

Appendix 3 – Compliance Obligations which Require Corrective Actions

License Condition	Clause 2.1 and Schedule 2
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	224
Obligation Description	A retailer or a distributor must not arrange for disconnection or disconnect a customer's supply address in the circumstances specified.
Reporting Type	1
Compliance Rating	2
Audit Observations	<p>The gas retailer through NMIS, initiates the disconnection of gas supply. A report from NMIS is reviewed every few hours to obtain the disconnection orders.</p> <p>The disconnection function is mainly outsourced to an external service provider, AMRS Pty Ltd. The Planning Supervisor advised that AMRS Pty Ltd is aware of the requirement surrounding the time limitation for disconnection and only performs disconnection prior to 3pm, Monday to Thursday, and no disconnections on Friday, weekends, the public holidays or the day before a public holiday.</p> <p>Our enquiries about the formalisation of this service standard in a contract revealed that there is no provision in the current agreement between WAGN and AMRS Pty Ltd, limiting the time for disconnection.</p> <p>Our substantive testing of the disconnection transactions revealed that in some cases the disconnection time were not recorded and in several instances the disconnection time was noted to be exactly 3pm. Further enquiries with the Planning Supervisor indicated that the contractor was not accurately recording the disconnection time in the system.</p> <p>The possibilities exist that non-compliance may have occurred, but because of control deficiencies, it was not possible to identify</p>

	<p>the instances of non-compliance.</p> <p>The Manager Regulatory Affairs and Risk provided an email from AMRS Pty Ltd about their work practices, however, they have been unable to provide the records indicating the actual time of disconnection and therefore unable to demonstrate compliance with the obligation.</p> <p>We made enquiries with the Stakeholder Relations Coordinator and reviewed the Complaint Register, we did not identify any instances of complaint from the retailers, customers and Ombudsman with regard to disconnection.</p> <p>We note that as a result of the finding, the Planning Supervisor has now required the contractor to provide the actual disconnection time.</p>
Recommendation	<ol style="list-style-type: none"> 1. That WAGN negotiate with AMRS Pty Ltd to introduce a time limit provision on disconnection in the contract. 2. That WAGN request AMRS Pty Ltd to accurately record the disconnection time. A regular cycle of internal review of disconnection time should be undertaken.
Management Response	WAGN accepts the findings.
Management Actions	<p>Recommendation 1 has been implemented.</p> <p>Recommendation 2 will be implemented.</p>
Implementation Date	By 31 December 2010.
Responsibility	Senior Manager Commercial and Business Development – Commercial and Business Development

License Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 13.12
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	265
Obligation Description	A distributor must keep a record of the call centre performance indicators specified.
Reporting Type	2
Compliance Rating	2
Audit Observations	<p>WAGN replaced the NEC's Q-Master system with Nortel's Customer Call Centre 6 in 2009 after computer hardware failures. Our review of the Nortel's Customer Call Centre 6 indicated that it does not have the functionality to provide the call centre performance indicators required under the Customer Code. The system only provides a report on the number of calls entered into WAGN's interactive voice response system and the telephone response by the Customer Services Representative, effectively acting as a "counter" on the number calls. Therefore, a manual approach is required to establish the point when the call is first made available to a Customer Services Representative, which is termed "Time 0", for calculating the specified performance indicators.</p> <p>Due to the nature of information provided by the Nortel system, in order to establish the number of calls responded to either within 30 seconds or outside 30 seconds, the Call Centre Team Leader is required to manually, with the assistance of a stopwatch, determine the length of time before Time 0. The number of calls prior to Time 0 is then disregarded and only the number of calls after Time 0 are taken into account when assessing the quantum of calls answered within (or outside) 30 seconds.</p> <p>The Call Centre Team Leader indicated that the manual test he conducted with the assistance of a stopwatch indicated 30 seconds. Our performance of a similar test with a stopwatch resulted in 36</p>

