



McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

KARARA POWER PTY LTD TRANSMISSION LICENCE ETL 6 PERFORMANCE AUDIT REPORT

Prepared By Kevan McGill
Date 25 September 2013



McGill Engineering Services Pty Ltd

Engineering, Adjudication & Arbitration Services ABN 45 106 691 169

Mahendra Kuruppu
Utilities Superintendent
Karara Power Pty Ltd
L9, 216 St George Terrace
PERTH WA 6000

Dear Mr Kuruppu

Performance Audit Electricity Licence

The fieldwork on the performance audit of Transmission Licence ETL 6 for the audit period (27 October 2010 to 30 June 2013) is complete and I am pleased to submit the report to you. The report reflects my findings and opinions.

In my opinion, the Licensee has maintained a good level of compliance with the Licence conditions and integrity with the Licensee's reporting obligations. There are 2 non-compliances noted.

In my opinion, the Licensee maintained, in all material aspects, control procedures in relation to the Transmission licence (ETL 6) for the audit period on the relevant clauses referred to within the scope section of this report.

Yours sincerely

Kevan McGill
Director

Date 25 September 2013

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1 Executive Summary

Karara Power (*Karara*) holds an Electricity Transmission Licence (ETL 6) issued by the Economic Regulation Authority under the Electricity Industry Act 2004. This performance audit was conducted in accordance with the guidelines issued by the Economic Regulation Authority (*Authority*) for the audit period (27 October 2010 to 30 June 2013.) to assess Karara's level of compliance with the licence conditions.

The Licensee has a 330kV/132kV transmission line running from Western Power's Eneabba Substation to Western Power's Three Springs Terminal and then to Karara mine site. The approximate length is 176 km. Western Power wheels electricity from Eneabba to Three Springs. The Licensee purchases power in bulk from Verve and is metered by Western Power at the network's entry point at Eneabba. There are no meters operated by the Licensee. The licensee currently supplies itself but there is an intention to supply other miners at Karara by a wheeling arrangement with Western Power. Western Power has indicated that it intends to purchase the Eneabba to Three Springs section in the future as part of its Mid West extensions.

The records and areas covered by the Licence were inspected and interviews were also held with key personnel at the Mid West licence area and in the Perth Office.

The Electricity Licence requires Karara to provide the authority with an audit report from an independent expert on a defined time scale. This is the first audit of the licence held by Karara.

1.1 OVERALL CONCLUSION

In my opinion, the Licensee has maintained a good level of compliance with the Licence conditions and integrity with the Licensee's reporting obligations. There are 2 non-compliances noted.

In my opinion, the Licensee maintained, in all material aspects, control procedures in relation to the Transmission Licence (ETL 6) for the audit period based on the relevant clauses referred to within the objectives section (Page 10) of this report.

A summary of the findings of the performance audit is given below.

1.2 RATINGS

A risk assessment approach is used to develop the depth of audit required for each Obligation and is documented in an Audit Plan approved by the Authority prior to audit. A 5 level Audit Priority scale is used based on the combined rating for Inherent Risk and Control Adequacy defined in the following table. Following approval of the audit plan, a number of obligations were approved by the Authority for removal from the audit. The Karara obligations assessed in this audit, all have an Audit Priority rating of 4 or 5.

	Adequacy of existing controls			
Inherent risk		Weak	Moderate	Strong
	High	Audit Priority 1	Audit Priority 2	
	Medium	Audit Priority 3	Audit Priority 4	
	Low	Audit Priority 5		

The audit has determined a compliance rating for each Obligation using the 7-point rating scale (5 for numerical rating score and 2 not rated/not applicable scales) described in the table below.

Compliance status	Rating	Description of compliance
COMPLIANT	5	Compliant with no further action required to maintain compliance
COMPLIANT	4	Compliant apart from minor or immaterial recommendations to improve the strength internal controls to maintain compliance
COMPLIANT	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required
NOT APPLICABLE	N/A	Determined that the compliance obligation does not apply to the Licensee's business operations
NOT RATED	N/R	No relevant activity took place during the audit period, therefore it is not possible to assess compliance

The total number of licence obligations assessed are summarised by audit priority ratings below.

