



McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

Gas system performance audit report Leinster GDL 4 & Coastal Region GDL 5 Wesfarmers Kleenheat Gas Pty Ltd

Prepared By Kevan McGill
Date 29 January 2008



McGill Engineering Services Pty Ltd

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Mr Ian Allison
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Dear Ian

Performance Audit Gas Distribution Licence GDL4 & 5

The fieldwork on the performance audit of Gas Distribution Licences GDL4 and GDL5 for the period to 31 January 2007 is complete and I am pleased to submit the report to you.

In my opinion, except for matters referred to in the qualification section, the licensee maintained, in all material aspects, effective control procedures in relation to the Distribution Licences (GDL4&5) for the period to 31 January 2007 based on the relevant clauses referred to within the scope section of this report.

Yours sincerely

Kevan McGill
Director

29 January 2008

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Executive Summary

Background

Under section 11ZA(2) of the *Energy Coordination Act 1994* (the Act), it is a requirement that every licensee provide the Economic Regulation Authority (*Authority*) not less than once in every period of 2 years with a performance audit conducted by an independent expert acceptable to the *Authority*.

The primary objective of the operational audit is to audit the effectiveness of measures taken by the Licensee to maintain quality and performance standards. Clause 18 of the gas distribution licence identifies clauses 7, 8, 10, 14, 15 and 16 of the licence as performance criteria for the purposes of section 11ZA(2)(b) of the Act to be audited as well as standards in the *Gas Standards Act 1972*.

McGill Engineering Services was engaged to carry out the performance audit for Gas Distribution Licences GDL4 and GDL5.

Overall conclusion

In my opinion, except for matters referred to in the qualification section, the licensee maintained, in all material aspects, effective control procedures in relation to the Distribution Licences (GDL4&5) for the period to 31 January 2007 based on the relevant clauses referred to within the scope section of this report.

Qualifications

Control procedures can be enhanced with respect to:

1. Quality control for gas composition where during the audit period the gas was outside the regulated specification. While this was unlikely to be a safety matter that the gas specification deviated without detection or corrective action is of concern.
2. System pressures should be monitored to ensure that the required quality of service can be guaranteed.

Findings

The conclusions of each of the elements of the licence are summarised in the following table. The audit risk as determined for each licence condition is also shown.

	Licence condition	Audit risk assessment	Compliance Rating	
GSA ¹ 8,9 10	Gas Quality	4	Compliant	3
GSA 13	Consumers' installations	4	Compliant	4
GSA 13A	Gas fitter licences	4	Compliant	4
GSA 13D	Gas appliances	4	Compliant	4
GSA 15	Regulations	2	Compliant	3
GDL ² 7	Continuous operation	2	Compliant	3

¹ *Gas Standards Act 1972* section

² Gas Distribution Licence clause

	Licence condition	Audit risk assessment	Compliance Rating	
GDL 8	Obligation to connect	4	Compliant	5
GDL 10	Service standards	4	Compliant	5
GDL 14	Future development	2	Compliant	5
GDL 15	Financial and technical resources	4	Compliant	5
GDL 16	Insurance	2	Compliant	5

Ratings

The *Authority* guidelines for performance audits require that the audit must provide a table that summarises the compliance rating for each licence condition using the 5-point rating scale described below.

Operational/performance compliance rating scale

Compliance status	Rating	Description of compliance
COMPLIANT	5	Compliant with no further action required to maintain compliance
COMPLIANT	4	Compliant apart from minor or immaterial recommendations to improve the strength internal controls to maintain compliance
COMPLIANT	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required

The results are summarised below.

Assessment	Licence obligations	Audit priority 2	Audit priority 4
Compliant 5	7	2	5
Compliant 4	1	0	1
Compliant 3	3	2	1
Non-compliant 2			
Significantly non compliant 1			

Recommendations

1. Quality control processes need to be upgraded to ensure compliance with gas quality regulations.
2. The licensee to confirm with EnergySafety that the commencement of gas supply obligations is satisfied.
3. That the processes for updating emergency plans and scheduling of exercises be more formalised.
4. Pressure should be monitored at regular schedules times to ensure that the regulated pressures are supplied under all condition including peak load times. Remote monitoring of tanks is implemented.

Objectives

The *Energy Coordination Act 1994* requires in s11ZA that a performance audit is carried out not less than once in every period of 24 months (or such longer period as the *Authority* allows) calculated from the grant of the licence, by an independent expert acceptable to the *Authority*.

The Act requires that the performance audit is an audit of the effectiveness of measures taken by the licensee to meet —

- (a) the standards referred to in section 11Z; and
- (b) performance criteria specified in the licence.

Section 11Z refers to standards in the *Gas Standards Act 1972* and the licence specifies the performance criteria are clauses 7, 8, 10, 14, 15 and 16 of the licence.

Scope of the audit/review

The performance audit covered the period from the issue of the licence up to 31 January 2007. The audit was carried out in accordance with the *Authority* guidelines³ for performance audits which sets out that the audit should be conducted in 3 phases.

1. Risk and materiality assessment

With reference to AS/NZS4360 Risk Management a preliminary assessment was made of the risk and materiality of non-compliance with the required licence conditions in order to focus the audit effort on areas of higher compliance risk and identify areas for testing and analysis.

2. System analysis, assertion setting and review

Through discussion, observation and review, a sample of cases or data was analysed relating to the licensee's quality and performance systems and standards against requirements of the Licence conditions to be audited.

3. Fieldwork: testing and analysis

Using the results of the risk assessment and systems analysis, detailed testing and analysis was performed to compare those standards maintained by the licensee with the relevant clauses of the Licence. During this audit the Perth offices,

³ Audit Guidelines: Electricity, Gas and Water Licences, September 2006

Margaret River and Leinster licence operating areas were visited. Audit evidence was gathered in accordance with auditing standard ASA 500.

The audit was to review of the actions taken in response to recommendations in previous audit/review. In this case there are no actions to follow up.

Sampling rate

The *Authority's* guidelines allow sampling techniques to be used and the Auditor General has provided guides to valid sampling procedures. A 90% confidence and 10% accuracy regime was chosen as that represents a reasonable balance between accuracy and efficiency. For example, the chosen sampling regime requires 56 samples to be taken from a population of 300 but an alternative 95% confidence and 5% accuracy sampling regime would require 169 samples from a 300 population.

