



Notice

16 December 2016

Perth Energy Pty Ltd

2016 PERFORMANCE AUDIT

The Economic Regulation Authority (ERA) has found that Perth Energy Pty Ltd's level of compliance with its licence is not adequate. The 2016 performance audit of its electricity retail licence found it has failed to comply with 20 of its licence obligations.

This finding follows the receipt of Perth Energy's 2016 [performance audit report](#) and its [post-audit implementation plan](#).

The ERA's Decision

The ERA has decided to reduce the audit period for the next audit from 36 months to 24 months. It will cover 1 July 2016 to 30 June 2018, with the report due by 30 September 2018.

Background for the ERA's decision

The audit assessed 279 obligations in total.¹ The main findings were:

- 79 were rated A1 (highest rating);
- 13 were rated B1 (controls improvement needed, compliant); and
- 20 were rated B2 (controls improvement needed, minor non-compliance).

The 20 non-compliances covered:

- the version of the standard form contract published on Perth Energy's website (two non-compliances);
- the information supplied with standard contracts (two non-compliances);
- the content of, and information supplied with, non-standard contracts (eight non-compliances);
- customers' verifiable consent for non-standard contracts (one non-compliance);
- billing and bill reviews (two non-compliances);
- registering customers on life support (two non-compliances);
- handling of complaints (two non-compliances); and
- publishing the 2015 code of conduct report without being requested to by the ERA.

¹ Of the 279 obligations, the auditor rated five obligations NP1 (controls assessment not performed, compliant); 74 were not applicable to Perth Energy's operations; and the auditor did not rate 88 obligations due to the lack of relevant activity during the audit period.

Until the audit, Perth Energy was unaware that it had not been compliant with a type 1 licence obligation. The code of conduct² requires licensees to notify the ERA immediately when they breach a type 1 obligation, because the breach could cause major damage or disruption, or could engender a person's health or safety. Perth Energy failed to comply with a type 1 obligation affecting customers on life support.³ The audit also found that other non-compliances, covering customer contract and billing obligations, had gone undetected for some time.

The auditor formed the opinion that Perth Energy had maintained an adequate control environment to ensure ongoing compliance.⁴ The ERA does not agree, because of the number and diversity of Perth Energy's non-compliances, because many were not detected until the audit, and because they included a type 1 obligation.

The ERA has advised Perth Energy that the level of compliance found by the audit is not adequate. Perth Energy is required to promptly rectify the non-compliances, and take effective measures to reduce the risk of future non-compliance.

Audit Recommendations and Post-Audit Implementation Plan

The auditor has made 14 recommendations to address the 20 non-compliances and 11 recommendations to address process improvements. Perth Energy plans to address all 25 recommendations by December 2016.

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² *Code of Conduct for the Supply of Electricity to Small Use Customers.*

³ Clause 7.7(1) of the code of conduct requires retailers to keep a record of the type of life support equipment at a registered life support equipment premise.

⁴ Refer to page 4 of the audit report.