

Wesfarmers Kleenheat Gas Pty Ltd

Gas Distribution Licence (GDL9)

**2019 Audit Report on Compliance
with Performance Licence
Conditions**

October 2019

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4 October 2019

Dear Clay

Wesfarmers Kleenheat Gas Pty Ltd: 2019 GDL9 Audit Report on Compliance with Performance Licence Conditions

We have completed the Gas Distribution Licence assurance engagement on Compliance with Performance Licence Conditions for Wesfarmers Kleenheat Gas Pty Ltd for the period 1 June 2016 to 31 May 2019 and are pleased to submit our report to you.

If you have any questions or wish to discuss anything raised in the report, please contact me on 0456 585 247.

Yours sincerely

Deloitte Touche Tohmatsu

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Partner
Chartered Accountants
Perth

Contents

1	Independent assurance practitioner's report	1
2	Executive summary	4
3	Summary of findings	10
4	Detailed findings, recommendations and action plans	12
5	Previous audit non-compliances and recommendations	37
	Appendix A – Audit Plan	39
	Appendix B – References	40

1 Independent assurance practitioner's report

Qualified opinion

We have undertaken a reasonable assurance engagement on Wesfarmers Kleenheat Gas Pty Ltd.'s (**Kleenheat**) compliance, in all material respects, with its licence obligations as evaluated against its Gas Distribution Licence (GDL9) (the **Licence**) and applicable obligations from the Gas Compliance Reporting Manual released January 2017 (together referred to as the "**Licence Conditions**") for the period from 1 June 2016 to 31 May 2019, for the purpose of assisting Kleenheat comply with its reporting obligations to the Economic Regulation Authority (the **ERA**).

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph below, Kleenheat has complied, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 June 2016 to 31 May 2019.

Basis for qualified opinion

During the period from 1 June 2016 to 31 May 2019, Kleenheat did not comply with the Licence Conditions in the following instances:

Reporting Manual number and Licence obligation	Issue
87 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 <i>Energy Coordination (Customer Contracts) Regulations 28, clause 3.1.2.2 AGA Code</i>	Clause 3.1.2.2 of the AGA Code is in direct conflict with Compendium clause 8.2(1) and (3) on the number of business days a licensee has to reconnect a customer's supply address. Kleenheat is non-compliant with meeting the one business day reconnection timeframe of the AGA code due to its processes being configured to meet the two business day timeframe prescribed in the Compendium.
90 A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification. <i>Regulation 33 (3), clause 3.5.2.2 AGA Code</i>	Kleenheat was non-compliant with the code requirements, due to: <ul style="list-style-type: none"> • Kleenheat contractors not being provided with official identification badges • One instance during the network outage at Rapids Landing in January 2019, where a member of the public contacted Kleenheat due to being unsure of the identity of a Kleenheat contractor who had arrived at the premises to re-instate supply.

Reporting Manual number and Licence obligation		Issue
103	<i>Licence Conditions clause 21.1</i> A licensee must publish any information it is directed by the ERA to publish, within the timeframes specified.	Kleenheat did not maintain records of the date by which the ERA directed it to publish its FY16 annual performance report on its website. Kleenheat has seven calendar days to publish the report on its website once it receives direction from the ERA. Kleenheat submitted the FY16 report to the ERA on 30 September 2016 and published it on its website on 15 October 2016. Without the supporting documentation being available when the ERA directed Kleenheat to publish the report, Kleenheat cannot demonstrate compliance with this obligation. For clarity purposes, Kleenheat did comply with these obligations for their FY17 and FY18 annual performance reports.
283	<i>Licence Conditions clause 22</i> A report referred to in clause 13.1 must be published by the date specified by the ERA. <i>Compendium clause 13.3</i>	

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 qualified opinion.

Kleenheat's responsibilities

Kleenheat is responsible for:

- (a) Compliance with the licence obligations as evaluated against its Licence Conditions for the period 1 June 2016 to 31 May 2019
- (b) Identifying risks that threaten the Licence Conditions identified above being met
- (c) Identifying suitable compliance requirements as specified by the ERA
- (d) Identifying, designing and implementing controls to enable the the Licence Conditions 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, and apply 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.

Assurance practitioner's 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 from 1 June 2016 to 31 May 2019. 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 2016 to 31 May 2019.

An assurance engagement 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 the following:

- Utilising the March 2019 issue of the Audit and Review Guidelines: Electricity and Gas Licences and the January 2017 issue of the Gas Compliance Reporting Manual (**Reporting Manual**) issued by the ERA 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 staff to gain an understanding of process controls
- Review of documents and walkthrough of processes and controls to assess the overall compliance and effectiveness 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 2016 to 31 May 2019 does not provide assurance on whether compliance with the Licence Conditions 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 Kleenheat's compliance with the licence obligations as evaluated against its Licence Conditions. 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Vincent Snijders

Partner

Chartered Accountants

Perth, 4 October 2019

2 Executive summary

2.1 Introduction and background

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

The Licence relates to Kleenheat's operations as a gas supplier, where it has LPG distribution systems in Albany, Margaret River and Leinster. Kleenheat's gas operations relate to the supply of:

- Liquefied Petroleum Gas (LPG) from bulk pressure vessels
- Gas to customers from distribution systems that it owns and operates.

Section 11ZA of the Act requires Kleenheat to provide the ERA with a performance audit (the **audit**) conducted by an independent expert acceptable to the ERA not less than once in every 24 month period. With the ERA's approval, Deloitte Touche Tohmatsu (**Deloitte**) has been appointed to conduct the audit for the 1 June 2016 to 31 May 2019 (**audit period**).

The audit has been conducted in accordance with the March 2019 issue of the *Audit and Review Guidelines: Electricity and Gas Licences* (the **Guidelines**). In accordance with the Audit Guidelines this document represents the Audit Plan (the **Plan**) which was agreed upon by Deloitte and Kleenheat and presented to the ERA for approval.

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 and further established its control framework through tailored policies and procedures which are explicitly aligned with Licence obligations
- Provided a mix of general and targeted compliance based training to staff with customer facing responsibilities
- Implemented further rigour in its investigation of incidents that result in breaches or near misses.

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 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

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
N/P	Not performed – A controls rating was not required	N/R	Not rated – No activity took place during the audit period

Table 4 at section 3 of this report provides further detail on the control adequacy and compliance rating scales. The above rating scale is defined by the Guidelines.

Table 2: Summary of findings, by audit priority and control adequacy

Audit Priority	Control adequacy rating				NP ¹	Total
	A	B	C	D		
Priority 1	-	-	-	-	-	-
Priority 2	4	-	-	-	1	5
Priority 3	-	-	-	-	-	-
Priority 4	2	-	-	-	29	31
Priority 5	-	2	-	-	11	13
Total:	6	2	-	-	41	49

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

Audit Priority	Compliance rating				NR	Total
	1	2	3	4		
Priority 1	-	-	-	-	-	-
Priority 2	4	-	-	-	1	5
Priority 3	-	-	-	-	-	-
Priority 4	21	2	-	-	8	31
Priority 5	9	2	-	-	2	13
Total:	34	4	-	-	11	49

Note that, in accordance with the 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 obligations with a Priority 1, 2 or 3 rating, where an obligation is assessed as non-compliant, or where an improvement opportunity is identified.

2.4 Kleenheat’s response to previous audit recommendations

This audit considered Kleenheat’s progress in completing the action plans detailed in the 2016 performance audit report.

Based on our examination of relevant documents, discussion with staff and consideration of the results of this audit’s testing against the associated licence obligations, we determined that Kleenheat has completed all five of the action plans detailed in the 2016 performance audit report.

Refer to section 5 of this report for further detail.

¹ Refers to the obligations for which a control assessment was not required to be performed (obligations with an audit priority of 4 or 5 and a compliance rating of 1, or which were not rateable).