Scope limitation

The audit is limited to the to the licence condition listed in Clause 18 of the licence. The Act requires that the relevant licence conditions and the standards in the *Gas Standards Act 1972* be audited. Any limitations of capacity to comply with the standards in the *Gas Standards Act 1972* will be stated in the audit. Any changes to the approved audit plan will also be detailed in the audit.

The requirements in the *Gas Standards Act 1972* that type A gas appliances be approved before sale, is point of sale legislation administered by Energy Safety. All that the licensee is required to do is to check that appliances are duly badged as part of inspections. The audit will be limited to examining processes to check for appliance badges.

Inherent Limitations

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that we have audited operated, has not been audited and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in compliance measures as an audit is not performed continuously throughout the period and the audit procedures performed on the compliance measures are undertaken on a test basis.

Any projection of the evaluation of the operating licences to future periods is subject to the risk that the compliance measures in the plans may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

Audit requirements

The *Energy Coordination Act 1994* (the Act) requires a performance audit of the relevant standards in the *Gas Standards Act 1972* and those conditions identified in clause 18 of the licence.

Compliance with licence conditions is to be examined according to the likely inherent risk and the adequacy of controls to manage that risk.

Nature of audit work conducted

The *Authority* guidelines for performance audits require that the audit considers:

- a) **Process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- b) **Outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.
- c) **Output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained).
- d) **Integrity of performance reporting** – the completeness and accuracy of the performance reporting to the Authority.
- e) **Compliance with any individual licence conditions** - the requirements imposed on the specific licensee by the Authority or specific issues for follow-up that are advised by the Authority.

The key contacts will be:

- Licensee
 - Ian Allison
- McGill Engineering Services Pty Ltd
 - Kevan McGill

The audit/review was conducted during December 2007 and January 2008 with the final audit report to be submitted to the Authority by 31 January 2008.

Audit priority

The *Authority* guideline for performance audits sets out a rating for audit priority based on inherent risk and existing controls. The following assessments were made in accordance with the guidelines and agreed with the licensee.

These risks are shown in the following table and are agreed with the licensee.

Item	Licence obligation	Consequence	Likelihood	Inherent Risk	Controls risk requirement	Audit priority	Compliance rating
8,9,10 ⁴	Gas Quality	Moderate	Unlikely	Medium	Moderate	4	Compliant - 3
13 ⁴	Consumers installations	Moderate	Unlikely	Medium	Moderate	4	Compliant - 4
13A ⁴	Gas fitter licensed / approved	Moderate	Unlikely	Medium	Moderate	4	Compliant - 5
13D ⁴	Appliance approval	Moderate	Unlikely	Medium	Moderate	4	Compliant - 5
15 ⁴	Regulations	Major	Unlikely	High	Strong	2	Compliant - 3
7 ⁵	Continuous operation	Major	Unlikely(5) Probable(4)	High	Strong	2	Compliant - 3
Item	Licence obligation	Consequence	Likelihood	Inherent Risk	Controls risk requirement	Audit priority	Compliance rating
8 ⁵	Obligation to connect	Moderate	Possible	Medium	Moderate	4	Compliant - 5

⁴ Gas Standards Act 1972 sections

⁵ Licence clause number

10 ⁵	Service standards	Moderate	Possible	Medium	Moderate	4	Compliant - 5
14 ⁵	Future development	Major	Unlikely	High	Strong	2	Compliant - 5
15 ⁵	Financial and technical resources	Moderate	Possible	Medium	Moderate	4	Compliant - 5
16 ⁵	Insurance	Major	Unlikely	High	Strong	2	Compliant - 5

The standards in the *Gas Standards Act* relate to gas quality, consumers installation obligations, the obligations to use licensed gas fitters and approval of appliances including large gas plant.

Audit Results and Recommendations

Gas Standards Act sections 8,9,10 Gas standards

Licence obligation GSA Section 8, 9, 10	Compliance rating Compliant - 3
8. Heating standard of gas to be approved (1) Subject to the provisions of subsection (5), an undertaker shall not, after the coming into operation of this Act, distribute gas unless he has first obtained the written approval of the Minister of the minimum standard of heating value of the gas to be distributed by that undertaker. Penalty: \$5 000. (2) Subject to section 9, the Minister may upon application by an undertaker approve any alteration of the minimum standard of heating value of gas previously approved or deemed to have been approved pursuant to subsection (1). (3) The Minister may approve different minimum standards of heating values in respect of the type of gas distributed by an undertaker in different areas. (4) Any approval given by the Minister pursuant to this section may be given subject to such conditions as the Minister determines, and notice of any approval so given shall be published in the <i>Government Gazette</i> . (5) Where on the day immediately preceding the date of the coming into operation of this Act, an undertaker was supplying gas, the declared standard under the <i>Gas (Standards) Act 1947</i> of the undertaker on that day shall be deemed to be the minimum standard of heating value approved for that undertaker under subsection (1), until that standard is altered in accordance with subsection (2). (6) An undertaker who has been directed under section 10 to keep a continuous record of the heating value of gas supplied by him, shall not supply gas of which the average heating value measured in accordance with subsection (7) over any continuous period of 28 days, is less by more than 1% than the minimum standard of heating value for the time being approved under this section in respect of the gas. Penalty: For a first offence, \$4 000 and for a second or subsequent offence, \$10 000. (7) For the purposes of subsection (6), the average heating value of gas supplied by an undertaker over any period of 28 days shall be measured by obtaining the aggregate of the mean heating values of gas supplied in each period of one hour during that period of 28 days, and dividing the aggregate so obtained by 672. (8) Where — (a) an undertaker has not been directed under section 10 to keep a continuous record of the heating value of gas supplied by him; and (b) the average heating value of gas supplied by that undertaker, as ascertained by	

the taking of 3 tests of that gas during any period of 2 hours, is less by more than 1% than the minimum standard of heating value for the time being approved under this section in respect of that gas, the undertaker is guilty of an offence. Penalty: For a first offence, \$2 000 and for a second or subsequent offence, \$5 000.

