



# McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

---

## Wesfarmers Kleenheat Gas Pty Ltd

Gas Distribution Licence GDL 9  
Performance Audit  
Asset Management System Review

---





# McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

Leigh Meyers  
Reticulation Manager  
Wesfarmers Kleenheat Gas Pty Ltd

Dear Mr Meyers

## **Performance Audit / Asset Management System Review Gas Licences**

The fieldwork on the performance audit of Distribution Licence GDL 9 for the audit period (1 June 2013 to 31 May 2016) is complete and I am pleased to submit the report to you. The report reflects my findings and opinions.

In my opinion, the Licensee has maintained a good level of compliance with the licence conditions. There were 6 items requiring attention. While there are a small number of issues that created the non-compliances, the Licensee has put control processes in place to rectify the causes of the non-compliances. In my opinion, the Licensee maintained, in all material aspects, effective control procedures in relation to the Distribution licence (GDL 9) for the audit period on the relevant clauses referred to within the scope section of this report.

Of the 12 asset management elements adequacy ratings seven can be improved. The review found that the asset management control environment also required improvement. Prior to the EnergySafety audit the Licensee was of the opinion that it was conforming in this aspect but the EnergySafety audit required the Licensee to undertake a number of improvements which the Licensee has now actioned.

In my opinion the processes and procedures needed to ensure the physical assets continue to provide the specified level of service were deficient during the review period. This is supported by the outcome of the EnergySafety audit of the Licensee's Safety Case (asset management system operating plan) that resulted in EnergySafety issuing an Inspectors Order that required the Licensee to stop all work, apart from attending to emergencies, until a number of corrective actions associated with the operation and maintenance of the distribution systems were rectified. Of the 12 asset management elements performance ratings eight required improvement during the review period.

The Licensee needs to undertake a comprehensive review of the asset management system and make the necessary improvements to policies and processes to ensure that going forward the asset management system is able to ensure the proper management of its assets.

Yours sincerely

Kevan McGill  
Director  
Date 13 December 2016



## Table of Contents

<b>1</b>	<b>Gas Distribution Licence Audit &amp; Asset Management System Review</b>	<b>5</b>
<b>2</b>	<b>Executive Summary</b>	<b>5</b>
2.1	Overall Conclusion	5
2.2	Summary of significant results	5
2.2.1	Audit	5
2.2.2	Asset management system review	5
2.3	Audit period	6
2.4	The Licensee	6
2.5	Previous audit non-compliances and recommendations	6
2.6	Issues from current audit	9
2.6.1	Compliance elements requiring corrective measures	9
2.6.2	Opportunities for improvement	10
2.7	Previous review recommendations	10
2.8	Table of Current Review Asset System Deficiencies/ Recommendations	11
<b>3</b>	<b>Performance Audit &amp; Asset Management System Review</b>	<b>15</b>
3.1	Performance Audit Objectives	15
3.2	Review objectives	15
3.3	Scope Limitation	16
3.4	Inherent Limitations	16
3.5	Statement of Independence	16
3.6	Scope of the Audit	17
3.7	Key Contacts	18
3.8	Audit Requirements	19
3.9	Overall Conclusion	20
3.10	Findings	20
3.11	Audit compliance and controls rating scales	20
3.12	Review effectiveness	25
3.12.1	Asset Management Review Effectiveness Summary	25
3.12.2	Asset management system effectiveness summary	26
3.13	Establishing the Context	28
3.13.1	Audit Results and Recommendations	28
3.13.2	Compliance elements requiring Corrective measures	28
3.13.3	Suggestions for improvement	28
3.13.4	Post Audit Implementation Plan	28
3.14	Detailed findings	28
3.14.1	Audit work undertaken	28
3.14.2	Further Control Strategies	28
3.15	Post Audit/ post Review Implementation plans	28



3.16	Audit/ review evidence.....	28
3.17	Audit Findings - Details.....	31
3.17.1	Gas Industry Customer Transfer Code – Licence Conditions and Obligations .....	31
3.17.2	Licence requirements .....	38
3.17.3	Compendium .....	45
3.17.4	Items from 2013 manual.....	54
<b>4</b>	<b>Asset Management Review Details .....</b>	<b>62</b>
4.1.1	Asset Management System Review Details.....	62





# 1 Gas Distribution Licence Audit & Asset Management System Review

## 2 Executive Summary

This performance audit and asset management system review was conducted in accordance with the guidelines issued by the Economic Regulation Authority (ERA) for the audit period (1 June 2013 to 31 May 2016).

### 2.1 Overall Conclusion

In my opinion, the Licensee has maintained a good level of compliance with the licence conditions. There were 6 items requiring corrective actions. There are no issues with the integrity of reporting to the *ERA* or other statutory organisations.

In my opinion, the Licensee maintained, in all material aspects, effective control procedures in relation to the Distribution Licence (GDL 9) for the audit period based on the relevant clauses referred to within the scope section (Page 16) of this report.

EnergySafety identified early in the review period that the Licensee had failed to maintain the processes and policies that constitute an effective asset management system. The Licensee completed most of the improvements to process and policies required by EnergySafety during the review period having rewritten its distribution, operational and maintenance procedures, tested their effectiveness and have since undertaken improved competency testing of all its contractors. The asset management control environment required improvement early in review period. While the current management team have made progress, the licensee needs to rectify these issues as quickly as possible.

### 2.2 Summary of significant results

#### 2.2.1 Audit

While there are a small number of issues that created the non-compliances the Licensee has put control processes in place to rectify the causes of the non-compliances.

#### 2.2.2 Asset management system review

In December 2013 EnergySafety audited the Licensee's distribution system Safety Case. The audit concluded that the Licensee was unable to demonstrate an adequate level of compliance with their Safety Case as required under the Gas Standards (Gas Supply and System Safety) Regulations 2000 (GSSSR).

EnergySafety issued an Inspector's Order halting all work on the distribution systems and requiring the Licensee to undertake significant work to improve their operating and maintenance procedures and identification of materials used in the distribution system to facilitate traceability. The Licensee was also to develop procedures for undertaking an annual risk audit and leak survey.

After a number of the non-conformances found during the EnergySafety audit were resolved, on 27 May 2014 EnergySafety partially lifted the ban on work allowing the Licensee to undertake work on customer installations but not on live gas mains. To facilitate this work the Licensee elected to connect new customers from cylinders at Margaret River and Albany until such time as the remaining issues identified by EnergySafety could be resolved.

EnergySafety on 2 December 2015 removed the ban completely allowing the Licensee to work on live gas mains and commence the process of removing customers from cylinders and providing them with a connection to the distribution system.



The Licensee completed most of the remedial work required by EnergySafety during the review period. During the audit period the incumbent occupying the Reticulation Manager position changed three times.

The distribution systems in Margaret River and Albany are established and expansion only occurs if a developer releases additional land and wants reticulated LPG. The Developer then incorporates the main extensions into the subdivision stage design and undertakes the installation, including provision of materials, at their cost in accordance with the Licensee's material and installation specifications. The Licensee verifies the design through a third party engineering company. On completion of the installation following acceptance testing the extension is connected to the existing distribution system and commissioned by the Licensee's approved contractor.

Once commissioned the extension forms part of the distribution system and the Licensee assumes responsibility for the operation and maintenance. During the audit period extensions were completed at Oyster Harbour, Albany and Rapids Landing, Margaret River.

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.

The Licensee connects customers to the distribution system as housing construction takes place following a request from a builder, gasfitter or customer. The connection is undertaken by the Licensee's approved contractor currently at the Licensee's cost.

As the Licensee does not actively seek to grow the business their asset management system has fewer emphases on some of the areas that are contemplated in the guidelines.

### **2.3 Audit period**

This audit/review covers the period 1 June 2013 to 31 May 2016. The previous audit/review period was 1 June 2011 to 31 May 2013.

### **2.4 The Licensee**

Wesfarmers Kleenheat Gas Pty Ltd (KHG) 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. In Western Australia KHG has a gas distribution licence (GDL9) issued by the ERA under the provisions contained in the *Energy Coordination Act 1994*. The Licensee has LPG distribution systems in Oyster Harbour (Albany), Margaret River and Leinster.

### **2.5 Previous audit non-compliances and recommendations**

Non-compliances from last audit (2013):



Table of Previous Non Compliances and Audit Recommendations				
A. Resolved before end of previous audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation or action taken	Date Resolved	Further action required (Yes/No/Not Applicable) & Details of further action required including current recommendation reference if
B. Unresolved at end of current Audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation	Date	Further action required (Yes/No/Not Applicable) & Details of further action
1/2013 102	<i>Non-compliant – 2</i> <i>Energy Coordination Act section 11M</i> Distribution Licence clause 21.1 The 2012 reports (Compliance and Performance) were late.	Develop a control procedure to ensure regulatory requirements are scheduled and actioned and monitored for action.	July 2016	No While the 2013 compliance report was also 2 days late, corrective actions have now been completed
2/2013 277	<i>Non-compliant – 2</i> <i>Energy Coordination Act section 11M</i> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1) The 2012 reports (Compliance and Performance) were late under the prevailing rule.	Develop a control procedure to ensure regulatory requirements are scheduled and actioned and monitored for action.	July 2016	Yes This obligation has now been deleted.
3/2013 279	<i>Non-compliant – 2</i> <i>Energy Coordination Act section 11M</i> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(3) The 2012 reports (Compliance and Performance) were late	Develop a control procedure to ensure regulatory requirements are scheduled and actioned and monitored for action.		No This is no longer a requirement in the current manual.
4/2013 280	<i>Non-compliant – 2</i> <i>Energy Coordination Act section 11M</i> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18 The 2012 reports (Compliance and Performance) were late	Develop a control procedure to ensure regulatory requirements are scheduled and actioned and monitored for action	Aug 2015	No Outcome achieved

Opportunities for Improvement (2013)



Table of Previous Non Compliances and Audit Recommendations				
A. Resolved before end of previous audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation or action taken	Date Resolved	Further action required (Yes/No/Not Applicable) & Details of further action required including current recommendation reference if
B. Unresolved at end of current Audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation	Date Resolved	Further action required (Yes/No/Not Applicable) & Details of further action
5/2013 1	<i>Compliant – 4</i> <i>Energy Coordination Act section 11Q(1-2)</i> Distribution Licence clause 4.1 2010 fees were late (but outside the audit period) but 2011 and 2012 were on time.	The necessary process to ensure payment occurs within the required timeframe has recently been implemented. This is to put the payments on a 7 day payment cycle (immediate) and while this should ensure payment on time, a control process is also recommended.	July 2016	No Completed outcome achieved.
6/2013 28	<i>Compliant – 4</i> <i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)</i> Verify authorizations.	Verify with EnergySafety the authorisation of gas fitters to make connection to the supply (remove disc from meter) has occurred.	July 2016	No Completed  Kleenheat notified EnergySafety of trained contractors and EnergySafety has approved and reviewed the training processes. EnergySafety are to carry out verification audit late 2016.
7/2013 276	<i>Compliant – 3</i> <i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13.16</i>  Improve controls	A control process is required to ensure regulatory actions are scheduled, monitored for actioning and actioned.		No Outcome achieved
8/2013 278	<i>Compliant – 4</i> <i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13.16</i>  Improve controls	Licensee to put in place process where all relevant staff (located at offices where the Licensee transacts business) are trained and made aware of providing relevant information, including reports requested by the public.	Aug 2015	No Complete for this issue  This outcome was achieved but a separate issue on evidence of compliance with posting reports arose with implementing a new website



## 2.6 Issues from current audit

There are 9 issues from current audit.

### 2.6.1 Compliance elements requiring corrective measures

The actions requiring corrective measures are:

<b>Table of Current Audit Non Compliances/Recommendations</b>			
<b>A. Resolved during current Audit period</b>			
<b>Reference (no./year)</b>	<b>Non Compliance/Controls improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)</b>	<b>Date Resolved (&amp; management action taken)</b>	<b>Auditors comments</b>
1/2016 25	B2 <i>Energy Coordination Act section 11Z</i> Licensee must comply with the standards of the <i>Gas Standards Act 1972</i> An inspectors order was applied by EnergySafety for noncompliance with the Safety Case and other requirements contained in the Gas Standards Act	<i>None the corrective action has taken place.</i>	No further action required subject to ESWA review scheduled for late 2016
2/2016 28	C2 <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. EnergySafety found during a recent audit that the Licensee was not reporting all the defects that were found during an inspection.	2015 <i>Although during the audit period the Licensee failed to comply with this requirement the Licensee has now rectified the situation</i>	No further action required subject to ESWA review scheduled for late 2016
3/2016 102	B2 <i>Energy Coordination Act section 11M</i> A Licensee must provide to the ERA any information that the ERA may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the ERA. The 2013 performance report was 2 days late.	2014 <i>Corrective control actions have already been implemented</i>	No further action required
5/2016 261	B2 <i>Energy Coordination Act section 11M</i> For the purposes of subclause 13.1(1), a distributor must keep records or other information specified in clause 13.1(3)(a)-(d). Does not show reconnections outside allowed time frames.	2016 <i>None as action has been deleted from current requirements</i>	No further action required
6/2016 270	B2 <i>Energy Coordination Act section 11M</i> A distributor must keep a record of the total number of reconnections provided, other than those specified in clause 13.8(2)(a), and the total number of those reconnections not provided within the prescribed timeframe Does not show reconnections outside allowed time frames.	2016 <i>None as action has been deleted from current requirements</i>	No further action required
<b>B. Unresolved at end of current Audit period</b>			
<b>Reference (no./year)</b>	<b>Non Compliance/Controls improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)</b>	<b>Auditors' Recommendation</b>	<b>Management action taken by end of Audit period</b>
4/2016 283	B2 <i>Energy Coordination Act section 11M</i> A report referred to in clause 13.1 must be	<i>Improve system of compliance with regulatory requirements by adding the recording of dates of posting to the web</i>	Added to Cintellate



	published by the date specified by the ERA As there is new web site there is no archival information on posting dates.	site.	
--	---	-------	--

2.6.2 Opportunities for improvement

Table of Current Audit Non Compliances/Recommendations			
Unresolved at end of current Audit period			
Reference (no./year)	Non Compliance/Controls improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditors' Recommendation	Management action taken by end of Audit period

2.7 Previous review recommendations

Recommendations from last review (2013):

Previous review ineffective components recommendations

Table of Previous Review Ineffective Components Recommendations				
A. Resolved before end of previous review period				
Reference (no./year)	(Asset management effectiveness rating/ Asset Management System Component & Criteria / details of the issue)	Auditors' Recommendation or action taken	Date Resolved	Further action required (Yes/No/Not Applicable) & Details of further action required including current recommendation reference if applicable
B. Resolved during current Review period				
Reference (no./year)	(Asset management effectiveness rating/ Asset Management System Component & Criteria / details of the issue)	Auditors' Recommendation	Date Resolved	Further action required (Yes/No/Not Applicable) & Details of further action required including current recommendation reference if applicable



02/2013 10.0	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.	KHG needs to develop a separate financial plan for its gas distribution network in WA. Relevant financial information in the Annual Operating Budget and Profit/Loss and Balance Sheet Statements for its overall business needs to be identified and incorporated (together with other financial elements from other documents) into a 'Financial plan' for managing the gas distribution network in WA.	2015	No

**C. Unresolved at end of current Review period**

Reference (no./year)	(Asset management effectiveness rating/ Asset Management System Component & Criteria / details of the issue)	Auditors' Recommendation	Further action required (Yes/No/Not Applicable) & Details of further action required
01/2013 8.0	A2 Risk management involves the identification of risks and their management within an acceptable level of risk.	Schedule regular exercise of emergency plans and record results	Yes (Reference 9/2016)

**2.8 Table of Current Review Asset System Deficiencies/ Recommendations**

Table of Current Review Asset System Deficiencies/Recommendations			
A. Resolved during current Review period			
Reference (no./year)	(Asset management effectiveness rating/ Asset Management System Component & Criteria / details of the issue)	Auditors' Recommendation	Further action required (Yes/No/Not Applicable) & Details of further action required
4/2016 5.1	C3 Operational policies and procedures are documented and linked to service levels required	<i>These omissions have been recognised by the Licensee and work has been undertaken to rectify the issues</i>	No current actions but subject to ESWA review in Nov 2016.



