

# WA Gas Networks Pty Ltd

## Performance Audit Report

November 2010

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# Acronym List

Acronym	Full Name
<b>Authority</b>	Economic Regulation Authority
<b>GDBDV</b>	Gas Distribution Billing Data Verification
<b>GIMS</b>	Gas Inflows Management System
<b>GIS</b>	Geographical Information System
<b>GNIS</b>	Gas Network Information System
<b>HHV</b>	Higher Heating Value
<b>MIRN</b>	Meter Installation Registration Number
<b>NMIS</b>	Network Metering Information System
<b>REMCO</b>	Retail Energy Market Company Ltd
<b>SAP</b>	Systems Applications and Products – business systems software
<b>SO</b>	Service Order Request
<b>UAFG</b>	Unaccounted For Gas
<b>WAGN</b>	WA Gas Networks Pty Ltd

# 1. Background

WAGN's Gas Distribution Licence, GDL 8, was issued on 17 August 2007. It evolved from the amalgamation of Gas Distribution Licences, GDL1, GDL2 and GDL3, which encompassed the geographical areas of Goldfields-Esperance, Coastal and Great Southern.

Under section 11ZA(1) of the Energy Coordination Act 1994, WAGN is required to provide the Authority with a performance audit by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows).

WAGN appointed Grant Thornton Australia Limited ("Grant Thornton") to conduct the performance audit of its Gas Distribution Licence with approval from the Authority. As part of the commencement process of the performance audit, Grant Thornton engaged with the Regulatory Services team to conduct a preliminary risk assessment in relation to each relevant compliance obligation within the Gas Compliance Reporting Manual (September 2009). Grant Thornton then prioritised the audit coverage based on the risk profile of WAGN with an emphasis on providing greater focus and depth of testing for areas of higher risk to provide reasonable assurance that WAGN had complied with the standards, outputs and outcomes under the Gas Distribution Licence.

In conducting the performance audit, Grant Thornton has adopted the standards prescribed in the Australian Auditing Standards on Assurance Engagements, ASAE 3000 "Planning Performance Audits" and ASAE 3500 "Performance Engagements". Through a combination of enquiries, examination of documents and substantive testing, Grant Thornton evaluated the adequacy and effectiveness of WAGN's controls relative to the standards referred in the Gas Distribution Licence.

Appendix 6 provides a high level overview of WAGN's key systems and processes, which we considered as part of the performance audit.

## 2. Objective

The audit objective was to evaluate the adequacy and effectiveness of controls implemented by WAGN to fulfil its obligations in complying with the performance and quality standards referred to in its Gas Distribution Licence. The audit focused on the systems and effectiveness of processes used to ensure compliance with the standards, output and outcomes required by the Gas Distribution Licence.

## 3. Scope

The scope of the audit covered the period of WAGN's operation from 1 February 2007 to 30 June 2010.

WAGN's Gas Distribution Licences, GDL1, GDL2 and GDL3, which encompassed the geographical areas of Goldfields-Esperance, Coastal and Great Southern were amalgamated into a consolidated Gas Distribution Licence, GDL 8, on 17 August 2007. A comparison of the licence conditions between GDL 1, 2, 3 and GDL 8, revealed several differences as a result of the consolidation. The Authority requested that the licence conditions that were not converted as part of the transition into GDL 8 should be reviewed and reported separately for the period prior to the change.

The following conditions had been identified for review in the transition period, 1 February 2007 to 17 August 2007:

1. GDL 1,2,3 - Clause 8: Obligation to Connect;
2. GDL 1,2,3 - Clause 14: Future Development of the Licenced Distribution System;
3. GDL 1,2,3 - Clause 15: Financial and Technical Resources; and
4. GDL 1,2,3 - Clause 16: Insurance

For the purpose of this performance audit, Grant Thornton has adopted the September 2009 Gas Compliance Reporting Manual.

We have provided in Appendix 6 – WA Gas Networks Primary Systems and Processes, a high level overview of WAGN's key systems and processes and their interactions with external stakeholders, which we considered as part of our review.

## 4. Inherent Limitations

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

An audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

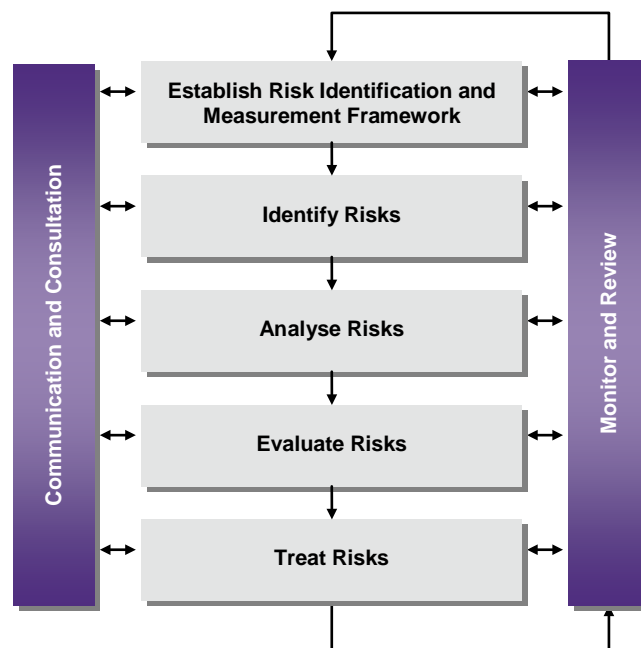
Any projection of our evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

## 5. Our Approach and Methodology

### Risk Assessment

In performing the performance audit of the WAGN's gas distribution licence, Grant Thornton adopted a risk based audit approach based on the Australian/New Zealand Standard AS/NZS 4360:2004 as illustrated in the diagram below.





## Establishing the context

The key legislation, regulations and codes that govern the licensing of providers of gas distribution are:

- The Energy Coordination Act (WA) 1994;
- The Energy Coordination (Customer Contracts) Regulations 2004;
- The Gas Standards Act 1972;
- The Gas Standards (Gas Supply and System Safety) Regulations; and
- Gas Customer Code 2008.

## Risk identification and assessment

In consultation with WAGN's Regulatory Services team, Grant Thornton analysed each compliance obligation in terms of the inherent risk level and rated the controls in accordance with the guidelines prescribed by the Authority. Audit priority was assigned based on the risk level and controls, which management exercised over those risks.

Consistent with ASAE 3100, Grant Thornton adopted an approach of professional scepticism throughout the review. ASAE 3100 (para 11(a)) states that having an attitude of professional scepticism “*means the assurance practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents and responses to enquiries and other information obtained from management and the responsible party*”.

Furthermore, we have considered and adopted the Authority's “Audit Guidelines: Electricity Gas and Water Licences (July 2009)” in conducting the performance audit.

Our fieldwork involved interviews and discussions with the process owner or delegated representative to obtain an understanding of the business environment and organisation structure. Through examination of documents, policies and procedures, we identified risks and associated key controls. We have undertaken substantive testing to confirm the operational effectiveness of those controls.

## Risk evaluation

Risk evaluation for the WAGN involved Grant Thornton assessing compliance with the requirements of the licence by examining the design effectiveness of the controls through the evaluation of the:

- Control environment;
- Information system;
- Control procedures; and
- Compliance attitude of management.

In accordance with the Authority's audit guidelines, we used the following compliance rating scale to measure the extent of WAGN's compliance with the obligations.

Compliance Status	Rating	Description of Compliance
<b>Compliant</b>	5	Compliant with no further action required to maintain compliance.
<b>Compliant</b>	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance.
<b>Compliant</b>	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance.
<b>Non-compliant</b>	2	Does not meet minimum requirements.
<b>Significantly Non-compliant</b>	1	Significant weaknesses and/or serious action required.
<b>Not Applicable</b>	N/A	Determined that the compliance obligation does not apply to the licensee's business operations.
<b>Not Rated</b>	N/R	No relevant activity took place during the audit period, therefore it is not possible to assess compliance.

#### Risk treatment

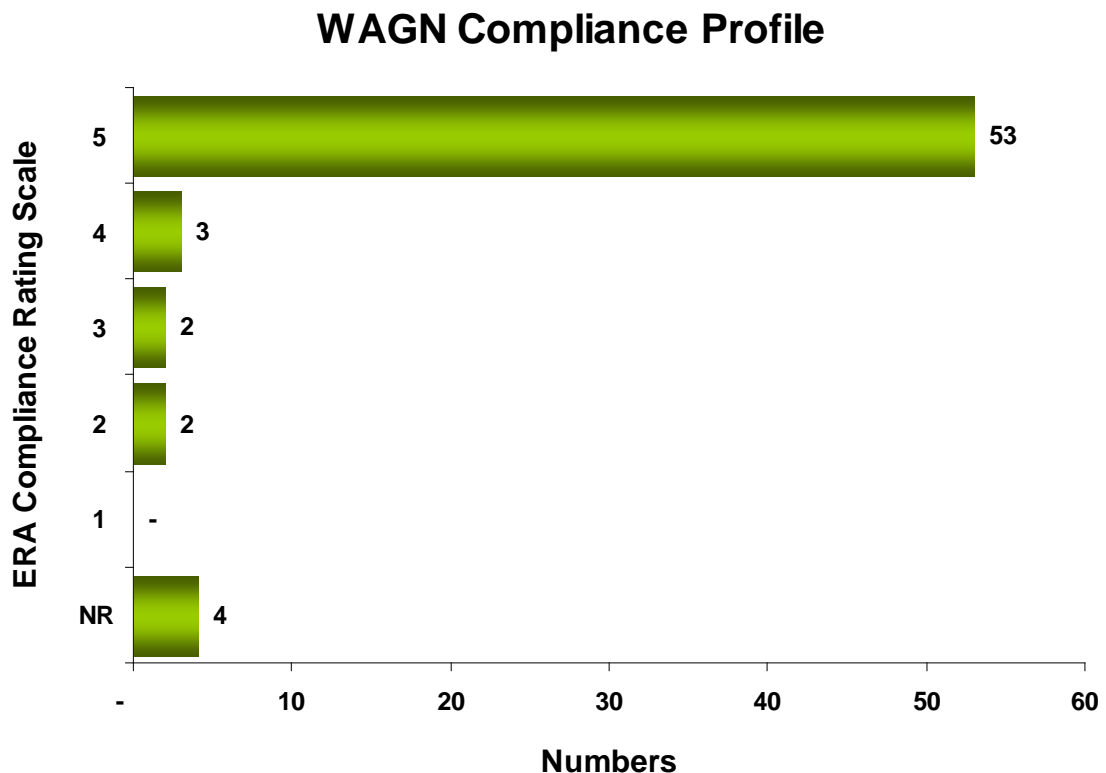
If a control risk was identified, which if in the Auditor's professional judgment was left untreated may cause the WAGN to become non-compliant with its obligation under the licence, Grant Thornton would provide appropriate recommendations to mitigate the risk to an appropriately low level. The treatment of risks could either involve reducing the likelihood of the risk materialising or mitigating the impact of the risk.

## 6. Summary of Findings

WAGN's Gas Distribution Licence, GDL 8, was issued on 17 August 2007. It evolved from the amalgamation of Gas Distribution Licences, GDL1, GDL2 and GDL3, which encompassed the geographical areas of Goldfields-Esperance, Coastal and Great Southern.

The overall compliance profile of WAGN illustrates an organisation with a sound compliance attitude, but remedial actions are required to strengthen control procedures and to improve recordkeeping management in a number of areas.

Figure 2



To be discussed below, two obligations that are assessed to be non-compliant are due to weaknesses in control procedures and system deficiencies. WAGN management was in the process of addressing these deficiencies at the time of this report.