2.5 Current audit non-compliances, recommendations and action plans

A. Resolved during current audit period

Reporting manual no. and Licence obligation reference	Non-compliance / Controls improvement (Rating / Details of non-compliance or inadequacy of controls)	Date resolved and management action taken	Auditor's comments
<p>103 – Licence conditions clause 22 A licensee must publish any information it is directed by the ERA to publish, within the timeframes specified.</p> <p>283 – Compendium clause 13.3 A report referred to in clause 13.1 must be published by the date specified by the ERA.</p>	<p>A2 Kleenheat did not maintain records of the date by which the ERA directed it to publish its FY16 annual performance report on its website. Kleenheat has seven calendar days to publish the report on its website once it receives direction from the ERA. Kleenheat submitted the FY16 report to the ERA on 30 September 2016 and published it on its website on 15 October 2016. Without the supporting documentation being available when the ERA directed Kleenheat to publish the report, Kleenheat cannot demonstrate compliance with this obligation.</p>	<p>Resolved September 2017 Kleenheat has improved its record keeping practices and maintained records demonstrating compliance with the requirements of Licence conditions clause 22 and Compendium clause 13.3 for the submission and publication of its FY17 and FY18 Annual Performance Reports.</p>	<p>No further action required.</p>

B. Unresolved at end of current audit period

Reporting manual no. and Licence obligation reference	Control adequacy	Issue 1/2019
<p>Obligation 90 <i>Regulation 33 (3), clause 3.5.2.2 AGA Code</i></p> <p>A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification.</p>	<p>Generally adequate controls – improvement needed (B)</p> <p>Compliance rating</p> <p>Non-compliant – minor impact on customers or third parties (2)</p>	<p>During the audit Kleenheat disclosed it was non-compliant with this obligation, due to:</p> <ul style="list-style-type: none"> • Kleenheat contractors not being provided with official identification badges • One instance during the network outage at Rapids Landing in January 2019, where a member of the public staying at a friend’s house contacted Kleenheat due to being unsure of the identity of a Kleenheat contractor who had arrived at the premises to re-instate supply.
<p>Recommendation 1/2019</p> <p>Kleenheat create and issue all customer facing staff with an ID card, which is required to be carried at all times when interacting with customers.</p>		<p>Action Plan 1/2019</p> <p>Kleenheat will issue all contractors with an ID card.</p> <p>Responsible person: Reticulation and Standards Manager</p> <p>Target date: October 2019</p>

Reporting manual no. and Licence obligation reference	Control adequacy	Issue 2/2019
<p>Obligation 87 <i>Energy Coordination (Customer Contracts) Regulations 28, clause 3.1.2.2 AGA Code</i></p> <p>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</p>	<p>Generally adequate controls – improvement needed (B)</p> <p>Compliance rating</p> <p>Non-compliant – minor impact on customers or third parties (2)</p>	<p>The audit identified that:</p> <ul style="list-style-type: none"> • Clause 3.1.2.2 of the AGA Code is in direct conflict with obligation 227, Compendium clause 8.2(1) and (3) around the number of business days Kleenheat has to reconnect a customer’s supply address. The Compendium requires the licensee to reconnect supply within two business days, whereas the AGA code states one business day. • Kleenheat is non-compliant with meeting the one business day reconnection timeframe of the AGA code due to its processes not being configured to: <ul style="list-style-type: none"> ○ Ask the customer if access to the supply address and gas installation is available upon initially receiving the reconnection request ○ Record the time which the customer reconnection request was lodged, meaning it cannot determine if it meets the one business day timeframe for requests received before 3PM on a business day ○ Not all reconnection steps are currently being captured in the diary comments of the reconnected accounts.

<p>Recommendation 2/2019</p> <p>Kleenheat:</p> <ol style="list-style-type: none"> 1. Consult with the ERA and Public Utilities Office on the applicability of the AGA Code 2. Enhance its processes to document all the reconnection steps performed and the time the reconnection request was received. 	<p>Action Plan 2/2019</p> <p>Kleenheat will:</p> <ol style="list-style-type: none"> 1. Contact the ERA to determine the future applicability of the AGA code to its operations 2. Update its software processes in Oracle for recording the reconnection steps and ensure that it applies processes for documenting the time reconnection requests are received. <p>Responsible person: Reticulation and Standards Manager</p> <p>Target date: December 2019</p>
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2.6 Scope and objectives

As described in our letter of engagement with Kleenheat, dated 18 June 2019, 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 Licence Conditions as outlined in the approved Audit Plan (dated July 2019) during the period 1 June 2016 to 31 May 2019.

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 Licence Conditions. 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 Licence Conditions. In making those risk assessments, we considered internal controls in relation to compliance with the Licence Conditions.

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 January 2017 Gas Compliance Reporting Manual (**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.

Revision to audit scope

Subsequent to the preparation of the Audit Plan, one minor amendment was made to the risk assessment:

- Obligation 26 was deemed to be not-applicable.

2.7 Approach

Our approach for this audit involved the following activities, which were undertaken during the period June to August 2019:

- 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
- Interviews with relevant Kleenheat staff to gain 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 1 or 2) and where there was relevant activity, determine whether transactions complied with the requirements of the obligation
- Reporting of findings to Kleenheat for review and response.

3 Summary of findings

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 Licence Conditions. 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.

The remainder of this report provides:

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

Table 4: Compliance Ratings

Refer to Detailed Findings at section 4 and Audit Plan at Appendix A for descriptions of the obligations.

Note:

- 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.

#	Obligation Reference	Controls adequacy rating					Audit Priority	Compliance Rating				
		A	B	C	D	NP		1	2	3	4	NR
9 Licence Compliance Requirements - Energy Coordination Act 1994												
1	Section 11Q(1-2)					✓	Priority 4	✓				
6	Section 11X(3)					✓	Priority 5	✓				
7	Section 11Y(1)(a)					✓	Priority 5	✓				
8	Section 11Y(1)(b)					✓	Priority 4					✓
9	Section 11Y(1)(c)					✓	Priority 5	✓				
10	Section 11ZA(1)					✓	Priority 4	✓				
17	Section 11ZK(3)					✓	Priority 5					✓
24	Section 11ZQH					✓	Priority 4	✓				
10 Licence Compliance Requirements – Gas Standards Act 1972												
25	Energy Coordination Act Section 11Z	✓					Priority 2	✓				
27	Energy Coordination Act Section 11Z, Gas Standards Act 1972 Section 9(1)					✓	Priority 2					✓
28	Energy Coordination Act Section 11Z, Gas Standards Act 1972 Section 13(1)	✓					Priority 2	✓				
12 Licence Compliance Requirements - Energy Coordination (Customer Contracts) Regulations 2004												
87	Regulation 28, clause 3.1.2 AGA Code		✓				Priority 5		✓			
88	Regulation 28, clause 3.1.3.1 AGA Code					✓	Priority 5	✓				
89	Regulation 33(3), clause 3.5.2.1 AGA Code					✓	Priority 5	✓				
90	Regulation 33 (3), clause 3.5.2.2 AGA Code		✓				Priority 5		✓			
13 Licence Compliance Requirements - Licence Conditions												
92	Clause 12	✓					Priority 2	✓				
93	Clause 13					✓	Priority 4					✓
94	Clause 14.4					✓	Priority 4	✓				
95	Clause 14.6					✓	Priority 5	✓				
96	Clause 15.2					✓	Priority 4	✓				

#	Obligation Reference	Controls adequacy rating					Audit Priority	Compliance Rating					
		A	B	C	D	NP		1	2	3	4	NR	
97	Clause 15.4					✓	Priority 5	✓					
98	Clause 16					✓	Priority 5						✓
99	Clause 18					✓	Priority 5	✓					
100	Clause 19.1					✓	Priority 4	✓					
101	Clause 20					✓	Priority 4						✓
102	Clause 21.1					✓	Priority 4	✓					
103	Clause 22	✓					Priority 4		✓				
104	Schedule 3 Clause 1					✓	Priority 4						✓
105	Schedule 3 Clause 2					✓	Priority 4						✓
15 Licence Compliance Requirements - Compendium of Gas Customer Licence Obligations													
Part 7 Connection													
226	Compendium clause 7.5					✓	Priority 4	✓					
227	Compendium clause 7.6	✓					Priority 2	✓					
Part 8 Reconnection													
230	Clause 8.2(1)-(3)					✓	Priority 4	✓					
230A	Clause 8.2(4)					✓	Priority 4						✓
230B	Clause 8.2(5)					✓	Priority 4						✓
Part 10 Information and Communication													
244	Clause 10.6					✓	Priority 4	✓					
245	Clause 10.9					✓	Priority 5	✓					
247	Clause 10.10(2)					✓	Priority 4	✓					
249	Clause 10.11(1)					✓	Priority 4	✓					
250	Clause 10.11(2)					✓	Priority 4	✓					
Part 12 Complaints and Dispute Resolution													
251	Clause 12.1(1)					✓	Priority 4	✓					
252	Clause 12.1(2)					✓	Priority 4	✓					
254	Clause 12.1(3)(a)					✓	Priority 4	✓					
255	Clause 12.1(3)(b)					✓	Priority 4						✓
255A	Clause 12.1(4)					✓	Priority 4	✓					
257	Clause 12.3					✓	Priority 4	✓					
258	Clause 12.4					✓	Priority 4	✓					
Part 13 Record Keeping and Reporting													
281	Clause 13.1					✓	Priority 4	✓					
282	Clause 13.2					✓	Priority 4	✓					
283	Clause 13.3	✓					Priority 4		✓				

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 Energy Coordination (Gas Tariffs) Regulations 2000
- 4.3 Energy Coordination (Customer Contracts) Regulations 2004
- 4.4 Licence Conditions
- 4.5 Compendium.

