

Wesfarmers Kleenheat Gas Pty Ltd

Gas Distribution Licence (GDL9)

2022 Performance Audit

Final report

3 August 2022



ASSURANCE
ADVISORY
GROUP

Level 11, 251 Adelaide Terrace
PERTH WA 6000

3 August 2022

Mr Clay Roberts
Reticulation & Standards Manager
Wesfarmers Kleenheat Gas Pty Ltd
Building 161, Murdoch University
Murdoch WA 6150

Dear Mr Roberts

Gas Distribution Licence (GDL9) – 2022 Performance audit report

We have completed the Gas Distribution Licence Performance Audit for Wesfarmers Kleenheat Gas Pty Ltd for the period 1 June 2019 to 31 May 2022 and are pleased to submit our report to you.

I confirm that this report is an accurate presentation of the findings and conclusions from our audit procedures.

If you have any questions or wish to discuss anything raised in the report, please contact Andrew Baldwin at abaldwin@assuranceadvisory.com.au or myself at slinden@assuranceadvisory.com.au.

Yours sincerely

Assurance Advisory Group



Stephen Linden

Director

www.assuranceadvisory.com.au

Table of Contents

1. Independent assurance practitioner's report.....	4
2. Executive Summary	7
3. Summary of Ratings.....	12
4. Detailed findings, recommendations and action plans	14
5. Status of recommendations addressing non-compliances from the previous audit.....	32
Appendix A – Audit Plan	33
Appendix B - References.....	34

1. Independent assurance practitioner's report

Modified opinion

We have undertaken a reasonable assurance engagement on Wesfarmers Kleenheat Gas Pty Ltd's (**Kleenheat**) compliance, in all material respects, with the conditions of its Gas Distribution Licence (GDL9) (the **Licence**) and relevant legislative obligations for the period 1 June 2019 to 31 May 2022. Our evaluation was made against the licence obligations listed in the relevant versions of the Economic Regulation Authority's (the **ERA**) Gas Compliance Reporting Manual (the **Reporting Manual**) and in accordance with the ERA's March 2019 Audit and Review Guidelines: Electricity and Gas Licences (the **Guidelines**).

In our opinion, based on the procedures we have performed and the evidence we have obtained, except for the effects of the matter described in the Basis for modified opinion paragraph below, Kleenheat has complied, in all material respects, with its licence conditions and relevant legislative obligations for the period 1 June 2019 to 31 May 2022.

Basis for modified opinion

During the period 1 June 2019 to 31 May 2022, Kleenheat did not comply with the following licence obligation, which related to an administrative matter and is rated as having a minor effect on customers or third parties (per the Guidelines):

Reporting Manual number and Licence obligation		Description
102	<i>Distribution Licence clause 21.1</i> <i>A licensee must provide to the ERA any information that the ERA may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the ERA.</i>	On one occasion during the audit period, Kleenheat did not submit standing charge data to the ERA by the specified due date.

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements (ASAE 3100)* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Kleenheat's responsibility for compliance with the conditions of the Licence

Kleenheat is responsible for:

- Compliance with the Licences as evaluated against the conditions within the Licence, for the period 1 June 2019 to 31 May 2022
- Identifying risks that threaten the conditions within the Licence identified above being met
- Identifying suitable compliance requirements as specified by the ERA
- Identifying, designing and implementing controls to enable the conditions within the Licence to be met and to monitor ongoing compliance.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We applied Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Our responsibilities

Our responsibility is to express an opinion on Kleenheat's compliance, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period 1 June 2019 to 31 May 2022. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Kleenheat has complied, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 June 2019 to 31 May 2022.

A reasonable assurance engagement in accordance with ASAE 3100, to report on Kleenheat's compliance with the licence obligations as evaluated against its Licence Conditions involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the conditions within the Licence. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the licence obligations as evaluated against its Licence Conditions.

Our procedures included:

- Utilising the Audit Guidelines and the June 2020 Reporting Manual as a guide for development of a risk assessment and document review to assess controls
- Development of an Audit Plan for approval by the ERA and an associated work program, set out in Appendix A
- Interviews with and representations from relevant Kleenheat representatives to gain an understanding of process controls
- Review of documents and walkthrough of processes and controls to support the assessment of compliance and the effectiveness of the control environment in accordance with Licence obligations
- Sample testing where relevant for obligations rated as an audit priority 3 and above in the approved Audit Plan.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement relating to the period from 1 June 2019 to 31 May 2022 does not provide assurance on whether compliance with the Licence will continue in the future.

Restricted use

This report has been prepared for use by Kleenheat for the purpose of satisfying its obligation under Section 11ZA of the Energy Coordination Act 1994. We disclaim any assumption of responsibility for any reliance on this report to any person other than Kleenheat, or for any other purpose other than that for which it was prepared. We understand that a copy of the report will be provided to the ERA for the purpose of reporting on the performance audit for the Licence. We agree that a copy of this report will be given to the ERA in connection with this purpose, however we accept no responsibility to the ERA or to anyone who is provided with or obtains a copy of our report.

Assurance Advisory Group

Director

3 August 2022

2. Executive Summary

2.1 Introduction and Background

The Economic Regulation Authority (the **ERA**) has under the provisions of the Energy Coordination Act 1994 (the **Act**), issued to Wesfarmers Kleenheat Gas Pty Ltd (**Kleenheat**) a Gas Distribution Licence (GDL9) (the **Licence**).

The Licence relates to Kleenheat's operations as a supplier of gas from Liquefied Petroleum Gas distribution systems that it owns and operates in Oyster Harbour (Albany), Margaret River and Leinster.

Section 11ZA of the Act requires Kleenheat to provide to the ERA a performance audit (the **audit**) conducted by an independent expert acceptable to the ERA not less than once in every 24 month period, unless otherwise approved by the ERA. With the ERA's approval, Assurance Advisory Group (**AAG**) was appointed to conduct the audit for the 36-month period 1 June 2019 to 31 May 2022 (**audit period**).

The audit has been conducted in accordance with the ERA's March 2019 issue of the *Audit and Review Guidelines: Electricity and Gas Licences* (**Audit Guidelines**).

2.2 Observations

In considering Kleenheat's internal control procedures, structure and environment, its compliance culture and its information systems specifically relevant to those licence obligations subject to audit, we observed that:

- Kleenheat has maintained a stable control framework, including tailored policies and procedures in support of its obligations under the Energy Coordination Act 1994, Gas Standards Act 1972, Compendium of Gas Customer Licence Obligations and its Licence conditions
- The Reticulation and Standards Manager has:
 - Continued to hold the primary responsibility for managing Kleenheat's compliance with its Licence obligations, with support from other Kleenheat staff with specific responsibilities
 - Demonstrated a good understanding of Kleenheat's Licence obligations, as well as a strong and pragmatic compliance attitude
- Kleenheat had effectively responded to the one non-compliance it had recognised and reported during the audit period by further improving controls to prevent further administrative oversights.

2.3 Findings

The following tables summarise the assessments made during the audit on Kleenheat's compliance and the adequacy of controls in place for Kleenheat to manage its compliance with the relevant obligations or conditions of the Licence.

Table 1 sets out the rating scale defined by the ERA in the Audit Guidelines for the assessment of the level of compliance with the conditions of the Licence. For the highest possible compliance rating to be achieved, Kleenheat was required to demonstrate it has maintained mature processes and controls, which facilitate compliance with relevant obligations.

Table 1: Control adequacy and compliance rating scale

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
N/P	Not performed – A controls rating was not required	N/R	Not rated – No activity took place during the audit period

Table 5 at section 3 of this report provides further detail on the controls and compliance rating scales. The above rating scale is defined by the Audit Guidelines.

Table 2: Summary of findings, by compliance and controls ratings

		Compliance rating					
		1	2	3	4	N/R	Total
Controls rating	A	5	1			1	7
	B	2					2
	C						-
	D						-
	N/P	27				11	38
	Total	34	1	-	-	12	47

Table 3: Summary of findings, by audit priority and controls rating

Audit Priority	Controls rating					Total
	A	B	C	D	N/P	
Priority 1						-
Priority 2	5	1				6
Priority 3	2					2
Priority 4		1			29	30
Priority 5					9	9
Total	7	2	-	-	38	47

Table 4: Summary of findings, by audit priority and compliance rating

Audit Priority	Compliance rating					Total
	1	2	3	4	N/R	
Priority 1						-
Priority 2	4	1			1	6
Priority 3	2					2
Priority 4	21				9	30
Priority 5	7				2	9
Total	34	1	-	-	12	47

Note that, in accordance with the Audit Guidelines:

- Obligations assessed as being “not applicable” to Kleenheat’s operations have not been included within this report
- A control rating is only provided for those obligations with a Priority 1, 2 or 3 rating, where an obligation is assessed as non-compliant, or where a control improvement opportunity is identified.

Specific assessments for each Licence obligation are summarised at Table 5 in the “Summary of findings” section of this report.

Detailed findings, including relevant observations, recommendations and action plans are located in section 4 “Detailed findings, recommendations and action plans”.

2.4 Kleenheat’s response to previous audit recommendations

The 2019 performance audit made two recommendations relating to obligations 87 and 90, however as the ERA considered these obligations should have been rated as ‘not applicable’, Kleenheat was not required to address the actions stated in its post-audit implementation plan in response to those recommendations.

Accordingly, there were no unresolved non-compliances or recommendations from previous performance audits.

2.5 Current audit non-compliances, recommendations and action plans

A. Resolved during current audit period

Licence obligation ref no. / Recommendation ref from previous audit	Non-compliance / Controls improvement (Rating / Licence obligation / Details of non-compliance or inadequacy of controls)	Date resolved & action taken by the licensee	Auditor’s comments
102	A2 <i>Distribution Licence clause 21.1</i> Kleenheat submitted standing charge data to the ERA on 14 October 2019, which was after the 30 September 2019 due date specified by the ERA. This non-compliance was attributed to an oversight by the officer who received the initial request from the ERA not forwarding the request to the responsible officer.	Resolved: October 2019 The data was submitted on 14 October 2019. Kleenheat has since strengthened its controls by nominating several additional officers to be copied into the ERA’s requests for information.	No further action required

Unresolved at end of current audit period

Reference (no./year)	Non-compliance / Controls improvement (Rating / Licence obligation reference number and licence obligation / Details of noncompliance or inadequacy of controls)	Auditor's recommendation	Action taken
Not applicable - there are no unresolved non-compliances for this audit period.			