	<p>seconds.</p> <p>Interviews with the Network Support Manager revealed that occasionally there is a special service announcement played in the interactive voice response system regarding information on an unplanned interruption or simply directing the public to the correct utility service provider. Having regard to the methodology described, the special service announcement would have the effect of changing the starting point for Time 0 and therefore impact on the calculation of the specified performance indicators.</p> <p>Our enquiries on the call centre performance data record of the former system, Q-Master, revealed that the system had a 90 day time window for extraction of data. After this period, data and reports could not be extracted. Our discussions with the Call Centre Team Leader indicated that it was standard practice that the call centre performance results were only recorded in handwriting for month end reporting and a hardcopy was not printed.</p> <p>As a result, with the decommissioning of the Q-Master database in 2009, WAGN was unable to provide any call centre performance data for the period February 2007 to August 2009.</p> <p>Due to the lack of records over a substantial portion of the period under review and for reasons discussed above associated with the inherent limitations of the manual practice and lack of compensating controls, we cannot confirm the accuracy and completeness of the reported call centre performance results for the period 1 February 2007 to 30 June 2010.</p>
<p>Recommendation</p>	<ol style="list-style-type: none"> 1. That WAGN improve its procedures for calculating the performance indicator by undertaking the following actions: <ul style="list-style-type: none"> • Take into consideration the time length of special announcements when determining Time 0; and • Conduct a monthly test of the time length prior to Time 0. If the length of time has changed, WAGN should adjust the calculation for the number of calls in respect of the performance indicators. 2. Retain all call centre performance data (in hard or soft copy). 3. Implement supervisory review procedures for the call centre performance indicators.
<p>Management</p>	<p>It should be noted that whilst addition messages can be added to the IVR that could impact Time 0, this has not occurred since the</p>

Response	system was introduced.
Management Actions	<p>Management will commence a review of the method of data collection for all the call centre performance indicators. The objective of the review will be to:</p> <ol style="list-style-type: none"> 1. Determine a suitable enhanced method of electronic storage of call centre performance data 2. Determine a suitable method for incorporating any variance to Time 0 when calculating call centre performance data.
Implementation Date	31 December 2010
Responsibility	Network Control Manager - Network Infrastructure

License Condition	Clause 5.1
Obligations Under	Energy Coordination Act section 11Z
Compliance Manual Reference	25
Obligation Description	A licensee must comply with the applicable standards of the <i>Gas Standards Act 1972</i> .
Reporting Type	1
Compliance Rating	3
Audit Observations	<p>Division 3 of the Gas Standards (Gas Supply and System Safety) Regulations 2000 requires WAGN to prepare and submit a safety case to the Director responsible for the distribution system of the network operator for approval. In March 2009, WAGN commissioned OSD Pipelines to conduct a compliance safety case audit against the Gas Standard Act 1972 and associated Regulations and Australian Standards.</p> <p>The review presented 17 findings and associated recommendations. The auditor did not identify any major issues. The findings and recommendations related to the following matters:</p> <ul style="list-style-type: none"> • <i>Systems and processes were documented and implemented but not referenced within the Safety Case;</i> • <i>Mandatory communication requirements with Energy Safety is advised to occur, but its mechanism and frequency is not documented;</i> • <i>The Safety Case certification and nomination of auditors is not currently documented in the Safety Case;</i> • <i>Improvements are required to the Safety Case with regards to inclusion of specific technical data; and</i> • <i>Key systems and process documents were found to be under review. These need to be revised to reflect current company name, document numbering system and where to source additional information.</i> <p>In October 2009, WAGN commissioned Worley Parsons to</p>

	<p>conduct a compliance audit in respect of the Safety Case and AS 2885.1: Pipelines – Gas and Liquid Petroleum – Design and Construction and AS 2885.3: Pipelines – Gas and Liquid Petroleum – Operation and Maintenance.</p> <p>The compliance audit report disclosed 55 findings and associated recommendations. The broad categories of risk rating are as follow.</p> <ul style="list-style-type: none"> • 8 High; • 40 Medium; and • 7 Low. <p>We noted that there were a number of disagreements between the auditors and WAGN in respect of the auditor’s findings and risk measurement in the report, particularly with the 8 high risks identified. The auditors highlighted areas for improvements and did not identify actual non compliances with the Gas Standards Act (1972).</p> <p>The Technical Compliance Manager indicated that a Safety Case Action Register has been developed in response to the audit findings. The Safety Case Action Register sets out the recommended corrective actions, associated standards and regulations, responsibilities and target completion timelines to address the compliance gaps identified. We obtained a copy of the “Safety Case Action Register” and noted some action items (at the date of audit) are overdue or remain open.</p> <p>We have placed reliance on the work performed by independent experts. Our review of the audit reports indicated that, except for the issues identified, there were adequate and effective controls to support compliance with the license condition.</p>
Recommendation	That WAGN continues implementing the actions in the Safety Case Action Register and completes any outstanding recommendations.
Management Response	In 2010 WAGN is focussing on the implementation of the Safety Case Implementation Plan which reflects the register detailing recommendations for improvements emanating from the 2009 OSD Safety Case, WorleyParsons AS2885 steel pipelines and OSD Asset Management Systems audits; and internal audits and reviews of obligations within new standards (AS4645 and AS2885).
Management	WAGN is aiming to implement a significant number of the