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. These tables include:

- **Findings** – the auditor's understanding of the process and any issues that have been identified during the audit
- **Recommendations** – recommendations for improvement or enhancement of the process or control
- **Action plans** – Kleenheat's formal response to audit recommendations, providing details of action to be implemented to address the specific issue raised by the audit, assignment of the actions to appropriate staff and corresponding completion dates for the actions.

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

Controls adequacy rating						Compliance rating					
A	B	C	D	NP	Total	1	2	3	4	NR	Total
<i>4.1 Energy Coordination Act 1994</i>											
-		-	-	8	8	6		-	-	2	8
<i>4.2 Gas Standards Act 1972</i>											
2	-	-	-	1	3	2	-	-	-	1	3
<i>4.3 Energy Coordination (Customer Contracts) Regulations 2004</i>											
-	1	-	-	2	3	2	1	-	-	-	3
<i>4.4 Licence Conditions</i>											
1	-	-	-	12	13	8	-	-	-	5	13
<i>4.5 Compendium</i>											
3	1	-	-	18	22	16	3	-	-	3	22

4.1 Energy Coordination Act 1994

Obligation under condition		Findings			
9 Licence Compliance Requirements					
1	<p>A licensee must pay the applicable fees in accordance with the Regulations. (Energy Coordination (Licensing Fees) Regulations Clause 4 & 5)</p> <p><i>Energy Coordination Act section 11Q(1-2)</i></p>	<p>Through discussion with the Reticulation and Standards Manager and examination of annual invoices and remittances for FY16 to FY18, we determined that:</p> <ul style="list-style-type: none"> • Payment is made in accordance with Kleenheat's accounts payable process through Oracle, typically following receipt of the applicable invoice from the ERA, however should the ERA not provide an applicable invoice, Kleenheat is aware of and monitors its obligation to pay licence fees within one month of the licence anniversary • The licence fees due during the audit period were paid in accordance with the requirements of the Regulations. 			
	<table border="1"> <tr> <td>Priority: 4</td> <td>Control Adequacy: NP</td> <td>Compliance Rating: 1</td> </tr> </table>	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	
Priority: 4	Control Adequacy: NP	Compliance Rating: 1			
6	<p>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.</p> <p><i>Energy Coordination Act section 11X(3)</i></p>	<p>Through discussion with the Reticulation and Standards Manager and examination of communications submitted to the Building and Energy division of Department of Mines, Industry Regulation and Safety (DMIRS) we determined that:</p> <ul style="list-style-type: none"> • In two instances during the audit period, Kleenheat's Rapids Landing Gas Distribution Network experienced an interruption in supply of gas, due to: <ul style="list-style-type: none"> ○ Potential danger associated with a drop in network pressure to 0kPA on 21 December 2018, where: <ul style="list-style-type: none"> ▪ Interruption of the supply of gas impacted 167 residents connected to the distribution system ▪ Re-instatement of the supply of gas occurred the next day on 22 December to 110 of the affected customers. The remaining 57 customers were not home at the time of Kleenheat's attempt to reinstate supply to their address. Kleenheat reinstated supply to these customers once they made contact with Kleenheat to select a time for the reinstatement to be performed ○ Emergency situation and potential danger that occurred when a third party network strike occurred on 17 January 2019, where: 			

Obligation under condition			Findings
			<ul style="list-style-type: none"> ▪ Damage to Kleenheat’s distribution system transpired when a pipe was struck by a third party landscaping contractor ▪ Interruption of the supply of gas impacted residents connected to the distribution system ▪ Re-instatement of the supply of gas occurred throughout 17 January and 18 January. <ul style="list-style-type: none"> • In both outages Kleenheat applied reasonable steps to minimise the extent of the interruption of supply of gas by: <ul style="list-style-type: none"> ○ Notifying Building and Energy of the outage ○ Applying procedures and deployment of staff for the orderly re-instatement of the network in a timely manner and minimising the extent of interruption for customers, with both outages resolved within 48 hours. • Kleenheat experienced an interruption in supply of gas at its Leinster network due to significant emergency incident when a gas fire occurred on 7 June 2018, where: <ul style="list-style-type: none"> ○ Gas leak that occurred as result of excavation activities found an ignition source and ignited ○ interruption impacted 14 accommodation units ○ Re-instatement of the supply of gas occurred in approximately 20hrs • In the above instances, Kleenheat applied reasonable steps to minimise the extent of the interruption of supply of gas by: <ul style="list-style-type: none"> ○ Notifying Building and Energy of the outage ○ Applying procedures and deployment of staff for the orderly re-instatement of the network in a timely manner and minimising the extent of interruption for customers, with all three outages resolved within 48 hours.
	Priority: 5	Control Adequacy: NP	Compliance Rating: 1
7	<p>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.</p> <p><i>Energy Coordination Act section 11Y(1)(a)</i></p>		<p>Through discussion with the Reticulation and Standards Manager, examination of Kleenheat’s <i>Retic, Gas Network Asset Management Plan</i>, relevant documentation and communications with the ERA we determined that:</p> <ul style="list-style-type: none"> • Kleenheat has maintained an asset management system during the period of audit

Obligation under condition			Findings
			<ul style="list-style-type: none"> • Has applied processes to perform functions required of the asset management system: <ul style="list-style-type: none"> ○ Maintained an asset management plan which provides an overview of the major elements of reticulated gas assets within Kleenheat's distribution system ○ Completed asset planning and maintenance tasks throughout the distribution system ○ Maintained key information systems: <ul style="list-style-type: none"> ▪ Cintellate (Incident management and work orders) ▪ Oracle e-business suite (operations, maintenance, commercial, financial, customer) modules ▪ Docova (document management system) ▪ Cisco (communications system) ○ Risk Management and financial planning. <p>As identified in the 2018 Asset Management system review, there were ten recommendations which Kleenheat was required to action to strengthen its documenting and reporting processes. Kleenheat has completed six of the required actions and anticipates it will complete the further four by the 30 September 2019 target date.</p> <p>Based on our audit procedures and the work performed in the 2018 AMS review we determined that Kleenheat has maintained an Asset Management System during the period of audit.</p>
	Priority: 5	Control Adequacy: NP	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 there have been no substantial changes made to the AMS during the audit period.
	Priority: 4	Control Adequacy: NP	Compliance Rating: NR
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 2016 to 31 May 2018.
	Priority: 5	Control Adequacy: NP	Compliance Rating: 1

Obligation under condition			Findings
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>		On 23 May 2019, with the ERA's approval, Kleenheat appointed Deloitte as the independent auditor to undertake the audit for the period 1 June 2016 to 31 May 2019.
	Priority: 4	Control Adequacy: NP	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, in relation to the purposes of operating under the Licence, Kleenheat had not taken an interest or easement in respect of land held by a public authority during the audit period.
	Priority: 5	Control Adequacy: NP	Compliance Rating: NR
24	The licensee must not supply gas to customers unless the licensee is a member of an approved Gas Industry Ombudsman Scheme and is bound by any decision or direction of the ombudsman under the Scheme. <i>Energy Coordination Act section 11ZQH</i>		Through discussion with the Reticulation and Standards Manager and examination of Kleenheat's Gas Distribution Licence and remittance for FY16 to FY19 to the ombudsman, we determined that Kleenheat: <ul style="list-style-type: none"> • Is precluded by its gas distribution licence from distributing gas to small use customers unless it is a member of the approved gas industry ombudsman scheme • Has remained a gas industry member of the ombudsman scheme during the audit period.
	Priority: 4	Control Adequacy: NP	Compliance Rating: 1

4.2 Gas Standards Act 1972

Not applicable obligation

Obligation 26: A licensee must not supply gas at less than the relevant approved minimum heating value.

Energy Coordination Act section 11Z, Gas Standards Act 1972 Section 8(1)

In accordance with Kleenheat's Gas Distribution Licence, Kleenheat is licenced to engage in supply of gas to customers through its distribution network. During the period of audit, Kleenheat had LPG distribution systems in Oyster Harbour (Albany), Margaret River and Leinster for which it was both the owner and operator of. Kleenheat owns and manages its Kwinana Production Facility where gas is refined and distributed throughout the network to its customers.

The Gas Standards Act 1972 mandate that the Licensee must not supply gas at less than the required approved minimum heating value specified in section 8(1) of the Act. On 25 July 2019, Kleenheat contacted the ERA to clarify what the approved heating value is as this is not documented in the act. The ERA advised that required heating value is governed by the Building and Energy division of Department Mines Industry Regulation and Safety (**DMIRS**). On 30 July 2019, Kleenheat made enquiries with Building and Energy, who issued a statement to Kleenheat outlining that:

- There are two requirements for distributed LPG:
 - It must be in accordance with AS4670 specification
 - Maximum propene level which the regulations allow currently at 15%.
- Once the composition is known (that meets the two criteria above) the heating value can be calculated and used for billing purposes
- No minimum heating value exists, because the determined heating value supplied is used for billing.