It should be noted that the above diagram, Figure 2, does not include the legacy licence conditions.

Table 1.1 Compliance Elements which Require Corrective Measures

Gas Distribution Licence Reference	Compliance Manual Reference	Obligation Description	Reporting Type	Compliance Rating					Issues	Recommendations
				1	2	3	4	5		
<b>Clause 2.1 and Schedule 2</b>	<b>224</b>	A retailer or a distributor must not arrange for disconnection or disconnect a customer's supply address in the circumstances specified.	<b>1</b>		✓				<p>WAGN contracts AMRS Pty Ltd to conduct disconnections on its behalf. Our enquiries regarding the contract revealed that there is no provision in the current agreement limiting the time for disconnection as required under WAGN's licence. However, AMRS confirmed its business practise not to disconnect after 3pm on Mondays to Thursdays and Friday or over the weekend.</p> <p>Our substantive testing of disconnection transactions revealed that the disconnection time was not always recorded and, in several instances, when it was recorded, 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. Therefore, it is not possible for WAGN to demonstrate compliance with the obligation.</p> <p>The possibility exists that non-compliance may have occurred, but because of control deficiencies, it was not possible to identify the instances of non-compliance.</p> <p>As a result of the audit finding, the Planning Supervisor has now required the contractor to</p>	<ol style="list-style-type: none"> <li>That WAGN negotiate with AMRS to introduce a time limit provision on disconnection in the contract.</li> <li>That WAGN request AMRS to accurately record the disconnection time. A regular cycle of internal review of disconnection time should be undertaken.</li> </ol>

Gas Distribution Licence Reference	Compliance Manual Reference	Obligation Description	Reporting Type	Compliance Rating					Issues	Recommendations
				1	2	3	4	5		
									provide the time of disconnection.	
<b>Clause 2.1 and Schedule 2</b>  <b>Gas Customer Code clause 13.12</b>	<b>265</b>	A distributor must keep a record of the call centre performance indicators specified.	<b>2</b>		✓				<p>The current information system for managing customer calls did not have the required functionality to provide appropriate performance reporting results. As such, there was a high degree of reliance on manual processes to calculate the relevant performance indicators. Our investigation revealed that there were inadequate controls over the manual procedures.</p> <p>The former system, Q-Master, had a 90 day time window for the extraction of data. Our enquiries indicated that the call centre performance data and reports were not printed. Consequently, 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>	<ol style="list-style-type: none"> <li>That WAGN improve its procedures for calculating the performance indicator by undertaking the following actions: <ul style="list-style-type: none"> <li>Take into consideration the time length of special announcements when determining Time 0; and</li> <li>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.</li> </ul> </li> <li>Retention of call centre performance data (in hard or soft copy).</li> <li>Implement supervisory review procedures for the call centre performance indicators.</li> </ol>
<b>Clause 21.1</b>	<b>102</b>	A licensee must publish any information it is directed by the	<b>2</b>			✓			Our enquiries revealed that there is no evidence of supervisory review in connection with the preparation of the Authority's Annual Performance	<ol style="list-style-type: none"> <li>Appropriate supervisory control points should be established and work instruction developed for the preparation of annual performance information. A suitable</li> </ol>

Gas Distribution Licence Reference	Compliance Manual Reference	Obligation Description	Reporting Type	Compliance Rating					Issues	Recommendations
				1	2	3	4	5		
		Authority to publish, within the timeframes specified.							<p>Report.</p> <p>A comparison of the current SAP records and the published annual performance reports revealed some discrepancies due to post period adjustments. We found that the calculations, work papers and supporting SAP records for the different performance indicators were not retained.</p> <p>WAGN confirmed that it did not have systems to capture the duration length accurately for planned interruptions in the calculation of the network reliability indicators. We found that a 360 minute assumption had been made for the length of planned supply interruptions. This assumption was used in the 2008/2009 calculation of the overall average interruption duration for the network performance indicator. There was no positive confirmation from the Authority giving approval for the 360 minute assumption in the calculation of network reliability indicators.</p> <p>Our review of the SAIFI indicator noted that a different metric than the one prescribed in the Reporting Handbook had been used. We found that SAIFI had been calculated on the basis per 1000 customers instead of per customer as required in the</p>	<p>process plan for reviewing data should be prepared to support the recommendation.</p> <ol style="list-style-type: none"> <li>2. That the Process Manager formally sign off on the data, evidencing review of them for completeness and accuracy.</li> <li>3. Calculations and working papers should be retained.</li> <li>4. That WAGN should follow the requirements of the Gas Distribution Licence Performance Reporting Handbook.</li> </ol>

Gas Distribution Licence Reference	Compliance Manual Reference	Obligation Description	Reporting Type	Compliance Rating					Issues	Recommendations
				1	2	3	4	5		
									<p>Reporting Handbook. There was no evidence confirming that the Authority had approved this basis for calculating SAIFI.</p> <p>We note that compliance reporting for the period 2007/08 was on a best endeavours basis. Furthermore we sighted correspondence dated 10 February 2009 from WAGN to the Authority that noted that improvements were to be undertaken so that data collection could be automated and improved.</p>	
<b>Clause 5.1</b>	<b>25</b>	A licensee must comply with the applicable standards of the <i>Gas Standards Act 1972</i> .	<b>1</b>			✓			<p>In March 2009, WAGN commissioned OSD Pipelines to conduct a compliance safety case audit against the Gas Standard Act 1972 and associated Regulations. The audit disclosed 17 findings and associated recommendations.</p> <p>WAGN commissioned Worley Parsons to conduct a compliance audit in respect of the Safety Case and AS 2885.1 and AS 2885.3 in October 2009. The compliance audit report disclosed 55 findings and associated recommendations. The broad categories of audit findings are as follow.</p> <ul style="list-style-type: none"> <li>• 8 High;</li> <li>• 40 Medium; and</li> <li>• 7 Low.</li> </ul>	That WAGN continues implementing the actions in the Safety Case Action Register.

Gas Distribution Licence Reference	Compliance Manual Reference	Obligation Description	Reporting Type	Compliance Rating					Issues	Recommendations
				1	2	3	4	5		
									<p>Both of these audits were for the purpose of auditing pre-existing obligations and new obligations with which a safety case is to comply to achieve acceptance by the Director of Energy Safety.</p> <p>We noted that some of the recommendations remain outstanding.</p>	
<b>Clause 5.1</b>	<b>28</b>	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.	<b>1</b>				✓		<p>We noted that there were some differences between the inspection checklist and the Inspection Plan. 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 and additional installations. We found that the inspection records, primarily for the 2007 and some 2008 years, (which needed to be retrieved from archiving facility), were incomplete.</p>	<ol style="list-style-type: none"> <li>1. That WAGN undertake a reconciliation of the existing inspection checklists against the requirements in the inspection plan, revise the inspection checklist to ensure greater fidelity with the requirements prescribed in the Inspection Plan; and</li> <li>2. That WAGN improve record keeping management over gas inspection documents.</li> </ol>



Gas Distribution Licence Reference	Compliance Manual Reference	Obligation Description	Reporting Type	Compliance Rating					Issues	Recommendations
				1	2	3	4	5		
<b>Distribution Licence clause 2.1 and Schedule 2</b>  <b>Gas Customer Code clause 13.1</b>	<b>256</b>	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.	<b>2</b>				✓		We noted that there were some gaps in the recording of the call centre performance indicators. (Refer to Obligation 265 for a detailed discussion on the call centre activities).	WAGN to retain records of call centre data and associated working papers for the calculation of performance indicators.
<b>Clause 5.1</b>	<b>17</b>	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.	<b>NR</b>				✓		There appear to be ambiguities over the legislative mandates for the process of taking easement in respect of land held by a public authority. As a result, there is no current procedural framework for this process.  We noted that the register of easements is incomplete and is currently being developed.	<ol style="list-style-type: none"> <li>1. WAGN should conduct enquiries with the relevant government departments to determine the process for the taking of an interest in land.</li> <li>2. Following above (1), a policy framework should be developed and procedures and responsibilities are defined to support the process.</li> <li>3. WAGN should complete the easement register.</li> </ol>

## 7. Review of Previous Findings

The previous audit report was dated 30 May 2007, the scope in that report was for the period 1 February 2005 to 31 January 2007.

Licence Condition	Recommendations	Status of Recommendations
<p><b>Continuous Operations</b></p> <p><b>Clause 7</b></p> <p><b>Schedule 1 &amp; 2</b></p>	<p><b>A. <i>Emergency Procedures</i></b></p> <p><i>This process to review and confirm that current practices, organisational structure and network design are reflected in the emergency procedures should be completed as soon as possible.</i></p> <p><i>These procedures should then be reviewed on at least a bi-annual basis to ensure that they remain current.</i></p> <p><b>B. <i>Curtailment Procedures</i></b></p> <p><i>We understand that AGN are currently in the process of revising the Networks Procedure Curtailment.</i></p> <p><i>This process to review and confirm that current practices in terms of handling/ resolving gas supply situations and mitigating the occurrence of gas supply emergency events are reflected in the curtailment procedure should be completed as soon as possible.</i></p> <p><i>The procedure document should then be reviewed on at least a bi-annual basis to ensure that it remains current.</i></p>	<p>A. We consider that this recommendation had been completed.</p> <p>The Emergency Response Management Plan (GD PL 0160) contains details of the key processes of notification, escalation and mobilisation, the organisation of resources and the actions for emergency response and management.</p> <p>B. We consider that this recommendation had been completed.</p> <p>There had been 3 revisions since the last review:</p> <ul style="list-style-type: none"> <li>• 27/09/2007;</li> <li>• 08/12/2008; and</li> <li>• 11/09/2009.</li> </ul>

Licence Condition	Recommendations	Status of Recommendations
<p>Consumer Installation &amp; Appliance to be Approved</p> <p>Gas Standards Act Section 13</p>	<p><i>A control should be implemented to ensure that all documentation is retained and filed for future reference. This may include checking on a monthly basis that all inspections performed as recorded in the SAP system have supporting documentation that has been retained on file.</i></p>	<p>We consider that this recommendation had not been fully completed. We found a similar issue in the current performance audit.</p>

## 8. Audit Opinion

In our opinion, except for the matters identified in Appendix 3 – Compliance Obligations which Require Corrective Measures and any effects thereof, we are satisfied that WAGN had policies, procedures and systems in place to support compliance with the licence conditions and associated regulations and codes, for the period 1 February 2007 to 30 June 2010.

Grant Thornton Australia Ltd

Campbell George Ansell  
Director  
Perth

1 November 2010

# Appendix 1 – Compliance Summary

















# Appendix 2 – Legacy Licence Conditions

Licence Condition	Inherent Risk			Control Ratings	Audit Priority	Compliance Rating							
	Likelihood	Consequence	Ratings			NA	NR	1	2	3	4	5	
8	Unlikely	Minor	Low	Strong	5								0
14	Unlikely	Minor	Low	Strong	5								0
15	Unlikely	Major	High	Strong	2								0
16	Unlikely	Moderate	Medium	Strong	4								0

# Appendix 3 – Compliance Obligations which Require Corrective Actions

Licence 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 possibility exists that non-compliance may have occurred, but because of control deficiencies, it was not possible to identify the instances of non-compliance.</p> <p>The Manager Regulatory Affairs and Risk provided an email from</p>

	<p>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"> <li>1. That WAGN negotiate with AMRS Pty Ltd to introduce a time limit provision on disconnection in the contract.</li> <li>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.</li> </ol>
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.