Actions	recommendations prior to submitting the Safety Case to the Director of Energy Safety for approval in January 2011. This timeline may be delayed if proposed revisions to the Gas Standards (Gas Supply and System Safety) Regulations 2000 come into effect. Once the Safety Case is approved, WAGN will be obligated to comply with the statutory post-‘acceptance’ Safety Case Implementation Plan.
Implementation Date	Implement 90% of the recommendations by 1 July 2011 with the outstanding items incorporated into the statutory post-‘acceptance’ Safety Case Implementation Plan.
Responsibility	Technical Compliance Manager - Network Infrastructure

License Condition	Clause 21.1
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	102
Obligation Description	A licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the Authority.
Reporting Type	2
Compliance Rating	3
Audit Observations	<p>In preparation of the Annual Performance Report for the Authority, the Regulatory Compliance Analyst sent out an email to the relevant personnel requesting the information for the compilation of the Annual Performance Report. Data is gathered from various systems, calculated for the required performance indicators and then entered into the spreadsheet template. After all the performance indicators have been collated, the Regulatory Services team performs a review to further scrutinise the data. Any trending issues are followed up with the process owner for investigation.</p> <p>Our enquiries revealed that there is no evidence of supervisory review by the process manager. As a result, WAGN cannot provide evidence to confirm that supervisory reviews have been conducted. Moreover, our investigation in the call centre revealed that there was no supervisory review performed over the collection, calculation and compilation of call performance data.</p> <p>We noted that the information system in the call centre did not have the functionality to provide the relevant performance report. Therefore, a more robust system of manual controls was required to ensure that the actions and processes undertaken were complete and accurate. (Refer to Obligation 265 for more detailed discussions on the call centre activities).</p> <p>A comparison of the current SAP records and the published Annual Performance Reports revealed some discrepancies due to post period adjustments. We noted that the calculations, work</p>

papers and supporting SAP records for the different performance indicators were either not retained or maintained in a manner capable of providing an audit trail.

Our review indicated that the 2007/2008 Annual Performance Report contains some errors relating to figures published in the prior year, 2006/2007. The cause of the errors appears to be outside the management of WAGN. Specifically:

- In the 2006/2007 Annual Performance Report, the number of residential and non-residential customer connections was reported to be 574,764, however, for the same period, the 2007/2008 Annual Performance Report indicated 561,437.

This seems to be a publication error as the figure 561,437 appeared to have derived from the Gas Trader Performance section on customer data in the 2006/2007 Annual Performance Report; and

- In the 2006/2007 Annual Performance Report, the number of gas main leaks was 267, however, for the same period, the 2007/2008 Annual Performance Report provided 276. This appears to be a transposition of figure error that occurred in publication.

In terms of the network reliability indicators, WAGN confirmed that it did not have systems to capture the duration length accurately for planned interruptions. We noted that for unplanned interruptions, the “Fault Identification and CMOS Calculation” (GD WI 3020) outlined the processes and actions for capturing and recording the period of unplanned supply interruptions, on the other hand, there is a 360 minute assumption made in respect of the planned supply interruptions. The 360 minutes assumption was used in the 2008/2009 calculation of the overall average interruption duration for the network reliability indicators.

The Manager of Regulatory Affairs and Risk provided us with correspondence to the Authority (as part of the public consultation process during the drafting the Gas Compliance Reporting Manual), which proposed a 360 minutes assumption for the length of planned interruptions. However, we found that there was no positive confirmation from the Authority giving approval for the 360 minute assumption used in the calculation of the network reliability indicators.

Our review of the SAIFI indicator noted that a different metric than that prescribed in the Reporting Handbook had been adopted