Through discussion with the Reticulation and Standards Manager, examination of gas sampling results, Kleenheat's website and communications with Building and Energy, we determined that Kleenheat has maintained processes designed to:

- Bill LPG reticulation customers by the cubic metre for gas consumed, as is evidenced by the pricing structure on its website.
- Although Kleenheat can calculate the heating value, they do not require the heating value for billing
- Meet the distributed LPG technical requirements, with:
 - LPG refined to meet current requirements of AS4670 specification
 - The maximum propene level is 15%, which Kleenheat is compliant with based of the sampling results from its network.

We concluded that Kleenheat's applied processes and the determination from Building and Energy have the following effect on Kleenheat's Gas Standard Act obligations:

- As Minimum HHV is not applied in billing calculations to customers and sampling results supplied demonstrate compliance with AS4670 – Commercial Propane and Commercial Butane for Heating Purposes, section 8 of the Gas Standards Act is not applicable

Obligation under condition		Findings	
10 Licence Compliance Requirements – Gas Standards Act 1972			
25	<p>A licensee must comply with the applicable standards of the Gas Standards Act 1972.</p> <p><i>Energy Coordination Act section 11Z</i></p>	<p>Through discussion with the Reticulation and Standards Manager and examination of Gas Sampling results for its distribution network, we determined that Kleenheat maintained processes designed to meet compliance with the Gas Standards act by:</p> <ul style="list-style-type: none"> Scheduling and undertaking gas sample testing on a bi-annual basis from 2016 to 2018 and quarterly from 2018 onwards to determine the heating value, pressure, purity and odour of gas Maintaining records of testing results. <p>Our testing of a sample of gas odour results confirmed that Kleenheat has consistently performed gas sampling for each location on its distribution network throughout the audit period, as required by the Gas Standards Act.</p>	
	Priority 2	Control Adequacy: A	Compliance Rating: 1
27	<p>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.</p> <p><i>Energy Coordination Act section 11Z</i></p> <p><i>Gas Standards Act 1972 Section 9(1)</i></p>	<p>The Reticulation and Standards Manager confirmed that during the period of audit, Kleenheat did not cause or permit any alteration to be made in the specific gravity, flame speed or other prescribed characteristic of gas supply by it. Through testing a sample of gas sampling results we determined that during the audit period the characteristic of Gas had remained the same.</p>	
	Priority 2	Control Adequacy: NR	Compliance Rating: NR
28	<p>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.</p> <p><i>Energy Coordination Act section 11Z</i></p> <p><i>Gas Standards Act 1972 Section 13(1)</i></p>	<p>Through discussion with the Reticulation and Standards Manager and examination of Kleenheat's inspection policy statement, we determined:</p> <ul style="list-style-type: none"> Kleenheat's inspection policy statement is updated on a periodic basis, with the Reticulation and Standards Manager confirming that the 2017 updated version was approved by the Building and Energy Kleenheat applies the following processes to perform inspection plan reporting: <ul style="list-style-type: none"> Quarterly inspection plan report is compiled in the approved format and submitted to Building and Energy by the required submission date Annual inspection plan report is compiled, detailing any significant factors that have affected operations and then submitted to Building and Energy by 31 August Perform annual internal audit of the inspection plan. <p>By testing a sample of reports, we determined that Kleenheat has submitted the required reports to Building and Energy in the prescribed timeframes.</p>	
	Priority 2	Control Adequacy: A	Compliance Rating: 1

4.3 Energy Coordination (Customer Contracts) Regulations 2004

Background

The Energy Coordination (Customer Contracts) Regulations 2000 (**Regulations**) were introduced in 2000 to outline the responsibility of gas traders in respect of their customers. The Gas Compendium for Small Use Customers (**Compendium**) was introduced from 1 July 2009, to regulate and control the conduct of gas retailers, distributors and marketing agents in relation to the supply and marketing of gas to customers.

Obligation 87 is partially addressed in the requirements of the new Compendium. As such, the obligation is reported on in section 4.5 below, along with reference to the audit work performed for the relevant obligation of the Compendium and have not been reported on in this section.

No.	Obligation under condition	Findings
12 Licence Compliance Requirements - Energy Coordination (Customer Contracts) Regulations 2004		
88	<p>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.</p> <p><i>Energy Coordination (Customer Contracts) Regulations 28, clause 3.1.3.1 AGA Code</i></p>	<p>Through discussion with the Reticulation and Standards Manager, LPG Admin officer and examination of Reticulated Gas Training modules, we determined that during the audit period, Kleenheat has the following processes for in place to process new connections:</p> <ul style="list-style-type: none"> • Upon receipt of a customer new connection enquiry via either website or call centre, a member of Kleenheat's Customer Service Team will: <ul style="list-style-type: none"> ○ Confirm the availability of reticulated gas at the customers supply address ○ Complete new connection template and provide the customer a copy of the request for gas form ○ Forward the connection request to Kleenheat's LPG Retic team • Upon receipt of the new connection template, Kleenheat's LPG Retic team will: <ul style="list-style-type: none"> ○ Create the customer account and liaise with Kleenheat's network contractor to provide a quote for connection ○ Once the completed customer request for gas form and connection quote fee received from contractor, LPG Retic team member will uploaded documents to Oracle and forward a request for connection to Kleenheat's network contractors. • Kleenheat's network contractors will install the meter at the supply address and commission the gas. Kleenheat are issued with supporting documentation from the contractor to demonstrate the installation has been completed and within the required timeframe. <p>Through performing a desktop review of processed new connection requests, we determined that Kleenheat was compliant in meeting the new connection timeframe of clause 3.1.3.1 of the AGA code.</p>
	<p>Priority: 5</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	

No.	Obligation under condition	Findings
89	<p>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.</p> <p>Energy Coordination (Customer Contracts) Regulations 28, clause 3.5.2.1 AGA Code</p>	<p>Through discussions with the Reticulation and Standards Manager and examination of LPG network inspection notices sent to customers in Margaret River, we determined that Kleenheat schedules work in advance. Notification was provided to customers one month in advance to notify them work will be conducted at their supply address.</p>
	<p>Priority: 5</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	
90	<p>A licensee must ensure that any representatives seeking access to the supply address on its behalf wear, carry and show official identification.</p> <p><i>Energy Coordination (Customer Contracts) Regulations 33(3), clause 3.5.2.2 AGA Code</i></p>	<p>The Reticulation and Standards Manager confirmed that Kleenheat was non-compliant with this obligation during the period of audit. Through discussion with the Reticulation and Standards Manager we determined that:</p> <ul style="list-style-type: none"> • Kleenheat contractors have been provided Kleenheat branded uniforms but not identification badges • During the network outage at Rapids Landing on 17 January 2019, there was one instance where a member of the public staying at a friend's house contacted Kleenheat due to being unsure of the identity of a Kleenheat contractor who had arrived at the premises to re-instate supply.
	<p>Priority: 5</p> <p>Control Adequacy: B</p> <p>Compliance Rating: 2</p>	
	<p>Recommendation 1/2019</p> <p>Kleenheat create and issue all customer facing staff with an ID card, which is required to be carried at all times when interacting with customers.</p>	<p>Action Plan 1/2019</p> <p>Kleenheat will issue all contractors with an ID card.</p> <p>Responsible person: Reticulation and Standards Manager</p> <p>Target date: October 2019</p>

4.4 Licence Conditions

Background

The Licence Condition Requirements of Kleenheat's Gas distribution Licence outline the responsibility of gas distributors in respect of their regulatory obligations imposed under the licence. The Gas Compendium for Small Use Customers (**Compendium**) was introduced from 1 July 2009, to regulate and control the conduct of gas retailers, distributors and marketing agents in relation to the supply and marketing of gas to customers.

Obligation 103 is partially addressed in the requirements of the new Compendium. As such, the obligation is reported on in section 4.5 below, along with reference to the audit work performed for the relevant obligation of the Compendium and have not been reported on in this section.