9. Requirements as to change in gas

- (1) An undertaker shall not cause or permit any alteration to be made in the specific gravity, flame speed or other prescribed characteristic of gas supplied by him unless he has first applied for, and obtained, the written approval of the Minister to the alteration.
- (2) Where the Minister —
 - (a) has received from an undertaker an application under section 8(2) or subsection (1) for his approval to the alteration of the heating value or other characteristic of the gas supplied by the undertaker; and
 - (b) is of opinion that if the alteration is effected, all or any of the consumers' installations to which the gas is supplied will require modification or replacement by reason of the alteration, the Minister shall not approve of the alteration until he is satisfied that the undertaker has satisfactorily undertaken, at his own expense, the, modification or replacement, as the case requires, of those consumers' installations.

10. Testing of gas

- (1) The Director may at any time test gas supplied by an undertaker to determine its heating value, pressure, purity and odour and for such other purposes as in the opinion of the Director are necessary or expedient for the proper administration and enforcement of this Act, and shall furnish the undertaker with the result of any test carried out under this subsection.
- (2) The Director may from time to time by notice in writing served on an undertaker, direct the undertaker to keep a continuous record of the heating value of all or any of the gas supplied by that undertaker, and the Director may, for that purpose, from time to time require the undertaker to install, operate and maintain such measuring and recording devices or apparatus as are specified in a notice in writing served by the Director on the undertaker.
- (3) The results of any tests carried out by the Director under subsection (1) and any records kept by an undertaker pursuant to subsection (2) are admissible in evidence in any proceedings instituted under this Act, as evidence of the matters therein stated.
- (4) An undertaker shall not knowingly —
 - (a) fail to comply with any direction served on him pursuant to subsection (2);
 - (b) cause or permit any false entry to be made in any record kept pursuant to subsection (2);
 - (c) do, or cause or permit to be done, or fail to do, any act or thing with intent to cause any measuring or recording device or apparatus installed pursuant to subsection (2) to incorrectly record the heating value of the gas supplied by that undertaker; or
 - (d) fail to report forthwith to the Director any fault occurring in or any breakdown or failure of any apparatus or device installed pursuant to subsection (2).

“**undertaker**” means any licensee within the meaning of the *Energy Coordination Act 1994* and any local government, regional local government, body corporate, firm or person making or supplying gas other than solely for its or his own use.

Observations

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Gas out of specification may be less/ more efficient (lower/higher calorific value) and not provide the gas quality paid for. Gas far from specification can lead to incorrect combustion and may be unsafe. LPG is odourless, colourless and tasteless and a pungent odorant is added to aid leak detection.

The licensee maintains continuous monitoring of the gas quality and gas odorant at source and less frequent monitoring of odorant in the distribution system. A sample of records has been examined and reveal that the gas did not meet the regulated specification on 12 out of 44 samples (27%) where the ethane (C2 molecules) content was higher than the required 2 Mole %. This was a technical breach as the butane content was also higher giving the same higher heating value as the other samples. Accordingly there are unlikely to be safety matters but non compliance with requirements is a concern. It is understood that the Australian Standard for LPG (AS 4670) does not prescribe a limit on ethane (C2 molecules) and while EnergySafety could examine adopting a national standard, compliance with regulations is not optional.

Issues

Gas quality is not consistent with the regulated requirements and improvements in quality control are required to ensure that the required specification is met.

Recommendations

Quality control processes need to be upgraded to ensure compliance with gas quality regulations.

Management Actions

Quality control processes will be upgraded to ensure compliance with gas quality regulations by March 2008.

Gas Standards Act section 13 Consumer's installations

Licence obligation GSA Section 13							Compliance rating Compliant - 4		
13. Consumers' installations									
(1)An undertaker or pipeline licensee shall not commence to supply gas to a consumer's gas installation unless that installation meets the requirements, if any, prescribed in respect of that installation. Penalty: \$5 000.									
(2)The Minister may, by instrument in writing served on an undertaker or a pipeline licensee, exempt that undertaker or pipeline licensee from the duty to carry out an inspection of all gas installations for the purposes of subsection (1), and may in like manner amend or revoke any such instrument.									
(3)An exemption under subsection (2) may be granted on such terms and conditions, and subject to compliance with such arrangements, as the Minister thinks fit.									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The Gas Standards Act 1972 requires that a gas supplier not commence supply unless the installation meets prescribed requirements which are prescribed in regulations. The licensee has an inspection plan and inspects at least 5% of work prior to connection to gas supply. Currently the licensee is inspecting 7% of all their work but the reticulated system is a small part of their portfolio. Inspected 3 from a sample of 44 notices (6.8%) for the coastal region which complies with the requirements, but there was no activity at									

<p>Leinster to form an opinion that the requirements are being followed.</p> <p>The licensee uses licensed inspectors to undertake inspections. EnergySafety confirms that the licensee's inspectors are licensed. Copies of preliminary and final notices are retained and examination of a sample indicates that they meet regulatory requirements. Their systems compare a downloaded licence register from EnergySafety and the licence number of a gas fitter on a notice and will reject the notice if the gas fitter is not currently licensed. The sample notices were checked and while one gas fitter is not currently licensed, he was licensed during the audit period.</p> <p>There were no new connections at Leinster during the audit to form an opinion that notices were received before connection. For the coastal region, the asset register predates the notice so EnergySafety should investigate if these notices were submitted prior to connection.</p>	
Issues	
<p>The licensee advises that meters are initially installed with blanking pieces to ensure no flow and meet EnergySafety's requirements of not providing a gas supply before the gas distributor receives a notice of completion.</p> <p>Although the Gas Standards (Gasfitting and Consumers gas Installation) Regulations 1999 regulation 35 (1) states in part "a gas supplier must not supply gas to the installation unless the gas supplier has received a notice of completion for the work."</p> <p>It is common on reticulated gas networks that the gas supplier installs a blanking disc in the meter connect where the installation of the meter and service is completed prior to the completion of the consumers' gas installation.</p> <p>Once the installation of the consumers gas installation is completed, the gas fitter can then remove the blanking disc from the meter and commission the appliances. The gas fitter would once commissioning is completed install a compliance badge in the meter box and isolate the gas supply by the isolation valve in the meter box (he does not reinstall the disk). The gas fitter then completes the Notice of Completion and submits it to the supplier within 48 hours as required by EnergySafety WA.</p>	
Recommendations	
<p>The licensee to confirm with EnergySafety that the commencement of gas supply obligations is satisfied.</p>	
Management Actions	
<p>Confirm commencement of supply procedures is satisfactory.</p>	

