



**PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM  
REVIEW OF  
WESFARMERS KLEENHEAT GAS PTY LTD  
DISTRIBUTION LICENCE GDL 9  
REPORT**

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**DATE: 29 AUGUST 2011**

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**PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OF  
WESFARMERS KLEENHEAT GAS PTY LTD  
DISTRIBUTION LICENCE GDL 9**

The fieldwork on the performance audit and asset management system review of Wesfarmers Kleenheat Gas Pty Ltd Distribution Licence GDL 9 for the audit period 1 April 2010 to 31 May 2011 is complete and I am pleased to submit the report to you.

In my opinion, except for matters referred to in the report, the Licensee maintained control procedures in relation to the Gas Distribution licence GDL 9 for the audit period based on the relevant clauses referred to within the scope section of this report.

In my opinion, the Licensee maintained, in all material aspects, effective control procedures in relation to the Gas Distribution licence GDL 9 for the audit period on the relevant clauses referred to within the objectives section of this report. Consistent with the scope limitation, the reports are accurate.

In my opinion, the Licensee has maintained a reasonable level of compliance with the licence conditions with only 3 non-compliant obligations which have now been resolved.

In respect of the asset management system review for the audit period 1 April 2010 to 31 May 2011 the licensee has improved a number of control procedures from the last review however there are still improvements to be made to have effective controls.

In my opinion, the licensee has improved the asset management system overall but needs to make significant changes to the system to satisfy the 12 key processes that the Authority have identified form an asset management system.

Yours sincerely

Geoff Wood  
Achieve It Consulting  
29 August 2011

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## **EXECUTIVE SUMMARY**

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Wesfarmers Kleenheat Pty Ltd engaged Achieve It Consulting to undertake the Performance Audit and Asset Management System Review required by the Economic Regulation Authority (Authority) under the Distribution Licence GDL9. The report contains the findings from the performance audit and asset management system review.

Section 11ZA of the *Energy Coordination Act 1994* (the Act), requires Wesfarmers Kleenheat Gas Pty Ltd to provide the Economic Regulation Authority (*Authority*) a report by an independent expert acceptable to the authority as to the effectiveness of the measures taken by Wesfarmers Kleenheat Gas Pty Ltd to meet the standards referred to in section 11Z of the Act and performance criteria specified in the licence (audit).

Section 11Y of the Act requires Wesfarmers Kleenheat Gas Pty Ltd to provide to the Authority, a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system in respect of the licensee's assets (review).

The audit and review have been conducted in accordance with the prevailing Authority documents 'Audit Guidelines: Electricity Gas and Water Licences' (Guidelines) and 'The Gas Compliance Reporting Manual' (Manual). As two editions of the Manual were issued during the audit and review period both Manuals have been referenced. The Manuals identify each performance criteria specified in the licence and resolve them into a number of obligations (obligations), each of which is required to be addressed individually by the audit.

The Authority approved the appointment of Achieve It Consulting on 10 May 2011 and following approval, required the auditor to development a plan for their approval. A plan covering the Performance Audit and the Asset Management System Review was prepared and submitted to the Authority and approval of the plan was provided on 1 August 2011.

The audit and review periods are 1 April 2010 to 31 May 2011 and this report details the outcome of the audit and review.

## **BUSINESS BACKGROUND**

Wesfarmers Kleenheat Gas Pty Ltd is a company that supplies liquefied petroleum gas (LPG) from cylinders and also supplies gas to customers from distribution systems that it owns and operates throughout Australia. In Western Australia Wesfarmers Kleenheat Gas Pty Ltd has a gas distribution licence (GDL9) issued by the Authority under the provisions contained in the *Energy Coordination Act 1994*. This licence allows Wesfarmers Kleenheat Gas Pty Ltd to own and operate LPG distribution systems in Oyster Harbour (Albany), Margaret River and Leinster.

## **AUDIT CONCLUSION**

The Performance Audit and Asset Management System Review each have a separate and distinct purpose and scope.

## **PERFORMANCE AUDIT**

The purpose of the performance audit is to assess the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence. The audit has focused on the systems and effectiveness of the processes used by the licensee to ensure compliance with the standards, outputs and outcomes required by Distribution Licence GDL9. Using the methodology outlined in the Plan approved by the Authority and assessing and testing the control environment, the information systems, control procedures and compliance attitude of the licensee, the auditor has gained a reasonable assurance that Wesfarmers Kleenheat Gas Pty Ltd has complied with its Distribution Licence during the audit period. The audit found that the licensee had not complied with 3 obligations during the audit period.

The 3 non compliances related to payment of licence fees, providing information on the complaints handling process and providing reports to the Minister. The licensee has already taken action to rectify the non compliances and systems and processes have been put in place to ensure compliance.

## **ASSET MANAGEMENT SYSTEM REVIEW**

The purpose of the asset management system review is to assess the measures taken by the licensee for the proper management of the distribution system assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

The review focused on the licensee's asset management plans, and examined the measures taken by the licensee for the proper operation and maintenance of the distribution system assets.

The review also assessed the adequacy and effectiveness of the licensee's asset management system by examining the 12 key processes described in the Authority's Audit Guidelines.

The review found that the licensee's asset management system differed quite considerably from the system described in the guidelines. The distribution systems are fairly static and expansion will only be considered if a developer releases additional land and wants reticulated LPG and requests the licensee to expand the system. The licensee does not actively seek to grow the business.

The systems are constructed to a high standard using the latest materials and installation methods and the design provides considerable spare capacity. The system is then operated in a prudent manner to maximise the return on investment throughout its predicted life. This approach enables the licensee to minimise any future capital, replacement and maintenance costs.

For the system to conform with the guidelines the licensee would need to undertake numerous modifications/additions to the system particularly in the areas of financial planning and capital expenditure.

The need to develop and implement a Safety Case has resulted in the licensee documenting how the distribution systems will be managed to ensure their continued reliable and safe operation. The licensee proposes to integrate the content of the Safety Case into the asset management system to improve its effectiveness.

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## **PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW OBJECTIVES**

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The auditor is to examine the licensee's operations in order to formally report to the licensee and the Authority whether, in all material respects, all or part of the licensee's activities meet the obligations of the performance and quality standards specified in the licensee's distribution licence GDL 9.

Achieve It Consulting has been engaged to carry out the Performance Audit (audit) and Asset Management System Review (review) of Distribution Licence GDL 9 for Wesfarmers Kleenheat Gas Pty Ltd. A plan setting out the details of how the performance audit and asset management system review were to be undertaken was prepared and submitted to the Authority and approval to the plan was provided by the Authority on 1 August 2011.

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## SCOPE

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Section 11ZA of the *Energy Coordination Act 1994* (the Act), requires Wesfarmers Kleenheat Gas Pty Ltd to provide the Economic Regulation Authority (*Authority*) a report by an independent expert acceptable to the authority as to the effectiveness of the measures taken by Wesfarmers Kleenheat Gas Pty Ltd to meet the standards referred to in section 11Z of the Act and performance criteria specified in the licence (audit).

Section 11Y of the Act requires Wesfarmers Kleenheat Gas Pty Ltd to provide to the Authority a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system in respect of the licensee's assets (review).

The audit and review are to be conducted in accordance with the prevailing Authority documents 'Audit guidelines: Electricity gas and water licences' (guidelines) and the 'Gas compliance reporting manual' (manual). As two editions of the manual were issued during the audit and review period both manuals will be referenced. The manuals identify each performance criteria specified in the licence and resolve them into a number of obligations (obligations), each of which is required to be addressed individually by the audit.

The guidelines require the review include an assessment of the adequacy and effectiveness of the licensee's asset management system by evaluating the following 12 key processes:

- Asset planning
- Asset creation/acquisition
- Asset disposal
- Environmental analysis
- Asset operations
- Asset maintenance
- Asset management information system
- Risk management
- Contingency planning
- Financial planning
- Capital expenditure planning
- Review of the asset management system

The audit will focus on the effectiveness of the licensee's systems and processes used to ensure compliance with the standards, outputs, and outcomes required by the licence. The audit utilises a risk rating scheme based on types of risk, risk consequences and the likelihood of the risk occurring to quantify the inherent risk. The adequacy of the internal controls of the licensee to mitigate these inherent risks is then used to determine for each obligation an audit priority on a 5-point scale (plus 2 exception categories). The audit priority is then used to determine the nature and extent of audit measures that need to be performed to ensure the licensee is complying with each obligation.

The auditor will undertake sufficient examination and testing to provide the licensee and the Authority with reasonable assurance that the performance against the obligations is accurate and represents a true picture of the licensee's compliance. The audit will

identify areas where improvement is required and recommend corrective action as necessary. In accordance with the standard ASAE 3000 the auditor “shall obtain sufficient appropriate evidence on which to base the conclusion”.

The auditor will undertake sufficient examination and testing to provide the licensee and the Authority with reasonable assurance of the effectiveness of the asset management system used by the licensee to ensure the licensee properly operates and maintains its assets.

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## **LICENSEE AND ENVIRONMENT**

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The licensee operates liquefied petroleum gas (LPG) distribution systems in Margaret River, Oyster Harbour Albany and Leinster. The systems at Margaret River and Oyster Harbour Albany comprise of a network of underground pipes installed in the road verge with individual off-takes (services) to each customer terminating at the side of the customers property in a meter box that includes a service isolation valve, pressure regulator (that reduces the pressure to 2.75kPa) and a diaphragm meter that measures the gas consumed in cubic metres.

The LPG is supplied as a vapour from onsite bulk storage vessels that store the LPG as a liquid and following vaporisation of the LPG as it leaves the storage vessel regulate the pressure to a suitable pressure for distributing (typically 35 to 100 kPa) before entering the distribution system. All of the storage vessels have a device that measures the quantity of liquid in the storage vessels that can be dialled up remotely to enable product deliveries to be scheduled.

The Oyster Harbour and Margaret River distribution systems have been constructed from polyethylene pipe utilising an electro-fusion jointing system. The use of this material has resulted in a system that requires minimum maintenance, has a long life cycle (in excess of 50 years) is easily made safe if ruptured or damaged by a third party and has the ability to cope with a substantial increase in gas load (as additional customers are connected to the system) because the pressure in the distribution system can be increased to cope with the increased gas load. Additionally the size of the piping system has been based on natural gas thereby providing additional capacity because of the difference in energy content of the two gases.

The distribution system in Leinster is constructed predominately from un-plasticised polyvinyl chloride (UPVC) and until recently operated in a similar manner to the other distribution systems. The system is much older than the other systems and has been constructed within the mining lease owned and operated by BHP Billiton. As the customers supplied from the distribution system are all employees of BHP the gas is no longer metered at each residence and as such it is questionable if it is still a distribution system and should be part of Wesfarmers Kleenheat Gas Pty Ltd's licence.

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## **AUDIT PERIOD FOR GDL9**

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The audit and review period is 1 April 2010 to 31 May 2011.

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## **SCOPE LIMITATION**

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The Act requires that the relevant licence conditions and the applicable standards in the *Gas Standards Act 1972* be audited. This will be achieved by examination of the business functions, documents, interviews with key persons and observations and will not be a detailed inspection of physical items.

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## **SCOPE OF AUDIT**

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The audit and review has been conducted in 3 phases:

### **1. RISK AND MATERIALITY ASSESSMENT**

Utilising AS/NZS 31000:2009 Risk Management a preliminary assessment has been made of the risk and materiality of non-compliance with the required licence conditions in order to focus the audit and review effort on areas of higher compliance risk and identify areas for testing and analysis. This assessment is detailed in the audit plan.

### **2. SYSTEM ANALYSIS, ASSERTION SETTING AND REVIEW**

Through discussion, observation and review, a sample of cases or data has been analysed relating to the licensee's quality and performance systems and standards against requirements of the licence conditions that have been the subject of the audit and a similar process has been followed in respect of the asset management system.

### **3. FIELDWORK: TESTING AND ANALYSIS**

Using the results of the risk assessment and systems analysis, detailed testing and analysis has been performed to compare those standards maintained by the licensee with the relevant clauses of the licence. As part of this section of the audit and review the Margaret River and Albany operating areas have been visited (refer photographs). Documentation relating to policies and procedures has also been examined in addition to items mentioned in the audit elements.

The audit and review has also looked at the actions taken in response to the recommendations that relate to the distribution licence contained in the previous performance audit and the asset management system review that covered the period 1 February 2009 to 31 March 2010.

