



McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

Esperance Power Station Pty Ltd

Gas Distribution Licence GDL 10
Performance Audit
Asset Management System Review





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Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

Warren McClintock
Regional Asset Manager West
Esperance Power Station Pty Ltd

Dear Mr McClintock

Performance Audit / Asset Management System Review Gas Licences

The fieldwork on the performance audit of Distribution Licence GDL 10 for the audit period (1 September 2013 to 31 August 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 4 issues 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 10) 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 6 can be improved. The review found that the asset management control environment also required improvement.

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.

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 28 January 2017



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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 September 2013 to 31 August 2016).

2.1 Overall Conclusion

In my opinion, the Licensee has maintained a good level of compliance with the licence conditions. There were 4 items requiring attention based on audit compliance and controls rating scales criteria. 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 10) for the audit period based on the relevant clauses referred to within the scope section (Page 14) of this report.

EnergySafety (ESWA) the technical and safety regulator for Western Australia carried out an audit of the Licensee's Safety Case and other regulatory requirements towards the end of the review period. As the content of the Safety Case relates to the operation and maintenance of the distribution system failure to comply with the Safety Case, particularly failing to implement and maintain a number of the processes and policies and ensuring the competency of contractors, has resulted in the asset management system not being fit for purpose and therefore ineffective in a number of areas.

As it is a requirement to meet statutory and regulatory obligations, this is considered a serious deficiency within the asset management system. Following the completion of the ESWA audit the Licensee commenced the necessary remedial work and during the remainder of the review period completed most of the improvements to processes and policies required by ESWA which has included rewriting its distribution, operational and maintenance procedures, testing their effectiveness and more recently undertaken improved competency testing of all its contractors in line with the revised documentation.

The asset management control environment required improvement towards the end of review period. While the current management team have made progress, the licensee needs to complete the rectification of 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 have put control processes in place to rectify the causes of the non-compliances. They are being progressed and there is an item awaiting review and approval by Energy Safety with respect to inspection processes.

2.2.2 Asset management system review

A requirement of the AMS is to meet statutory and regulatory obligations and failure to do so renders the AMS ineffective and non-compliant with the regulatory framework. The audit found that the AMS was not meeting the above obligations and therefore in need of urgent improvement. ESWA has a regulatory requirement for a network operator to develop and implement a safety case covering the gas distribution system and the Safety Case needs to comply with AS4645 Part1. The safety case is also known as a safety and operating plan and forms a subset of the asset management system of this review. The



majority of non-compliance is related to the operating and maintenance sections of the AMS.

ESWA commenced a technical compliance audit in March 2015 of the Esperance Power Station (EPS) gas distribution system. The aim of the audit was to ensure that the level of compliance that EPS achieved in relation to its own safety case and applicable Standards such as AS/NZS 4645 was adequate. The audit was also to ensure that EPS had adequate processes and procedures in place to ensure the safety of its workers and the general public. The Gas Standards Act 1972 and the applicable regulations, primarily the Gas Standards (Gas Supply and System Safety) Regulations 2000 (*GSSSR*) specify the requirements a licensee is required to satisfy.

ESWA has concluded that EPS does not currently comply with its own Safety Case, the Regulations or the applicable Standards. In order to achieve this compliance EPS, as a minimum, is required to satisfy, the requirements of the four Inspectors Orders (IOs), followed by the Corrective Action Reports (CARs) and the Improvement Requests (IRs) that ESWA placed on the licensee following the ESWA audit. During the period when the inspector's orders were in force, EnergySafety has permitted the Licensee to carry out operation and maintenance of the network under the supervision of a licensed gas inspector when their work is not usually supervised by an inspector. When all parties have signed-off on these requirements, ESWA has reserved the right to conduct a follow-up audit to ensure that EPS has achieved compliance. The Licensee, immediately following the ESWA audit, started processing the remedial work required by ESWA and at the end of the review period still has a few issues outstanding. As the Licensee, has not shown that it satisfies statutory and regulatory requirements the asset management system is considered not adequate. The IOs were still in place at the end of the review period.

The Licensee connects customers to the distribution system as housing construction takes place following a request from a builder, gasfitter or customer and to existing properties on line of main at the request of a customer. The Licensee has made service connections within the distribution system but no mains extensions to the system during the audit period. This has included a connection to a major commercial customer such as the Esperance hospital.

Of the 12 asset management elements adequacy ratings 6 can be improved (i.e. not rated A1 under the asset management system effectiveness review criteria). 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. However, the EnergySafety audit outcomes have required the Licensee to undertake a number of improvements which the Licensee is now processing.

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 and maintenance plans) that resulted in EnergySafety issuing an IO 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 6 required improvement during the review period. This will also require the contractor who undertakes the work on behalf of the Licensee being provided with the required training and testing of competency to ensure the required processes and policies are followed.

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



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 September 2013 to 31 August 2016 with the previous audit period from 1 September 2010 to 31 August 2013.

2.4 The Licensee

In Western Australia Esperance Power Station Pty Ltd (EPS) has a gas distribution licence (GDL 10) issued by the ERA under the provisions contained in the *Energy Coordination Act 1994*. The Licence is for the low pressure Natural Gas distribution system in Esperance. The Licence covers the central business district and adjoining suburbs of Chadwick, Nulsen and Sinclair. EPS also operates the Esperance power station.

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
1/2013 247	<i>Non-compliant – 2 Energy Coordination Act section 11M Distribution Licence clause 2.1 and Schedule 2 Compendium Clause 10.10(2) The Gas Marketing Code is available on the licensee's website but the Gas Customer Code has not been changed following updating and the change in name to the Compendium.</i>	Licensee to amend website to replace the Gas Customer Code with the Compendium .	July 2014	No
B. Unresolved at end of current Audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation		Further action required (Yes/No/Not Applicable) & Details of further action

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
2/2013 25	Compliant – 4 Energy Coordination Act section 11Z Distribution Licence clause 5.1 One of the odorant samples taken during the audit period was following analysis found to have an odorant reading below the required level. As this was an isolated occurrence EnergySafety is not sure if it was due to a contaminated sample rather than too little odorant being added to the gas. EnergySafety is investigating.	Licensee to wait for results of the EnergySafety investigation and dependant on the outcome take the necessary action to prevent a reoccurrence..	July 2015	No No further action required on this reading.

2.6 Issues from current audit

There are 4 issues from current audit.

2.6.1 Compliance elements requiring corrective measures

The actions requiring attention are:

Table of Current Audit Non Compliances/Recommendations			
A. Resolved during current Audit period			
Reference (no./year)	Non Compliance/Controls improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditors comments
3/2016 102	B2 Energy Coordination Act section 11M Reports were late	None as corrective control actions have already been implemented	NA
4/2016 277	B1 Energy Coordination Act section 11M Date of posting to web site could not be verified	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.	NA



B. 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
1/2016 28	B2 <i>Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)</i> The Licensee was not inspecting the premises thoroughly before connecting	<i>Make changes required by EnergySafety to remove the Inspectors Orders (IO).</i>	To be completed by mid-2017 to remove ESWA IO
2/2016 89	B2 <i>Energy Coordination (Customer Contracts) Reg. 28, clause 3.5.2.2 AGA Code</i> The licensee was not providing 24 hour notices to customers for inspections, repairs, testing.	Issue 4 days notices when accessing the supply address for inspections, repairs, testing or maintenance.	To be completed by mid-2017 to remove ESWA IO

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	(Asset management effectiveness rating/ Asset Management System Component & Criteria /	Auditors' Recommendation or action taken	Date Resolved	Further action required (Yes/No/Not Applicable) & Details of further action required including current



(no./year)	details of the issue)			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 4.0	A2 4.0 Environmental analysis Improve AMS measure customer service [levels	The licensee to consider introducing a process to measure customer satisfaction levels.	2015	Customer service levels are being measured.
4/2013 7	B2 7.0 Asset Management Information System Mapping system application incomplete	Complete implementation of the new mapping system.	2015	NO
5/2013 9	B2 9.0 Contingency planning Test emergency plans	Licensee has to date not tested the Major Incident Plan and arrangements need to be made to undertake an exercise to test the Major Incident Plan and implement any changes that eventuate from the exercise as soon as possible.	2016	NO The exercise has been undertaken to complete the action ESWA require changes to plans following their audit see 11/2016
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 4.0	A2 4.0 Environmental analysis Improve AMS measure customer service [levels	The licensee to utilise the outcome of the Safety Case audit to improve the asset management system.	yes	actions to resolve ESWA IO to be completed mid 2017
3/2013 5.0	B2 5.0 Asset operations Measure unaccounted for gas (UFS)	The licensee should consider introducing a process to monitor UFG to ensure it remains within the KPI figure of 2.5%. As a start consideration, should be given to comparing input (meter reading at PRS) with output (accumulated meter readings at customer	Yes	UFG is being measured but there are some metering issues to be resolved. Actions to resolve ESWA IO to be completed mid 2017



		meters) over 3 month period on an ongoing basis.	
6/2013 12	A2 12.0 Review of AMS	All asset management documentation be reviewed as soon as practicable by the licensee to ensure it is current practical, understood by the contractor, able to be to complied with and the process for reviewing also be looked at to ensure documents are subject to regular review in accordance with the licensee's specified review period.	Yes Undertake an annual internal audit of the safety case as required under the GSSSR 2000 and an independent review of the Asset Management system.