2.6 Scope and objectives

We have conducted a reasonable assurance audit in order to state whether, in our opinion, based on our procedures, Kleenheat has complied, in all material respects, with the conditions of its Licence as outlined in the approved Audit Plan (dated June 2022) during the period 1 June 2019 to 31 May 2022.

Our engagement was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board and provides reasonable assurance as defined in ASAE 3100. The procedures we performed are described in more detail in section 2.7 below.

A reasonable assurance engagement in accordance with ASAE 3100 involves performing procedures to obtain evidence about the compliance with the conditions of the Licence. The nature, timing and extent of procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material misstatement in compliance with the conditions of the Licence. In making those risk assessments, we considered internal controls in relation to compliance with the conditions of the Licence.

ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

The ERA has summarised the requirements of the applicable legislation that it expects to be reported upon and included in the scope of this audit in its June 2020 Gas Compliance Reporting Manual.

The Audit Plan approved by the ERA for this audit sets out Kleenheat's Licence obligations confirmed to be included in the scope of the audit, along with the risk assessments and audit priority assigned to each licence obligation.

Amendment to Audit Priority

Note that for Obligation 283, the Audit Priority was increased from 4 (per the Audit Plan) to 3 to be consistent with the related Obligation 103.

2.7 Approach

Our approach for this audit involved the following activities, which were undertaken during the period June to July 2022:

- Utilising the Guidelines and Reporting Manuals as a guide, developed a risk assessment, which involved discussions with key staff and document review to assess controls
- Developed an Audit Plan (see Appendix A) for approval by the ERA and an associated work program
- Interviewed relevant Kleenheat representatives to gain an understanding of process controls (see Appendix B for staff involved)
- Reviewed relevant documentation and walked through processes and controls to assess overall compliance and effectiveness in accordance with Licence obligations (see Appendix B for reference listing)
- Sample tested relevant obligations (assessed as an audit priority 3) and where there was relevant activity, determined whether transactions complied with the requirements of the obligation
- Reported findings to Kleenheat for review and response.

3. Summary of Ratings

Table 1 in section 2 above sets out the rating scale defined by the ERA in the Audit Guidelines for the assessment of the level of compliance with the conditions of the Licence. For the highest possible compliance rating to be achieved, Kleenheat was required to demonstrate it has maintained effective processes and controls, which facilitate compliance with relevant obligations.

The remainder of this report provides:

- A summary of the findings for the compliance obligations (at Table 5 below)
- Detailed findings, including relevant observations and recommendations (at Section 4).

Table 5: Compliance Ratings

Refer to Detailed Findings at Section 4 and Audit Plan at Appendix A for descriptions of the obligations. Note that detailed findings are not presented for those obligations assessed to be not applicable to Kleenheat's operations for the period subject to audit - refer to the Audit Plan at Appendix A for further explanation.

No	Obligation reference	Audit Priority	Controls rating					Compliance rating				
			A	B	C	D	N/P	1	2	3	4	N/R
9. Energy Coordination Act 1994												
1	Section 11Q(1-2)	Priority 4					N/P	1				
6	Section 11X(1)(a)	Priority 5					N/P	1				
7	Section 11Y(1)(a)	Priority 5					N/P	1				
8	Section 11Y(1)(b)	Priority 4					N/P					N/R
9	Section 11Y(1)(c)	Priority 5					N/P	1				
10	Section 11ZA(1)	Priority 4					N/P	1				
17	Section 11ZK(3)	Priority 5					N/P					N/R
23	Schedule 3, section 2(1)	Priority 4					N/P					N/R
24	Section 11ZQH(a)	Priority 4					N/P	1				
24A	Section 11ZQH(a)	Priority 4					N/P	1				
10. Gas Standards Act 1972												
25	Energy Coordination Act S 11Z	Priority 2	A					1				
27	Gas Standards Act S 9(1)	Priority 2	A									N/R
28	Gas Standards Act S 13(1)	Priority 2	A					1				
13 Licence Conditions												
92	Distribution Licence cl 12	Priority 2	A					1				
93	Distribution Licence cl 13	Priority 4					N/P					N/R
94	Distribution Licence cl 14.4	Priority 4					N/P	1				
95	Distribution Licence cl 14.6	Priority 5					N/P	1				
96	Distribution Licence cl 15.2	Priority 4					N/P	1				
97	Distribution Licence cl 15.4	Priority 5					N/P	1				
98	Distribution Licence cl 16	Priority 5					N/P					N/R
99	Distribution Licence cl 18	Priority 5					N/P	1				
100	Distribution Licence cl 19.1	Priority 4					N/P	1				

No	Obligation reference	Audit Priority	Controls rating					Compliance rating				
			A	B	C	D	N/P	1	2	3	4	N/R
101	Distribution Licence cl 20	Priority 4					N/P					N/R
102	Distribution Licence cl 21.1	Priority 2	A						2			
103	Distribution Licence cl 22	Priority 3	A					1				
104	Distribution Licence Sch 3 cl 1	Priority 4					N/P					N/R
105	Distribution Licence Sch 3 cl 2	Priority 4					N/P					N/R
15. Compendium of Gas Customer Licence Obligations												
Part 7 Disconnection and Interruption												
226	Compendium clause 7.5	Priority 4					N/P	1				
227	Compendium clause 7.6	Priority 2		B				1				
Part 8 Reconnection												
230	Compendium clauses 8.2(1)-(3) Distribution Licence Schedule 11M clause 8.2(1)-(3)	Priority 4		B				1				
230A	Clause 8.2(4)	Priority 4					N/P					N/R
230B	Clause 8.2(5)	Priority 4					N/P					N/R
Part 10 Information and Communication												
244	Clause 10.6	Priority 4					N/P	1				
245	Clause 10.9	Priority 5					N/P	1				
247	Clause 10.10(2)	Priority 4					N/P	1				
249	Clause 10.11(1)	Priority 4					N/P	1				
250	Clause 10.11(2)	Priority 4					N/P	1				
Part 12 Complaints and Dispute Resolution												
251	Clause 12.1(1)	Priority 4					N/P	1				
252	Clause 12.1(2)	Priority 4					N/P	1				
254	Clause 12.1(3)(a)	Priority 4					N/P	1				
255	Clause 12.1(3)(b)	Priority 4					N/P					N/R
255A	Clause 12.1(4)	Priority 4					N/P	1				
257	Clause 12.3	Priority 4					N/P	1				
258	Clause 12.4	Priority 4					N/P	1				
Part 13 Record Keeping and Reporting												
281	Clause 13.1	Priority 4					N/P	1				
282	Clause 13.2	Priority 4					N/P	1				
283	Clause 13.3	Priority 3	A					1				

4. Detailed findings, recommendations and action plans

This section has been structured in subsections for the relevant Codes and Regulations against which we assessed Kleenheat's compliance. The sections are:

- 4.1 Energy Coordination Act 1994
- 4.2 Gas Standards Act 1972
- 4.3 Licence Conditions
- 4.4 Compendium of Gas Customer Licence Obligations.

Each section contains:

- **Assessment of compliance and control adequacy** – the conclusions from our audit procedures and our assessment of Kleenheat's compliance with the applicable obligations
- **Findings** – the auditor's understanding of the process and any issues that have been identified during the audit
- **Recommendations (if any)** – for improvement or enhancement of the process or control.

The compliance and control adequacy ratings have been summarised below for each sub-section.

Controls adequacy rating						Compliance rating					
A	B	C	D	N/P	Total	1	2	3	4	N/R	Total
4.1 Energy Coordination Act 1994											
				10	10	7				3	10
4.2 Gas Standards Act 1972											
3					3	2				1	3
4.3 Licence Conditions											
3				11	14	8	1			5	14
4.4 Compendium of Gas Customer Licence Obligations											
1	2			17	20	17				3	20
7	2	-	-	38	47	34	1			12	47

4.1 Energy Coordination Act 1994

No	Obligation under Condition			Findings
1	A licensee must pay the applicable fees in accordance with the Economic Regulation Authority (Licensing Funding) Regulations 2014 clauses 6 & 7. <i>Energy Coordination Act Section 11Q(1-2)</i>			Kleenheat’s Licence was first issued on 30 September 2020, with applicable licence fees payable by 30 October each year. As the ERA renewed Kleenheat’s Licence on 10 July 2021, the applicable licence fee was payable by 10 August 2021. We sighted evidence of payment of all licence fees due during the audit period, in accordance with the requirements of the Regulations (i.e. by the due dates).
	Priority 4	Controls rating: N/P	Compliance rating: 1	
6	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. <i>Energy Coordination Act Section 11X(1)(a)</i>			Through discussion with the Reticulation and Standards Manager and examination of relevant procedures and records in relation to network interruptions, we determined that during the audit period 1 June 2019 to 31 May 2022, Kleenheat: - Maintained relevant procedures for managing: - Network supply interruptions, including: - Re-instating the network in a timely manner - Minimising the extent of interruption, particularly through the use of isolation valves within the network to isolate incidents/emergencies in order to implement repairs safely and minimise the supply disruption to residents outside the affected area - Emergency situations (actual or potential), through its National Emergency Response Communications System and maintenance of an emergency roster - Incidents, including use of the Cintellate incident management system - Experienced one instance where supply of gas was interrupted to multiple connections. This instance related to the detection of a gas leak on the Leinster network on 30 August 2021, resulting in the necessary supply interruption to 13 accommodation blocks in order to implement repair. The incident was managed and recorded in accordance with Kleenheat’s procedures enabling Kleenheat to minimise the extent and duration of the interruption - Did not experience any supply outages which required notification to DMIRS/Building and Energy.
	Priority 5	Controls rating: N/P	Compliance rating: 1	