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## **FACILITIES VISITED AND KEY CONTACTS**

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The facilities visited during the audit/review were:

- Wesfarmers Kleenheat Gas Pty Ltd head office Murdoch, Perth, to enable records, computer systems, databases, documents, procedures and financial records to be examined. Key contacts were David Andrews (Reticulation Manager) and Manny Micallef (Maintenance Services Manager).

- Margaret River storage facilities and tour of reticulated area to assess condition of storage vessels and reticulation components. Key contacts were David Andrews (Reticulation Manager) and Mick Willcox (Local Contractor responsible for new connections and repairing the reticulation system).
- Oyster Harbour Albany storage facility and tour of reticulated area to assess condition of storage vessels and reticulation components. Key contacts were David Andrews (Reticulation Manager) and David Marsh of Active Plumbing (Local Contractor responsible for new connections and repairing the reticulation system).
- EnergySafety to discuss compliance with the *Gas Standards Act 1972* and to examine records relating to compliance issues that relate to the reticulation systems at Margaret River, Oyster Harbour Albany and Leinster. Key contacts were Cornelis DeGroot (Principal Engineer Gas Supply) and David Robertson (Principal Engineer Gas Utilisation).

The audit and review was conducted during July/August 2011. The results of the audit and review are presented separately in the report:

- Section 1 covers the performance audit; and
- Section 2 covers the Asset Management System Review.

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## SECTION 1 PERFORMANCE AUDIT

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### AUDIT RESULTS AND RECOMMENDATIONS

The results of the audit are summarised below:

Assessment	Audit Priority 1	Audit priority 2	Audit priority 4	Audit priority 5
Compliant 5		6	28	8
Compliant 4				
Compliant 3				
Non-compliant 2			2	
Significantly non compliant 1			1	
Not Rated			9	
Not Applicable		1	7	1
<b>Totals</b>		7	47	9

### SUMMARY OF SIGNIFICANT RESULTS

The audit resulted in 3 non compliances being recorded (Items 1, 251 and 266).

Item 1 relates to the time required to pay applicable fees to the Authority although the Licensee paid the fees in accordance with their normal business practice it was not in accordance with the required timeframe. Action has now been taken by putting in place a process to ensure the fees are paid within the required timeframe.

Item 251 requires a licensee to provide information on utilising its complaints handling process. The licensee's complaints manual did not address this issue during the audit period. This is considered a significant non compliance and remedial action should be carried out at the earliest opportunity. As the retailer and distributor are the same entity, following the recent trading audit a brochure has been developed that provides information that will assist the customer in utilising the respective complaints handling processes. The brochure will also be available on the licensee's website. This obligation is therefore now compliant.

Item 266 relates to the Minister receiving reports before they are published by the licensee. During the audit period no process to ensure this occurred was in place. The required process to ensure the Minister receives reports before they are published in the required time frame is now in place.

## **AUDIT EVIDENCE**

The following evidence was gathered for the audit.

Legislation and standards,  
Energy Coordination Act 1994,  
Gas Standards Act 1972,  
Gas Customer Code,  
Gas Distribution Licence GDL9,  
Licensee's documents,  
Annual report,  
Customer safety awareness program,  
Customer service charter,  
Complaints handling Manual and policy,  
OMS Document Register,  
Annual information returns,  
Asset Management Plan,  
Safety Case,  
Facilities Maintenance Manual,  
Various databases,  
Contingency Plan,  
Draft Emergency Plan,  
Reports on LPG quality analysis,  
Records and plans of distribution systems,  
Emergency information package provided at each storage site.

**ITEMS FROM THE PREVIOUS AUDIT (AUDIT PERIOD 1 FEBRUARY 2009 TO 31 MARCH 2010)**

<p><b>Item 26</b> <b>Distribution Licence Clause 5.1</b></p>	<p><b>Compliance rating</b> <b>Non compliant - 2</b></p>
<p><i>Energy Coordination Act section 11Z</i> The requirement is that a Licensee must not supply gas at less than the relevant approved minimum heating value.</p>	
<p><b>Recommendation from previous audit</b> Tests of emergency plan to be scheduled.</p>	
<p><b>Observations</b> Analysis reports showed gas quality was within required specification throughout audit period. The Principal Engineer Gas Supply Energy Safety confirmed the heating value was not less than minimum prescribed in regulations during the audit period. Although the obligation relates to the heating value the recommendation from the previous audit was for the emergency plans to be tested I am not sure what this has to do with gas being supplied with the correct heating value.</p>	
<p><b>Current status</b> The gas supplied has according to the analysis reports of the quality not been outside the relevant approved minimum heating value. The Safety Case provides for each licensed site to have the emergency plan tested annually. This requirement has still to be implemented.</p>	

<p><b>Item 245</b> <b>Distribution Licence clause 2.1 and Schedule 2 Gas</b> <b>Customer Code clause 10.11(2)</b></p>	<p><b>Compliance Rating</b> <b>Non compliant -2</b></p>
<p><i>Energy Coordination Act section 11M</i> 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.</p>	
<p><b>Recommendation from previous audit</b> Add required translation service information to bill.</p>	
<p><b>Observations</b> The recommendation related to the consumer's bill. However, the only document the distributor provides is the customer service charter and although not included in this obligation, this document includes the telephone number for their special information services and for independent multi-lingual services.</p>	
<p><b>Current status</b> This obligation is compliant as bills are the responsibility of the retailer; any other documents contain the required information.</p>	

## COMPLIANCE ELEMENTS REQUIRING CORRECTIVE MEASURES

### November 2010 Gas Compliance Manual

<b>Item 1 (1) Distribution Licence clause 4.1</b>	<i>Type 2</i>	<b>Compliance Rating Non-Compliant - 2</b>
<p><i>Energy Coordination Act section 11Q(1-2)</i> The requirement is that a Licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Regulations Clause 4 &amp; 5).</p>		
<p><b>Corrective Action</b> The Licensee to implement a process that ensures payment within the required period (30 days) rather than in accordance with their standard payment period. Current status The necessary process to ensure payment occurs within the required timeframe has recently been implemented.</p>		

<b>Item 251 (254) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.3</b>	<i>Type 2</i>	<b>Compliance Rating Non-Compliant - 1</b>
<p><i>Energy Coordination Act section 11M</i> 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.</p>		
<p><b>Corrective Action</b> Complaints manual to be amended to include information on how a customer on request, at no charge, gets information that will assist the customer in utilising the respective complaints handling processes and a brochure developed for handing to the customers. <b>Current status</b> As the retailer and distributor are the same entity, following the recent trading audit a brochure has been developed that provides information that will assist the customer in utilising the respective complaints handling processes. The brochure will also be available on the licensee's website.</p>		

<b>Item 266 (268) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.15(3)</b>	<i>Type 2</i>	<b>Compliance Rating Non-Compliant - 2</b>
<p><i>Energy Coordination Act section 11M</i> A copy of each report must be given to the Minister and the Authority not less than 7</p>		

days before it is published.

**Corrective Action**

Process to be developed by licensee for submitting the report directly to the Minister within the required timeframe.

**Current Status**

The required process is now in place.

## AUDIT ELEMENTS COMPLIANCE DETAILS

Item 1 (1) Distribution Licence clause 4.1	<i>Type 2</i>	Compliance Rating Non-Compliant - 2
<i>Energy Coordination Act section 11Q(1-2)</i> The requirement is that a Licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Regulations Clause 4 & 5).		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the accounts paid ledger		
<b>Observations</b> Established date when invoice was received and fees were paid. Licensee operates on a 30 day payment cycle. The 30 days commence at the start of the month that follows the month in which the invoice is received. The licence requires at clause 4 that the fees be paid according to the regulations which set the values but not the payment time. Clause 4 of the licence requires compliance with applicable legislation including the Act, which requires payment within a month.		
<b>Compliance summary</b> Non-compliant		
<b>Corrective Action/Opportunity for Improvement</b> The Licensee to implement a process that ensures payment within the required period (30 days) rather than in accordance with their standard payment period. <b>Current status</b> The necessary process to ensure payment occurs within the required timeframe has recently been implemented.		

Item 6 (6) Distribution Licence clause 5.1	<i>Type NR</i>	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11X(3)</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the emergency plan template		
<b>Observations</b> During the audit period only one incident occurred that resulted in a disruption to supply. The incident occurred at Margaret River's Rapids Landing sub-division and was a low supply pressure issue, as a result of low storage vessel levels. The incident was resolved in less than five hours after the licensee became aware of the problem. Less than 20 customers were affected. The incident was reported to the Authority. The time taken by the licensee to rectify the situation indicates that a process exists for dealing with customer outages which includes a provision to minimise the extent of the duration. The licensee has developed an Emergency Plan template for reticulation systems that		

addresses how emergencies affecting the reticulation systems will be managed.
<b>Compliance summary</b> Compliant
<b>Corrective Action/Opportunity for Improvement</b>

Item 7 (7) Distribution Licence clause 14.1	<i>Type NR</i>	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11Y(1)(a)</i> A licensee must provide for an asset management system in respect of its assets within 2 business days from the commencement date, or from the completion of construction of the distribution system, whichever is later.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined Asset Management System documentation		
<b>Observations</b> The licensee has assets throughout Australia and the asset management system covers all the licensee's assets including the reticulation systems in Margaret River, Oyster Harbour, Albany and Leinster. As the asset management system covers all the licensee's assets it is not specific to the Western Australian assets.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 8 (8) Distribution Licence clause 14.1 and 14.2	<i>Type 2</i>	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11Y(1)(b)</i> A licensee must notify details of the asset management system and any substantial changes to it to the Authority within 10 business days.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined Asset Management System documentation		
<b>Observations</b> The licensee has an Asset Management System however, because the distribution licence was granted prior to the Authority being established it has not been necessary for the licensee to provide a copy to the Authority. As no substantial changes have occurred to the Asset Management System it has not been necessary for the licensee to notify the Authority of any changes.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 9 (9) Distribution Licence clause 14.3	Type 2	Compliance Rating Compliant -5
<i>Energy Coordination Act section 11Y(1)(c)</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined previous asset management system review report Examined letter from Authority approving Achieve It Consulting as the auditor		
<b>Observations</b> The last Asset Management System Review was completed in August 2010 by McGill Engineering Services Pty Ltd and was for the period 1 February 2009 to 31 March 2010. Achieve It Consulting with the approval of the Authority has been appointed to undertake the review. The audit period is 1 April 2010 to 31 May 2011. This accords with the above requirement.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 10 (10) Distribution Licence clause 15.1	Type 2	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11ZA(1)</i> 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).		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined previous performance audit report Examined letter from authority requesting the audit Examined letter from Authority approving Achieve It Consulting as the auditor		
<b>Observations</b> The last Performance audit was completed in August 2010 by McGill Engineering Services Pty Ltd and was for the period 1 February 2009 to 31 March 2010. Achieve It Consulting with the approval of the Authority has been appointed to undertake the performance audit. The audit period is 1 April 2010 to 31 May 2011. The period covered by the audit is only 15 months which is less than the normal interval of 24 months.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 17(17) Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11ZK(3)</i> 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>Verification/Tests</b> Interviewed Reticulation Manager Examined payment records		
<b>Observations</b> The licensee leases land in Forrest Road Margaret River from the local council and pays an annual lease cost. The storage vessels supplying part of the Margaret River reticulation system (the Riverslea estate) are located on this parcel of land.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 18 (18) Distribution Licence clause 17.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZOR(1)</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> No retail market scheme is in force therefore the obligation does not apply.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 20 Distribution Licence clause 5.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZOV(1)</i> A licensee must not engage in prohibited conduct relating to the operation of a retail market scheme.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> As no retail market scheme applies this obligation is not applicable.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 21 Distribution Licence clause 5.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZO V(2)</i> A licensee must not assist another party to engage in prohibited conduct relating to the operation of a retail market scheme.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> As no retail market scheme applies this obligation is not applicable.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 22 Distribution Licence clause 5.1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11ZO Z(3)</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> As no retail market scheme applies this obligation is not applicable.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 23 (23) Distribution Licence clause 5.1	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act Schedule 3, section 2(1)</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		

