager and Business Services Support Officer. Examined information provided to the Authority		
Observations The licensee provided the information in a format acceptable to the Authority and met the required time frame for all reports during the audit period.		
Compliance summary Compliant		
Corrective Action/Opportunity for Improvement		

RISK ASSESSMENTS

NOVEMBER 2010 MANUAL

2013 MANUAL

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
1.	1.	Energy Coordination Act section 11Q(1-2)	Distribution Licence clause 4.1	2	Moderate	Unlikely	Medium	Moderate	4					√		
6.	6.	Energy Coordination Act section 11X(3)	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5					√		
7.	7.	Energy Coordination Act section 11Y(1)(a)	Distribution Licence clause 14.1	NR	Minor	Unlikely	Low	Moderate	5					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
8.	8.	Energy Coordination Act section 11Y(1)(b)	Distribution Licence clause 14.1 and 14.2	2	Moderate	Unlikely	Medium	Moderate	4					√		
9.	9.	Energy Coordination Act section 11Y(1)(c)	Distribution Licence clause 14.3	NR	Minor	Unlikely	Low	Moderate	5					√		
10.	10.	Energy Coordination Act section 11ZA(1)	Distribution Licence clause 15.1	2	Moderate	Unlikely	Medium	Moderate	4					√		
17.	17.	Energy Coordination Act section 11ZK(3)	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5						√	
18.	18.	Energy Coordination Act section 11ZOR(1)	Distribution Licence clause 17.1	2	Moderate	Unlikely	Medium	Moderate	4						√	

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
20.	20	Energy Coordination Act section 11ZOV(1)	Distribution Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4						√	
21.	21	Energy Coordination Act section 11ZOV(2)	Distribution Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4						√	
22.	22	Energy Coordination Act section 11ZOZ(3)	Distribution Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4						√	
23.	23.	Energy Coordination Act schedule 3, section 2(1)	Distribution Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4							√
24.	24.	Energy Coordination Act section 11ZQH	Distribution Licence clause 17	2	Moderate	Unlikely	Medium	Moderate	4					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
25.	25.	Energy Coordination Act section 11Z	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2				√			
26.	26.	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 8(1)	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√		
27.	27.	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 9(1)	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√		
28.	28.	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
87.	87.	Energy Coordination (Customer Contract) Reg 28, clause 3.1.2 AGA Code	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5					√		
88.	88.	Energy Coordination Act section 11M, Energy Coordination (Customer Contract) Reg 28, clause 3.1.3.1 AGA Code	Distribution Licence clause 5.1, Distribution Licence Schedule 3 clause 2	NR	Minor	Unlikely	Low	Moderate	5					√		
89.	89.	Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.1 AGA Code	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5							√

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
90.	90.	Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.2 AGA Code	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5					√		
92.	92.	Energy Coordination Act section 11M	Distribution Licence clause 12	1	Major	Unlikely	High	Strong	2					√		
93.	93.	Energy Coordination Act section 11M	Distribution Licence clause 13	2	Moderate	Unlikely	Medium	Moderate	4					√		
94.	94.	Energy Coordination Act section 11M	Distribution Licence clause 14.4	2	Moderate	Unlikely	Medium	Moderate	4					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
95.	95.	Energy Coordination Act section 11M	Distribution Licence clause 14.6	2	Moderate	Unlikely	Medium	Moderate	4					√		
96.	96.	Energy Coordination Act section 11M	Distribution Licence clause 15.2	1	Major	Unlikely	High	Strong	2					√		
97.	97.	Energy Coordination Act section 11M	Distribution Licence clause 15.4	2	Moderate	Unlikely	Medium	Moderate	4					√		
98.	98.	Energy Coordination Act section 11M	Distribution Licence clause 16	2	Moderate	Unlikely	Medium	Moderate	4							√
99.	99.	Energy Coordination Act section 11M	Distribution Licence clause 18	NR	Minor	Unlikely	Low	Moderate	5					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
100.	100.	Energy Coordination Act section 11M	Distribution Licence clause 19.1	2	Moderate	Unlikely	Medium	Moderate	4					√		
101.	101.	Energy Coordination Act section 11M	Distribution Licence clause 20	2	Moderate	Unlikely	Medium	Moderate	4							√
102.	102.	Energy Coordination Act section 11M	Distribution Licence clause 21.1	2	Major	Unlikely	Medium	Weak	1					√		
103.	103.	Energy Coordination Act section 11M	Distribution Licence clause 22	2	Moderate	Unlikely	Medium	Moderate	4					√		
104.	104.	Energy Coordination Act section 11M	Distribution Licence Schedule 3 clause 1	2	Moderate	Unlikely	Medium	Moderate	4						√	