Licence 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 seconds.</p> <p>Interviews with the Network Support Manager revealed that</p>

	<p>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>
<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. That WAGN improve its procedures for calculating the performance indicator by undertaking the following actions: <ul style="list-style-type: none"> <li>• Take into consideration the time length of special announcements when determining Time 0; and</li> <li>• 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.</li> </ul> </li> <li>2. Retain all call centre performance data (in hard or soft copy).</li> <li>3. Implement supervisory review procedures for the call centre performance indicators.</li> </ol>
<b>Management Response</b>	<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 system was introduced.</p>
<b>Management</b>	<p>Management will commence a review of the method of data</p>

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

Licence 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"> <li>• <i>Systems and processes were documented and implemented but not referenced within the Safety Case;</i></li> <li>• <i>Mandatory communication requirements with EnergySafety is advised to occur, but its mechanism and frequency is not documented;</i></li> <li>• <i>The Safety Case certification and nomination of auditors is not currently documented in the Safety Case;</i></li> <li>• <i>Improvements are required to the Safety Case with regards to inclusion of specific technical data; and</i></li> <li>• <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></li> </ul> <p>In October 2009, WAGN commissioned Worley Parsons to conduct a compliance audit in respect of the Safety Case and AS 2885.1: Pipelines – Gas and Liquid Petroleum – Design and</p>

	<p>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"> <li>• 8 High;</li> <li>• 40 Medium; and</li> <li>• 7 Low.</li> </ul> <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 licence condition.</p>
<b>Recommendation</b>	<p>That WAGN continues implementing the actions in the Safety Case Action Register and completes any outstanding recommendations.</p>
<b>Management Response</b>	<p>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).</p>
<b>Management Actions</b>	<p>WAGN is aiming to implement a significant number of the recommendations prior to submitting the Safety Case to the Director of Energy Safety for approval in January 2011. This</p>



	<p>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.</p>
<p>Implementation Date</p>	<p>Implement 90% of the recommendations by 1 July 2011 with the outstanding items incorporated into the statutory post-‘acceptance’ Safety Case Implementation Plan.</p>



Licence 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 papers and supporting SAP records for the different performance indicators were either not retained or maintained in a manner</p>



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 for the periods 2007/2008. We noted that SAIFI had been calculated on the basis per 1000 customers instead of per customer



	<p>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>
<b>Recommendation</b>	<ol style="list-style-type: none"> <li>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.</li> <li>2. That the Process Manager formally sign off on the data, evidencing review of them for completeness and accuracy.</li> <li>3. Calculations and working papers should be retained.</li> <li>4. That WAGN should follow the requirements of the Gas Distribution Licence Performance Reporting Handbook.</li> </ol>
<b>Management Response</b>	<p>During 2009/2010 we commenced reviewing some operational performance indicators at Compliance Committee meetings. Each of the recommendations will be actioned.</p>
<b>Management Actions</b>	<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. To the extent that the approval is not granted to deviate from the measurement methodology, WAGN will adhere to the metrics in the handbook.</p>



Implementation Date	31 December 2010
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Licence 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"> <li>1. WAGN should conduct enquiries with the relevant government departments to determine the process for the taking of an interest in respect of land.</li> <li>2. Following above (1), a policy framework should be developed and procedures and responsibilities should be defined to support the process.</li> </ol>



	<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 achieving 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 register will be completed by 30 June 2011.</p>

Licence 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 and additional installations. Our methodology involved obtaining SAP records, Notice of Completions, and Inspection checklist to</p>

	<p>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 licence condition.</p>
Recommendation	<ol style="list-style-type: none"> <li>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</li> <li>2. That WAGN improve record keeping management over gas inspection documents.</li> </ol>
Management Response	<p>In regard to the two issues raised:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
Management Actions	<p>In regard to the two issues raised:</p> <ol style="list-style-type: none"> <li>1. WAGN Inspection will discuss the issues identified with the form with <i>EnergySafety</i> to seek its input.</li> <li>2. WAGN will continue to seek enhancements to record keeping management of gas inspection documents</li> </ol>



Implementation Date	31 December 2010
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Licence 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 “Livelink”, 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"> <li><i>The total number connections provided and connections not provided on or before the agreed date.</i></li> </ol> <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"> <li><i>Customer complaint records.</i></li> </ol> <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 Livelink.</p> <ol style="list-style-type: none"> <li><i>Delivery points.</i></li> </ol>



	<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 licence 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

Appendix 4 –  
Compliance Obligations that  
Do Not Require Further  
Action

Licence Condition	Clause 4.1
Obligations Under	Energy Coordination Act section 11Q(1-2)
Compliance Manual Reference	1
Obligation Description	A licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Reg Clause 4 & 5)
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>The Manager Regulatory Affairs and Risk is assigned the responsibility of managing regulatory fees. As part of the annual budgeting process, she forecasts the regulatory expenses for the forthcoming financial year. Our enquiries indicated that she is cognisant of the timely payment requirement under the obligation.</p> <p>Gas licence fee is provided in Schedule 1 of the Energy Coordination (Licensing Fees) Regulations 1999, on a scale basis predicated on the length of distribution. We reviewed the schedule of fee and agreed the gas licence fee amount applicable to WAGN to the invoice from the Authority. WAGN's budget, which is drafted around June each year, provides a forecast for this regulatory cost.</p> <p>When the Tax Invoice is received from the Authority, the Manager Regulatory Affairs and Risk approves it and sends it to the Finance division for a Purchase Order to be generated so payment can be effected. The monitoring process to ensure timeliness of the payment of the fee is manual.</p> <p>To verify the timeliness of the payment of the prescribed licence fee, we obtained the Tax Invoice issued by the Authority, the Purchase Order prepared by WAGN and the subsequent Remittance Advice. Our review indicated that the payment was made within the prescribed timeframe.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 5.1
Obligations Under	Energy Coordination Act section 11X(3)
Compliance Manual Reference	6
Obligation Description	A licensee must take reasonable steps to minimise the extent of the duration of any interruption, suspension or restriction of the supply of gas due to an accident, emergency, potential danger or other unavoidable cause.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>There is a wide range of measures, which WAGN has in place to minimise the duration of interruption, suspension or restriction of gas supply.</p> <p>Interruptions to gas supply are generally either caused by asset degeneration, third party activity, or nature. WAGN has both proactive and reactive measures to monitor and manage interruptions.</p> <p>Pressure monitoring devices are strategically placed to monitor asset condition and identify where maintenance is required. In the winter periods, when there is generally increased use of gas across the entire network, alarms are installed to detect when pressure is outside the predetermined parameters. Where required, field personnel are deployed to address the cause of the change in pressure, and if necessary, implement emergency response protocols.</p> <p>WAGN also engages in regular communications with third parties such as telecommunication providers, utility providers (water and electricity) and contractors on the location of WAGN's assets to mitigate accidental damages to its infrastructure. Moreover, WAGN gas mains locations are provided to users of the dial before you dig (DBYD) system, warning signage is erected above high pressure pipelines and warning tape is buried above gas mains as they are being backfilled to inform third parties of WAGN's infrastructure in the locality.</p> <p>The WAGN Emergency Response Management Plan (GD PL 0160) provides a high level framework bringing together and coordinating the necessary personnel and resources to cover all aspects of operational response and recovery. The primary aim of the plan is to ensure the protection of human life, reduction of</p>

	<p>trauma, maintaining system safety and system supply.</p> <p>Gas Supply System Emergency (GD PR 0290) and Curtailment (GD PR 0300) procedures outline the policies and steps to be followed enabling access to uncontracted gas supplies and directing the public to reduce or abstain from gas usage in the event of widespread gas supply emergency.</p> <p>For a small scale isolated incident affecting a discreet distribution network, there is, for example the CBD Emergency Isolation (GD TN 0100) technical notice, which describes the measures to be implemented for the isolation, identification, repair and reconnection of CBD customers.</p> <p>Similarly, the Rockingham HP Network Low Pressure Mitigation Plan (GD PR 0640) recognises the Rockingham sub-network vulnerability to drop below acceptable pressure levels under peak (winter) conditions, which could result in loss of supply to a significant number of consumers. The risk management actions identify the potential risks, a risk ranking system, and control measures to mitigate the occurrence of the risks (to supply).</p> <p>Supporting the emergency response framework and mitigation plans are field based protocols and procedures (not limited to the following), for example:</p> <ul style="list-style-type: none"> <li>• “After Hours Callout Roster” (GD WI 0020);</li> <li>• “Broken Mains and Services – Instructions for Control Room Officers” (GD WI 1510);</li> <li>• “Notifiable Incident Reporting” (GD PR 0190);</li> <li>• “PE Repair Techniques” (GD WI 0590);</li> <li>• “PVC Repair Techniques (GD WI 0600);</li> <li>• “Operating Rogan Equipment” (GD WI 0340);</li> <li>• “Work Instruction – Squeeze Off Operations for PE and UPVC Gas Pipes” (GD WI 0361);</li> <li>• “Commercial No Gas” (GD WI 4090); and</li> <li>• “Procedure – Smell of Gas at the Meter/Service” (GD PR 0630).</li> </ul> <p>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 licence condition.</p>
<p>Recommendation</p>	<p>Nil.</p>

Licence Condition	<p>Clause 14.1</p> <p>Clause 14.2</p> <p>Clause 14.3</p>
Obligations Under	<p>Energy Coordination Act</p> <p>section 11Y(1)(a)</p> <p>section 11Y(1)(b)</p> <p>section 11Y(1)(c)</p>
Compliance Manual Reference	<p>7</p> <p>8</p> <p>9</p>
Obligation Description	
	<p>7 A licensee must provide for an asset management system in respect of its assets.</p>
	<p>8 A licensee must notify details of the asset management system and any substantial changes to it to the Authority.</p>
	<p>9 A licensee must provide the Authority with a report by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows) as to the effectiveness of the asset management system.</p>
Reporting Type	<p>7 – Type NR;</p> <p>8 – Type 2; and</p> <p>9 – Type NR.</p>
Compliance Rating	5
Audit Observations	<p>WAGN’s asset management system comprises the plans and processes it developed and implemented to ensure the physical network assets continue providing operational outcomes.</p>

	<p>Our interviews with the Asset Services Manager identified the key phases of WAGN’s asset managements system as follow:</p> <ul style="list-style-type: none"> <li>• Network planning;</li> <li>• Design and construction;</li> <li>• Operation and maintenance; and</li> <li>• Decommissioning and disposal.</li> </ul> <p>The asset management system encompasses all elements required to achieve a complete approach to asset management. The principal information systems utilised by WAGN to manage information related to assets in the distribution network are:</p> <ul style="list-style-type: none"> <li>• GNIS, for the geographical display of assets, and Synergiee for network pressure and flow modelling;</li> <li>• SAP database, for details such as asset technical and maintenance records; and</li> <li>• Livelink and Lan servers, for storing and managing other asset and company records.</li> </ul> <p>The Asset Management System is supported by the annual asset management plan and maintenance plan, which are reviewed annually. The “Management of Change Procedure” (GD PR 0041) identifies the circumstances where proposed changes are significant to require formal change management. Asset replacement involves a consideration of economic efficiency in terms of justification of capital expenditure against reductions in operating and maintenance costs.</p> <p>The effectiveness of the Asset Management System is assessed once every 24 months by an independent expert acceptable to the Authority. The last “GDL8 Asset Management System Review Audit” report prepared by OSD Pipeline, dated 14 August 2009, revealed that the Asset Management System was being applied in a reasonably effective manner with some minor issues identified that required remedial actions.</p> <p>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 licence condition.</p>
<p>Recommendation</p>	<p>Nil.</p>