	<p>for the periods 2007/2008 and 2008/2009. We noted that SAIFI had been calculated on the basis per 1000 customers instead of per customer as required by the Reporting Handbook. The Asset Performance Engineer advised that for readability of the figure due to a large number of decimal points and consistent with WAGN’s internal reporting metric, SAIFI had been calculated on the basis per 1000 customers. Therefore, the SAIFI figures for the aforementioned periods are incorrect by 3 decimal points.</p> <p>We noted that, while in the “Complaints” section of the 2007/2008 Annual Performance Report, there is a reference to the number of complaints being expressed per 1000 customer, however, we found that there was no confirmation from the Authority giving approval for the calculation of SAIFI based on per 1000 customer.</p> <p>Overall, there is scope for improvement in the way that performance data is collated, calculated and compiled in the preparation of the Annual Performance Report. Audit recommendations reflect a need to improve recordkeeping and the organisation/documentation of supervisory controls to facilitate the completeness and accuracy of the performance data provided to the Authority.</p>
<p>Recommendation</p>	<ol style="list-style-type: none"> 1. Appropriate supervisory control points should be established and work instruction developed for the preparation of Annual Performance Reports. A suitable process plan for reviewing data should be prepared to support the recommendation. 2. That the Process Manager formally sign off on the data, evidencing review of them for completeness and accuracy. 3. Calculations and working papers should be retained. 4. That WAGN should follow the requirements of the Gas Distribution Licence Performance Reporting Handbook.
<p>Management Response</p>	<p>During 2009/2010 we commenced reviewing some operational performance indicators at Compliance Committee meetings. Each of the recommendations will be actioned.</p>
<p>Management Actions</p>	<p>A procedure will be documented for data collation, validation and retention.</p> <p>Formal approval from the Authority will be sought for metrics identified as part of this action.</p>

Implementation Date	31 December 2010
Responsibility	Risk, Compliance and Internal Audit Manager - Regulatory Affairs and Risk

License Condition	Clause 5.1
Obligations Under	Energy Coordination Act section 11ZK(3)
Compliance Manual Reference	17
Obligation Description	A licensee must pay the costs and expenses incurred in the taking of an interest or easement in respect of land held by a public authority.
Reporting Type	NR
Compliance Rating	4
Audit Observations	<p>WAGN inherited a number of easements from the legacy government structure. Enquiries with the Senior Manager Commercial and Business Development indicated that WAGN has not been required to take an easement and make payment in respect of land held by a public authority within the audit scope period.</p> <p>Interviews with the Senior Land Management Coordinator revealed that there maybe a number of land easements, which have been ‘granted’ or given to WAGN by local councils and land developers as a result of new developments. In these instances, WAGN was not required to make financial payments. However, it is possible that WAGN will be required to take an easement in land with future expansion.</p> <p>The Senior Land Management Coordinator advised that there is no current formal framework in place for the taking of an interest in land or easement because of ambiguities over legislative policies.</p> <p>We noted that the register of easements is incomplete and is currently being developed.</p>
Recommendation	<ol style="list-style-type: none"> 1. WAGN should conduct enquiries with the relevant government departments to determine the process for the taking of an interest in respect of land. 2. Following above (1), a policy framework should be developed and procedures and responsibilities should be defined to

	<p>support the process.</p> <p>3. WAGN should complete the easement register.</p>
Management Response	<p>WAGN will undertake to conduct enquiries as outlined within the first recommendation above. However, any policy framework is dependent on the certainty received from the relevant government departments. Any supporting procedures can only be developed if such certainty is attained.</p>
Management Actions	<p>WAGN will conduct enquiries with the relevant government departments to determine the process for the taking of an interest in respect of land.</p> <p>A supporting procedure will be completed subject to achieve the required certainty from the government departments.</p> <p>WAGN will complete the easement register.</p>
Implementation Date	<p>WAGN will conduct enquiries with all relevant government departments by 30 June 2011.</p> <p>The easement WAGN will completed by 30 June 2011.</p>
Responsibility	<p>Senior Land Management Coordinator - Commercial and Business Development</p>

License Condition	Clause 5.1
Obligations Under	Energy Coordination Act section 11Z
Compliance Manual Reference	28
Obligation Description	A licensee shall not commence to supply gas to a customer's gas installation unless that installation meets the requirements prescribed in respect of that installation.
Reporting Type	1
Compliance Rating	4
Audit Observations	<p>The “WA Gas Networks Inspection Policy Statement and Plan” (GD PL 0170 Rev 3) approved by the Director of Gas, Energy Safety exempts WAGN from the regime of conducting 100% inspection of new gas installations. Inspections performed in accordance with the inspection plan are therefore critical to maintain this exemption.</p> <p>WAGN’s Gas Inspection team is responsible for the planning and coordination of gas inspections. A quarterly report is prepared and provided to Department of Commerce’s Energy Safety Division on the number audits planned and conducted for the period.</p> <p>In carrying out the inspection, the gas inspector uses an inspection checklist, which in theory should provide for all the requirements prescribed in the Inspection Plan.</p> <p>In our review, we attempted to map the elements on the inspection checklist and the requirements prescribed in the Inspection Plan. We noted that there were some differences between the inspection checklist and the Inspection Plan. For example, the requirement that “conversions are conducted in accordance with AS 5601” in the Inspection Plan does not appear on the inspection checklist. Whilst the Gas Inspection Team Leader explained that this requirement has been captured as part of another element, we noted that there were other elements in the inspection plan, which have not been identified in the inspection checklist.</p> <p>We conducted substantive testing on a sample of new installations</p>