Assessment	Total	Audit Priority				
		1	2	3	4	5
Compliant 5	9	0	0	0	6	3
Compliant 4	0	0	0	0	0	0
Compliant 3	3	0	0	0	0	3
Non-compliant 2	2	0	0	0	2	0
Significantly Non-compliant 1	0	0	0	0	0	0
Not Applicable	0	0	0	0	0	0
Not Rated	5	0	0	0	5	0

* Note Where an obligation was not exercised in the audit period, it was not possible to form an opinion about compliance and the item was not rated.

1.3 CORRECTIVE ACTIONS FROM LAST AUDIT

This is the first audit so there are no issues to follow up.

1.4 COMPLIANCE ELEMENTS REQUIRING CORRECTIVE MEASURES

There are 2 actions requiring corrective measures

Item 105 Transmission Licence condition 4.1	Compliance rating Not Compliant 2
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 17(1)</i> A Licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	
Issues	
2010 fees were late.	
Recommendations	
Establish action and control processes to ensure regulatory compliance issues are carried out and on time.	

Item 124 Electricity Industry Act section 11	Compliance rating Not compliant 2
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 16.1</i> A Licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act.	
Observations	
Issues	
2011, 2012 and 2013 reports were late.	
Recommendations	
Establish action and control processes to ensure regulatory compliance issues are carried out and on time.	

1.5 SUGGESTIONS FOR IMPROVEMENT

There are 3 suggestions for improvement:

Item 106 Transmission Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 31(3)</i> A Licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.	
Issues	
The line is monitored manually and by Western Power but it is not automatically monitoring Transmission line for outages.	
Recommendations	
Commence monitoring and recording outages on Transmission line.	

Item 485 Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	
<i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 9</i> A distributor or transmitter must, as far as reasonably practicable, ensure that the supply of electricity is maintained and the occurrence and duration of interruptions is kept to a minimum.	
Issues	
The line is monitored manually and by Western Power but the Licensee is not automatically monitoring Transmission line for outages.	
Recommendations	
Commence monitoring and recording outages on Transmission line.	

Item 498 Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	

<p><i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(1)</i> A distributor or transmitter must take all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with specified requirements.</p>

<p>Issues</p>

<p>Not Capturing historic SCADA data.</p>

<p>Recommendations</p>

<p>Commence capture of historic data from SCADA on Transmission line</p>
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2 PERFORMANCE AUDIT

2.1 PERFORMANCE AUDIT OBJECTIVES

Under section 13 of the *Electricity Industry Act 2004* (the Act), it is a requirement that every licensee provide the Economic Regulation Authority (Authority) not less than once in every period of 2 years or longer as the Authority allows with a performance audit conducted by an independent expert acceptable to the Authority.

The primary objective of the audit is to audit the effectiveness of measures taken by the Licensee to maintain quality and performance standards. The Act states a performance audit is an audit of the effectiveness of measures taken by the Licensee to meet the performance criteria specified in the licence. The licence states that performance standards are contained in applicable legislation. Performance criteria are defined in the licence as:

- (a) the terms and conditions of the *licence*; and
- (b) any other relevant matter in connection with the applicable legislation that the Authority determines should form part of the audit.

The licence also provides for individual licence conditions namely - the Authority may prescribe individual performance standards in relation to the Licensee of its obligations under this licence or the applicable legislation (the Act and subordinate legislation).

The audit and review are to be conducted in accordance with the prevailing ERA documents “Audit Guidelines: Electricity Gas and Water Licence (hereinafter “Guidelines”)¹ and the Electricity Compliance Reporting Manual (hereinafter “Manual”)². In particular, the Manual identifies each licence condition and resolves it into a number of obligations (hereinafter “Obligations”), each of which is to be addressed individually by the audit.

The Licensee appointed McGill Engineering Services Pty Ltd to conduct the audit of its Transmission Licence with approval from the Authority. A preliminary assessment was conducted with the Licensee’s management to determine the inherent risk and the state of control for each compliance element of the Licence obligation. McGill Engineering Services Pty Ltd then prioritised the audit coverage based on the risk profile of the Licensee with an emphasis on providing greater focus and depth of testing for areas of higher risk to provide reasonable assurance that the Licensee had complied with the standards, outputs and outcomes under the Licence obligations.