No	Obligation under Condition	Findings	
7	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. <i>Energy Coordination Act Section 11Y(1)(a)</i>	Through discussion with the Reticulation and Standards Manager, examination of Kleenheat's Retic, Gas Network Asset Management Plan, other relevant documentation and communications with the ERA we determined that Kleenheat: - Maintained an asset management system for the duration of the audit period - Applied processes to perform functions required of the asset management system, including: - Maintenance of an asset management plan which provides an overview of the major elements of reticulated gas assets within Kleenheat's distribution system - Completion of asset planning and maintenance tasks throughout the distribution system - Maintenance of key information systems.	
	Priority 5	Controls rating: N/P	Compliance rating: 1
8	A licensee must notify details of the asset management system and any substantial changes to it to the ERA within 10 business days <i>Energy Coordination Act Section 11Y(1)(b)</i>	The Reticulation and Standards Manager confirmed that during the audit period 1 June 2019 to 31 May 2022, Kleenheat had not made any substantial change to its asset management system that would warrant notification to the ERA within 10 business days. Therefore, this obligation was not relevant to Kleenheat's activities during the audit period.	
	Priority 4	Controls rating: N/P	Compliance rating: N/R
9	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 <i>Energy Coordination Act Section 11Y(1)(c)</i>	With the ERA's approval, Kleenheat appointed Deloitte as the independent auditor to undertake the asset management system review for the period 1 June 2018 to 31 May 2020. The final asset management system review report was issued in November 2020.	
	Priority 5	Controls rating: N/P	Compliance rating: 1
10	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). <i>Energy Coordination Act Section 11ZA(1)</i>	With the ERA's approval, Kleenheat appointed Deloitte as the independent auditor to undertake the performance audit for the period 1 June 2016 to 31 May 2019. The final performance audit report was issued in October 2019.	
	Priority 4	Controls rating: N/P	Compliance rating: 1
17	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. <i>Energy Coordination Act Section 11ZK(3)</i>	The Reticulation and Standards Manager confirmed that during the audit period 1 June 2019 to 31 May 2022, in relation to Kleenheat's operation of its distribution networks in accordance with the Licence, Kleenheat had not taken any interest or easement in respect of land held by a public authority. Therefore, this obligation was not relevant to Kleenheat's activities during the audit period.	
	Priority 5	Controls rating: N/P	Compliance rating: N/R

No	Obligation under Condition			Findings
23	A licensee, as the operator of a supply system, must notify the Minister if a state of emergency exists in relation to a supply system as soon as practicable after becoming aware of it. <i>Energy Coordination Act Schedule 3, section 2(1)</i>			The Reticulation and Standards Manager confirmed that there were no states of emergencies relating to Kleenheat's distribution networks (supply systems) during the audit period 1 June 2019 to 31 May 2022. Therefore, this obligation was not relevant to Kleenheat's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
24	A licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme. <i>Energy Coordination Act Section 11ZQH(a)</i>			Through discussion with the Reticulation and Standards Manager and Customer Advocate, examination of the Energy and Water Ombudsman's published records of members of the Energy and Water Ombudsman Gas Industry Scheme, and examination of annual levy payments, we determined that Kleenheat remained a gas industry member of the Energy and Water Ombudsman Gas Industry Scheme throughout the audit period 1 June 2019 to 31 May 2022.
	Priority 4	Controls rating: N/P	Compliance rating: 1	
24A	A licensee must not supply gas to customers unless the licensee is bound by, and compliant with, any decision or direction of the gas industry ombudsman. <i>Energy Coordination Act Section 11ZQH(a)</i>			Through discussion with the Customer Advocate and examination of Kleenheat's complaints records, we determined that throughout the audit period 1 June 2019 to 31 May 2022, Kleenheat: • Did not receive any complaints directed through the Energy and Water Ombudsman • Did not receive any specific direction from the Energy and Water Ombudsman • Did not supply gas to customers contrary to the obligations of Energy and Water Ombudsman Gas Industry Scheme in relation to customer complaints handling.
	Priority 4	Controls rating: N/P	Compliance rating: 1	

4.2 Gas Standards Act 1972

No	Obligation under Condition			Findings
25	A licensee must comply with the applicable standards of the Gas Standards Act 1972. <i>Energy Coordination Act Section 11Z</i>			For the purpose of this obligation, the applicable standards of the <i>Gas Standard Act 1972</i> to Kleenheat’s operations as a distributor are specified in sections 9(1) and 13(1), which are addressed at obligations 27 and 28 below. Through discussion with the Reticulation and Standards Manager, examination of Kleenheat’s inspection, quality testing, rectification procedures and examination of results of Kleenheat’s gas sampling and inspection testing programs for its distribution network, we determined that Kleenheat maintained processes designed to comply with the Gas Standards Act by: - Scheduling and undertaking gas sample testing of the composition and odour of gas for each location on its distribution network on a quarterly basis throughout the audit period 1 June 2019 to 31 May 2022 - Meeting the requirements of its Inspection Policy Statement and Plan to inspect consumer gas installations for gas fitters’ compliance with <i>Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999</i>
	Priority 2	Controls rating: A	Compliance rating: 1	Maintaining appropriate records of testing and inspection results.
27	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. <i>Gas Standards Act Section 9(1)</i>			Through discussion with the Reticulation and Standards Manager, examination of Kleenheat’s quality testing and rectification procedures and examination of results of Kleenheat’s gas sampling program for its distribution network, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat did not cause or permit any alteration to be made in the specific gravity, flame speed or other prescribed characteristic of the LPG supplied by its distribution networks. - Kleenheat scheduled and performed gas sample testing on a quarterly basis to determine the composition and odour of gas. Those gas sampling results did not show any indication of a change in the characteristic of LPG supplied by its distribution networks.
	Priority 2	Controls rating: A	Compliance rating: N/R	Therefore, this obligation was not relevant to Kleenheat’s activities during the audit period.

No	Obligation under Condition	Findings		
28	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. <i>Gas Standards Act Section 13(1)</i>	Through discussion with the Reticulation and Standards Manager and examination of key documents and records relating to Kleenheat's gas installation Inspection Policy Statement and Plan, we determined that: • Kleenheat's Inspection Policy Statement and Plan Revision 9, as approved by Building & Energy in August 2019, was applicable for the full audit period to 31 May 2022 (note that Revision 10 has since been approved) • During the audit period 1 June 2019 to 31 May 2022, Kleenheat maintained an inspection program for consumer gas installations to monitor gas fitters' compliance with <i>Gas Standards (Gasfitting and Consumer Gas Installations) Regulations 1999</i>, as evidenced by: ○ Maintenance of an Inspection Policy Statement and Plan, as approved by Building & Energy ○ Conduct of testing in accordance with the plan. We sighted evidence of all testing performed during the audit period ○ Quarterly and annual reports to Building & Energy on the Inspection Policy Statement and Plan. We sighted evidence of reports being submitted in a timely manner ○ Annual independent audits of Kleenheat's compliance to the requirements of the Inspection Policy Statement and Plan. We observed that: ▪ Each of the 2020 and 2021 audits reported that Kleenheat demonstrated a very high level of compliance to the requirements of the plan, with some opportunities for improvement identified and subsequently actioned ▪ The 2019 audit reported one minor non-compliance relating to the reporting of Complex Class G gas fitting inspections conducted. This matter was addressed by Kleenheat through amendments to its inspection procedures and records ○ Maintenance of appropriate records of testing and inspection results.		
	Priority 2	Controls rating: A	Compliance rating: 1	

4.3 Licence Conditions

No	Obligation under Condition			Findings
92	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. <i>Distribution Licence clause 12</i>			Through discussion with Reticulation and Standards Manager, consideration of Kleenheat's processes for continuously operating its distribution system for the purpose of supplying gas, and examination of relevant documentation, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat maintained: - A program for continuously monitoring gas supply and quality throughout its LPG distribution network, with gas sampling performed on a quarterly basis. We sighted a selection of sampling results as evidence of testing performed - An Asset Management Plan and applied a maintenance schedule to ensure that its distribution system continued to function. The effectiveness of the asset management system was subject to independent review in 2020 - An inspection program for key network assets and equipment as evidenced by: - Conduct of testing in accordance with Inspection Policy Statement and Plan Revision 9 (the Plan) - Quarterly and annual reports to Building & Energy on the Plan - Annual independent audits of Kleenheat's compliance to the requirements of the Plan - Relevant procedures and practices for managing network supply interruptions, emergency situations and incidents, including maintenance of an emergency roster - In one instance, Kleenheat's Leinster Gas Distribution Network experienced an interruption in supply of gas. The interruption was managed and recorded in accordance with Kleenheat's procedures - Kleenheat did not experience any supply outages which required notification to Building & Energy.
	Priority 2	Controls rating: A	Compliance rating: 1	
93	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. <i>Distribution Licence clause 13</i>			The Reticulation and Standards Manager confirmed that Kleenheat had consistently maintained its distribution activities during the audit period 1 June 2019 to 31 May 2022. Therefore, this obligation was not relevant to Kleenheat's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
94	A licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the asset management review. <i>Distribution Licence clause 14.4</i>			The November 2020 report on Kleenheat's GDL9 asset management system review for the period 1 June 2018 to 31 May 2020 demonstrated that the asset management system review was performed in accordance with the ERA's Audit and Review Guidelines applicable to asset management system reviews.
	Priority 4	Controls rating: N/P	Compliance rating: 1	