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
105.	105.	Energy Coordination Act section 11M	Distribution Licence Schedule 3 clause 2	2	Moderate	Unlikely	Medium	Moderate	4					√		
226.	224.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.5	2	Moderate	Unlikely	Medium	Moderate	4							√
227.	225.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.6	1	Major	Unlikely	High	Strong	2					√		
230.	228.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause Compendium clause 8.2	2	Moderate	Unlikely	Medium	Moderate	4					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
244.	240.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.6	2	Moderate	Unlikely	Medium	Moderate	4							√
245.	241.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.9	2	Moderate	Unlikely	Medium	Moderate	4					√		
246.	242.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(1)	2	Moderate	Unlikely	Medium	Moderate	4					√		
247.	243.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(2)	2	Moderate	Unlikely	Medium	Moderate	4		√					

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
248.	244.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(3)	2	Moderate	Unlikely	Medium	Moderate	4					√		
249.	245.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(1)	2	Moderate	Unlikely	Medium	Moderate	4					√		
250.	246.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(2)	2	Major	Unlikely	High	Strong	2						√	
251.	257.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(1)	2	Major	Unlikely	Medium	Weak	1					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
252.	248.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(2) (a) and (b)	2	Moderate	Unlikely	Medium	Moderate	4					√		
254	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3) (a)	2	Moderate	Unlikely	Medium	Moderate	4							√
255	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3) (b)	2	Moderate	Unlikely	Medium	Moderate	4							√
257.	251.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.3	2	Moderate	Unlikely	Medium	Moderate	4							√

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
258.	252.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.4	2	Moderate	Unlikely	Medium	Moderate	4						√	
259.	253.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(1)	2	Moderate	Unlikely	Medium	Moderate	4					√		
261.	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(2)	2	Moderate	Unlikely	Medium	Moderate	4							√
269.	259.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(1)	2	Moderate	Unlikely	Medium	Moderate	4					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
270.	260	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)	2	Moderate	Unlikely	Medium	Moderate	4					√		
271.	261.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(1)	2	Moderate	Unlikely	Medium	Moderate	4							√
272.	262.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(2)	2	Moderate	Unlikely	Medium	Moderate	4							√
273.	263.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.12	2	Moderate	Unlikely	Medium	Moderate	4						√	

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
274.	264.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.14	2	Moderate	Unlikely	Medium	Moderate	4					√		
276.	265.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.16)	2	Major	Unlikely	Medium	Weak	1					√		
277.	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	2	Moderate	Unlikely	Medium	Moderate	4					√		

2013 manual Ref number	2010 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Na	Rating NR
278	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(2)	2	Moderate	Unlikely	Medium	Moderate	4					√		
279	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(3)	2	Moderate	Unlikely	Medium	Moderate	4					√		
280	-	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18	2	Moderate	Unlikely	Medium	Moderate	4					√		

SECTION 2: ASSET MANAGEMENT SYSTEM REVIEW

ASSET MANAGEMENT SYSTEM REVIEW

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.

ASSET MANAGEMENT EFFECTIVENESS SUMMARY

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.

ASSET MANAGEMENT PROCESS AND POLICY DEFINITION ADEQUACY RATINGS TABLE

Rating	Description	Criteria
A	Adequately defined	Processes and policies are documented.
B	Requires some improvement	Processes and policies do not document the required performance of the assets.
C	Requires significant improvement	Processes and policies are significantly out of date.
D	Inadequate	The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).

ASSET MANAGEMENT PERFORMANCE RATINGS TABLE

Rating	Description	Criteria
1	Performing effectively	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	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.

3	Corrective action required	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	Process is not performed, or the performance is so poor that the process is considered to be ineffective.

ASSET MANAGEMENT SYSTEM REVIEW EFFECTIVENESS SUMMARY

ASSET MANAGEMENT SYSTEM	Asset management process and policy definition adequacy rating	Asset management performance rating
asset planning	A	1
asset creation/acquisition	A	Not rated
asset disposal	A	Not rated
environmental analysis	A	2
asset operations	B	2
asset maintenance	A	1
asset management information system	B	2
risk management	A	2
contingency planning	B	3
financial planning	B	2
capital expenditure planning	Not rated	Not rated
review of the asset management system	A	2

SUMMARY OF SIGNIFICANT RESULTS

The review found that the licensee's asset management system is comprehensive and overall more than adequate for the GDS but some areas could be improved. The GDS was constructed several years ago and currently under the instructions of the owner is not being extended.