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
Unresolved at end of current Review period			
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 4.3	C3 Compliance with statutory and regulatory requirements ESWA identified non compliances	<i>Complete the writing of the policies and procedures to obtain the removal of the IOs</i>	Complete actions to remove IO by mid-2017
2/2016 4.4	B2 Achievement of customer service levels Some metering issues are unresolved	<i>Resolve metering issues to ESWA satisfaction</i>	Complete actions by mid-2017
3/2016 5.1	C3 Operational policies and procedures are documented and linked to service levels required ESWA identified service levels have not been achieved that includes the process for classifying recording and managing the repair of leaks	<i>The Licensee complete work on revision of policies and procedures and actions necessary to complete the ESWA requirements</i>	Complete actions to remove IO /Corrective Actions by mid-2017
4/2016 5.2	B2 Risk management is applied to prioritise operations tasks Although the risks are identified they have not been managed correctly	<i>The Licensee complete work on revision of policies and procedures and actions necessary to complete the ESWA requirements</i>	Complete actions to remove IO /Corrective Actions by mid-2017
5/2016	B2	<i>The Licensee complete work on</i>	Complete actions to remove IO



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 ESWA audit discovered non-complying equipment	<ul style="list-style-type: none"> revision of policies and procedures and actions necessary to complete the ESWA requirements. assurance that all materials in the system is complying with the required standards and specifications including traceability 	/Corrective Actions by mid-2017
6/2016 5.5	B2 Staff resources are adequate and staff receive training commensurate with their responsibilities Licensee needs to train personnel in the new procedures and assess their competency Availability of staff resources to cover sickness or holidays	<i>The licensee complete work on training and testing of the competency of employees and actions necessary to complete the ESWA requirements Review staffing levels and training other personnel (including Manager)</i>	Complete actions to remove IO /Corrective Actions by mid-2017 Complete review by mid-2017
7/2016 6.2	C3 Regular inspections are undertaken of asset performance and condition Licensee had failed to undertake all the required leakage surveys and the methodology employed was inadequate	<i>Undertake leakage surveys in accordance with the revised frequency and in accordance with the revised procedures</i>	Complete actions to remove IO /Corrective Actions by mid-2017
8/2016 6.3	B2 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule ESWA require improvements to emergency plans	<i>Make corrective actions required by ESWA.</i>	Complete actions to remove IO /Corrective Actions by mid-2017
9/2016 6.5	B2 Risk management is applied to prioritise maintenance tasks Tracer wires for services should not be connected to mains tracers Dial before you dig documents does not align with the correct field procedure.	<i>Make corrective actions required by ESWA Confirm tracer wires for mains, services and meter boxes are installed correctly. Align documentation of dial before you dig with correct field practice.</i>	Complete actions to remove IO /Corrective Actions by mid-2017
10/2016 7.1	B1 Adequate system documentation for users and IT operators Documentation is incomplete	<i>Complete customer metering/billing system documentation</i>	Complete actions by mid-2017
11/2016 8.1	B1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system ESWA require separation of emergency plan for Gas distribution from KEGP	<i>Implement the changes required for ESWA to remove the IOs and Corrective Actions.</i>	Complete actions to remove IO /Corrective Actions by mid-2017
12/2016 8.2	B2 Risks are documented in a risk register and treatment plans are actioned and monitored a number of risks were not being adequately actioned and monitored	<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. Implement the changes required for ESWA to remove the IOs.</i>	Complete actions to remove IO /Corrective Actions by mid-2017
13/2016 9.1	A2 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks The Licensee can make improvements in emergency responses	<i>Make improvements to the way the licensee responds to emergencies and the plan is up to date regarding emergency contact personnel list</i>	Complete actions to remove IO /Corrective Actions by mid-2017
14/2016 12.2	B2 Independent reviews (e.g. internal audit) are performed of the asset management system undertake internal audit of Safety case and an independent review of the Asset Management plan	<i>Undertake an annual internal audit of the safety case as required under the GSSSR 2000 and an independent review of the Asset Management plan.</i>	Complete actions to remove IO /Corrective Actions by mid-2017



3 Performance Audit & Asset Management System Review

3.1 Performance Audit Objectives

Section 11ZA of the *Energy Coordination Act 1994* (the Act), requires Esperance Power Station Pty Ltd (EPS) 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 EPS 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: Electricity 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 10 for the Licensee.

The previous audit was completed in 2013.

3.2 Review objectives

Section 11Y of the Act requires EPS 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.

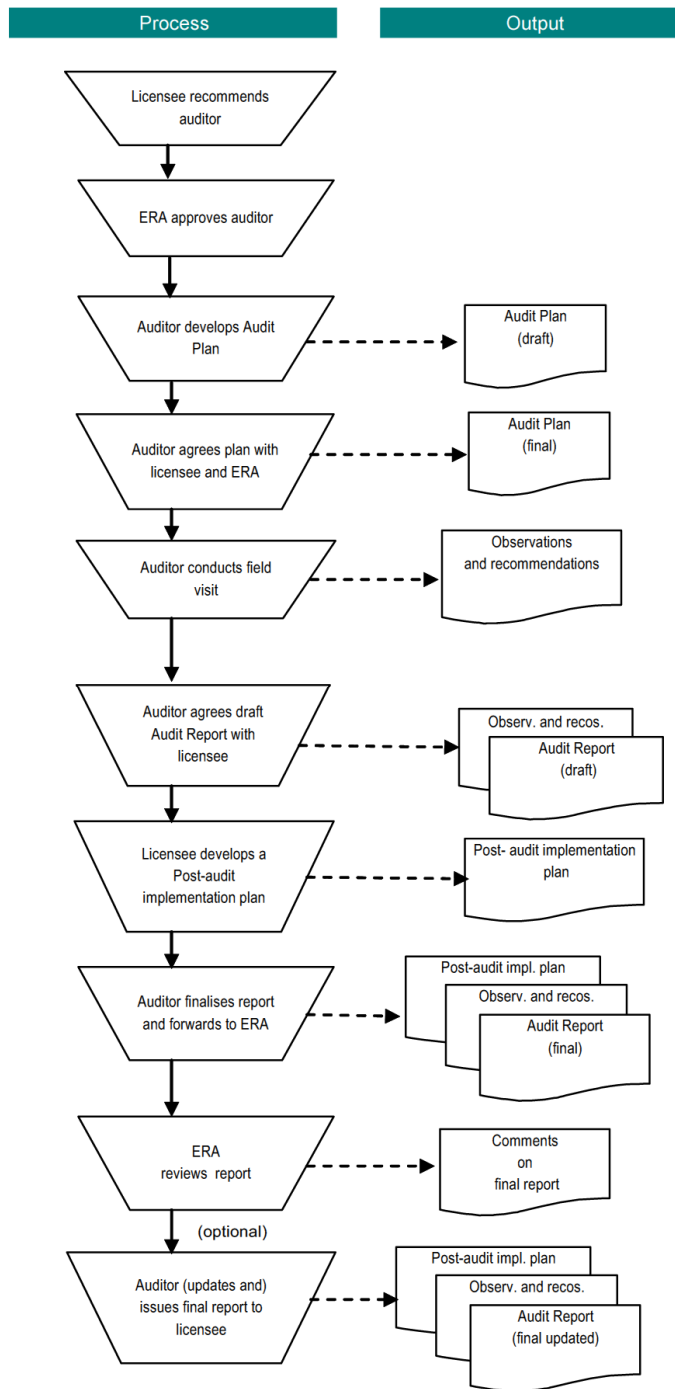
There is no risk of a self-review threat as:

- 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 the flow chart shown:

During this audit/review the Esperance and Perth offices were visited.



3.7 Key Contacts

The key contacts were:

- Licensee:
 - Wynand Ferreira Esperance Area Manager TWPS
 - Joanna Loffler Administration, TWPS



- Warren McClintock Regional Asset Manager West TWPS
- Lawrence Teo Consultant Worley-Parsons.
- Alan Shackleton Finance Manager Alwate Financial (ICG)
- McGill Engineering Services Pty Ltd:
 - Kevan McGill, Kim Wong.

The audit was conducted during October 2016 to January 2017. Kevan McGill spent about 250 hours and Kim Wong 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:

- Process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- Outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.
- 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).
- Integrity of performance reporting** – the completeness and accuracy of the performance reporting to the ERA.
- 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 K Wong	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 K Wong	AUS 810: Special Purpose Reports on Effectiveness of Control Procedures
3. Fieldwork Assessment and testing of; • The control environment • Information system • Compliance procedures • Compliance attitude	K McGill K Wong	AUS 502: Audit Evidence ASAE 3000 Assurance standard for engagements to audit other than historical financial information
4. Reporting	K McGill K Wong	ASA 300 Planning ASAE 3000 Assurance standard for



		engagements to audit other than historical financial information
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3.9 Overall Conclusion

In my opinion, the Licensee maintained, in all material aspects, effective control procedures in relation to the Distribution (GDL 10) licence for the audit period based on the relevant clauses referred to within the scope section of this report.