	During the audit period a number of the service levels have not been achieved they include taking of LPG samples, process for classifying recording and managing the repair of leaks		
5/2016 5.2	C3 Risk management is applied to prioritise operations tasks However, although the risks are identified they have not been managed correctly. Risks that have not been managed correctly include failure to adequately investigate gas incidents in accordance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> .	<i>These deficiencies have been recognised by the Licensee and work has been undertaken to rectify the issues.</i>	No current actions but subject to ESWA review in Nov 2016.
<b>Unresolved at end of current Review period</b>			
Reference (no./year)	Asset System Deficiency  (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Auditors' Recommendation	Management action taken by end of Audit period
1/2016 1.8	B2 Likelihood and consequences of asset failure are predicted During the audit period plans covering the operations and maintenance of the distribution systems were not subject to regular review. There is also a need to reflect the changes to the organisation/ responsibility throughout the other documents. A review timetable needs to be developed specifying who is responsible for the reviews and the frequency.	<i>Licensee prepares an Asset Management Plan that describes the planning processes and objectives, defines the service levels and assigns responsibilities and how they are applied in practice.</i>	Yes Scheduled for June 2017
2/2016 2.3	B2 Projects reflect sound engineering and business decisions However, while extensions to the distribution system are evaluated by third party designers, the complete system needs periodic verification to ensure overall design is fit for purpose.	<i>Licensee to carryout periodic design verification tests of system capacity.</i>	Yes, Scheduled for June 2017
3/2016 4.3	B2 Compliance with statutory and regulatory requirements Training of personnel as a result of the EnergySafety audit.	<i>Complete the writing of the policies and procedures and the training and assessing the competency of personnel</i>	Yes, scheduled for Nov 2016 and then review by ESWA late 2016.
6/2016 5.3	B2 Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition	<i>The Licensee complete work on improving what information is contained in the asset register.</i>	Yes, Scheduled for June 2017



	and accounting data Licensee could not demonstrate that all the materials that form the distribution system were fit for purpose.		
7/2016 5.5	B2 Staff resources are adequate and staff receive training commensurate with their responsibilities EnergySafety concluded during the audit that the procedures needed to be improved and that the Licensee train personnel in the new procedures and assess their competency through a practical demonstration.	<i>The Licensee complete work on revision of policies and procedures and training and testing of the competency of employees.</i>	Yes, scheduled for Nov 2016 and then review by ESWA.
8/2016 6.2	B2 Regular inspections are undertaken of asset performance and condition The EnergySafety audit found that the Licensee had failed to undertake all the required leakage surveys and the methodology employed was inadequate because the Licensee failed to properly classify, record, manage and repair leaks.	<i>Undertake leakage surveys in accordance with the revised frequency and in accordance with the revised procedures.</i>	Yes, schedule of surveys to be set by Nov 2016.
9/2016 8.2	B2 Risks are documented in a risk register and treatment plans are actioned and monitored The EnergySafety audit found that a number of risks were not being adequately actioned and monitored. Failure to conduct leak surveys and to adequately investigate gas incidents in accordance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> are examples	<i>Ensure that the risks identified by the EnergySafety audit have treatment plans and they are actioned and monitored in accordance with the treatment plan</i>	Yes, Scheduled for June 2017.
10/2016 9.1	A2 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks The EnergySafety audit found that the Licensee was not performing frequent enough exercises of the plan.	<i>Test the emergency plans on a more frequent basis to conform with EnergySafety's requirements and maintain a record of the testing and the outcomes. Modify the plans to reflect the changes discovered during testing.</i>	Yes, scheduled for Nov 2016 and then review by EnergySafety late 2016.
11/2016 12.1	B2 A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current In a number of documents having the wrong person as being responsible. additionally, a number of documents are out of date and need to be modified to reflect the current situation in terms of procedures processes training and competency assessment of personnel.	<i>Undertake a comprehensive review of the Asset management system including the compilation of a document index and details of when the document is modified or reviewed by whom and who is responsible. Include in computer management system a timetable for document reviews and allocate a person responsible for the review.</i>	Yes, Scheduled for June 2017.



12/2016 12.2	C2 Independent reviews (e.g. internal audit) are performed of the asset management system There is a need to undertake the annual internal audit of the Safety Case.	<i>Undertake an annual internal audit of the safety case as required under the GSSSR 2000.</i>	Yes
-----------------	--	--	-----





## 3 Performance Audit & Asset Management System Review

### 3.1 Performance Audit Objectives

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

The primary objective of the audit is to audit the effectiveness of measures taken by the Licensee to maintain quality and performance standards. The Act states a performance audit is an audit of the effectiveness of measures taken by the Licensee to meet the performance criteria specified in the licence. The licence states that performance standards are contained in *applicable legislation*. Performance criteria are defined in the licence as:

- (a) the terms and conditions of the *licence*; and
- (b) any other relevant matter in connection with the *applicable legislation* that the ERA determines should form part of the *performance audit*.

The licence also provides for individual licence conditions namely - the ERA may prescribe *individual performance standards* in relation to the *Licensee* of its obligations under this *licence* or the *applicable legislation* (the Act and subordinate legislation).

The audit was done in compliance with prevailing ERA documents "Audit and Review Guidelines: Gas and Gas Licences (hereinafter "Guidelines") and the Gas Compliance Reporting Manual (hereinafter "Manual").

The Licensee appointed McGill Engineering Services Pty Ltd to conduct the audit of its Distribution Licence with approval from the ERA. A preliminary assessment was conducted with the Licensee's management to determine the inherent risk and the state of control for each compliance element of the Licence obligation. McGill Engineering Services Pty Ltd then prioritised the audit coverage based on the risk profile of the Licensee with an emphasis on providing greater focus and depth of testing for areas of higher risk to provide reasonable assurance that the Licensee had complied with the standards, outputs and outcomes under the Licence obligations.

The audit was conducted in a manner consistent with Australian Auditing Standards (AUS) 808 "Planning Performance Audits" and AUS 806 "Performance Auditing". McGill Engineering Services Pty Ltd evaluated the adequacy and effectiveness of the controls and performance by the Licensee relative to the standards referred in the Distribution Licence through a combination of enquiries, examination of documents and detailed testing for Gas Distribution Licence GDL 9 for the Licensee.

The previous audit was completed in 2013.

### 3.2 Review objectives

Section 11Y of the Act requires KHG to provide to the ERA, a report by an independent expert acceptable to the ERA as to the effectiveness of the asset management system in respect of the Licensee's assets (review).

The purpose of the review is to 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 review focused 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 convey the Licensee's business strategies to ensure the effective management of assets over at least a five-year period.

The scope of the review includes an assessment of the adequacy and effectiveness of the asset management system by evaluating the 12 key asset management 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; and
- review of the asset management system.

The previous review was completed in 2013.

### ***3.3 Scope Limitation***

The review was undertaken by examination of documents, interviews with key persons and observations and is not a detailed inspection of physical items.

### ***3.4 Inherent Limitations***

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

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

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

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

### ***3.5 Statement of Independence***

To the best of my knowledge and belief, there is no basis for contraventions of any professional code of conduct in respect of the audit/review.

We have not done or contemplate undertaking any other work with the Licensee.

There are no independence threats due to:

- self-interest – as the audit company or a member of the audit/review team have no financial or non-financial interests in the Licensee or a related entity;
- self-review – no circumstance has occurred:
  - where the audit company or a member of the audit/review team has undertaken other non-audit work for the Licensee that is being evaluated in relation to the audit/review; or



- when a member of the audit/review team was previously an officer or director of the Licensee; or
- where a member of the audit/review team was previously an employee of the Licensee who was in a position to exert direct influence over material that will be subject to audit during an audit/review.

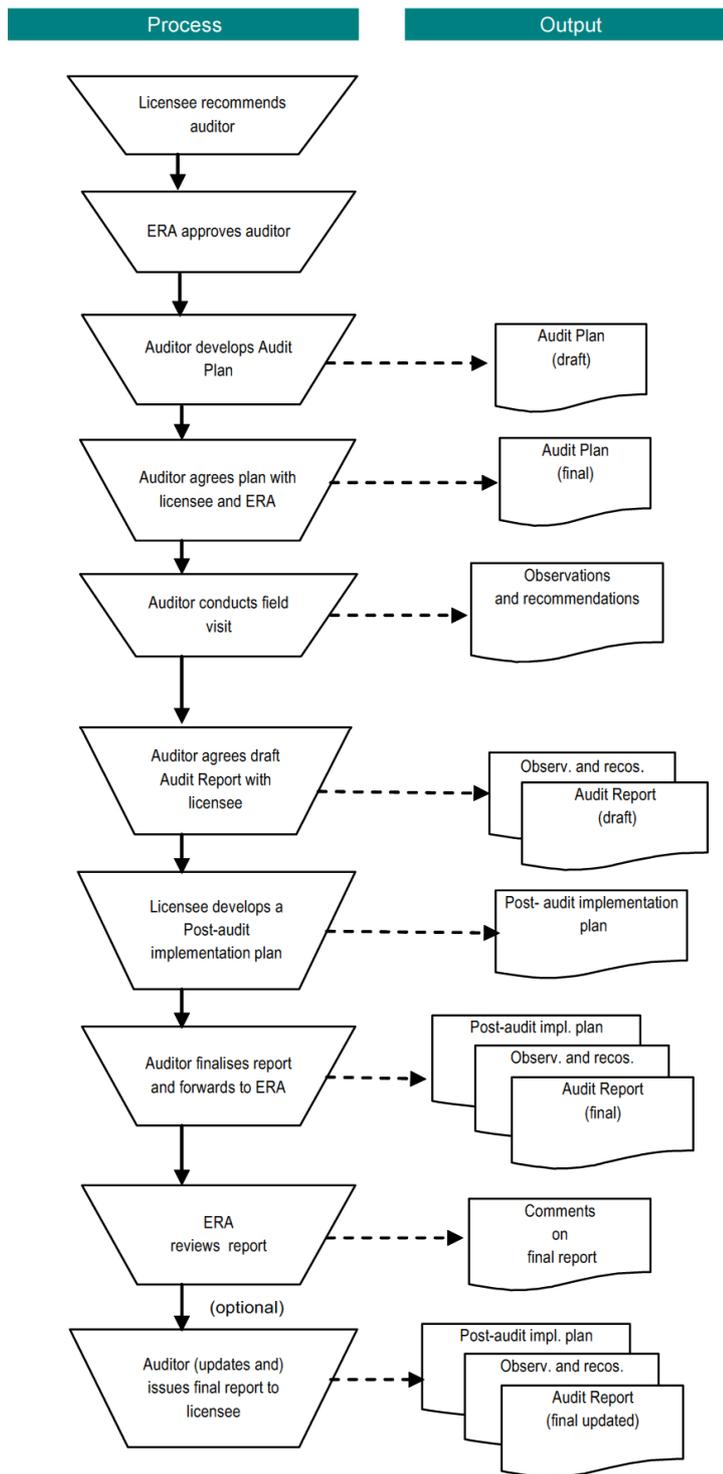
There is no risk of a self-review threat as:

- no work has been undertaken by the auditor, or a member of the audit/review team, for the Licensee within the previous 24 months; or
- the auditor is currently undertaking for the Licensee; or
- the auditor has submitted an offer, or intends to submit an offer, to undertake for the Licensee within the next 6 months; and
- there is no close family relationship with a Licensee, its directors, officers or employees, and
- the auditor is not, nor is perceived to be too sympathetic to the Licensee's interests.

### ***3.6 Scope of the Audit***

The audit was conducted in accordance with flow chart:

During this audit/review the Murdoch/Kwinana office, Margaret River, Leinster and Albany areas were visited.



### 3.7 Key Contacts

The key contacts were:

- Licensee:
  - Manoj Thakur: Manager Engineering and Reliability
  - Barry Hastie: Project Engineer WA KHG



- Leigh Meyers: KHG Reticulation Manager
- Craig Noakes: WA LPG and LNG Maintenance Manager
- Emma Cheeseman: – KHG Territory Manager
- Bob M. Gregorovich: WesCEF Process Safety Superintendent
- Chris Scolah KHG supervisor Leinster
- Ian Mulligan: Contractor Leinster.
- Michael Willocks: Contractor Margaret River
- Clint Derrick: Contractor Albany
- McGill Engineering Services Pty Ltd:
  - Kevan McGill, Geoff Wood.

The audit was conducted during May 2016 to August 2016. Kevan McGill spent about 150 hours and Geoff Wood 100 hours on the audit/review.

### 3.8 Audit Requirements

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

#### Nature of audit work conducted

The ERA guidelines for performance audits require that the audit considers:

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

Stage	Auditor	Standard
1. Risk & Materiality Assessment Outcome - Operational/ Performance Audit Plan	K McGill G Wood	ASA 300 Planning ASA 315: Risk Assessments and Internal Controls ASAE 3000 Assurance standard for engagements to audit other than historical financial information AS/NZS 4360:2004: Risk Management ERA Guidelines
2. System Analysis	K McGill G Wood	AUS 810: Special Purpose Reports on Effectiveness of Control Procedures
3. Fieldwork Assessment and testing of; <ul style="list-style-type: none"><li>• The control</li></ul>	K McGill G Wood	AUS 502: Audit Evidence ASAE 3000 Assurance standard for engagements to audit other than historical financial information



<ul style="list-style-type: none"> <li>environment</li> <li>• Information system</li> <li>• Compliance procedures</li> <li>• Compliance attitude</li> </ul>		
4. Reporting	K McGill G Wood	ASA 300 Planning  ASAE 3000 Assurance standard for engagements to audit other than historical financial information

### 3.9 Overall Conclusion

In my opinion, the Licensee maintained, in all material aspects, effective control procedures in relation to the Distribution (GDL 9) licence for the audit period based on the relevant clauses referred to within the scope section of this report.