Licence Condition	Clause 15.1
Obligations Under	Energy Coordination Act section 11ZA(1)
Compliance Manual Reference	10
Obligation Description	A licensee must provide the Authority with a performance audit by an independent expert acceptable to the Authority within 24 months of commencement and every 24 months thereafter (or longer if the Authority allows).
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>The process of providing the Authority with a performance audit commences with the selection and appointment of an independent expert. Discussions with the Manager Regulatory Affairs and Risk indicated that this process initially involves studying other utility licence holder's audit reports on the Authority's website to determine the experience and suitability of the audit firm.</p> <p>An invitation is then sent to several potential audit firms to request more detail of their experience and capacity to undertake the performance audit. Interested firms are also required to provide a project outline detailing their proposed methodology for conducting the performance audit within the statutory timeframe.</p> <p>Once an audit firm is appointed, the auditor is required to prepare an audit plan for the Authority to approve. The audit plan contains a more detailed approach outlining the audit procedures and the forecast dates for commencement and completion of the engagement.</p> <p>The Manager Regulatory Affairs and Risk provides the key liaison point for the auditor in scheduling the audits with the business areas and monitors the progress of the audit schedule. If the auditor requires an extension of time to complete the performance audit, then an approval from the Authority is sought.</p> <p>Our discussion with the Manager Regulatory Affairs and Risk and review of the correspondences between WAGN and the Authority indicates that the last performance audit report was submitted to the Authority within the specified timeframe.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 17.1
Obligations Under	Energy Coordination Act section 11ZOR(1)
Compliance Manual Reference	18
Obligation Description	A licensee that transports gas through a distribution system must be a member of an approved retail market scheme if a scheme is in force.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Interviews with the Market Services Manager revealed that WAGN is a member of REMCO scheme. The four primary business process areas that REMCO administers are:</p> <ul style="list-style-type: none"> <li>• Delivery Point Management – managing the transfer of responsibility for gas delivery points between retailers;</li> <li>• Balancing, Allocation and Reconciliation Management – managing the daily allocation of gas usage to retailers to enable settlement of gas supply and transmission contracts;</li> <li>• Rule Change Management – managing further development and improvement of the rules governing the operation of the retail gas markets; and</li> <li>• Compliance Management – managing and enforcing compliance with the rules governing the operation of the retail gas market.</li> </ul> <p>A review of REMCO’s website confirmed that the Manager Regulatory Affairs and Risk is a director nominated by WAGN. We obtained the 2009 independent assurance report in relation to compliance with REMCO rules and noted that the auditor issued an unqualified audit opinion.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 17.1
Obligations Under	Energy Coordination Act section 11ZOV(1) and section 11ZOV(2)
Compliance Manual Reference	20 21
Obligation Description	
	20 A licensee must not engage in prohibited conduct relating to the operation of a retail market scheme.
	21 A licensee must not assist another party to engage in prohibited conduct relating to the operation of a retail market scheme.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>WAGN's Regulatory Compliance Committee is established to monitor regulatory compliance performance. To ensure coverage of the broad aspects of the business, the membership of the Regulatory Compliance Committee is made up of:</p> <ul style="list-style-type: none"> <li>• Regulatory Services Manager (Chair);</li> <li>• General Manager;</li> <li>• Manager Regulatory Affairs and Risk;</li> <li>• Manager Gas Distribution;</li> <li>• Manager Regulatory and Commercial;</li> <li>• Quality Assurance Manager;</li> <li>• Regulatory Compliance Analyst and</li> <li>• Technical Compliance Manager.</li> </ul> <p>One of the functions of the committee is to review compliance activities against relevant obligations to assure that WAGN achieves compliance with the regulatory requirements.</p>

	<p>WAGN's Code of Conduct requires all employees to be "compliant with all legal, statutory and regulatory obligations including any ACCC/ring fencing requirements that maybe relevant to the part of the business...".</p> <p>Our enquiry with the Manager Regulatory Affairs and Risk and Market Services Manager did not reveal any statutory breach or engagement in prohibited conduct in relation to the operation of the retail market scheme.</p> <p>Independent assurance audit reports in respect of the 2007 and 2009 calendar years did not disclose any breach of REMCO rules.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 17.1
Obligations Under	Energy Coordination Act section 11ZOV(3)
Compliance Manual Reference	22
Obligation Description	A licensee, as a member of a retail scheme, must comply with a direction given to it by the Authority to amend the scheme, and to do so within a specified time.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>REMCO has established a Rule Change Committee to provide the mechanism for amending the scheme. A number of Rule changes have been made by the Rule Change Committee since the Rules commenced operations in Western Australia on 31 May 2004.</p> <p>WAGN's Market Services Manager is a representing member on the Rule Change Committee. The Charter defines the objective, function, governance and administrative process of the Rule Change Committee.</p> <p>Enquiries with the Market Services Manager indicated that there has been no regulatory direction issued by the Authority to amend the scheme during the audit scope period.</p> <p>In recognition of the cost and operational difficulties imposed on scheme participants to implement temporary system changes for the daylight saving trial, the government enacted the Daylight Saving Regulations 2006, which exempted scheme participants from adopting the daylight saving time as a reference time in their operations. As a result, no change to the rule was required.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 5.1
Obligations Under	Energy Coordination Act schedule 3, section 2(1)
Compliance Manual Reference	23
Obligation Description	A licensee, as the operator of a supply system, must notify the Minister if a state of emergency exists in relation to a supply system as soon as practicable after becoming aware of it.
Compliance Rating	5
Audit Observations	<p>WAGN's "Emergency Response Management Plan" (GD PL 0160) provides the key processes of notification, escalation and mobilisation of resources as part of the company's emergency response management framework. The protocols for regulatory notification requirements are contained in the document, "Notifiable Incident Reporting" (GD PR 0190).</p> <p>Enquiries with the Manager Regulatory Affairs and Risk and the Network Support Manager indicated that there was no state of emergency in relation to the supply system had occurred during the audit scope period.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 17
Obligations Under	Energy Coordination Act section 11ZQH
Compliance Manual Reference	24
Obligation Description	The licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme and is bound by any decision or direction of the ombudsman under the Scheme.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Discussions with the Manager Regulatory Affairs and Risk and the Senior Manager Commercial and Business Development indicated that WAGN is a member of the Energy Ombudsman scheme and is bound by the decision of the Energy Ombudsman. The Stakeholder Relations Coordinator is the liaison point for complaint matters that have been escalated to the office of the Energy Ombudsman.</p> <p>Interviews with the Stakeholder Relations Coordinator confirmed that WAGN is bound by the determination issued by the Energy Ombudsman.</p> <p>We reviewed the Energy Ombudsman Western Australia's website and obtained the audited Annual Reports for the financial year ended 30 June 2007, 30 June 2008 and 30 June 2009. The reports contained a register of membership, which confirmed that WAGN was a member of the Energy Ombudsman scheme.</p> <p>To verify that WAGN was an active member for the year ended 30 June 2010, we obtained the membership invoice issued by the Energy Ombudsman's office and remittance details.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 5.1
Obligations Under	Energy Coordination Act section 11Z Gas Standards Act 1972 section 8(1)
Compliance Manual Reference	26
Obligation Description	A licensee must not supply gas at less than the relevant approved minimum heating value unless he has first obtained the written approval of the Minister.
Reporting Type	1
Compliance Rating	NR
Audit Observations	<p>Our enquiries with the Manager Regulatory Affairs and Risk indicated that, as a result of WAGN being a legacy entity of a former government utility provider, a written approval from the Minister had not been obtained for the purpose of Section 8(1) of the Gas Standards Act 1972.</p> <p>The ongoing operational monitoring of the heating value reticulated in WAGN's network is overseen by Energy Safety.</p>
Recommendation	Nil.

Licence Condition	Clause 5.1
Obligations Under	Energy Coordination Act section 11Z Gas Standards Act 1972 section 9(1)
Compliance Manual Reference	27
Obligation Description	A licensee 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.
Reporting Type	1
Compliance Rating	NR
Audit Observations	<p>Our enquiries with the Manager Regulatory Affairs and Risk indicated that, as a result of WAGN being a legacy entity of a former government utility provider, a written approval from the Minister had not been obtained for the purpose of Section 9(1) of the Gas Standards Act 1972.</p> <p>The ongoing operational monitoring of the gas quality reticulated in WAGN's network is overseen by Energy Safety.</p>
Recommendation	Nil.





Licence Condition	Clause 5.1
Obligations Under	Energy Coordination (Customer Contract) Reg 28 Clause 3.1.1(a) AGA Code Energy Coordination (Customer Contract) Reg 28 Clause 3.1.1(b) AGA Code
Compliance Manual Reference	85 86
Obligation Description	
	85 A licensee must provide, install and maintain equipment for the supply of gas up to the point of supply.
	86 A licensee must provide, install and maintain metering and necessary equipment at the supply address.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>The “Connection Process Handbook (July 2010)” provides a high level overview of the connection process designed to provide gasfitters and builders with information on the procedures to connect to WAGN’s reticulated gas network.</p> <p>Discussions with the Asset Services Manager indicated that where an “open trench” is identified in areas of new development, WAGN would endeavour to install its assets in the open trench (along with other utility and telecommunication service providers) to save potential customers the excavation costs later.</p> <p>In instances where customer’s supply address is “abutted” to an existing main, installation of metering equipment can be achieved without requiring the extension of service pipe (subject to logistical factors outlined in the Connection Process Handbook). However, if the customer’s supply address is significantly situated away from the existing main, customers would need to make payment to the gas retailer for extension/headworks costs in order to obtain gas supply. The gas retailer would then reimburse WAGN for the</p>



	<p>costs.</p> <p>Our enquiries revealed that the Network Construction Manager is responsible for the provision, installation and maintenance of equipment for the supply of gas.</p> <p>AssetView in GNIS is used to determine and capture the delivery point on request for connection by the retailer. A work order is generated in SAP and issued to the construction team to arrange for installation. The work order is categorised by area and provided to the contractors for execution and also recorded in the Task Management System for monitoring the workflow and status of the job. On completion, the contractor submitted the “Chargeable Turn Around Construction Sheet” to close out the job in SAP and Task Management System.</p> <p>We obtained a sample of SAP work orders, corresponding Maintenance Data Sheet from the Task Management System and the Chargeable Turn Around Construction Sheet to understand the key controls and confirm the process flow.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 5.1
Obligations Under	Energy Coordination (Customer Contract) Reg 28, clause 3.1.2 AGA Code
Compliance Manual Reference	87
Obligation Description	The licensee must re-connect to a supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within 1 business day or period agreed with the customer from the date of the application and subject to the customer meeting the requirements in clause 3.1.2.2 of the AGA code.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>Discussions with the Planning Supervisor indicated that generally the reason for customers requiring reconnection of gas supply is because they had been disconnected for non-payment of account.</p> <p>Our enquiry indicated that the retailer (Alinta Sales) requires the customer to provide evidence of payment of the outstanding account balance prior to reconnection. To achieve reconnection on the same day, the customer would need to contact the retailer before 10am with proof of payment. Customers who contact the retailer after 10am but before 3pm will have to wait until the following day for reconnection of gas supply.</p> <p>In terms of the field based process, the Network Support Manager advised that prior to reconnection, the WAGN field personnel are required to:</p> <ul style="list-style-type: none"> <li>• Check volume and pressure at the boundary of the supply address;</li> <li>• Select appropriate regulator;</li> <li>• Install appropriate regulator; and</li> <li>• Perform tightness test to ensure no leakage.</li> </ul> <p>The results of these verifications are captured in SAP.</p> <p>Reconnection of gas order is derived from the retailer through NMIS. A report from NMIS is run every few hours to obtain the reconnection orders. If an order is received prior to 10am, all reconnection orders will be completed on the same day. Orders</p>