The licensee does not actively seek to grow the business but complies with the statutory requirement to supply a new customer on line of main if the distance/cost is within the defined amount or the customer pays the required contribution.

The network operator is aware that a possibility exists to extend the GDS to supply a new residential subdivision that has been reticulated for gas by the developer and is currently looking into the possibility of obtaining a government grant to fund the extension.

As the system is fully integrated and only has one supply point it is not feasible to consider retiring any parts because they are not performing (lack of customer connections).

The GDS is constructed to a high standard using the latest materials and installation methods and the original design has following construction provided considerable spare capacity. Therefore no issues exist with the ability of the GDS to meet customer demand.

The GDS is operated and maintained in a safe, effective and efficient manner and the key components are subject to regular scheduled maintenance to minimise any possibility of failure.

A leak survey was undertaken earlier this year by a third party accredited contractor and no significant leaks were found.

A decision has been taken that future surveys will be undertaken by ATIVO and it is proposed to train ATIVO staff in the near future and to purchase the specialised equipment required to undertake a leak survey.

As the system has only been in operation for a few years the need to replace and /or dispose of assets is not currently being considered. Although a process exists should such a need arise.

The need to develop and implement a Safety Case has resulted in the licensee undertaking a formal safety assessment to identify all the risks and hazards associated with the GDS and to put in place processes and procedures to manage the risks and hazards.

A number of the asset management system documents contain the processes and procedures to manage the risks and hazards and therefore form part of the Safety Case.

To reduce duplication and the possibility of error when entering data the licensee is implementing a new computerised mapping system that will also record data, such as meter readings electronically via wireless, currently stored manually in other databases.

The licensee does not currently measure unaccounted for gas (UFG) and as the licensee has set a target for UFG at up to 2.5% the licensee should implement a process for measuring UFG.

The licensee also has an emergency plan but has yet to test the plan. Arrangements should be put in place to test the effectiveness and adequacy of the plan as soon as practical.

As the product being supplied is one of choice the licensee should consider surveying customers to assess their satisfaction levels with the service provided. This could be undertaken in conjunction with the retailer.

ITEMS FROM PREVIOUS ASSET MANAGEMENT SYSTEM REVIEW REQUIRING ATTENTION

8. Risk management	Process/Policy rating B	Effectiveness rating 2
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Risk management involves the identification of risks and their management within an acceptable level of risk.

Recommendation

Enhance the risk management plans by assessing the external threat to gas supply and significant shifts in gas costs.

Observations

The safety case has through a formal process identified all the risks associated with the distribution system and identified the processes to be used to either eliminate the risks or reduce them to an acceptable level.

The risks identified in the safety case will form the basis of the risk registers.

Current status

All risks have been assessed as part of the Safety Case and are now included in the risk register.

9. Contingency planning	Process/Policy rating B	Effectiveness rating 2
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Contingency plans document the steps to deal with the unexpected failure of an asset.

Recommendation

Contingency plans should be documented for a gas shortage and tested.

Observations

A contingency planning process has been included in the asset management system. The process identifies the major failure modes and the action that will be taken to manage each type of failure:

- **Distribution system pipe-work;**
-

- Regulator failure; and
- Supply interruption.

Current status

A contingency planning process has been implemented and adequate documentation now exists to support this activity.

12. Review of AMS

Process/Policy rating B

Effectiveness rating 2

Recommendation

The asset management system is regularly reviewed and updated.

Observations

The licensee has put in place a process to undertake regular review of the asset management system. The review is prompted via a schedule contained in a database.

Current status

The licensee has put in place a process to review the asset management system on a regular basis. However, some documentation is in need of updating.

CORRECTIVE ACTIONS REQUIRED AS A CONSEQUENCE OF THE CURRENT REVIEW

Asset management System Element	Asset management process and policy definition adequacy rating A	Asset management performance rating 2
<p>4.0 Environmental analysis Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.</p>		
<p>Recommendations <i>The licensee to utilise the outcome of the Safety Case audit to improve the asset management system.</i> <i>The licensee to consider introducing a process to measure customer satisfaction levels.</i></p>		

Asset management	Asset management	Asset management
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System Element	process and policy definition adequacy rating	performance rating
5.0 Asset operations	B	2
Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.		
Recommendations <i>The licensee should consider introducing a process to monitor UFG to ensure it remains within the KPI figure of 2.5%. As a start consideration should be given to comparing input (meter reading at PRS) with output (accumulated meter readings at customer meters) over 3 month period on an ongoing basis.</i>		

