



# Notice

23 April 2024

## Perth Energy 2023 performance audit

The Economic Regulation Authority has published the 2023 [performance audit report](#) and the [post-audit implementation plan](#) for Perth Energy's electricity retail licence ERL10.

Perth Energy is owned by AGL Energy Limited and retails electricity to contestable customers on the South West Interconnected System.<sup>1</sup>

As at 30 June 2023, Perth Energy supplied electricity to 969 business customers and two residential customers.<sup>2</sup>

### The ERA's decision

The ERA considers that Perth Energy has achieved an unsatisfactory level of compliance with its licence.

The ERA has decided to decrease the audit period to 24 months. The next audit will cover the period 1 July 2023 to 30 June 2025, with the report due to be provided by 30 September 2025.

### Audit findings

The audit of the 296 licence obligations applicable to Perth Energy found 20 non-compliances and 24 controls deficiencies.

The material non-compliances and controls deficiencies were:

- Perth Energy could not confirm whether its Family and Domestic Violence Policy was in place from the date the *Code of Conduct for the Supply of Electricity to Small Use Customers 2022* (Customer Code) took effect or that it had met the Customer Code's requirement to consult with a consumer group when developing its policy.
- During the audit period, Perth Energy supplied addresses where a person who uses life support equipment resided. These were contestable business customers, such as care homes.
  - The auditor rated Perth Energy's controls deficient for some of the Customer Code's life support equipment obligations, as it could not provide the auditor with documented

<sup>1</sup> A 'contestable customer' is a customer who consumes more than 50 MWh of electricity per year.

<sup>2</sup> As the two residential customers have large properties that consume more than 50 MWh per year, they are contestable customers and can choose their retailer.

business procedures for managing these customer accounts. Perth Energy had some records of carrying out activities for these customers, but they were not well maintained.

- The auditor found Perth Energy non-compliant with one life support equipment obligation because it removed two life support equipment customers from its register after they no longer needed to be registered but did not do it in the Customer Code's required timeframe. This had no material effect on the customers, as they were registered as life support equipment customers for longer than strictly necessary, which protects them from disconnection.
- The control deficiencies were because Perth Energy did not have effective procedures to comply with the Customer Code's obligations to ask life support equipment customers to recertify their status as life support equipment customers (this must be done periodically to make sure the register is kept up to date).
- Perth Energy did not update its non-standard contracts to make them consistent with changes to the *Electricity Industry (Customer Contracts) Regulations 2005* (Contract Regulations) and Customer Code that took effect on 1 January 2023 and 20 February 2023, respectively.

The main causes of the non-compliances and controls deficiencies were:

- Perth Energy lacked effective processes and procedures to comply with its licence obligations and there was an over-reliance on staffs' knowledge and experience.
- Perth Energy did not have robust record keeping practices in place for many of its obligations. This meant the auditor could not confirm if Perth Energy had complied with these obligations, which resulted in the large number of controls deficiencies.
- During the audit period, the Contract Regulations and Customer Code were amended, and Perth Energy was slow to comply with those amendments in its business operations.
- Perth Energy had two residential customers during the audit period, which attract a substantial number of licence obligations. Several of the non-compliances and controls deficiencies were with these obligations.

The auditor made 32 recommendations to address the non-compliances and controls deficiencies. Nine of the recommendations were resolved during the audit period.

The post-audit implementation plan states that Perth Energy will address the recommendations by 31 August 2024.

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

### ***Operating procedures and record keeping***

Perth Energy's performance has substantially deteriorated since its last audit. Perth Energy did not have effective record keeping practices or operating procedures in place for many of its obligations during the audit period. Instead, it relied on the knowledge and experience of its staff. This meant the auditor could not confirm if Perth Energy had complied with many of its obligations, which resulted in non-compliance and controls deficiencies. This is a significant risk to Perth Energy's ability to operate effectively under its licence and the ERA will require Perth Energy to address the auditor's findings urgently.

### ***Contract regulations and customer code***

During the audit period, the Contract Regulations and Customer Code were amended, and Perth Energy should have reviewed its processes and procedures to incorporate the amendments when they took effect. Instead, Perth Energy addressed the amendments after they took effect. The

ERA considers that these non-compliances and control deficiencies are unlikely to have affected its customers negatively.<sup>3</sup>

### **Residential customers**

Perth Energy has two residential customers and did not have effective processes and procedures in place to confirm compliance with some of the obligations that apply to residential customers, including the Customer Code's family and domestic violence obligations. This may be because its core business is supplying business customers. The two customers did not require family and domestic violence or financial hardship support during the audit period, so the effect of the control deficiencies was negligible.

### **Response to the audit**

Perth Energy has shown a willingness to engage with the ERA to better understand its licence obligations and how to resolve the issues found by the audit. While the ERA considers that Perth Energy's performance is not serious enough to warrant compliance enforcement action under the *Electricity Industry Act 2004*, mainly due to the minimal effect that the non-compliances and controls deficiencies had on its customers, it is serious enough to reduce the audit period to 24 months, which is the lowest period allowed by the Act.

The ERA notes that the auditor did not identify any concerns with the service levels customers received during the audit period.

The ERA will monitor Perth Energy's progress in completing the action items in its post-audit implementation plan.

### **Further information**

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<sup>3</sup> Following the audit, the ERA agreed with Perth Energy that two of the non-compliances with the Contract Regulations identified by the auditor were not non-compliances, because Perth Energy's non-standard contracts included the required information.