	<p>after 10am will be completed either on the same day or the following day. For urgent reconnections, the call centre provides a 24 hour rostered service to ensure that reconnection occur as soon as practicable.</p> <p>WAGN relies on the retailer to have recorded all of the end use gas consumer's information prescribed under clause 3.1.2 of the AGA Code because the retailer has a contractual relationship with the end use gas consumer customers.</p> <p>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 licence condition.</p>
<p>Recommendation</p>	<p>Nil.</p>



Licence Condition	Clause 5.1 Schedule 3 clause 2
Obligations Under	Energy Coordination Act section 11M, Energy Coordination (Customer Contract) Reg 28, Clause 3.1.3.1 AGA Code
Compliance Manual Reference	88
Obligation Description	A licensee must connect a new supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within an agreed date, or where no date is agreed then within 20 business days from the date of the application.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>Prior to connecting a new gas supply to a customer's property, the retailer initially confirms the availability of gas network in the nominated area using GNIS. If headworks are required then the end user will be consulted regarding the cost of extending the service pipe to enable gas to be supplied to the property. Once the associated fees and charges are agreed by the customer, the retailer then contacts WAGN with a service order request through NMIS.</p> <p>WAGN validates the service order address in GNIS to confirm the existence and location of the delivery point. If valid, then a MIRN is created and a work order is generated in SAP instructing the field personnel to undertake necessary connection procedures.</p> <p>SAP and the Task Management System are the primary information systems used to monitor the status of a connection order. Sometimes connection cannot occur for a variety of reasons, such as the existence of obstruction or obstacles on the property. In this situation, the job would be put on "hold" until the matter is resolved with the property owner.</p> <p>Once a meter has been installed the field personnel closes out the work order in SAP. NMIS relays the completion status of the service order request to the retailer.</p>

	<p>On a sampling basis, we obtained SAP records of new connections, which indicated completion time within 20 business days. We further reviewed the Guaranteed Service Level payments to customers for connections not performed within the agreed time and noted 1 instance where a new connection was outside the prescribed timeframe. Further enquiry indicated that this connection should have been put on hold due to an obstruction (site toilet) on the premises. We did not consider this to be breach of the obligation requirement.</p> <p>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 licence condition.</p>
<p>Recommendation</p>	<p>Nil.</p>

Licence Condition	Distribution Licence clause 5.1
Obligations Under	Energy Coordination (Customer Contract) Reg 33 (3), Clause 3.5.2.1 AGA Code
Compliance Manual Reference	89
Obligation Description	A licensee must give at least four days notice to a customer of its intentions to undertake inspections, repairs, testing or maintenance at the customer's supply address.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>As part of the annual plan, the Network Support team scheduled inspections, repairs, testing or maintenance at the customer's supply address over the period of 12 months.</p> <p>In cognisance of the licence obligation, a letter is sent out to advise end users of the planned work in the third week of the month to enable the planned activities to commence in the following week. In this way, there is at least a 5 business day buffer to ensure compliance with the obligation requirements.</p> <p>We obtained a register of addresses, which confirmed the planning activities conducted in respect of routine maintenance of meters, and the pro-forma template letter, which sent out to customers.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 5.1
Obligations Under	Energy Coordination (Customer Contract) Reg 33 (3) Clause 3.5.2.2 AGA Code
Compliance Manual Reference	90
Obligation Description	A licensee must ensure that any representatives seeking access to the supply address on its behalf wear carry and show official identification.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>The Market Services Manager advised that all WAGN's contractors are required to wear, carry and show official identification when seeking access to the supply address.</p> <p>Under section B8, "Presentation of Contractor", of the Gas Meter Reading Services contract, the contractor is required to wear a uniform bearing an identity tag with the photograph.</p> <p>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 licence condition.</p>
Recommendation	Nil.





Licence Condition	Distribution Licence clause 12
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	92
Obligation Description	A licensee must continuously operate those parts of the distribution system required to meet its obligations to supply gas, except to the extent necessary for compliance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> .
Reporting Type	1
Compliance Rating	5
Audit Observations	<p>WAGN has a wide range of measures in place to ensure that its distribution network continuously operates to supply gas. The Manager Regulatory Affairs and Risk indicated that during the audit scope period there had been no state emergency necessitating the shut down of the whole distribution system.</p> <p>Our enquiries indicated that WAGN continuously monitors and manages its network and undertakes the necessary remedial and system improvement actions to maintain its infrastructure. Pressure monitoring devices are strategically placed to monitor asset condition and identify where maintenance is required. In winter periods, when there is generally increased use of gas across the entire network, alarms are in place to warn when the pressure level is outside the predetermined parameters. Where required, field personnel are deployed to remediate the cause of the change in pressure, and if necessary implement emergency response actions.</p> <p>WAGN also engages in regular communications with third parties such as telecommunication providers, utility providers (water and electricity) and contractors regarding the location of the assets to mitigate accidental damages to its infrastructure. WAGN also affixes signage and warning tapes on power poles (dial before you dig) to inform third party of the location of its assets.</p> <p>WAGN's Emergency Response Management Plan (GD PL 0160) provides a high level framework for the coordination of personnel and resources to cover all aspects of operations for emergency response and recovery. The objective of the Emergency Response Management Plan is to ensure the protection of human life,</p>



reduction of trauma, maintaining system safety and system supply.

The Gas Supply System Emergency (GD PR 0290) and Curtailment (GD PR 0300) procedures outline the policies and steps to be followed enabling access to uncontracted gas supplies and directing the public to reduce or abstain from gas usage in an event of widespread gas supply emergency.

For a small scale isolated incident affecting a discreet distribution network, for example, there is the CBD Emergency Isolation (GD TN 0100) technical notice, which describes the measures to be implemented for the isolation, identification, repair and reconnection of CBD customers. Similarly, the Rockingham HP Network Low Pressure Mitigation Plan (GD PR 0640) recognises the Rockingham sub-network is vulnerable to drop below acceptable pressure levels under peak (winter) conditions, which could result in loss of supply to a significant number of consumers. The risk management actions identify the potential risks, a risk ranking system, and control measures to mitigate the occurrence of risks to supply.

Supporting the emergency response framework and mitigation plans are field based protocols and procedures, for example:

- “After Hours Callout Roster” (GD WI 0020);
- “Broken Mains and Services – Instructions for Control Room Officers” (GD WI 1510);
- “Notifiable Incident Reporting” (GD PR 0190);
- “PE Repair Techniques” (GD WI 0590);
- “PVC Repair Techniques (GD WI 0600);
- “Operating Rogan Equipment” (GD WI 0340);
- “Work Instruction – Squeeze Off Operations for PE and UPVC Gas Pipes” (GD WI 0361);
- “Commercial No Gas” (GD WI 4090); and
- “Procedure – Smell of Gas at the Meter/Service” (GD PR 0630).

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 licence condition.



# Grant Thornton

Recommendation	Nil.
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Licence Condition	Clause 13
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	93
Obligation Description	A licensee must give the Authority written notice where it proposes to permanently cease or substantially decrease its activities under the licence 6 months before the cessation or decrease or, if this is not practicable, as soon as possible.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>For the financial year ended 30 June 2008 and 30 June 2009, the financial external auditors did not raise any matters questioning WAGN's ability to continue as a going concern business.</p> <p>Interviews with the Manager Regulatory Affairs and Risk, Financial Controllers and Manager Gas Distribution did not identify any instances of significant adverse business or operational conditions. As a result, it was not possible to rate the extent of compliance with this condition. Our discussions with the Manager Regulatory Affairs and Risk indicated an understanding of the requirement under the obligations.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 14.4
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	94
Obligation Description	A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the asset management review.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>A specialist engineering firm is purposefully targeted for engagement in respect of the Asset Management System review. The Manager Regulatory Affairs and Risk indicated that this entails studying other gas licensee and different utility licence holder's Asset Management System audit reports published on the Authority's website to determine the experience and capability of the audit firm.</p> <p>After the audit firm has been appointed, WAGN requires the auditor to prepare an audit plan for submission to the Authority for approval. Once the Authority approves the audit plan, the audit process needs to be conducted in accordance with the approved plan. The Asset Services Manager provides the key liaison point for the auditor for the conduct of the Asset Management System review.</p> <p>Our analysis of the Asset Management System review report published on the Authority website indicated that the audit was conducted in accordance with the Authority's standard guidelines.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 15.2
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	96
Obligation Description	A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the performance audit.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>The process of providing the Authority with a performance audit, which complies with the Authority's standard guidelines commences with the selection and appointment of an independent expert. Discussions with the Manager Regulatory Affairs and Risk indicated that this process initially involves studying other utility licence holder's audit reports on the Authority's website to determine the experience and suitability of the audit firm.</p> <p>An invitation is then sent to several potential audit firms to request more detail of their experience and capacity to undertake the performance audit. Interested firms are also required to provide a project outline detailing their proposed methodology for conducting the performance audit. The proposal is evaluated against the Authority's auditing requirements.</p> <p>Once an audit firm is appointed, the auditor is required to prepare an audit plan for the Authority to approve. The audit plan contains a more detailed approach outlining the audit procedures and the forecast dates for commencement and completion of the engagement.</p> <p>The Manager Regulatory Affairs and Risk provides the key liaison point for the auditor in scheduling the audits with the business areas and monitors the status of the audit to ensure that the personnel provide assistance and information to the auditor.</p> <p>Furthermore, a standard agreement is entered into with the auditor, which contains the scope and deliverables for the engagement.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 16
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	98
Obligation Description	A licensee may be subject to individual performance standards.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>WAGN's Regulatory Compliance Committee is established to monitor regulatory compliance performance. To ensure coverage of the broad aspects of the business, the membership of the Regulatory Compliance Committee is made up of:</p> <ul style="list-style-type: none"> <li>• Regulatory Services Manager (Chair);</li> <li>• General Manager;</li> <li>• Manager Regulatory Affairs and Risk;</li> <li>• Manager Gas Distribution;</li> <li>• Manager Regulatory and Commercial;</li> <li>• Quality Assurance Manager;</li> <li>• Regulatory Compliance Analyst; and</li> <li>• Technical Compliance Manager.</li> </ul> <p>One of the functions of the committee is to review compliance activities against relevant obligations to assure that WAGN achieves compliance with the regulatory requirements.</p> <p>The last Access Arrangement dated 29 July 2005 outlines a guaranteed service level scheme. The guaranteed service level scheme defines the benchmark levels of services committed to (small use) customers. Where WAGN fails to deliver the prescribed services within the predetermined service levels, compensatory payments are made to consumers.</p>

	<p>The guaranteed service level scheme is structured around the following events:</p> <ul style="list-style-type: none"> <li>• Organising appointments where there is a loss of supply or a gas leak;</li> <li>• Seeking connection at an established home;</li> <li>• Repeat interruptions to the same delivery point; and</li> <li>• Lengthy interruptions to the supply of gas to the delivery point.</li> </ul> <p>Guaranteed service level payments for missed connections are maintained in an Excel spreadsheet. We obtained and reviewed a sample of guaranteed service level payments relative to the standards level defined.</p> <p>Additionally, the Authority requires WAGN to provide performance data in relation to various aspects of the business on an annual basis. We noted that WAGN provided an Annual Performance Report to the Authority in respect of the 2007, 2008 and 2009 financial year evidencing compliance with the obligation.</p> <p>We made enquiries with the Manager Regulatory Affairs and Risk who indicated there were no specific individual performance standards imposed on WAGN by the Authority during the audit period.</p> <p>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 licence condition.</p>
<p>Recommendation</p>	<p>Nil.</p>



Licence Condition	Clause 18
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	99
Obligation Description	Unless otherwise specified, all notices must be in writing and will be regarded as having been sent and received in accordance with defined parameters.
Reporting Type	NR
Compliance Rating	<p>Enquiries with the Manager Regulatory Affairs and Risk revealed that the communications with the Authority relevant to the licence are conducted in writing. Written records are retained and stored in “Livelink”, the corporate document management system.</p> <p>General communications with the Authority are conducted via email.</p> <p>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 licence condition.</p>
Audit Observations	
Recommendation	Nil.