There are 4 items that require attention.

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 26).

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)				
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Type 1 Reporting Obligations						Adequacy of controls rating					Compliance Rating					
						Priority	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						Adequacy of controls rating					Compliance Rating					
						Priority	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						Adequacy of controls rating					Compliance Rating					
						Priority	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 Act (Customer Contracts)						Adequacy of controls rating					Compliance Rating					
						Priority	A	B	C	D	NP	1	2	3	4	NR



Regulations 2004						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 (CI.=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 8.2(1)-(3)	s.11M	D	2	4	✓					✓					
230A.	CI 2.1 & Sch 2	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			
	Comp Cl 8.2(5)																	
230B.	Cl 2.1 & Sch 2 Comp Cl 8.2(4)	s.11M	D	2	4	✓					✓							
244.	Cl 2.1 & Sch 2 Comp Cl 10.6	s.11M	D	2	4	✓					✓							
245.	Cl 2.1 & Sch 2 Comp Cl 10.9	s.11M	D	NR	5	✓					✓							
247.	Cl 2.1 & Sch 2 Comp Cl 10.10(2)	s.11M	D	2	4	✓					✓							
249.	Cl 2.1 & Sch 2 Comp Cl 10.11(1)	s.11M	D	2	4					✓								✓
250.	Cl 2.1 & Sch 2 Comp Cl 10.11(2)	s.11M	D	2	4					✓								✓
251.	Cl 2.1 & Sch 2 Comp Cl 12.1(1)	s.11M	D	2	4	✓					✓							
252.	Cl 2.1 & Sch 2 Comp Cl 12.1(2)(a),(b) & (d)	s.11M	D	2	4	✓					✓							
254.	Cl 2.1 & Sch 2 Comp Cl 12.1(3)(a)	s.11M	D	2	4					✓								✓
255.	Cl 2.1 & Sch 2 Comp Cl 12.1(3)(b)	s.11M	D	2	4					✓								✓
255A	Cl 2.1 & Sch 2 Comp Cl 12.1(4)	s.11M	D	2	4					✓								✓
257.	Cl 2.1 & Sch 2 Comp Cl 12.3	s.11M	D	2	4					✓								✓
258.	Cl 2.1 & Sch 2 Comp Cl 12.4	s.11M	D	2	4					✓								✓
281.	Cl 2.1 & Sch 2 Comp Cl 13.1	s.11M	D	2	4	✓					✓							
282.	Cl 2.1 & Sch 2 Comp Cl 13.2	s.11M	D	2	4	✓					✓							
283.	Cl 2.1 & Sch 2 Comp Cl 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.	CI 2.1 & Sch 2 Comp CI 10.10(1)	s.11M	D	2	4					✓					✓	
248.	CI 2.1 & Sch 2 Comp CI 10.10(3)	s.11M	D	2	4	✓					✓					
253	CI 2.1 & Sch 2 Comp CI 12.1(2)(C)	s.11M	D	2	4					✓					✓	
259.	CI 2.1 & Sch 2 Comp CI 13.1(1)	s.11M	D	2	3	✓					✓					
261.	CI 2.1 & Sch 2 Comp CI 13.1(3)	s.11M	D	2	3	✓					✓					
269.	CI 2.1 & Sch 2 Comp CI 13.8(1)	s.11M	D	2	3	✓					✓					
270.	CI 2.1 & Sch 2 Comp CI 13.8(2)	s.11M	D	2	3	✓					✓					
271.	CI 2.1 & Sch 2 Comp CI 13.10(1)	s.11M	D	2	3	✓					✓					
272.	CI 2.1 & Sch 2 Comp CI 13.10(2)	s.11M	D	2	3					✓					✓	
273.	CI 2.1 & Sch 2 Comp CI 13.12	s.11M	D	2	3	✓					✓					
274.	CI 2.1 & Sch 2 Comp CI 13.14	s.11M	D	2	3	✓					✓					
276.	CI 2.1 & Sch 2 Comp CI 13.16	s.11M	D	2	4	✓					✓					
277.	CI 2.1 & Sch 2 Comp CI 13.17(1)	s.11M	D	2	3		✓				✓					
278.	CI 2.1 & Sch 2 Comp CI 13.17(2)	s.11M	D	2	4	✓					✓					
279.	CI 2.1 & Sch 2 Comp CI 13.17(3)	s.11M	D	2	4	✓					✓					
280.	CI 2.1 & Sch 2 Comp CI 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"> Processes and policies are documented. Processes and policies adequately document the required performance of the assets. Processes and policies are subject to regular reviews, and updated where necessary. The asset management information system(s) are adequate in relation to the assets that are being managed.
B	Requires some improvement	<ul style="list-style-type: none"> Process and policy documentation requires improvement. Processes and policies do not adequately document the required performance of the assets. Reviews of processes and policies are not conducted regularly enough. The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).
C	Requires significant improvement	<ul style="list-style-type: none"> Process and policy documentation is incomplete or requires significant improvement. Processes and policies do not document the required performance of the assets. Processes and policies are significantly out of date. The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).

Asset management performance ratings

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

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
1	Asset planning	A	1
1.1	Asset management plan covers key requirements	A	1
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
1.3	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
1.7	Likelihood and consequences of asset failure are predicted	A	1
1.9	Plans are regularly reviewed and updated	A	1
2.	Asset creation and acquisition	A	NR
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions [¶]	A	NR
2.2	Evaluations include all life-cycle costs	A	NR
2.3	Projects reflect sound engineering and business decisions	A	NR
2.4	Commissioning tests are documented and completed	A	NR
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood	A	NR
3.	Asset disposal	A	NR
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
4.	Environmental analysis	C	3
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 [¶]	B	2
5	Asset operations	C	3
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	2
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
6	Asset maintenance	C	3
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 [¶]	B	2
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary	A	1
6.5	Risk management is applied to prioritise maintenance tasks	B	2
6.6	Maintenance costs are measured and monitored	A	1
7	Asset Management Information System (MIS)	A	1
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
8	Risk management	B	2
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	1
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored	B	2
8.3	The probability and consequences of asset failure are regularly assessed	A	1
9	Contingency planning	A	2
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks	A	2
10	Financial planning	A	1
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
11	Capital expenditure planning	A	1
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
12	Review of AMS	B	2
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	A	1
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 1994. In turn, the compliance elements in the organization's Distribution Licence were examined and referred to throughout the audit process.

3.13.1 Audit Results and Recommendations

Summary of significant results

There are 3 non-compliances (based on audit compliance rating scales criteria under section 3.11).

3.13.2 Compliance elements requiring attention

There are 4 Issues requiring attention (based on audit compliance and controls rating scales criteria under section 3.11):



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;
- Identify the information systems and processes employed to manage licensed areas; and
- 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 GDL10 V8
- Standard form contract
- Performance reports
- Compliance reports
- Sample bills, notices of disconnection, disconnection and reconnection data
- Licensee's documents
- Training certificates
- Previous Performance Audit and Asset Management Review reports
- Annual reports (2013, 2014 and 2015)
- Customer service charter [public document/website]
- Complaints handling manual and policy [public document/website] also in Customer Charter Annual information returns
- ERA Fees and Receipts



- Test Samples
- Safety Case Audits
- Energy and Water Ombudsman Purchase Orders 2016
- Pressure testing procedure
- C9906a30 Rev 3_Asset Management System
- C9906a30 Rev 3_Appendix 2 Asset Register Rev A with drawings
- C9906b57 Rev 2_GDS Asset Management - Philosophy & Strategy
- C9906a62 Rev 4_GDS Asset Management - Maintenance Plan
- C9900a39 Rev 1 Pipeline Operating Guidelines
- C9906a63 Rev 5 GDS Operational Plan
- C9906b64 Esperance GDS Asset Register Rev 3
- C9906a79 Rev 2_Network Operating Guidelines
- C9906a87 Rev 1_GDS Environmental Management Procedure
- C9906a88 Rev 1_GDS Environmental Management Plan
- C9906b72 Rev 1 Risk Management Plan
- C9906d08 Rev 3_Regulatory Compliance Manual
- C9906d54 GDS Maintenance Plan Matrix Rev 2
- C9906c39 Product acceptance procedure
- Corrective action tracking spreadsheet
- C09900A85 Kambalda to Esperance pipeline and Esperance Gas Distribution System Emergency Response Plan
- Emergency Response exercise outcomes (March 2014/June 2015/June 2016) (ESWA disputes adequacy)
- EGDS KPI spreadsheet
- C9906D48 EGDS Leak Management manual
- Leak survey report
- EGDS monthly report
- Training Schedules



3.17 Audit Findings - Details

The following sets out the audit findings

3.17.1 Gas Industry Customer Transfer Code – Licence Conditions and Obligations

Item 1	Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
Licence: <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).			
Observations			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Alan Shackleton, Lawrence Teo , 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 on time.			
Issues			
None			
Recommendations			
None.			
Item 6	Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
Licence: <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.			
Observations			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.			
Issues			
None			
Recommendations			
None			



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Item 7 Distribution Licence Clause 14.1	Adequacy of controls rating A	Compliance rating NR
Licence: <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.		
Observations		
Documents	<input checked="" type="checkbox"/>	Compliance
	<input checked="" type="checkbox"/>	
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>	
The Licensee has an asset management system. The effectiveness is assessed in the review. The commencement was dealt with in previous reviews.		
Issues		
None		
Recommendations		
None		
Item 8 Distribution Licence Clause 14.1 and 14.2	Adequacy of controls rating Not Performed	Compliance rating Not Rated
Licence: <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.		
Observations		
Documents	<input type="checkbox"/>	Compliance
	<input type="checkbox"/>	
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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 the details of the asset management system from previous reviews. There have been no changes in the review period.		
Issues		
None		
Recommendations		
None		
Item 9 Distribution Licence Clause 14.3	Adequacy of controls rating A	Compliance rating 1
Licence: <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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Lawrence Teo,, 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"/>
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This review and previous reviews satisfy the requirement.