No.	Obligation under condition	Findings
13 Licence Compliance Requirements – Licence Conditions		
92	<p>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.</p> <p><i>Licence Conditions Clause 12</i></p>	<p>Through discussion with Reticulation and Standards Manager, examination of relevant documentation and consideration of Kleenheat's processes for continuously operating supply of its distribution system to comply with the Regulations, we determined that during the audit period Kleenheat has maintained processes designed to:</p> <ul style="list-style-type: none"> • Continually monitor the gas supply and quality throughout its LPG distribution network, with gas sampling performed on a quarterly basis. We tested a sample of sampling results which demonstrated that Kleenheat conducted testing throughout the audit period • Maintained an Asset Management Plan and applied a maintenance schedule to ensure that the distribution system continues to function. The effectiveness of the asset management system was subject to audit in 2018 • Inspected various points on its network through the period as evidenced by: <ul style="list-style-type: none"> ○ Quarterly and annual inspection plan reporting compiled and submitted to Building and Energy ○ Internal audit of the inspection plan conducted annually and submitted to Building and Energy ○ We tested a sample of reports to evidence that these activities had been performed in a timely manner. <p>In two instances during the audit period, Kleenheat's Rapids Landing Gas Distribution Network experienced an emergency interruption in supply of gas.</p>

				<p>Through discussion with the Reticulation and Standards Manager and examination of communications with Building and Energy, we determined that for the three interruptions that occurred, Kleenheat applied processes to re-instate the network in a timely manner by:</p> <ul style="list-style-type: none"> • Activating Emergency response activities in accordance with the Call Centre and Responder Reticulated Sites process when responding to the outages that occurred at Rapids Landing during the period of audit • Notified Building and Energy of the incident within 24 hour timeframe specified in Regulation 43(3) • Issued a preliminary report to Building and Energy as required by Regulation 41(1)(b). In one instance Kleenheat could not meet the 14 day requirement to submit the report, however had a request for extension approved by Building and Energy and submitted the report in required timeframe. We concluded that this was sufficient to demonstrate compliance with the requirement • Provided Building and Energy with a final incident report for both outages in the required timeframe, as mandated by Regulations 43 and 44(1)(c). <p>Kleenheat experienced a significant emergency interruption on 7 June 2018, when a gas fire occurred at its Leinster LPG distribution network, when excavation activities caused a gas leak that found an ignition source and ignited. Through discussion with the Reticulation and Standards Manager and examination of supporting documentation, we determined that Kleenheat applied emergency processes to re-instate the network in a timely manner.</p>
	Priority: 2	Control Adequacy: A	Compliance Rating: 1	
93	<p>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.</p> <p><i>Licence Conditions Clause 13</i></p>			<p>Through discussion with the Reticulation and Standards Manager, we determined that during the period of audit Kleenheat has maintained its activities under the licence.</p>
	Priority: 4	Control Adequacy: NP	Compliance Rating: NR	
94	<p>A licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the asset management review.</p> <p><i>Licence Conditions Clause 14.4</i></p>			<p>The Audit Plan approved by the ERA in August 2018 commits Kleenheat and Deloitte (as the appointed independent expert) to complying with the prescribed audit guidelines and reporting manual issued by the ERA.</p> <p>Deloitte confirms that this review was undertaken utilising the March 2019 issue of the Audit and Review Guidelines: Electricity and Gas Licences.</p>
	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	

95	A licensee's independent expert must be approved by the ERA prior to reviewing the effectiveness of the asset management system. <i>Licence Conditions Clause 14.6</i>		Deloitte was appointed as the independent auditor by Kleenheat and approved by the ERA in July 2018.
	Priority: 5	Control Adequacy: NP	
96	A licensee must comply and require its expert to comply with the ERA's standard guidelines dealing with the performance audit. <i>Licence Conditions Clause 15.2</i>		The Audit Plan approved by the ERA in July 2019 commits Kleenheat and Deloitte (as the appointed independent expert) to complying with the prescribed audit guidelines and reporting manual issued by the ERA. Deloitte confirms that this audit was undertaken utilising the March 2019 issue of the Audit Guidelines: Electricity and Gas Licences.
	Priority: 4	Control Adequacy: NP	
97	A licensee's independent auditor must be approved by the ERA prior to the audit. <i>Licence Conditions Clause 15.4</i>		Deloitte was appointed as the independent auditor by Kleenheat and approved by the ERA on 23 May 2019.
	Priority: 5	Control Adequacy: NP	
98	A licensee may be subject to individual performance standards. <i>Licence Conditions Clause 16</i>		The Reticulation and Standards Manager confirmed that Kleenheat has not been subject to individual performance standards during the audit period.
	Priority: 5	Control Adequacy: NP	
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>Licence Conditions Clause 18</i>		Through discussion with the Reticulation and Standards Manager and observation of email and letter communications, we determined that Kleenheat retains records of its formal communications with the ERA, which are made via post or email.
	Priority: 5	Control Adequacy: NP	
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>Licence Conditions Clause 19.1</i>		The Reticulation and Standards Manager confirmed that during the audit period Kleenheat maintained accounting records that comply with the AASB or equivalent International Accounting Standards. Through examination of Wesfarmers Limited's (Wesfarmers) (of which Kleenheat is a wholly owned subsidiary) 2016, 2017 and 2018 Annual Reports, we assessed that the audit opinion on those financials, as issued by Ernst and Young for FY16 Financial Statements on 21 September 2016, FY17 Financial Statements on 19 September 2017 and FY18 Financial Statements on 14 September 2018 included comment confirming that the Financials:

				<ul style="list-style-type: none"> • Are prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative • Use the pronouncements of the Australian Accounting Standards Board (AASB) • Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods.
	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	
101	<p>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.</p> <p><i>Licence Conditions Clause 20</i></p>			<p>The Reticulation and Standards Manager confirmed that during the audit period, Kleenheat:</p> <ul style="list-style-type: none"> • Was not under external administration • Did not experience a significant change in its corporate or financial circumstances that may affect its ability to meet its licence obligations. <p>Through examination of Wesfarmers 2016, 2017 and 2018 Annual Reports, the auditor's opinion stated that Kleenheat was not under external administration and did not experience a significant change in its corporate or financial circumstances that may affect its ability to meet its licence obligations.</p>
	Priority: 4	Control Adequacy: NP	Compliance Rating: NR	
102	<p>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.</p> <p><i>Licence Conditions Clause 21.1</i></p>			<p>Through discussion with the Reticulation and Standards Manager and examination of the 2015/17, 2016/17 and 2017/18 annual compliance reports and performance datasheets submitted to the ERA we determined that the required information had been submitted to the ERA within the prescribed timeframe. The annual compliance reports were approved by Kleenheat's General Manager.</p>
	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	
104	<p>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.</p> <p><i>Licence Conditions Schedule 3 Clause 1</i></p>			<p><i>Obligation 104 and 105</i></p> <p>Through discussion with the Reticulation and Standards Manager, we determined that Kleenheat:</p> <ul style="list-style-type: none"> • 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 • Requirement for other users to access the network under the National Access Code is not relevant.
	Priority: 4	Control Adequacy: NP	Compliance Rating: NR	
105	<p>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.</p> <p><i>Licence Conditions Schedule 3 Clause 2</i></p>			
	Priority: 4	Control Adequacy: NP	Compliance Rating: NR	

4.5 Compendium of Gas Customer Licence Obligations

No.	Obligation under condition	Findings
15 Licence Compliance Requirements - Compendium of Gas Customer Licence Obligations (Compendium)		
Part 7 Disconnection		
226	A distributor who disconnects a customer's supply address for emergency reasons must provide a 24 hour emergency line and use its best endeavours to restore supply as soon as possible, <i>Compendium Clause 7.5</i>	<p>Through discussion with the Reticulation and Standards Manager, Credit Officer Reticulated and Natural Gas and examination of Reticulated Gas and Disconnection training modules we determined that Kleenheat's standard practice when emergency disconnections occur is to have an emergency message which plays on the IVR system advising customers of the nature of the emergency and an estimate of the time when supply will be restored.</p> <p>In two instances during the audit period, Kleenheat's Rapids Landing Gas Distribution Network experienced an interruption in supply of gas. Through discussion with the Reticulation and Standards Manager and examination of communications with Building and Energy we determined that:</p> <ul style="list-style-type: none"> • Kleenheat applied a 24 hour emergency line when emergency disconnections occurred at Rapids Landing • Through application of emergency restoration processes and deployment of staff, applied its best endeavours for the orderly re-instatement of the network in a timely manner with both outages resolved within 48 hours.
	Priority: 4	Control Adequacy: NP
		Compliance Rating: 1

No.	Obligation under condition	Findings	
227	<p>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.</p> <p><i>Compendium Clause 7.6</i></p>	<p>Through discussion with the Customer Advocate, Credit Officer Reticulated and Natural Gas, examination of Kleenheat's disconnection procedures and Training Modules, sample testing of disconnection and examination of customer complaints data, we determined that:</p> <ul style="list-style-type: none"> • Kleenheat does not arrange for disconnection if a complaint has been filed by the customer • Disconnections are not performed: <ul style="list-style-type: none"> ○ After 3pm on Monday to Thursday ○ On a Friday, Saturday, Sunday, Public Holiday or on the eve of a public holiday. • Credit team staff are trained to ensure that prior to disconnection, the credit status of the customer account in Oracle is not subject to: <ul style="list-style-type: none"> ○ An open customer complaint (which suspends the disconnection workflow within the system) ○ Payment difficulty ○ Financial Hardship ○ Applicable medical conditions. 	
	Priority: 2	Control Adequacy: A	Compliance Rating: 1