The audit was conducted in a manner consistent with Australian Auditing Standards (AUS) 808 “Planning Performance Audits” and AUS 806 “Performance

¹ Economic Regulation Authority: Audit guidelines: Electricity, Gas and Water Licence Aug 2010

² Economic Regulation Authority: Electricity Compliance Reporting Manual February 2013
Note that the Authority issued a revised reporting manual in February 2013 which intersects the audit period and no reporting has occurred in the audit period to that manual. A further revision was issued in June 2013 and will be used for this assessment.

Auditing”. McGill Engineering Services Pty Ltd evaluated the adequacy and effectiveness of the controls and performance by the Licensee relative to the standards referred in the Transmission Licence through a combination of enquiries, examination of documents and detailed testing for Transmission Licence ETL 6 for the Licensee.

2.2 AUDIT PERIOD

The audit period is 27 October 2010 to 30 June 2013. This is the first audit.

2.3 STATEMENT OF INDEPENDENCE

To the best of my knowledge and belief, there is no basis for contraventions of any professional code of conduct in respect of the audit.

I have not done or contemplate undertaking any other work with the Licensee.

There are no independence threats due to:

- self-interest – as the audit company or a member of the audit team have no financial or non-financial interests in the Licensee or a related entity;
- self-review – no circumstance has occurred:
 - where the audit company or a member of the audit team has undertaken other non-audit work for the Licensee that is being evaluated in relation to the audit/review; or
 - when a member of the audit team was previously an officer or director of the Licensee; or
 - where a member of the audit team was previously an employee of the Licensee who was in a position to exert direct influence over material that will be subject to audit during an audit/review.

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

- no work has been undertaken by the auditor, or a member of the audit/review team, for the Licensee within the previous 24 months; or
- the auditor is currently undertaking for the Licensee; or
- the auditor has submitted an offer, or intends to submit an offer, to undertake for the Licensee within the next 6 months; and
- there is no close family relationship with a Licensee, its directors, officers or employees, and
- the auditor is not, nor is perceived to be too sympathetic to the Licensee’s interests.

2.4 SCOPE LIMITATION

The audit was undertaken by examination of documents, interviews with key persons and observations and is not a detailed inspection of physical items.

2.4.1 EXCLUDED CONDITIONS

The licensee has no customers and the Licensee has not supplied any retailers in the audit period and no small use customers. There have been no generators, retailers or other customers connected to the network in the audit period. Accordingly all Code requirements are not applicable and are excluded.

Small Use Customers:

Conditions (488 and 502-506) in Network Quality and Reliability Code (NQR Code) are only applicable to Small Use Customers and have therefore been deleted.

Customer transfer Code:

The licensee has no customers in the audit period so there are no customers to transfer and the Customer transfer Code has been excluded.

Meter Code

The Licensee has no meters so conditions relating to licensee's meters or metering installations are not applicable and have been excluded. This means that all items other than 351 and 360 are excluded.

NQR Code

The licensee has no customers in the audit period so conditions relating to NQR are not applicable and are excluded. This leaves items 485 and 498 to be assessed.

2.5 INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

An audit is not designed to detect all weaknesses in compliance measures as an audit is not performed continuously throughout the period and the audit procedures performed on the compliance measures are undertaken on a test basis.

Any projection of the evaluation of the Transmission Licence to future periods is subject to the risk that the compliance measures in the plans may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

2.6 SCOPE OF THE AUDIT

The audit was conducted in 3 phases.

1. RISK AND MATERIALITY ASSESSMENT

With reference to AS/NZS4360 Risk Management a preliminary assessment was made of the risk and materiality of non-compliance with the required licence conditions in order to focus the audit effort on areas of higher compliance risk and identify areas for testing and analysis.

2. SYSTEM ANALYSIS, ASSERTION SETTING AND REVIEW

Through discussion, observation and review, a sample of cases or data was analysed relating to the Licensee's quality and performance systems and standards against requirements of the Licence conditions to be audited.

3. FIELDWORK: TESTING AND ANALYSIS

Using the results of the risk assessment and systems analysis, detailed testing and analysis was performed to compare those standards maintained by the Licensee with the relevant clauses of the Licence.

During this audit the Perth office and Mid West licensed areas were visited.

There are no previous actions to follow up being a first audit.

2.7 AUDIT ROLES

The report to the Licensee and the *Authority* clearly expresses the opinion of the auditor in respect of the findings of the audit.