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
7.0 Asset Management Information System	B	2
An asset management information system is a combination of processes, data and software that support the asset management functions.		
Recommendations <i>Complete implementation of the new mapping system.</i>		

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
9.0 Contingency planning	B	3
Contingency plans document the steps to deal with the unexpected failure of an asset.		
Recommendations <i>Licensee has to date not tested the Major Incident Plan and arrangements need to be made to undertake an exercise to test the Major Incident Plan and implement any changes that eventuate from the exercise as soon as possible.</i>		

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.		
Recommendations <i>All asset management documentation be reviewed as soon as practicable by the licensee to ensure it is current and the process for reviewing also be looked at to ensure</i>		

documents are subject to regular review in accordance with the licensee's specified review period.

ASSET MANAGEMENT SYSTEM CURRENT REVIEW DETAILS

Asset management System Element 1.0 Asset Planning	Asset management process and policy definition adequacy rating A	Asset management performance rating 1
Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).		
<p>Evidence</p> <p>Examined</p> <ul style="list-style-type: none"> • Asset Management Plan - Philosophy and Strategy, • Esperance Gas Distribution System Design and Control Management Document • Safety Case, • Maintenance Plan, • Operational plan • Various databases, • Risk Management Plan, • Major Incident Plan, • Records and plans of distribution systems <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
<p>Observations</p> <p>General</p> <p><i>The asset management system covers the natural gas distribution system in Esperance (GDS). The GDS was constructed several years ago and over recent years has not seen any significant expansion. Work is restricted to connecting customers on line of main and operating and maintaining the GDS in a safe, efficient and effective manner. Currently the GDS supplies gas to 328 customers. The GDS is constructed from polyethylene pipe in accordance with AS/NZS 4645 2008 Part 3 Plastic pipe systems.</i></p> <p><i>Planning process and objectives reflect the needs of all stakeholders and are integrated with business planning</i></p>		

The Plans that form the Asset Management System are comprehensive and are focused on operating and maintaining the GDS in a safe effective and efficient manner. They reflect the needs of all the stakeholders and are integrated with business planning. The key documents are the operating and maintenance plans.

Service levels are defined

The maintenance and operational plans set out the service levels to be achieved.

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

The systems are simplistic in nature and operation and have considerable spare capacity. The drivers are to operate and maintain the system safely at minimum cost, and to only connect new customers on line of main. Comply with the legislation, minimise unaccounted for gas and ensure continuity of supply. Therefore, non-asset options are not a consideration.

Lifecycle costs of owning and operating assets are assessed

Lifecycle costs were assessed when the GDS was designed prior to construction. Regular reports are provided to the owner on the costs involved in operating and maintaining the GDS.

Funding options are evaluated

The owner of the GDS has instructed the network operator not to expend further capital on the GDS therefore the need to evaluate funding options has not occurred during the review period. Should the situation change in the future funding options would be evaluated on a case by case basis for any capital project and would need to meet the owner's requirements. Currently the costs associated with the installation of new gas services are treated as an expense and therefore not capitalised.

Costs are justified and cost drivers identified

Cost drivers have been identified and the majority are not subject to change as they relate to the operation and maintenance of the GDS and are included in the ATIVO contract that provides for a monthly fee to be charged. Regular reports are provided to the owner that compare estimated with actual costs.

Likelihood and consequences of asset failure are predicted

The Safety Case through the formal safety assessment has identified the likelihood and consequence of asset failure and how a failure would be managed. The GDS has been constructed to a high standard using materials that have an extremely long life therefore the likelihood of failure is small. The assets that could be subject to failure (such as the pressure regulators on the PRS) are subject to continuous monitoring and ongoing maintenance thereby reducing the risk of failure to an acceptable level or removing it completely. The required outcomes are included in the relevant asset management plans.

Plans are regularly reviewed and updated

A process exists that ensures regular review and updating of the asset management system plans.