<p><b>Observations</b></p> <p>The licensee is aware of the need to notify the Minister if a state of emergency was to occur in respect of one of their distribution systems. However, as no such emergency occurred during the audit period this obligation could not be tested.</p> <p>Given the size of the distribution systems, the manner in which supply is provided and the customer base it is unlikely that should an outage occur that effected supply (i.e. storage vessels running out of liquid or major break) it would constitute an emergency as envisaged in Schedule 3 of the Act.</p>
<p><b>Compliance summary</b></p> <p>Not rated</p>
<p><b>Corrective Action/Opportunity for Improvement</b></p>

Item 24 (24) Distribution Licence clause 17	Type 2	Compliance Rating Compliant -5
<p><i>Energy Coordination Act section 11ZQH</i></p> <p>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.</p>		
<p><b>Verification/Tests</b></p> <p>Interviewed Reticulation Manager Examined payments ledger</p>		
<p><b>Observations</b></p> <p>The licensee is a member of Gas Industry Ombudsman Scheme and the payments ledger entries confirmed that the licensee has paid the required fees. During the audit period no decision or direction was provided by the Ombudsman.</p>		
<p><b>Compliance summary</b></p> <p>Compliant</p>		
<p><b>Corrective Action/Opportunity for Improvement</b></p>		

Item 25 (25) Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant-5
<p><i>Energy Coordination Act section 11Z</i></p> <p>A licensee must comply with the applicable standards of the <i>Gas Standards Act 1972</i>.</p>		
<p><b>Verification/Tests</b></p> <p>Interviewed Reticulation Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the LPG supplied into the storage vessels supplying the gas into the distribution systems for various dates during the audit period.</p>		
<p><b>Observations</b></p> <p>During the audit period the licensee was subject to an Inspectors Order requiring the licensee to improve their written work procedures covering construction and maintenance activities. The order was complied with and the Principal Engineer Gas Supply at EnergySafety is now satisfied that adequate work procedures are in place to ensure the work is carried out in accordance with the regulations and applicable standards.</p>		

<p>During the audit period the regulations have been amended making it mandatory that all network operators (in this case the licensee) develop and operate in accordance with a safety case approved by the Director of EnergySafety. The Safety Case requirement comes into force in August 2011. The licensee has developed and submitted the Safety Case for approval in order to meet this deadline.</p> <p>No other breaches of the Act and Regulations occurred during the audit period.</p> <p>Gas quality was also maintained within required specification.</p>
<p><b>Compliance summary</b> Compliant</p>
<p><b>Corrective Action/Opportunity for Improvement</b></p>

Item 26 (26) Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 5
<p><i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 8(1)</i> A licensee must not supply gas at less than the relevant approved minimum heating value.</p>		
<p><b>Verification/Tests</b> Interviewed Reticulation Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the LPG supplied into the storage vessels supplying the gas into the distribution systems for various dates during the audit period.</p>		
<p><b>Observations</b> Reports showed gas quality was within required specification throughout audit period. Principal Engineer Gas Supply EnergySafety confirmed no issue with heating value being less than minimum prescribed in regulations occurred during the audit period.</p>		
<p><b>Compliance summary</b> Compliant</p>		
<p><b>Corrective Action/Opportunity for Improvement</b> Licensee to put in place process to sample gas within the distribution system on a regular basis and to analysis the sample for compliance with the regulations. This will negate the need to rely on the analysis provided by supplier of the LPG which is based on a liquid sample rather than a vapour sample.</p>		

Item 27 (27) Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 5
<p><i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 9(1)</i> 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.</p>		
<p><b>Verification/Tests</b> Interviewed Reticulation Manager Interviewed Principal Engineer Gas Supply EnergySafety Examined reports on the analysis of the LPG supplied into the storage vessels supplying the gas into the distribution systems for various dates during the audit period.</p>		
<p><b>Observations</b> Report showed gas quality was within required specification throughout audit period.</p>		

Principal Engineer Gas Supply EnergySafety confirmed no alteration was made in the specific gravity, flame, speed or other prescribed characteristic of gas supplied during the audit period.
<b>Compliance summary</b> Compliant
<b>Corrective Action/Opportunity for Improvement</b>

Item 28 (28) Distribution Licence clause 5.1	Type 1	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)</i> 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>Verification/Tests</b> Interviewed Reticulation Manager Licensee's gas inspector Examined Licensee's Inspection Plan Interviewed Principal Engineer Gas Utilisation EnergySafety		
<b>Observations</b> The licensee operates under an Inspection Plan approved by the Director of Energy Safety under section 13 of the <i>Gas Standards Act 1972</i> . The Plan allows the licensee to undertake sample inspections of gas installations to satisfy the above obligation based on the percentage contained in the plan. This includes both reticulation and cylinder supplied customers and it also allows for some of the inspections to be carried out after supply has commenced. The licensee's compliance with their inspection plan is currently being audited by EnergySafety and information provided by the Principal Engineer Gas Utilisation indicates that the licensee has maintained the required level of inspection as required by the plan during the audit period for the reticulation systems.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 87 (87) Distribution Licence clause 5.1	Type NR	Compliance Rating Not applicable
<i>Energy Coordination (Customer Contract) Reg 28, clause 3.1.2 AGA Code</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The licensee does not disconnect customers therefore re-connects do not occur.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 88 (88) Distribution Licence clause 5.1, Distribution Licence Schedule 3 clause 2	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M, Energy Coordination (Customer Contract) Reg 28, clause 3.1.3.1 AGA Code</i>		
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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined process used for connecting new customers.		
<b>Observations</b> The majority of connections are to newly constructed property and are managed by the builder. As the process is managed by the builder the work is always completed within the 20 day period. The 20 day period has also been achieved for installations that the licensee has managed.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 89 (89) Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant - 5
<b>Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.1 AGA Code</b>		
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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> During the audit period no inspections, repairs, testing or maintenance at the customer's supply address has occurred. However, should such an activity need to occur the licensee has a process in place to ensure the necessary notice is provided.		
<b>Compliance summary</b> Non-compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 90 (90) Distribution Licence clause 5.1	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.2 AGA Code</i>		
A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry, and show official identification.		

<b>Verification/Tests</b> Interviewed Reticulation Manager Examined licensee's official identity card
<b>Observations</b> Identity card issued to all employees that require access to customer's property shows holder is representative of the licensee.
<b>Compliance summary</b> Compliant
<b>Corrective Action/Opportunity for Improvement</b>

Item 92 (92) Distribution Licence clause 12	<i>Type 1</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> 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> .		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The licensee has continuously operated all parts of the distribution system thereby ensuring all customers have continuously been supplied with gas during the audit period.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 93 (93) Distribution Licence clause 13	<i>Type 2</i>	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> During the audit period the licensee did not permanently cease or substantially decrease its activities under the licence and currently has no plans to permanently cease or substantially decrease its activities under the licence.		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 94 (94) Distribution Licence clause 14.4	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the asset management review.		
<b>Verification/Tests</b> Auditor provided with a copy of the <i>Authority's</i> standard guidelines dealing with the asset management review.		
<b>Observations</b> The asset management review has been carried out in compliance with the <i>Authority's</i> standard guidelines dealing with the asset management review.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 95 (95) Distribution Licence clause 14.6	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee's independent expert must be approved by the Authority prior to reviewing the effectiveness of the asset management system.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the letter provided by the Authority approving the independent expert.		
<b>Observations</b> Letter contained approval to independent expert proposed by licensee undertaking the asset management system review.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 96 (96) Distribution Licence clause 15.2	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must comply and require its expert to comply with the Authority's standard guidelines dealing with the performance audit.		
<b>Verification/Tests</b> Auditor provided with a copy of the <i>Authority's</i> standard guidelines dealing with the performance audit.		
<b>Observations</b> The performance audit was carried out in compliance with the <i>Authority's</i> standard guidelines dealing with the performance audit.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 97 (97) Distribution Licence clause 15.4	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee's independent auditor must be approved by the Authority prior to the audit.		
<b>Verification/Tests</b> Examined letter from Authority confirming approval of auditor		
<b>Observations</b> Letter confirms that Authority approved the auditor		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 98 (98) Distribution Licence clause 16	Type NR	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A licensee may be subject to individual performance standards.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> No individual performance standards were imposed during the audit period		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 99 (99) Distribution Licence clause 18	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> Unless otherwise specified, all notices must be in writing and will be regarded as having been sent and received in accordance with defined parameters.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The licensee has not during the audit period issued any notices. However, should it be necessary to issue a notice it would be provided in writing.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 100 (100) Distribution Licence clause 19.1	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee and any related body corporate must maintain accounting records that		

comply with the Australian Accounting Standards Board or equivalent International Accounting Standards.
<b>Verification/Tests</b> Examined Annual Report of licensee
<b>Observations</b> Annual Report states that accounting records comply with the required standards.
<b>Compliance summary</b> Compliant.
<b>Corrective Action/Opportunity for Improvement</b>

Item 101 (101) Distribution Licence clause 20	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> 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 that may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The Licensee has not been under external administration or experienced a significant change in its corporate, financial or technical circumstances during the audit period.		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 102 (102) Distribution Licence clause 21.1	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must provide to the Authority any information that the Authority may require in connection with its functions under the <i>Energy Coordination Act 1994</i> in the time, manner and form specified by the Authority.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined performance report and the annual performance report Examined records to establish when delivery of the reports occurred		
<b>Observations</b> The licensee provided all information requested during the audit period within the required timeframe. This included the annual compliance report.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 103 (103) Distribution Licence clause 22	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined 'performance report'		
<b>Observations</b> Licensee published a 'Performance Report' as per clause 13.15 of the Gas Customer Code on their website.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 104 (104) Distribution Licence Schedule 3 clause 1	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11M</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The licensee has no pipelines as distribution systems are supplied from storage vessels. Therefore this obligation does not apply.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 105 (105) Distribution Licence Schedule 3 clause 2	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> As the licensee holds both the trading and distribution licenses the licensee connects all residential customers requested by the trader.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 224 (223) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 7.5	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A distributor who disconnects a customer's supply address for emergency reasons must provide a 24 hour emergency line and use its best endeavours to restore supply as soon as possible.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> No disconnections for emergency reasons have occurred during the audit period. However, the licensee has a 24 hour emergency line and should a disconnection be required for emergency reasons this line would be utilised. The licensee would also use its best endeavours to minimise the duration of the interruption.		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 225 (224) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 7.6	Type 1	Compliance Rating Not applicable
<i>Energy Coordination Act section 11M</i> A retailer or a distributor must not arrange for disconnection or disconnect a customer's supply address in the circumstances specified.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The licensee does not disconnect customers.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 228 (227) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 8.2	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11M</i> A distributor must reconnect the customer's supply address upon the request of a retailer and subject to the retailer complying with the retail market rules, within the timeframes specified.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> The licensee does not disconnect customers therefore no reconnections occur.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

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Item 240 (239) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.6	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A distributor must give a customer on request, at no charge, or direct the customer to a person or class of persons who can provide the specified information.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> No requests for information were received from customers that required redirection to a third party. However, should such a circumstance occur the licensee would at no charge either provide the specified information or if this was not possible redirect the customer to a person or class of persons who can provide, the specified information.		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 241 (240) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.9	Type NR	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined information provided on the website and to customers		
<b>Observations</b> Information provided to a customer under the Gas Customer Code is in the auditor's opinion expressed in clear, simple, and concise language and is in a format that makes it easy to understand.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 242 (241) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must tell a customer on request how the customer can obtain a copy of the Gas Customer Code.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined website		
<b>Observations</b>		

The information provided was sufficient for me to download a copy from the Licensee's website or the Authority's website and I was also informed that I could obtain a hard copy from the office of the Licensee.
<b>Compliance summary</b> Compliant
<b>Corrective Action/Opportunity for Improvement</b>

Item 243 (242) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(2)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make electronic copies of the Gas Customer Code available, at no charge, on their website.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined website.		
<b>Observations</b> The Gas Customer code is available on the licensee's website.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 244 (243) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(3)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make a copy of the Gas Customer Code available for inspection, at no charge, at their offices.		
<b>Verification/Tests</b> Interviewed Reticulation Manager		
<b>Observations</b> Copies available and requested copy of the Gas Customer Code whilst at the office of the Licensee and was able to view a hard copy. Informed that copies available at other branch offices.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 245 (244) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.11(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must make available to a residential customer on request, at no charge, services that assist the residential customer in interpreting information provided by the retailer or distributor.		