Issues

None

Recommendations

None

Item 10 Distribution Licence Clause 18.1	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11ZA(1)

The requirement is that a Licensee must provide the ERA with a performance audit by an independent expert acceptable to the ERA within 24 months of commencement and every 24 months thereafter (or longer if the ERA allows).

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Lawrence Teo, 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"/>
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This audit satisfies the requirement. The last audit also satisfied the requirements.

Issues

None

Recommendations

None

Item 17 Distribution Licence Clause 5.1	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11ZK (3)

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.

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Alan Shackleton, listed staff. Documents: Not applicable.



Performance Audit Report & Asset Management Review GDL: 10

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.									
Issues									
None									
Recommendations									
None									
Item 24 Distribution Licence Clause 20									
						Adequacy of controls rating A	Compliance rating 1		
Licence: <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.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Lawrence Teo, 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.									
Issues									
None									
Recommendations									
None									
Item 25 Distribution Licence Clauses 5.1									
						Adequacy of controls rating A	Compliance rating 1		
Licence: <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> .									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff, 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 standards in the <i>Gas Standards Act 1972</i> relate to heating value.									
Issues									



EnergySafety (ESWA) or the Licensee have not reported any deviations from the required heating value

Recommendations

None.

Item 26 Distribution Licence Clauses 5.1	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11Z Gas Standards Act 1972 Section 8(1)
A Licensee must not supply gas at less than the relevant approved minimum heating value.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. 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"/>
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The standards prescribed in the *Gas Standards Act 1972* are contained in regulations, principally the *Gas Standards (Gas Supply and System Safety) Regulations 2000*.

Issues

The *Gas Standards (Gas Supply and System Safety) Regulations 2000* are managed by EnergySafety and contain the specification for gas quality. There are no reported non-compliances from EnergySafety.

There were no deviations.

Recommendations

None

Item 27 Distribution Licence Clauses 5.1	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11Z Gas Standards Act 1972 Section 9(1)
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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. 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"/>
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The standards prescribed 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.

There were no deviations.

Recommendations

None

Item 28 Distribution Licence Clauses 5.1	Adequacy of controls rating B	Compliance rating 2
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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 checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. Documents: sample gas quality analysis data. Installation procedures.

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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The requirements in the *Gas Standards Act 1972* are contained in regulations, *the Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999*.

'Issues

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

This section of the Gas Standards Act is about compliance of gas customer's gas installations with the *Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999*. This section only applies to new installations. The customer is required to use a ESWA licensed gas fitter to install their gas installation to the regulations. When complete the customer's gas fitter issues a Notices of Completion (NOC) certifying that the work is complete, has been tested, complies with the prescribed requirements and is ready for the network operator to connect. This certification is the primary method of ensuring the installation meets the requirements prescribed in respect of that installation (and only method where the installation is not inspected under and inspection plan). The network operator installs their services to the meter and installs a disc to prevent flow of gas. ESWA overlays this assurance with a control process of inspecting in accordance with s.13(1) or via s.13J with an inspection policy statement/plan. This is to verify compliance of installations and provide a supervisory role for ESWA licensed gas fitters. The Licensee does not have an inspection policy statement/plan and inspects all installations with an ESWA licensed inspector before connection. (There can be an unintended consequence of inspecting all installations in that it dilutes the customer's gas fitter's certification by the inspector checking and testing and this could be seen as supervising their work).

Section 13(1) does not apply to existing installations.

The Licensee's process for new installations included receiving a NOC before inspecting, inspecting and then installing a meter when complying installation is verified, all of which complies. The Licensee has improved the documentation to capture this process onto the operating procedures. The Licensee still has to satisfy ESWA to remove its Inspectors Orders.

Recommendations

Make changes required by EnergySafety to remove the Inspectors Orders (IO).



Item 87 Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
Licence: <i>Distribution</i>		
<i>Energy Coordination (Customer Contracts) Reg. 28, clause 3.1.2 AGA Code</i> The Licensee must re-connect to a supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within 1 business day or period agreed with the customer from the date of the application and subject to the customer meeting the requirements in clause 3.1.2.2 of the AGA code.		
Observations		
Documents	<input type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. Documents: Sample bills. Database (by statistical sampling), sample reconnection request and date of reconnection 45 samples viewed from 300 reconnections.		
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 (45/300), all reconnections were reconnected within 1 business day of customer requested date.		
Issues		
None		
Recommendations		
None		
Item 88 Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1
Licence: <i>Distribution</i>		
<i>Energy Coordination (Customer Contracts) Reg. 28, clause 3.1.3.1 AGA Code</i> A Licensee must connect a new supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within an agreed date, or where no date is agreed then within 20 business days from the date of the application.		
Observations		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.		
Issues		
None		
Recommendations		
None		



Item 89 Distribution Licence Clause 5.1	Adequacy of controls rating B	Compliance rating 2							
Licence: <i>Distribution</i>									
<i>Energy Coordination (Customer Contracts) Reg. 28, clause 3.5.2.2 AGA Code</i> 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 Wynand Ferreira, Joanna Loffler, listed staff. Documents: Sample bills. Database (by statistical sampling)									
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 was not providing four days' notices to customers for inspections, repairs, testing. No planned maintenance occurred so notice provision was not required. No customer complaints for lack of notice.									
Issues									
The Licensee took the obligation to only apply this requirement where supply was interrupted. Testing occurred in the audit period which required access to supply addresses even if there were no physical changes to network. Notices are required when accessing the supply address. The Licensee carried out leak surveys (Sep 2013/Dec2014/July 2016) which had access to supply addresses notwithstanding ESWA have issues with the quality/adequacy of these surveys.									
Recommendations									
Issue notices when accessing the supply address for inspections, repairs, testing or maintenance.									
Item 90 Distribution Licence Clause 5.1	Adequacy of controls rating A	Compliance rating 1							
Licence: <i>Distribution</i>									
<i>Energy Coordination (Customer Contracts) Regulation 33(3) AGA Code 3.5.2.2</i> 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 Wynand Ferreira, Joanna Loffler, 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

Item 92 Distribution Licence Clause 12.	Adequacy of controls rating A	Compliance rating 1
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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*.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The networks have operated continuously except for leak repairs which complies with *Gas Standards (Gas Supply and System Safety) Regulations 2000*.

Issues

None

Recommendations

None

Item 93 Distribution Licence Clause 13.	Adequacy of Controls Rating Not Performed	Compliance rating Not Rated
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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.

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. .

Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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There has been no cessation or substantial decrease in activities in the audit period to require a notice to the ERA.

Issues

None

Recommendations

None

Item 94 Distribution Licence Clause 14.4	Adequacy of controls rating	Compliance rating
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Licence: <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
A Licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the asset management review.		
Observations		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.		
Issues		
None		
Recommendations		
None		
Item 95 Distribution Licence Clause 14.6	Adequacy of controls rating A	Compliance rating 1
Licence: <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
A Licensee's independent expert must be approved by the ERA prior to reviewing the effectiveness of the asset management system.		
Observations		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.		
Issues		
None		
Recommendations		
None		
Item 96 Distribution Licence Clause 16.2.	Adequacy of controls rating A	Compliance rating 1
Licence: <i>Distribution</i>		
<i>Energy Coordination Act section 11M</i>		
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.		
Observations		
Documents	<input checked="" type="checkbox"/>	Compliance <input checked="" type="checkbox"/>



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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The audit meets the requirements. The previous audits also met the requirement.

Issues

None

Recommendations

None

Item 97 Distribution Licence Clause 16.4	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

A Licensee's independent auditor must be approved by the ERA prior to the audit.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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This audit meets the requirements. The previous audits also met the requirement.

Issues

None

Recommendations

None

Item 98 Distribution Licence Clause 17	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

A licensee may be subject to individual performance standards.

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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There are no individual performance standards.