Recommendations

Asset management System Element 2.0 Asset creation/ acquisition	Asset management process and policy definition adequacy rating A	Asset management performance rating Not rated
<p>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.</p>		
<p>Evidence Examined</p> <ul style="list-style-type: none"> • Asset Management Plan - Philosophy and Strategy, • Esperance Gas Distribution System Design and Control Management Document • Safety Case, • Maintenance Plan, • Operational plan <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
<p>Observations General</p> <p><i>Asset creation/acquisition is on a case by case basis and subject to financial evaluation. Currently the licensee under instructions from the owner is not looking to extend the distribution system or create/ acquire any additional assets for the distribution system other than providing a supply to properties on line of main. All the costs associated with providing a supply to properties on line of main over the last few years is treated as an expense and therefore not capitalised.</i></p> <p>Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions</p> <p><i>The Licensee is currently not looking to create new assets but should the situation change the licensee would carry out a detailed business case and a full project evaluation before constructing new assets if the owner was prepared to look to extending the distribution system. As the assets all relate to the GDS assessment of non-asset solutions would not be considered.</i></p>		

Evaluations include all life-cycle costs

As the licensee is not currently considering any additions to the GDS no evaluations are taking place. However, should the situation change all additions would be subject to a comprehensive evaluation that included taking into consideration life-cycle costs.

Projects reflect sound engineering and business decisions

No projects have been undertaken during the audit period so it is not possible to assess if they reflect sound engineering and business decisions. However, the existing infrastructure that constitutes the GDS reflects sound engineering and was based on sound business decisions.

Commissioning tests are documented and completed

Records indicate that commissioning tests were undertaken and documented on completion before the assets were put into operation. This has ensured that assets are tested for correct installation and will operate safely and in accordance with the design when placed in service.

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

The licensee’s legal, environmental and safety obligations are taken very seriously and responsibility for ensuring compliance is assigned to relevant personnel and detailed in policy documents and procedures. The licensee has a comprehensive documentation system which is available to all personnel including the contractor through their share-point facility via the internet.

Audits are usually out sourced to a relevant expert to ensure they are independent of the licensee. The need to operate in accordance with an approved Safety Case has identified in more detail the safety obligations the licensee needs to comply with and how they are to be managed.

Recommendations

None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
3.0 Asset disposal	A	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.		
<p>Evidence Examined</p> <ul style="list-style-type: none"> • Network Asset Replacement Strategy • Safety Case, • Asset Management Philosophy and Strategy Document <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager 		

- Esperance Area Manager

Observations

General

Asset disposal within the GDS because of its relatively young age is not expected to occur in the foreseeable future. However the asset management system includes a Network Asset Replacement Strategy document that details how assets would be replaced should the need ever arise.

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

The volume of natural gas supplied from the reticulation system is regularly monitored and reported to the owner and this is the only tangible measure of the GDS performance. As the GDS is simplistic in nature and supplied via a single pressure reduction station it can only be assessed in its entirety.

The performance of the GDS is dependent on the number and type of customers that are connected. The licensee has no alternative, if the licensee is to meet regulatory requirements, other than to connect a customer regardless of the proposed load if the cost of connection falls within the set criteria. This can result in some customers not providing a reasonable rate of return. However, the licensee has to accept this as part of operating a distribution system.

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

As stated above under-utilisation and/or under-performance of the GDS is not something that can be assessed other than by considering the whole of the GDS. The licensee is obligated to supply gas to all customers on-line of main subject to certain conditions and it is not possible to retire parts of the system because they only have limited customer connections.

Disposal alternatives are evaluated

Disposal options would be considered and evaluated if the need should ever arise.

There is a replacement strategy for assets

A replacement strategy exists for assets that require replacement such as pressure regulators and gas meters and any replacement would be subject to adequate funding being available.

Recommendations

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

Evidence

Examined

- Environmental Management Plan
- Safety Case
- Asset Management Philosophy and Strategy Document
- Major Incident Plan
- Risk Management Plan
- Design and Control Management Procedure
- Records and plans of distribution systems
- Network Asset Replacement Strategy

Interviewed

- Business and Regulatory Manager
- Esperance Area Manager

Observations**General**

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

The principal threats to the business is competition from other energy sources therefore the licensee needs to keep costs to a level that will enable the retailer to offer natural gas at a competitive price and loss of supply from the Kambalda to Esperance Pipeline..

Opportunities and threats in the system environment are assessed

The Safety Case details the threats and how they are to be managed. The licensee is currently looking at the possibility of obtaining funding through a grant from the government to cover the cost of the mains extension to a new subdivision that has been reticulated for gas by the developer.

The licensee has identified an opportunity to improve the way information is captured and is currently developing a new computerised mapping system. The new system will enable all information including meter readings to be recorded directly from a hand held tablet via a wireless link. Currently meter reading is a manual process where following the reading of a meter a paper record is forwarded to the Business Support Officer for entering into the recording system. The new system will reduce duplication and minimise any possibility for error. It will also allow other authorised personnel to have access to the data as currently meter reading information is only available to Esperance personnel.