There are 6 items that require corrective actions.

### 3.10 Findings

The conclusions of each of the elements of the licence are summarised in the following table. The audit risk as determined for each licence condition is also shown. The details of the audit can be seen in the detailed audit findings section (Page 28).

### 3.11 Audit compliance and controls rating scales

Performance audit compliance and controls rating scales			
Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls - no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls -significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties



Item	Licence Clause/Condition reference (Cl.=clause, Sch.=schedule)	Obligations under condition	Licence Type (D = Distribution)	Type	Audit Priority	Adequacy of Controls (NP=Not Performed)					Compliance Rating (NR = Not Rated)				
------	---	-----------------------------	---------------------------------	------	----------------	--	--	--	--	--	---------------------------------------	--	--	--	--

Type 1 Reporting Obligations					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
25.	r.5.1	s.11Z	D	1	2		✓					✓			
26.	r.5.1	s.11Z GSA s 8(1)	D	1	2	✓					✓				
27.	r.5.1	s.11Z GSA s 9(1)	D	1	2	✓					✓				
28.	r.5.1	s.11Z GSA s 13(1)	D	1	2			✓				✓			
92.	Cl 12	s.11M	D	1	2	✓					✓				
227.	Cl.2.1 Sch 2 Com 7.6	s.11M	D	1	2	✓					✓				

Licence Compliance Requirements Energy Coordination Act 1994					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
1.	Cl 4.1	s.11Q(1-2)	D	2	4	✓					✓				
6.	Cl 5.1	s.11X(3)	D	NR	5	✓					✓				
7	Cl 14.1	s.11Y(1)(a)	D	NR	5	✓					✓				
8	Cl 14.1 & 14.2	s.11Y(1)(b)	D	2	4					✓					✓
9	Cl 14.3	s.11Y(1)(c)	D	NR	5	✓					✓				
10.	Cl 15.1	s.11ZA(1)	D	2	4	✓					✓				
17	Cl 5.1	s.11ZK(3)	D	NR	5					✓					✓
24.	Cl 18.1	s.11ZQH	D	2	4	✓					✓				

Licence Compliance Requirements Gas Standards Act 1972					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
25.	r.5.1	s.11Z	D	1	2			✓					✓		
26.	r.5.1	s.11Z GSA s 8(1)	D	1	2	✓					✓				
27.	r.5.1	s.11Z GSA s 9(1)	D	1	2	✓					✓				
28.	r.5.1	s.11Z GSA s 13(1)	D	1	2		✓					✓			



Licence Compliance Requirements Energy Coordination (Customer Contracts) Regulations 2004					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
87.	CI 5.1	r.28 CI 3.1.2 AGA Code	D	NR	5	✓					✓				
88.	CI 5.1	r.28 CI 3.1.3.1 AGA Code	D	NR	5	✓					✓				
89.	CI 5.1	r.33(3) CI 3.5.2.1 AGA Code	D	NR	5	✓					✓				
90.	CI 5.1	r.33(3) CI 3.5.2.2 AGA Code	D	NR	5	✓					✓				

Licence Compliance Requirements Licence Requirements					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
92.	CI 12	s.11M	D	1	2	✓					✓				
93.	CI 13	s.11M	D	2	4					✓					✓
94.	CI 14.4	s.11M	D	2	4	✓					✓				
95.	CI 14.6	s.11M	D	NR	5	✓					✓				
96.	CI 16.2	s.11M	D	2	4	✓					✓				
97.	CI 16.4	s.11M	D	NR	5	✓					✓				
98.	CI 16	s.11M	D	NR	5	✓					✓				
99.	CL 20	s.11M	D	NR	5	✓					✓				
100.	CL 21.1	s.11M	D	2	4	✓					✓				
101.	CL 22.1	s.11M	D	2	4					✓					✓
102.	CL 23.1	s.11M	D	2	5		✓					✓			
103.	CL 24	s.11M	D	2	4					✓					✓
104.	Sch 3 CL 1	s.11M	D	2	4					✓					✓
105.	Sch 3 CL 2	s.11M	D	2	4	✓					✓				

Item	Licence Clause/Condition reference (Cl.=clause, Sch.=schedule, Com = compendium )	Obligations under condition	Licence Type (T + Distribution)	Type	Audit Priority	Adequacy of Controls (NP=Not Performed)	Compliance Rating (NR = Not Rated)

Licence Compliance Requirements Compendium of Gas Customer Licence Obligations (Compendium)					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
226.	CI 2.1 & Sch 2 Comp CI 7.5	s.11M	D	2	4					✓					✓
227.	CI 2.1 & Sch 2 Comp CI 7.6	s.11M	D	1	2	✓					✓				
230.	CI 2.1 & Sch 2 Comp CI	s.11M	D	2	4	✓					✓				



Licence Compliance Requirements Compendium of Gas Customer Licence Obligations (Compendium)						Priority		Adequacy of controls rating					Compliance Rating					
								A	B	C	D	NP	1	2	3	4	NR	
	8.2(1)-(3)																	
230A.	CI 2.1 & Sch 2 Comp CI 8.2(5)	s.11M	D	2	4						✓							✓
230B.	CI 2.1 & Sch 2 Comp CI 8.2(4)	s.11M	D	2	4	✓						✓						
244.	CI 2.1 & Sch 2 Comp CI 10.6	s.11M	D	2	4	✓						✓						
245.	CI 2.1 & Sch 2 Comp CI 10.9	s.11M	D	NR	5	✓						✓						
247.	CI 2.1 & Sch 2 Comp CI 10.10(2)	s.11M	D	2	4	✓						✓						
249.	CI 2.1 & Sch 2 Comp CI 10.11(1)	s.11M	D	2	4						✓							✓
250.	CI 2.1 & Sch 2 Comp CI 10.11(2)	s.11M	D	2	4						✓							✓
251.	CI 2.1 & Sch 2 Comp CI 12.1(1)	s.11M	D	2	4	✓						✓						
252.	CI 2.1 & Sch 2 Comp CI 12.1(2)(a),(b) & (d)	s.11M	D	2	4	✓						✓						
254.	CI 2.1 & Sch 2 Comp CI 12.1(3)(a)	s.11M	D	2	4						✓							✓
255.	CI 2.1 & Sch 2 Comp CI 12.1(3)(b)	s.11M	D	2	4						✓							✓
255A	CI 2.1 & Sch 2 Comp CI 12.1(4)	s.11M	D	2	4						✓							✓
257.	CI 2.1 & Sch 2 Comp CI 12.3	s.11M	D	2	4						✓							✓
258.	CI 2.1 & Sch 2 Comp CI 12.4	s.11M	D	2	4						✓							✓
281.	CI 2.1 & Sch 2 Comp CI 13.1	s.11M	D	2	4	✓						✓						
282.	CI 2.1 & Sch 2 Comp CI 13.2	s.11M	D	2	4	✓						✓						
283.	CI 2.1 & Sch 2 Comp CI 13.3	s.11M	D	2	4		✓					✓						



Item	Licence Clause/Condition reference (Cl.=clause, Sch.=schedule, Com = compendium)	Obligations under condition	Licence Type (T + Distribution)	Type	Audit Priority	Adequacy of Controls (NP=Not Performed)	Compliance Rating (NR = Not Rated)
------	--	-----------------------------	---------------------------------	------	----------------	--	---------------------------------------

Licence Compliance Requirements Compendium of Gas Customer Licence Obligations (Compendium) 2013 Version					Priority	Adequacy of controls rating					Compliance Rating				
						A	B	C	D	NP	1	2	3	4	NR
246.	Cl 2.1 & Sch 2 Comp Cl 10.10(1)	s.11M	D	2	4					✓					✓
248.	Cl 2.1 & Sch 2 Comp Cl 10.10(3)	s.11M	D	2	4	✓					✓				
253	Cl 2.1 & Sch 2 Comp Cl 12.1(2)(C)	s.11M	D	2	4					✓					✓
259.	Cl 2.1 & Sch 2 Comp Cl 13.1(1)	s.11M	D	2	3	✓					✓				
261.	Cl 2.1 & Sch 2 Comp Cl 13.1(3)	s.11M	D	2	3		✓					✓			
269.	Cl 2.1 & Sch 2 Comp Cl 13.8(1)	s.11M	D	2	3	✓					✓				
270.	Cl 2.1 & Sch 2 Comp Cl 13.8(2)	s.11M	D	2	3		✓					✓			
271.	Cl 2.1 & Sch 2 Comp Cl 13.10(1)	s.11M	D	2	3	✓					✓				
272.	Cl 2.1 & Sch 2 Comp Cl 13.10(2)	s.11M	D	2	3					✓					✓
273.	Cl 2.1 & Sch 2 Comp Cl 13.12	s.11M	D	2	3	✓					✓				
274.	Cl 2.1 & Sch 2 Comp Cl 13.14	s.11M	D	2	3	✓					✓				
276.	Cl 2.1 & Sch 2 Comp Cl 13.16	s.11M	D	2	4	✓					✓				
277.	Cl 2.1 & Sch 2 Comp Cl 13.17(1)	s.11M	D	2	3	✓					✓				
278.	Cl 2.1 & Sch 2 Comp Cl 13.17(2)	s.11M	D	2	4	✓					✓				
279.	Cl 2.1 & Sch 2 Comp Cl 13.17(3)	s.11M	D	2	4	✓					✓				
280.	Cl 2.1 & Sch 2 Comp Cl 13.18	s.11M	D	2	4	✓					✓				



### 3.12 Review effectiveness

#### 3.12.1 Asset Management Review Effectiveness Summary

The overall effectiveness rating for each asset management process is based on the combination of the process and policy adequacy rating and the performance rating.

#### Asset management process and policy definition adequacy rating

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> <li>Processes and policies are documented.</li> <li>Processes and policies adequately document the required performance of the assets.</li> <li>Processes and policies are subject to regular reviews, and updated where necessary.</li> <li>The asset management information system(s) are adequate in relation to the assets that are being managed.</li> </ul>
B	Requires some improvement	<ul style="list-style-type: none"> <li>Process and policy documentation requires improvement.</li> <li>Processes and policies do not adequately document the required performance of the assets.</li> <li>Reviews of processes and policies are not conducted regularly enough.</li> <li>The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).</li> </ul>
C	Requires significant improvement	<ul style="list-style-type: none"> <li>Process and policy documentation is incomplete or requires significant improvement.</li> <li>Processes and policies do not document the required performance of the assets.</li> <li>Processes and policies are significantly out of date.</li> <li>The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).</li> </ul>
D	Inadequate	<ul style="list-style-type: none"> <li>Processes and policies are not documented.</li> <li>The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

#### Asset management performance ratings

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> <li>The performance of the process meets or exceeds the required levels of performance.</li> <li>Process effectiveness is regularly assessed, and corrective action taken where necessary.</li> </ul>
2	Opportunity for improvement	<ul style="list-style-type: none"> <li>The performance of the process requires some improvement to meet the required level.</li> <li>Process effectiveness reviews are not performed regularly enough.</li> <li>Process improvement opportunities are not actioned.</li> </ul>
3	Corrective action required	<ul style="list-style-type: none"> <li>The performance of the process requires significant improvement to meet the required level.</li> <li>Process effectiveness reviews are performed irregularly, or not at all.</li> <li>Process improvement opportunities are not actioned.</li> </ul>
4	Serious action required	<ul style="list-style-type: none"> <li>Process is not performed, or the performance is so poor that the process is considered to be ineffective.</li> </ul>



3.12.2 Asset management system effectiveness summary

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Asset management process and policy definition adequacy rating	Asset management performance rating
<b>1 Asset planning</b>	<b>B</b>	<b>2</b>
1.1 Asset management plan covers key requirements	B	2
1.2 Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	A	1
1.3 Service levels are defined	A	1
1.4 Non-asset options (e.g. demand management) are considered	A	1
1.5 Lifecycle costs of owning and operating assets are assessed	A	1
1.6 Funding options are evaluated	A	1
1.7 Costs are justified and cost drivers identified	A	1
1.8 Likelihood and consequences of asset failure are predicted	A	1
1.9 Plans are regularly reviewed and updated	B	2
<b>2. Asset creation and acquisition</b>	<b>B</b>	<b>2</b>
2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions	A	1
2.2 Evaluations include all life-cycle costs	A	1
2.3 Projects reflect sound engineering and business decisions	B	2
2.4 Commissioning tests are documented and completed	A	1
2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood	A	1
<b>3. Asset disposal</b>	<b>A</b>	<b>NR</b>
3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process	A	NR
3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken	A	NR
3.3 Disposal alternatives are evaluated	A	NR
3.4 There is a replacement strategy for assets	A	NR
<b>4. Environmental analysis</b>	<b>C</b>	<b>3</b>
4.1 Opportunities and threats in the system environment are assessed	A	1
4.2 Performance standards (availability of service, capacity continuity, emergency response, etc.) are measured and achieved	A	1
4.3 Compliance with statutory and regulatory requirements	C	3
4.4 Achievement of customer service levels	A	1
<b>5 Asset operations</b>	<b>C</b>	<b>3</b>
5.1 Operational policies and procedures are documented and linked to service levels required	C	3
5.2 Risk management is applied to prioritise operations tasks	B	3
5.3 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	B	2
5.4 Operational costs are measured and monitored	A	1
5.5 Staff resources are adequate and staff receive training commensurate with their responsibilities	B	2
<b>6 Asset maintenance</b>	<b>C</b>	<b>3</b>
6.1 Maintenance policies and procedures are documented and linked to service levels required	A	1
6.2 Regular inspections are undertaken of asset performance and condition	C	3
6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule	A	1
6.4 Failures are analysed and operational/maintenance plans adjusted where necessary	A	1
6.5 Risk management is applied to prioritise maintenance tasks	A	1



6.6	Maintenance costs are measured and monitored	A	1
<b>7</b>	<b>Asset Management Information System (MIS)</b>	<b>A</b>	<b>1</b>
7.1	Adequate system documentation for users and IT operators	A	1
7.2	Input controls include appropriate verification and validation of data entered into the system	A	1
7.3	Logical security access controls appear adequate, such as passwords	A	1
7.4	Physical security access controls appear adequate	A	1
7.5	Data backup procedures appear adequate and backups are tested	A	1
7.6	Key computations related to Licensee performance reporting are materially accurate	A	1
7.7	Management reports appear adequate for the Licensee to monitor licence obligations	A	1
<b>8</b>	<b>Risk management</b>	<b>C</b>	<b>3</b>
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	A	1
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored	C	2
8.3	The probability and consequences of asset failure are regularly assessed	B	2
<b>9</b>	<b>Contingency planning</b>	<b>A</b>	<b>2</b>
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	A	2
<b>10</b>	<b>Financial planning</b>	<b>A</b>	<b>1</b>
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives	A	1
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs	A	1
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)	A	1
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period	A	1
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services	A	1
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary	A	1
<b>11</b>	<b>Capital expenditure planning</b>	<b>A</b>	<b>1</b>
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates	A	1
11.2	The plan provides reasons for capital expenditure and timing of expenditure	A	1
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan	A	1
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned	A	1
<b>12</b>	<b>Review of AMS</b>	<b>C</b>	<b>2</b>
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current	C	2
2.2	Independent reviews (e.g. internal audit) are performed of the asset management system	B	2



### ***3.13 Establishing the Context***

The key legislation that governs the licensing of providers of Gas is the Energy Coordination Act 2004. In turn, the compliance elements in the organization's Operating Licence were examined and referred to throughout the audit process.