No	Obligation under Condition	Findings	
95	A licensee's independent expert must be approved by the ERA prior to reviewing the effectiveness of the asset management system. <i>Distribution Licence clause 14.6</i>	In August 2020, the ERA approved Kleenheat's appointment of Deloitte as the independent expert to review the effectiveness of the asset management system for the period 1 June 2018 to 31 May 2020. The final asset management system review report was issued in November 2020.	
	Priority 5	Controls rating: N/P	Compliance rating: 1
96	A licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the performance audit. <i>Distribution Licence clause 15.2</i>	The October 2019 report on Kleenheat's GDL9 performance audit for the period 1 June 2016 to 31 May 2019 demonstrated that the performance audit was performed in accordance with the ERA's Audit and Review Guidelines applicable to performance audits.	
	Priority 4	Controls rating: N/P	Compliance rating: 1
97	A licensee's independent auditor must be approved by the ERA prior to the audit. <i>Distribution Licence clause 15.4</i>	In May 2019, the ERA approved Kleenheat's appointment of Deloitte as the independent auditor to undertake Kleenheat's GDL9 performance audit for the period 1 June 2016 to 31 May 2019. The final performance audit report was issued in October 2019. In May 2022, the ERA approved Kleenheat's appointment of Assurance Advisory Group as the independent auditor to undertake the current performance audit for the period 1 June 2019 to 31 May 2022.	
	Priority 5	Controls rating: N/P	Compliance rating: 1
98	A licensee may be subject to individual performance standards. <i>Distribution Licence clause 16</i>	The Reticulation and Standards Manager confirmed that Kleenheat has not been subject to individual performance standards issued by the ERA during the audit period 1 June 2019 to 31 May 2022. Therefore, this obligation was not relevant to Kleenheat's activities during the audit period.	
	Priority 5	Controls rating: N/P	Compliance rating: N/R
99	Unless otherwise specified, all notices must be in writing and will be regarded as having been sent and received in accordance with defined parameters. <i>Distribution Licence clause 18</i>	Through discussion with the Reticulation and Standards Manager and examination of Kleenheat's email and letter communications, we determined that Kleenheat's formal communications with the ERA are made in writing and sent via post or email.	
	Priority 5	Controls rating: N/P	Compliance rating: 1
100	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards. <i>Distribution Licence clause 19.1</i>	Through discussion with the Accounting Manager – Kleenheat and examination of Wesfarmers Limited's audited financial statements for the 2018/19, 2019/20 and 2020/21 financial years, we determined that: - Kleenheat remained a wholly owned subsidiary of Wesfarmers Limited during the audit period 1 June 2019 to 31 May 2022 - Wesfarmers Limited's audited financial statements were prepared in accordance with the requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board - For the financial period 1 June 2021 to 31 May 2022, there were no significant accounting transactions and/or items thought to jeopardise Kleenheat's on-going compliance with Australian Accounting Standards.	
	Priority 4	Controls rating: N/P	Compliance rating: 1

No	Obligation under Condition			Findings
101	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. <i>Distribution Licence clause 20</i>			The Accounting Manager – Kleenheat confirmed that during the audit period 1 June 2019 to 31 May 2022, Kleenheat and Wesfarmers had not: • Been under external administration • Undergone any significant change in its corporate, financial or technical circumstances upon which the licence was granted which may affect its ability to meet its obligations • Changed its name, ABN or address. Therefore, this obligation was not relevant to Kleenheat's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
102	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. <i>Distribution Licence clause 21.1</i>			Through discussion with the Reticulation and Standards Manager, examination of the 2018/19, 2019/20 and 2020/21 annual compliance reports and standing charge data submitted to the ERA we determined that with the following exception, the required annual compliance reports and standing charge data had been submitted to the ERA within the prescribed timeframe: • Kleenheat did not submit standing charge data (relating to network length) to the ERA by the specified 30 September 2019 due date. The data was submitted on 14 October 2019, in response to an enquiry from the ERA. This instance was due to the officer who received the initial request from the ERA not forwarding the request to the responsible officer • Kleenheat has since strengthened its controls by nominating several additional officers to be copied into the ERA's requests for information. <i>This audit makes no further recommendation in relation to this matter.</i> The Reticulation and Standards Manager confirmed that during the audit period 1 June 2019 to 31 May 2022, no information other than annual compliance reports and standing charge data has been requested by the ERA in relation to its functions under the Energy Co-ordination Act.
	Priority 2	Controls rating: A	Compliance rating: 2	
103	A licensee must publish any information it is directed by the ERA to publish, within the timeframes specified. <i>Distribution Licence clause 22</i>			Refer to Findings for Obligation 283 below, relating to Kleenheat's publication of annual performance reports required by Compendium Clause 13 to its website within the 7 calendar day timeframe specified. The Reticulation and Standards Manager confirmed that during the audit period 1 June 2019 to 31 May 2022, Kleenheat was not directed by the ERA to publish any information other than in the annual performance reports required by Compendium Clause 13.
	Priority 3	Controls rating: A	Compliance rating: 1	
104	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. <i>Distribution Licence Schedule clause 1</i>			Obligations 104 and 105 Through discussion with the Reticulation and Standards Manager, we determined that Kleenheat: • Is the owner and operator of its distribution and retailing business, with no other users having access to its network • Does not supply gas to other retailers.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
105	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. <i>Distribution Licence Schedule 3 clause 2</i>			Therefore, this obligation relating to the requirement for other users to access the network under the National Access Code, was not relevant to Kleenheat's activities during the audit period 1 June 2019 to 31 May 2022.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	

4.4 Compendium of Gas Customer Licence Obligations

No	Obligation under Condition	Findings
226	A distributor who disconnects or interrupts 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. <i>Compendium clause 7.5</i>	Through discussion with the Reticulation and Standards Manager and examination of Kleenheat's Networks Supply Disruption and Isolation procedures and Emergency Response procedures, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat maintained relevant procedures for managing emergency situations through: - Its National Emergency Response Communications System (NERCS), which provides 24/7 coverage for customers in the event of an emergency, including maintenance of a 24 hour 1800 number emergency line - Maintenance of an emergency roster in support of the NERCS - Kleenheat maintained relevant procedures for managing network supply interruptions, including: - Re-instating the network in a timely manner - Minimising the extent of interruption, particularly through the use of isolation valves within the network to isolate incidents/emergencies in order to implement repairs safely and minimise the supply disruption to residents outside the affected area - Kleenheat experienced one instance where supply of gas was interrupted for emergency reasons. This instance related to the detection of a gas leak on the Leinster network on 30 August 2021. The incident was managed and recorded in accordance with Kleenheat's procedures enabling Kleenheat to: - Provide customers with a 24 hour emergency line - Minimise the extent and duration of the interruption, with supply restored as soon as possible - There were no instances where a customer's supply address was disconnected for emergency reasons.
	Priority 4 Controls rating: N/P Compliance rating: 1	

No	Obligation under Condition	Findings
227	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. <i>Compendium clause 7.6</i>	Compendium Clause 7.6 precludes disconnection by a distributor in the following circumstances: • If a directly related complaint has been made to the distributor or the distributor is advised of a directly related complaint, which has not yet been resolved • After 3pm Monday to Thursday, or on a Friday, Saturday, Sunday, Public Holiday or the day before a public holiday Through discussion with the Reticulation and Standards Manager, Credit Team Leader Natural Gas and Sales Support Officer LPG Reticulated Gas, and examination of Kleenheat's disconnection procedures and records, we determined that during the audit period 1 June 2019 to 31 May 2022: • Kleenheat performed 11 disconnections, of which: ○ One related to a failure to pay a bill. We note that at the WA Government's request at the commencement of the COVID-19 pandemic, Kleenheat ceased performing disconnections for failure to pay a bill ○ None related to denying access to the meter ○ The remaining 10 related to customer requests, which are not subject to the limitations of Compendium Clause 7.6 • The disconnection performed for failure to pay a bill complied with the limitations of Compendium Clause 7.6 as it was performed prior to 3pm on Tuesday 24 September 2019 and was not the subject of a complaint • Kleenheat's procedures, practices and training programs recognise the limitations on disconnection specified by Compendium Clause 7.6. However we observed opportunities to strengthen those procedures by: ○ Being more consistent and explicit on the limitations relating disconnections for denying access to the meter ○ Ensuring contractors provide sufficient evidence of the time of disconnection ○ Improving the accuracy of the spreadsheet used to record disconnections and reconnections. <i>We discussed this matter with Kleenheat staff as a potential improvement opportunity.</i>
	Priority 2 Controls rating: B Compliance rating: 1	

No	Obligation under Condition	Findings	
230	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 procedures, 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. <i>Compendium clauses 8.2(1)-(3), Distribution Licence Schedule 11M clause 8.2(1)-(3)</i>	Through discussion with the Reticulation and Standards Manager, Credit Team Leader Natural Gas and Sales Support Officer LPG Reticulated Gas, and examination of Kleenheat's reconnection procedures and records, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat performed two reconnections, of which: - One related to a disconnection made prior to the commencement of this audit period - One related to the disconnection referenced at obligation 227 above - None required excavation or related to an emergency, restriction of access to the customer's supply address or a safety scenario - Both reconnections were performed on the same day that the reconnections request was received, complying with the 2 business day requirement - Kleenheat's procedures, practices and training programs recognise the obligations relating to reconnection. However we observed an opportunity to strengthen those procedures by improving the accuracy of the spreadsheet used to record disconnections and reconnections. <i>We discussed this matter with Kleenheat staff as a potential improvement opportunity.</i>	
	Priority 4	Controls rating: B	Compliance rating: 1
230A	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). <i>Compendium clause 8.2(4)</i>	<i>Obligations 230A and 230B</i> Through discussions with the Reticulation and Standards Manager and consideration of Kleenheat's operations, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat continued to act as both the retailer and distributor of its LPG reticulated network - All relevant notifications are completed internally Therefore, this obligation was not relevant to Kleenheat's activities during the audit period 1 June 2019 to 31 May 2022.	
	Priority 4	Controls rating: N/P	Compliance rating: N/R
230B	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. <i>Compendium clause 8.2(5)</i>		
	Priority 4	Controls rating: N/P	Compliance rating: N/R

No	Obligation under Condition			Findings
244	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). <i>Compendium clause 10.6</i>			The information specified in Compendium Clause 10.6(c)-(i) relates to Kleenheat’s gas distribution activities (e.g. installation, interruptions, usage, quality and reliability of supply). Through discussion with the Customer Advocate and examination of Kleenheat’s publicly available documentation and staff training modules, we determined that during the audit period 1 June 2019 to 31 May 2022: - Although Kleenheat is unable to explicitly confirm that there were occasions in which customers requested information relating to Kleenheat’s gas distribution activities, it is reasonable to consider there were such occasions - Kleenheat’s LPG Reticulated Gas agents were trained to either transfer customers directly to the relevant Kleenheat staff member, or provide the customer with relevant contact details to address gas distribution enquiries - Kleenheat’s Standard Form Contract Terms and Conditions and Customer Charter were available on Kleenheat’s website and were promoted to new customers in their Welcome Letter - There was no charge for the provision of such information.
	Priority 4	Controls rating: N/P	Compliance rating: 1	
245	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. <i>Compendium clause 10.9</i>			Through discussion with the Customer Advocate and examination of Kleenheat’s publicly available documentation and correspondence with customers, we determined that during the audit period 1 June 2019 to 31 May 2022, Kleenheat’s written communications with customers was expressed in clear, simple and concise language and was in a format that makes it easy to understand.
	Priority 5	Controls rating: N/P	Compliance rating: 1	
247	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. <i>Compendium clause 10.10(2)</i>			Through discussion with the Customer Advocate and examination of publicly available documentation and correspondence with customers, we determined that during the audit period 1 June 2019 to 31 May 2022: - Although Kleenheat is unable to explicitly confirm that there were occasions in which customers requested advice on how to obtain a copy of the Compendium, it is reasonable to consider there were such occasions - Kleenheat’s customers were provided with the following documentation referring to the availability of the Compendium: - Welcome Letter – sent to customers on account opening - Customer Charter – available on Kleenheat’s website - Bills – via a standard statement one each bill - Kleenheat’s Customer Services Agents were trained to either refer customers to where a copy of the Compendium can be accessed, or to provide a copy by post - A copy of the Compendium was available on Kleenheat’s website.
	Priority 4	Controls rating: N/P	Compliance rating: 1	