Licence Condition	Clause 19.1
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	100
Obligation Description	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>SAP is the primary system used to manage WAGN's financial reporting requirements. Monthly financial reports are provided by the Finance division to management and stakeholders, such as financial institutions, which monitored the group's key financial metrics (debt covenant ratios).</p> <p>The Financial Controller has the overall responsibility for ensuring that WAGN's financial reports comply with the relevant AASB and international accounting standards. Accounting function responsibilities are clearly defined in the organisation chart with visible supervisory controls. Discussions with the Financial Controller indicated a high level of accounting acumen.</p> <p>An independent external financial audit is conducted annually to provide assurance over the completeness and accuracy of the financial statements.</p> <p>We obtained the Auditor's reports for the year ended 30 June 2008 and 30 June 2009. The independent Auditor concluded that the accounts have been prepared in accordance with the Corporations Act 2001, which in turn requires compliance with the AASB's standards. No qualifications were made in the audit reports.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 20
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	101
Obligation Description	A licensee must report to the Authority if the licensee is under external administration or experiences a significant change in its corporate, financial or technical circumstances.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>WAGN is subject to a regular cycle of audits and reviews into different dimensions of the business including financial, technical safety and operational components.</p> <p>The Manager Regulatory Affairs and Risk advised that during the audit scope period the business was not under external administration and had not experienced significant change in its corporate, financial or technical circumstances.</p> <p>We obtained and reviewed the following documents:</p> <ol style="list-style-type: none"> <li>1. Independent audit reports for the year ended 30 June 2008 and 30 June 2009;</li> <li>2. 2007 Asset Management Audit Reports;</li> <li>3. Safety Case Audit;</li> <li>4. AS 2885.1 &amp; 3 External Compliance Audit Report; and</li> <li>5. Remco Retail Market Rules Compliance – Compliance Audit Reports.</li> </ol> <p>Audit findings disclosed by the auditor in the Safety Case Audit and AS 2885.1 &amp; 3 External Compliance Audit Report identified some areas of operation, which required improvement, however, overall there were no adverse audit opinions.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 22
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	103
Obligation Description	A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Apart from the Customer Charter, which was required to be provided under the Customer Code, there had been no direction from the Authority to publish any other information.</p> <p>The Manager Regulatory Affairs and Risk provides the primary liaison point for communication with the Authority. Interviews with the Manager Regulatory Affairs and Risk revealed that there are protocols in place to manage formal direction from the Authority for the request to publish information. Any request for information or direction to publish information involves a consideration of the legal basis for that request. Where it is determined that the request to publish (or provide) certain information complies with the prevailing regulation, then WAGN will conform to the directive.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Schedule 3 clause 1
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	104*
Obligation Description	A licensee must, in relation to pipelines not covered by the National Access Code, exchange information with a trading licensee under section 9.5 of the National Access Code as if they were covered pipelines.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>WAGN publishes on its website information prescribed under the National Access Code informing gas trading licensees of the access arrangement in respect of distribution network.</p> <p>Gas trading licensees can obtain the following information on WAGN's website:</p> <ul style="list-style-type: none"> <li>• Information Package for WA Gas Networks Access Arrangement for the Mid-West and South-West Gas Distribution Systems;</li> <li>• A standard pro-forma "Haulage Contract"; and</li> <li>• Schematic diagrams of its network.</li> </ul> <p>Interviews with the Manager Regulatory Affairs and Risk revealed that during the audit scope period there was only 1 enquiry from a gas trading licensee. The retailer was provided with the aforementioned information.</p> <p>Discussions with the Manager Regulatory Affairs and Risk indicated that there is no preferential treatment for any particular gas retailer, all gas retailers are treated equally and offered the same level of information.</p> <p>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 licence condition.</p>
Recommendation	Nil.

\* Please note, there is a typographical error in the September 2009 Gas Compliance Reporting Manual regarding the section in the National Access Code. The correct section number should be 5.9 instead of 9.5.

Licence Condition	Schedule 3 clause 2
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	105
Obligation Description	A licensee must offer to connect residential premises located within the licence area to the distribution system if requested by a trader, subject to certain defined conditions.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>WAGN has published the “Connection Process Handbook (July 2010)” to provide gasfitters and builders with information on the procedures to connect to WAGN’s reticulated gas network.</p> <p>Discussions with the Asset Services Manager indicated that where an “open trench” is identified in areas of new development, WAGN would endeavour to install its assets in the open trench (along with other utility and telecommunication service providers) to save customers the excavation costs later.</p> <p>The process for a request of connection by the retailer is primarily automated. The request for connection commences with a service order communicated by the gas retailer through NMIS. A validation of the address occurs in GNIS to confirm the existence and location of the service order address. If the functional location is valid, then a MIRN is generated by GNIS and relayed to NMIS.</p> <p>NMIS then generates a work order in SAP. The Network Construction team receives the work instruction and tasks are created and prioritised in the Task Management System.</p> <p>Subcontractors are then notified and issued with the task. When a meter has been installed, the field personnel close out the work order in the Task Management System and SAP. SAP then generates a notification of completion and relayed to NMIS. NMIS then informs the retailer of the service order completion details.</p> <p>We obtained a sample of SAP work orders, corresponding Maintenance Data Sheet from the Task Management System and the Chargeable Turn Around Construction Sheet to understand the</p>



	<p>key controls and confirm the process flow.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Distribution Licence clause 2.1 and Schedule 2  Gas Customer Code clause 7.5
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	223
Obligation Description	A distributor who disconnects a customer's supply address for emergency reasons must provide a 24 hour emergency line providing the information specified and use its best endeavours to restore supply as soon as possible.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>The call centre in Jandakot provides a 24 hour information service for faults and emergencies. Staff are rostered to attend the centre through out the day including weekends and public holidays.</p> <p>“Control Room – After Hours Duties” (GD WI 4020) provides the procedures, process and actions for outside business hours. A 24 hour roster is maintained to plan for duties and scheduled personnel.</p> <p>To ensure supply is restored as soon as possible, a number of processes and actions are deployed. Some field based protocols and procedures included:</p> <ul style="list-style-type: none"> <li>• “Broken Mains and Services – Instructions for Control Room Officers” (GD WI 1510);</li> <li>• “Notifiable Incident Reporting” (GD PR 0190);</li> <li>• “PE Repair Techniques” (GD WI 0590);</li> <li>• “PVC Repair Techniques (GD WI 0600);</li> <li>• “Operating Rogan Equipment” (GD WI 0340);</li> <li>• “Work Instruction – Squeeze Off Operations for PE and UPVC Gas Pipes” (GD WI 0361);</li> <li>• “Commercial No Gas” (GD WI 4090); and</li> </ul>



	<ul style="list-style-type: none"> <li>• “Procedure – Smell of Gas at the Meter/Service” (GD PR 0630).</li> </ul> <p>We obtained a sample of SAP records in relation to supply interruptions and found that field personnel were deployed and recorded the period of supply interruption in accordance with internal procedures.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code clause 8.2
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	227
Obligation Description	Subject to the retailer complying with applicable retail market rules, a distributor must reconnect the customer's supply address upon the request of a retailer, within the timeframes specified.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>The reconnection of gas order is received from the retailer through NMIS, a software portal that connects gas retailers and WAGN. A report from NMIS is run every few hours by the Planning team to obtain reconnection orders. Our enquiry indicated that the retailer (Alinta Sales) requires the customer to provide evidence of payment of the outstanding account balance prior to reconnection. In order for reconnection on the same day, the customer would need to contact the retailer before 10am with proof of payment. Customers who contact the retailer after 10am but before 3pm will have to wait until the following day for reconnection of gas supply.</p> <p>Our interview with the Planning Supervisor indicated that reconnections are normally performed by WAGN's field personnel, subcontractors are also used during period of high volume of requests.</p> <p>On a sampling basis, we compared the date of the requests from Alinta and reconnection date and found that the reconnections were completed within 2 business days. Further review of the complaint register did not identify any complaints from the retailer for reconnections outside 2 business days.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code clause 10.6
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	239
Obligation Description	A distributor must give, or direct the customer to person(s) who can give, a customer on request, at no charge, the specified information.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Inbound calls are received by the call centre at Jandakot. Discussions with the Call Centre Team Leader indicated that the following measures are in place to assist the Call Services Representatives responding to information request from customers:</p> <ol style="list-style-type: none"> <li>1. A “Connection Process Handbook (July 2010)”, which explains WAGN’s requirements in relation to the customer’s proposed new gas installation or changes to the customer’s existing gas installation;</li> <li>2. Details about unplanned interruption of supply to the customer’s supply address are captured in SAP. The call representative can access SAP to advise customer on the details of the unplanned interruption and the estimated time for restoration of supply;</li> <li>3. The dial-before-you-dig hotline number provides information about the location of WAGN’s infrastructure so accidental damages to pipes can be avoided;</li> <li>4. WAGN’s website provides consumer information on the location of the meter and how to turn a gas meter on and off; and</li> <li>5. General information on quality of supply and reliability of supply can be obtained from the annual performance report on the Authority’s website. Furthermore, for specific engineering questions, the call centre</li> </ol>

	<p>representative would escalate the call to the relevant department and individual.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 10.9
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	240
Obligation Description	A retailer, distributor and marketer must, to the extent practicable, ensure that any written information that must be given to a customer under the Gas Customer Code is expressed in clear, simple, and concise language and is in a format that makes it easy to understand.
Reporting Type	NR
Compliance Rating	5
Audit Observations	<p>The Customer Service Charter is one type of written information that must be provided to a customer under the Gas Customer Code. Enquiries with the Manager Regulatory Affairs and Risk indicated that the development of the Customer Service Charter was based on an awareness of the need for it to be non-technical and in simple English. Prior to publishing, there is a process of quality assurance and review by the legal team.</p> <p>Our analysis of the Customer Service Charter revealed that the document is presented in clear, simple and concise language. The Customer Charter was available either on-line or in hard copy.</p> <p>Additionally, our review of WAGN's written correspondence to customer complaints indicated that the response was provided in clear, simple and concise non-technical language.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(1), 10.10(2) and 10.10(3)
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	241 242 243
Obligation Description	
	241 A retailer and distributor must tell a customer on request how the customer can obtain a copy of the Gas Customer Code.
	242 A retailer and distributor must make electronic copies of the Gas Customer Code available, at no charge, on their web sites.
	243 A retailer and distributor must make a copy of the Gas Customer Code available for inspection, at no charge, at their offices.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Customers can obtain the Gas Customer Code in the following ways:</p> <ul style="list-style-type: none"> <li>• Email;</li> <li>• Internet website; and</li> <li>• Hardcopy through telephone or email request or attendance at the business premises.</li> </ul> <p>Interviews with the Manager Regulatory Affairs and Risk indicate an awareness of the requirements under the obligation to provide the Gas Customer Code in the manner prescribed without charge.</p> <p>The Manager Regulatory Affairs and Risk provides the primary point of contact for all regulatory matters and enquiries. For instance, if staff at reception were in doubt as to the nature of the information being requested by a customer, the Manager Regulatory Affairs and Risk would be contacted.</p> <p>Interviews with the Call Centre Team Leader indicated that the</p>



	<p>Customer Services Representatives in the call centre are also aware of the protocols for responding to customer enquiry to obtain the Gas Customer Code, and have an understanding of where to direct the customer to obtain a copy free of charge.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 10.11(1) and 10.11(2)
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	244 245
Obligation Description	
	244 A retailer and distributor must make available to the customer on request, at no charge, services that assist the customer in interpreting information provided by the retailer or distributor.
	245 A retailer and, where appropriate a distributor, must include the telephone number for their special information services and for independent multi-lingual services, on the documents specified.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Our review indicated that special services and interpretation services are provided to customers at no charge. To access these services, customers are advised in the Customer Service Charter of the numbers to dial: 133 677 for TTY users and 13 14 50 for multi-lingual services.</p> <p>Inbound calls to WAGN are received at the call centre in Jandakot. If a customer has accessed an interpretative service, a translator joins in the telephone conversation to aid the customer.</p> <p>The Manager Regulatory Affairs and Risk is responsible for maintaining the special information services and multi-lingual services.</p> <p>We obtained and reviewed the Customer Service Charter to confirm that the telephone details of the special information services and multi-lingual services have been provided. Additionally, we obtained a sample tax invoice from the Translating and Interpreting Service, which recorded the detailed transactions of the telephone interpreting service.</p> <p>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 licence condition.</p>
Recommendation	Nil.