The key contacts were:

- Licensee
 - Mahendra Kuruppu- Utilities Superintendent
 - Sufi Sufani – Commercial Analyst
- McGill Engineering Services Pty Ltd
 - Kevan McGill

The audit was conducted during July to September 2013. Kevan McGill took about 100 hours on the audit.

2.8 AUDIT REQUIREMENTS

Compliance with licence conditions was examined according to the likely inherent risk and the adequacy of controls to manage that risk.

Nature of audit work conducted

The *Authority* guidelines for performance audits require that the audit considers:

- a) **Process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.

- b) **Outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.
- c) **Output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained).
- d) **Integrity of performance reporting** – the completeness and accuracy of the performance reporting to the Authority.
- e) **Compliance with any individual licence conditions** - the requirements imposed on the specific Licensee by the Authority or specific issues for follow-up that are advised by the Authority.

Stage	Auditor	Standard
1. Risk & Materiality Assessment Outcome - Operational/ Performance Audit Plan	K McGill	ASA 300 Planning ASA 315: Risk Assessments and Internal Controls AUS 808: Planning Performance Audits AS/NZS 4360:2004: Risk Management ERA Guidelines
2. System Analysis	K McGill	AUS 810: Special Purpose Reports on Effectiveness of Control Procedures
3. Fieldwork Assessment and testing of; <ul style="list-style-type: none">• The control environment• Information system• Compliance procedures• Compliance attitude	K McGill	AUS 502: Audit Evidence AUS 806: Performance Auditing
4. Reporting	K McGill	ASA 300 Planning AUS 806: Performance Auditing

2.9 LICENCE

The licensee currently supplies itself but there is an intention to supply other miners at Karara. This will be by a wheeling arrangement by Western Power. Western Power has indicated that it intends to purchase the Eneabba to Three Springs section in the future as part of its Mid West extensions.

2.10 OVERALL CONCLUSION

In my opinion, the Licensee has maintained a good level of compliance with the Licence conditions but there were 2 non-compliances.

In my opinion, the Licensee maintained, in all material aspects, control procedures in relation to the Transmission (ETL 6) licence for the audit period based on the relevant clauses referred to within the scope section of this report.

2.11 FINDINGS

The conclusions of each of the elements of the licence are summarised in the following table. The audit risk as determined for each licence condition is also shown. The details of the audit can be seen in detailed findings Page 20

Item	Licence Clause/Condition reference (C.=clause, Sch.=schedule)	Obligations under condition	Consequences (1=Minor, 2=Moderate, 3=Major) Likelihood (A=likely, B=Probable, C=Unlikely)	Inherent Risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Licence Type (D=Transmission R = Retail)	Type	Audit priority	Rating
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Licence Conditions – Licence Clause – Transmission Obligations- Electricity Industry Act Section										Rating						
										1	2	3	4	5	NA	NR
101.	14.1	s ³ 13(1)	1	C	Low	M	T	NR	5					<input checked="" type="checkbox"/>		
102.	20.1	s14(1)(a)	1	C	Low	M	T	NR	5					<input checked="" type="checkbox"/>		
103.	20.2 &20.3	s14(1)(b)	2	C	Medium	M	T	2	4					<input checked="" type="checkbox"/>		
104.	20.4	s14(1)(c)	1	C	Low	M	T	NR	5					<input checked="" type="checkbox"/>		
105.	4.1	s17(1)	2	C	Medium	M	T	2	4		<input checked="" type="checkbox"/>					
106	5.1	s31(3)	1	C	Low	M	T	NR	5			<input checked="" type="checkbox"/>				
107.	5.1	s41(6)	2	C	Medium	M	T	2	4					<input checked="" type="checkbox"/>		

Licence Conditions – Electricity Industry Act Section Obligations- Licence Clause –Transmission										Rating						
										1	2	3	4	5	NA	NR
119.	s11	12.1	2	C	Medium	M	T	2	4					<input checked="" type="checkbox"/>		
120.	s11	13.4	2	C	Medium	M	T	2	4							<input checked="" type="checkbox"/>
121.	s11	14.2	2	C	Medium	M	T	2	4					<input checked="" type="checkbox"/>		
122.	s11	20.5	2	C	Medium	M	T	2	4					<input checked="" type="checkbox"/>		
123.	s11	15.1	2	C	Medium	M	T	2	4							<input checked="" type="checkbox"/>
124.	s11	16.1	2	C	Medium	M	T	2	4		<input checked="" type="checkbox"/>					
125.	s11	17.1&17.2	2	C	Medium	M	T	2	4							<input checked="" type="checkbox"/>
126.	s11	18.1	2	C	Medium	M	T	2	4					<input checked="" type="checkbox"/>		