No.	Obligation under condition	Findings	
15 Licence Compliance Requirements - Compendium of Gas Customer Licence Obligations (Compendium)			
Part 8 Reconnection			
230	<p>A distributor must reconnect the customer's supply address upon the request of a retailer and subject to the retailer complying with the retail market rules, within 2 business days of receipt of the request, or where the retailer has notified the distributor of a later date for reconnection, within 2 business days of that later date. 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.</p> <p><i>Compendium Clause 8.2(1)-(3)</i></p>	<p>Through examination of the Gas Compliance Reporting Manual and applicable codes, we determined that clause 3.1.2.2 of the AGA Code is in direct conflict with obligation 227, Compendium clause 8.2(1) and (3) around the number of business days Kleenheat has to reconnect a customer's supply address. We determined that the compendium requires the licensee to reconnect supply within two business days, whereas the AGA code states one business day. Through consultation with the ERA, we were advised that:</p> <ul style="list-style-type: none"> • Obligations under both the AGA Code and the Compendium apply to Kleenheat and the audit must assess Kleenheat's compliance with both obligations • The Public Utilities Office is currently conducting a review of energy customer contract regulations, with a view to removing all references to the AGA Code from the Gas Regulations. <p>Through discussion with the Credit Officer – Reticulated & Natural Gas, Reticulation and Standards Manager, desktop review of sample reconnections and consideration of Kleenheat's Reticulated Gas training module, we determined that during the audit period:</p> <ul style="list-style-type: none"> • There were occasions in which customers requested and met the criteria for reconnection • Kleenheat applied the following procedures to arrange for customers to be reconnected: <ul style="list-style-type: none"> ○ A customer who has failed to pay a bill will be reconnected if the customer has either paid the balance owing, agreed to a payment plan, or has been assessed as being in financial hardship ○ Once payment has been received from the customer, the request for reconnection will be logged in the Oracle system and raised with Kleenheat's contractor. The reconnection process is: <ul style="list-style-type: none"> ▪ Driven by arranging a mutually agreed time between the customer and Kleenheat's network contractor ▪ For a reconnection to occur Kleenheat requires access to the customers home to test/purge/relight the customers gas installation 	
87	<p>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</p> <p><i>Energy Coordination (Customer Contracts) Regulations 28, clause 3.1.2.2 AGA Code</i></p>		
	Priority: 4	Control Adequacy: NP	Compliance Rating: 1

No.	Obligation under condition	Findings			
		<ul style="list-style-type: none"> ▪ Kleenheat’s network contractors are provided with contact information for the customer who requires reconnection and arrange the agreed time for the re-connection to be completed ▪ Designed to make best effort to complete reconnection in the same day (subject to customer availability), otherwise will be completed the next day to satisfy the required two business day timeframe of the compendium ▪ Kleenheat contractor to notify Kleenheat of the completed reconnection. • Kleenheat is non-compliant with meeting the one business day reconnection timeframe of the AGA code. Upon initial receipt of a reconnection request, Kleenheat’s current processes are not configured to: <ul style="list-style-type: none"> ○ Ask the customer if access to the supply address and gas installation is available upon initially receiving the reconnection request ○ Record the date rather than the time which the customer reconnection request was lodged, meaning it cannot determine if it meets the one business day timeframe for requests received before 3PM on a business day ○ Not all reconnection steps are currently being captured in the diary comments of the reconnected accounts. 			
	<table border="1"> <tr> <td data-bbox="241 1086 526 1161">Priority: 5</td> <td data-bbox="533 1086 846 1161">Control Adequacy: B</td> <td data-bbox="853 1086 1055 1161">Compliance Rating: 2</td> </tr> </table>	Priority: 5	Control Adequacy: B	Compliance Rating: 2	
Priority: 5	Control Adequacy: B	Compliance Rating: 2			
	<p>Recommendation 2/2019</p> <p>Kleenheat:</p> <ol style="list-style-type: none"> 1. Consult with the ERA and Public Utilities Office on the applicability of the AGA Code 2. Enhance its processes to document all the reconnection steps performed and the time the reconnection request was received. 	<p>Action Plan 2/2019</p> <p>Kleenheat will:</p> <ol style="list-style-type: none"> 1. Contact the ERA to determine the future applicability of the AGA code to its operations 2. Update its software processes in Oracle for recording the reconnection steps and ensure that it applies processes for documenting the time reconnection requests are received. <p>Responsible person: Reticulation and Standards Manager</p> <p>Target date: December 2019</p>			

No.	Obligation under condition	Findings	
230 A	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 as Kleenheat acted as both the retailer and distributor of its LPG reticulated network during the audit period, this obligation is not relevant as all communications are completed internally.	
	Priority: 4	Control Adequacy: NP	Compliance Rating: NR
230 B	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	Control Adequacy: NP	Compliance Rating: NR

4.5 Compendium of Gas Customer Licence Obligations

No.	Obligation under condition	Findings	
15 Licence Compliance Requirements - Compendium of Gas Customer Licence Obligations (Compendium)			
Part 10 Information and Communication			
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>	Through discussion with the Customer Advocate and Reticulation and Standards Manager and examination of customer training modules, we determined that: <ul style="list-style-type: none"> • There were occasions in which customers requested information relating to gas distribution • Customers are to be either transferred directly to the relevant Kleenheat staff member, or provided with the relevant contact details to address distribution enquiries. 	
	Priority: 4	Control Adequacy: NP	Compliance Rating: 1

No.	Obligation under condition	Findings
245	<p>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.</p> <p><i>Compendium Clause 10.9</i></p>	<p>Through discussion with the Customer Advocate, Reticulation and Standards Manager and examination of Kleenheat's publicly available documentation, sample invoices and correspondence with customers and we determined that Kleenheat has maintained and applied standard practices, which:</p> <ul style="list-style-type: none"> Require information sent out to customers (such as a Residential Reminder Notice and Invoice) to be written in clear and concise language and a format that is easily interpretable Provide customer support contact information on all written information for further queries
	<p>Priority: 5 Control Adequacy: NP Compliance Rating: 1</p>	
247	<p>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.</p> <p><i>Compendium Clause 10.10(2)</i></p>	<p>Through discussion with the Customer Advocate and examination of the Customer Welcome Pack and Training Modules, we determined that Kleenheat has established and applied standard practices, which enable Kleenheat staff to:</p> <ul style="list-style-type: none"> Provide the Gas Marketing Code and Compendium to a customer upon request Refer customers to the Gas Marketing Code of Conduct and Compendium, which are available on Kleenheat's website. <p>Although Kleenheat does not maintain specific records of instances where a customer made a request for information relating to the Gas Marketing Code and the Compendium. Through reviewing the analytics of views of the relevant pages of Kleenheat's website, showed they were visited by approximately 166 unique visitors during the audit period. Our examination of the customer complaints register did not identify complaints relating to Kleenheat's obligations for the provision of information during the audit period.</p>
	<p>Priority: 4 Control Adequacy: NP Compliance Rating: 1</p>	
249	<p>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).</p> <p><i>Compendium Clause 10.11(1)</i></p>	<p>Our examination of Kleenheat's Customer Charter, invoice template and website, we determined that Kleenheat provides Interpreter Services, TTY (teletypewriter) Services large print copies and further customer assistance upon request at no charge. Our examination of the customer complaints register did not identify instances of complaints relating to Kleenheat's obligations for the provision of support services during the audit period.</p>
	<p>Priority: 4 Control Adequacy: NP Compliance Rating: 1</p>	

No.	Obligation under condition	Findings
250	<p>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:</p> <ul style="list-style-type: none"> its TTY services; independent multi-lingual services; and <p>interpreter services with the National Interpreter Symbol and the words "Interpreter Services". <i>Compendium Clause 10.11(2)</i></p>	<p>Our examination of Kleenheat's customer bills, reminder notices and disconnection warnings indicates that the TTY number (with the words "Teletypewriter (National Relay Service)"), Telephone Interpreter Services information (with the words "Telephone Interpreter Services") and National Interpreter Symbol are included on those documents.</p>
	<p>Priority: 4 Control Adequacy: NP Compliance Rating: 1</p>	