#### **3.13.1 Audit Results and Recommendations**

##### **Summary of significant results**

There are 6 non-compliances.

#### **3.13.2 Compliance elements requiring Corrective measures**

There are 6 Issues requiring corrective action:

#### **3.13.3 Suggestions for improvement**

There are no suggestions for improvement.

#### **3.13.4 Post Audit Implementation Plan**

The Licensee will address any post audit actions.

### ***3.14 Detailed findings***

The following sets out the audit findings

#### **3.14.1 Audit work undertaken**

We conducted interviews and enquiries to:

- Understand the control environment by determining the responsibility matrix and key control points
- Obtain the policies and procedures for managing licensed areas; and
- Identify the information systems and processes employed to manage licensed areas
- Determine the level of understanding of the systems and processes for managing licensed areas
- In reviewing the procedures and protocols for managing provision of services within a licensed area, where applicable, we obtained flowcharts of the processes and assessed the reasonableness of the decision matrix and the adequacy of the control points implemented by the Licensee.

#### **3.14.2 Further Control Strategies**

The Licensee has compliance manual to assist compliance with regulatory items and a risk register.

### ***3.15 Post Audit/ post Review Implementation plans***

The Licensee will provide to the ERA a post-audit and post-review implementation plan, with the audit or review report.

### ***3.16 Audit/ review evidence***

- Legislation and standards
- Energy Coordination Act 1994,
- Gas Standards Act 1972,
- Gas Customer Code Compendium,
- Gas Distribution Licence GDL9 V6-V8



- Standard form contract
- Performance reports
- Compliance reports
- Sample bills, notices of disconnection
- Licensee's documents,
- Training certificates
- Previous Performance Audit and Asset Management Review reports;
- Wesfarmers Annual reports (2013, 2014 and 2015),
- Customer service charter [public document/website],
- Complaints handling manual and policy [public document/website] also in Charter, Annual information returns,
- Asset register
- ERA Fees and Receipts
- Forest Brook Retic Analysis
- Reticulation Budget Opex budget
- WESCEF Dangerous Good Risk Management Strategy
- KHG Environment policy statement
- Rural Site Risk Assessment
- Property, Plant, equipment and software [WCEF-PO-FIN-090-01]
- Preparation of the capital budget [WI No 1.1]
- Test Samples
- Safety Case Audits
- Energy and Water Ombudsman Purchase Orders, 2016
- Module 16 Reticulated gas procedure
- Module 18 Customers with special needs procedure
- Reinstatement of gas service procedure
- Distribution Systems Asset Maintenance Plan, KHO-GM-MNT-580-01
- Safety Case [KHG LPG Reticulation Systems Safety Case - KHO-TR-OPS-000-01, Feb 2013]
- KHG Inspection Policy Statement and Plan for Consumers LPG Installation 2010 [KHO-GM-SAL-000-03, 2010]
- LPG Gas Consumers Installation Inspection KHO-PD-ENG-000-01
- LP Gas Consumers Installation Report [KHO-SF-SAL-000-17 July12]
- Facilities Maintenance Manual [Distribution Network Maintenance Manual, KHO-GM-MNT-050-03, March 2013 & PROMS457]
- Incident reporting [WesCEF Incident Reporting and Investigation. WCEF-PD-OHS070-01].
- Installation of gas main procedure [Installation of a Gas Main, KHO-PD-MNT-050-01-03, 2013]
- Installation of gas service procedure [Installation of a Gas Service, KHO-PD-MNT-050-01-06,2013]
- Reticulated Gas Emergency Response Communications System [Reticulated Gas Emergency Response Communications System, KHO-MP-MNT-050-05, 2013
- Meter Disconnection and Reconnection Procedure [KHO-MP-MNT-050-02]
- Meter turned off tag [Meter Turned Off Tag KHO-IF-MNT-050-02]
- Notification of Serious Incidents by State [Notification of Serious Incidents by State, KH-GM- OHS-060-02, 2013]
- Pressure Testing of Mains and Services [Pressure Testing of Mains and Services, KHO-PD-MNT-050-01-04]
- Unaccounted for gas procedure, [UAFG KHO-MP-MNT-050-09]
- Health and Safety Risk Register [ KHO-GM-OHS-050-01]



- Risk Management [Risk Management KH-GM-OHS-050-01 2013]
- Emergency Management [Emergency Management KH-GM-OHS-090-01 2013]
- Emergency Event log form [ KHO-SF-OHS-090-02]
- Reticulated gas leak survey procedure [Reticulated gas leak survey procedure KHO-MP-MNT-050-25 2013]
- Reticulated Gas Quality Testing [Reticulated Gas Quality Testing KHO-MP-MNT-050-21 2013]
- Asset Management Design planning and Asset disposal document [2012]
- WA Retic review
- Contingency Plan [Distribution Systems Asset Contingency Plan, KHO-GM-MNT-580-02, 2012,2016],
- Decommissioning Mains [Decommissioning Mains and Services, KHO-PD-MNT-050-01-09]
- Emergency information at tanks – reviewed sample at sites.
- Capitalisation of Albany, Margaret River and Leinster Reticulation Networks Paper
- Performance of Reticulated LPG Distribution Networks Reports
- Summary of EnergySafety's Audit on Kleenheat's LPG Distribution Systems
- Cintellate Quick Reference Guide
- Oracle e-AM system (viewed)
- De-commissioning procedure
- Connection, disconnection reconnection spreadsheets
- Reticulation as constructed drawings
- Leak Surveys
- Pressure testing procedure



### 3.17 Audit Findings - Details

The following sets out the audit findings

#### 3.17.1 Gas Industry Customer Transfer Code – Licence Conditions and Obligations

<b>Item 1</b>	Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>			
<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>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Licence fee invoices and receipts. (2013/2014/2015)			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
The fees have been paid and on time.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None.			
<b>Item 6</b>	Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>			
<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>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Not applicable.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
There have been no interruptions from the prescribed causes and no complaints have been received about gas interruptions.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			



<b>Item 7</b> Distribution Licence Clause 14.1	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>		
<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>Observations</b>		
Documents	<input checked="" type="checkbox"/>	Compliance
		<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Not applicable.		
Process	<input checked="" type="checkbox"/>	Outcome
		<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting
		<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>	
		<input checked="" type="checkbox"/>
The Licensee has an asset management system. The effectiveness is assessed in the review. The commencement was dealt with in previous reviews.		
<b>Issues</b>		
None		
<b>Recommendations</b>		
None		
<b>Item 8</b> Distribution Licence Clause 14.1 and 14.2	Adequacy of controls rating Not Performed	Compliance rating Not Rated
<b>Licence:</b> <i>Distribution</i>		
<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 ERA within 10 business days.		
<b>Observations</b>		
Documents	<input type="checkbox"/>	Compliance
		<input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Not applicable.		
Process	<input type="checkbox"/>	Outcome
		<input type="checkbox"/>
Output	<input type="checkbox"/>	Reporting
		<input type="checkbox"/>
Compliance	<input type="checkbox"/>	
		<input type="checkbox"/>
The ERA has the details from previous reviews. There have been no changes in the audit period.		
<b>Issues</b>		
None		
<b>Recommendations</b>		
None		
<b>Item 9</b> Distribution Licence Clause 14.3	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>		
<i>Energy Coordination Act section 11Y(1)(c)</i> A Licensee must provide the ERA with a report by an independent expert acceptable to the ERA within 24 months of commencement and every 24 months thereafter (or longer if the ERA		



allows) as to the effectiveness of the asset management system.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Not applicable.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
This review and previous reviews satisfy the requirement.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 10</b> Distribution Licence Clause 18.1	Adequacy of controls rating A	Compliance rating 1
---	----------------------------------	------------------------

<b>Licence:</b> <i>Distribution</i>
<i>Energy Coordination Act section 11ZA(1)</i>
The requirement is that a Licensee must provide the <i>ERA</i> with a performance audit by an independent expert acceptable to the <i>ERA</i> within 24 months of commencement and every 24 months thereafter (or longer if the <i>ERA</i> allows).
<b>Observations</b>
Documents <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: The Licensee provided documents with the approval of the auditor.
Process <input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input type="checkbox"/>
This audit satisfies the requirement. The last audit also satisfied the requirements.
<b>Issues</b>
None
<b>Recommendations</b>
None

<b>Item 17</b> Distribution Licence Clause 5.1	Adequacy of controls rating Not Performed	Compliance rating Not Rated
--	--	--------------------------------

<b>Licence:</b> <i>Distribution</i>
<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>Observations</b>
Documents <input type="checkbox"/> Compliance <input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Not applicable.



## Performance Audit Report & Asset Management Review GDL: 9

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
There has been no land acquired under Part 9 of the Land Administration Act and accordingly no costs or expenses for such land.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<hr/>									
<b>Item 24</b> Distribution Licence Clause 20					Adequacy of controls rating A			Compliance rating 1	
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11ZQH</i>									
The requirement is that 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.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Energy ombudsman fee Purchase orders, receipts.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The Licensee is a member of an approved Gas Industry Ombudsman Scheme (Energy and Water Ombudsman) and there are no complaints about not meeting by any decision or direction of the ombudsman under the Scheme.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<hr/>									
<b>Item 25</b> Distribution Licence Clauses 5.1					Adequacy of controls rating B			Compliance rating 2	
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11Z</i>									
The requirement is that a Licensee must comply with the standards of the <i>Gas Standards Act 1972</i> .									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff, EnergySafety's David Robertson, Cornelis De Groot. Documents: gas quality measurement procedure, sample gas quality analysis data.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The <i>Gas Standards Act 1972 provides for</i> regulations to control the safety of gas distribution systems and consumer installations, the regulations are the <i>Gas Standards (Gas Supply and</i>									



<i>System Safety) Regulations 2000 and the Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999. Both sets of regulation are administered by EnergySafety.</i>
<b>Issues</b>
EnergySafety have not reported any deviations from the required gas quality specifications. Gas sampling for odorant was incorrect early in audit period but is correct at end of audit period.
<b>Recommendations</b>
<i>None the corrective action has taken place.</i>

<b>Item 26</b> Distribution Licence Clauses 5.1	Adequacy of controls rating A	Compliance rating 1							
<b>Licence:</b> <i>Distribution</i>									
<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.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. EnergySafety's David Robertson, Cornelis De Groot. Documents: sample gas quality analysis data.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The standards in the <i>Gas Standards Act 1972</i> are contained in regulations, principally the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> .									
<b>Issues</b>									
The <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> are managed by EnergySafety and contain the specification for gas quality including heating value. There are no reported non-compliances from EnergySafety.									
The Licensee samples and analyses the LPG on a regular basis before delivery into the storage vessels and at 6 monthly intervals within the networks to ensure the gas quality meets the required specification.									
<b>Recommendations</b>									
<i>None</i>									

<b>Item 27</b> Distribution Licence Clauses 5.1	Adequacy of controls rating A	Compliance rating 1							
<b>Licence:</b> <i>Distribution</i>									
<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.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. EnergySafety's David Robertson, Cornelis De Groot. Documents: sample gas quality analysis data.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>



The standards in the *Gas Standards Act 1972* are contained in regulations, principally the *Gas Standards (Gas Supply and System Safety) Regulations 2000*.

**Issues**

During the audit period the Licensee did not cause or permit any alteration to be made in the specific gravity, flame, speed or other prescribed characteristic of gas supplied by the Licensee requiring the Licensee to apply for and obtain the approval of the Minister.

The *Gas Standards (Gas Supply and System Safety) Regulations 2000* are managed by EnergySafety and there are no reported non-compliances from EnergySafety.

**Recommendations**

None

<b>Item 28</b> Distribution Licence Clauses 5.1	Adequacy of controls rating C	Compliance rating 2
---	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)*  
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.

**Observations**

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
-----------	--------------------------	------------	--------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. EnergySafety's David Robertson, Cornelis De Groot. Documents: sample gas quality analysis data. Installation procedures.

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
---------	--------------------------	---------	--------------------------	--------	--------------------------	-----------	--------------------------	------------	--------------------------

This requirement of the *Gas Standards Act 1972* is prescribed in, *the Gas Standards (Consumer Gas Installations) Regulations 1999*.

**Issues**

*The Gas Standards (Consumer Gas Installations) Regulations 1999*. are managed by EnergySafety.

EnergySafety found during a recent audit that the Licensee was not reporting all the defects that were found during an inspection (and subsequent action taken) and therefore in breach of the regulations. The Licensee has now taken the required action to ensure that all defects are reported.

**Recommendations**

*None. Although during the audit period the Licensee failed to comply with this requirement the Licensee has now rectified the situation, subject to verification by EnergySafety later in 2016.*

<b>Item 87</b> Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination (Customer Contracts) Reg. 28, clause 3.1.2 AGA Code*  
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>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Sample bills. Database (by statistical sampling), sample reconnection request and date of reconnection.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
From sample, all reconnections were reconnected within 1 business day.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 88</b> Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination (Customer Contracts) Reg. 28, clause 3.1.3.1 AGA Code*  
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>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: database (by statistical sampling) Connection requests. Dates of connections Module 16 Reticulated Gas, Notices of Completion									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Regulation 28(1) requires connection conditions to be included in the standard form contract. The Licensee's standard form contract gives a connection time of 20 days from receipt of the NOC. The gas fitter after making the certification of compliance (on NOC) enables the meter (removes disc) to make the connection. So the connection is made on the same day as the NOC, satisfying R.28(1). There is an implied agreement via the standard form contract that the connection be made 20 days from the NOC and on this basis the obligation is satisfied. All connections were made in 20 days.									
EnergySafety have expressed concerns about the efficacy of testing of supply installation and NOC processes and will carry out a verification audit in late 2016.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 89</b> Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination (Customer Contracts) Reg. 28, clause 3.5.2.2 AGA Code*  
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.