Licence Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 11.1(1) and 11.1(2)
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	246 247
Obligation Description	
	246 A retailer and distributor must produce and publish a Customer Service Charter.
	247 A retailer and distributor must address the specified information in their Customer Service Charter.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Enquiries with the Manager Regulatory Affairs and Risk indicated that the Customer Service Charter was developed in accordance with the obligation to reflect the requirements of the Customer Code.</p> <p>The Manager Regulatory Affairs and Risk advised that the drafting of the Customer Charter entailed a process of internal quality assurance and review conducted by the legal team prior to sending the draft document to the Authority for approval.</p> <p>We obtained and reviewed the Customer Service Charter and verified that it contained the following elements:</p> <ul style="list-style-type: none"> <li>(a) a summary of the <i>customer's</i> rights and obligations under the <i>Code</i> (including information and assistance to be made available to a <i>customer</i> by a <i>retailer</i> or <i>distributor</i>);</li> <li>(b) a summary of the <i>retailer's</i> or <i>distributor's</i> rights and obligations under the <i>Code</i> (including billing, connection, disconnection and reconnection procedures);</li> <li>(c) an explanation of the complaints handling process;</li> <li>(d) an explanation of the difference between distribution and retail functions;</li> <li>(e) reference to key documents in relation to the supply of gas to <i>customers</i>; and</li> </ul>

	<p>(f) contact details of the <i>retailer</i> or <i>distributor</i>, the <i>Authority</i>, Energy Safety (Department of Consumer and Employment Protection) and the <i>gas ombudsman</i>.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2 Gas Customer Code clause 11.2(1) and 11.2(2)
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	248 249
Obligation Description	
	248 A retailer and distributor must give a customer on request, at no charge, a copy of the Customer Service Charter.
	249 A retailer and distributor must dispatch a copy of the Customer Service Charter to a customer who requests a copy, within 2 business days of the request.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Our interviews with the Manager Regulatory Affairs and Risk revealed that Customers can obtain the Customer Service Charter in the following ways without charge:</p> <ul style="list-style-type: none"> <li>• Email;</li> <li>• Internet website; and</li> <li>• Hardcopy through telephone request or email request or attendance at the business premises.</li> </ul> <p>The Manager Regulatory Affairs and Risk provides the primary point of contact for all regulatory matters and enquiries. For instance, if staff at reception were in doubt as to the nature of the information being requested by a customer, the Manager Regulatory Affairs and Risk would be contacted.</p> <p>Interviews with the Call Centre Team Leader revealed that the Customer Services Representatives in the call centre are also aware of the protocols for responding to customer enquiry to obtain the Customer Service Charter, and have an understanding of where to direct the customer to obtain a copy free of charge. A Customer Service Charter is posted to customers within 2 business days for customers who request a hardcopy over the phone.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code 12.1(1), 12.1(2), 12.1(3), 12.3, 13.10(1) and 13.10(2)
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	250 251 252 254 263 264
Obligation Description	
	250 A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.
	251 A retailer and distributor must develop, maintain and implement a complaints handling process that meets the specified requirements.
	252 A retailer or distributor must at least provide the specified advice to a customer when handling a complaint.
	254 A retailer, distributor and marketer must give a customer on request, at no charge, information that will assist the customer in utilising the respective complaints handling processes.
	263 A distributor must keep a record of the customer complaint indicators specified.
	264 A distributor must keep a copy of each customer complaint referred to in clause 13.10(1).
Reporting Type	2
Compliance Rating	5
Audit Observations	WAGN's "Complaints Handling Procedure" (GD PR 0470), provides the requirements, processes and actions for the handling of customer complaints.

SAP-PM is an internal system used by WAGN to store customer complaint data. Records of the hardcopy are retained in a lever arch folder in the custody of Stakeholder Relations Coordinator. Over the audit scope period, WAGN recorded approximately 120 complaints.

Our review of WAGN's complaint framework revealed that the complaint process encompasses both verbal and written complaints. Verbal complaints are normally received at the call centre in Jandakot. The Customer Services Representatives are provided with delegation levels to resolve complaints. Where the Customer Services Representative is unable to resolve the complaint, the complaint is referred to the Call Centre Team Leader for resolution. If the Call Centre Team Leader cannot resolve the matter, the complaint is escalated to the Stakeholder Relations Coordinator for his attention and creation of a SAP-PM record.

A verbal complaint received by a WAGN employee outside of the call centre has similar protocols. It is required to be forwarded to the call centre Team Leader for resolution and if he is unable to resolve the matter, it is then referred to the Stakeholder Relations Coordinator via email to initiate appropriate action (and creation of a SAP-PM record).

The target resolution time for verbal complaints is 5 business days and is monitored by the Superintendent responsible for the function, which is the subject of the verbal complaint. Should the complaint remain unresolved and become a dispute, the complainant is advised of the services available at the Energy Industry Ombudsman.

All written complaints are directed to the Stakeholder Relations Coordinator for his attention and response. For matters, which are operational, the Stakeholder Relations Coordinator may refer the complaint to the appropriate Superintendent. The target resolution time for written complaints is 7 business days from receiving the complaint. After this time, should the complaint remain unresolved and a dispute exists, the complainant is advised of the services available at the Energy Industry Ombudsman.

Enquiries with the Stakeholder Relations Coordinator indicated that due to the small volume of complaints, most of the complaints are resolved and responded to within the same day.

Our analysis of the Energy Ombudsman reports revealed that 2 complaints were received in relation to gas supply over 2008 and 2009 financial years.

	<p>Furthermore, we obtained the complaint register, viewed the hardcopy of the complaints and found that they satisfied the requirements specified under the Gas Customer Code.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code clause 12.4
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	255
Obligation Description	A retailer, distributor or marketer who receives a complaint that does not relate to its functions, must refer the complaint to the appropriate entity and inform the customer of the referral.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>Written complaints are subject to the normal process of analysis by the Stake Holder Relations Coordinator. Where it is determined that the nature of the complaint does not relate to the functions of WAGN as a gas distributor, the Stake Holder Relations Coordinator refers the complaint to the appropriate entity then informs the customer in writing of the referral.</p> <p>We obtained a sample of complaints that do not relate to the functions of WAGN as a gas distributor. A review of the correspondences found that the Stake Holder Relations Coordinator had referred the complaint to the appropriate entities then informed the customer in writing of the referral.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code clause 13.8
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	262
Obligation Description	A distributor must keep a record of the total number of connections provided and connections not provided on or before the agreed date.
Reporting Type	2
Compliance Rating	5
Audit Observations	GNIS, SAP and NMIS are the main systems used to manage customer connections information. We requested and obtained the register of the total number of connections extracted from NMIS. To confirm the number of connections not provided on or before the agreed date, we referred to the Guaranteed Service Level payment register, which records the payments in respect of missed connection time.  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 licence condition.
Recommendation	Nil.



Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code clause 13.14
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	266
Obligation Description	A distributor must keep a record of the total number of delivery points on the distributor's distribution system.
Reporting Type	2
Compliance Rating	5
Audit Observations	<p>The gas retailer communicates the service order request to WAGN through the NMIS portal. A validation of the address occurs in GNIS initially to confirm the existence and location of the service order address. If the functional location is valid, then a MIRN is generated by GNIS and relayed to NMIS.</p> <p>NMIS then generates a work order in SAP. The Network Construction team receives the work instruction and tasks are created and prioritised in the Task Management System.</p> <p>Subcontractors are then notified and issued with the task. When a meter has been installed, the field personnel close out the work order in the Task Management System and SAP. SAP then generates a notification of completion and this is relayed to NMIS. NMIS then informs the retailer of the service order completion details.</p> <p>We obtained a record of the total delivery points during the audit scope period and found that it complied with the requirement under the obligations. 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 licence condition.</p>
Recommendation	Nil.

Licence Condition	Clause 2.1 and Schedule 2  Gas Customer Code clause 13.15 (1) and clause 13.15 (3)
Obligations Under	Energy Coordination Act section 11M
Compliance Manual Reference	267  268
Obligation Description	
	267 A retailer and a distributor must prepare a report setting out the information required by Part 13 of the Gas Customer Code, in respect of each year ending 30 June. The report must be published no later than the following 1 October.
	268 A copy of each report must be given to the Minister and the Authority not less than 7 days before it is published
Reporting Type	2
Compliance Rating	NR
Audit Observations	Our review of the email correspondence from the Authority and discussions with the Manager Regulator Affairs and Risk regarding the new reporting requirement under clause 13.15 indicated that only the gas trading licencees are required to follow the requirements of clause 13.15 of the Gas Customer Code for the 2010 financial year. Therefore, gas distribution licencees are not required to produce/publish a report under clause 13.15 for the 2009/10 financial year, the period under the audit scope.  As a result, it was not possible to rate the extent of compliance with these obligations.
Recommendation	Nil.

# Appendix 5 – Legacy Licence Conditions that Do Not Require Further Action

Licence Condition	8
Licence Condition Description	Obligation to Connect
Compliance Rating	5
Audit Observations	<p>Prior to the connection of a new gas supply to a property, the availability of gas network in the nominated area is verified using GNIS. The Network Construction team then determines the length of the headworks. If the length is more than 20m of service pipe or the connection requires an extension to a main, then WAGN can decline to connect.</p> <p>If the length of the service pipe is within the accepted parameter, and the cost exceeds \$650, then the end user will be consulted regarding the cost of extending the pipeline to enable gas supply to the property. The retailer then contacts WAGN with a service order request through NMIS when the customers have agreed to the associated fees and charges.</p> <p>For customers in areas of new development where WAGN does not have a contractual arrangement with a retailer for that region, WAGN requires the retailer to enter into a contract prior to connecting the end users.</p> <p>To confirm that customers had not been declined for reasons outside the predetermined parameters in the licence condition, we obtained a listing of the connections that did not proceed and were placed on hold during the period. The Stakeholder Relations Coordinator advised that there were a number of reasons to cause the connections to be placed on hold, such as the end users were not prepared to pay the cost of extension or due to obstructions on the property. An analysis of these connections on hold post cut-off date revealed that most were eventually connected.</p> <p>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 licence condition.</p>
Recommendation	Nil.