The need to operate the GDS in accordance with an approved Safety Case has introduced another level of regulatory compliance for the Licensee. The Safety Case has a yearly audit requirement that entails looking at the majority of requirements contained in the asset management system. Opportunities exist for the licensee to utilise the outcome of the Safety Case audit to improve the asset management system.

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

Performance standards have been established and are clearly set out in the asset management documentation and are measured and reported on a regular basis to determine if they meet or exceed the set levels. Appropriate action is taken if the

required levels are not achieved.

Compliance with statutory and regulatory requirements

The licensee is aware of its statutory and regulatory requirements and ensures compliance with these requirements. All personnel are aware of their obligations and comprehensive systems exist to ensure compliance.

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. During the review period the licensee has not had any customer complaints which support that the licensee is achieving the required customer service levels although the licensee does not measure its performance through a customer feedback process.

Recommendations

The licensee to utilise the outcome of the Safety Case audit to improve the asset management system.

The licensee to consider introducing a process to measure customer satisfaction levels

<p>Asset management System Element</p> <p>5.0 Asset operations</p>	<p>Asset management process and policy definition adequacy rating</p> <p>B</p>	<p>Asset management performance rating</p> <p>2</p>
<p>Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.</p>		
<p>Evidence</p> <p>Examined</p> <ul style="list-style-type: none"> • Asset Operating Plan, • Safety Case • Asset Management Philosophy and Strategy Document • Major Incident Plan • Records and plans of distribution systems • Network Asset Replacement Strategy <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
<p>Observations</p> <p>Operational policies and procedures are documented and linked to service levels required</p> <p>The licensee has documented policies and procedures covering the construction and operation of the distribution system. These are linked to the service levels and KPI's</p>		

developed by the licensee and the licensee assesses performance for compliance with the KPI's on a regular basis. The KPI's are all being achieved with the exception of the KPI for unaccounted for gas (UFG). Because the system has only been in operation for a few years the UFG KPI is not assessed. The licensee should consider introducing a process to monitor UFG to ensure it remains within the KPI figure of 2.5%.

Risk management is applied to prioritise operations tasks

The Safety Case through the Formal Safety Assessment has identified all the risks associated with operating the GDS and how they should be managed. As the system is built and operating, prioritisation of risks is not required as they have already been identified and are managed on a daily basis. The majority of work undertaken by the contractor associated with the GDS is subject to a job safety assessment therefore all the risks are considered prior to any work being undertaken.

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.

Operational costs are measured and monitored

Operational costs are measured and monitored to ensure they are correct and within estimates. Regular reports are produced that compare actual costs against budgeted costs.

Staff receive training commensurate with their responsibilities

All operational work on the distribution system is undertaken by contractors and each contractor has been trained to the national competency standard level required by the licensee. Additional training is provided if a need is identified currently the contractor is to be trained in leak survey to enable the work to be undertaken locally instead of utilising a specialised company. The licensee's staff are trained on a continuous basis to ensure they develop their skills and competencies.

Recommendations

The licensee should consider introducing a process to monitor UFG to ensure it remains within the KPI figure of 2.5%. As a start consideration should be given to comparing input (meter reading at PRS) with output (accumulated meter readings at customer meters) over 3 month period on an ongoing basis.

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
6.0 Asset maintenance	A	1
Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.		
Evidence Examined		

- Asset Maintenance Plan,
- Safety Case,
- Asset Management Philosophy and Strategy Document
- Major Incident Plan
- Records and plans of distribution systems

Interviewed

- Business and Regulatory Manager
- Esperance Area Manager

Observations

General

The licensee has documented all the maintenance functions associated with the GDS. The contractor responsible for carrying out the maintenance has been trained in the licensee's requirements and undertakes the maintenance in accordance with the schedule contained in the licensee's maintenance plan. The plan and supporting procedures are available to the contractor via the licensee's share-point facility.

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

The licensee has documented policies and procedures covering the maintenance of the distribution system. 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.

Regular inspections are undertaken of asset performance and condition

The PRS is inspected and maintained on a scheduled basis.

Major isolation valves in the GDS are also inspected for access and operation on a regular basis.

It is proposed that the contractor carry out all future leakage surveys of the distribution system at intervals specified in the Safety Case.

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

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

As stated previously a maintenance plan is in place and the work identified in the plan is completed to a schedule. Procedures also exist and are complied with that cover emergency work.

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. However to date no such issues have occurred.

Risk management is applied to prioritise maintenance tasks

The Safety Case through the Formal Safety Assessment 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

Maintenance costs are measured and monitored

Maintenance costs are measured and monitored and recorded by the licensee. Regular reports are provided to the owner by the licensee. The licensee also has a number of KPI's that cover maintenance activities and the KPI's continue to be achieved on an ongoing basis.