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
-----------	-------------------------------------	------------	-------------------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: Sample bills. Database (by statistical sampling) Sample letters of notice of leak survey

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The dates of leak surveys other planned outages were given to the customer at least 5 days prior and communications sent out to customer by post. Customer's contacted in time. No customer complaints for lack of notice.

**Issues**

None

**Recommendations**

None

<b>Item 90</b> Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination (Customer Contracts) Regulation 33(3) AGA Code 3.5.2.2*

A Licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification.

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
-----------	-------------------------------------	------------	-------------------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: Procedures mandating wearing of badges, sighted employees wearing uniform and contractors carrying badges on site visits

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The Licensee's employees carry the Licensee's badge and use the Licensee's forms. The Licensee's contractors wear identification when attending site.

**Issues**

None

**Recommendations**

None

3.17.2 **Licence requirements**

<b>Item 92</b> Distribution Licence Clause 12.	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination Act section 11M*

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 Gas Standards (Gas Supply and System Safety) Regulations 2000.



<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents:									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The networks have operated continuously except for leak repairs which complies with <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> .									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 93</b> Distribution Licence Clause 13.	Adequacy of Controls Rating Not Performed	Compliance rating Not Rated
--	--	--------------------------------

**Licence:** *Distribution*

*Energy Coordination Act section 11M*

A Licensee must give the ERA 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>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. .									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
There has been no cessation or substantial decrease in activities in the audit period to require a notice to the ERA.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 94</b> Distribution Licence Clause 14.4	Adequacy of controls rating A	Compliance rating 1
---	----------------------------------	------------------------

**Licence:** *Distribution*

*Energy Coordination Act section 11M*

A Licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the asset management review.

<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents:									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>



The review meets the requirements. The previous reviews also met the requirement.
<b>Issues</b>
None
<b>Recommendations</b>
None

<b>Item 95</b> Distribution Licence Clause 14.6	Adequacy of controls rating A	Compliance rating 1
---	----------------------------------	------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
 A Licensee's independent expert must be approved by the ERA prior to reviewing the effectiveness of the asset management system.

<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: The Licensee provided documents to the ERA on approval of the reviewers.

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The review meets the requirements. The previous reviews also met the requirement.
<b>Issues</b>
None
<b>Recommendations</b>
None

<b>Item 96</b> Distribution Licence Clause 16.2.	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
 The requirement is that a Licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the performance audit.

<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: The Licensee provided documents to the ERA on approval of the auditor.

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The audit meets the requirements. The previous audits also met the requirement.
<b>Issues</b>
None
<b>Recommendations</b>
None



<b>Item 97</b> Distribution Licence Clause 16.4	Adequacy of controls rating A	Compliance rating 1							
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A Licensee's independent auditor must be approved by the ERA prior to the audit.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: The Licensee provided documents to the ERA on approval of the auditor.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input type="checkbox"/>
This audit meets the requirements. The previous audits also met the requirement.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 98</b> Distribution Licence Clause 17	Adequacy of controls rating Not Performed	Compliance rating Not Rated							
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A licensee may be subject to individual performance standards.									
<b>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Audit/reviews									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
There are no individual performance standards.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 99</b> Distribution Licence Clause 20	Adequacy of controls rating A	Compliance rating 1							
<b>Licence:</b> <i>Distribution</i>									
<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>Observations</b>									



Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: sample communication.				
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
All notices are in writing. All material communication with the ERA is in writing.				
<b>Issues</b>				
None				
<b>Recommendations</b>				
None				

<b>Item 100</b>	Distribution Licence Clause 21.1	Adequacy of controls rating A	Compliance rating 1
-----------------	----------------------------------	----------------------------------	------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
The requirement is that a Licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards.

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff and financial controller. Documents: annual reports 2012/2013/2014.				
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The annual reports declare compliance with the required accounting standards. The 2012/2013 reports noted that some 6 accounting standards that were new in 2012 were still being considered but all were noted as accepted by 2014.				
<b>Issues</b>				
None				
<b>Recommendations</b>				
None				

<b>Item 101</b>	Distribution Licence Clause 24	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	--------------------------------	--	--------------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
A Licensee must report to the ERA 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.

**Observations**

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.				



Documents: Not applicable.									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
The administration status of the Licensee and in its corporate, financial or technical circumstances has not had any significant change.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 102</b>	Distribution Licence Clause 21.	Adequacy of controls rating B	Compliance rating 2
-----------------	---------------------------------	----------------------------------	------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
 The requirement is that a Licensee must provide to the *ERA* any information that the *ERA* may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the *ERA*.

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
-----------	-------------------------------------	------------	-------------------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: compliance and statistical information/performance returns.

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The Licensee has provided the information returns required by the *ERA* in the manner and form required. But 2013 performance report was 2 days late.

**Issues**

Reports were late.

**Recommendations**

*None as corrective control actions have already been implemented.*

<b>Item 103</b>	Distribution Licence Clause 24	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	--------------------------------	--	--------------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
 The requirement is that a Licensee must publish any information it is directed by the *ERA* to publish, within the timeframes specified.

**Observations**

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
-----------	--------------------------	------------	--------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: Not applicable

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
---------	--------------------------	---------	--------------------------	--------	--------------------------	-----------	--------------------------	------------	--------------------------

The *ERA* has not required any information to be published.



<b>Issues</b>			
None			
<b>Recommendations</b>			
None			
<b>Item 104</b> clause 1	Distribution Licence Schedule 3	Adequacy of controls rating Not Performed	Compliance rating Not Rated
<b>Licence:</b> <i>Distribution</i>			
<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 5.9 of the National Access Code as if they were covered pipelines.			
<b>Observations</b>			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Not applicable			
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>
Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>
Compliance	<input type="checkbox"/>		
The Licensee has no pipelines as distribution systems are supplied from storage vessels. Therefore, this obligation does not apply.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			
<b>Item 105</b> clause 2	Distribution Licence Schedule 3	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>			
<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>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Sample requests. completion notices			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		
The Licensee has offered to connect all requests from the trader.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			



3.17.3 Compendium

<b>Item 226</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.5	Adequacy of controls rating Not Performed	Compliance rating Not Rated
<b>Licence:</b> <i>Distribution</i>			
<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>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills, disconnection notices.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
There have been no disconnections for emergency reasons. There is a 24-hour emergency line. There have been no reconnections as there were no disconnections as this requirement cannot be verified, the rating is not performed/not rated.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			
<b>Item 227</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.6	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>			
<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 in clause 7.6.			
<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills, disconnection notices.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
There have been no disconnections where there was a complaint or outside the proscribed times. This meets the obligation to not disconnect.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			
<b>Item 230</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2(1)-(3)	Adequacy of controls rating A	Compliance rating 1



<b>Licence:</b> <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
<p>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 2 business days of receipt of the request, or where the retailer has notified the distributor of a later date for reconnection, within 2 business days of that later date.</p> <p>In the event of an emergency or where access to the customer's supply address has been restricted or where it is unsafe to reconnect the customer's supply address, the distributor must reconnect the customer's supply address within 2 business days from becoming aware that the relevant issue has been resolved.</p> <p>Where reconnection requires excavation, the distributor must reconnect the customer's supply address within 10 business days of receipt of the request to reconnect.</p>		
<b>Observations</b>		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills/spreadsheet with reconnection request dates and reconnection times.		
Process	<input checked="" type="checkbox"/>	Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
All reconnections were within 2 business days.		
<b>Issues</b>		
None		
<b>Recommendations</b>		
None		
<b>Item 230A</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2(4)	Adequacy of controls rating Not Performed
		Compliance rating Not Rated
<b>Licence:</b> <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
<p>If any of the circumstances described in clauses 8.2(3)(b)-(e) apply, the distributor must notify the retailer of the relevant circumstance within 2 business days of receipt of the reconnection request made under clause 8.2(1).</p>		
<b>Observations</b>		
Documents	<input type="checkbox"/>	Compliance <input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills/spreadsheet with reconnection request dates and reconnection times. Disconnection notices.		
Process	<input type="checkbox"/>	Outcome <input type="checkbox"/> Output <input type="checkbox"/> Reporting <input type="checkbox"/> Compliance <input type="checkbox"/>
None of the conditions of 8.2(3)(b)-(e) apply so notice is not required.		
<b>Issues</b>		
None		
<b>Recommendations</b>		
None		
<b>Item 230B</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2(5)	Adequacy of controls rating
		Compliance rating



		A	1
<b>Licence:</b> <i>Distribution</i>			
<i>Energy Coordination Act section 11M</i>			
Notwithstanding clause 8.2(1), if a distributor becomes aware that there has been an unauthorised utilisation of gas at the customer's supply address, the distributor must notify the retailer as soon as practicable, and is not obliged to reconnect the supply address until the issue is resolved.			
<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills, disconnection notices, sample letter of advice to set up account.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
All customers who had failed to establish an account when moving in were sent a letter outlining the requirement to set up an account with failure to do so resulting in disconnection (putting disc to the meter) which is not removed until account was established.  There were no instances of bypass of meter or theft of gas.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			
<b>Item 244</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.6	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>			
<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 information specified in clause 10.6(c)-(i).			
<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Information specified in 10.6(c) to (i) is available at the Distributors office free on request and on the Licensee's web site. No requests were made to the Licensee's office but is available openly on the web.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			
<b>Item 245</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.9	Adequacy of controls rating	Compliance rating



		A	1
<b>Licence:</b> <i>Distribution</i>			
<i>Energy Coordination Act section 11M</i>			
A retailer and distributor must, to the extent practicable, ensure that any written information that must be given to a customer by the retailer, distributor or gas marketing agent under the Gas Marketing Code and the Compendium is expressed in clear, simple and concise language and is in a format that makes it easy to understand.			
<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		
Written information that is given to a customer under the Compendium and gas marketing code and Marketing Code occurs. is complying.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			

<b>Item 247</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(2)	Adequacy of controls rating A	Compliance rating 1
-----------------	---	----------------------------------	------------------------

<b>Licence:</b> <i>Distribution</i>			
<i>Energy Coordination Act section 11M</i>			
A distributor must advise a customer on request how the customer can obtain a copy of the Compendium and make a copy of the Compendium available on the distributor's website, and at the offices of the distributor at no charge.			
<b>Observations</b>			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills.			
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>
Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>
Compliance	<input type="checkbox"/>		
There have been no requests for copies of Gas Marketing Code and the Compendium. Information is available on request at the Murdoch office and on the web site. Complies with 10.10(2)(b) and (c) and they are rated A1 Cannot test for 10.10(2)(a) so that part is Not performed/Not rated.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			

<b>Item 249</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(1)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	---	--	--------------------------------



<b>Licence:</b> <i>Distribution</i>			
<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 (including independent multi-lingual and TTY services, and large print copies).			
<b>Observations</b>			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills.			
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>
Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>
Compliance	<input type="checkbox"/>		<input type="checkbox"/>
The information is in the customer charter which is available on the web and in the Murdoch office on request free. There has been no request in the office so rating is Not performed/Not rated because cannot test.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			

<b>Item 250</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(2)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	---	--	--------------------------------

<b>Licence:</b> <i>Distribution</i>			
<i>Energy Coordination Act section 11M</i>			
A retailer and, where appropriate, a distributor must include on a residential customer's bill and bill related information, reminder notice and disconnection warning: the telephone number for its TTY services; the telephone number for independent multi-lingual services; the National Interpreter Symbol with the words "Interpreter Services"..			
<b>Observations</b>			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Sample bills.			
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>
Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>
Compliance	<input type="checkbox"/>		<input type="checkbox"/>
The distributor has not issued bills.			
<b>Issues</b>			
None.			
<b>Recommendations</b>			
None.			

<b>Item 251</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(1)	Adequacy of controls rating A	Compliance rating 1
-----------------	--	----------------------------------	------------------------

<b>Licence:</b> <i>Distribution</i>			
-------------------------------------	--	--	--



<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>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Complaint process.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
There is a complaints handling process.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 252</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(2) (a), (b) and (d)	Adequacy of controls rating A	Compliance rating 1
-----------------	---	----------------------------------	------------------------

**Licence:** *Distribution*

<i>Energy Coordination Act section 11M</i>									
The complaints handling process under clause 12.1(1) must comply with AS ISO 10002 – 2006 and address, at the least, the criteria specified in clause 10.2(b). The complaints handling process must be available at no cost to customers.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Complaint process.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The complaints process is complying. The process meets 12.2(b) and is available at no cost. There have been no complaints received about complaints process. Clause 10.2(b) is about billing data.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 254</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(a)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	---	--	--------------------------------

**Licence:** *Distribution*

<i>Energy Coordination Act section 11M</i>							
When responding to a customer complaint a retailer or distributor must advise the customer that the customer has the right to have the complaint considered by a senior employee within the retailer or distributor (in accordance with its complaints handling process).							



<b>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Complaint process.									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
The process covers internal escalation. There have been no complaints in audit period to test process. There have been no complaints received about complaint process.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 255</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(b)									
Adequacy of controls rating Not Performed					Compliance rating Not Rated				
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
When a complaint has not been resolved internally in a manner acceptable to the customer, a retailer or distributor must advise the customer of the reasons for the outcome (on request, the retailer or distributor must supply such reasons in writing); and that the customer has the right to raise the complaint with the gas ombudsman or another relevant external dispute resolution body and provide the Freecall telephone number of the gas ombudsman.									
<b>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Complaint process.									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
The process covers internal / ombudsman escalation. There have been no complaints in audit period to test process. There have been no complaints received about complaint process.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 255A</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(4)									
Adequacy of controls rating Not Performed					Compliance rating Not Rated				
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A retailer or distributor must, on receipt of a written complaint by a customer, acknowledge the complaint within 10 business days and respond to the complaint within 20 business days.									
<b>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.									



Documents: Customer service charter. Customer Code. Complaint process.									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
The process covers response requirements. There have been no complaints in audit period to test process. There have been no complaints received about complaint process.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 257</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.3	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	---	--	--------------------------------

<b>Licence:</b>	<i>Distribution</i>
<i>Energy Coordination Act section 11M</i>	
A retailer, distributor and gas marketing agent must give a customer on request, at no charge, information that will assist the customer in utilising the respective complaints handling processes.	

<b>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
Documents: Customer service charter. Customer Code. Complaint process.

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
There have been no requests for information on complaints handling.									