No	Obligation under Condition	Findings	
249	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). <i>Compendium clause 10.11(1)</i>	Through discussion with the Customer Advocate and examination of publicly available documentation and correspondence with customers, we determined that during the audit period 1 June 2019 to 31 May 2022: - Although Kleenheat is unable to explicitly confirm that there were occasions in which customers requested services that assist in interpreting information provided by the retailer or distributor, it is reasonable to consider there were such occasions - Kleenheat's Customer Charter, bill template and website provide references to Translating and Interpreter Services, Teletypewriter Services (TTY) and the availability of large print copies and further customer assistance upon request at no charge - Kleenheat's Customer Services Agents were trained to provide large print copies and further customer assistance upon request at no charge.	
	Priority 4 Controls rating: N/P Compliance rating: 1		
250	A retailer and, if appropriate, a distributor must include on a residential customer's bill and bill related information, reminder notice and disconnection warning the telephone numbers for: - its TTY services; - independent multi-lingual services; and - interpreter services with the National Interpreter Symbol. <i>Compendium clause 10.11(2)</i>	Our examination of a sample of Kleenheat's customer bills, reminder notices and disconnection warnings confirmed that the TTY number (with the words "Teletypewriter (National Relay Service)"), Telephone Interpreter Services information (with the words "Translating and Interpreter Services") and National Interpreter Symbol were included on those documents.	
	Priority 4 Controls rating: N/P Compliance rating: 1		

No	Obligation under Condition	Findings	
251	A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes. <i>Compendium clause 12.1(1)</i>	Through discussion with the Customer Advocate and examination of Kleenheat's Customer Complaint Handling Policy and Procedure and Complaint Handling Training Module, we determined that during the audit period 1 June 2019 to 31 May 2022 Kleenheat maintained: • A Customer Complaint Handling Policy and Procedure, which was designed to comply with AS ISO 10002:2014. The procedure covers points such as: ○ Recording of a complaint ○ How to manage customer complaints ○ Managing customers' behaviour ○ Verbal and written complaints ○ Escalated complaints ○ Complaint resolution • Processes to review and update internal documents on an annual basis or as necessary when changes are made to complaint handling guidelines or standards • A method for recording complaints, through the Oracle system's customer account diary notes • A mature escalation process, whereby if a customer is not satisfied with the outcome offered, the complaint can be escalated to the Team Leader or the Customer Advocate • A monthly reporting process to enable the Senior Management Group to monitor the total number of complaints, a breakdown of the different types of complaints logged and any escalation to the Energy and Water Ombudsman • A designated Customer Advocate role. The Customer Advocate is responsible for reviewing escalated complaints, providing summary reports to management and providing complaints handling training to staff.	
	Priority 4	Controls rating: N/P	Compliance rating: 1
252	The complaints handling process under clause 12.1(1) must comply with AS/NZS 10002:2014 and address, at the least, the criteria specified in subclauses 12.1(2)(b)-(c). The complaints handling process must be available at no cost to customers. <i>Compendium clause 12.1(2)</i>	Through discussion with the Customer Advocate and examination of Kleenheat's Customer Complaint Handling Policy and Procedure, we determined that during the audit period 1 June 2019 to 31 May 2022: • Kleenheat's Complaints Handling Process is structured and designed to comply with AS ISO 10002:2014 • Kleenheat's procedures and training modules outline the: ○ Process of recording a customer complaint ○ Process of recording a complaint resolution ○ Complaint response time and method ○ Management handling and monitoring process • Information on how to lodge a complaint was available to Kleenheat customers at no cost via Kleenheat's website, Customer Charter and Standard Terms and Conditions • Complaints brochures were available at Kleenheat's premises for provision to a customer on request.	
	Priority 4	Controls rating: N/P	Compliance rating: 1

No	Obligation under Condition	Findings	
254	When responding to a 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. <i>Compendium clause 12.1(3)(a))</i>	<i>Obligations 254 and 255</i> Through discussion with the Customer Advocate and examination of Kleenheat's Customer Complaint Handling Policy and Procedure, and Complaints Register, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat's process provided for: - Information to be provided to a customer in accordance with clause 12.1(2) of the Compendium. - Escalation to the Customer Advocate if the first line of contact was unsuccessful in resolving the complaint to a satisfactory manner. Scripts have been provided to Customer Service Agents to prompt them to escalate complaints at the time of handling complaints. This requirement is embedded into Quality Call Coaching routines - The customer to be notified of the outcome and the reason for the outcome in written form, upon request, where the complaint has not been resolved to the customer's satisfaction - The customer to be notified of their right to refer their complaint to the Ombudsman if they are still unsatisfied with Kleenheat's response, and providing Freecall and Freefax number of the Ombudsman to the customer - Customer Service Agents received training on Kleenheat's complaints handling procedures, including the right to escalate complaints - Kleenheat recorded two complaints from customers: - In both instances, the complaint was escalated to the Customer Advocate, who also informed the customer of their right to have the complaint considered by the Ombudsman - In both instances, the complaint was resolved internally in a manner acceptable to the customer. Accordingly, obligation 255 was not relevant to Kleenheat's activities during the audit period 1 June 2019 to 31 May 2022.	
	Priority 4	Controls rating: N/P	Compliance rating: 1
255	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. <i>Compendium clause 12.1(3)(b))</i>		
	Priority 4	Controls rating: N/P	Compliance rating: N/R
255A	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. <i>Compendium clause 12.1(4)</i>	Through discussion with the Customer Advocate and examination of Kleenheat's Customer Complaint Handling Policy and Procedure, and Complaints Register, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat received one written complaint from a customer - That complaint was acknowledged and responded to within two business days, in compliance with Compendium clause 12.1(4).	
	Priority 4	Controls rating: N/P	Compliance rating: 1

No	Obligation under Condition			Findings
257	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. <i>Compendium clause 12.3</i>			Through discussion with the Customer Advocate and examination of publicly available documentation and correspondence with customers, we determined that during the audit period 1 June 2019 to 31 May 2022: - Although Kleenheat is unable to explicitly confirm that there were occasions in which customers requested information to assist the customer in utilising the complaints handling process, it is reasonable to consider there were such occasions - Kleenheat’s website, Customer Charter and Standard Terms and Conditions provide references, at no charge, to Kleenheat’s Complaint Handling process - Kleenheat’s Customer Services Agents were trained to provide copies of Complaints brochures and other relevant information upon request and at no charge.
	Priority 4	Controls rating: N/P	Compliance rating: 1	
258	When a retailer, distributor or gas marketing agent receives a complaint that does not relate to its functions, it must advise the customer of the entity that it reasonably considers to be the appropriate entity to deal with the complaint (if known). <i>Compendium clause 12.4</i>			Through discussion with the Customer Advocate and examination of Kleenheat’s Customer Complaint Handling Policy and Procedure, we determined that during the audit period 1 June 2019 to 31 May 2022: - Kleenheat’s customer service and complaints handling processes provided for: - Staff to recognise instances where a complaint does not relate to Kleenheat functions - The matter to be referred to the relevant entity (e.g. ATCO or Western Power) - The customer to be made aware of the reason for the referral - The customer to be offered the appropriate entity’s direct line or complaint portal details. - Although Kleenheat had no record of a referred complaint relating to its LPG reticulated gas customers, it is reasonable to consider there were such occasions.
	Priority 4	Controls rating: N/P	Compliance rating: 1	
281	A retailer and a distributor must prepare a report in respect of each reporting year setting out the information specified by the ERA. <i>Compendium clause 13.1</i>			<i>Obligations 281 and 282</i> Through discussion with the Reticulation and Standards Manager and examination of Kleenheat’s 2018/19, 2019/20 and 2020/21 Performance Reporting Datasheets and related correspondence with the ERA, we determined that: - The ERA designed Gas Performance Reporting Datasheet templates to specify information to be prepared in the annual report required by Part 13 of the Compendium - Kleenheat had prepared all Performance Reporting Datasheets in the manner and form specified by the ERA - Kleenheat submitted all Performance Reporting Datasheets to the ERA before the 1 October due date.
	Priority 4	Controls rating: N/P	Compliance rating: 1	
282	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. <i>Compendium clause 13.2</i>			
	Priority 4	Controls rating: N/P	Compliance rating: 1	

No	Obligation under Condition	Findings		
283	A report referred to in clause 13.1 must be published by the date specified by the ERA. <i>Compendium clause 13.3</i>	In accordance with Compendium Clause 13.3, after reviewing the relevant performance reporting datasheets submitted by Kleenheat, the ERA had instructed Kleenheat to publish each of the associated 2018/19, 2019/20 and 2020/21 annual Performance Reports to its website within 7 calendar days of receiving the relevant instruction. We sighted evidence of Kleenheat's publication of its 2018/19, 2019/20 and 2020/21 annual Performance Reports to its website on 10 October 2019, 7 October 2020 and 4 October 2021 respectively, which fell within 7 calendar days from receiving the ERA's instruction. We determined that Kleenheat maintains appropriate records of its publication of annual Performance Reports.		
	Priority 3*	Controls rating: A	Compliance rating: 1	

5. Status of recommendations addressing non-compliances from the previous audit

Reference (no./year)	Non-compliance / Controls improvement Rating / Licence obligation reference number and licence obligation / Details of noncompliance or inadequacy of controls)	Auditor's recommendation or action planned	Further action required (Yes/No/Not Applicable) Details of further action required (including current recommendation reference, if applicable)
A. Resolved during current audit period			
B. Unresolved at end of current audit period			
Not applicable – there were no recommendations addressing non-compliances or controls improvement from the previous (2019) audit.			