³ s = Section of Act

Licence Conditions – Licence clause										Rating						
Obligations- Electricity Industry Metering Code Clause										1	2	3	4	5	NA	NR
351.	5.1	3.5(9)	2	C	Medium	M	T	2	4							<input checked="" type="checkbox"/>
360.	5.1	3.11(3)	2	C	Medium	M	T	2	4							<input checked="" type="checkbox"/>

Licence Conditions – Licence clause										Rating						
Obligations- Electricity Industry (Network Quality and Reliability) Code Clause										1	2	3	4	5	NA	NR
485.	5.1	9	1	C	Low	M	T	NR	5			<input checked="" type="checkbox"/>				
498.	5.1	23(1)	1	C	Low	M	T	NR	5			<input checked="" type="checkbox"/>				

2.12 ESTABLISHING THE CONTEXT

The key legislation that governs the licensing of providers of electricity is the Electricity Industry Act 2004. In turn, the compliance elements in the Licence were examined and referred to throughout the audit process.

2.12.1 AUDIT RESULTS AND RECOMMENDATIONS

Summary of significant results

A number of non compliances have been recorded.

2.12.2 COMPLIANCE ELEMENTS REQUIRING CORRECTIVE MEASURES

There are 2 issues requiring corrective action.

Item 105	Compliance rating
Transmission Licence condition 4.1	Not Compliant 2
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 17(1)</i>	
A Licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	
Issues	
2010 fees were late.	
Recommendations	
Establish action and control processes to ensure regulatory compliance issues are carried out and on time.	

Item 124	Compliance rating
Electricity Industry Act section 11	Not compliant 2
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 16.1</i>	
A Licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act.	

Issues
2011, 2012 and 2013 reports were late.
Recommendations
Establish action and control processes to ensure regulatory compliance issues are carried out and on time.

2.12.3 SUGGESTIONS FOR IMPROVEMENT

There are 3 opportunities for improvement.

Item 106 Transmission Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 31(3)</i> A Licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.	
Issues	
The line is monitored manually and by Western Power but the Licensee is not automatically monitoring Transmission line for outages.	
Recommendations	
Commence monitoring and recording outages on Transmission line.	

Item 485 Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	
<i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 9</i> A distributor or transmitter must, as far as reasonably practicable, ensure that the supply of electricity is maintained and the occurrence and duration of interruptions is kept to a minimum.	
Issues	
The line is monitored manually and by Western Power but the Licensee is not automatically monitoring Transmission line for outages.	
Recommendations	
Commence monitoring and recording outages on Transmission line.	

Item 498 Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	
<i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(1)</i> A distributor or transmitter must take all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with specified requirements.	
Issues	
Not Capturing of historic SCADA data.	
Recommendations	
Commence capture of historic data from SCADA on Transmission line	

2.12.4 POST AUDIT IMPLEMENTATION PLAN

The Licensee will be providing a separate post audit plan.

2.13 DETAILED FINDINGS

2.13.1 AUDIT WORK UNDERTAKEN

Interviews and enquiries were conducted to:

- Understand the control environment by determining the responsibility matrix and key control points
- Obtain the policies and procedures for managing Licence and licensed areas; and
- Identify the information systems and processes employed to manage Licence and licensed areas
- Determine the level of understanding of the systems and processes for managing Licence and licensed areas
- In reviewing the procedures and protocols for managing provision of services within a licensed area, where applicable, we obtained flowcharts of the processes and assessed the reasonableness of the decision matrix and the adequacy of the control points implemented by the Licensee.

2.14 AUDIT EVIDENCE

The following was considered in the audit.