<b>Verification/Tests</b> Interviewed Reticulation Manager Examined customer charter on website.
<b>Observations</b> All written information provided by the licensee contains information that assists the residential customer in interpreting information provided by the distributor. In addition the call centre provides information to the customer to assist them in interpreting information being provided.
<b>Compliance summary</b> Compliant
<b>Corrective Action/Opportunity for Improvement</b>

Item 246 (245) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.11(2)	Type 2	Compliance Rating Not Applicable
<i>Energy Coordination Act section 11M</i> A retailer and, where appropriate a distributor, must include the telephone number for their special information services and for independent multi-lingual services and the National Interpreter Symbol, with the words "Interpreter Services", on the documents specified.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the Customer Service Charter		
<b>Observations</b> The Customer Service Charter is currently the only document that the licensee provides and although it is not included in this obligation the required information is provided in the document.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 247 (250) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.		
<b>Verification/Tests</b> Interviewed Reticulation Manager and Learning and Development Consultant Examined complaints manual and records.		
<b>Observations</b> A Manual has been developed by the licensee on how to deal with complaints and resolve disputes and is available to all employees on the licensee's intranet.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 248 (251) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(2)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must develop, maintain and implement a complaints handling process that meets the specified requirements.		
<b>Verification/Tests</b> Interviewed Reticulation Manager and Learning and Development Consultant. Examined complaints manual and records.		
<b>Observations</b> A Manual has been developed by the licensee on how to deal with complaints and meets the code requirements.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 249 (252) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(3)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer or distributor must at least provide the specified advice to a customer when handling a complaint.		
<b>Verification/Tests</b> Interviewed Reticulation Manager and Learning and Development Consultant. Examined complaints manual and records.		
<b>Observations</b> The Manual provides for all the specified advice required in the Gas Customer Code to be given to a customer who contacts the licensee with a complaint. Licensee's customer service and call centre staff are trained to provide the specified advice and discussions with call centre staff confirmed that correct advice is provided.		
<b>Compliance summary</b> Compliant.		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 251 (254) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.3	Type 2	Compliance Rating Non-Compliant - 1
<i>Energy Coordination Act section 11M</i> 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.		
<b>Verification/Tests</b> Interviewed Reticulation Manager and Learning and Development Consultant.		
<b>Observations</b> No process or information existed during the audit period on how a customer on request, at no charge, gets information that will assist the customer in utilising the respective complaints handling processes.		
<b>Compliance summary</b>		

Significant non compliance
<p><b>Corrective Action/Opportunity for Improvement</b></p> <p>Complaints manual to be amended to include information on how a customer on request, at no charge, gets information that will assist the customer in utilising the respective complaints handling processes and a brochure developed for handing to the customer.</p> <p>Current status</p> <p>As the retailer and distributor are the same entity, following the recent trading audit a brochure has been developed that provides information that will assist the customer in utilising the respective complaints handling processes. The brochure will also be available on the licensee's website.</p>

Item 252 (255) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.4	Type 2	Compliance Rating Not rated
<p><i>Energy Coordination Act section 11M</i></p> <p>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.</p>		
<p><b>Verification/Tests</b></p> <p>Interviewed Reticulation Manager and Learning and Development Consultant Examined complaint manual and policy</p>		
<p><b>Observations</b></p> <p>No complaint received during the audit period that needed to be referred. A process exists for referring a complaint to the appropriate entity and informing the customer of the referral.</p>		
<p><b>Compliance summary</b></p> <p>Not rated</p>		
<p><b>Corrective Action/Opportunity for Improvement</b></p>		

Item 253 (256) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.1	Type 2	Compliance Rating Compliant 5
<p><i>Energy Coordination Act section 11M</i></p> <p>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.</p>		
<p><b>Verification/Tests</b></p> <p>Interviewed Reticulation Manager and Learning and Development Consultant Examined records</p>		
<p><b>Observations</b></p> <p>All relevant information is retained for at least the required period.</p>		
<p><b>Compliance summary</b></p> <p>Complaint</p>		
<p><b>Corrective Action/Opportunity for Improvement</b></p>		

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Item 259 (262) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.8(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of connections provided and connections not provided on or before the agreed date.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the records database		
<b>Observations</b> The licensee records in a database the total number of connections and has provision for recording connections not provided on or before the agreed date as specified in the Act. However, to date no occurrences of this nature have occurred.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 260 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.8(2)	Type 2	Compliance Rating Not applicable
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of reconnections provided other than those specified and the total number of those reconnections not provided within the prescribed timeframe.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the records database		
<b>Observations</b> The licensee does not disconnect customers therefore no reconnections occur.		
<b>Compliance summary</b> Not applicable		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 261 (263) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.10(1)	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the customer complaints received, the action taken to address a complaint and the customer indicators specified.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the complaints database		
<b>Observations</b> No customer complaints were received during the audit period. However, the database has provision for recording the information on customer complaints required under clause 13.10(1) of the Gas Customer Code.		

<b>Compliance summary</b> Not rated
<b>Corrective Action/Opportunity for Improvement</b>

Item 262 (264) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.10(2)	<i>Type 2</i>	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A distributor must keep a copy of each customer complaint referred to in clause 13.10(1).		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the complaints database		
<b>Observations</b> No customer complaints were received during the audit period. However, the database has provision for recording the information on customer complaints required under clause 13.10(2) of the Gas Customer Code.		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 263 (265) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.12	<i>Type 2</i>	Compliance Rating Compliant-5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the call centre performance indicators specified.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the records database		
<b>Observations</b> The database contains a record of the call centre performance indicators specified in clause 13.12 of the Gas Customer Code.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 264 (266) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.14	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of delivery points on the distributor's distribution system.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the records database Examined the Safety Case document		
<b>Observations</b>		

The database and Safety Case document contains information on the total number of delivery points.
<b>Compliance summary</b> Compliant
<b>Corrective Action/Opportunity for Improvement</b>

Item 265 (267) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.15(1)	<i>Type 2</i>	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> 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 on 30 June. The report must be published no later than the following 1 October.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined annual performance report submitted by licensee		
<b>Observations</b> The report was prepared submitted and published in accordance with the required timeframe.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 266 (268) Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.15(3)	<i>Type 2</i>	Compliance Rating Non-Compliant - 2
<i>Energy Coordination Act section 11M</i> A copy of each report must be given to the Minister and the Authority not less than 7 days before it is published.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the accounts paid ledger		
<b>Observations</b> The report was provided to the Authority at least 7 days before publication and the licensee was under the impression that the Authority was responsible for providing a copy to the Minister.		
<b>Compliance summary</b> Non-compliant		
<b>Corrective Action/Opportunity for Improvement</b> Process to be developed by licensee for submitting the report directly to the Minister within the required timeframe. Current Status The required process is now in place.		

Item 246 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 11.1(1)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must produce and publish a Customer Service Charter.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined the Customer Service Charter		
<b>Observations</b> Customer Service Charter has been prepared, published and is available on the licensee's website.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 247 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 11.1(2)	Type 2	Compliance Rating Compliant - 5
<i>Energy Coordination Act section 11M</i> A retailer and distributor must address the specified information in their Customer Service Charters.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined Customer Service Charter		
<b>Observations</b> The Customer Service Charter addresses the specified information required in the Gas Customer Code.		
<b>Compliance summary</b> Compliant		
<b>Corrective Action/Opportunity for Improvement</b>		

Item 248 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 11.2(1)	Type 2	Compliance Rating Not rated
<i>Energy Coordination Act section 11M</i> A retailer and distributor must give a customer on request, at no charge, a copy of the Customer Service Charter.		
<b>Verification/Tests</b> Interviewed Reticulation Manager Examined Customer Service Charter		
<b>Observations</b> No requests received from customers during the audit period for a copy of the customer service Charter. However, if a request was received the licensee would provide a copy to a customer at no charge.		
<b>Compliance summary</b> Not rated		
<b>Corrective Action/Opportunity for Improvement</b>		

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Item 249 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 11.2(2)	<i>Type 2</i>	Compliance Rating Not rated
<p><i>Energy Coordination Act section 11M</i> A retailer and distributor must dispatch a copy of the Customer Service Charter to a customer who requests a copy, within two business days of the request.</p>		
<p><b>Verification/Tests</b> Interviewed Reticulation Manager Examined Customer Service Charter</p>		
<p><b>Observations</b> No requests received from customers during the audit period for a copy of the Customer Service Charter. However if a request was received the licensee would provide a copy within the required time frame.</p>		
<p><b>Compliance summary</b> Not rated</p>		
<p><b>Corrective Action/Opportunity for Improvement</b></p>		

## RISK ASSESSMENTS

### NOVEMBER 2010 MANUAL

November 2009 manual Ref number	September 2009 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Nr	Rating Na
1.	1.	Energy Coordination Act section 11Q(1-2)	Distribution Licence clause 4.1 Trading Licence clause 4.1	2	Moderate	Unlikely	Medium	Moderate	4		√					
6.	6.	Energy Coordination Act section 11X(3)	Trading Licence clause 5.1, Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5					√		
7.	7.	Energy Coordination Act section 11Y(1)(a)	Distribution Licence clause 14.1	NR	Minor	Unlikely	Low	Moderate	5					√		
8.	8.	Energy Coordination Act section 11Y(1)(b)	Distribution Licence clause 14.1 and 14.2	2	Moderate	Unlikely	Medium	Moderate	4					√		

9.	9.	Energy Coordination Act section 11Y(1)(c)	Distribution Licence clause 14.3	NR	Minor	Unlikely	Low	Moderate	5						√	
10.	10.	Energy Coordination Act section 11ZA(1)	Distribution Licence clause 15.1 Trading Licence clause 16.1	2	Moderate	Unlikely	Medium	Moderate	4						√	
17.	17.	Energy Coordination Act section 11ZK(3)	Trading Licence clause 5.1, Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5						√	
18.	18.	Energy Coordination Act section 11ZOR(1)	Distribution Licence clause 17.1	2	Moderate	Unlikely	Medium	Moderate	4							√
20.		Energy Coordination Act section 11ZOV(1)	Distribution Licence clause 5.1 Trading Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4							√
21.		Energy Coordination Act section 11ZOV(2)	Distribution Licence clause 5.1 Trading Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4							√
22.		Energy Coordination Act section 11ZOZ(3)	Distribution Licence clause 5.1 Trading Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4							√

23.	23.	Energy Coordination Act schedule 3, section 2(1)	Distribution Licence clause 5.1	2	Moderate	Unlikely	Medium	Moderate	4							√	
24.	24.	Energy Coordination Act section 11ZQH	Distribution Licence clause 17, Trading Licence clause 18.1	2	Moderate	Unlikely	Medium	Moderate	4					√			
25.	25.	Energy Coordination Act section 11Z	Trading Licence clause 5.1, Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√			
26.	26.	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 8(1)	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√			
27.	27.	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 9(1)	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√			
28.	28.	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)	Distribution Licence clause 5.1	1	Major	Unlikely	High	Strong	2					√			
87.	87.	Energy Coordination (Customer Contract) Reg 28, clause 3.1.2 AGA Code	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5								√

88.	88.	Energy Coordination Act section 11M, Energy Coordination (Customer Contract) Reg 28, clause 3.1.3.1 AGA Code	Distribution Licence clause 5.1, Distribution Licence Schedule 3 clause 2	NR	Minor	Unlikely	Low	Moderate	5						√	
89.	89.	Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.1 AGA Code	Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5						√	
90.	90.	Energy Coordination (Customer Contract) Reg 33 (3), clause 3.5.2.2 AGA Code	Trading Licence clause 5.1, Distribution Licence clause 5.1	NR	Minor	Unlikely	Low	Moderate	5						√	
92.	92.	Energy Coordination Act section 11M	Distribution Licence clause 12	1	Major	Unlikely	High	Strong	2						√	
93.	93.	Energy Coordination Act section 11M	Distribution Licence clause 13	2	Moderate	Unlikely	Medium	Moderate	4						√	
94.	94.	Energy Coordination Act section 11M	Distribution Licence clause 14.4	2	Moderate	Unlikely	Medium	Moderate	4						√	
95.	95.	Energy Coordination Act section 11M	Distribution Licence clause 14.6	2	Moderate	Unlikely	Medium	Moderate	4						√	