Issues

None

Recommendations

None



Item 99	Distribution Licence Clause 20	Adequacy of controls rating A	Compliance rating 1
Licence: <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.			
Observations			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>		<input checked="" type="checkbox"/>
All notices are in writing. All material communication with the ERA is in writing.			
Issues			
None			
Recommendations			
None			
Item 100	Distribution Licence Clause 21.1	Adequacy of controls rating A	Compliance rating 1
Licence: <i>Distribution</i>			
<i>Energy Coordination Act section 11M</i>			
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"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>		<input checked="" type="checkbox"/>
The annual reports declare compliance with the required accounting standards.			
Issues			
None			
Recommendations			
None			
Item 101	Distribution Licence Clause 24	Adequacy of controls rating Not Performed	Compliance rating Not Rated
Licence: <i>Distribution</i>			



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"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The administration status of the Licensee and in its corporate, financial or technical circumstances has not had any significant change.

Issues

None

Recommendations

None

Item 102	Distribution Licence Clause 21.	Adequacy of controls rating B	Compliance rating 2
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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"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The Licensee has provided the information returns required by the ERA in the manner and form required. But 2013 compliance report was late.

Issues

Reports were late.

Recommendations

None as corrective control actions have already been implemented.

Item 103	Distribution Licence Clause 24	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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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 Wynand Ferreira, Joanna Loffler, 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 <i>ERA</i> has not required any information other than performance reports to be published. Performance reporting is covered elsewhere.									
Issues									
None									
Recommendations									
None									

Item 104 clause 1	Distribution Licence Schedule 3	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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 that are covered pipelines. Therefore, this obligation does not apply.									
Issues									
None									
Recommendations									
None									

Item 105 clause 2	Distribution Licence Schedule 3	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. Documents: Sample requests. completion notices									



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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.									
Issues									
None									
Recommendations									
None									

3.17.3 **Compendium**

Item 226	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.5	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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There have been no disconnections for gas caused 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. There was a house fire (not gas related) where all services including gas were disconnected. The house (Homeswest) has not been rebuilt to test reconnections.

Issues

None

Recommendations

None

Item 227	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 7.6	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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There have been no disconnections where there was a complaint or outside the proscribed



times. This meets the obligation to not disconnect.

Issues

None

Recommendations

None

Item 230	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2(1)-(3)	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

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.

Where reconnection requires excavation, the distributor must reconnect the customer's supply address within 10 business days of receipt of the request to reconnect.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. Documents: Customer service charter. Customer Code. Sample bills and 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"/>
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All reconnections were within 2 business days of request or the agreed later date.

Issues

None

Recommendations

None

Item 230A	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2(4)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

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).

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. Documents: Customer service charter. Customer Code. Sample bills/spreadsheet with reconnection request dates and reconnection times. Disconnection notices.



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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)(c)-(e) apply so notice is not required 8.2(3)(b). For the Homeswest house fire (which was not a gas caused issue) the house has not been rebuilt.									
Issues									
None									
Recommendations									
None									
Item 230B Distribution Licence clause 2.1 and Schedule 2 Compendium clause 8.2(5)									
Adequacy of controls rating A						Compliance rating 1			
Licence: <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.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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 was an instance of bypass of meter or theft of gas and the customer was disconnected and reconnected after payment of the account									
Issues									
None									
Recommendations									
None									
Item 244 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.6									
Adequacy of controls rating A						Compliance rating 1			
Licence: <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).									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>



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 are available openly on the web.

Issues

None

Recommendations

None

Item 245	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.9	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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Written information that is given to a customer under the Compendium is complying. Gas marketing code and Marketing Code is only applicable to traders and marketing agents.

Issues

None

Recommendations

None

Item 247	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(2)	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, listed staff. Documents: Customer service charter. Customer Code. Sample bills.

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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There have been no requests for copies of the Compendium. Information is available on request at the Esperance office and on the web site. Complies with 10.10(2)(b) and (c) and they are rated A1 is 10.10(2)(a) is Not performed/Not rated because it cannot be tested.



Issues

None

Recommendations

None

Item 249	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(1)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

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).

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The information is in the customer charter which is available on the web and in the Esperance office on request free. There has been no request in the office so rating is Not performed/Not rated because cannot test.

Issues

None

Recommendations

None

Item 250	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.11(2)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

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"..

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The distributor has not issued bills to customers (Traders issue bills).

Issues



None.

Recommendations

None.

Item 251	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(1)	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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There is a complaints handling process.

Issues

None

Recommendations

None

Item 252	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
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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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.

Issues

None

Recommendations

None



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Item 254	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: <i>Distribution</i>			
<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).			
Observations			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>		<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.			
Issues			
None			
Recommendations			
None			
Item 255	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(3)(b)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
Licence: <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.			
Observations			
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>		<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.			
Issues			
None			
Recommendations			
None			
Item 255A	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.1(4)	Adequacy of controls rating	Compliance rating



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	Not Performed	Not Rated
Licence: <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.		
Observations		
Documents	<input type="checkbox"/>	Compliance <input type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.		
Issues		
None		
Recommendations		
None		
Item 257	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.3	Adequacy of controls rating Not Performed
		Compliance rating Not Rated
Licence: <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.		
Observations		
Documents	<input type="checkbox"/>	Compliance <input type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.		
Issues		
None		
Recommendations		
None		
Item 258	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 12.4	Adequacy of controls rating Not Performed
		Compliance rating Not Rated
Licence: <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.		



Observations									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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 staff so reference to one is to the other.									
Issues									
None									
Recommendations									
None									
Item 281 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1									
				Adequacy of controls rating A			Compliance rating 1		
Licence: <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.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.									
Issues									
None									
Recommendations									
None									
Item 282 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.2									
				Adequacy of controls rating A			Compliance rating 1		
Licence: <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.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>



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The 2015 performance report was submitted in form required and on time. This requirement is new to 2015 so previous reports did not have this obligation in 2013 manual.

Issues

None.

Recommendations

None.

Item 283 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.3	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

A report referred to in clause 13.1 must be published by the date specified by the ERA.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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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. The 2015 report was published on the web on time. This is a new requirement so it does not apply to earlier reports which had a different timing requirement.

Issues

None

Recommendations

None.

3.17.4 **Items from 2013 manual**

Item 246 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(1)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The Code and Compendium were available free at the Esperance office but there were no requests.

Issues



None

Recommendations

None

Item 248	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 10.10(3)	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The Code and Compendium were available free at the Esperance office.

Issues

None

Recommendations

None

Item 253	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
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Licence: *Distribution*

Energy Coordination Act section 11M

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.

Observations

Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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While indicated in manual as an item for distributors is actually an item for traders.

Issues

None

Recommendations

None

Item 259	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(1)	Adequacy of controls rating A	Compliance rating 1
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Licence: <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.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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).	
Issues	
None	
Recommendations	
None	

Item 261	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.1(3)	Adequacy of controls rating A	Compliance rating 1
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Licence: <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).	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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	
Shows all required information.	
Recommendations	
None.	

Item 269	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)	Adequacy of controls rating A	Compliance rating 1
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Licence: <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.	
Observations	



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Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.									
<hr/>									
Item 270	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.8(2)				Adequacy of controls rating A	Compliance rating 1			
Licence: <i>Distribution</i>									
<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.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.									
Issues									
Shows all required information.									
Recommendations									
None.									
<hr/>									
Item 271	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(1)				Adequacy of controls rating A	Compliance rating 1			
Licence: <i>Distribution</i>									
<i>Energy Coordination Act section 11M</i>									
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 Wynand Ferreira, Joanna Loffler, 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
Recommendations
None

Item 272 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.10(2)	Adequacy of controls rating Not Performed	Compliance rating Not Rated
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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"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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There are no records to keep as there were no complaints and therefore no details to record.

Issues

None

Recommendations

None

Item 273 Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.12	Adequacy of controls rating A	Compliance rating 1
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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"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The records were kept and shown in performance reports. Values were given as zero as there is no call centre.

Issues

None

Recommendations



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None

Item 274	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.14	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

A distributor must keep a record of the total number of delivery points on the distributor's distribution system.

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The records were kept.

Issues

None

Recommendations

None

Item 276	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.16	Adequacy of controls rating A	Compliance rating 1
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Licence: *Distribution*

Energy Coordination Act section 11M

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).

Observations

Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
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Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>
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The reports were prepared.