Gas Standards Act section 13A Licensing of gas fitters

Licence obligation GSA Section 13A	Compliance rating Compliant - 5
<p>13A. Gasfitting works and workers <i>[(1) repealed]</i> (2) A person who, otherwise than in a prescribed capacity, engages in any operation or carries out any work or process of a kind that is prescribed pursuant to this Act as being an operation, or work or process, of the nature of gasfitting, to which the regulations apply commits an offence unless he holds a certificate of competency, permit or authorisation granted under this Act and relevant to that operation or such work or process authorising him so to do.</p>	

- (3) Regulations made under this Act may make provision —
- (a) for the administration of a scheme to control and supervise the practice of gasfitting;
 - (b) for the grant of certificates of competency, permits, or authorisations by or on behalf of the Director which, subject to any restriction, limitation, condition or extension endorsed thereon pursuant to the regulations, shall authorise the holder to engage in such operations, or carry out such work or processes, of the nature of gasfitting as are by those regulations specified as being matters that can be engaged in or carried out by the holder of a certificate, permit or authorisation of that grade or kind or as are specifically referred to therein;
 - (c) prescribing the kinds of operation, work or processes that shall be taken to be of the nature of gasfitting, specifying whether and to what extent and in what circumstances the regulations shall apply to and in relation to any such operation, work or process, classifying different grades of certificate and different kinds of permit or authorisation, prescribing that different classes of operations, work or processes may be engaged in or carried on only by the holder of an appropriate grade of certificate or kind of permit or authorisation, and that a permit or authorisation may have effect only in relation to a specified place, period, employer, or circumstance;
 - (d) as to the examinations and qualifications required of a person desiring to obtain a certificate, permit or authorisation, and for the conduct of examinations (including the practical testing of applicants) for, and the issue or surrender of, specified grades of certificates of competency or kinds of permit or authorisation, and for the duration and renewal of such permits or authorisations and the grounds upon which renewal may be refused;
 - (e) authorising the Director to delegate his or her powers to a person or body of persons appointed by the Director, and the exercise by that person or body of persons of such powers as are so delegated or as are prescribed including the issue of certificates, permits and authorisations, and the conduct of inquiries, in the name of the Director;
 - (f) for the establishment of systems of inspection, inquiry, and supervision, including the appointment of persons as inspectors and specifying their duties and powers;
 - (g) creating offences, and providing for the payment, enforcement and recovery of penalties, fees and charges;
 - (h) adopting, by reference to the text as from time to time amended and for the time being in force, unless a particular text is specified at the time of such adoption, —
 - (i) such rules, regulations, codes, instructions or other subordinate legislation made, determined or issued under any other Act, or under any Act of the Parliament of the Commonwealth or of the Parliament of the United Kingdom; or
 - (ii) such standards, rules, codes or specifications issued by Standards Australia, the Australian Gas Association, the British Standards Institution, or other specified body, either wholly or in part or with modifications, as are specified;
 - (i) that where by reason of unavailability of materials or other reason that the Director considers valid any requirement imposed by the Director cannot be conformed to, the Director may dispense with that requirement and in lieu authorise in writing in any particular case the use of materials or any other matters which he or she considers to be appropriate;
 - (j) that, in a specified case or a specified class of case, whether on specified conditions or unconditionally, a person or thing or a class of persons or things, may be exempted from the provisions of those regulations either wholly or to such extent as is specified or that the regulations, or any of them, shall, by Order of the Minister published in the *Government Gazette*, not apply in or in relation to specified parts of the State or circumstances;
 - (k) requiring a matter affected by them to be in accordance with a specified standard, specification or requirement or to be as approved by, or to the satisfaction of, a

- specified person or body or a specified class of person or body, or so as to confer on a specified person or body or a specified class of person or body a discretionary authority; and
- (l) as to any other matter that the Governor thinks necessary for safeguarding persons and the public interest in relation to gasfitting, and in this subsection, **“specified”** means specified in the regulation in relation to which the term is used.
- (4) The Director shall cause to be maintained a register of the persons who are for the time being the holder of a certificate, permit or authorisation under regulations made pursuant to this section, and the register shall contain such particulars as are prescribed.
- (5) certificate signed by the Director that any person is or is not, or on any particular date was or was not, the holder of a certificate, permit or authorisation pursuant to regulations made under this section for the class of operation, work or process therein specified shall be prima facie evidence of the facts therein contained.
- (6) A person desiring to obtain a certificate of competency, permit or authorisation under regulations made pursuant to this section may make application therefore to the Director in the prescribed manner and shall pay the prescribed application fee.
- (7) The Director has power, where the doing of any act would otherwise constitute a contravention of the regulations made under this section, to issue a permit or licence, which may be made subject to such limitations, restrictions or conditions as the Director endorses upon it, authorising the doing of that act in any case where for reasons of training, practice, unavoidable circumstances or public interest it appears to the Director to be necessary or desirable notwithstanding that a certificate of competency might otherwise have been required.
- (8) Where any person being the holder of a certificate of competency granted within the Commonwealth, or of such other qualification as is in the opinion of the Director satisfactory evidence of competence, makes application to the Director for a certificate in respect of the same or a similar subject matter the Director may issue to him a temporary permit.
- (9) A permit issued under subsection (8) —
- (a) shall be returned to the Director at any time the Director, by notice in writing, so requires;
- (b) authorises that person to do any act specified therein that would otherwise constitute a contravention of the regulations made under this section, for the period therein specified or until its return is sooner required under this subsection; and
- (c) is subject to the limitations, restrictions or conditions endorsed thereon.
- (10) A person who, whether for himself or on behalf of another person, —
- (a) makes, or causes to be made, any falsification in any matter relating to an application for, or the variation, grant or use of a certificate of competency, permit or authorisation or as to the renewal of a permit or authorisation;
- (b) knowingly presents, or causes to be presented, to the Director any forged, false or fraudulent document, representation or other purported evidence as to his qualifications or experience;
- (c) personates, or wrongfully represents himself as being, the person referred to in any document presented to the Director, or in any certificate, permit or other document granted under this Act;
- (d) makes any false statement upon any inquiry or examination held or conducted under this Act;
- (e) makes a false statement in any declaration required under this Act; or
- (f) gives a false testimonial to any person for the purposes of, or in relation to, any application made or to be made under this Act, commits an offence.
- (11) Where it appears to the Director that a person who is the holder of a certificate of competency, permit or authorisation under this Act —
- (a) obtained that status by fraud or misrepresentation;