96.	96.	Energy Coordination Act section 11M	Distribution Licence clause 15.2 Trading Licence clause 16.2	1	Major	Unlikely	High	Strong	2						√		
97.	97.	Energy Coordination Act section 11M	Distribution Licence clause 15.4 Trading Licence clause 16.4	2	Moderate	Unlikely	Medium	Moderate	4						√		
98.	98.	Energy Coordination Act section 11M	Distribution Licence clause 16 Trading Licence clause 17	2	Moderate	Unlikely	Medium	Moderate	4							√	
99.	99.	Energy Coordination Act section 11M	Distribution Licence clause 18, Trading Licence clause 20	NR	Minor	Unlikely	Low	Moderate	5						√		
100.	100.	Energy Coordination Act section 11M	Distribution Licence clause 19.1, Trading Licence clause 21.1	2	Moderate	Unlikely	Medium	Moderate	4						√		
101.	101.	Energy Coordination Act section 11M	Distribution Licence clause 20, Trading Licence clause 22.1	2	Moderate	Unlikely	Medium	Moderate	4							√	
102.	102.	Energy Coordination Act section 11M	Distribution Licence clause 21.1, Trading Licence clause 23.1	2	Moderate	Unlikely	Medium	Moderate	4						√		

103.	103.	Energy Coordination Act section 11M	Distribution Licence clause 22, Trading Licence clause 24	2	Moderate	Unlikely	Medium	Moderate	4		√					
104.	104.	Energy Coordination Act section 11M	Distribution Licence Schedule 3 clause 1	2	Moderate	Unlikely	Medium	Moderate	4							√
105.	105.	Energy Coordination Act section 11M	Distribution Licence Schedule 3 clause 2	2	Moderate	Unlikely	Medium	Moderate	4					√		
224.	223.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 7.5	2	Moderate	Unlikely	Medium	Moderate	4						√	
225.	224.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 7.6	1	Major	Unlikely	High	Strong	2							√
228.	227.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 8.2	2	Moderate	Unlikely	Medium	Moderate	4							√

240.	239.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.6	2	Moderate	Unlikely	Medium	Moderate	4							√	
241.	240.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.9	2	Moderate	Unlikely	Medium	Moderate	4					√			
242.	241.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(1)	2	Moderate	Unlikely	Medium	Moderate	4					√			
243.	242.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(2)	2	Moderate	Unlikely	Medium	Moderate	4					√			
244.	243.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.10(3)	2	Moderate	Unlikely	Medium	Moderate	4					√			

<b>245.</b>	<b>244.</b>	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.11(1)	2	Moderate	Unlikely	Medium	Moderate	4						√		
<b>246.</b>	<b>245.</b>	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 10.11(2)	2	Moderate	Unlikely	Medium	Moderate	4						√		
<b>247.</b>	<b>250.</b>	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(1)	2	Moderate	Unlikely	Medium	Moderate	4						√		
<b>248.</b>	<b>251.</b>	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(2)	2	Moderate	Unlikely	Medium	Moderate	4						√		

249.	252.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.1(3)	2	Moderate	Unlikely	Medium	Moderate	4						√		
251.	254.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.3	2	Moderate	Unlikely	Medium	Moderate	4	√							
252.	255.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 12.4	2	Moderate	Unlikely	Medium	Moderate	4							√	
253.	256.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.1	2	Moderate	Unlikely	Medium	Moderate	4						√		
259.	262.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.8(1)	2	Moderate	Unlikely	Medium	Moderate	4						√		

260.		Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.8(2)	2	Moderate	Unlikely	Medium	Moderate	4								√
261.	263.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.10(1)	2	Moderate	Unlikely	Medium	Moderate	4								√
262.	264.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.10(2)	2	Moderate	Unlikely	Medium	Moderate	4								√
263.	265.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.12	2	Moderate	Unlikely	Medium	Moderate	4								√
264.	266.	Energy Coordination Act section 11M	Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.14	2	Moderate	Unlikely	Medium	Moderate	4								√
265.	267.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.15(1)	2	Moderate	Unlikely	Medium	Moderate	4								√

266.	268.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 13.15(3)	2	Moderate	Unlikely	Medium	Moderate	4		√					
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**SEPTEMBER 2009 MANUAL**

September 2009 Manual Ref number	Obligations under	Licence conditions	Type	Consequences	Likelihood	Inherent Risk	Adequacy of Existing Controls	Review Priority	Rating 1	Rating 2	Rating3	Rating 4	Rating 5	Rating Nr	Rating Na
246.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 11.1(1)	2	Moderate	Unlikely	Medium	Moderate	4					√		
247.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 11.1(2)	2	Moderate	Unlikely	Medium	Moderate	4					√		
248.	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code	2	Moderate	Unlikely	Medium	Moderate	4						√	

		clause 11.2(1)																
<b>249.</b>	Energy Coordination Act section 11M	Trading Licence clause 2.1 and Schedule 2 Distribution Licence clause 2.1 and Schedule 2 Gas Customer Code clause 1.2(2)	2	Moderate	Unlikely	Medium	Moderate	4										√

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## **SECTION 2: ASSET MANAGEMENT SYSTEM REVIEW**

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### **ASSET MANAGEMENT SYSTEM REVIEW**

Section 11Y of the Act requires Wesfarmers Kleenheat Gas Pty Ltd (Kleenheat Gas) to provide to the Authority a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system in respect of the licensee's assets (review).

The review is to be conducted in accordance with the prevailing *Economic Regulation Authority (Authority)* documents 'Audit Guidelines: Electricity Gas and Water Licences' (Guidelines).

The guidelines require the review include an assessment of the adequacy and effectiveness of the licensee's asset management system by evaluating the following 12 key processes:

- Asset planning,
- Asset creation/acquisition,
- Asset disposal,
- Environmental analysis,
- Asset operations,
- Asset maintenance,
- Asset management information system,
- Risk management,
- Contingency planning,
- Financial planning,
- Capital expenditure planning,
- Review of the asset management system.

The asset management system review will assess the measures taken by the licensee for the proper management of assets used in the provision and operation of services and, where appropriate, the construction or alteration of relevant assets.

The asset management system review will focus on the asset management system, including asset management plans, which set out the measures that are to be taken by the licensee for the proper operation and maintenance of assets. The plans will be examined to determine if the licensee's business strategies ensure the effective management of its assets over at least a five year period.

The scope of the asset management system review will include an assessment of the adequacy and effectiveness of the asset management system by evaluating the 12 key processes listed above.

### **ASSET MANAGEMENT EFFECTIVENESS SUMMARY**

Utilising the process and policy definition adequacy ratings and the performance ratings provided in the following tables an assessment has been made of the effectiveness of licensee's asset management system.

**ASSET MANAGEMENT PROCESS AND POLICY DEFINITION  
ADEQUACY RATINGS TABLE**

<b>Rating</b>	<b>Description</b>	<b>Criteria</b>
A	Adequately defined	Processes and policies are documented.
B	Requires some improvement	Processes and policies do not document the required performance of the assets.
C	Requires significant improvement	Processes and policies are significantly out of date.
D	Inadequate	The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).

**ASSET MANAGEMENT PERFORMANCE RATINGS TABLE**

<b>Rating</b>	<b>Description</b>	<b>Criteria</b>
1	Performing effectively	The performance of the process meets or exceeds the required levels of performance. Process effectiveness is regularly assessed and corrective action taken where necessary.
2	Opportunity for improvement	The performance of the process requires some improvement to meet the required level. Process effectiveness reviews are not performed regularly enough. Process improvement opportunities are not

		actioned.
3	Corrective action required	The performance of the process requires significant improvement to meet the required level. Process effectiveness reviews are performed irregularly, or not at all. Process improvement opportunities are not actioned.
4	Serious action required	Process is not performed, or the performance is so poor that the process is considered to be ineffective.

### ASSET MANAGEMENT SYSTEM EFFECTIVENESS SUMMARY

ASSET MANAGEMENT SYSTEM	Asset management process and policy definition adequacy rating	Asset management performance rating
asset planning	B	3
asset creation/acquisition	B	2
asset disposal	B	3
environmental analysis	A	2
asset operations	A	1
asset maintenance	B	2
asset management information system	A	1
risk management	A	2
contingency planning	A	1
financial planning	D	4
capital expenditure planning	D	3
review of the asset management system	A	1

### SUMMARY OF SIGNIFICANT RESULTS

The review found that the licensee's asset management system differed quite considerably from the system described in the guidelines. The distribution systems are fairly static and expansion will only be considered if a developer releases additional land and wants reticulated LPG and requests the licensee to expand the system. The licensee does not actively seek to grow the business.

The systems are constructed to a high standard using the latest materials and installation methods and the design provides considerable spare capacity. The system is then operated in a prudent manner to maximise the return on investment throughout its predicted life. This approach enables the licensee to minimise any future capital, replacement and maintenance costs.

For the system to conform with the guidelines the licensee would need to undertake numerous modifications/additions to the system particularly in the areas of financial planning and capital expenditure.

The need to develop and implement a Safety Case has resulted in the licensee documenting how the distribution systems will be managed to ensure their continued reliable and safe operation. The licensee proposes to integrate the content of the Safety Case into the asset management system to improve its effectiveness.

## **ITEMS FROM PREVIOUS ASSET MANAGEMENT SYSTEM REVIEW REQUIRING ATTENTION**

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### **1. Asset planning**

**Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).**

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#### **Recommendation**

**That the licensee enhances the Asset Management Plan (AMP) by including an endorsement by senior management, firm service levels are set and monitored, set out the scope of the plan, a description of the assets covered, the business models and risk processes and to include testing of emergency plans. A review process for the asset management system is required.**

#### **Observations**

The licensee has enhanced the Asset Management Plan by including a section for each of the 12 key processes that form the asset management life-cycle. The asset management plan now contains a number of key operating measures which have set targets and a reporting frequency. Provision has also been included for the plan to be endorsed by Senior Management. A draft emergency plan has been developed but is yet to be tested and a process has been put in place for the asset management plan to be reviewed every 12 months.

In parallel with the asset management plan the licensee has developed and is in the process of implementing a Safety Case covering its LPG distribution systems as required under the *Gas Standards (Gas Supply and System Safety) Regulations 2000*. The safety case includes a formal safety assessment of all the risks associated with the distribution systems and it is expected the risks identified in the Safety Case will be incorporated into the Asset Management System

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### **Current status**

**The Asset management Plan has been enhanced and will be further enhanced when the relevant sections of the Safety Case are included. The plan has still to be endorsed by senior management together with testing of the emergency plans and this should be undertaken as soon as possible.**

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## **5. Asset operations**

**Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.**

### **Recommendation**

**Remote monitoring should be commissioned at Hopetoun when gas is supplied.**

**Regular, planned and scheduled monitoring of pressures and flows at strategic points in all systems should take place each peak load season. While this may have taken place there is no documentation to provide good controls.**

**Further research has taken place but the industry standard detects hydro carbons but not specifically those heavier than air. As this system is not very effective for LPG this should be continually monitored for technology improvements and in the mean time close monitoring of unaccounted for gas should be pursued.**

**Regular and scheduled exercises of the emergency plans should take place and consequent updates are actioned and documented.**

### **Observations**

The understanding of the auditor is that Hopetoun is no longer included in the licence and therefore has not been included in the review.

The three distribution networks covered by the licence are small simple networks that have considerable spare capacity and as such no issues from load growth are expected for several years. The systems have been set at an operating pressure that provides for minimal pressure drop across each system. As the systems have considerable spare capacity no monitoring of pressures and flows has taken place during the audit period as the licensee has considered it unnecessary. However it is a requirement under the Safety case that this occurs each year during the peak load season.

The licensee is aware of the obligation to undertake a leakage survey of each distribution system every 5 years and although a survey is yet to be undertaken it is in the planning stage. The survey although obligatory is not expected to find any significant leakage because of the material from which the distribution system is constructed (polyethylene with electro-fused joints) and the age of the systems.

During the audit period the licensee has considered the cause of UAFG and concluded

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that metering error is responsible because gas leakage from the systems is considered to be minimal.

Emergency plans for each distribution system have been developed but have yet to be tested.

#### **Current status**

The understanding of the auditor is that Hopetoun is no longer included in the licence and therefore the remote monitoring has not been actioned. Monitoring of pressures and flows has still to commence and will commence during the winter period in 2012.

Unaccounted for gas is being examined by the licensee and is now thought to be associated with metering errors. However, the licensee is planning to undertake a leak survey of the reticulated systems as the legislation requires a survey be carried out every 5 years.

Testing of the emergency plans has still to commence and the licensee is aware of the need to test the plans as soon as practical.

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#### **6. Asset maintenance**

Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.