	<p>and additional installations. Our methodology involved obtaining SAP records, Notice of Completions, and Inspection checklist to verify that inspections have been effectively carried out. We found that the inspection records, primarily for the 2007 and some in the 2008 year, (which needed to be retrieved from the archiving facility) were incomplete.</p> <p>Except for the issues identified above, based on our enquiries and review of documentation, we have concluded that there are adequate and effective controls in place to support compliance with the license condition.</p>
Recommendation	<ol style="list-style-type: none"> 1. That WAGN undertake a reconciliation of the existing inspection checklist against the requirements in the inspection plan, revise the inspection checklist to ensure greater fidelity with the requirements prescribed in the Inspection Plan; and 2. That WAGN improve record keeping management over gas inspection documents.
Management Response	<p>In regard to the two issues raised:</p> <ol style="list-style-type: none"> 1. The technical and safety regulator <i>EnergySafety</i> conducts regulator audits of the WAGN Inspection Plan including the forms and processes used. As the safety regulator has not identified any issues with the current form, WAGN will need to highlight to <i>EnergySafety</i> the findings of this audit and will make changes to the form providing the prior approval of <i>EnergySafety</i> is forthcoming. 2. <i>EnergySafety</i> also conducts regulator audits of the WAGN Inspection Plan in respect of the management of record keeping of gas inspection documents. While the safety regulator has not identified any issues with WAGN's record keeping management of gas inspection documents, it is acknowledged that the timeframes involved for retrieval were greater for <i>EnergySafety</i>. Over the past three years record keeping management enhancements have been made by WAGN that have resulted in previous limitations now being eliminated for documents stored and recorded under the enhanced methodology.
Management Actions	<p>In regard to the two issues raised:</p> <ol style="list-style-type: none"> 1. WAGN Inspection will discuss the issues identified with the form with <i>EnergySafety</i> to seek its input. 2. WAGN will continue to seek enhancements to record

	keeping management of gas inspection documents
Implementation Date	31 December 2010
Responsibility	Network Support Manager – Network Infrastructure

License Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 13.1
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	256
Obligation Description	A retailer, distributor or marketer must keep a record or other information as required to be kept by the Gas Customer Code for at least two years from the last date on which the information was recorded, unless expressly provided otherwise.
Reporting Type	2
Compliance Rating	4
Audit Observations	<p>WAGN records management policy “Records Management” (“WAGN PR 0100”) outlines the corporate recordkeeping and retention procedures and provides the responsibility matrix. Corporate information is stored on “Livelihood”, which is the organisation’s official recordkeeping system. Hardcopy records are periodically archived and moved offsite to a storage facility.</p> <p>The following are our findings in relation to the records required to be kept under the Gas Customer Code.</p> <ol style="list-style-type: none"> <i>The total number connections provided and connections not provided on or before the agreed date.</i> <p>WAGN maintains a register of Guaranteed Service Level payments, which records the payments for the number of connections not provided on or before the agreed date. We have also obtained the total number of new connections extracted from NMIS and found that they complied with the requirement.</p> <ol style="list-style-type: none"> <i>Customer complaint records.</i> <p>We reviewed the customer complaints register and found that the hardcopies were retained in Arch Lever folders held by the Stakeholder Relations Coordinator and a copy was scanned into Livelihood.</p>

	<p><i>3. Delivery points.</i></p> <p>We requested and obtained the total number of delivery points extracted from NMIS and found that they complied with the requirement.</p> <p><i>4. Call centre performance data.</i></p> <p>We noted that there were some gaps in the recording of the call centre performance indicators due to the issues identified in Obligation 265.</p> <p>Based on our enquiries and review of documentation, except for the matter identified about (4), we have concluded that there are adequate and effective controls in place to support compliance with the license condition.</p>
Recommendation	WAGN to retain records of call centre data and associated working papers for the calculation of performance indicators.
Management Response	Refer management actions in response to Compliance Manual References 102 and 265
Management Actions	N/A
Implementation Date	N/A