- Transmission Licence
- Contact details
- Asset Register
- Environmental Plans and Approvals
- Spares List
- Commissioning Plans
- Karara Mining Financial reports
- Annual compliance returns
- Licence fees payment details
- Reticulation plans
- Asset management plan
- Risk management policy
- Project management manual
- As constructed details
- Lease payment details

- HR standards
- Sample emergency training schedule

2.15 DETAILED AUDIT FINDINGS

The following sets out the audit findings

2.15.1 ELECTRICITY INDUSTRY ACT – LICENCE CONDITIONS AND OBLIGATIONS

Item 101 Transmission Licence condition 14.1	Compliance rating Compliant 5
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 13(1)</i> A Licensee must, not less than once every 24 months, provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance
Evidence: interviewed Utilities Superintendent. Documents: The Licensee contracted with the auditor to carry out the audit. The documents were forwarded to the Authority as part of the approval of the auditor. Licensee received approval from the Authority for audit scope and appointment of auditor.	
Process	<input checked="" type="checkbox"/> Outcome
Output	<input checked="" type="checkbox"/> Reporting
Compliance	<input checked="" type="checkbox"/>
The Licensee contracted with the auditor to carry out the audit to meet the requirements. T	
Issues	
None	
Recommendations	
None	

Item 102 Transmission Licence condition 20.1	Compliance rating Compliant 5
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 13(1)</i> A Licensee must provide for an asset management system.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance
Evidence: interviewed Utilities Superintendent. Documents: Include, Asset Management Plan, Risk management policy, Project Execution Plan, Ellipse Screen shots, Asset Register, Environmental management plans Financial reports Commissioning Plans, Environmental Plans and Approvals, Spares List, Karara Mining Financial reports, Annual compliance returns, Licence fees payment details, Reticulation plans, Asset management plan, Project management manual, As constructed details.	
Process	<input checked="" type="checkbox"/> Outcome
Output	<input checked="" type="checkbox"/> Reporting
Compliance	<input checked="" type="checkbox"/>
The Licensee has an asset management system. A copy of the asset management plan was obtained, and maintenance systems reviewed at Perth Office. These included maintenance planning modules in Ellipse supported by spreadsheets. The asset management system includes time based and conditioned based maintenance. The review examined the efficacy of the asset management system.	
Issues	
None	
Recommendations	
None	

Item 103	Compliance rating
Transmission Licence condition 20.2 & 20.3	Compliant 5
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 13(1)</i> A Licensee must notify details of the asset management system and any substantial changes to it to the Authority.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Include letter to ERA about new AMP. The asset management system was examined in the audit and review.	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
In the licence application the asset management system was advised to the Authority. There have been no substantial changes that required notifying the Authority.	
Issues	
None	
Recommendations	
None	

Item 104	Compliance rating
Transmission Licence condition 20.4	Compliant 5
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 14(1)(c)</i> A Licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Include, Asset Management Plan. Approval and Appointment letters for current review.	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The Licensee contracted McGill Engineering Services, with approval of the Authority, for the review in accordance with the requirements and the review plan documents have been forwarded to the Authority as part of approval of the auditor. The review is being carried out within the time frame approved.	
Issues	
None	
Recommendations	
None	

Item 105	Compliance rating
Transmission Licence condition 4.1	Not Compliant 2
Licence: <i>Transmission</i>	
<i>Electricity Industry Act section 17(1)</i> A Licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Include invoices and receipts	

Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
The fees were paid but 2010 fee (invoiced in 2011) was late, 2011 and 2012 fees were paid on time.									
Issues									
2010 fees were late.									
Recommendations									
Establish action and control processes to ensure regulatory compliance issues are carried out and on time.									

Item 106	Compliance rating								
Transmission Licence condition 5.1	Compliant 3								
Licence: <i>Transmission</i>									
<i>Electricity Industry Act section 31(3)</i>									
A Licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Utilities Superintendent, listed site staff. Documents: Include incident log.									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
There have been 23 interruptions with all but one being of short duration. The longer issue (1.9 days) was caused by an incident of Western Power removing supply because of a suspected Western Power transformer fault (potential danger). Outages have been recorded manually. Western Power provided outage verification data. The Licensee has the systems to automatically monitor outages but has not yet done so. There is a need for mine production to keep interruptions to a minimum. All interruptions were minimized.									
Issues									
The line is monitored manually and by Western Power but the Licensee is not automatically monitoring Transmission line for outages.									
Recommendations									
Commence automatic monitoring and recording outages on Transmission line.									