Appendix A – Audit Plan

Wesfarmers Kleenheat Gas Pty Ltd

Gas Distribution Licence (GDL9)

2022 Performance Audit

Audit Plan

June 2022

Table of Contents

Introduction	3
Approach.....	6
Resources and team.....	10
Appendix 1 - Risk assessment key.....	11
Appendix 2 - Risk assessment	12
Appendix 3 - Previous audit recommendations.....	18

Introduction

Overview

The Economic Regulation Authority (the **ERA**) has under the provisions of the Energy Coordination Act 1994 (the **Act**), issued to Wesfarmers Kleenheat Gas Pty Ltd (**Kleenheat**) a Gas Distribution Licence (GDL9) (the **Licence**).

Section 11ZA of the Act requires Kleenheat to provide to the ERA a performance audit (the **audit**) conducted by an independent expert acceptable to the ERA not less than once in every 24 month period, unless otherwise approved by the ERA. With the ERA's approval, Assurance Advisory Group (**AAG**) has been appointed to conduct the audit for the 36-month period 1 June 2019 to 31 May 2022 (**audit period**).

The Licence relates to Kleenheat's operations as a supplier of gas from Liquefied Petroleum Gas distribution systems that it owns and operates in Oyster Harbour (Albany), Margaret River and Leinster.

The audit will be conducted in accordance with the ERA's March 2019 issue of the *Audit and Review Guidelines: Electricity and Gas Licences* (**Audit Guidelines**). In accordance with the Audit Guidelines this document represents the Audit Plan (the **Plan**) that is to be agreed upon by AAG and Kleenheat and presented to the ERA for approval.

Objective

A performance audit is defined as an examination of the measures taken by Kleenheat to meet the performance criteria specified in its Licence. The purpose of the audit is to assess the effectiveness of measures taken by Kleenheat to meet the conditions of its Licence.

The audit will specifically consider the following:

- *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 (specifically, proper records which provide assurance that procedures are consistently followed and controls are maintained)
- *Integrity of performance* - the completeness and accuracy of the compliance and performance reports provided to the ERA
- *Compliance with any individual licence conditions* – the actual performance against the requirements imposed on Kleenheat by the ERA or specific matters raised by the ERA.

Scope

The ERA provides guidance on those aspects of the Licence and Kleenheat's performance criteria, which it expects to be reported upon and included in the scope of the performance audit in its *Gas Compliance Reporting Manual* (**Reporting Manual**).

The audit approach applies the singular audit priority assessment approach to identify all applicable licence obligations. Each of the compliance requirements identified in the Reporting Manual have been evaluated for applicability to Kleenheat's operations and used as the basis for determining the performance criteria to be considered for the audit. All applicable compliance requirements are listed at **Appendix 2**.

The audit period is 1 June 2019 to 31 May 2022. The Reporting Manual has undergone one revision during the audit period to reflect changes in gas licensees' obligations. The revised version of the Reporting Manual was issued in June 2020.

Although the audit will use the current June 2020 version of the Reporting Manual as the primary audit reference, it will address all relevant obligations contained in each of the January 2017 and June 2020 versions of the Reporting Manual.

Table 1 below outlines the compliance requirements that apply to Kleenheat's gas distribution operations during the period subject to audit. Where necessary, further explanation is provided to describe the obligation application.

Note that due to Kleenheat's current operating arrangements, a number of those obligations are not likely to be triggered during the period subject to audit. In such instances, the obligation remains applicable to the scope of this audit, with the audit report to identify and describe instances where an obligation cannot be assessed and rated.

Table 1 – Application of legislative elements to Kleenheat's gas distribution operations

Legislative element	Application to Kleenheat's gas distribution operations
Energy Coordination Act 1994	Nine of 24 relevant Energy Coordination Act obligations are applicable to Kleenheat's operations as a gas distributor for the full audit period. Obligation 24A is also applicable from June 2020.
Gas Standards Act 1972	Three of the four Gas Standards Act 1972 obligations are applicable to Kleenheat's operations as a gas distributor for the full audit period.
Energy Coordination (Gas Tariffs) Regulations 2000	None of the Energy Coordination (Gas Tariffs) Regulations 2000 obligations are applicable to Kleenheat's operations as a gas distributor for the full audit period.
Energy Coordination (Customer Contracts) Regulations 2004	None of the Customer Contracts obligations were applicable to Kleenheat's operations as a gas distributor for the full audit period.
Licence Conditions	Each of the 14 Gas Distribution Licence Conditions reflected in the Reporting Manual are applicable to Kleenheat's operations as a gas distributor for the full audit period.
Gas Marketing Code of Conduct	None of the Gas Marketing Code of Conduct obligations are applicable to Kleenheat's operations as a gas distributor for the full audit period.
Gas Compendium	20 of the Gas Compendium obligations are applicable to Kleenheat's operations as a gas distributor for the full audit period.

Kleenheat's responsibility for compliance with the conditions of the Licence

Kleenheat is responsible for:

- Compliance with the Licence
- Identifying risks that threaten the conditions within the Licence being met
- Identifying suitable compliance requirements as specified by the ERA
- Identifying, designing and implementing controls to enable the conditions within the Licence to be met and to monitor ongoing compliance
- Implementing corrective actions for any instances of non-compliance.

AAG's responsibility

Our responsibility is to express an opinion on Kleenheat's compliance, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 June 2019 to 31 May 2022. We will conduct our engagement in accordance with the Audit Guidelines and the Standard on Assurance Engagements ASAE 3100 Compliance Engagements (**ASAE 3100**) issued by the Auditing and Assurance Standards Board.

ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Kleenheat has complied, in all material respects, with the licence obligations as evaluated against its Licence Conditions. This assurance engagement will involve performing procedures to obtain evidence about the compliance activity and controls implemented to meet the conditions within the Licence. The procedures selected depend on our judgement, including the identification and assessment of risks of material noncompliance with the relevant licence conditions.

Limitations of use

Our report will be produced solely for the information and internal use of Kleenheat and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner or for any purpose, on our report.

We understand that a copy of our report will be provided to the ERA for the purpose of meeting Kleenheat's reporting requirements under section 11ZA of the Act. We agree that a copy of our report may be provided to the ERA for its information in connection with this purpose, however we accept no responsibility to the ERA or to anyone who is provided with or obtains a copy of our report.

Inherent limitations

Reasonable assurance means a high but not absolute level of assurance. Absolute assurance is very rarely attainable as a result of factors such as: the use of selective testing, the inherent limitations of internal control, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Accordingly, readers of our report should not rely on the report to identify all potential instances of non-compliance which may occur.

An assurance engagement relating to the period from 1 June 2019 to 31 May 2022 will not provide assurance on whether compliance with the Licence will continue in the future.

Independence

In conducting our engagement, we will comply with the independence requirements of the Australian professional accounting bodies.

Approach

The audit will be conducted in three distinct phases, being a risk assessment, system analysis/walkthrough and testing and review. From the audit results, a report will be produced to outline findings, overall compliance assessments and recommendations for improvement in line with the Audit Guidelines. Each step of the audit is discussed in detail below.

Risk assessment

The audit will focus on identifying or assessing those activities and management control systems to be examined and the matters subject to audit. Therefore, the purpose of conducting the risk assessment as a preliminary phase enables the auditor to focus on pertinent/high risk areas of Kleenheat's licence obligations. The risk assessment considers any changes to Kleenheat's systems and processes and any matters of significance raised by the ERA and/or Kleenheat. The levels of risk and materiality of the process determine the level of audit required, i.e. the greater the materiality and the higher the risk, the more audit effort to be applied.

The first step of the risk assessment is the rating of the potential consequences of Kleenheat not complying with its licence obligations, in the absence of mitigating controls.

As the Reporting Manual is prescriptive in its criteria for classifying the consequences of non-compliance (refer to Appendix 1-1) the risk assessment applies the Reporting Manual's classifications for each obligation subject to audit.

Once the consequence has been determined, the likelihood of Kleenheat not complying with its obligations is assessed using the likelihood rating listed at Table 17 of the Audit Guidelines (refer to Appendix 1-2). The assessment of likelihood is based on the expected frequency of Kleenheat's non-compliance with the relevant licence obligation over a period of time.

Table 2 below (sourced from the Audit Guidelines) outlines the combination of consequence and likelihood ratings to determine the level of inherent risk associated with each obligation.

Table 2: Inherent risk rating

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Probable	Low	Medium	High
Unlikely	Low	Medium	High

Once the level of inherent risk has been determined, the adequacy of existing controls is assessed in order to determine the level of control risk. Controls are assessed and prioritised as weak, moderate or strong dependant on their suitability to mitigate the risks identified. The control adequacy ratings used by this risk assessment are aligned to the ratings specified in the Audit Guidelines (refer to Appendix 1-3). Once inherent risks and control risks are established, the audit priority can then be determined using the matrix specified in the Audit Guidelines (refer to Table 3 below). The higher the level of risk the more substantive testing is required.

Table 3: Assessment of Audit Priority

	Preliminary adequacy of existing controls		
Inherent Risk	Weak	Moderate	Strong
High	Audit priority 1	Audit Priority 2	
Medium	Audit priority 3	Audit Priority 4	
Low	Audit Priority 5		

The following table outlines the audit requirement for each level of audit priority. Testing can range from extensive substantive testing around the controls and activities of processes to confirming the existence of controls through discussions with relevant staff.