- (b) as the result of a finding of any other authority exercising outside the State powers similar to those conferred on the Director by this Act, has been at any time, and in the opinion of the Director should continue to be, disqualified from engaging in the operations, or carrying out the work or processes, authorised by a document of that kind;
 - (c) is guilty of an offence against this Act;
 - (d) is guilty of misconduct in relation to the requirements of safety as regards gasfitting, by reason of negligence, incompetence or otherwise;
 - (e) is addicted to alcohol or any deleterious drug or suffers from any mental or physical disorder to a degree that renders him unfit to be trusted to perform his duties as such holder efficiently, the Director may allege to the State Administrative Tribunal that there is proper cause for disciplinary action and, pending the holding of any proceedings commenced by the allegation, the Director may by order suspend any person, either generally or to a specified extent, for a period not exceeding 3 months, from acting under any authorisation or exercising any privilege conferred by any such document, but if the Director considers that the matter does not require that any disqualification or suspension be imposed on a person against whom an allegation could be made to the State Administrative Tribunal, the Director, after affording to that person an opportunity of giving an explanation either in person or in writing, may, if that person gives his consent in writing, deal with the matter summarily, without making an allegation to the State Administrative Tribunal under the provisions of this subsection.
- (12) For the purposes of investigating or dealing with a person referred to in subsection (11) (the “**holder**”), the Director —
- [(a), (b) deleted]*
- (c) may by a summons in the prescribed form require the attendance before the Director of the holder, and may also require the attendance of any other person that the Director considers is likely to be able to give evidence or produce documents touching the matter in question, or who the holder desires to call as a witness;
 - (d) may administer an oath or affirmation to a person attending to give evidence before him, whether the witness has been summoned or is voluntarily attending, and the witness may be examined accordingly (but a statement or disclosure made by a witness is not, except in proceedings before the State Administrative Tribunal commenced by an allegation under this Act or in proceedings for giving false testimony, admissible in evidence against him in any civil or criminal proceedings); and
 - (e) may inspect documents or other exhibits produced, may retain them for such reasonable period as appears to be necessary, and may make copies of so much of them as is relevant to the matter.
- (13) A summons issued under subsection (12) —
- (a) may require the production of any document or other thing in the custody or control of the person summoned;
 - (b) may be enforced by the Supreme Court or a judge, on application by the Director, in the same manner as a subpoena to the effect issued by the Supreme Court in a civil action.
- (14) A witness in proceedings before the Director held pursuant to this section has the same protection as a witness in a matter before the Supreme Court, and a person who attends for the purpose of giving evidence is entitled to receive such fees and allowances as may be allowed in accordance with the prescribed scale.
- (15) The Director may determine that it is in the public interest that proceedings before the Director under this section, or any part of them, should be heard in camera and the proceedings shall thereupon be conducted accordingly but any question as to whether any proceedings should or should not be heard in camera may be referred to the State Administrative Tribunal, and the State Administrative Tribunal may reverse

- the decision of the Director or may confirm it absolutely or upon conditions which may include conditions intended to protect the business or interest of any person, and may make such further or other order as the State Administrative Tribunal thinks fit.
- (16) The State Administrative Tribunal dealing with an allegation against a person made under subsection (11) may by order —
- (a) disqualify that person and order that the certificate of competency, permit or authorisation be returned to the Director for cancellation;
 - (b) suspend the operation of a certificate of competency, permit or authorisation in relation to that person, either generally or to a specified extent, for a period not exceeding 12 months;
 - (c) censure him; or
 - (d) impose or vary any limitation, restriction or condition, and the Director dealing with a matter under that subsection may do anything referred to in paragraph (c) or (d) and the Director is required to endorse the relevant document accordingly.
- (17) The Director may, in dealing with a matter under subsection (11) instead of making an allegation to the State Administrative Tribunal, in addition to or in lieu of imposing any one or more of the penalties specified in subsection (16), order any person against whom an order is made to pay such costs and expenses of or incidental to the proceedings as the Director thinks fit, and where any costs or expenses are ordered to be paid by any person under this subsection the amount ordered to be paid shall be recoverable from him in any court of competent jurisdiction as a debt due to the Director.
- (18) Where the operation of a certificate of competency, permit or authorisation is suspended generally during the period for which the suspension subsists the holder is not authorised to do any act that, if done by a person who was not such a holder, would constitute a contravention of the regulations made under this section, but if the operation of such a document is suspended only to a specified extent during the period for which the partial suspension subsists the holder is authorised to do any other act authorised by that document and in respect of which the document is not so suspended.
- (19) The Director may, by notice in writing, revoke an order for suspension made by the Director, either generally or to a specified extent, and may direct in the notice that the revocation has effect from a date specified in the notice.
- (20) A reference in this section to the Director may be construed as a reference to a person or body lawfully acting pursuant to a power delegated by the Director under the regulations.

Observations

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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The *Gas Standards Act 1972* requires that prescribed work of the nature of gas fitting be licensed. The gas supplier is to monitor the standards of gas fitters as an inspection obligation. The licensed gas fitter issues a certificate (notice of completion) to the gas supplier when gas fitting work is completed and this certificate is used by the gas supplier as part of complying with s 13 of the *Gas Standards Act 1972*. The gas supplier cannot commence supply unless they have a valid certificate.

Sample of certificates was selected and examined. No incidents or non compliances were detected. As there were no defects observed, no opinion could be formed that defects were reported to Energy Safety.