Issues

None

Recommendations

None

Item 277	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	Adequacy of controls rating B	Compliance rating 1
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Licence: <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.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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. The 2015 report was published on time. It has not been possible to verify the time the 2014 report was published on the web site. It was on a different server and there is now new web site and the report for 2015 overwrote the 2014 report so it is not possible to verify when the 2014 report was published. The controls could be improved to keep archival posting dates for these regulatory requirements.	
Issues	
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.	
Recommendations	
<i>None.</i>	

Item 278	Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.17(1)	Adequacy of controls rating A	Compliance rating 1
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Licence: <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.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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.	
Issues	
None as requirement is to post to web site which was done. Item 277 covers the timing of publishing. .	
Recommendations	
<i>None.</i>	

Item 279	Distribution Licence clause 2.1	Adequacy of	Compliance rating
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and Schedule 2 Compendium clause 13.17(3)		controls rating A	1
Licence: <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.			
Observations			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>		<input checked="" type="checkbox"/>
The reports were prepared and delivered on time.			
Issues			
The reports were prepared and delivered on time. This requirement is no longer a requirement being subsumed by the reporting dates specified by the ERA.			
Recommendations			
None			
Item 280- Distribution Licence clause 2.1 and Schedule 2 Compendium clause 13.18		Adequacy of controls rating A	Compliance rating 1
Licence: <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.			
Observations			
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
Evidence: interviewed Wynand Ferreira, Joanna Loffler, 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"/>		<input checked="" type="checkbox"/>
The reports were prepared and provided on time.			
Issues			
None			
Recommendations			
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	A	1
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: <ul style="list-style-type: none">• Esperance Area Manager		
Observations Distribution System The licensee's approach to expanding the distribution system is dependent on external funding and generally opportunistic. Extensions funded and constructed by the land developer with EPS undertaking and funding the connection to the existing distribution system and commissioning of the new section of pipework need to be financially viable. The licensee uses methods such as discounted cash flow to assess viability. Neither financial reviews nor extensions occurred in the review period. It is a requirement that the licensee meet statutory and regulatory obligations and not doing so results in the asset management system not being fit for purpose. The outcome of this review must reflect the shortfalls in meeting the above obligations. ESWA has a regulatory requirement that a Licensee develop, implement and work in accordance with a safety case covering the gas distribution system that satisfies the regulatory requirements. As such the safety case forms an integral part of the asset management system covered in this review. ESWA commenced a technical compliance audit in March 2015 of the Esperance Power Station (EPS) gas distribution system. The ESWA audit as detailed in their report to the licensee was carried out in six stages and commenced with a desktop audit studying the Formal Safety Assessment (FSA) and the associated mitigations EPS uses to control the identified risks to maintain and operate the system. The desktop audit according to ESWA found that most risks had been well-appreciated, and EPS demonstrated a reasonable understanding of the typical risks a network operator may need to manage in relation to its gas distribution system. A field audit was not conducted until, 3-4 November 2015 although scheduled for earlier in the year. The purpose was to ensure that the mitigation strategies EPS had stated in its FSA and its safety case (i.e. its procedures) were adhered to in the field. Throughout the field stage, ESWA concluded that the work practices demonstrated, particularly in the areas of leak surveying; leak detection and classification; and the installation of gas services and domestic meters was neither to a standard in line with best practice, nor in accordance with the provisions of AS/NZS 4645. In fact, ESWA deemed these work practices unsafe. ESWA found that operatives were not properly		



trained on most of the EPS procedures listed in the Safety Case, but rather had received gas industry familiarization training by an accredited training supplier. There is no legal obligation for EPS to provide industry training for its operatives, however in ESWA's opinion, there is certainly a requirement for its operatives to be familiar and work within the confines of specific procedures and be deemed competent to do so. (Further it is an obligation under these review conditions that operatives be adequately trained.) Consequently, ESWA issued four IOs on 18 November 2015, effectively preventing EPS from undertaking new works and restricted maintenance tasks on its network until compliance could be demonstrated to the Safety Case, the *GSSSR* and the Standards.

ESWA also observed numerous other non-conformances which were addressed through 15 corrective action requests (CARs) and 10 improvement requests (IRs). These non-conformances ranged from

- a failure to develop meaningful emergency response plans;
- deficient mains patrolling;
- the location of odorant sampling points and
- minor inconsistencies detected between the Safety Case and EPS procedures.

ESWA concluded that EPS does not currently comply with its own Safety Case, the *GSSSR* or the applicable Standards. In order to achieve this compliance EPS, at a minimum, is required to satisfy, the requirements of the four IOs, followed by the CARs and IRs. When all parties have signed-off on these requirements, ESWA reserves the right to conduct a follow-up audit to ensure that EPS has achieved compliance.

The asset management system covers the distribution system owned and operated by the Licensee in Western Australia. The distribution business forms a very small part of the business of the Licensee which is predominately electricity generation. 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 utilised third parties to design and construct the gas distribution network. Following the establishment of the network the Licensee has only been responsible for the cost of connecting and commissioning services and mains extensions to the piping system, the majority of which are domestic households and small commercial customers. The networks have been constructed using modern high density 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.

Throughout the distribution system the gas mains are located in the road reserve on alignment and to a depth that complies with the Public Utility Providers Manual and AS4645. Tracer wire and marker warning tape are installed with the piping to act as a warning and to enable the pipe to be easily located and to prevent third party damage. Correct placement of detectable tracer wires to mitigate potential leaked electrical current in mains and services have been made following the ESWA observation.

Customers are supplied from the system via a gas service pipe that terminates in a meter box located typically 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 key requirements A1

The asset management plan sets out the required procedures appropriate for a small system.

1.2 Planning process and objectives reflect the needs of all stakeholders and



are integrated with business planning

ANR

As the Licensee is not funding the provision of gas in new subdivisions only the extensions to the distribution system the financial approval process only needs to be undertaken for the extension element. No extensions have met the financial criteria for construction in the review period resulting in no extensions being constructed. The Licensee has decided to not consider any extensions while the IOs are in place.

However, the responsibility for strategic review of reticulated networks resides with the Esperance Area Manager and Regional Asset Manager West. This type of review is undertaken on an annual basis. On a monthly basis, the Finance Manager reviews the quantity of gas sold to determine profitability. Deviations in revenue outside of those expected are investigated.

The operating performance of the network and the maintenance activities are the responsibility of the Esperance Area Manager. Reports on the performance of the distribution systems are compiled on a monthly 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 Esperance Area Manager.

Management and review of service delivery is the responsibility of the Esperance Area Manager. The Esperance Area Manager sets annual targets and reviews progress on a monthly basis.

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

ANR

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 there has to date been no need to consider demand management. The distribution system's consumption is very seasonal but at peak is only 2% of that taken by the power station, so capacity issues are minimal. In gas shortages, curtailment will start with large commercial customers first. There are also main isolation valves which can isolate parts of the network in the event of an emergency. Priority will be given to the hospital.

1.5 Lifecycle costs of owning and operating assets are assessed

A1

All investment must return a positive net present value (NPV) before proceeding. Lifecycle costs are included in the business case and allow for a long asset life for the distribution system with a shorter life for the 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' thresholds and return a positive net present value (NPV) before proceeding. In the review period, no extensions satisfied this criterion. The existing system's revenue meets the operating and maintenance cost demands.

1.7 Costs are justified and cost drivers identified

A1

All investment must 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, distribution, construction, operation and maintenance, regulatory and retailing costs.

1.8 Likelihood and consequences of asset failure are predicted

A1

The Asset Management System through the Safety Case requires monitoring the frequency, severity and cause of items such as gas leaks and outages and the outcomes of periodic (in accordance with the standard) leak surveys. Responsibility for these



activities resides with the Esperance Area 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 a natural 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 Facility Description, Formal Safety Assessment (FSA) and a Safety Management System (SMS). The SMS 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:

- protect the gas distribution system from defined threats,
- promote public awareness of the gas distribution system,
- safely operate and maintain the gas distribution system, and
- 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

A1

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

Recommendations

None.



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
2.0 Asset creation/ acquisition	A	Not Rated
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>Evidence</p> <p>Examined see Audit / Review evidence section for details</p> <p>Interviewed:</p> <ul style="list-style-type: none"> • Esperance Area Manager 		
<p>Observations General</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 and did not extend the system during the review period. However, a service for a large industrial customer (Esperance hospital) was added to the existing network during the audit period.</p> <p>2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions ANR</p> <p>For the existing distribution system full project evaluations occurred.</p> <p>However, for a Greenfields distribution system the Licensee would undertake via a detailed business case a full project evaluation for all new assets The option of a reticulated service would only be taken where financially viable. No new assets were created in the review period as a result of the financial evaluation. This evaluation occurred for the initial Esperance area developments. There was a financial analysis when adding the service for the hospital.</p> <p>2.2 Evaluations include all life-cycle costs ANR</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 consumer meters. Costs of new subdivision 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. No new assets (except the hospital meter set, which is equipment rather than an asset) were created in the review period.</p> <p>2.3 Projects reflect sound engineering and business decisions ANR</p> <p>All projects reflect sound engineering and business decisions. The Licensee arranged for a third party (Worley Parsons) to design the initial network. If a gas supply extension or facility construction was being considered to the distribution system, Worley-Parsons would be responsible for the design and specification. This also includes if it was a subdivision for verifying the design to ensure adequate capacity and for specifying the material to be used to construct the system to ensure it will provide for ease of installation and trouble free operation and meets the Licensee’s requirements before</p>		



installation takes place.

No new assets were created in the review period.

As stated elsewhere in the document the distribution systems are subject to periodical financial review (at least annually) to ensure the required return is being achieved.

2.4 Commissioning tests are documented and completed

ANR

Commissioning tests are immediately documented on completion to record that the asset was tested for correct and safe operation before being placed in service. No new assets were created in the review period.