#### **Recommendation**

The maintenance procedures manual has scheduled reviews and consequent upgrades. The maintenance manual is to ensure that comprehensive refurbishment of bulk containers takes place routinely.

Implement maintenance procedures required by *EnergySafety* – which requires procedures to cover the activities regularly performed on the network. For maintenance, these include leak survey, leak classification and repair and meter / regulator servicing and replacement.

#### **Observations**

Maintenance of the storage vessels is undertaken nationally by the Maintenance Services Group located in Melbourne and therefore falls outside of the Western Australian asset maintenance plan. The work is programmed to ensure compliance with regulatory requirements and details on the maintenance are contained in the facilities Maintenance Manual for the Maintenance of Kleenheat sites. An oracle database forms the basis of the system and ensures the maintenance is undertaken as required by the legislation in each State.

The maintenance procedures required by *EnergySafety* have been written and endorsed as being satisfactory by *EnergySafety*. The Safety Case also requires that appropriate

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work procedures and practices are implemented and personnel are provided with adequate training to ensure they are competent to undertake the work safely and risks and hazards are eliminated or minimised.

#### **Current status**

**Maintenance of the storage vessels is carried out in accordance with the maintenance plan to ensure compliance with legislation.**

**The licensee has developed and implemented the maintenance procedures required by Energy Safety and personnel have been trained in their use.**

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### **8. Risk management**

**Risk management involves the identification of risks and their management within an acceptable level of risk.**

#### **Recommendation**

**Develop risk registers to cover specific assets.**

#### **Observations**

The safety case has through a formal process identified all the risks associated with the distribution system and identified the processes to be used to either eliminate the risks or reduce them to an acceptable level.

The risks identified in the safety case will form the basis of the risk registers.

#### **Current status**

**All risks have been assessed as part of the Safety Case and are now included in the risk register.**

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### **9. Contingency planning**

**Contingency plans document the steps to deal with the unexpected failure of an asset.**

#### **Recommendation**

**A contingency planning process is implemented and specific contingencies documented.**

#### **Observations**

A contingency planning process has been included in the asset management system. The process identifies the major failure modes and the action that will be taken to

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manage each type of failure:

- Storage facilities;
- Distribution system pipe-work;
- Regulator failure; and
- Supply interruption.

#### **Current status**

**A contingency planning process has been implemented and adequate documentation now exists to support this activity.**

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### **11. Capital expenditure planning**

**The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.**

**Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would usually be based on firm estimates.**

#### **Recommendation**

**A capital expenditure plan should be developed, even if the amounts are relatively small and the planning horizon is short.**

#### **Observations**

A capital expenditure plan has not been developed as the licensee considers each capital project associated with the distribution systems on merit and if the financial hurdles are satisfied, funds are allocated from the company's national capital budget. Any capital project associated with the distribution system would be instigated by a developer and not the licensee it is therefore difficult for the licensee to plan such expenditure in advance.

The only capital expenditure included in the licensee's overall capital budget is a figure of \$24,000 for each of the reticulation systems at Oyster Harbour and Margaret River to cover the cost of connecting new customers to the existing systems.

#### **Current status**

**Although capital is allocated for the connection of new customers to the existing systems a capital expenditure plan is not developed and it is questionable if such a plan is required give the size of the systems and the way capital expenditure is funded. This aspect of the asset management system may require further**

discussion with the Authority.

## 12. Review of AMS

The asset management system is regularly reviewed and updated.

### Recommendation

The licensee should put in place a scheduled review of the AMS. In particular the appropriateness of the AMS should be assessed, consistent with the action under asset planning.

### Observations

The licensee has put in place a process to undertake an annual review of the asset management system. The review is prompted via a database.

### Current status

The licensee has put in place a process to review the asset management system every 12 months and the next review is due in October 2011.

## CORRECTIVE ACTIONS REQUIRED

### Issues still outstanding from the previous review

#### 1. Asset planning

Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).

#### Recommendation

The Asset Management Plan to be enhanced through the inclusion of the relevant sections of the Safety Case. The plan has still to be endorsed by senior management together with testing of the emergency plans and this should be undertaken as soon as possible.

#### 5. Asset operations

Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.

#### Recommendation

Monitoring of pressures and flows to commence during the winter period in 2012.

Unaccounted for gas associated with metering errors to be examined to enable it to be quantified and strategies developed to ensure it is maintained at a realistic level. A leak

survey of the reticulated systems to be carried out every 5 years.

Testing of the emergency plans to be undertaken as soon as practical.

**11. Capital expenditure planning**

The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.

**Recommendation**

The need for a capital expenditure plan to be discussed with the Authority.

**Corrective actions required as a consequence of the current review**

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
<b>1.0 Asset planning</b>	<b>B</b>	<b>3</b>
<p>Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).</p>		
<p><b>Recommendations</b>            A decision needs to be taken on the future status of Leinster and whether it should still be a requirement of the licence.            The licensee needs to hold discussions with the Authority to determine what is required to be addressed in the asset management system, to satisfy the Authority's requirements because of the unique nature of the systems and their relative importance to the licensee's overall business.</p>		

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
<b>4.0 Environmental analysis</b>	<b>A</b>	<b>2</b>
<p>Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.</p>		
<p><b>Recommendations</b>            The threats evaluated in the Safety Case be integrated into the Asset Management System.</p>		

<b>Asset management</b>	<b>Asset management</b>	<b>Asset management</b>
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<b>System Element</b>	<b>process and policy definition adequacy rating</b>	<b>performance rating</b>
	<b>B</b>	<b>3</b>
<b>3.0 Asset disposal</b>		
Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives are evaluated in cost-benefit terms.		
<b>Recommendations</b>		
The replacement strategy to be documented and to clearly identify the assets to be replaced, the alternatives considered and the frequency of replacement.		

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
	<b>B</b>	<b>2</b>
<b>6.0 Asset maintenance</b>		
Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.		
<b>Recommendations</b>		
The Licensee to include the maintenance activities contained in the Safety Case that need to be carried out that are not already contained in the Asset Management System.		

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
	<b>A</b>	<b>2</b>
<b>8.0 Risk management</b>		
Risk management involves <b>the identification of risks and their management within an acceptable level of risk.</b>		
<b>Recommendations</b>		
The Formal Safety Assessment contained in the Safety Case to be integrated into the Asset Management System.		

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
	<b>D</b>	<b>4</b>
<b>10.0 Financial planning</b>		
The financial planning component of the asset management plan brings together the financial elements of the service delivery to ensure its financial viability over the long term.		
<b>Recommendations</b>		
The licensee to develop a financial plan that covers the following requirements:		

- The financial objectives and strategies and actions to achieve the objectives
- Firm predictions on income for the next five years and reasonable indicative predictions beyond this period;
- The operations and maintenance, administration and capital expenditure requirements of the services; and
- Identifies significant variances in actual/budget income and expenses and the corrective action to be taken.

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
	<b>C</b>	<b>4</b>
<b>11.0 Capital expenditure planning</b>		
<p>The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.</p> <p>Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would usually be based on firm estimates.</p>		
<b>Recommendations</b>		
The licensee develop a capital expenditure plan that sets out the process the licensee follows when seeking capital expenditure and how the funding is made available.		

## **ASSET MANAGEMENT SYSTEM REVIEW DETAILS**

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
<b>1.0 Asset Planning</b>	<b>B</b>	<b>3</b>
Asset planning strategies are focused on meeting customer needs in the most effective and efficient manner (delivering the right service at the right price).		
<b>Evidence</b>		
Examined		
<ul style="list-style-type: none"> <li>• Asset Management Plan,</li> <li>• Safety Case,</li> <li>• Facilities Maintenance Manual,</li> <li>• Various databases,</li> <li>• Contingency Plan,</li> <li>• Draft Emergency Plan,</li> <li>• Reports on LPG quality analysis</li> <li>• Records and plans of distribution systems</li> </ul>		

- Emergency information package provided at each storage site
- Interviewed:
- Reticulation Manager
- Maintenance Services Manager
- Active Plumbing (contractor at Albany) and
- Enviroflow (contractor at Margaret River)

## **Observations**

### **General**

*The asset management system covers the 3 distribution systems owned and operated by the licensee in Western Australia. The reticulation business forms a very small part of the national LPG business of the licensee. As such the asset management system reflects the size of this part of the business, the capital investment and the simplistic nature of the network. The licensee has designed and constructed the systems to minimise the amount of maintenance required to the assets and for the assets to be maintenance free and have as long a life-cycle as possible before requiring replacement.*

*Each of the distribution systems is self contained comprising a compound with a number of storage vessels that store the LPG as a liquid. Each compound is equipped with a liquid measuring gauge that can be accessed via a phone link to enable deliveries of LPG to be scheduled and ensure the storage vessels do not run out of product. The liquid boils off in the top of the storage vessel as the vessels are only filled to a maximum of 85% and turns into a vapour. As the vapourised gas leaves the storage vessels the pressure is regulated to either 35 or 70 kPa before entering the distribution system. The pressure regulator incorporates over pressure protection to ensure the distribution system pressure is maintained at both a safe and adequate level. An isolation valve is provided in the compound to enable the supply to be shut off if a major break or incident was to occur in the distribution system.*

*With the exception of Leinster (which is predominately constructed from un-plasticised polyvinyl chloride UPVC) the other distribution systems are constructed from medium density polyethylene pipe. A decision needs to be made by the licensee on whether an exemption should be obtained for Leinster because it is no longer a reticulation system under the legislation because the method of operation has changed.*

*The piping is located in the road reserve on an alignment and to a depth that complies with the Public Utility Providers Manual. Tracer wire and warning tape is installed with the piping to act as a warning and to enable the pipe to be easily located.*

*Customers are supplied from the system via a gas service pipe that terminates in a meter box located on the wall of the property. The meter box houses a service valve, pressure regulator (reduces the pressure to 2.75kPa) and a meter where the gas is measured for billing purposes. The attached photographs show details of the key components.*

### **Planning process and objectives reflect the needs of all stakeholders and are integrated with business planning**

*The responsibility for strategic review of reticulated networks resides with the Sales Manager and business representative of the relevant geographical area. The operating performance of the network and the maintenance activities are the responsibility of the Reticulation Manager.*

*On a monthly basis the Sales Manager / business representative review financial reports to determine if the asset (the reticulated network/site) is being operated in a financially efficient manner. The review can include assessing revenue, profitability and operational expenditure indicators. Any indication that the above measures are outside of accepted ranges will result in the Sales Manager initiating a review of business drivers. Responsibility for the operation and maintenance of the asset resides with the Reticulation Manager.*

**Service levels are defined**

*Key operating parameters for each system have been established and they are monitored by the Reticulation Manager.*

*Management and review of service delivery is the responsibility of the Sales Manager and Customer Service Manager. The Customer Service Manager sets annual targets and reviews progress on a monthly basis.*

**Non-asset options (eg demand management) are considered**

*As the systems are simplistic in nature and operation, the driver is to operate the system to maximise use and to ensure continuity of supply and as such non-asset options are not considered appropriate for this type of operation.*

**Lifecycle costs of owning and operating assets are assessed**

*Currently lifecycle costs are not assessed but it is planned to put a process in place.*

**Funding options are evaluated**

*Funding options are evaluated as required and all capital projects are evaluated on merit and must meet the licensee's rate of return.*

**Costs are justified and cost drivers identified**

*Cost drivers are identified and regularly monitored and assessed to determine if the reticulation system is being operated in a financially efficient manner and providing the required return. Any indication that the reticulation system is outside the accepted financial range results in a review of the business drivers.*

**Likelihood and consequences of asset failure are predicted**

*The Safety Case assesses the likelihood and consequence of asset failure and how such a situation will be managed.*

**Plans are regularly reviewed and updated**

*A process is in place to regularly review and update plans of the reticulation systems and storage facilities. Each storage site has plans stored onsite.*

**Recommendations**

*A decision needs to be taken on the future status of Leinster and whether it should still be a requirement of the licence.*

*The licensee needs to hold discussions with the Authority to determine what is required to be addressed in the asset management system, to satisfy the Authority's requirements because of the unique nature of the systems and their relative importance to the licensee's overall business.*