<b>Issues</b>									
None									
<b>Recommendations</b>									
None									

<b>Item 258</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.4	Adequacy of controls rating Not Performed	Compliance rating Not Rated
-----------------	---	--	--------------------------------

<b>Licence:</b>	<i>Distribution</i>
<i>Energy Coordination Act section 11M</i>	
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.	

<b>Observations</b>									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
Documents: Customer service charter. Customer Code.

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
There have been no complaints not relating to the Licensees function. The distributor and trader are related and have common call centre staff so reference to one is to the other.									



<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 281</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1									
				Adequacy of controls rating A			Compliance rating 1		
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A retailer and a distributor must prepare a report in respect of each reporting year setting out the information specified by the ERA.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The required reports were prepared.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 282</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.2									
				Adequacy of controls rating A			Compliance rating 1		
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A report referred to in clause 13.1 must be provided to the ERA by the date, and in the manner and form, specified by the ERA.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The 2015 performance report submitted in form required and on time. This requirement is new to 2015 so previous reports did not have this obligation in 2013 manual.									
<b>Issues</b>									
None.									
<b>Recommendations</b>									
None.									



<b>Item 283</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.3	Adequacy of controls rating B	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>			
<i>Energy Coordination Act section 11M</i>			
A report referred to in clause 13.1 must be published by the date specified by the ERA.			
<b>Observations</b>			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code.			
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>
Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>
Compliance	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Published is defined in 13.3(2). Copies were available at the Licensee's office by the due dates and therefore comply with that leg of the requirement. The reports were both published on the web site but as there is new web site there is no archival information on posting dates to the web site.			
<b>Issues</b>			
Cannot verify posting dates.			
<b>Recommendations</b>			
<i>Improve system of compliance with regulatory requirements by adding the recording of dates of posting to the web site.</i>			

3.17.4 **Items from 2013 manual**

<b>Item 246</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(1)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
<b>Licence:</b> <i>Distribution</i>			
<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 Marketing Code and the Compendium.			
<b>Observations</b>			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium			
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>
Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>
Compliance	<input type="checkbox"/>		<input type="checkbox"/>
The Code and Compendium were available free at the Murdoch office but there were no requests.			
<b>Issues</b>			
None			
<b>Recommendations</b>			
None			

<b>Item 248</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(3)	Adequacy of controls rating	Compliance rating
-----------------	---	-----------------------------	-------------------



		A	1	
<b>Licence:</b> <i>Distribution</i>				
<i>Energy Coordination Act section 11M</i>				
A retailer and distributor must make a copy of the Gas Marketing Code and the Compendium available for inspection, at no charge, at their offices.				
<b>Observations</b>				
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium				
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The Code and Compendium were available free at the Murdoch office.				
<b>Issues</b>				
None				
<b>Recommendations</b>				
None				
<b>Item 253</b>		Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(2)(c) and (d)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
<b>Licence:</b> <i>Distribution</i>				
<i>Energy Coordination Act section 11M</i>				
The complaints handling process must detail how the retailer will handle complaints about a retailer or marketing, and be available at no cost to customers.				
<b>Observations</b>				
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium				
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output <input type="checkbox"/> Reporting <input type="checkbox"/> Compliance <input type="checkbox"/>
While indicated in manual as an item for distributors is actually an item for traders.				
<b>Issues</b>				
None				
<b>Recommendations</b>				
None				
<b>Item 259</b>		Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(1)	Adequacy of controls rating A	Compliance rating 1
<b>Licence:</b> <i>Distribution</i>				
<i>Energy Coordination Act section 11M</i>				
Unless expressly provided otherwise, a retailer, distributor or gas marketing agent must keep a record or other information as required to be kept by the Code of Conduct and the Compendium for at least 2 years from the last date on which the information was recorded.				



<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports, sighted aged report.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The reports are maintained for more than 2 years (not deleted at all).									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<b>Item 261</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(3)				Adequacy of controls rating B			Compliance rating 2	
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
For the purposes of subclause 13.1(1), a distributor must keep records or other information specified in clause 13.1(3)(a)-(d).									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The records were kept except does not show reconnections outside allowed time frames.									
<b>Issues</b>									
Does not show all required information. There was no information on reconnections outside allowed time frames.									
<b>Recommendations</b>									
<i>None as action has been deleted from current requirements.</i>									
<b>Item 269</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)				Adequacy of controls rating A			Compliance rating 1	
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A distributor must keep a record of the total number of connections provided and the total number of connections not provided on or before the agreed date.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports									



Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The records were kept.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None.									

<b>Item 270</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)	Adequacy of controls rating B	Compliance rating 2
-----------------	--	-------------------------------	---------------------

**Licence:** *Distribution*

*Energy Coordination Act section 11M*

A distributor must keep a record of the total number of reconnections provided, other than those specified in clause 13.8(2)(a), and the total number of those reconnections not provided within the prescribed timeframe.

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
-----------	-------------------------------------	------------	-------------------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The records were kept for reconnections but not for total of those provided not within the prescribed timeframe.

**Issues**

Does not show all required information.

**Recommendations**

*None as action has been deleted from current requirements.*

<b>Item 271</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(1)	Adequacy of controls rating A	Compliance rating 1
-----------------	---	-------------------------------	---------------------

**Licence:** *Distribution*

*Energy Coordination Act section 11M*

A distributor must keep a record of the customer complaint indicators specified in clause 13.10(1)(a)- (e).

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
-----------	-------------------------------------	------------	-------------------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The records were kept but there were no complaints received to record.

**Issues**



None
<b>Recommendations</b>
None

<b>Item 272</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(2)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
---	--	--------------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
 A distributor must keep a record of the details of each customer complaint referred to in clause 13.10(1).

**Observations**

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
-----------	--------------------------	------------	--------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
---------	--------------------------	---------	--------------------------	--------	--------------------------	-----------	--------------------------	------------	--------------------------

There are no records to keep as there were no complaints and therefore no details to record.

**Issues**

None

**Recommendations**

None

<b>Item 273</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.12	Adequacy of controls rating A	Compliance rating 1
--	----------------------------------	------------------------

**Licence:** *Distribution*  
*Energy Coordination Act section 11M*  
 A distributor must keep a record of the call centre performance indicators specified in clause 13.12(a)- (e).

**Observations**

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
-----------	-------------------------------------	------------	-------------------------------------

**Evidence:** interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff.  
 Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
---------	-------------------------------------	---------	-------------------------------------	--------	-------------------------------------	-----------	-------------------------------------	------------	-------------------------------------

The records were kept.

**Issues**

None

**Recommendations**

None

<b>Item 274</b> Distribution Licence clause 2.1	Adequacy of	Compliance rating
---	-------------	-------------------



and Schedule 2 Compendium clause 13.14	controls rating A	1
<b>Licence:</b> <i>Distribution</i>		
<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>Observations</b>		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports		
Process	<input checked="" type="checkbox"/>	Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The records were kept.		
<b>Issues</b>		
None		
<b>Recommendations</b>		
None		
<b>Item 276</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.16	Adequacy of controls rating A
Compliance rating 1		
<b>Licence:</b> <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
A distributor must prepare a report in respect of each reporting year setting out the information in the records specified in clause 13.16(a)-(d).		
<b>Observations</b>		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, performance reports		
Process	<input checked="" type="checkbox"/>	Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The reports were prepared.		
<b>Issues</b>		
None		
<b>Recommendations</b>		
None		
<b>Item 277</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	Adequacy of controls rating B
Compliance rating 1		
<b>Licence:</b> <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
The annual retailer and distributor reports specified in clauses 13.15 and 13.16 are to be published not later than the following October 1.		



<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium, web site, performance reports									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Published is defined in 13.17(2). Copies were available at the Licensee's office by the due dates and therefore comply with that leg of the requirement. The reports were both published on the web site. But as there was a new web site archival posting dates are not available.									
<b>Issues</b>									
This requirement was amended by the 2015 manual to a date set by ERA. So, retention of posting date before 1 October is no longer a requirement.									
<b>Recommendations</b>									
None									
<hr/>									
<b>Item 278</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)					Adequacy of controls rating	Compliance rating		
						A	1		
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A report is published for the purposes of clause 13.17(1) if copies of it are available to the public, without cost, at places where the retailer or distributor transacts business with the public, and a copy of it is posted on a website maintained by the retailer or distributor.									
<b>Observations</b>									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Published is defined in 13.17(2). Copies were available at the Licensee's office by the due dates and therefore comply with that leg of the requirement. The reports were both published on the web site.									
<b>Issues</b>									
None									
<b>Recommendations</b>									
None									
<hr/>									
<b>Item 279</b>	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(3)					Adequacy of controls rating	Compliance rating		
						A	1		
<b>Licence:</b> <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
A copy of each report must be given to the Minister and the ERA not less than 7 days before it is published.									
<b>Observations</b>									



## Performance Audit Report & Asset Management Review GDL: 9

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium				
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The reports were prepared and delivered on time.				
<b>Issues</b>				
This requirement is no longer a requirement being subsumed by the reporting dates specified by the ERA.				
<b>Recommendations</b>				
None				
<b>Item 280-</b> Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18				
		Adequacy of controls rating A		Compliance rating 1
<b>Licence:</b> <i>Distribution</i>				
<i>Energy Coordination Act section 11M</i>				
A retailer and distributor must provide the information in the records in clauses 13.15 and 13.16 to the ERA in a format acceptable to the ERA no later than the following 23 September.				
<b>Observations</b>				
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>	
<b>Evidence:</b> interviewed Manoj Thakur, Leigh Meyers, Emma Cheeseman, listed staff. Documents: Customer service charter. Customer Code. Gas Marketing Code and the Compendium				
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The reports were prepared and provided on time.				
<b>Issues</b>				
None				
<b>Recommendations</b>				
None				



## 4 Asset Management Review Details

### 4.1.1 Asset Management System Review Details

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
1.0 Asset Planning	B	2

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

#### Evidence

Examined see Audit / Review evidence section details

Interviewed:

- Reticulation Manager
- Territory Manager
- Contractors at Margaret River, Albany and Leinster)

#### Observations Distribution System

During the audit period several extensions have taken place at Oyster Harbour Albany and Margaret River to provide a gas supply to new stages of housing development. The extensions have been funded and constructed by the land developer with KHG undertaking and funding the connection to the existing distribution system and commissioning of the new section of pipework.

In February 2015 a financial review was undertaken of the 3 distribution systems (Margaret River has 2 separate installations) and it was recommended KHG continue to operate the distribution systems. It should be noted that KHG is an integrated business supplying the LPG, distributing the LPG and retailing the LPG as such any financial review includes all three activities and profitability is measured on revenue received from customers covering all aspects of supply.

The asset management system covers the 3 distribution systems owned and operated by the Licensee in Western Australia. The distribution business forms a very small part of the 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 with the exception of Leinster, utilised third parties to design, construct and fund the distribution piping systems. The Licensee has only been responsible for the cost of connecting and commissioning the piping system and the connection of customers all of which are domestic households. The networks have been constructed using polyethylene pipe and electrofusion fittings to be maintenance free and have as long a life-cycle as possible before requiring replacement. Thereby minimising the amount of maintenance required to the assets.

Each of the distribution systems is currently 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 vaporised gas leaves the storage vessels the pressure is regulated to 35 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 together with other strategically placed valves throughout the distribution systems to enable sections of the distribution system to be isolated if a break or incident was to occur in the distribution system.

Unlike the other distribution systems Leinster is a much older system predominantly constructed from un-plasticised polyvinyl chloride UPVC and supplies only the mining town. Additionally, although meters are installed at each premise they are not read and the cost of the LPG is charged directly in tonnes under a contract between KHG and the owner of the mine BHP.

In all the distribution systems the gas mains are located in the road reserve on an alignment and to a depth that complies with the Public Utility Providers Manual. With the exception of Leinster 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.

### Observations Criteria

#### **1.1 Asset Management Plan covers the key requirements B2**

The Licensee failed to produce a consolidated Asset Management Plan during the audit. The safety and operating plan (operating and maintenance) are part of the safety case as is a formal safety assessment (risk assessment). The commercial risks are regularly evaluated and are documented (commercial and environmental risk). The decision process about investing in an asset or not (asset planning) are well documented. The Licensee does not create the assets but the developer so documentation is less significant. The assets are new so asset disposal has not been a live issue. Contingencies and financial elements of asset planning are less significant elements given that they are a small part of the total LPG business. As no consolidated plan currently exists it was difficult to establish how all the elements fit together although they individually exist. A coordinating document would improve controls.

#### **1.2 Planning process and objectives reflect the needs of all stakeholders and are integrated with business planning A1**

As the Licensee is not funding the extensions to the distribution system no financial approval process needs to be undertaken.

However, the responsibility for strategic review of reticulated networks resides with the Territory Manager and business representative of the relevant geographical area. This type of review is undertaken on an annual basis. On a monthly basis the Territory Manager reviews the quantity of gas sold as recorded by gas meters to determine profitability. As part of the review a fixed dollar amount per tonne of LPG is used to cover the costs involved in operating and maintaining the distribution system. Deviations in revenue outside of those expected are investigated.

The operating performance of the network and the maintenance activities are the responsibility of the Reticulation Manager. Reports on the performance of the distribution systems are compiled on a regular basis and provide the Licensee with a comprehensive picture on the performance of the distribution systems.

#### **1.3 Service levels are defined A1**

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 Territory Manager



and Customer Service Manager. The Territory Manager sets annual targets and reviews progress on a monthly basis.

**1.4 Non-asset options (e.g. demand management) are considered A1**

The Licensee due to generous pipe sizing has extra capacity within the system and can raise the pressure in the system to further increase capacity. Given this spare capacity and the fact that all the gas is supplied to domestic dwellings there has to date been no need to consider demand management. Should supply issues occur the Licensee has the option of supplying individual properties with LPG cylinders.

**1.5 Lifecycle costs of owning and operating assets are assessed A1**

All investment must meet the Licensees' internal rate of return (IRR) currently 14% and return a positive net present value (NPV) before proceeding. Life-cycle costs are included in the business case and allow for a long asset life for the distribution system with a shorter life for the storage vessels and consumer meters. Reviews enable the Licensee to identify any financial issues and take the necessary actions to rectify.

The assumption for the distribution 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.

**1.6 Funding options are evaluated A1**

All investment must meet the Licensees' Internal Rate of Return (IRR) currently 14% and return a positive net present value (NPV) before proceeding. It is normal for the Licensee to consider bottled gas as an alternative when modelling reticulation.

**1.7 Costs are justified and cost drivers identified A1**

All investment must meet the Licensees' Internal Rate of Return (IRR) currently 14% and return a positive net present value (NPV) before proceeding. As the business is integrated all costs associated with delivering gas to a customer are justified. This includes the cost of the gas, storage facilities, reticulation construction and operation costs and retailing costs.

