



Notice

8 May 2017

Esperance Power Station Pty Ltd

2016 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW - GAS DISTRIBUTION LICENCE GDL10

The Economic Regulation Authority (**ERA**) has found Esperance Power Station Pty Ltd's (**Esperance Power**) level of compliance with its gas distribution licence needs to be improved and its asset management system is not effective.

The findings were highlighted in the company's 2016 [Performance Audit and Asset Management System Review](#).

The ERA's Decision

The ERA has decided to reduce the audit and review period from 36 months to 24 months.

The next audit and review covers the period from 1 September 2016 to 31 August 2018 and the report is due by 30 November 2018.

BACKGROUND FOR THE ERA'S DECISION

Audit

Esperance Power contravened its licence because the company did not properly inspect new gas installations in accordance with its safety case. This is a Type 1 licence contravention, the most serious category, which the company must report immediately to the ERA. In this case, the breach was found by the auditor, not Esperance Power. The auditor rated this breach as a minor non-compliance because it had little effect on customers. However, the ERA believes this contravention was more serious than the auditor's assessment, because it was a Type 1 contravention.

The auditor also found the company was non-compliant with its licence when it failed to give customers four days' notice when accessing a supply address for inspection, testing or maintenance. The other non-compliance was a minor matter, with the company's 2013 annual licence compliance report submitted to the ERA after the required deadline.

Setting an audit period of 24 months will provide sufficient time for Esperance Power to amend its processes to comply with its licence conditions.

The main findings of the audit were:

- 42 obligations received the highest rating of A1 (adequate controls, compliant).
- One obligation was rated B1 (generally adequate controls, compliant).

- Three obligations were rated B2 (generally adequate controls, minor non-compliance).
- One obligation was rated A/NR (adequate controls, no relevant activity took place during the audit period).
- 19 obligations were rated NP/NR (no relevant activity took place during the audit period).

Review

The review assessed 12 components of the asset management system and rated:

- Three deficient - environmental analysis, asset operations and asset maintenance.
- Four as improvement opportunities - asset management information system, risk management, contingency planning and review of the asset management system.
- Five as satisfactory - asset planning, asset creation and acquisition, asset disposal, financial planning and capital expenditure planning.

EnergySafety's¹ 2015 audit of Esperance Power's operational procedures and working practices resulted in it serving four inspector's orders on the company. The inspector's orders² have not been closed, as Esperance Power still needs to satisfy EnergySafety's requirements.

A review period of 24 months will provide sufficient time for the company to amend its asset management system to incorporate the changes required by EnergySafety and to demonstrate that it is operating effectively.

Post-Audit and Post-Review Implementation Plan

The [Post-Audit and Post-Review Implementation Plan](#) states that the two unresolved audit recommendations will be addressed by July 2017. The 17 unresolved review recommendations³, including three recommendations carried forward from the 2013 review, will be addressed by November 2017.

For further information contact:

General Enquiries

Paul Reid
Phone: 08 6557 7976
Email: records@erawa.com.au

Media Enquiries

Sinéad Mangan
Work: 08 6557 7912
Mobile: 0428 859 826
Email: communications@erawa.com.au

¹ The Department of Commerce's EnergySafety division is the technical and safety regulator for electricity and gas distribution systems and consumer appliances. Esperance Power is required to develop and maintain a safety and operating plan, known as a 'safety case', which EnergySafety regulates.

² The inspector's orders were served in November 2015. The orders prohibit Esperance Power from working on its distribution system and require improvements to its operations and maintenance procedures.

³ The auditor made 14 recommendations in the 2016 review. Three of those recommendations address asset management deficiencies and 11 recommendations address improvement opportunities.