



Notice

15 February 2017

Wesfarmers Kleenheat Gas Pty Ltd

2016 PERFORMANCE AUDIT - GAS TRADING LICENCE

The Economic Regulation Authority (**ERA**) has decided that Wesfarmers Kleenheat Gas Pty Ltd's (trading as **Kleenheat**) compliance with its gas trading licence conditions needs improvement.

The [2016 performance audit \(audit\) report](#) highlights Kleenheat's performance.

The ERA's Decision

The ERA has decided to maintain the audit period at 24 months. The next audit will cover 1 September 2016 to 31 August 2018, with the report due by 30 November 2018.

BACKGROUND FOR THE ERA'S DECISION

The audit assessed 256 obligations in total. The main findings were:

- six obligations received the highest rating of A1 (adequate controls, compliant);
- 19 obligations were rated B2 (generally adequate controls, minor non-compliance);
- one obligation was rated B3 (generally adequate controls, moderate non-compliance);
- 167 obligations were rated NP1 (controls assessment not performed, compliant);
- two obligations were rated NP2 (controls assessment not performed, minor non-compliance); and
- 61 obligations were rated NP/NR (no relevant activity took place during the audit period).

The audit found 22 non-compliances covering:

- reminder or disconnection notices (three obligations);
- gas marketing agents;
- verifiable consents for non-standard contracts;
- customer connections (two obligations);
- information on bills (three obligations);
- changing customers to alternate tariffs;
- recovery of undercharged amounts from customers;
- customers' direct debit facilities;
- paying customer credit amounts;

- timing of bills (three obligations);
- meter readings;
- charging of late payment fees (two obligations); and
- reconnections (two obligations).

Audit Recommendations and Post-Audit Implementation Plan

The auditor made five recommendations covering nine non-compliances.¹ The post-audit implementation plan² states that Kleenheat has already addressed two of these non-compliances.³ Therefore, the remaining four recommendations address seven outstanding non-compliances.

The post-audit implementation plan states that Kleenheat will address the audit recommendations by February 2017.

ERA's response to the audit

All 22 non-compliances identified in the audit cover core business functions that have directly affected customers. The ERA is of the view that Kleenheat needs to further develop its systems and processes to ensure it complies with its licence obligations as it grows its customer base.

The ERA is concerned that 14 of the 22 non-compliances appear to be systemic in nature, the majority of which cover customer billing and disconnections. Five of the seven unresolved non-compliances cover systemic billing issues.

Kleenheat must improve its billing processes. Approximately 1.3% of its customers received more than one bill per month in 2016.⁴ The ERA considers the auditor's recommendation⁵ regarding this issue does not satisfactorily address the non-compliance. Kleenheat is required to provide an amended post-audit implementation plan with new actions to fully address the non-compliance by 31 March 2017.

Kleenheat charged some customers late fees within five business days of the date of receipt of the previous late payment fee notice, and charged customers more than three late payment fees in relation to the same bill.⁶ Kleenheat states in the post-audit implementation plan that it has resolved both these non-compliances, and has chosen not to address the auditor's recommendation.⁷ The ERA informed Kleenheat that it will be required to address the recommendation if any further non-compliances are detected.

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¹ The audit report states 13 of the 22 non-compliances were addressed during the audit period.

² The post-audit implementation plan is in Appendix C of the audit report.

³ Obligations 187 and 188.

⁴ Obligation 136.

⁵ Recommendation 4/2016

⁶ Obligations 187 and 188.

⁷ Recommendation 5/2016 requires Kleenheat to establish preventative controls to ensure compliance.