Item 107	Compliance rating								
Transmission Licence condition 5.1	Compliant 5								
Licence: <i>Transmission</i>									
<i>Electricity Industry Act section 41(6)</i>									
A Licensee must pay the costs of taking an interest in land or an easement over land.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Utilities Superintendent, listed site staff. Documents: Not applicable									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
There are leases of private land and lease payments have been made.									
Issues									
None									
Recommendations									
None									

2.15.2 ELECTRICITY LICENCE – LICENCE CONDITIONS AND OBLIGATIONS

Item 119 Electricity Industry Act section 11	Compliance rating Compliant 5
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 12.1</i> A Licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: The Karara annual report declaration by the financial auditor has been sighted. The Karara financial accounts refer to compliance with the appropriate accounting standards.	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The Karara Mining annual reports show compliance with accounting standards.	
Issues	
None	
Recommendations	
None	

Item 120 Electricity Industry Act section 11	Compliance rating Not Rated
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 13.4</i> A Licensee must comply with any individual performance standards prescribed by the Authority.	
Observations	
Documents	<input type="checkbox"/> Compliance <input type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Not applicable.	
Process	<input type="checkbox"/> Outcome <input type="checkbox"/> Output <input type="checkbox"/> Reporting <input type="checkbox"/> Compliance <input type="checkbox"/>
There are no individual performance standards applied by the Authority to assess compliance.	
Issues	
None	
Recommendations	
None	

Item 121 Electricity Industry Act section 11	Compliance rating Compliant 5
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 14.2</i> A Licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: The audit plan was forwarded to the Authority, approval of the auditor obtained prior to appointment.	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The Licensee has contracted with the auditor to comply with the requirements.	
Issues	
None	

Recommendations
None

Item 122 Electricity Industry Act section 11	Compliance rating Compliant 5
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 20.5</i> A Licensee must comply, and must require the Licensee's expert to comply, with the relevant aspects of the Authority's standard guidelines dealing with the asset management system.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: The AMS review plan has been forwarded to the Authority approval of the reviewer obtained prior to appointment..	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The Licensee has contracted with the reviewer to comply with the requirements.	
Issues	
None	
Recommendations	
None	

Item 123 Electricity Industry Act section 11	Compliance rating Not Rated
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 15.1</i> A Licensee must report to the Authority, in the manner prescribed, if a Licensee is under external administration or there is a significant change in the circumstances upon which the licence was granted which may affect a Licensee's ability to meet its obligations.	
Observations	
Documents	<input type="checkbox"/> Compliance <input type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Not applicable.	
Process	<input type="checkbox"/> Outcome <input type="checkbox"/> Output <input type="checkbox"/> Reporting <input type="checkbox"/> Compliance <input type="checkbox"/>
The Licensee is not under external administration so not able to assess compliance with advice requirements.	
Issues	
None	
Recommendations	
None	

Item 124 Electricity Industry Act section 11	Compliance rating Not compliant 2
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 16.1</i> A Licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. The Utilities Superintendent advised that there have been no requests for information from the Authority other than Performance Audit, AMS Review and Compliance Report. Documents:	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>

The Licensee has not met the reporting manual requirements. The 2011 and 2012 reports were late. It is noted that the 2013 report was late but outside this audit period
Issues
2011, 2012 and 2013 reports were late.
Recommendations
Establish action and control processes to ensure regulatory compliance issues are carried out and on time.

Item 125 Electricity Industry Act section 11	Compliance rating Not Rated
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 17.1 & 17.2</i> A Licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.	
Observations	
Documents	<input type="checkbox"/> Compliance <input type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Not applicable.	
Process	<input type="checkbox"/> Outcome <input type="checkbox"/> Output <input type="checkbox"/> Reporting <input type="checkbox"/> Compliance <input type="checkbox"/>
The Authority has not directed any information to be published so unable to assess compliance with publishing requirements.	
Issues	
None	
Recommendations	
None	

Item 126 Electricity Industry Act section 11	Compliance rating Compliant 5
Licence: <i>Transmission</i>	
<i>Transmission Licence condition 18.1</i> Unless otherwise specified, all notices must be in writing.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent. Documents: Sample communication with ERA sighted.	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
No notices have been required by the Authority. All material communication with the Authority is in writing.	
Issues	
None	
Recommendations	
None	