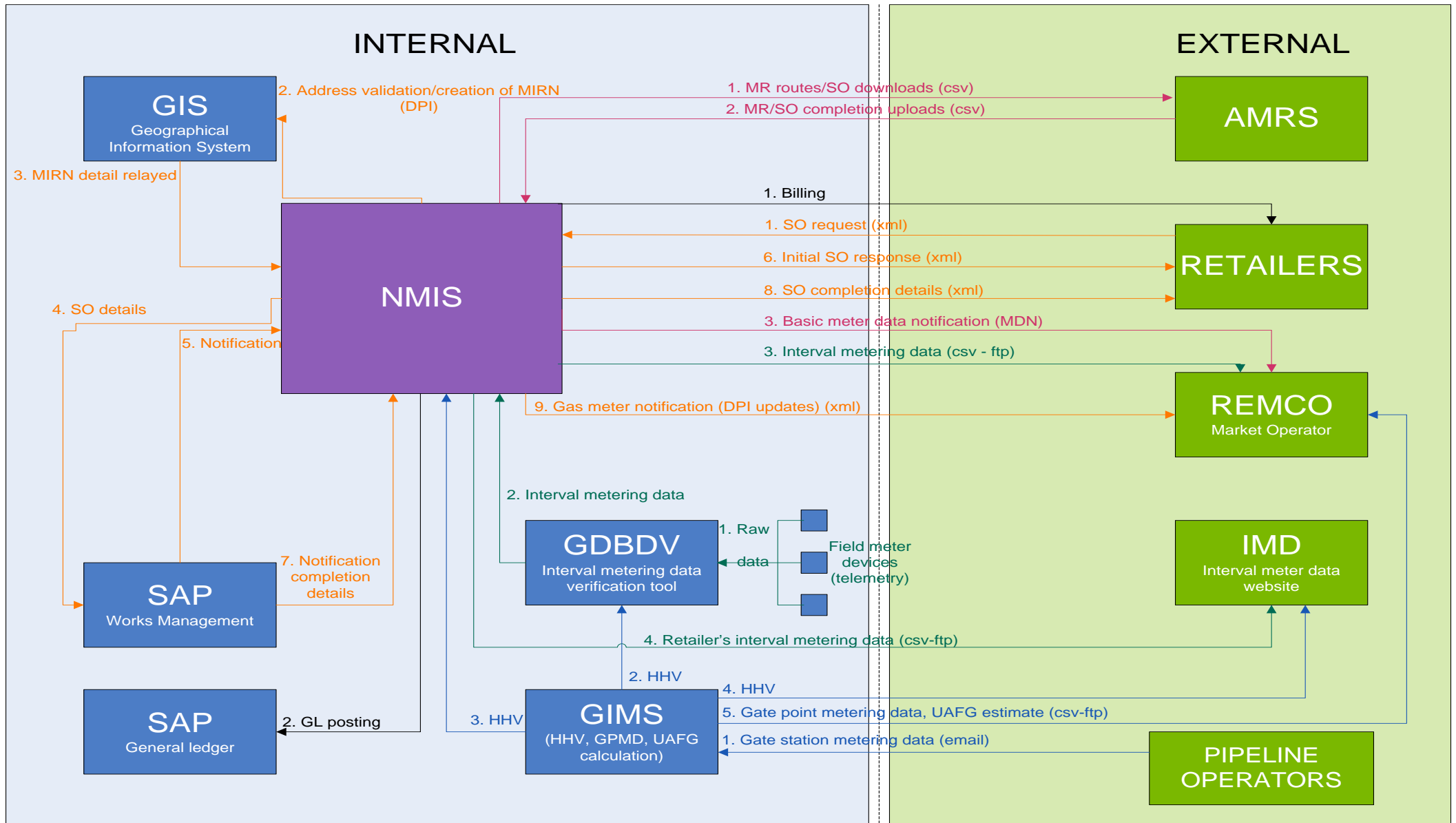
Licence Condition	14
Licence Condition Description	Future Development of the Licenced Distribution System
Compliance Rating	5
Audit Observations	<p>The planning and expansion of the distribution system requires consideration for:</p> <ul style="list-style-type: none"> <li>• Growth trends in gas demand;</li> <li>• Uncertainty associated with forecasting;</li> <li>• Cost of each design option;</li> <li>• Security of supply;</li> <li>• Supply pressure; and</li> <li>• Topographical, geographical, zoning and other constraints.</li> </ul> <p>Discussion with the Asset Service Manager and Market Development Executive revealed that the primary tool used to model the network under current and forecast-loading scenarios is the Advantica-Stoner SynerGEE Gas software.</p> <p>Network models are based on a flow profile observed on the peak flow day for the most recent winter, scaled to represent a severe winter. Consumer numbers per suburb are extracted from GNIS via AssetView. These numbers are then translated to a representative network load and distributed throughout the network in proportion to length of main.</p> <p>WAGN has developed a 20 year business economic model to evaluate and justify network planning outcomes on enhancement and reinforcement projects.</p> <p>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 licence condition.</p>
Recommendation	Nil.

Licence Condition	15
Licence Condition Description	Financial and Technical Resources
Compliance Rating	5
Audit Observations	<p>SAP is the primary system used to manage WAGN's financial data. Monthly financial management reports are provided by the Finance division to management and stakeholders, such as financial institutions, which monitored the group's key financial metrics (debt covenant ratios).</p> <p>We conducted a high level review of the monthly management accounts from February 2007 and August 2007. Our analysis of the monthly financial management reports for that period indicated that WAGN had the resources to meet current and reasonably foreseeable financial obligations. Our enquiries with the Financial Controller and Manager of Regulatory Affairs and Risk did not identify any going concern issues during the scope period.</p> <p>In terms of technical resources, we obtained position descriptions, which were used in 2006, 2007 and 2008 to determine the appropriate technical resources required on the distribution system. These documents demonstrated that WAGN had assessed the technical requirements necessary to undertake the relevant functions. Furthermore, we obtained the organisation chart for the scope period, which identified key resource requirements. We further conducted substantive testing on the recruitments in the scope period and noted that the recruitment process was structured and performed in accordance to standard corporate processes for recruitment, selection and appointment.</p> <p>Based on our enquiries and review of documentation, we have concluded that WAGN had demonstrated a sound planning process for resourcing its requirements from a budgeting and asset management perspective. Moreover, WAGN had an organisational structure to identify the resources employed to undertake the work on the distribution system.</p>
Recommendation	Nil.

Licence Condition	16
Licence Condition Description	Insurance
Compliance Rating	5
Audit Observations	<p>WAGN's insurance requirements were managed under an operating service agreement administered by WestNet.</p> <p>The insurance policies expired at 4.00pm on 30 September each year. A reminder appointment is setup by the Insurance Manager around February to plan for the gathering of information about the business, which required input from many different areas of operations for the insurance broker (Aon Risk Services Australia Ltd).</p> <p>We obtained the insurance certificate of currency for the period of 30 September 2006 to 30 September 2007, which indicated that WAGN had an appropriate level of insurance coverage.</p> <p>Based on our enquiries and review of documentation, we conclude that there are adequate and effective controls in place to support compliance with the licence condition.</p>
Recommendation	Nil.

# Appendix 6 – WA Gas Networks Primary Systems and Processes





# Appendix 7 – Audit Evidence – Documents Examined

Documents Examined
Control Room 24/7 Roster
Control Room – After Hours Duties (GD WI 4020)
Fault Identification and CMOS Calculation (GD WI 3020)
Daily Bulletin (GD WI 3000)
Broken Mains and Services – Instructions For Control (GD WI 1510)
Control Room – SAP SF Guidelines (GD WI 3090)
Customer Service Standards Fault Scripting (GD WI 1510 RF 001)
Urgent After Hours Account Enquiries or No Gas Escalations for Domestic Connections (GD WI 4030)
Curtailment (GD PR 0300)
Gas Supply System Emergency (GD PR 0290)
CBD Emergency Isolation (GD 01000)
Rockingham HP Network Low Pressure Mitigation Plan (GD PR 0640)
WAGN Emergency Response Management Plan (GD PL 0160)
Notifiable Incident Reporting (GD PR 0190)
Control Room Response to System Monitoring Alarms

Documents Examined
Gas Distribution Jandakot Communications Contingency (GD PR 0320)
Disaster Recovery Plan for Backup Power Supply to Jandakot Site (GD WI 1860)
Connection Process Handbook July 2010
Customer Service Charter (WNE CHTR 001)
Procedure – Domestic Gas Regulator Disconnection & Reconnection (GD PR 0600)
Disconnecting a Gas Service (GD PR 0520)
Gas Tightness Testing for Consumer Installation (GD WI 8050)
Routine Gas Meter Change Instructions (GDW WI 0170)
Smell of Gas at the Meter Service (GD PR 0630)
Commercial No Gas (GD WI 4090)
Squeeze Off Operations PE & UPVC Gas Pipes (GD WI 0361)
PE Repair Techniques (GDW WI 0590)
Operating Rogan Equipment (GDW WI 0340)
Indicative Guide to Codes and Practices Issued 2009 (GD RF 0560)
PVC Repair Techniques (GDW WI 0600)
WAGN Inspection Policy Statement & Plan (GD PL 0170)
Gas Inspector Register Authorisation Matrix (GD WI 1360 RF 0001)
Class G Installation Inspections (GDW WI 1770)
Class I Installation Inspections (GDW WI 1760)
Safety Case Action Register (ATR-002)
WA Gas Networks Safety Case Audit (090324 62202-REP-001)
AS2885 Pts1&3 EXT Compliance Audit Report 20091029 (Worley Parsons)
Conducting AS 2885 Risk Assessment (GD G021)
Conducting HAZID Studies (GD G023)

Documents Examined
Tech Compliance Audit (GD PR 0010)
Asset Handover (GD PR 1530)
Conducting Gas Distribution Formal Safety Assessment (GD G020)
Conducting HAZOP Studies (GD G022)
Conducting Generic Formal Safety Assessment (GD G024)
Management of Change (GD PR 0041)
Asset Maintenance Plan 2007 (ANS 06-10)
Asset Maintenance Plan 2008 (ANS 07-08)
Asset Maintenance Plan 2009 (ANS 09-09)
Network Planning Strategy 2010
WANH Asset Management Plan 2010-2015
WNE 09-10 Asset Maintenance Plan 2010
WAGN Underground Asset Details (GDW WI 1050 RF 0002)

# Appendix 8 – Audit Evidence – Personnel who Assisted in the Audit

WA Gas Networks Pty Ltd	
Name	Position
<b>Andre Ferraz</b>	Billing & Revenue Analyst
<b>Ben Forrest</b>	Training Officer
<b>Bernard Frayne</b>	Planning Supervisor
<b>Deborah Evans</b>	Manager Regulatory Affairs and Risk
<b>Gordon Inkster</b>	Acting Training Manager
<b>Gunther Hoppe</b>	Financial Controller
<b>Joes Sanches</b>	Market Services Manager
<b>Justin Scotchbrook</b>	Senior Manager Commercial & Business Development
<b>Luke Burns</b>	Senior Management Accountant
<b>Marc Stubbs</b>	Market Development Executive
<b>Maswadi Marsuki</b>	Asset Services Manager
<b>Mathew Greene</b>	Senior Regulatory Accountant
<b>Matthew Marshall</b>	Network Construction Manager
<b>Patrick Donovan</b>	Manager Gas Distribution
<b>Peter Comer</b>	Stakeholder Relations Co-Ordinator

WA Gas Networks Pty Ltd	
Name	Position
<b>Peter Farrell</b>	Gas Inspection Team Leader
<b>Roger Costa</b>	Training Adviser
<b>Russell Godsall</b>	Network Support Manager
<b>Shane Hurt</b>	Network Monitoring Supervisor
<b>Stuart Jobling</b>	Technical Compliance Manager
<b>Thomas Verjans</b>	Call Centre Team Leader
<b>Yama Azizi</b>	Asset Performance Engineer

Grant Thornton		
Name	Position	Hours
<b>Cam Ansell</b>	Director – Consulting	24
<b>Duy Vo</b>	Manager – Consulting	282
<b>Henry Vu</b>	Consultant	76