**1.8 Likelihood and consequences of asset failure are predicted A1**

The Asset Management System through the Safety Case requires monitoring of items such as gas leaks and outages and periodic leak surveys. Responsibility for these activities resides with the Distribution Manager. The reports produced on these activities would enable early identification to be made on the likelihood of an asset failure and enable action to be taken to minimise the consequences.

The Safety Case (also known as a Safety and Operating Plan) is a requirement under the *Gas Standards (Gas Supply and System Safety) Regulations 2000*. The purpose of the Safety Case is to provide for the safe management of the distribution systems throughout the life cycle of all the elements of the distribution network and the Safety Case must comply with Australian Standard/New Zealand Standard 4645 Gas Distribution Networks Part 1: Network Management. The scope of the Standard for an LPG gas network includes all the facilities from the point of entry into the gas distribution network to the outlet of the consumer's meter assemblies. The Safety Case comprises a Formal Safety Assessment (FSA) and a Safety and Operating Plan. The Safety and Operating Plan shall include controls required to mitigate the risks that are identified in the FSA and reference design documentation, policies, procedures and guidelines relevant to protection of personnel, property, the public and the environment including measures to:

- (a) protect the gas distribution system from defined threats,
- (b) promote public awareness of the gas distribution system,
- (c) safely operate and maintain the gas distribution system, and
- (d) respond to emergencies.

The plan covers the life cycle phases of all elements of the network including, planning, design, material and component selection and acquisition (construction, testing and



commissioning), operation, maintenance, repair and modification, decommissioning and disposal, for the defined period of the plan currently 5 years.

**1.9 Plans are regularly reviewed and updated**

**B2**

Reports on the performance of the distribution systems are compiled on a regular basis and provide the Licensee with a comprehensive picture on the performance of the distribution systems.

The Licensee failed to produce a consolidated Asset Management Plan during the audit. The safety and operating plan are part of the safety case as is a formal safety assessment (risk assessment). The commercial risks are regularly evaluated and are documented (commercial and environmental risk). The decision process about investing in an asset or not (asset planning) are well documented. The Licensee does not create the assets but the developer, so documentation is less significant. The assets are new so asset disposal has not been a live issue. Contingencies and financial elements of asset planning are less significant elements given that they are a small part of the total LPG business. As no Asset Management System coordinating document currently exists it was difficult to establish how all the elements fit together although they individually exist. A coordinating document would improve controls.

***Recommendations***

*Licensee prepares an Asset Management Plan coordinating document that describes the planning processes and objectives, defines the service levels and assigns responsibilities and how they are applied in practice.*



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
2.0 Asset creation/ acquisition	B	2
<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 see Audit / Review evidence section for details            Interviewed:</p> <ul style="list-style-type: none"> <li>• Reticulation Manager</li> <li>• Territory Manager</li> </ul>		
<p><b>Observations General</b></p> <p>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 distribution systems. However, during the audit period the Licensee acquired new assets at Oyster Harbour Albany and Rapids Landing Margaret River as stages of land development occurred, all of which were installed at the developers cost and therefore not subject to the Licensee's financial evaluation.</p> <p><b>2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions</b> <span style="float: right;"><b>A1</b></span></p> <p>For the existing distribution systems this is no longer necessary as all new assets are provided by the land developer at no cost to the Licensee. The Licensee also proposes to incorporate the cost of connecting customers in the building package.</p> <p>However, for a Greenfields distribution system the Licensee undertook 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 considered. The option of a reticulated service was only taken where financially viable and in locations where no competition exists with natural gas. This evaluation occurred for the initial Albany and Margaret River developments.</p> <p><b>2.2 Evaluations include all life-cycle costs</b> <span style="float: right;"><b>A1</b></span></p> <p>Life-cycle costs are included in the business case and allow for a long asset life for the distribution system with a shorter life for the storage vessels and consumer meters. New extensions to the distribution system are not subject to lifecycle costs as they are funded by the developer.</p> <p>The assumption for the distribution 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.</p> <p><b>2.3 Projects reflect sound engineering and business decisions</b> <span style="float: right;"><b>B2</b></span></p> <p>All projects reflect sound engineering and business decisions. The Licensee arranged for a third party to verify the design of extensions to the distribution system to ensure they are adequate and the material used to construct the system is evaluated for ease of installation and trouble free operation and specified to the developer by the Licensee before installation takes place. Business decisions included evaluating the rate of return</p>		



to ensure that the Licensee's hurdle rates are achieved. Currently the rate of return is 14%. However, while extensions to the distribution system are evaluated by third party designers, the Licensee needs to undertake periodic verification to ensure overall design is fit for purpose.

During the audit period no financial evaluations have been undertaken as the extensions have been fully funded by the developer.

As stated elsewhere in the document the distribution systems are subject to periodical financial review to ensure the required IRR is being achieved.

**2.4 Commissioning tests are documented and completed** **A1**

Commissioning tests are immediately documented on completion to record that the asset was tested for correct and safe operation before being placed in service. During the audit period commissioning has occurred to connect the new extensions at Margaret River and Oyster Harbour (Albany) to the existing network.

**2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood** **A1**

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 out sourced to a relevant expert to ensure a detailed examination is undertaken.

**Recommendations** Licensee to carryout periodic design verification tests of capacity of networks and extensions to ensure they are adequate.



<b>Asset management System Element</b>  <b>3.0 Asset disposal</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>A</b>	<b>Asset management performance rating</b>  <b>Not Rated</b>
<p>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.</p>		
<p><b>Evidence</b>            Examined see Audit / Review evidence section for details            Interviewed:</p> <ul style="list-style-type: none"> <li>• Reticulation Manager</li> <li>• Territory Manager</li> </ul>		
<p><b>Observations General</b>            The distribution 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. The storage vessels store the liquid petroleum gas and it is vaporised as it leaves the storage vessel before entering the network. The amount of vaporization is dependent on quantity of vapour (gas) required by customers and can vary greatly during a 24-hour period. If the quantity of gas required by the customers connected to the network could be delivered from less storage vessels than installed or smaller storage vessels would be more economic, relocation/change of a storage vessel would be considered.</p> <p>The asset management system sets out the actions to be taken if the system is underperforming with the ultimate solution being to change each customer to cylinders and disconnect them from the network. If all customers were to change the network would be decommissioned and made safe.</p> <p><b>3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process</b> <span style="float: right;"><b>ANR</b></span></p> <p>The distribution systems are regularly reviewed to ensure they are performing to the required technical level through examination of KPIs and level by the monitoring of the volume of LPG supplied. (There are no technical restraints for low usage of the network only for over utilization). 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 that could result in a storage vessel being relocated.</p> <p>No action could be taken with the distribution system as it is not feasible to remove sections of the network, but under-utilised and/or underperforming 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 cylinders would be considered.</p> <p><b>3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken</b> <span style="float: right;"><b>ANR</b></span></p> <p>As stated above as part of the regular reviews of technical and commercial performance, 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. If</p>		



there is any underperformance the actions set out above are taken.

**3.3 Disposal alternatives are evaluated**

**ANR**

As the systems are still relatively new, no disposal alternatives have been required to be evaluated.

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

**ANR**

A replacement strategy for replacing gas meters has been developed and will be utilised in the near future as gas meters need to be replaced under the GSSR 2000.

Replacement strategies for other assets have not been developed as the assets are relatively new have been constructed to a high standard and have long life spans in excess of 50 years.

***Recommendations***

*None*



<b>Asset management System Element</b>  <b>4.0 Environmental analysis</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>C</b>	<b>Asset management performance rating</b>  <b>3</b>
<p>Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.</p>		
<p><b>Evidence</b>            Examined see Audit / Review evidence section for details            Interviewed:</p> <ul style="list-style-type: none"> <li>• Reticulation Manager</li> <li>• Contractors at Margaret River, Albany and Leinster</li> </ul>		
<p><b>Observations</b></p> <p><b>General</b>            The Asset Management Plan has a comprehensive risk management section in the Safety Case. 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.</p> <p>The other 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.</p> <p><b>4.1 Opportunities and threats in the system environment are assessed</b> <span style="float: right;"><b>A</b></span>            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. The current situation is for the developer to include reticulated gas in each stage of development. thereby negating any threats to the Licensee.</p> <p><b>4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved</b> <span style="float: right;"><b>A1</b></span>            Performance standards have been established and are measured on a 3 monthly basis to determine if they meet or exceed the set levels.</p> <p><b>4.3 Compliance with statutory and regulatory requirements</b> <span style="float: right;"><b>C3</b></span>            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 new and revised policies and processes and training of personnel as a result of the Energy Safety audit. This has ensured that the licensee is meeting the operational and maintenance requirements of its licence. Once this work has been completed it will put in place policies and detail responsibilities of personnel to ensure ongoing compliance with statutory and regulatory requirements.</p> <p>There are no breaches of environmental requirements or other statutory requirements.</p> <p><b>4.4 Achievement of customer service levels</b> <span style="float: right;"><b>A1</b></span>            The Licensee has achieved its customer service levels during the review period. Required system reliability has been exceeded being 100%. Gas quality has been within the required specification. Response time to calls of gas smells at meter have been within the required timeframe.</p>		



**Recommendations**

*Complete the writing of the policies and procedures and the training and assessing the competency of personnel.*





<b>Asset management System Element</b>  <b>5.0 Asset operations</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>C</b>	<b>Asset management performance rating</b>  <b>3</b>
<p>Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.</p>		
<p><b>Evidence</b> Examined see Audit / Review evidence section for details Interviewed:</p> <ul style="list-style-type: none"><li>• Reticulation Manager</li><li>• Contractors at Margaret River, Albany and Leinster</li></ul>		
<p><b>Observations</b> In October 2013 EnergySafety commenced an audit of the Licensee's Safety Case to determine the level of compliance with the Safety Case. EnergySafety chose a number of elements from the Safety Case to audit to determine the level of compliance and they were predominately:</p> <ul style="list-style-type: none"><li>• training and competency</li><li>• operation and maintenance</li><li>• response to emergencies and incident investigation and</li><li>• leak survey and leak classification.</li></ul> <p>The audit identified a number of significant issues and resulted in EnergySafety issuing an Inspectors Order (IO) on the Licensee.</p> <p>The IO prevented the licensee from all work on its networks with the exception of responding to emergencies and making these situations safe.</p> <p>In September 2014 – EnergySafety issued the Licensee with an infringement under the GSSSR 2000 that leak surveys were not in accordance with its Safety Case.</p> <p>In October 2014 EnergySafety issued the Licensee with 13 Corrective Action Reports (CARs) for the lesser offences relating to the Licensee's non-compliance to its Safety Case and the GSSSR 2000. Ten Improvement Requests (IRs) were also issued.</p> <p>In Nov 2015 EnergySafety partially released the IO after a desktop audit and review of new procedures to allow the Licensee to recommence installation, connection, testing and commissioning works of gas mains and services. The partial lifting of the work ban was conditional on reassurances from the Licensee that most of the CARs had been addressed and that field operatives were deemed competent in the new procedures. Though work could commence, EnergySafety exercised its right to conduct a follow-up audit to verify the Licensee's claims.</p> <p>In May 2016 EnergySafety conducted a follow-up audit of the Licensee's Margaret River LPG distribution operations. Unfortunately, the Licensee failed to meet the standard expected of a network operator.</p> <p>As a result of the field audit, and based on the advice received from EnergySafety, the Licensee enforced a self-imposed work ban until such time it could prove that it had systems in place to address the issues found during the audit.</p>		



Post the review period, in July 2016 EnergySafety conducted a meeting with the Licensee to discuss its actions after the follow-up audit in May 2016. The Licensee gave assurances that it was addressing all the issues identified during the field audit including the writing of a number of new procedures.

To enable the ban to be removed the Licensee agreed to submit all its new procedures to EnergySafety for review. At the time of the report the ban has been lifted and the Licensee is operating the distribution systems in accordance with its Safety Case albeit EnergySafety has still to undertake a verification audit which is scheduled for late 2016.

**5.1 Operational policies and procedures are documented and linked to service levels required C3**

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 3 monthly basis. During the review period a number of the service levels have not been achieved that includes taking of LPG samples, and the process for classifying recording and managing the repair of leaks. These omissions have been recognised by the Licensee and the Licensee has indicated at the end of the review period work has been undertaken to rectify all the non-conformances found by EnergySafety during their audit. EnergySafety propose to undertake a verification audit late in 2016 to satisfy themselves that work is now being undertaken in accordance with the requirements of the licensee's Safety Case.

**5.2 Risk management is applied to prioritise operations tasks B3**

The formal risk assessment in the Safety Case identifies all the risks associated with operating the distribution system and how they should be managed. However, although the risks are identified they have not been managed correctly. Operational risks that have not been managed correctly include failure to adequately investigate gas incidents in accordance with the *Gas Standards (Gas Supply and System Safety) Regulations 2000* (GSSSR 2000). These deficiencies have been recognised by the Licensee and work has been undertaken to rectify the issues.

**5.3 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 B2**

The EnergySafety audit found that the Licensee could not demonstrate that all the materials that form the distribution system were fit for purpose. The Licensee is taking steps to rectify this omission by undertaking a risk assessment of the materials and following the assessment providing documentation to EnergySafety. The Licensee has started to record information on the location of electrofusion fittings on the as built drawings.

The Licensee has an Asset Register that contains asset information but the information is limited. The Oracle eAM system is used for the register. Information is also stored on an internal P drive which has a folder for each distribution system.

At the time of undertaking the review the auditor was not satisfied that the Licensee records sufficient information in relation to the materials used in the distribution system. Improvements have occurred but the Licensee needs to consider what additional information should be recorded to ensure traceability if materials started to fail.

**5.4 Operational costs are measured and monitored A1**

Operational costs that the Licensee is responsible for are measured and monitored to ensure they are correct and within estimates. They include costs involved in product supply, equipment, staffing, contractors, consultants and materials.



**5.5 Staff resources are adequate and staff receive training commensurate with their responsibilities B2**

All operational work on the distribution system is undertaken by contractors and each contractor was originally trained by a training provider using the Licensee's procedures. EnergySafety concluded during the audit that the procedures needed to be improved and that the Licensee needs to train personnel in the new procedures and assess their competency through a practical demonstration. After the review period, the Licensee has at the completed this process and all training and competency is now documented. This is subject to EnergySafety review in late 2016.

Resourcing is adequate.