Issues

None

Recommendations

None
Management Actions
N/a

Gas Standards Act section 13D Approved appliances

Licence obligation GSA Section 13D						Compliance rating Compliant - 5			
13D. Approval of gas appliances									
(1)A person shall not on or after the appointed day sell or hire any gas appliance or advertise any gas appliance for sale or hire unless the gas appliance —									
(a)is a gas appliance that is approved by the Director or is of a class or type of gas appliance that is approved by the Director; and									
(b) is marked, stamped or labelled in the manner approved by the Director. Penalty: \$2 000 or imprisonment for 6 months or both.									
(2)The Director may by instrument in writing delegate to an inspector the power conferred on the Director by subsection (1)(a).									
(3)In subsection (1) “appointed day” means the day fixed by the Minister by notice published in the <i>Government Gazette</i> as the appointed day for the purposes of this section.									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<p>The <i>Gas Standards Act 1972</i> requires that gas appliances be approved before sale or use. Gas appliances are either type A which are domestic type gas appliances or type B which are industrial gas appliances which could be a large mineral processing plant or a gas turbine generator.</p> <p>Type A appliance legislation is substantially point of sale legislation and is enforced by <i>EnergySafety</i>. The inspection process requires that compliance with gas law, including that installed plant is approved, is verified by the gas supplier. The inspection process is limited to examining for a complying badge indicating that it is an approved appliance. During the audit for Leinster, there were no current inspections to examine to form an opinion that Type A appliance badging is checked. For the Coastal region the appliance brands were listed on the Notices and no defects were reported.</p> <p>The processes for type B appliances were examined and are satisfactory but no type B installations occurred during the audit period to form an opinion of compliance with the requirements. The Type B inspector used was licensed.</p>									
Issues									
None									
Recommendations									
None									
Management Actions									
Not applicable									

Licence obligation GSA Section 15	Compliance rating Compliant - 3
<p>15. Regulations</p> <p>(1) The Governor may make regulations prescribing all matters necessary or convenient to be prescribed for the purposes of the administration of this Act.</p> <p>(2) Without limiting the generality of subsection (1), regulations may be made —</p> <p>(a) generally as to the standards of gas to be supplied, and in particular authorising the Minister to require undertakers to supply gas having such characteristics as to odour, pressure, specific gravity, flame speed, purity and other matters, as he specifies in each particular case;</p> <p>(b) requiring undertakers to furnish the Director with particulars in writing of the quantities of gas supplied by them;</p> <p>(c) prescribing fees to be paid by undertakers for tests conducted by or on behalf of the Director or the Minister for the purposes of this Act;</p> <p>(d) prescribing the standards of construction, installation, maintenance, operation and testing of pipelines and other equipment and installations used by undertakers for the conveyance, control, or supply of gas;</p> <p>(e) prescribing the standards of construction, installation, maintenance, operation and testing of consumers' gas installations;</p> <p>(f) securing the safety of the public from personal injury and the property of the public from damage by fire or otherwise;</p> <p>(g) as to gasfitters and gasfitting, and prohibiting interference with gas installations by unauthorised persons; and</p> <p>(h) prohibiting the fraudulent or improper use of marks signifying the approval of the Director.</p> <p>(3) Any regulation under this Act may be made so as to require a matter affected by it to be in accordance with a specified standard or specified requirement; or as approved by, or to the satisfaction of, a specified person or body; or so as to delegate to or confer upon a specified person or body a discretionary authority.</p> <p><i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i></p> <p>Division 3 — Standards for LPG</p> <p>7. Quality standards</p> <p>(1) An undertaker must ensure that LPG supplied to a consumer in liquid form —</p> <p>(a) is free of mechanically entrained water;</p> <p>(b) does not contain any hydrogen sulphide or methane or any substance that, if the gas is used for lighting or heating purposes, is toxic or harmful to human health or safety;</p> <p>(c) does not have a total sulphur content exceeding 0.02% by weight;</p> <p>(d) does not contain more than 45 mg/m³ of mercaptan sulphur;</p> <p>(e) does not contain more than —</p> <p>(i) 2 mol % of C₂ hydrocarbons; or</p> <p>(ii) 2 mol % of C₅ or higher hydrocarbons expressed as C₅ hydrocarbons;</p> <p>(f) does not contain impurities other than those permitted under paragraphs (c), (d) and (e);</p> <p>(g) has a lower heating value produced by combustion of the gas of not less than 44.0 and not more than 47.7 MJ per kilogram of the gas;</p> <p>(h) meets the requirement for evaporation in regulation 8;</p> <p>and</p> <p>(i) is odorised in accordance with regulation 9 and is subject to periodic sampling to determine the effectiveness of the odorising.</p> <p>(2) Despite subregulation (1)(i) the Director may, in a particular case or class of case, permit an undertaker to supply LPG that is not odorised if the gas is to be used as a propellant in aerosol type containers.</p>	

<p>(3) The requirement in subregulation (1)(i) does not apply in relation to LPG that is the subject of a permission under subregulation (2).</p> <p>(4) The undertaker must ensure that records are kept of sampling conducted under subregulation (1)(i) for a period of 3 years from the date of sampling.</p>									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<p>These regulations provide the detail by which the requirements for GSA 8, 9 and 10 above were assessed. As discussed under GSA 8, 9 and 10 above, the Australian Standard does not prescribe a limit for Ethane. EnergySafety may wish to consider adopting the national standard.</p>									
Issues									
<p>The gas did not meet the requirements for C2 hydrocarbons (ethane) in that a number of samples exceeded the 2 mole % requirement.</p>									
Recommendations									
<p>Quality control of gas composition is improved to ensure that the regulated requirements are achieved.</p>									
Management Actions									
<p>Quality control of gas composition will be improved.</p>									

Clause 7 continuous operation

Licence obligation GDL Clause 7						Compliance rating Compliant - 3			
<p>(1) Subject to section 11X of the Act and subclause (2), the licensee must continuously operate the licensed distribution system except to the extent necessary for compliance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i>.</p> <p>(2) Subclause (1) only applies to those parts of the licensed distribution system required for the licensee to meet its obligations from time to time to supply gas.</p>									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<p>Emergency plans have been developed, but have not been exercised.</p> <p>The licence requires that except as provided in the <i>Gas Standards Act 1972</i> and regulations gas is supplied continuously. This requires that the gas supplier has sufficient supply to match demand, processes to maintain the system to deliver the required supply and processes to manage emergency situations. The licensee has two suppliers, BP refinery and Wesfarmers LPG (who strips the larger molecule gases such as propane and butanes from the gas pipeline from Karratha). The gas is tanked to the reticulation systems and while there is no problems conceived for Margaret River a road outage could prevent supply to Leinster. There is about 2 weeks supply with deliveries weekly.</p>									

which should cover most contingencies. The deliveries for a sample are about 40% (Coastal) and 50% (Leinster) of usable capacity which indicates that a delivery could be missed but with no margin in reserve. The licensee is installing remote level indication for Leinster which would ensure early action for low tank levels. A similar installation is proposed for Margaret River. The licensee is considering a proposal to provide an additional bulk tank at Leinster and additional capacity is to be installed this year in the coastal region which will greatly improve the reserve supply.