4.5 Compendium of Gas Customer Licence Obligations

No.	Obligation under condition	Findings
15 Licence Compliance Requirements - Compendium of Gas Customer Licence Obligations (Compendium)		
Part 12 Complaints and Dispute Resolution		
251	<p>A retailer and distributor must develop, maintain and implement an internal process for handling complaints and resolving disputes.</p> <p><i>Compendium Clause 12.1(1)</i></p>	<p>Through discussion with the Customer Service Advocate and examination of Kleenheat's policies and Complaint Handling Training Module, we determined that:</p> <ul style="list-style-type: none"> During the audit period, Kleenheat: <ul style="list-style-type: none"> Maintained a Customer Complaint Handling Policy and Procedure, supported by internal customer advocacy training and a dedicated Customer Advocate, designed to comply with AS ISO 10002 - 2006 specifically for gas related activities Had processes in place to review and update internal documents yearly or as necessary when changes are made to complaint handling guidelines or standards Maintained 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 Has a designated Customer Advocate, who is responsible for reviewing escalated complaints, identifying any systematic issues or trends and providing a weekly summary report to management Used a monthly 'end of month report', generated from Oracle and submitted to the Senior Management Group to monitor the total number of complaints, a breakdown of the different types of complaints logged and Energy Ombudsman escalations

No.	Obligation under condition	Findings			
	<table border="1"> <tr> <td data-bbox="241 722 407 778">Priority: 4</td> <td data-bbox="414 722 703 778">Control Adequacy: NP</td> <td data-bbox="710 722 1032 778">Compliance Rating: 1</td> </tr> </table>	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	<ul style="list-style-type: none"> • Kleenheat’s Customer Complaint Handling Policy and Procedure details a comprehensive Complaint Handling flowchart, which ensures a consistent approach to resolving complaints. The procedure covers points such as: <ul style="list-style-type: none"> ○ Recording Of A Complaint From Kleenheat And Non-Kleenheat Customer ○ How To Manage Customer’s Complaint ○ Managing Customers’ Behaviour ○ Verbal and Written Complaints ○ Escalated Complaints ○ Resolutions. • Customer Service Officers (CSO) record all customer complaints in the Oracle system, in the specific customer account under the daily log tab.
Priority: 4	Control Adequacy: NP	Compliance Rating: 1			
252	<p>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.</p> <p><i>Compendium Clause 12.1(2)</i></p> <table border="1"> <tr> <td data-bbox="241 1246 407 1297">Priority: 4</td> <td data-bbox="414 1246 703 1297">Control Adequacy: NP</td> <td data-bbox="710 1246 1032 1297">Compliance Rating: 1</td> </tr> </table>	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	<p>Through discussion with the Customer Advocate and examination of Kleenheat’s Complaints Handling Training Module, Customer Complaint Handling Policy and Procedure, we determined that:</p> <ul style="list-style-type: none"> • Kleenheat’s Complaints Handling Process is structured and designed to comply with AS ISO 1002-2006. Kleenheat’s procedures and training modules outline the: <ul style="list-style-type: none"> ○ Process of recording a complaint from Kleenheat and non-Kleenheat customers ○ Process of recording a resolution ○ Response time and method ○ Management handling and monitoring process. • Information on how to lodge a complaint is available to Kleenheat customers at no cost • Complaints brochures are available at all branches and must be provided to a customer on request.
Priority: 4	Control Adequacy: NP	Compliance Rating: 1			
254	<p>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.</p> <p><i>Compendium Clause 12.1(3)(a)</i></p>	<p>Through discussion with the Customer Advocate and examination of Kleenheat’s Customer Complaint Handling Policy and Procedure, and its complaints register, we determined that Kleenheat’s process provides for:</p> <ul style="list-style-type: none"> • Information to be provided to a customer in accordance with clause 12.1(2) of the Compendium 			

No.	Obligation under condition	Findings			
		<ul style="list-style-type: none"> Escalation to a senior figure if the first line of contact was unsuccessful in resolving the complaint to a satisfactory manner (clause 12.1(3)(a) of the Compendium) The customer to be notified of the outcome and the reason for the outcome in written form, upon request (clause 12.1(3)(b) of the Compendium), where the complaint has not been resolved to the customer's satisfaction <p>During the 2018 GTL audit, there were complaints raised by Kleenheat's customers and Kleenheat applied appropriate processes to demonstrate compliance within this obligation during the audit period by escalating it to a senior staff member, the Customer Advocate.</p> <p>Also during the 2018 GTL audit, Kleenheat disclosed one instance where a Natural Gas customer was not appropriately advised of their right to have their complaint escalated to a senior employee within Kleenheat. As this non-compliance pertained to Kleenheat's retail activities (as opposed to its distribution activities) it has no impact on compliance with activities performed through the distribution licence, as there were no instances where a distribution customer was not advised of the right to have their complaint escalated to a senior employee. However, this instance highlighted a gap in the customer service team member's understanding of Kleenheat's complaints handling requirements.</p> <p>In response to this Kleenheat's Complaints Policy & Procedure has undergone significant amendments to provide agents with more detailed guidance around complaints handling and recording, including in relation to their obligation to advise customers of their right to have their complaint escalated internally and externally. The Procedure is saved in Kleenheat's data management system and all employees and management have been notified regarding this new procedure. Complaints training has been rolled out to all relevant employees on the new Complaints Procedure. As part of this training, employees were required to undertake an assessment to confirm they understand their obligations. Scripting has been provided to agents to prompt them to escalate complaints at the time of handling complaints. Implemented in training and embedded into Quality Call Coaching routines.</p>			
	<table border="1"> <tr> <td data-bbox="241 1208 405 1251">Priority: 4</td> <td data-bbox="412 1208 703 1251">Control Adequacy: NP</td> <td data-bbox="710 1208 1032 1251">Compliance Rating: 1</td> </tr> </table>	Priority: 4	Control Adequacy: NP	Compliance Rating: 1	
Priority: 4	Control Adequacy: NP	Compliance Rating: 1			
255	<p>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 Energy & Water Ombudsman or another relevant external</p>	<p>Through discussion with the Customer Advocate and examination of Kleenheat's Customer Complaint Handling Policy and Procedure and its complaints register, we determined that Kleenheat's process provides for:</p> <ul style="list-style-type: none"> Information to be provided to a customer in accordance with clause 12.1(2) of the Compendium 			

No.	Obligation under condition	Findings
	<p>dispute resolution body and provide the Freecall telephone number of the Energy & Water Ombudsman.</p> <p><i>Compendium Clause 12.1(3)(b)</i></p>	<ul style="list-style-type: none"> Notifying customers of their right to refer their complaints to the Ombudsman if they are still unsatisfied with Kleenheat's response, and providing Freecall and Freefax number of the Ombudsman to the customer <p>Kleenheat's Customer Service Charter also notifies customers of their right to refer their complaints to the Ombudsman if they are dissatisfied with Kleenheat's response.</p> <p>We did not note any complaint related to Kleenheat's distribution activities which was not resolved internally in a manner acceptable to the customer throughout the audit period. As such, we have considered this obligation as 'Not Rated'.</p>
	<p>Priority: 4</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: NR</p>	
255 A	<p>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.</p> <p><i>Compendium Clause 12.1(4)</i></p>	<p>Through discussion with the Customer Advocate, walkthrough of the complaint handling procedure and examination of Kleenheat's Complaints Handling Training Module, we determined that during the audit period Kleenheat:</p> <ul style="list-style-type: none"> Had received written complaints from customers Applied processes, which required: <ul style="list-style-type: none"> The complaint to be acknowledged and initial response on the progress of the complaint to be provided within 2 business days The customer to be kept informed of how their complaint is progressing if the complaint requires further investigation. <p>Our examination of the customer complaints register did not identify instances of complaints regarding Kleenheat's obligations for managing written complaints during the audit period.</p>
	<p>Priority: 4</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	
257	<p>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.</p> <p><i>Compendium Clause 12.3</i></p>	<p>Through discussion with the Customer Advocate, examination of Kleenheat's Customer Service Charter and consideration of Kleenheat's Complaint Handling Training Modules, we determined that:</p> <ul style="list-style-type: none"> Kleenheat's Customer Service Charter includes information relating to Kleenheat's complaints handling process During the audit period: <ul style="list-style-type: none"> There were instances where a customer had made a request for information relating to Kleenheat's complaint handling processes CSOs applied Kleenheat's standard practice for: <ul style="list-style-type: none"> Providing information relating to the complaints handling process to customers upon request, at no charge Referring customers to the Customer Service Charter, which is available online. If requested, a copy of the Customer Service Charter can be mailed, at no charge.
	<p>Priority: 4</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	

No.	Obligation under condition	Findings
258	<p>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).</p> <p><i>Compendium Clause 12.4</i></p>	<p>Through discussion with the Customer Advocate and the examination of recorded logged complaints (written and via telephone), we observed that Kleenheat's customer service and complaints handling processes provide for:</p> <ul style="list-style-type: none"> • 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) • The customer to be made aware of the reason for the referral • The customer to be offered the appropriate entity's direct line, or the call is transferred.
	<p>Priority: 4</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	