Recommendations

Asset management System Element 7.0 Asset Management Information System	Asset management process and policy definition adequacy rating B	Asset management performance rating 2
<p>An asset management information system is a combination of processes, data and software that support the asset management functions.</p>		
<p>Evidence Examined</p> <ul style="list-style-type: none"> • Share-point Facility, • Geographical Information System • Various Spreadsheets <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
<p>Observations <i>General</i></p> <p>Several systems exist to support the asset management functions they are considered adequate for the scale and complexity of the business. However, the system will be improved when the new mapping software is introduced which will in addition to improving the recording of geographical information also record data such as meter readings thereby reducing the possibility of errors occurring in the inputting of data and the need to record the data in a separate database.</p> <p>The licensee uses a spreadsheet for registering assets and a separate database to record meter readings. A geographical information system (GIS) is used to display the GDS assets. The asset spreadsheet and GIS are linked to transfer data so that transcription errors do not occur. Service standards and other information is collected to enable the required information to be reported to the Authority and other regulatory bodies. The licensee also has a share-point facility that allows all asset management system information and operational and maintenance procedures to be accessed via the internet by authorised users. A separate system exists to cover all financial matters</p>		

associated with the GDS and this is managed by the WorleyParsons financial controller located in Perth.

The licensee is in the process of implementing a new geographical information system which will improve the way data is collected and displayed. It will also allow more users access to the data and reduce the possibility of data input error and reduce duplication.

Adequate system documentation for users and IT operators

The GIS system is comprehensive and used on a daily basis by authorised personnel (including the contractor ATIVO) wanting to access information on the location of the GDS assets. The contractor is also responsible for providing information on the GDS assets to the dial before you dig service. The share-point facility is also easy to use.

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

The system is easy to use with a user focus rather than a database focus and includes appropriate verification and validation of data entered into the system. Although because of the multiple handling of meter reading data errors can occur.

Logical security access controls appear adequate, such as passwords

Logical security access control is adequate with access by password. Passwords are controlled by the web custodian.

Physical security access controls appear adequate

Physical security access is adequate with the system only being available in a controlled office environment and at the contractor’s workshop.

Data backup procedures appear adequate

Data is backed up daily and recovery is tested routinely. Data is backed up daily on WorleyParsons IT server system (remote to the operating area). A daily restore is performed on the server.

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.

Management reports appear adequate for the licensee to monitor licence obligation

Management reports appear adequate for the licensee to monitor licence obligations and provide financial data to the owner to the extent possible to assess with visual inspection.

Recommendations

Complete implementation of the new mapping system.

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.		
Evidence		
Examined		
<ul style="list-style-type: none"> • Risk Management Plan • Safety Case • Asset Management Philosophy and Strategy Document • Major Incident Plan • Records and plans of distribution systems 		
Interviewed		
<ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
Observations		
General		
<p><i>The development and implementation of a Safety Case covering the GDS has required the licensee to undertake a formal safety assessment of all the risks associated with the GDS and to quantify how the risks will be managed. As the licensee is required to operate in accordance with the Safety Case all risks are to be managed in accordance with the measures contained in the safety case and be subject to periodic review to ensure the measures continue to be effective. .</i></p>		
<p>Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</p> <p><i>The Safety Case contains details on the risks associated with the GDS and how they are to be managed.</i></p>		
<p>Risks are documented in a risk register and treatment plans are actioned and monitored</p> <p><i>The risks and how they will be treated and monitored are documented in the Safety Case and supporting documentation.</i></p>		
<p>The probability and consequences of asset failure are regularly assessed.</p> <p><i>The probability and consequences of asset failure have been assessed in the Safety Case and the licensee will use this assessment for future monitoring of assets. The assessment is subject to regular review and auditing to ensure it remains effective.</i></p>		
Recommendations		

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
9.0 Contingency planning	B	3

Contingency plans document the steps to deal with the unexpected failure of an asset.

Evidence

Examined

- Asset Management Plan
- Safety Case
- Risk Management Plan
- Loss of Containment Procedure
- Asset Management Philosophy and Strategy Document
- Major Incident Plan
- Failure Analysis Procedure
- Records and plans of distribution systems

Interviewed

- Business and Regulatory Manager
- Esperance Area Manager

Observations

General

The licensee has identified via the formal risk assessment carried out on the GDS that forms part of the safety case the consequences that would result from an unexpected failure of an asset. The licensee considers the most likely scenario would result in a supply disruption. Procedures have been developed and documented to manage the consequence of such an event

The procedures are understood by all relevant personnel and are available via the licensee's share-point facility.

