



# Notice

19 February 2019

## **Wesfarmers Kleenheat Gas Pty Ltd** 2018 performance audit

The Economic Regulation Authority has published the 2018 [performance audit report](#) and [post-audit implementation plan](#) for Wesfarmers Kleenheat Gas Pty Ltd's gas trading licence [GTL10](#).

Kleenheat retails natural gas to approximately 196,000 small-use customers in the south west, between Geraldton and Busselton, including the Perth metropolitan area.<sup>1</sup>

Kleenheat also operates four small gas distribution systems that supply liquefied petroleum gas to 765 business and residential customers in estates in Albany, Leinster and Margaret River.

### ***The ERA's decision***

The ERA considers that Kleenheat achieved an adequate level of compliance with its licence obligations, but there is scope for improvement.

The ERA has decided to maintain the audit period at 24 months. The next audit will cover the period 1 September 2018 to 31 August 2020, with the report due by 30 November 2020.

### ***Background to the ERA's decision***

#### ***Audit findings***

The auditor assessed 243 licence obligations and found:

- 159 were compliant
- 18 were non-compliant
- 66 were not rated (no relevant activity took place during the audit period).

The 18 non-compliances covered:

- reminder or disconnection notices
- disconnecting customers on payment arrangements
- requesting customer connections on time

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<sup>1</sup> A small use customer consumes less than one terajoule of gas per year.

- information on bills
- repaying customers credit amounts
- issuing bills within the prescribed timeframes
- not obtaining at least one meter reading in a 12-month period
- charging of late payment fees
- customer complaints
- arranging reconnections on time.

The auditor found that Kleenheat resolved eight of the 18 non-compliances during the audit period.

### ***Audit recommendations***

The auditor made five recommendations to address the 10 unresolved non-compliances.

Of the remaining non-compliances, seven were one-off incidents affecting a very small number of customers. Three non-compliances were systemic in nature, and were also non-compliances in Kleenheat's previous 2016 audit.

The three systemic non-compliances were about the timing of bills:

- 337 customers received more than one bill per month (one licence obligation).
- 371 customers were not issued a bill within 105 days (two licence obligations).

In its post-audit implementation plan Kleenheat has accepted the auditor's recommendations and agreed to investigate and implement changes to its billing system to address these non-compliances.

The post-audit implementation plan states that Kleenheat will address the audit recommendations between now and December 2019.

### ***The ERA's assessment of the audit findings***

Kleenheat's internal compliance framework identified all the non-compliances that occurred during the audit period, with eight of the 18 non-compliances rectified during that time. This supports the auditor's assessment that Kleenheat has strengthened its systems to detect and rectify the non-compliances. Kleenheat has also agreed to all the auditor's recommendations to address the outstanding non-compliances.

However, the non-compliances identified in the audit cover core business functions that have directly affected customers. In particular, the audit findings indicate that Kleenheat needs to improve compliance with its billing obligations. For example, the actions taken to address the three systemic non-compliances from the 2016 audit do not appear to have been effective, as they were also non-compliant in the 2018 audit. Kleenheat needs to further develop its systems and processes to ensure it complies with its licence obligations as its customer base grows.

The ERA welcomes Kleenheat's commitment to investigate and implement changes to its billing system to address the systemic non-compliances. The ERA will seek regular updates from Kleenheat on its progress in completing the action items in its post-audit implementation plan.

### ***Further information***

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