The systems are not monitored to ensure that there is capacity to deliver the required pressures at maximum flows. There have not been any complaints of flame outs which would indicate very low pressures.

Issues

To be effective, emergency plans are very dependent of being current and personnel knowing their roles. While updating of the emergency plans occurs, the processes could be formalised to be more robust.

Pressure should be monitored at regular schedules times to ensure that the regulated pressures are supplied under all condition including peak load times and bulk tank levels monitored remotely.

Recommendations

That the processes for updating emergency plans and scheduling of exercises be more formalised.

Pressure to be monitored twice each peak load season and remote monitoring of bulk storage be implemented.

Management Actions

The emergency plans updating processes are to be scheduled for regular review and on changes in personnel. Exercises are to be scheduled.

Pressure monitoring will be scheduled twice during peak load periods each year. Remote monitoring at Leinster is to be commissioned and remote monitoring installed for the coastal region.

Clause 8 Obligation to connect

Licence obligation GDL Clause 8	Compliance rating Compliant - 5
<p>Obligation to connect</p> <p>(1) This clause applies in respect of residential premises located within the licence area if the licensee is requested by a trader to connect the premises to the licensed distribution system.</p> <p>(2) Subject to subclause (3), the licensee must connect the premises to the licensed distribution system.</p> <p>(3) The licensee's obligation to connect the premises under subclause (2) is subject to the following:</p> <p style="padding-left: 40px;">(a) The licensee may adopt a method of establishing the connection that results in</p>	

the least connection cost.

(b) The licensee must bear whichever is the lesser of:

- (i) the least connection cost of establishing the connection; and
- (ii) \$650.

(c) If:

- (i) the trader requests a method of establishing the connection which would result in a connection cost that exceeds the least connection cost; or

- (ii) the least connection cost of establishing the connection exceeds \$650,

then the licensee may decline to undertake the connection unless another person bears the amount of the excess.

(d) The obligation to connect applies:

- (i) only in respect of connections which require 20 metres or less of service pipe; and

- (ii) only where the gas main is so located that it is practicable in accordance with good industry practice to connect the relevant premises to the main,

and accordingly, the licensee may decline to undertake a connection that requires:

- (iii) more than 20 metres of service pipe; or

- (iv) any extension to a main.

(e) The connection is, unless otherwise agreed between the licensee and the trader, to comprise a standard residential delivery facility.

(f) The obligation to connect is limited to connections to the medium pressure/low pressure part of the licensed distribution system.

(g) If, in the course of establishing a connection under this clause 8, the licensee opens or breaks up any sealed or paved surface, or damages or disturbs any lawn, landscaping or other improvement at the premises, then the licensee must if necessary fill in any ground to restore it to approximately its previous level, but (unless the licensee agrees otherwise with any person) the licensee is not otherwise obliged to reinstate or make good, or pay compensation in respect of any damage to, any such surface, lawn, landscaping or other improvement.

(h) The licensee is not obliged to connect a premises, if that premises is already connected to a distribution system.

(i) Before establishing the connection, the licensee may require the trader to procure the agreement of the owner of any land through which the service pipe is to pass and on which the delivery facilities will be installed, that the connection may be established.

(j) Before establishing the connection, the licensee may require the trader to enter

into (or to procure its gas supplier to enter into) a gas transportation contract with the licensee.

(k) Before establishing the connection, the licensee may require the person who is to enter into the gas transportation contract referred to in paragraph (j) to meet the licensee's reasonable minimum prudential requirements and credit standards.

(4) Nothing in this clause 8 limits the licensee's ability to recover any connection cost through tariffs for access to the licensed distribution system, or requires such recovery.

(5) In this clause 8: **"connection cost"** means the licensee's costs directly attributable to connecting the premises to the licensed distribution system;

"least connection cost" means the lowest practicable connection cost which would be incurred in respect of the premises by a prudent operator acting efficiently who, in accordance with this clause and accepted good industry practice, uses the lowest cost:

- (i) route;
- (ii) location of distribution outlet point;
- (iii) methods;
- (iv) labour;
- (v) standard residential delivery facilities; and
- (vi) other materials;

"residential premises" means premises at which the supply of gas satisfies the requirements for "residential purposes" under regulation 4(2) of the *Energy Coordination (Gas Tariffs) Regulations 2000*;

"standard residential delivery facility" means:

- (i) up to 20 metres of service pipe between the distribution outlet point and the gas main;
- (ii) a gas meter; and
- (iii) one or more pressure regulators,

each of adequate capacity to supply residential premises and each of a standard which would be applied by a prudent operator complying with accepted good industry practice; and

"trader" means the holder of a trading licence seeking to sell gas to a small use customer who is the owner or occupier of residential premises.

Observations

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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The licence obliges the licensee to connect residential customers subject to cost, distance, restoration restraints and existence of a contract with a Trader.

The trader's customer charter outlines the connection issues to prospective and current customers. No connections took place at Leinster during the audit to form an opinion

about complying with connection policies. For the coastal region all customers have been connected even if above the maximum service pipe length. There have been no complaints about connection.
Issues
None
Recommendations
None
Management Actions
Not applicable

Clause 10 Service standards

Licence obligation GDL Clause 10						Compliance rating Compliant -5			
Service standards									
<p>(1) The licensee must use its best endeavours to maintain a level of customer service at least consistent with the customer service code, except where the Coordinator permits otherwise.</p> <p>(2) The licensee may request the Coordinator to approve a code (“alternative code”) in substitution for the AGA code (or for a code previously approved under this clause), and the Coordinator may approve the alternative code.</p> <p>(3) If the customer service code is not the AGA code, a reference in these terms and conditions to a numbered clause of the customer service code is to be read as a reference to the provision (if any) in the customer service code that corresponds to the clause in the AGA code with the same number.</p>									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<p>The trader’s information package for prospective customers includes connection information, the customer safety awareness program and emergency information including contact numbers. This makes the distributors obligations available to the customers.</p> <p>There have been no complaints about customer service.</p>									
Issues									
<p>The referenced code is out of production and hard to obtain. It is not good regulatory practice to refer to a standard that is not available. The licensee has a copy of the standard.</p>									
Recommendations									
<p>None.</p>									