A Major Incident Plan has been developed to deal with serious incidents and major supply disruptions. The licensee has yet to test the plan to assess the suitability and adequacy of the plan.

Recommendations

Licensee has to date not tested the Major Incident Plan and arrangements need to be made to undertake an exercise to test the Major Incident Plan and implement any changes that eventuate from the exercise as soon as possible.

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
10.0 Financial planning	B	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.		
<p>Evidence</p> <p>Examined</p> <ul style="list-style-type: none"> • Asset Management System Documentation • Various financial reports <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager 		

- Esperance Area Manager

Observations

General

Financial planning is not currently undertaken by the licensee in respect of its assets. An operating budget is setup each year and forms part of the overall operating budget of Esperance Power Station Pty Ltd which includes the operating and maintenance costs of the Esperance Power Station and Kambalda to Esperance Pipeline. The costs included cover operating and maintaining the assets, compliance costs (such as performance audits) and an allowance for constructing new gas services on line of main. The licensee monitors actual costs against the budget on a monthly basis.

All operational and maintenance activities are undertaken by the licensee's contractor ATIVO. The ATIVO contract provides for the company to be paid a monthly fee for undertaking the identified operational and maintenance work with additional remuneration being paid for unforeseen work.

As the GDS is small, constructed to a high standard, has a long life, is still relatively new and is performing financially the need at this time for a financial plan is not high. The operations and maintenance budget cycle is undertaken annually and because the majority of costs can accurately be predicted they can be controlled on an ongoing basis to ensure the desired outcomes are achieved.

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

A financial plan is not developed only a budget covering operational and maintenance activities. Capital expenditure would be subject to a business case on a project by project basis.

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

No plan of this type is developed. An annual operating and maintenance budget is prepared and this is largely based on the costs set out in the ATIVO contract.

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

This is not undertaken.

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

This is not undertaken.

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

The annual budget contains these costs.

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

As a financial report is prepared on a monthly basis the costs are monitored and any significant variance would be identified enabling the required action to be taken.

Recommendations.

Asset management System Element 11.0 Capital expenditure planning	Asset management process and policy definition adequacy rating Not rated	Asset management performance rating 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</p> <ul style="list-style-type: none"> • Asset Management Plan, • Various databases, <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
<p>Observations</p> <p>General</p> <p><i>The licensee does not prepare a capital expenditure plan and the owner has instructed the licensee not to undertake any capital works. The GDS was constructed several years ago and any extension or modification to the system would need to be the subject of a detailed business case. If approved, funding would be made available by the owner.</i></p> <p><i>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</i></p> <p><i>The licensee does not have a capital expenditure plan and is unlikely to develop one in the foreseeable future. Capital expenditure would be subject to a business case being approved by the owner on a project by project basis.</i></p> <p><i>The plan provides reasons for capital expenditure and timing of expenditure</i></p> <p><i>Any business case prepared by the licensee would contain the above information.</i></p> <p><i>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</i></p> <p><i>Should a need arise for an asset to be replaced or modified a business case would be developed and asset life and condition would be considered if appropriate as part of the business case.</i></p> <p><i>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</i></p> <p><i>The licensee does not have a capital expenditure plan therefore no updates occur.</i></p>		
<p>Recommendations</p>		

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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.		
<p>Evidence</p> <p>Examined</p> <ul style="list-style-type: none"> • Asset Management System Documents • Various databases <p>Interviewed</p> <ul style="list-style-type: none"> • Business and Regulatory Manager • Esperance Area Manager 		
<p>Observations</p> <p><i>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</i></p> <p><i>The licensee has a process in place that provides for all the documents that make up the asset management system to be reviewed on a regular basis. An examination of the documentation indicates that a review is required as some of the documentation has not been reviewed since 2010 which is not in accordance with the frequency specified in the document and a number of documents contain references to deleted Australian Standards.</i></p> <p><i>Independent reviews (e.g. internal audit) are performed of the asset management system</i></p> <p><i>Legislation requires an audit of the safety case occur every 12 months. As the safety case and asset management system have a number of common elements they are reviewed as part of the safety case. Independent review is also undertaken as required by the Authority under the licence conditions.</i></p>		
<p>Recommendations</p> <p><i>All asset management documentation be reviewed as soon as practicable by the licensee to ensure it is current and the process for reviewing also be reviewed to ensure documents are subject to regular review in accordance with the licensee's specified review period.</i></p>		