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

None



Asset management System Element 3.0 Asset disposal	Asset management process and policy definition adequacy rating A	Asset management performance rating Not Rated
<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>Evidence Examined see Audit / Review evidence section for details Interviewed:</p> <ul style="list-style-type: none"> • Esperance Area Manager 		
<p>Observations General The distribution systems have not been the subject of asset disposal because of their relatively young age.</p> <p>3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process ANR</p> <p>The distribution system is regularly reviewed (monthly) to ensure it is performing to the required technical level through examination of KPIs (There are no technical restraints for low usage of the network only for over utilization).</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 conversion to LPG by an independent third party would be considered. If shutdown, the gas mains and services would be purged of gas, the mains made safe by capping the ends and the services disconnected at the main but not removed.</p> <p>3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken ANR</p> <p>As stated above if an asset is under-utilised and/or under-performing action would only be taken if it was possible to rectify the situation. As the systems are still relatively new disposal would not be considered. If there is any underperformance the actions set out above would be considered.</p> <p>3.3 Disposal alternatives are evaluated ANR</p> <p>As the systems are still relatively new, no disposal alternatives have been required to be evaluated.</p> <p>3.4 There is a replacement strategy for assets ANR</p> <p>A replacement strategy for replacing customer's gas meters has been developed and will be utilised in the near future as gas meters need to be refurbished or replaced under the GSSR 2000 requirements. 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.</p>		



Recommendations

None

Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
4.0 Environmental analysis	C	3
Environmental analysis examines the asset system environment and assesses all external factors affecting the asset system.		
<p>Evidence Examined see Audit / Review evidence section for details Interviewed:</p> <ul style="list-style-type: none"> • Esperance Area Manager 		
Observations		
<p>General The Asset Management Plan has a comprehensive risk management section in the Safety Case. The Safety Case has a number of risks and mitigation strategies concerned with protecting assets from damage by third parties. The principal threat to the business is competition from other energy sources (such as electricity or bottled LPG) therefore the Licensee needs to keep costs to a minimum to continue to offer the NG at a competitive price.</p> <p>4.1 Opportunities and threats in the system environment are assessed A1 The Safety Case details the threats and how they are to be managed. The Licensee has not considered opportunities in the system environment in the risk assessment. The current situation is for the developer to decide if they want to include reticulation pipework in each stage of development thereby negating any threats to the Licensee for subdivision costs. The licensee then has to assess the financial viability of installing and connecting the extension mains to the reticulation to the distribution system. No assessments occurred in the audit period.</p> <p>4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved A1 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>4.3 Compliance with statutory and regulatory requirements C3 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 ESWA audit. 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. There are no breaches of environmental requirements or other statutory requirements.</p> <p>4.4 Achievement of customer service levels B2 The Licensee has achieved its KPIs during the review period. The customer service</p>		



levels are being measured. There are some unresolved metering issues.
Required system reliability has been exceeded being 100%.
Gas quality has been within the required specification. Odorant has met the required levels except for a short period when transitioning to new odorant.
Response time to calls of gas smells at meter has been within the required timeframe.

Recommendations

*Complete the writing of the policies and procedures to obtain the removal of the IO.
Resolve metering issues to ESWA satisfaction*





Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
5.0 Asset operations	C	3
<p>Operations functions relate to the day-to-day running of assets and directly affect service levels and costs.</p>		
<p>Evidence Examined see Audit / Review evidence section for details Interviewed:</p> <ul style="list-style-type: none">• Esperance Area Manager		
<p>Observations</p> <p>It is a requirement that the licensee meet statutory and regulatory obligations and not doing so results in the asset management system not being fit for purpose. The outcome of this review must reflect the shortfalls in meeting the above obligations. ESWA has a regulatory requirement that a Licensee develop, implement and work in accordance with a safety case covering the gas distribution system that satisfies the regulatory requirements. As such the safety case forms an integral part of the asset management system of covered in this review.</p> <p>Training requirements are monitored with all obligatory training on schedule but some desirable training such as CPD for Mechanical operatives was late. (Further it is an obligation under the requirements of this review that operatives be adequately trained.) Consequently, ESWA issued four Inspector's Orders (IOs) on 18 November 2015, effectively preventing EPS from new works and restricted maintenance tasks on its network until compliance could be demonstrated to the Safety Case, the Regulations and the Standards.</p> <p>ESWA also observed numerous other non-conformances which were addressed through 15 CARs and 10 IRs. These non-conformances ranged from</p> <ul style="list-style-type: none">• a failure to develop meaningful emergency response plans;• deficient mains patrolling;• the location of odorant sampling points and• minor inconsistencies detected between the Safety Case and EPS procedures. <p>ESWA has concluded that EPS does not currently comply with its own Safety Case, the Regulations or the applicable Standards. In order to achieve this compliance EPS, at a minimum, is required to satisfy, the requirements of the four IOs, followed by the CARs and IRs. When all parties have signed-off on these requirements, ESWA reserves the right to conduct a follow-up audit to ensure that EPS has achieved compliance.</p> <p>As a consequence of the ESWA conclusions, this review must reflect the findings of not meeting statutory and regulatory requirements.</p> <p>5.1 Operational policies and procedures are documented and linked to service levels required C3</p> <p>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</p>		



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 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 ESWA during their audit. ESWA propose to undertake a verification audit (~mid 2017) 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 B2

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 undertake leak surveys correctly and to classify leaks correctly.. 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 and to required standards and specifications. 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 an Asset Register on a spreadsheet that contains asset information consistent with such a small system.

The auditor was satisfied that the Licensee now records sufficient information in relation to the materials used in the distribution system. The ESWA audit discovered non-complying equipment in existing system and this is being rectified. Completion of the corrective actions as required by ESWA is necessary for the existing system.

5.4 Operational costs are measured and monitored A1

Operational costs that the Licensee is responsible for are measured and monitored monthly 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 in accordance with the national training framework for distribution operatives. The competence of the contractor was assessed by the Area Manager in the field and most activities were subject to a permit authorized by the Area Manager. ESWA concluded during their audit that the procedures needed to be improved as they differed in content to the way the contractor was performing the work. As a consequence, the procedures need to reflect the way the work is carried out and once the amendments are completed the Licensee needs to train personnel in the new procedures and assess their competency. New procedures are being developed and require the Licensee to be satisfied that training is adequate and appropriately documented.

Currently all work on the distribution system is undertaken by a contractor comprising a team of 3 personnel. The Esperance Area Manager being responsible for all supervision



and management activities associated with the distribution system. The existing staff and contractor levels are considered adequate provided all are available during and after hours. However, if personnel are not available this could have a major impact on the safe operation and management of the distribution system. To negate this risk, it is recommended that training of additional personnel/contractors to take over during sickness, holidays is undertaken. This includes the Esperance Area Manager.

Recommendations *The Licensee complete work on:*

- *revision of policies and procedures and*
- *training and testing of the competency of employees and documenting training*
- *assurance that all materials in the system is complying with the required standards and specifications including traceability review staffing levels and training of other personnel (including Manager) for coverage of sickness or holidays*



Asset management System Element	Asset management process and policy	Asset management performance rating
6.0 Asset maintenance	definition adequacy rating C	3
Maintenance functions relate to the upkeep of assets and directly affect service levels and costs.		
<p>Evidence Examined see Audit / Review evidence section for details Interviewed:</p> <ul style="list-style-type: none"> Esperance Area Manager 		
<p>Observations General The Licensee has documented all the maintenance functions associated with the distribution systems in a maintenance plan. Maintenance consists of activities that are required to maintain compliance with EnergySafety's and other Government requirements (e.g. Worksafe and Department of Minerals and Energy). This work is undertaken by personnel employed by the Licensee. The Esperance Area Manager is responsible for the management of all maintenance work.</p> <p>6.1 Maintenance policies and procedures are documented and linked to service levels required A1 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>6.2 Regular inspections are undertaken of asset performance and condition C3 Inspections are undertaken on the distribution systems for a leakage survey at a frequency required in the relevant Australian Standard, pipeline patrols monthly, operational inspections and odorant sampling monthly. Surveys were undertaken during the review period (Sept 2013/Dec 2014/July 2016 - ESWA has issues with the quality/ADEQUACY of these surveys). The ESWA audit also found that although the surveys have been carried out, the Licensee had failed to undertake the required leakage survey work for the whole network during the review period and the methodology employed was inadequate because the Licensee failed to properly classify, record, manage and repair leaks although the licensee's practise had been to immediately repair leaks following discovery or reporting. During the review period the Licensee rectified this issue and proposes to undertake a 100% leakage survey of the distribution system and for city block/large users every 12 months and the remainder every five years as required under the Australian Standard with the improved documentation. The Licensee also now collects additional samples of NG from the distribution systems supply end points for analysis to ensure the odorant level meets prescribed requirements. Mains Patrolling is now completed on a monthly basis as listed in the maintenance schedule.</p> <p>6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule B2 The Safety Case has identified other maintenance requirements and the Licensee has corrective actions from the ESWA audit to implement. There is an emergency plan and</p>		



an emergency plan exercise. But ESWA require improvements to these plans. The nature of the system leads to low needs for maintenance outside the schedule replacement of meters and there will be a need for the meter set at the hospital to be checked.

