



# Notice

27 November 2018

## **Wesfarmers Kleenheat Gas Pty Ltd 2018 asset management system review**

The Economic Regulation Authority has published the 2018 asset management system review [report](#) and [post-review implementation plan](#) for Wesfarmers Kleenheat Gas Pty Ltd's gas distribution licence GDL9.

Kleenheat operates four small gas distribution systems that supply gas to business and residential customers in estates in:

- Albany (Oyster Harbour)
- Leinster
- Margaret River (Riverslea and Rapids Landing).

### *The ERA's response to review*

The ERA considers that Kleenheat has an effective asset management system, but there is scope for improvement.

The ERA has decided to retain the review period at 24 months. The next review period covers 1 June 2018 to 31 May 2020, with the review report due to the ERA by 31 August 2020.

### *Background to the ERA's decision*

#### **Review ratings**

The assessment of the 12 components of Kleenheat's asset management system found:

- Six components were rated as improvement opportunities (rated A1 or A2): asset planning, environmental analysis, asset operations, asset maintenance, risk management, and review of asset management system.
- Five components were rated as satisfactory (rated B2): asset creation/acquisition, asset management information system, contingency planning, financial planning, and capital expenditure planning.
- One component was not rated: asset disposal.

The auditor also rated the 56 effectiveness criteria associated with the 12 components:

- For the asset management process and policy adequacy:
  - 37 were rated as “Adequately defined”
  - 15 were rated as “Requires some improvement”
  - four were not rated.
- For the asset management performance ratings:
  - 36 were rated as “Performing effectively”
  - 15 were rated as “Opportunity for improvement”
  - one was rated as “Corrective action is required” (environmental analysis)
  - four were not rated.

A detailed assessment of the 12 components is contained in section four of the [report](#) (pages 21-46).

### ***Review recommendations***

The auditor made 10 recommendations that address the components rated as B2, which includes corrective action to address the effectiveness criterion that was rated deficient.

These include:

- improving documentation, such as the asset register and asset maintenance plan.
- operational procedures, such as creating a staff training framework and performance reporting process, and increasing the testing of its contingency plans to align with the testing regime in the relevant Australian Standard.

Kleenheat’s [post-review implementation plan](#) states the 10 recommendations will be actioned between now and September 2019.

### ***ERA’s assessment of the review findings***

Based on the evidence provided by the auditor, Kleenheat has improved the operation and effectiveness of its asset management system since the 2016 review. Kleenheat has also agreed to action all the recommendations made by the auditor to further improve its asset management system.

While Kleenheat is considered to have an effective asset management system, more work is required, as shown by the improvement opportunities the auditor identified.

The ERA will seek regular updates from Kleenheat on its progress completing the recommendations in its post-review implementation plan.

### **Further information**

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