4.5 Compendium of Gas Customer Licence Obligations

No.	Obligation under condition	Findings
15 Licence Compliance Requirements - Compendium of Gas Customer Licence Obligations (Compendium)		
Part 13 Record Keeping and Reporting		
281	<p>A retailer and a distributor must prepare a report in respect of each reporting year setting out the information specified by the ERA.</p> <p><i>Compendium Clause 13.1</i></p>	<p>Through discussion with the Reticulation and Standards Manager and examination of Kleenheat's Annual Performance Reports, we determined that Kleenheat had prepared reports in the manner and form as required by Part 13 of the Compendium for the three years subject to audit.</p>
	<p>Priority: 4</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	
282	<p>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.</p> <p><i>Compendium Clause 13.2</i></p>	<p>Through discussion with the Reticulation and Standards Manager and examination of Kleenheat's Annual Performance Reports for FY16, FY17, FY18 and examination of correspondence with the ERA, we determined that:</p> <ul style="list-style-type: none"> • Kleenheat submitted the Annual Performance Report for each year to the ERA before the 1 October deadline • Annual Performance Reports contained the manner and form required by the ERA.
	<p>Priority: 4</p> <p>Control Adequacy: NP</p> <p>Compliance Rating: 1</p>	

No.	Obligation under condition	Findings
103	<p>A licensee must publish any information it is directed by the ERA to publish, within the timeframes specified.</p> <p><i>Licence Conditions Clause 22</i></p>	<p>The Reticulation and Standards Manager confirmed that during the audit period, the ERA made no directions for Kleenheat to publish information, other than the Annual Performance Reports as required by Licence condition and Compendium clause.</p> <p>Through discussion with the Reticulations and Standards Manager and examination of supporting documentation, we determined that Kleenheat:</p>
	<p>Priority: 4 Control Adequacy: A Compliance Rating: 2</p>	<p>Through discussion with the Reticulations and Standards Manager and examination of supporting documentation, we determined that Kleenheat:</p> <ul style="list-style-type: none"> • Did not maintain records of the date by which the ERA directed it to publish its FY16 annual performance report on its website • Kleenheat has seven calendar days to publish the report on its website once it receives direction from the ERA • Kleenheat submitted the FY16 report to the ERA on 30 September 2016 and published it on its website on 15 October 2016 • Without the supporting documentation being available when the ERA directed Kleenheat to publish the report, Kleenheat cannot demonstrate compliance with this obligation • Improved its record keeping practices and was able to demonstrate that it met the requirements to provide its FY17 and FY18 annual performance report to the ERA and publish it on the website in the required timeframes.
283	<p>A report referred to in clause 13.1 must be published by the date specified by the ERA.</p> <p><i>Compendium Clause 13.3</i></p>	
	<p>Priority: 4 Control Adequacy: A Compliance Rating: 2</p>	
	<p>Recommendation (Obligations 282 and 283) Not Applicable – Refer to 2.5 Recommendations and action plans, A. Resolved during the audit period</p>	<p>Action Plan (Obligations 282 and 283) No further action required.</p>

5 Previous audit non-compliances and recommendations

Reference (no./year)	Legislative obligation	Rating	Details of the issue (<i>taken from the 2016 Performance Audit and Asset Management Review Report</i>)	Auditors' recommendation or action taken	Date resolved	Further action required
A. Resolved before end of previous audit period						
1/2016 25	Energy Coordination Act section 11Z Licensee must comply with the standards of the Gas Standards Act 1972	B2	An inspectors order was applied by EnergySafety for non-compliance with the Safety Case and other requirements contained in the Gas Standards Act 1972.	None the corrective action has taken place.	N/a	No further action required subject to Energy Safety WA (ESWA) review scheduled for late 2016
2/2016 28	Energy Coordination Act section 11Z Gas Standards Act 1972 Section 13(1)	C2	A Licensee shall not commence to supply gas to a customer's gas installation unless that installation meets the requirements prescribed in respect of that installation. EnergySafety found during a recent audit that the Licensee was not reporting all the defects that were found during an inspection.	Although during the audit period the Licensee failed to comply with this requirement the Licensee has now rectified the situation	2015	No further action required subject to ESWA review scheduled for late 2016
3/2016 102	Energy Coordination Act section 11M	B2	A Licensee must provide to the ERA any information that the ERA may require in connection with its functions under the Energy Coordination Act 1994 in the time, manner and form specified by the ERA. The 2013 performance report was 2 days late.	Corrective control actions have already been implemented	2014	No further action required
5/2016 261	Energy Coordination Act section 11M	B2	For the purposes of subclause 13.1(1), a distributor must keep records or other information specified in clause 13.1(3) (a) (d). Does not show reconnections outside allowed time frames.	None as action has been deleted from current requirements	2016	No further action required
6/2016 270	Energy Coordination Act section 11M	B2	A distributor must keep a record of the total number of reconnections provided, other than those specified in clause 13.8(2)(a), and the total	None as action has been deleted from current requirements	2016	No further action required

Reference (no./year)	Legislative obligation	Rating	Details of the issue (<i>taken from the 2016 Performance Audit and Asset Management Review Report</i>)	Auditors' recommendation or action taken	Date resolved	Further action required
			number of those reconnections not provided within the prescribed timeframe Does not show reconnections outside allowed time frames.			
B. Resolved during current audit period						
4/2016	Obligation 283 - Energy Coordination Act Section 11M, Compendium clause 13.3 A report referred to in clause 13.1 must be published by the date specified by the ERA.	B2	A report referred to in clause 13.1 must be published by the date specified by the ERA As there is new web site there is no archival information on posting dates.	Improve system of compliance with regulatory requirements by adding the recording of dates of posting to the website. Action taken – Added to Cintellate.	2016	No further action required
C. Unresolved during current audit period						
There were no recommendations made by the previous audit that were unresolved during the current audit period.						

Appendix A – Audit Plan

Appendix B – References

Kleenheat staff and representatives participating in the audit

- Reticulations and Standards Manager
- Credit Officer – Reticulated & Natural Gas
- Natural Gas Credit Officer
- Customer Advocate
- Sales Support Officer

Deloitte staff participating in the audit

		Hours
• Vincent Snijders	Partner	17
• Maria Augusta Moreano	Manager	25
• Lyle Stewart	Senior Analyst and Lead Auditor	154
• Christine Chin	Analyst	33
• Peter Rupp	Partner – Quality Assurance	2

Deloitte Staff

Deloitte staff who will be involved throughout this assignment are detailed below, along with their role in each phase of the assignment:

Personnel	Phase		
	Planning	Fieldwork	Reporting
Vincent Snijders, Partner	✓	✓	✓
Maria Moreano, Manager	✓	✓	✓
Lyle Stewart, Senior Analyst	✓	✓	✓
Christine Chin, Analyst		✓	✓
Peter Rupp, Partner (QA)	✓		✓

Resumes for key Deloitte staff are outlined in the proposal accepted by Kleenheat and the Auditors Approval Submission document presented to the ERA.

Sites visited for this audit

All audit fieldwork was performed at Kleenheat's Murdoch office and Deloitte's Perth CBD office.

Key documents and other information sources examined

* *This list is not exhaustive*

- Kleenheat Reticulated Gas – Asset Management Plan
- 2018 AMS implementation update to ERA – July 2019
- E&W Ombudsman FY17-19 payments
- GDL9 licence invoice FY16 remittance
- GDL9 licence invoice FY16
- Kleenheat Rapids Landing 3rd Party Strike and Network Outage Jan'19 - Final Incident Report
- KH Rapids Landing Supply Interruption Dec'18 - Final Report

- ESWA KHG Propane Propene Sampling Letter - Released 29-6-17
- KH 2017-18 - Quarter 2 Report
- Kleenheat Inspection Plan Report - Q3 2016
- WKH Inspection Policy Statement and Plan 2017
- Kleenheat Annual Report 2016-17
- 2017-18 - Kleenheat Annual Report
- Kleenheat Annual report 2015-16
- WKH Inspection Policy Statement and Plan 2010
- FY17 Annual Report
- FY16 Annual Report
- FY18 Annual Report
- Flow Chart - Reticulated sites, House, Accommodation, Unit leaks
- Trading-and-Distribution-Licence-Annual-Report-Gas-2018
- 2017-Gas-Trading-and-Distribution-Licence-Annual-Report-1
- Retic disconnection process OCT2018(6-08-2019 11.41.13 AM)
- KHO-PD-CST-000-02 v8 Customer Complaint Handling Policy and Procedure
- Kleenheat Customer Charter(9-08-2019 9.46.08 AM)
- Retic customer sample invoice
- Gas Distribution Licence 9 - Version 9 - 1 January 2017 - GDL009 - Wesfarmers
Kleenheat Gas Pty Ltd