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 **B2**

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. ESWA identified the issue of tracer wires for services being connected to mains tracer wire and inside residential meter boxes when not permitted and is a corrective action for ESWA. There is also a ESWA corrective action for aligning the documentation with the correct field practice of dial before you dig.

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

The costs are measured and monitored an ongoing basis.

Recommendations

- *Undertake leakage surveys in accordance with the revised frequency and in accordance with the revised procedures.*
- *Make improvements to emergency plans for ESWA*
- *Confirm tracer wires for mains, services and meter boxes are installed correctly*
- *Align documentation of dial before you dig with correct field practice*



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
7.0 Asset Management Information System	B	1
<p>An asset management information system is a combination of processes, data and software that support the asset management functions.</p>		
<p>Evidence Examined see Audit / Review evidence section for version details Interviewed: <ul style="list-style-type: none"> Esperance Area Manager </p>		
<p>Observations</p>		
<p>General A variety of systems exist which support the management of the reticulated systems, these are: Customer metering/billing database - “not Eldorado” Network GIS - ProjectSight Network pressure and capacity modelling – Pipeline Studio WP SharePoint – operational documents and drawings Public website – www.esperance-energy.com.au Spreadsheets</p> <p>The system has been developed to an adequate level of sophistication appropriate for distribution systems of this scale and complexity. There is no maintenance management system as the level of maintenance is too low to justify such an overhead. Maintenance orders are processed manually. As described in sections 1.1 and 1.2 (Asset Planning) data is collected and reviewed internally.</p> <p>7.1 Adequate system documentation for users and IT operators B1 System documentation is a work in progress. The Licensee provides training to staff on the systems but there are only 2 staff using the systems with the maintenance work being carried out by contractors. The Licensee is capable of producing management reports on maintenance activities.</p> <p>7.2 Input controls include appropriate verification and validation of data entered into the system A1 The system includes appropriate verification and validation of data entered into the system.</p> <p>7.3 Logical security access controls appear adequate, such as passwords Logical security access control is adequate with hierarchical access by password.</p> <p>7.4 Physical security access controls appear adequate A1 Physical security access is adequate with the system only being available in a controlled office environment.</p> <p>7.5 Data backup procedures appear adequate and backups are tested A1</p>		



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

7.6 Key computations related to Licensee performance reporting are materially accurate **A1**

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

7.7 Management reports appear adequate for the Licensee to monitor licence obligation **A1**

Management reports appear adequate for the Licensee to monitor licence obligations. Reports are available covering KPIs, gas metered through the system.

Recommendations *Complete customer metering/billing system documentation*



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
8.0 Risk management	B	2
<p>Risk management involves the identification of risks and their management within an acceptable level of risk.</p>		
<p>Evidence Examined see Audit / Review evidence section for details Interviewed</p> <ul style="list-style-type: none">• Esperance Area Manager		
<p>Observations General 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 under a Safety Case regime (following acceptance by ESWA 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 independent audit of the Safety Case every 12 months and submit a report of the outcome of the audit together with any improvements to ESWA.</p> <p>Emergency plans have recently been exercised and the outcomes recorded (March 2014/June 2015/June 2016). The Licensee has indicated that it intends to rework its safety case and this is currently in progress.</p> <p>8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system B1</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 The Licensee has risk register. ESWA have a corrective action to separate the gas pipeline from the gas distribution system where the risks are identified and solutions provided in a combined document. The Licensee rated staffing and training issues as a high priority. There is a need to look at staff levels and training of other personnel to take over during sickness, holidays etc. This would include the Esperance Area Manager.</p> <p>8.2 Risks are documented in a risk register and treatment plans are actioned and monitored B2</p> <p>The risks and how they will be treated and monitored are documented in the AMS and the Safety Case. The ESWA audit found that a number of risks were not being adequately actioned and monitored. Failure to conduct leak surveys for the whole network and improve procedures and methodology to classify leaks are examples. At the time of the report the issues identified by ESWA are being addressed through changes to policies and procedures training of personnel and assessing the competency of contractors. The Licensee has risk register. ESWA has a corrective action requiring separation of the gas pipeline from the gas distribution system although the risks are</p>		



identified and solutions provided in the existing combined documentation.

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

A1

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 enable steps to be taken before failure was to occur.

Recommendations

- *review staffing levels and training of other personnel (including Esperance Area Manager) for coverage of sickness or holidays*
- *Ensure that the risks identified by the Energy Safety audit have treatment plans and they are actioned and monitored in accordance with the treatment plan. Implement the changes required for ESWA to remove the IOs and Corrective Actions.*



Asset management System Element	Asset management process and policy definition adequacy rating	Asset management performance rating
9.0 Contingency planning	A	2
Contingency plans document the steps to deal with the unexpected failure of an asset.		
Evidence Examined see Audit / Review evidence section for details Interviewed <ul style="list-style-type: none">• Esperance Area Manager		
Observations General 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 emergency within the gas distribution system. A contingency plan has been developed based around this scenario. 9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks A2 A contingency plan has been developed and is based around a supply emergency on the gas distribution system. The Licensee has carried out an exercise to test this contingency following the ESWA audit. A test in June 2016 of the KEGP Pipeline assessed the impacts on the distribution system and a complete emergency test on the distribution system occurred in November 2016 (after review period). ESWA discounted the KEGP pipeline test but it did cover supply issues to the distribution system. The emergency plan covers these types of scenario and the ESWA audit found that the Licensee can make improvements to the emergency plan to make the response more effective. Other contingencies include under/over pressure in distribution system, off specification NG, failure of a key isolation valve, major gas leaks, failure of customer meters or water in the mains. Processes exist to handle these contingencies.		
Recommendations <i>Make improvements to the way the licensee responds to emergencies and the plan is up to date regarding emergency contact personnel list.</i>		



Asset management System Element 10.0 Financial planning	Asset management process and policy definition adequacy rating A	Asset management performance rating 1
<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>Evidence Examined see Audit / Review evidence section for details Interviewed</p> <ul style="list-style-type: none"> • Financial controller A Shackleton • Worley Parsons consultant L Teo. 		
<p>Observations General</p> <p>The project has a detailed Financial Model which incorporates various financial assumptions concerning the GDS. The Licensee closely monitors costs and revenues against its financial plan based on the financial model and input from owners ICG.</p> <p>As stated earlier the distribution business is established and extensions only occur if the extension is financially viable. The Licensee has an operating budget that covers the costs involved in maintaining the assets and compliance costs (such as performance audits).</p> <p>10.1 The financial plan states the financial objectives and strategies and actions to achieve the objectives A1</p> <p>The Licensee closely monitors financial targets and performance. The financial plan ensures its financial viability and in improving service delivery over the long term.</p> <p>10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs ANR</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. All the capital expenditure and recurrent costs are identified and form the annual budget in the financial plan. During the review period, no financial modelling of new reticulation was undertaken.</p> <p>10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) A1</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 profitability through adjustment to tariffs. Balance sheets containing the value of the distribution system assets are also compiled.</p> <p>10.4 The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period A1</p> <p>The annual financial review of the distribution systems enables the Licensee to predict income for the next five years.</p> <p>10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services A1</p>		



The annual budget contains these costs and is shown as an item in the overall budget.

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





Asset management System Element 11.0 Capital expenditure planning	Asset management process and policy definition adequacy rating A	Asset management performance rating 1
<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>Evidence</p> <p>Examined see Audit / Review evidence section for details</p> <p>Interviewed:</p> <ul style="list-style-type: none"> • Financial controller A Shackleton • Worley Parsons consultant L Teo. 		
<p>Observations General</p> <p>The Licensee includes a capital allowance in the budget for the distribution system 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</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>11.1 There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates A1</p> <p>The Licensee has a capital expenditure plan which is sufficient for systems of this size and capital exposure.</p> <p>11.2 The plan provides reasons for capital expenditure and timing of expenditure A1</p> <p>A capital expenditure plan exists for the distribution system that provides a meaningful plan.</p> <p>11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan A1</p> <p>Capital expenditure is estimated to cover the replacement of assets such as gas meters and the cost of leakage surveys are included in the capital budget for the year the expenditure will be spent.</p> <p>11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned A1</p> <p>The capital expenditure plan monitors expenditure IN accordance with the annual</p>		



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	B	2
The asset management system is regularly reviewed and updated.		
Evidence Examined see Audit / Review evidence section for details Interviewed <ul style="list-style-type: none">• Esperance Area Manager		
Observations 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 A1 During the review period a review of the asset management system by Regional Asset Manager West occurred. 12.2 Independent reviews (e.g. internal audit) are performed of the asset management system B2 There is a need to undertake the annual internal audit of the Safety Case. Other than the annual review by the Licensee, there has been no other independent review planned apart from the review required by the ERA under the licence conditions.		
<i>Undertake an annual internal audit of the safety case as required under the GSSSR 2000 and an independent review of the Asset Management plan.</i>		