**Recommendations** *The Licensee complete work on:*

- *improving what information is contained in the asset register,*
- *revision of policies and procedures and*
- *training and testing of the competency of employees*



Asset management System Element	Asset management process and policy	Asset management performance rating
6.0 Asset maintenance	definition adequacy rating  <b>C</b>	  <b>3</b>
Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.		
<p><b>Evidence</b> Examined see Audit / Review evidence section for details Interviewed:</p> <ul style="list-style-type: none"> <li>• Reticulation Manager</li> <li>• Contractors at Margaret River, Albany and Leinster)</li> </ul>		
<p><b>Observations General</b> The Licensee has documented all the maintenance functions associated with the distribution systems in a maintenance plan. Changes to the parent company has resulted in all maintenance activities including those which relate to storage vessels now being undertaken by Western Australian personnel. Prior to this change a number of activities were undertaken by a central maintenance group located in Melbourne.</p> <p>Maintenance consists of activities that are required to maintain compliance with EnergySafety's and other regulators requirements (eg Worksafe and Department of Minerals and Energy). Local contractors that reside within the reticulated areas carryout this work with the exception of the work on pressure control equipment (and the storage vessels). This work is undertaken by personnel employed by the Licensee. The Reticulation Manager is responsible for all maintenance work.</p> <p><b>6.1 Maintenance policies and procedures are documented and linked to service levels required A1</b></p> <p>The Licensee 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 annually.</p> <p><b>6.2 Regular inspections are undertaken of asset performance and condition C3</b></p> <p>Although outside the scope of the review regular inspections and maintenance is carried out on the storage vessels as required under legislation.</p> <p>The only inspection undertaken on the distribution systems is a leakage survey at a frequency required in the relevant Australian Standard. A survey was undertaken during the review period. The EnergySafety audit found that the Licensee had failed to undertake all the required leakage surveys and the methodology employed was inadequate because the Licensee failed to properly classify, record, manage and repair leaks. The Licensee has now rectified this issue and proposes to undertake leakage surveys of each distribution system on an annual basis rather than once every five years as required under the Australian Standard.</p> <p>The Licensee also now collects samples of LPG from within the distribution systems for analysis to ensure the odorant level meets prescribed requirements.</p> <p>No other physical inspections of the distribution systems are planned as the Licensee has elected to allow all the assets to continue to operate until they fail. Unlike most other distribution systems the Licensee's assets are all below ground.</p>		



**6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule** **A1**

Maintenance plans are in place that cover the storage vessels. (Storage vessels are inspected according to the requirements but these are not licensed assets). The Safety Case has identified other maintenance requirements and the Licensee has implemented them.

**6.4 Failures are analysed and operational/maintenance plans adjusted where necessary** **A1**

If failures were to occur, they would be analysed and if found necessary included in operational/maintenance plans. No failures occurred in review period.

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

The Safety Case Formal Safety Assessment has identified all the risks associated with maintaining the distribution system. The asset maintenance plan apart from detailing what assets need to be maintained also prioritises and details the frequency that maintenance should be undertaken.

**6.6 Maintenance costs are measured and monitored** **A1**

The costs are measured and monitored on an ongoing basis. The Licensee has following advice decided that some maintenance items can be capitalised and these will be included in the capital budget.

**Recommendations**

*Undertake leakage surveys in accordance with the revised frequency and in accordance with the revised procedures.*



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
<b>7.0 Asset Management Information System</b>	<b>A</b>	<b>1</b>

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

**Evidence**

Examined see Audit / Review evidence section for version details

Interviewed:

- Reticulation Manager
- Territory Manager

**Observations**

General

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

Cintellate – 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. There have been no breaches from *EnergySafety*.

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

Oracle eAM (V12.1.3) – 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 a 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 Licensee also uses an internal P drive to house folders on each of the distribution systems that stores information, data and maintenance records. Plans of the distribution system are also stored on this drive. Backup occurs on a daily basis overnight.

The system has been developed to an adequate level of sophistication appropriate for distribution systems of this scale and complexity. As described in sections 1.1 and 1.2 (Asset Planning) data is collected and reviewed internally.

**7.1 Adequate system documentation for users and IT operators A1**

The Oracle eAM system contains all the information required for maintenance and is available to all personnel involved with the maintenance of the distribution 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.



<b>7.2 Input controls include appropriate verification and validation of data entered into the system</b>	<b>A1</b>
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.	
<b>7.3 Logical security access controls appear adequate, such as passwords</b>	
Logical security access control is adequate with hierarchical access by password.	
<b>7.4 Physical security access controls appear adequate</b>	<b>A1</b>
Physical security access is adequate with the system only being available in a controlled office environment.	
<b>7.5 Data backup procedures appear adequate and backups are tested</b>	<b>A1</b>
Data is backed up daily and recovery is tested routinely with switch over to disaster recovery sites also tested. Data is backed up via tapes and tested daily. A monthly restore is performed on all servers. Data is able to be recovered up to 2 months after backup.	
<b>7.6 Key computations related to Licensee performance reporting are materially accurate</b>	<b>A1</b>
Key computations related to Licensee performance reporting are materially accurate, to the extent possible to assess with visual inspection.	
<b>7.7 Management reports appear adequate for the Licensee to monitor licence obligation</b>	<b>A1</b>
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.	
<b>Recommendations</b>	
None	



<b>Asset management System Element</b>  <b>8.0 Risk management</b>	<b>Asset management process and policy definition adequacy rating</b>  <b>B</b>	<b>Asset management performance rating</b>  <b>2</b>
<p>Risk management involves the identification of risks and their management within an acceptable level of risk.</p>		
<p><b>Evidence</b>  Examined see Audit / Review evidence section for details  Interviewed</p> <ul style="list-style-type: none"> <li>• Reticulation Manager</li> <li>• Territory Manager</li> </ul>		
<p><b>Observations General</b>  The preparation and implementation of a Safety Case has required the Licensee to undertake a Formal Safety Assessment (FSA) of all the risks associated with the distribution systems and how the risks will be managed. As the Licensee is now operating in accordance with the Safety Case (following acceptance by EnergySafety in August 2011) all risks identified in the FSA are required to be managed to an acceptable level and subject to periodic review. Other risks associated with the business have also been identified and strategies put in place for their management. The licensee is required to undertake an audit of the Safety Case every 12 months and submit a report of the outcome of the audit together with any improvements to EnergySafety.</p> <p>Emergency plans have recently been exercised and the outcomes recorded.</p> <p><b>8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</b> <span style="float: right;"><b>A1</b></span></p> <p>The Safety Case contains details on the risks associated with the distribution systems and how they are to be managed. Policies and procedures have been developed to manage the identified risks. However, the EnergySafety audit found a number of the policies and procedures need improvement. The Licensee also has a guideline relating to risk management. There is a health and safety risk register. Corporate has risk registers for broader risks.</p> <p><b>8.2 Risks are documented in a risk register and treatment plans are actioned and monitored</b> <span style="float: right;"><b>C3</b></span></p> <p>The risks and how they will be treated and monitored are documented in the AMS and the Safety Case. The EnergySafety audit found that a number of risks were not being adequately actioned and monitored. Failure to conduct leak surveys and to adequately investigate gas incidents in accordance with the <i>Gas Standards (Gas Supply and System Safety) Regulations 2000</i> are examples. At the time of the report the issues identified by EnergySafety have been addressed through changes to policies and procedures training of personnel and assessing the competency of contractors.</p> <p><b>8.3 The probability and consequences of asset failure are regularly assessed.</b> <span style="float: right;"><b>B2</b></span></p> <p>The probability and consequences of asset failure have following assessment been documented in the FSA carried out as part of the Safety Case preparation and the Licensee has put in place actions to either mitigate the failure or monitor the asset to</p>		



enable steps to be taken before failure was to occur. The EnergySafety audit found that some of the actions taken by the licensee were not adequate and needed improvement.

**Recommendations**

*Ensure that the risks identified by the EnergySafety audit have treatment plans and they are actioned and monitored in accordance with the treatment plan.*





Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
9.0 Contingency planning	A	2
<p>Contingency plans document the steps to deal with the unexpected failure of an asset.</p> <p><b>Evidence</b>  Examined see Audit / Review evidence section for details  Interviewed  <ul style="list-style-type: none"> <li>Reticulation Manager</li> </ul> </p>		
<p><b>Observations</b>  <b>General</b>  The Licensee considers it has the resources to handle any contingency arising from the risk assessment that was undertaken of the distribution systems with the most likely scenario involving a major supply disruption. A contingency plan has been developed based around this scenario</p> <p>9.1 <b>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</b> <span style="float: right;"><b>A2</b></span></p> <p>A contingency plan has been developed and is based around a supply disruption. The Licensee has proven experience in dealing with such an occurrence and would convert all effected customers to bottled supply until the disruption was resolved.</p> <p>The emergency plan covers these types of scenario and the EnergySafety audit found that the Licensee was not performing frequent enough exercises of the plan.</p> <p>Other contingencies include storage facilities, under/over pressure in distribution system, off specification LPG, failure of key isolation valve, major gas leaks, failure of customer meters or water in the mains. Systems exist to handle these contingencies.</p>		
<p><b>Recommendations</b> <i>Test the emergency plans on a more frequent basis to conform with EnergySafety's requirements and maintain a record of the testing and the outcomes. Modify the plans to reflect the issues/problems discovered during testing</i></p>		



<b>Asset management System Element</b>  <b>10.0 Financial 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>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.</p>		
<p><b>Evidence</b>  Examined see Audit / Review evidence section for details  Interviewed</p> <ul style="list-style-type: none"> <li>• Reticulation Manager</li> <li>• Territory Manager</li> </ul>		
<p><b>Observations</b>  <b>General</b></p> <p>As stated earlier the distribution business is established and extensions only occur if they about the existing system and the extension is installed and funded by the developer. As such this part of the Licensee’s business is only a small 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 undertake a yearly financial viability study to ensure that the revenue generated from the sale of the LPG is adequate and the required rate of return is being achieved. The Licensee now has an operating budget that covers 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.</p> <p>It is unlikely that a financial plan would improve service delivery to ensure the financial viability of the distribution systems over the long term as the costs are relatively small and easily predicted.</p> <p><b>10.1 The financial plan states the financial objectives and strategies and actions to achieve the objectives</b> <span style="float: right;"><b>A1</b></span></p> <p>The Licensee closely monitors financial targets and performance. This now consists of several line items for the distribution systems. While there is no financial plan, it is unlikely that a financial plan would improve service delivery to ensure its financial viability over the long term as the costs are relatively small and easily predicted.</p> <p><b>10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs</b> <span style="float: right;"><b>A1</b></span></p> <p>There is an opportunistic approach to reticulated systems. If a Greenfields opportunity was to occur it would be rigorously assessed against financial targets before approval using the process the licensee has developed for approving capital expenditure. Although the Licensee does not have a financial plan all the capital expenditure and recurrent costs are identified and used in the financial modelling of the existing distribution systems that occurs on a regular basis and the costs also form the annual budget. During the review period no financial modelling of new reticulation was undertaken.</p> <p><b>10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</b> <span style="float: right;"><b>A1</b></span></p> <p>The Licensee prepares a profit and loss excel spreadsheet on a monthly basis. The annual financial reviews allow the Licensee to take the necessary action to maintain</p>		



profitability through adjustment to tariffs. Balance sheets containing the value of the distribution system assets are also compiled.

**10.4 The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period A1**

The annual financial review of the distribution systems enables the Licensee to predict income for the next fifteen years.

**10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services A1**

The annual budget has now been separated and contains these costs.

**10.6 Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary A1**

The monthly and annual financial reviews ensure that any significant variances in actual/budget income and expenses is identified and the necessary corrective action taken as considered by the Licensee. During the review period no significant variance occurred that required corrective action to be taken by the licensee.

***Recommendations***

None



<b>Asset management System Element</b>  <b>11.0 Capital expenditure 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>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></p> <p>Examined see Audit / Review evidence section for details</p> <p>Interviewed:</p> <ul style="list-style-type: none"> <li>Reticulation Manager</li> </ul>		
<p><b>Observations General</b></p> <p>The Licensee includes a capital allowance in the budget for each of the distribution systems at Oyster Harbour and Margaret River to cover the connection of new customers to the existing systems. This work is undertaken as new housing is constructed and the builder requests a gas supply. Now that leakage survey and regulatory compliance costs are to be capitalised they will also be included. No allowance is included in the capital budget for extending the distribution systems as this work is carried out by the developer at the developer's cost. The Licensee is considering including the cost of supplying a new customer (gas service and meter) in the building package to be paid for by the customer. However, before implementing such a policy guidance will be required from the ERA regarding Schedule 3 of their licence.</p> <p>Once the assets are constructed 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. However, the Licensee is aware of the need to provide capital in future years to cover the cost of meter replacements some of which will occur during the next review period and leakage survey work and regulatory compliance costs.</p> <p><b>11.1 There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates <span style="float: right;">A1</span></b></p> <p>The Licensee does not have a capital expenditure plan but a capital budget now exists and is sufficient for systems of this size and capital exposure. A capital plan would not add anything to that in a financial plan.</p> <p><b>11.2 The plan provides reasons for capital expenditure and timing of expenditure <span style="float: right;">A1</span></b></p> <p>In May 2016 the Licensee produced a paper covering the capitalisation of leakage survey costs for the 2016 financial year and a review of the profitability of the distribution systems. The paper sets out the measures to be taken by the Licensee to ensure the ongoing profitability of the distribution systems. Currently no capital</p>		



expenditure plan exists and given the very small amount of capital that will be required for the distribution system it would be difficult produce a meaningful plan.

**11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan A1**

The Licensee does not have a capital expenditure plan The IRR system predicts the financial performance for the next 15 years. Capital is estimated to cover the replacement of assets such as gas meters and the cost of leakage surveys and included in the capital budget for the year the expenditure will be spent.

**11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned A1**

As no capital expenditure plan exists, capital is monitored in accordance with the annual capital budget.

***Recommendations***

None



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
12.0 Review of AMS	C	2
The asset management system is regularly reviewed and updated.		
<p><b>Evidence</b>            Examined see Audit / Review evidence section for details            Interviewed</p> <ul style="list-style-type: none"> <li>Reticulation Manager</li> </ul>		
<p><b>Observations</b></p> <p><b>12.1 A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current C2</b></p> <p>During the review period no review of the asset management system occurred. This could be in part because of personnel changes and organisational restructuring. As a consequence, a number of documents have the wrong person listed as being responsible for the document. Additionally, a number of documents are out of date and need to be modified to reflect the current situation in terms of procedures, processes, training and competency assessment of personnel. An asset management plan document consolidating the component documentation is required.</p> <p><b>12.2 Independent reviews (e.g. internal audit) are performed of the asset management system B2</b></p> <p>There is a need to undertake the annual internal audit of the Safety Case. Other than the annual review by the Licensee has no other independent review planned apart from the review required by the ERA under the licence conditions.</p>		
<p><b>Recommendations</b> Undertake a comprehensive review of the Asset management system including the compilation of a document index and details of when the document is modified or reviewed by whom and who is responsible. Include in computer management system a timetable for document reviews and allocate a person responsible for the review Undertake an annual internal audit of the safety case as required under the GSSSR 2000.</p>		