2.15.3 ELECTRICITY INDUSTRY METERING CODE – LICENCE CONDITIONS AND OBLIGATIONS (ALL LICENCE CONDITION LICENCE CLAUSE 5.1)

Item 351 Licence condition 5.1	Compliance rating Not Rated
Licence: <i>Distribution</i>	

<i>Electricity Industry Metering Code clause 3.5(9)</i>									
If a network operator becomes aware that a metering installation does not comply with the Code, the network operator must advise affected parties of the noncompliance and arrange for the non-compliance to be corrected as soon as practicable.									
Observations									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
Evidence: interviewed Utilities Superintendent, inspected transmission line. Documents: n/a									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
The Licensee has no meters with all metering by Western Power. The Licensee is not aware of any non compliance to require advice.									
Issues									
None									
Recommendations									
None									

Item 360								Compliance rating	
Licence condition 5.1								Not Rated	
Licence: <i>Distribution</i>									
<i>Electricity Industry Metering Code clause 3.11(3)</i>									
A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.									
Observations									
Documents	<input type="checkbox"/>	Compliance	<input type="checkbox"/>						
Evidence: interviewed Utilities Superintendent, inspected Transmission line. Documents: n/a .									
Process	<input type="checkbox"/>	Outcome	<input type="checkbox"/>	Output	<input type="checkbox"/>	Reporting	<input type="checkbox"/>	Compliance	<input type="checkbox"/>
The Licensee has no meters with all metering by Western Power. The Licensee is not aware of any outage or malfunction to require advice.									
Issues									
None									
Recommendations									
None									

2.15.4 ELECTRICITY INDUSTRY (NETWORK QUALITY AND RELIABILITY OF SUPPLY) CODE – LICENCE CONDITIONS AND OBLIGATIONS (ALL LICENCE CONDITION LICENCE CLAUSE 5.1)

Item 485								Compliance rating	
Licence condition 5.1								Compliant 3	
Licence: <i>Transmission</i>									
<i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 9</i>									
A distributor or transmitter must, as far as reasonably practicable, ensure that the supply of electricity is maintained and the occurrence and duration of interruptions is kept to a minimum.									
Observations									
Documents	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>						
Evidence: interviewed Utilities Superintendent, inspected Transmission line. Documents: Outage log									
Process	<input checked="" type="checkbox"/>	Outcome	<input checked="" type="checkbox"/>	Output	<input checked="" type="checkbox"/>	Reporting	<input checked="" type="checkbox"/>	Compliance	<input checked="" type="checkbox"/>
There have been 23 interruptions with all but one being of short duration. The longer issue (1.9 days) was caused by an incident of Western Power removing supply because of a suspected									

Western Power transformer fault (potential danger). Outages have been recorded manually. Western Power provided outage verification data. The Licensee has the systems to automatically monitoring outages but has not yet done so. There is a need for mine production to keep interruptions to a minimum. All interruptions were minimized.
Issues
The line is monitored manually and by Western Power but the Licensee is not automatically monitoring Transmission line for outages.
Recommendations
Commence monitoring and recording outages on Transmission line.

Item 498 Licence condition 5.1	Compliance rating Compliant 3
Licence: <i>Transmission</i>	
<i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(1)</i> A distributor or transmitter must take all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with specified requirements.	
Observations	
Documents	<input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
Evidence: interviewed Utilities Superintendent, inspected Transmission line. Documents:	
Process	<input checked="" type="checkbox"/> Outcome <input checked="" type="checkbox"/> Output <input checked="" type="checkbox"/> Reporting <input checked="" type="checkbox"/> Compliance <input checked="" type="checkbox"/>
The Licensee has a SCADA system to continuously monitor the line. SCADA data is held short term and another system captures historic data but has yet to be implemented.	
Issues	
Not Capturing of historic SCADA data.	
Recommendations	
Commence capture of historic data from SCADA on Transmission line	

3 PHOTOGRAPHS



Eneabba Connection



Eneabba to Three Springs



Paralleling to energise other circuit



Three Springs Terminal



Tower for future connection for Golden Grove



Three Springs to Karara (& Existing WPC Golden Grove Line)