



Notice

11 December 2017

Western Power's electricity distribution and transmission licences

2017 PERFORMANCE AUDIT

The Economic Regulation Authority (**ERA**) has published the 2017 performance audit [report](#), including the post-audit implementation plan,¹ for Electricity Networks Corporation's (trading as Western Power) electricity distribution and transmission licences.

Action by the ERA

The ERA considers Western Power has demonstrated an adequate level of compliance, and has decided the period covered by the next audit will remain at 36 months. The next audit will cover 1 July 2017 to 30 June 2020, with the report due by 30 September 2020.

Background to the ERA's decision

Audit ratings and recommendations

The auditor's assessment of the 279 licence obligations applicable to Western Power's electricity distribution and transmission licences found:²

- five were rated A1 (compliant, adequate controls);
- 20 were rated A2 (non-compliant – minor impact, adequate controls);
- one was rated A3 (non-compliant – moderate impact, adequate controls);
- 16 were rated B2 (non-compliant – minor impact, generally adequate controls);
- one was rated B NR (not rated for compliance, generally adequate controls);
- 183 were rated NP 1 (compliant, controls assessment not performed); and
- 53 were rated NP NR (compliance and controls were not assessed).

The audit found 37 non-compliances. Fifteen non-compliances were resolved during the audit period, and one non-compliance was resolved after the audit period.

Two of the non-compliances were Type 1 (immediately reportable) obligations³ that were reported to the Authority immediately after they occurred. The first non-compliance affected a single business customer wrongfully disconnected while they had an open complaint with Western Power, and the second affected three life support customers who were not given at least 72-hours advance notice of a planned supply interruption.

¹ The post-audit implementation plan is at Appendix C of the report.

² The ERA's *Audit and Review Guidelines: Electricity and Gas Licences* requires auditors perform a controls adequacy assessment for obligations with audit priorities 1, 2 or 3. Auditors are also required to provide a controls rating for all obligations that are rated non-compliant in the audit.

³ Obligations 234 and 238.

The auditor made seven recommendations in the audit. Six recommendations cover the 21 unresolved non-compliances and one recommendation is a controls improvement for obligation 479.

Western Power has already completed one recommendation,⁴ leaving six recommendations to be completed.

Post-audit implementation plan

The post-audit implementation plan prepared by Western Power states Western Power intends to address five of the six recommendations by December 2018. There is no target date for Recommendation 3/2017, which covers the replacement of 1,813 non-compliant meters. Western Power considers it is unable to replace approximately 1,063 of these meters due to safety concerns or access constraints. It has a management plan to replace these meters but it is not possible to say when it will be completed, because of the need to access premises, some of which are unoccupied or secured from public access.

ERA's response to the audit

General observations on the audit findings

The 2017 audit found non-compliances with 37 of the 279 obligations applicable to Western Power's distribution and transmission licences. This figure is almost the same as the 39 non-compliances found in the 2014 audit. The ERA's analysis found 20 non-compliances were common to the 2017 audit and the previous audit in 2014.

Western Power has effective internal compliance monitoring and reporting processes that enable it to proactively identify and report on non-compliances. This finding is supported by Western Power self-identifying 34 of the 37 non-compliances when they occurred during the audit period.

The audit observations included reference to Western Power's commitment to implementing projects to assist in improving its compliance with the licences during the audit period. The ERA considers these projects have not led to any material improvement in compliance, because the total number of non-compliances in the 2017 audit is almost the same as that in the 2014 audit. Further, 20 of the non-compliances were common to the 2014 and 2017 audits.

The ERA is of the view that Western Power needs to adjust its compliance management strategy to focus more on preventing non-compliance. This is particularly the case for the recurrent non-compliances that are discussed below.

Recurrent non-compliances

The audit identified 16 licence obligations that are continually non-compliant. Most of these obligations cover activities that require Western Power to complete specified actions within a stipulated timeframe, such as establishing a new connection, or collecting metering data. The audit found Western Power does not have a strategy for managing, and where possible addressing, these non-compliances.

Audit recommendation 1/2017 calls on Western Power to develop a strategy for managing recurrent non-compliances, including consideration of technology, process improvements and resourcing levels. The auditor also recommends the strategy is periodically reviewed to assess its effectiveness, and to identify further opportunities to improve compliance.

The ERA acknowledges that it is difficult to achieve absolute compliance for some of the obligations covered by recommendation 1/2017, particularly those involving high volume customer transactions and third party interactions. Implementing the strategy in recommendation 1/2017 may identify cost-effective ways to improve compliance over time.

⁴ Recommendation 4/2017, which covers an incident where the time taken to process a large bulk standing data request exceeded the permitted three business days. To address the issue, Western Power reinforced the need to comply with the bulk standing data timing requirements with its staff.

Western Power has committed to reviewing each of the 16 non-compliances covered by recommendation 1/2017 and, where it considers it practicable, developing a compliance plan by 31 December 2017. The ERA will monitor Western Power's progress through receiving regular updates on the post-audit implementation plan.

For further information contact:

Media Enquiries

Sinéad Mangan

Work: 08 6557 7912

Mobile: 0428 859 826

Email: communications@erawa.com.au