<b>Asset management System Element</b>  <b>2.0 Asset creation/ acquisition</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>B</b>	<b>Asset management performance rating</b>  <b>2</b>
<p>Asset creation/acquisition means the provision or improvement of an asset where the outlay can be expected to provide benefits beyond the year of outlay.</p>		
<p><b>Evidence</b> Examined</p> <ul style="list-style-type: none"> <li>• Asset Management Plan,</li> <li>• Various databases,</li> <li>• Interviewed:</li> <li>• Reticulation Manager</li> </ul>		
<p><b>Observations</b> <b>General</b></p> <p><i>The licensee has an asset management system that reflects the size and complexity of the reticulation systems. Asset creation/acquisition would be on a case by case basis and subject to financial evaluation. Currently the licensee has no plans to create or acquire any assets for the reticulation systems.</i></p> <p><b>Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions</b></p> <p><i>The Licensee undertakes via a detailed business case a full project evaluation for all new assets and as part of the evaluation the alternative of supplying the LPG in bottles is assessed.</i></p> <p><b>Evaluations include all life-cycle costs</b></p> <p><i>Life-cycle costs are included in the business case and allow for a long asset life for the reticulation system with a shorter life for the storage vessels and consumer meters. The assumption for the reticulation system is once it is constructed it will operate virtually trouble free for a considerable number of years and as such will require minimal expenditure on maintenance.</i></p> <p><b>Projects reflect sound engineering and business decisions</b></p> <p><i>All projects reflect sound engineering and business decisions. The licensee designs the reticulation system for natural gas which results in considerable spare capacity to allow for load growth and the material used to construct the system is evaluated for ease of installation and trouble free operation. Business decisions include evaluating the rate of return to ensure that the licensee's hurdle rates are achieved. Currently the rate of return is 20% over 20 years.</i></p> <p><b>Commissioning tests are documented and completed</b></p> <p><i>Commissioning tests are immediately documented on completion as the documentation is a record that the asset was tested for correct and safe operation before being placed in service.</i></p>		

**Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood**

Legal/environmental/safety obligations of the asset owner are taken very seriously by the licensee and responsibility for ensuring compliance is assigned to relevant personnel and detailed in policy documents and procedures. Audits are usually out sourced to a relevant expert to ensure a detailed examination is undertaken.

**Recommendations**

None

Asset management System Element  3.0 Asset disposal	Asset management process and policy definition adequacy rating  B	Asset management performance rating  3
-----------------------------------------------------------	-------------------------------------------------------------------------	----------------------------------------------

Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives are evaluated in cost-benefit terms.

**Evidence**

Examined

- Asset Management Plan,
- Safety Case,
- Facilities Maintenance Manual,
- Various databases,
- Records and plans of distribution systems
- Interviewed:
- Reticulation Manager
- Maintenance Services Manager

**Observations**

**General**

The reticulation systems have not been the subject of asset disposal because of their relatively young age. Once the system is constructed the only asset that could be considered for relocation rather than disposal would be a storage vessel. If the quantity of gas required was less than could be delivered from the storage vessels, relocation of a storage vessel would be considered.

The asset management plan contains a section that sets out the actions to be taken if the system is underperforming with the ultimate solution being a change to bottled gas.

**Under-utilised and under-performing assets are identified as part of a regular systematic review process**

The reticulation systems are regularly reviewed to ensure they are performing to the required financial level by the monitoring of the volume of LPG supplied. Should the review indicate, an asset is under-utilised and/or under-performing action is taken to rectify the situation. An example would be surplus storage capacity and could result in a storage vessel being relocated. No action could be taken with the majority of the distribution system as it is not feasible to remove them, but under-utilised and/or under-performing assets of this type could have an impact on future extensions and connection

*of additional customers. If the asset continued to underperform the shutting down of the system and the provision of bottled gas would be considered.*

***The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken***

*As stated above if an asset is under-utilised and/or under-performing action is taken to rectify the situation. As the systems are still relatively new disposal would not be considered.*

***Disposal alternatives are evaluated***

*As the systems are still relatively new, disposal would not be considered.*

***There is a replacement strategy for assets***

*A replacement strategy exists for assets that require replacement such as storage vessels, pressure regulators and gas meters but is only partly documented and any replacement would be subject to adequate funding being available.*

***Recommendations***

*The replacement strategy to be documented and to clearly identify the assets to be replaced the alternatives considered and the frequency of replacement.*

<b>Asset management System Element</b>  <b>4.0 Environmental analysis</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>A</b>	<b>Asset management performance rating</b>  <b>2</b>
---------------------------------------------------------------------------------	---------------------------------------------------------------------------------------	------------------------------------------------------------

Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.

**Evidence**

Examined

- Asset Management Plan,
- Safety Case,
- Facilities Maintenance Manual,
- Various databases,
- Contingency Plan,
- Draft Emergency Plan,
- Records and plans of distribution systems
- Emergency information package provided at each storage site
- Interviewed:
- Reticulation Manager
- Maintenance Services Manager
- Active Plumbing (contractor at Albany) and
- Enviroflow (contractor at Margaret River)

**Observations**

**General**

**The licensee examines the asset environment to the extent required by the governing legislation.**

*The principal threat to the business is competition from other energy sources therefore the licensee needs to keep costs to a minimum to continue to offer the LPG at a competitive price.*

*The other major advantage of reticulated LPG over bottles is continuity of supply and the licensee ensures that the supply of LPG to the storage vessels is maintained and to constantly monitors vessel content via telemetry.*

**Opportunities and threats in the system environment are assessed**

*The Safety Case details the threats and how they are to be managed. To date the licensee has not considered opportunities in the system environment.*

**Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved**

*Performance standards have been established and are measured on a regular basis to determine if they meet or exceed the set levels.*

**Compliance with statutory and regulatory requirements**

*The licensee is aware of its statutory and regulatory requirements and has put considerable effort over recent months in ensuring compliance with these requirements through the introduction of policies and processes and training of personnel.*

**Achievement of customer service levels**

*As the product being provided is one of choice the licensee is constantly aware of the need to achieve the required customer service levels which are the provision of a continuous supply of good quality product at a competitive cost.*

**Recommendations**

*The threats evaluated in the Safety Case be integrated into the Asset management System.*

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
<b>5.0 Asset operations</b>	<b>A</b>	<b>1</b>
Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.		
<b>Evidence</b> Examined <ul style="list-style-type: none"><li>• Asset Management Plan,</li><li>• Safety Case,</li><li>• Facilities Maintenance Manual,</li><li>• Various databases,</li><li>• Contingency Plan,</li></ul>		

- Draft Emergency Plan,
- Reports on LPG quality analysis
- Records and plans of distribution systems
- Emergency information package provided at each storage site
- Interviewed:
- Reticulation Manager
- Maintenance Services Manager
- Active Plumbing (contractor at Albany) and
- Enviroflow (contractor at Margaret River)

**Observations**

***Operational policies and procedures are documented and linked to service levels required***

*The licensee now has documented policies and procedures covering the construction and operation of the distribution systems. These are linked to the service levels and KPI's developed by the licensee and the licensee assesses performance for compliance with the KPI's on a regular basis.*

***Risk management is applied to prioritise operations tasks***

*The Safety Case through the Formal Safety Assessment has identified all the risks associated with operating the distribution system and how they should be managed. As the systems are built and operating, prioritisation of risks is not required as they have been identified and are managed on a daily basis.*

***Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data***

*The licensee has an Asset Register that contains all the required information.*

***Operational costs are measured and monitored***

*Operational costs that relate to product supply, equipment, staffing contractors and consultants and materials are measured and monitored to ensure they are correct and within estimates.*

***Staff receive training commensurate with their responsibilities***

*All operational work on the distribution system is undertaken by contractors and each contractor has been trained so as to be competent in the work undertaken. The licensee's staff are trained on a continuous basis to ensure they develop their skills and competencies.*

**Recommendations**

None

<b>Asset management System Element</b>	<b>Asset management process and policy</b>	<b>Asset management performance rating</b>
--------------------------------------------	------------------------------------------------	------------------------------------------------

<b>6.0 Asset maintenance</b>	<b>definition adequacy rating</b> <b>B</b>	<b>2</b>
Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.		
<p><b>Evidence</b></p> <p>Examined</p> <ul style="list-style-type: none"> <li>• Asset Management Plan,</li> <li>• Safety Case,</li> <li>• Facilities Maintenance Manual,</li> <li>• Various databases,</li> <li>• Contingency Plan,</li> <li>• Draft Emergency Plan,</li> <li>• Reports on LPG quality analysis</li> <li>• Records and plans of distribution systems</li> <li>• Emergency information package provided at each storage site</li> <li>• Interviewed:</li> <li>• Reticulation Manager</li> <li>• Maintenance Services Manager</li> <li>• Active Plumbing (contractor at Albany) and</li> <li>• Enviroflow (contractor at Margaret River)</li> </ul>		
<p><b>Observations</b></p> <p><i>General</i></p> <p><i>The licensee has documented all the maintenance functions associated with the reticulation systems. EnergySafety issued an Inspectors Order on the licensee requiring the procedures and work practices to be improved the licensee complied and EnergySafety is satisfied with the results. A number of these activities which relate to storage vessels are undertaken on a national basis by a central maintenance group located in Melbourne.</i></p> <p><i>The remaining maintenance which tends to be limited to activities that are required to maintain compliance with EnergySafety's requirements are carried out by local contractors that reside within the reticulated areas.</i></p> <p><b>Maintenance policies and procedures are documented and linked to service levels required</b></p> <p><i>The licensee now has documented policies and procedures covering the maintenance of the distribution systems. These are linked to the service levels and KPI's developed by the licensee and the licensee assesses performance for compliance with the KPI's on a regular basis.</i></p> <p><b>Regular inspections are undertaken of asset performance and condition</b></p> <p><i>Regular inspections and maintenance is carried out on the storage vessels as required under legislation.</i></p> <p><i>It is proposed to carry out leakage surveys of the distribution system at intervals specified in the Safety Case.</i></p> <p><i>No other inspections are planned as the licensee has elected to allow all the other</i></p>		

assets to continue to operate until they fail.

**Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule**

Maintenance plans are in place that cover the storage vessels. The Safety Case has identified other maintenance requirements and the licensee proposes to implement them in the near future.

**Failures are analysed and operational/maintenance plans adjusted where necessary**

If failures were to occur they would be analysed and if found necessary included in operational/maintenance plans.

**Risk management is applied to prioritise maintenance tasks**

The Safety Case through the Formal Safety Assessment has identified all the risks associated with maintaining the distribution system and how they should be managed. Prioritisation of risks is not required as they have been identified and are managed as part of the maintenance activities

**Maintenance costs are measured and monitored**

As the maintenance is carried out by a central group the costs are measured and monitored by this group and as such fall outside the asset management system.

**Recommendations**

The Licensee to include the maintenance activities contained in the Safety Case that need to be carried out that are not already contained in the Asset Management System.

Asset management System Element  7.0 Asset Management Information System	Asset management process and policy definition adequacy rating  A	Asset management performance rating  1
--------------------------------------------------------------------------------	-------------------------------------------------------------------------	----------------------------------------------

An asset management information system is a combination of processes, data and software that support the asset management functions.

**Evidence**

Examined

- Asset Management Plan,
- Facilities Maintenance Manual,
- Various databases,
- Reports on LPG quality analysis
- Records and plans of distribution systems
- Interviewed:
- Reticulation Manager
- Maintenance Services Manager

**Observations**

*General*

*A variety of systems exist which support the effective management of the reticulated systems, these are:*

*FPe – This system is used to record and maintain information on breaches, events and corrective actions. It utilises a hierarchical system so that if actions are not completed by the due date they are escalated to the most appropriate manager.*

*Oracle CRM – This system is used to record customer and billing information*

*Oracle EAM – This system is used to record assets and to ensure they are appropriately maintained. This system is used by the central maintenance group and has the capacity to manage other activities such as leakage surveys and meter replacement (required every 15 years).*

*IPFX – This system is used to record phone statistics e.g. the level of customer service that is achieved.*

*The licensee uses EAM and spreadsheets for his asset register which is backed up during regular backups of the server. Graphical information is used to manage the customer data base.*

*The system has been developed to an adequate level of sophistication appropriate for distribution systems of this scale and complexity. Service standards are collected and can be reported to the Authority.*

***Adequate system documentation for users and IT operators***

*The Oracle EAM system contains all the information required for maintenance and is available to all personnel involved with the maintenance of the reticulation system via the licensee's intranet. Additionally the licensee provides training to staff on the systems. The system is also capable of producing management reports on maintenance activities.*

***Input controls include appropriate verification and validation of data entered into the system***

*The system is easy to use with a maintenance focus rather than a database focus and includes appropriate verification and validation of data entered into the system.*

***Logical security access controls appear adequate, such as passwords***

*Logical security access control is adequate with hierarchical access by password.*

***Physical security access controls appear adequate***

*Physical security access is adequate with the system only being available in a controlled office environment.*

***Data backup procedures appear adequate***

*Data is backed up daily and recovery is tested routinely with switch over to disaster recovery sites also tested. Data is backed up daily via tapes. A monthly restore is performed on all servers.*

***Key computations related to licensee performance reporting are materially accurate***

Key computations related to licensee performance reporting are materially accurate, to the extent possible to assess with visual inspection.