Management Actions
N/a

Clause 14 Future extension of the distribution network

Licence obligation GDL Clause 14						Compliance rating Compliant - 5			
Future development of the licensed distribution system									
(1) The licensee must use reasonable endeavours to continue to plan for future expansion and to seek opportunities to expand the coverage of the licensed distribution system within the licence area.									
(2) The licensee must where reasonably practicable undertake any activities under subclause (1) in accordance with the Energy Safety (DOCEP) Guidelines for the Design and Planning of Interconnected Gas Distribution Networks dated February 2000.									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Extensions of the coastal region system are being considered on a case by case basis. This is usually where the developer will provide the installed piping and land for the bulk site and the licensee provides the bulk infrastructure. The Leinster system depends on decisions by the mining operator about the town development and is considering proposals to include gas in the development plans. These plans are currently in the early stages of development.									
Issues									
None									
Recommendations									
None									
Management Actions									
Not applicable									

Clause 15 financial and technical resources

Licence obligation GDL Clause 15	Compliance rating Compliant -5
Financial and technical resources <p>(1) The licensee must have and continue to have financial and technical resources sufficient to meet current and reasonably foreseeable obligations that might arise in relation to its activities the subject of this licence.</p> <p>(2) If the licensee is not the operator of the licensed distribution system (“operator”),</p>	

<p>the licensee must ensure that the operator has and continues to have technical resources sufficient to meet current and reasonably foreseeable obligations that might arise in relation to its activities the subject of this licence.</p>									
<p>(3) The licensee must ensure that its employees, agents and subcontractors are competent persons.</p>									
<p>(4) The licensee must:</p>									
<p>(a) within 2 weeks after receipt of a written request by the Coordinator provide to the Coordinator written evidence, as reasonably specified by the Coordinator, that the licensee maintains the financial and technical resources, and the operator (if any) maintains the technical resources, required under this clause;</p>									
<p>(b) notify the Coordinator immediately of a significant reduction (or proposed reduction) in the licensee's financial or technical resources or the operator's technical resources that would, in the licensee's reasonable opinion, materially inhibit the performance of the current and reasonably foreseeable obligations that may arise in relation to its activities the subject of this licence; and</p>									
<p>(c) notify the Coordinator prior to the appointment of an operator or change in the operator.</p>									
<p>Observations</p>									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<p>The licensee is owned by a large listed public company with very significant assets. The licensee's financial resources are appropriate for its operations. The turnover and profit increased from the previous financial year.</p> <p>A separate report from Ernst and Young confirms financial resources are adequate.</p> <p>The technical resources are employed and contracted to competent gas fitters. The performance measures in the contract are appropriate.</p>									
<p>Issues</p>									
<p>None</p>									
<p>Recommendations</p>									
<p>None</p>									
<p>Management Actions</p>									
<p>Not applicable</p>									

Clause 16 insurance

<p>Licence obligation GDL Clause 16</p>	<p>Compliance rating Compliant - 5</p>
<p>Insurance</p>	
<p>(1) The licensee must, for the duration of the term, have:</p>	
<p>(a) adequate property damage insurance against damage, loss or destruction of,</p>	

<p>or a part of, the licensed distribution system; and</p> <p>(b) adequate liability insurance against loss, damage, death or injury to the property or personnel of the licensee and the public, in connection with, arising out of or related to its activities the subject of this licence.</p> <p>(2) The licensee is to provide the Coordinator, upon request, details of insurance coverage in terms of:</p> <p>(a) the currency of insurance;</p> <p>(b) the amount insured;</p> <p>(c) the activities insured; and</p> <p>(d) any other details reasonably required by the Coordinator.</p> <p>(3) The Coordinator may wholly or partially waive compliance with this clause if he or she is satisfied that the licensee has made:</p> <p>(a) adequate alternative arrangements;</p> <p>(b) accepts the licensee as a self insurer; or</p> <p>(c) considers that there are other sufficient reasons for doing so.</p>									
Observations									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<p>The licence requires that the licensee have property damage and public liability insurance.</p> <p>The licensee has appropriate insurance cover and the certificates of currency have been sighted. DAC Syndicate 0386 (London) - 80% and Wesfarmers Risk Management 20% provide the cover including, public and products liability (\$20,000,000).</p>									
Issues									
None									
Recommendations									
N/a									
Management Actions									
N/a									

Post audit implementation plan

Action plan

Item	Action	Responsible	When
1	The licensee will commission remote monitoring at Leinster and install remote monitoring on the Coastal region tanks.	Technical Services Manager	June 2008 Kleenheat will strive to meet this date but it will be subject to the installation of additional storage or other

			suitable arrangements that will allow the tank to be degassed and internal inspection being done, this will not be possible during winter and time is limited prior to then. If not practicable then Dec 2008 or Jan 2009 would be an achievable target.
2	The licensee will implement regular (annual), planned and scheduled monitoring of pressures at strategic points in both systems each peak load season.	Technical Services Manager	August 2008
3	Quality control processes will be upgraded to ensure compliance with gas quality regulations.	Technical Services Manager	March 2008
4	An accurate leak detection process will be used by the Licensee	Technical Services Manager	June 2008
5	The licensee will conduct regular (at least annual) and scheduled exercises of the emergency plans and consequent updates are actioned.	Technical Services Manager	August 2008

Audit Evidence

The following evidence was gathered for the audits and asset management system review.

1. Legislation and standards

- *Energy Coordination Act 1994*
- *Gas Standards Act 1972*
- *Gas Standards (Gas Supply and System Safety) Regulations 2000*
- *AG 755 1998 Natural Gas Customer Service Code*
- Auditing and Assurance handbook
- Gas Distribution Licences 4 and 5
- Gas Trading Licences 4 and 5

2. Licensee's documents

- Annual report for balance sheets and financial indicators

- Financial report by Ernst and Young
- Gas quality samples
- Prospective customers package
- Maintenance procedures
- Emergency response plans
- Customer safety awareness program
- Hazard identification and risk assessment procedures
- Customer service charter
- Standard form contract
- Complaints handling system
- Certificate of insurance currency
- Samples of marketing information - sighted
- Notices of completion
- Annual information returns
- Plans of coastal region reticulation
- Bulk refill records
- Audit of inspection plan
- Type B installation guidelines
- Asset register for coastal (Margaret River) region and Goldfields-Esperance (Leinster) region

Audit Time

The audits and asset management review were undertaken by Kevan McGill and took approximately 118 hours aggregate for all 3 reviews.