Table 4: Audit Priority Table

Priority rating	Audit requirement
Audit Priority 1	• Via interview and walkthrough, understand relevant processes and controls • Examine relevant documents, including compliance registers and reports • Obtain evidence of policies, procedures and controls being in place and working effectively • Extensive substantive testing of activities and/or transactions • Follow-up and if necessary, re-test matters previously reported.
Audit Priority 2	• Via interview and walkthrough, understand relevant processes and controls • Examine relevant documents, including compliance registers and reports • Obtain evidence of policies, procedures and controls being in place and working effectively • Moderate substantive testing of activities and/or transactions • Follow-up and if necessary, re-test matters previously reported.
Audit Priority 3	• Via interview and walkthrough, understand relevant processes and controls • Examine relevant documents, including compliance registers and reports • Limited controls testing (moderate sample size) to assess whether policies, procedures and controls are in place and working effectively • Follow-up of matters previously reported.
Audit Priority 4	• Confirmation of existing controls via walk through of key processes and examination of key documents including policies and procedures, compliance/breach registers and reports • Follow-up of matters previously reported.
Audit Priority 5	• Confirmation of existing controls via observation, discussions with key staff and/or reliance on key references including policies and procedures, compliance/breach registers and reports ("desktop review").

The risk assessment has been discussed with Kleenheat representatives to gain their input as to the appropriateness and factual accuracy of risk and control ratings and associated explanations. The key sources considered in reaching our preliminary assessment of the risk and control ratings were based on:

- Review of annual compliance reports lodged by Kleenheat for each of the years 2019 to 2021
- Review of the 2019 GDL9 Performance Audit report
- Our understanding of Kleenheat's regulatory environment
- Any other factors that may influence the level or strength of controls
- Consideration of relevant circumstances and activity that trigger specific compliance obligations.

At this stage, the risk assessment can only be a preliminary assessment based on reading of documentation and interviews by the auditors. It is possible that the ratings and risk assessment comments may be revised as we conduct our work and new evidence comes to light. The performance audit risk assessment is attached at Appendix 2.

System analysis / walkthrough

The systems analysis required will be determined utilising the audit priority scale outlined above. Once the priority level has been defined, the testing component will take place by way of interviewing key operational and administrative staff who will outline information that displays compliance with the Licence requirements.

In performing this analysis/walkthrough, we will consider the following:

- The control environment: Kleenheat's management philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of key staff members
- Information systems: The appropriateness of Kleenheat's information systems to record the information needed to comply with the Licence, the accuracy of data, the security of data and documentation describing the information system
- Control procedures: The presence of systems and procedures to ensure compliance with the Licence, effectiveness of Kleenheat's internal control structure to detect and correct non-compliance. Specific consideration will be given to significant changes in relevant systems and procedures implemented during the period subject to audit
- Compliance attitude: Action taken by Kleenheat in response to previous non-compliances. Consideration will be given to the timing of action taken during the period subject to audit and whether the action has a permanent impact on Kleenheat's level of compliance
- Outcome compliance: Actual performance against standards prescribed in the Licence throughout the audit period.

Where required, an observation of processes, procedures and operations and review of key documents will occur to assist in the determination of Kleenheat's compliance with Licence obligations. Key documents, which may be subject to audit, are not specifically disclosed in this plan. A list of documents examined will be included in the audit report.

Testing/review

Using the results of the risk assessment and systems analysis, detailed testing and analysis will be performed to compare those standards maintained by Kleenheat with the relevant sections and schedules of the Licence.

Control testing is performed for those licence obligations with an audit priority 3 and above and where there is relevant activity. This method of testing will involve:

- Understanding the population of transactions
- Selecting a sample of transactions to examine compliance with relevant sections of applicable legislation, codes and regulations
- Comparing the sample selected to expected requirements as mandated by relevant sections of applicable legislation, codes and regulations.

A full work program will be completed to record the specific aspects of our testing and analyses for each licence obligation. This work program will be based on:

- The audit priority determined by the risk assessment applicable to each licence obligation
- The results of the systems analysis performed, as described above
- AAG's sampling methodology, which is in accordance with ASA 530 (Audit Sampling) and takes account of the volume and frequency (e.g. daily, weekly, monthly, annual) of relevant transactions. Sample sizes typically range from 1 to 30, increasing with the volume and frequency of transactions
- The location of personnel and transactions to be tested.

Audit fieldwork will be performed remotely and where appropriate at Kleenheat premises.

Reporting

The performance audit report will also be structured to address all of the minimum contents specified in section 5 of the Audit Guidelines.

In accordance with the Audit Guidelines, all aspects of compliance with the Licence will be assessed according to the rating scale based on the work performed. Refer to **Table 5** below for the compliance levels that will be used for the performance audit.

Table 5: Compliance and control rating scales

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
N/P	Not performed – A controls rating was not required	N/R	Not rated – No activity took place during the audit period

Kleenheat is responsible for providing a separate post audit implementation plan, if required.

Resources and team

Key Kleenheat contacts

The key contacts for this audit are:

- Clay Roberts Reticulations and Standards Manager
- Team Leader - Credit
- Administration Team Leader - LPG
- Customer Advocate
- Accounting Manager.

AAG Staff

AAG staff who will be involved with this assignment are:

- Andrew Baldwin Executive Director
- Margaret-Mary Gauci Consultant
- Stephen Linden Director (QA review).

Resumes for key AAG staff are outlined in the proposal accepted by Kleenheat and subsequently presented to the ERA.

Timing

The initial risk assessment phase was completed on 8 June 2022, after which the draft audit plan and risk assessment were presented to Kleenheat for comment prior to submission to the ERA for review and approval.

The remainder of the fieldwork phase is scheduled to be performed over the period mid-June to mid-July 2022, enabling draft and final reports to be submitted to the ERA by the due dates of 31 July 2022 and 31 August 2022 respectively.

AAG time and staff commitment to the completion of the audit is outlined in the proposal accepted by Kleenheat. In summary, the estimated time allocated to each performance audit activity is as follows:

- Planning (including risk assessment): 12 hours
- Fieldwork (including system analysis/walkthrough and testing/review): 58 hours
- Reporting: 26 hours.

Appendix 1 - Risk assessment key

1-1 Criteria for classification of compliance obligations

Source: Gas Compliance Reporting Manual June 2020

Rating (type)	Classification of Non-Compliance	Criteria for classification
1	Major	- The consequences of non-compliance will cause major damage, loss or disruption to customers; or - The consequences of non-compliance will endanger or threaten to endanger the safety or health of a person.
2	Moderate	- The consequences of non-compliance will affect the efficiency and effectiveness of the licensee's operations or service provision, but will not cause major damage, loss or disruption to customers. - or - The regulatory obligation is not otherwise classified as Type 1 or Type NR non-compliance.
NR (not reportable)	Minor	- The consequences of non-compliance are relatively minor – i.e. non-compliance will have minimal effect on the licensee's operations or service provision will not cause damage, loss or disruption to customers; - Compliance with the obligation is immeasurable; - The non-compliance is required to be reported to the Regulator under another instrument, guideline or code; - The non-compliance is identified by a party other than the licensee; or - The licensee only needs to use its reasonable or best endeavours to achieve compliance, or the obligation does not otherwise impose a firm obligation on the licensee.

1-2 Likelihood ratings

Source: Audit Guidelines: Electricity and Gas Licences March 2019

	Level	Criteria
A	Likely	Non-compliance is expected to occur at least once or twice a year
B	Probable	Non-compliance is expected to occur every three years
C	Unlikely	Non-compliance is expected to occur at least once every 10 years or longer

1-3 Preliminary adequacy ratings for existing controls

Source: Audit Guidelines: Electricity and Gas Licences March 2019

Level	Description
Strong	Controls mitigate the identified risks to a suitable level
Moderate	Controls only cover significant risks; improvement required
Weak	Controls are weak or non-existent and do little to mitigate the risks

Appendix 2 - Risk assessment

Obligation numbers and references listed below are sourced from the June 2020 version of the Reporting Manual. Note that for obligations 1, 18, 24, 24A, 226, 230 and 250, the June 2020 version of the Reporting Manual includes wording changes which do not significantly alter the intent of the obligations. Accordingly, it is not necessary for this audit plan to separately list those obligations using the wording of the January 2017 version of the Reporting Manual.

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
9. Energy Coordination Act 1994								
1	Section 11Q(1-2)	A licensee must pay the applicable fees in accordance with the Economic Regulation Authority (Licensing Funding) Regulations 2014 clauses 6 & 7.	2	Moderate	Probable	Medium	Moderate	Priority 4
6	Section 11X(1)(a)	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.	NR	Minor	Probable	Low	Strong	Priority 5
7	Section 11Y(1)(a)	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.	NR	Minor	Probable	Low	Strong	Priority 5
8	Section 11Y(1)(b)	A licensee must notify details of the asset management system and any substantial changes to it to the ERA within 10 business days	2	Moderate	Unlikely	Medium	Moderate	Priority 4
9	Section 11Y(1)(c)	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.	NR	Minor	Probable	Low	Strong	Priority 5
10	Section 11ZA(1)	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).	2	Moderate	Probable	Medium	Strong	Priority 4
17	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.	NR	Minor	Unlikely	Low	Moderate	Priority 5
18	Section 11ZOC(1)(a)	A licensee that transports gas through a distribution system must be a member of an approved retail market scheme if a scheme is in force.	2	Obligations 18 to 22 Not applicable. These requirements of the Energy Coordination Act do not apply to Kleenheat's operations, for which a relevant retail market scheme is not in force (i.e. no other distributors or retailers operate within Kleenheat's gas supply system).				
20	Section 11ZOV(1)	A licensee must not engage in prohibited conduct relating to the operation of a retail market scheme.	2					
21	Section 11ZOV(2)	A licensee must not assist another party to engage in prohibited conduct relating to the operation of a retail market scheme.	2					
22	Section 11ZOZ(3)	A licensee, as a member of a retail scheme, must comply with a direction given to it by the ERA to amend the scheme, and to do so within a specified time.	2					