**Management reports appear adequate for the licensee to monitor licence obligation**

Management reports appear adequate for the licensee to monitor licence obligations. Reports are available covering dollars spent on each site for maintenance, new connections, number of work orders raised, details of all preventative (and breakdown) maintenance performed, what was scheduled versus performed, gas metered through the system, gas delivered to the storage vessels.

**Recommendations**

None

<b>Asset management System Element</b>  <b>8.0 Risk management</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>A</b>	<b>Asset management performance rating</b>  <b>2</b>
Risk management involves the identification of risks and their management within an acceptable level of risk.		
<p><b>Evidence</b> Examined</p> <ul style="list-style-type: none"> <li>• Asset Management Plan</li> <li>• Safety Case</li> <li>• Facilities Maintenance Manual</li> <li>• Various databases</li> <li>• Contingency Plan</li> <li>• Draft Emergency Plan</li> <li>• Records and plans of distribution systems</li> <li>• Emergency information package provided at each storage site</li> <li>• Interviewed</li> <li>• Reticulation Manager</li> <li>• Maintenance Services Manager</li> </ul>		
<p><b>Observations</b> <b>General</b></p> <p>The development of the Safety Case has required the licensee to undertake a formal safety assessment of all the risks associated with the reticulation systems and how the risks will be managed. As the licensee is required to operate in accordance with the Safety Case all risks will be managed to an acceptable level and subject to periodic review.</p> <p><b>Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</b></p>		

*The Safety Case contains details on the risks associated with the distribution systems and how they are to be managed.*

***Risks are documented in a risk register and treatment plans are actioned and monitored***

*The risks and how they will be treated and monitored are documented in the Safety Case.*

***The probability and consequences of asset failure are regularly assessed.***

*The probability and consequences of asset failure have been assessed in the Safety Case and the licensee will use this assessment for future monitoring of assets.*

***Recommendations***

*The Formal Safety Assessment contained in the Safety Case to be integrated into the Asset Management System.*

<b>Asset management System Element</b>  <b>9.0 Contingency planning</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>A</b>	<b>Asset management performance rating</b>  <b>1</b>
<p>Contingency plans document the steps to deal with the unexpected failure of an asset.</p>		
<p><b>Evidence</b> Examined</p> <ul style="list-style-type: none"> <li>• Asset Management Plan</li> <li>• Safety Case</li> <li>• Facilities Maintenance Manual</li> <li>• Various databases</li> <li>• Contingency Plan</li> <li>• Draft Emergency Plan</li> <li>• Records and plans of distribution systems</li> <li>• Emergency information package provided at each storage site</li> <li>• Interviewed</li> <li>• Reticulation Manager</li> <li>• Maintenance Services Manager</li> </ul>		
<p><b>Observations</b> <b>General</b></p> <p><i>The licensee considers it has the resources to handle any contingency arising from the risk assessment and considers the most likely scenario would involve a supply disruption. A contingency plan has been developed based around this scenario. Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i></p> <p><i>Contingency plans have been developed and are based around a supply disruption. It is not intended to test them as the licensee has proven experience in dealing with such an occurrence and would convert all effected customers to bottled supply until the</i></p>		

*disruption was resolved.*

**Recommendations**

*None*

<b>Asset management System Element</b>	<b>Asset management process and policy definition adequacy rating</b>	<b>Asset management performance rating</b>
<b>10.0 Financial planning</b>	<b>D</b>	<b>4</b>

The financial planning component of the asset management plan brings together the financial elements of the service delivery to ensure its financial viability over the long term.

**Evidence**

Examined

- Asset Management Plan
- Various databases
- Interviewed
- Reticulation Manager
- Maintenance Services Manager

**Observations**

**General**

*As stated earlier the distribution business is only a minor activity and as such does not warrant a separate financial plan. The only financial planning undertaken by the licensee in respect of its assets is to develop and document in an operating budget the costs involved in maintaining the assets and compliance costs (such as performance audits). The licensee also monitors costs but they are not used to develop a financial plan.*

***The financial plan states the financial objectives and strategies and actions to achieve the objectives***

*This is not undertaken for the reticulation systems.*

***The financial plan identifies the source of funds for capital expenditure and recurrent costs***

*No plan of this type is developed. An annual operating budget is prepared but as this covers all the licensee's assets the reticulation systems covered by this licence are only a small part and as such the costs are not detailed and would only be a line item in the budget.*

***The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)***

*This is not undertaken.*

***The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period***

*This is not undertaken.*

***The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services***

*The annual budget contains some of these costs.*

**Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary**

*This is not carried out.*

**Recommendations**

*The licensee to develop a financial plan that covers the following requirements:*

- *The financial objectives and strategies and actions to achieve the objectives*
- *Firm predictions on income for the next five years and reasonable indicative predictions beyond this period;*
- *The operations and maintenance, administration and capital expenditure requirements of the services; and*
- *Identifies significant variances in actual/budget income and expenses and the corrective action to be taken.*

<p style="text-align: center;"><b>Asset management System Element</b></p> <p style="text-align: center;"><b>11.0 Capital expenditure planning</b></p>	<p style="text-align: center;"><b>Asset management process and policy definition adequacy rating</b></p> <p style="text-align: center;"><b>D</b></p>	<p style="text-align: center;"><b>Asset management performance rating</b></p> <p style="text-align: center;"><b>3</b></p>
<p>The capital expenditure plan provides a schedule of new works, rehabilitation and replacement works, together with estimated annual expenditure on each over the next five or more years.</p> <p>Since capital investments tend to be large and lumpy, projections would normally be expected to cover at least 10 years, preferably longer. Projections over the next five years would usually be based on firm estimates.</p>		
<p><b>Evidence</b> Examined</p> <ul style="list-style-type: none"> <li>• Asset Management Plan,</li> <li>• Various databases,</li> <li>• Interviewed:</li> <li>• Reticulation Manager</li> <li>• Maintenance Services Manager</li> </ul>		
<p><b>Observations</b> <b>General</b></p> <p><i>The licensee includes a capital allowance of \$24,000 (total \$48,000) in the company's overall budget for each of the reticulation systems at Oyster Harbour and Margaret River to cover the connection of new customers to the existing systems.</i></p> <p><i>No allowance is included in the capital budget for extending the distribution systems. This type of work is subject to a business case and would be triggered by an approach from a land developer. If the financial hurdles were satisfied funding would be provided from the company's capital budget. Therefore no capital expenditure planning is</i></p>		

*undertaken as the licensee relies on a developer seeking a gas supply and the licensee reacts accordingly with funding being provided on an as needs basis.  
The licensee's policy is to operate the assets for the projected life cycle without the need to spend additional capital expenditure on rehabilitation or replacement. It will be necessary for the licensee to provide capital in future years to cover the cost of meter replacements but as this will not need to occur for several years it is not under consideration at this time.*

***There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates***

*The licensee does not have a capital expenditure plan.*

***The plan provides reasons for capital expenditure and timing of expenditure***

*All capital expenditure with the exception of the \$48,000 allocated for customer connections is subject to a business case and the business case would contain the justification and the timing of the expenditure.*

***The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan***

*The licensee does not have a capital expenditure plan therefore this requirement is not addressed.*

***There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned***

*The licensee does not have a capital expenditure plan therefore no updates occur.*

***Recommendations***

*The licensee develop a capital expenditure plan that sets out the process the licensee follows when seeking capital expenditure and how the funding is made available. It should also contain details on the expenditure allocated for connecting new customers.*

<b>Asset management System Element</b>  <b>12.0 Review of AMS</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>A</b>	<b>Asset management performance rating</b>  <b>1</b>
<p>The asset management system is regularly reviewed and updated.</p>		
<p><b>Evidence</b> Examined</p> <ul style="list-style-type: none"> <li>• Asset Management Plan</li> <li>• Various databases</li> <li>• Interviewed</li> <li>• Reticulation Manager</li> <li>• Maintenance Services Manager</li> </ul>		
<p><b>Observations</b> <i>A review process is in place to ensure that the asset management plan and the</i></p>		

***asset management system described therein are kept current***

*A process has been put in place that provides for the asset management plan and asset management system to be reviewed every 12 months. The last review occurred in October 2010.*

***Independent reviews (e.g. internal audit) are performed of the asset management system***

*Other than the annual review by the licensee no independent review is planned other than the review required by the Authority under the licence conditions.*

***Recommendations***

*None*

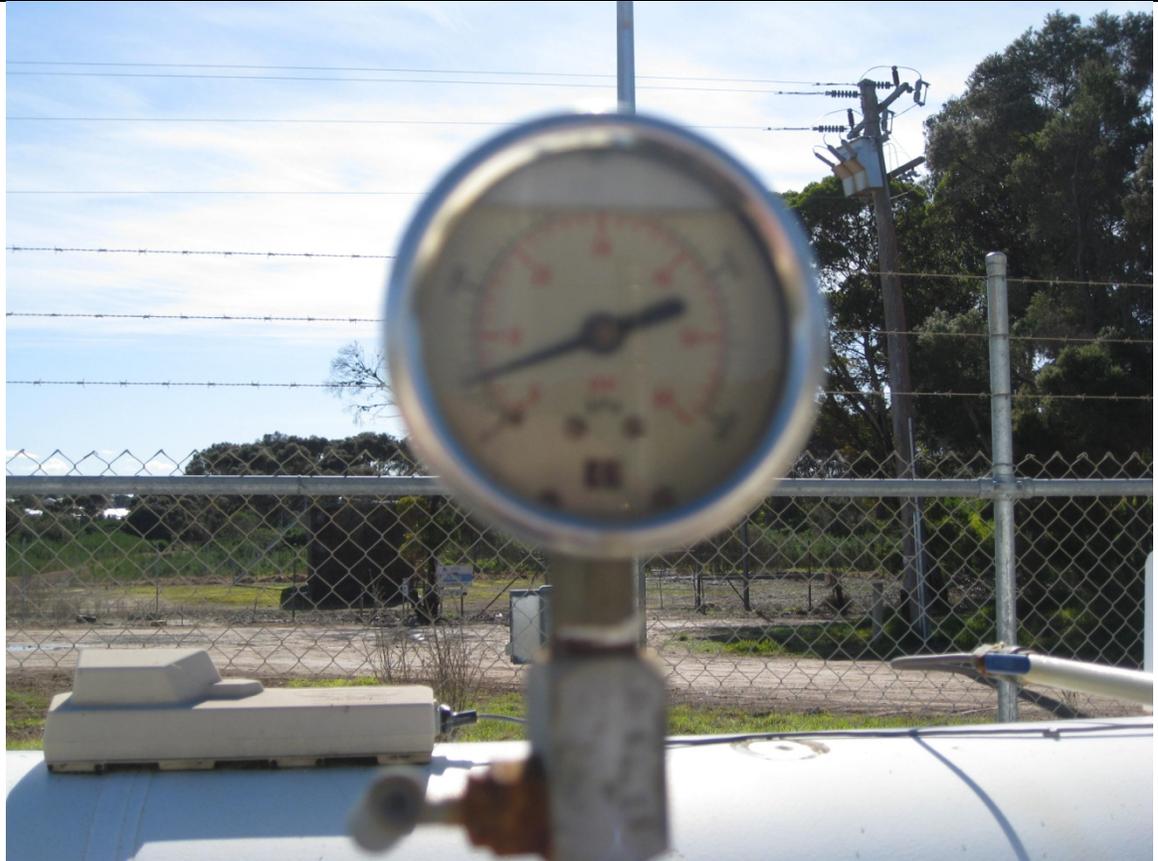
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**PHOTOGRAPHS**

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**Major shut off valve**



**Pressure gauge showing system pressure**



**Over pressure protection system regulator and meter**



**Storage vessel remote quantity gauge**



**Pressure regulators**



**Typical domestic meter installation**