



# Notice

29 June 2018

## Perth Energy Pty Ltd

### 2017 PERFORMANCE AUDIT

The Economic Regulation Authority (ERA) has published Perth Energy Pty Ltd's 2017 performance audit [report](#) for gas trading licence GTL12. The report includes Perth Energy's post-audit implementation plan.<sup>1</sup>

### ERA's response to the audit

The audit identified 23 non-compliances. Some of these affected customers because Perth Energy did not provide all the required information on its customer bills or when customers received their non-standard contracts. It also did not provide the required information on bills based on estimated meter readings. Perth Energy also did not finalise its customer hardship policy or update its hardship procedures to meet the licence requirements.

Perth Energy needs to address the auditor's recommendations to comply with its licence. The ERA has decided the period covered by the next audit is to be the minimum permitted under the legislation - 24 months. The next audit will cover 1 December 2017 to 30 November 2019, with the report due to be provided by 28 February 2020.

Perth Energy will provide quarterly updates of its post-audit implementation plan to the ERA. The first update is to be provided to the ERA by 30 September 2018.

### Background to the ERA's decision

#### Audit period

This is the first audit of Perth Energy's gas trading licence since the ERA granted the licence in November 2009.<sup>2</sup> The audit covers 30 November 2009 to 30 November 2017.

#### Audit ratings

Due to the long period of time covered by the audit, the auditor assessed current licence obligations, and obligations that are no longer current, but were previously applicable to the licence.

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<sup>1</sup> Refer to Appendix 4 of the report.

<sup>2</sup> Perth Energy's first audit originally covered the 24-month period ending in November 2011 but as Perth Energy was not actively retailing gas the ERA granted a number of extensions to the period covered by the audit.

The auditor's assessment of the 265 current<sup>3</sup> obligations applicable to Perth Energy's gas trading licence found:<sup>4</sup>

- 56 obligations were rated A1 (adequate controls, compliant);
- 53 obligations were rated A/NR (adequate controls, not rated);
- nine obligations were rated B1 (controls improvement, compliant);
- five obligations were rated B2 (adequate controls, non-compliant with minor impact);
- 72 obligations were rated B/NR (controls improvement, not rated);
- two obligations were rated C2 (controls deficient, non-compliant with minor impact);
- 11 obligations were rated C3 (controls deficient, non-compliant with moderate impact);
- three obligations were rated C/NR<sup>5</sup> (controls deficient, not rated);
- one obligation was rated D/NR (no controls evident, not rated);
- 17 obligations were rated NP/NR (controls assessment not performed, not rated); and
- 36 obligations were rated NA/NA (not applicable).

### **Non-compliances**

All of Perth Energy's 23 non-compliant obligations were also rated as having deficient controls or requiring controls improvements.<sup>6</sup> Eighteen current and five non-current obligations were non-compliant.<sup>7</sup>

An additional four obligations were not rated for compliance but had deficient controls.<sup>8</sup>

### **Audit recommendations and post-audit implementation plan**

The auditor made 46 recommendations including:<sup>9</sup>

- five recommendations covering 17 obligations that were both non-compliant and had deficient controls;
- four recommendations covering six<sup>10</sup> obligations that were both non-compliant and requiring control improvements;
- four recommendations covering four obligations that had deficient controls; and
- thirty-three recommendations covering 85 obligations that require controls improvements.

Some of the auditor's recommendations require Perth Energy to:

- amend the gas billing template to include the information required by the licence compendium.

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<sup>3</sup> As listed in the ERA's *2017 Gas Compliance Reporting Manual*.

<sup>4</sup> The auditor also assessed 42 obligations that were no longer current because they were previous versions of current obligations that were substantially different to the current version, or obsolete obligations that the ERA has removed from the licence.

<sup>5</sup> These licence obligations were not exercised during the audit period.

<sup>6</sup> The table in section 1 of the report provides the non-compliances identified by the auditor.

<sup>7</sup> The ERA has assessed one of the auditor's non-compliant obligations (110B\*) as compliant.

<sup>8</sup> Obligations 79/2017, 113/2017, 118/2017 and 239/2017.

<sup>9</sup> The auditor has not provided distinct numbers for each recommendation, but instead grouped relevant obligation numbers together for each recommendation. Some recommendations contain multiple sub-recommendations.

<sup>10</sup> This does not include obligation 110B\* because the ERA disagrees with the auditor's non-compliant rating.

- amend the disconnection notice template so that it includes the date that an overdue payment must be paid by the customer in order to avoid disconnection.<sup>11</sup>
- explicitly state where a bill has been estimated, and that further information on the basis and reason for estimation can be provided upon request.
- finalise the financial hardship policy in consultation with the ERA and Western Australian Council of Social Services, and ensure the information is made available to relevant customers.
- create a non-standard form contract new customer starter pack that is inclusive of all of the information specified under the *Gas Marketing Code of Conduct 2017*, to provide to customers before entering into a non-standard form contract.

The post-audit implementation plan states that Perth Energy will address most of the recommendations by September 2018, and all of the recommendations by March 2019. The ERA requires Perth Energy to provide quarterly updates of its plan, until it has fully addressed the 23 recommendations covering non-compliances.

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<sup>11</sup> Perth Energy uses its disconnection notice as a bill reminder notice before disconnecting supply.