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
23	Schedule 3, section 2(1)	A licensee, as the operator of a supply system, must notify the Minister if a state of emergency exists in relation to a supply system as soon as practicable after becoming aware of it.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
24	Section 11ZQH(a)	The licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme	2	Moderate	Probable	Medium	Strong	Priority 4
24A	Section 11ZQH(a)	The licensee must not supply gas to customers unless the licensee is bound by, and compliant with, any decision or direction of the gas industry ombudsman.	2	Moderate	Probable	Medium	Strong	Priority 4
10. Gas Standards Act 1972								
25	Energy Coordination Act section 11Z	A licensee must comply with the applicable standards of the Gas Standards Act 1972.	1	Major	Probable	High	Strong	Priority 2
26	Gas Standards Act Section 8(1)	A licensee must not supply gas at less than the relevant approved minimum heating value.	1	Not applicable. This requirement of the Gas Standards Act does not apply to Kleenheat's operations as a gas distributor.				
27	Gas Standards Act 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.	1	Major	Unlikely	High	Moderate	Priority 2
28	Gas Standards Act 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.	1	Major	Probable	High	Strong	Priority 2
12. Energy (Customer Contracts) Regulations 2004								
87	Reg 28, clause 3.1.2 AGA Code	The licensee must re-connect to a supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within 1 business day or period agreed with the customer from the date of the application and subject to the customer meeting the requirements in clause 3.1.2.2 of the AGA code	NR	Obligations 87 to 90 Not applicable. Obligations 87 to 90 were listed in the January 2017 version of the Reporting Manual as being applicable to gas distribution licences. The ERA since determined that as these obligations cover regulations 28 and 33 of the <i>Energy Coordination (Customer Contracts) Regulations 2004</i> , which regulate the content of gas customer contracts, and because gas distributors do not have customer contracts, none of the obligations under the regulations apply to distribution licences. This determination is reflected in the June 2020 version of the Reporting Manual.				
88	Reg 28, clause 3.1.3.1 AGA Code	A licensee must connect a new supply address (subject to supply, available gas installations, adherence to regulatory requirements and a meter) within an agreed date, or where no date is agreed then within 20 business days from the date of the application.	NR					
89	Reg 33 (3), clause 3.5.2.1 AGA Code	A licensee must give at least four days notice to a customer of its intentions to undertake inspections, repairs, testing or maintenance at the customer's supply address.	NR					
90	Reg 33 (3), clause 3.5.2.2 AGA Code	A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification.	NR					

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
13 Licence Conditions								
92	Distribution Licence clause 12	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.	1	Major	Probable	High	Strong	Priority 2
93	Distribution Licence clause 13	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
94	Distribution Licence clause 14.4	A licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the asset management review.	2	Moderate	Probable	Medium	Strong	Priority 4
95	Distribution Licence clause 14.6	A licensee's independent expert must be approved by the ERA prior to reviewing the effectiveness of the asset management system.	NR	Minor	Probable	Low	Strong	Priority 5
96	Distribution Licence clause 15.2	A licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the performance audit.	2	Moderate	Probable	Medium	Strong	Priority 4
97	Distribution Licence clause 15.4	A licensee's independent auditor must be approved by the ERA prior to the audit.	NR	Minor	Probable	Low	Strong	Priority 5
98	Distribution Licence clause 16	A licensee may be subject to individual performance standards.	NR	Minor	Unlikely	Low	Moderate	Priority 5
99	Distribution Licence clause 18	Unless otherwise specified, all notices must be in writing and will be regarded as having been sent and received in accordance with defined parameters.	NR	Minor	Probable	Low	Moderate	Priority 5
100	Distribution Licence clause 19.1	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board or equivalent International Accounting Standards.	2	Moderate	Probable	Medium	Strong	Priority 4
101	Distribution Licence clause 20	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
102	Distribution Licence clause 21.1	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.	2	Moderate	Likely	High	Moderate	Priority 2
103	Distribution Licence clause 22	A licensee must publish any information it is directed by the ERA to publish, within the timeframes specified.	2	Moderate	Probable	Medium	Weak	Priority 3
104	Distribution Licence Schedule 3 clause 1	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
105	Distribution Licence Schedule 3 clause 2	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
15. Compendium of Gas Customer Licence Obligations								
Part 7 Disconnection and Interruption								
226	Compendium clause 7.5	A distributor who disconnects or interrupts 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.	2	Moderate	Probable	Medium	Strong	Priority 4
227	Compendium clause 7.6	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.	1	Major	Probable	High	Strong	Priority 2
Part 8 Reconnection								
230	Compendium clauses 8.2(1)-(3) Distribution Licence Schedule 11M clause 8.2(1)-(3)	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 procedures, 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.	2	Moderate	Probable	Medium	Moderate	Priority 4
230A	Clause 8.2(4)	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).	2	Moderate	Unlikely	Medium	Moderate	Priority 4
230B	Clause 8.2(5)	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
Part 10 Information and Communication								
244	Clause 10.6	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).	2	Moderate	Probable	Medium	Strong	Priority 4

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
245	Clause 10.9	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.	NR	Minor	Probable	Low	Strong	Priority 5
247	Clause 10.10(2)	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.	2	Moderate	Probable	Medium	Strong	Priority 4
249	Clause 10.11(1)	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).	2	Moderate	Probable	Medium	Strong	Priority 4
250	Clause 10.11(2)	A retailer and, if appropriate, a distributor must include on a residential customer's bill and bill related information, reminder notice and disconnection warning the telephone numbers for: - its TTY services; - independent multi-lingual services; and - interpreter services with the National Interpreter Symbol.	2	Moderate	Probable	Medium	Strong	Priority 4
Part 12 Complaints and Dispute Resolution								
251	Clause 12.1(1)	A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.	2	Moderate	Probable	Medium	Strong	Priority 4
252	Clause 12.1(2)	The complaints handling process under clause 12.1(1) must comply with AS/NZS 10002:2014 and address, at the least, the criteria specified in subclauses 12.1(2)(b)-(c). The complaints handling process must be available at no cost to customers.	2	Moderate	Probable	Medium	Strong	Priority 4
254	Clause 12.1(3)(a)	When responding to a 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.	2	Moderate	Probable	Medium	Strong	Priority 4
255	Clause 12.1(3)(b)	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.	2	Moderate	Probable	Medium	Strong	Priority 4
255A	Clause 12.1(4)	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.	2	Moderate	Probable	Medium	Strong	Priority 4

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
257	Clause 12.3	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.	2	Moderate	Probable	Medium	Strong	Priority 4
258	Clause 12.4	When a retailer, distributor or gas marketing agent receives a complaint that does not relate to its functions, it must advise the customer of the entity that it reasonably considers to be the appropriate entity to deal with the complaint (if known).	2	Moderate	Probable	Medium	Strong	Priority 4
Part 13 Record Keeping and Reporting								
281	Clause 13.1	A retailer and a distributor must prepare a report in respect of each reporting year setting out the information specified by the ERA.	2	Moderate	Probable	Medium	Strong	Priority 4
282	Clause 13.2	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.	2	Moderate	Probable	Medium	Strong	Priority 4
283	Clause 13.3	A report referred to in clause 13.1 must be published by the date specified by the ERA.	2	Moderate	Probable	Medium	Moderate	Priority 4

Appendix 3 - Previous audit recommendations

The 2019 performance audit made two recommendations relating to obligations 87 and 90, however as the ERA considered these obligations should have been rated as 'not applicable', Kleenheat was not required to address the actions stated in its post-audit implementation plan in response to those recommendations.

Accordingly, there were no unresolved non-compliances or recommendations from previous performance audits.

Appendix B - References

Kleenheat representatives participating in the audit

- Reticulation and Standards Manager
- Accounting Manager – Kleenheat
- Credit Team Leader Natural Gas
- Sales Support Officer LPG Reticulated Gas
- Customer Advocate.

AAG staff participating in the audit

	Hrs
• Andrew Baldwin Executive Director	73
• Margaret-Mary Gauci Consultant	6
• Stephen Linden Director (QA review)	1

Key documents and other information sources examined

- Distribution Networks Asset Management Plan (2021)
- Distribution Systems Asset Maintenance Plan (2021)
- Distribution Qualitative Risk Assessment Review (2022)
- Tank compound inspection reports (2019 to 2021 for each distribution system)
- Leak survey reports (x13 over the period June 2019 to May 2022)
- Records of communications with customers re leak surveys, meter changeouts and dial-before-you-dig activities
- Regulator and OPSO inspection reports (x22 over the period June 2019 to May 2022)
- Network pressure check reports (x18 over the period June 2019 to May 2022)
- Distribution Network Odour Rectification Procedure (2022)
- Gas Distribution Networks Gas Quality Testing Procedure (2022)
- Gas sample results (x40 over the period June 2019 to May 2022)
- Valve stroking inspection results (x4, 2020 and 2021)
- Kleenheat Inspection Policy Statement and Plan version 9
- Inspection Policy Statement and Plan Quarterly Reports (x11)
- Inspection Policy Statement and Plan Annual Reports (2019/20 and 2020/21)
- Inspection Policy Statement and Plan Audit Reports (2019, 2020, 2021)
- Sample installation inspections
- Inspection Policy Statement and Plan supporting forms and templates
- List of new connections FY20 to FY22
- Distribution Networks Supply Disruption procedure (2019)
- Leinster Emergency Isolation procedure (2018)
- Reticulation Networks Isolation procedure (2019)
- Evidence of on-call retainer payments
- Emergency roster
- Records of Leinster distribution network leak and rectification – August 2021

- National Emergency Response Communication System Procedure (2020)
- Example bills, reminder letters, disconnection letters
- Disconnection and reconnection register
- Disconnection records
- Installation and Disconnection of a Gas Meter procedure (2020)
- Reticulated Gas - Disconnection of Meter procedure (2017)
- Reticulated Gas - Reconnection of Meter procedure (2017)
- Reticulated Gas -New Residential Connection procedure (2017)
- Wesfarmers Ltd Financial Reports for the periods ending 30 June 2020 and 30 June 2021
- Email correspondence with the ERA, including notifications relating to audit requirements
- Representations from Reticulation and Standards Manager, Accounting Manager – Kleenheat, Sales Support Officer LPG Reticulated Gas, Customer Advocate
- 2020 GDL9 Asset Management System Review report
- Kleenheat Customer Complaint Handling Policy and Procedure (2021)
- Complaint Escalation Template - Natural Gas and LPG Reticulated
- Standard Contract Terms and Conditions
- Customer Charter
- Complaints Brochure
- Complaints register
- Records of complaints correspondence
- Energy and Water Ombudsman invoices
- Complaints report to Senior Management – May 2022
- Annual Performance Reporting procedure (2021)
- Staff training modules
- 2018/19, 2019/20 and 2020/21 Annual Compliance Reports
- 2018/19, 2019/20 and 2020/21 Performance Reporting Datasheets
- Records of submission of compliance reports, standing charge data and performance reporting datasheets
- Records of publication of performance reporting datasheets
- Evidence of payment of licence fees.