



Perth Power Partnership
Kwinana Cogeneration Plant

Electricity Generation Licence

Performance Audit and
Asset Management
System Review

Report

September 2013

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Executive Summary

Perth Power Partnership (PPP) (ABN 62 611 338 990) has an Electricity Generation Licence, issued by the Economic Regulation Authority (the Authority) under the Electricity Industry Act 2004. PPP is a partnership consisting of IPM Perth BV and IPM (Kwinana) Pty Ltd and RATCH-Australia Energy (Kwinana) Pte Ltd (formerly named Transfield Services Energy (Kwinana) Pte Ltd (ARBN 092 883 988)).

PPP operates the Kwinana Cogeneration Plant located within the Kwinana Industrial Area. The plant comprises two gas turbines and one steam turbine generators as part of a combined cycle co-generation plant. The plant nameplate capacity is 122.5 MW. The plant is capable of producing up to 122.5MW electrical output (capacity declared to the Independent Market Operator at ISO conditions) and 2,300 tonnes per day of process steam with the use of duct firing on the heat recovery steam generators.

Electricity generated is provided to Verve Energy and both electricity and process steam to the BP Kwinana oil refinery under Long Term Power Purchase Agreements.

This Performance Audit/Asset Management System Review has been conducted in order to assess the licensee's level of compliance with the conditions of its licence and the effectiveness of its asset management system.

The audit covered the period from 1st July 2010 to 30th June 2013 inclusive.

PERFORMANCE AUDIT

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that PPP has complied with its Electricity Generation Licence performance and quality standards and obligations during the audit period 1st July 2010 to 30th June 2013 without any exceptions.

The audit reviewed the action taken on the previous audit recommendations in the audit report dated September 2010 and confirmed that the two previous audit recommendations had been completed.

The audit confirmed that PPP has fully complied with its information reporting obligations for the period 1st July 2010 to 30th June 2013.

The control environment is considered to be well-designed and effective. No audit recommendations have been made to strengthen the internal controls.

ASSET MANAGEMENT SYSTEM REVIEW

The review of the Asset Management System has shown that the system is operating effectively and meeting the expected performance standards under the Authority's licence.

The policies, procedures and supporting systems to operate and maintain the system are comprehensively documented, maintained and applied. From review of the plant and the asset management system, the plant is being well-managed and maintained.

The review confirmed that the five recommendations from the previous review reported in September 2010 have been implemented.

The review identified one corrective action required:

- Include in the Business Continuity Plan, a structured testing plan covering the frequency and manner of testing individual components of the Plan (eg emergency evacuation, the alternate site control centre, etc.) and a full scenario test involving all key participants.

POST AUDIT IMPLEMENTATION PLAN

The Post-Audit Implementation Plan in Appendix A provides a summary of the issue and recommendation from this Performance Audit and Asset Management System Review with a management response from PPP.

The Post Audit Implementation Plan has been developed by the audit team in consultation with the licensee and has been approved by the licensee. PPP has agreed to implement the recommended actions.

Audit Opinion

LIMITATIONS

Our review has been conducted in accordance with applicable Standards on Assurance Engagements (ASAE) 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and 3100 “Compliance Engagements”.

Our audit procedures have been included in Section 1 of this report and have been undertaken to form a conclusion as to whether PPP has complied in all material respects, with the procedures and controls over the performance and quality standards and licence obligations of the Electricity Generation Licence for the period 1st July 2010 to 30th June 2013 as measured by the Authority’s Electricity Compliance Reporting Manual, June 2013.

This report was prepared for distribution to PPP and the Authority for the purpose of fulfilling PPP’s reporting obligations under the Electricity Generation Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than PPP and the Authority, or for any purpose other than that for which it was prepared.

Because of the inherent limitations of any internal control environment, it is possible that fraud, error or non-compliance may occur and not be detected. A review is not designed to detect all instances of non-compliance with the procedures and controls over the performance and quality standards and licence obligations of the Electricity Generation Licence, since we do not examine all evidence and every transaction. The review conclusions expressed in this report have been formed on this basis.

Auditor’s Unqualified Opinion

In our opinion, the Perth Power Partnership has complied, in all material respects, with the performance and quality standards and obligations of the Electricity Generation Licence for the period from 1st July 2010 to 30th June 2013.

We confirm that the Authority’s Audit Guidelines: Electricity, Gas and Water Licences (August 2010) have been complied with in the conduct of this audit and the preparation of the report, and that the audit findings reflect our professional opinion.

QUANTUM MANAGEMENT CONSULTING & ASSURANCE

GEOFF WHITE PERTH, WA
DIRECTOR 30 SEPTEMBER 2013

Perth Power Partnership
Kwinana Cogeneration Plant

Electricity Generation Licence

Performance Audit and Asset
Management System Review
- Introduction

Report

September 2013

1. Background

Perth Power Partnership (PPP) (ABN 62 611 338 990) has an Electricity Generation Licence, issued by the Economic Regulation Authority (the Authority) under the Electricity Industry Act 2004. PPP is a partnership consisting of IPM Perth BV and IPM (Kwinana) Pty Ltd and RATCH-Australia Energy (Kwinana) Pte Ltd (formerly named Transfield Services Energy (Kwinana) Pte Ltd (ARBN 092 883 988)).

PPP operates the Kwinana Cogeneration Plan (KCP) located within the Kwinana Industrial Area (KIA). The plant comprises two gas turbines and one steam turbine generators as part of a combined cycle co-generation plant. The plant nameplate capacity is 122.5 MW. The plant is capable of producing up to 122.5MW electrical output (capacity declared to the Independent Market Operator at ISO conditions) and 2,300 tonnes per day of process steam with the use of duct firing on the heat recovery steam generators.

Electricity generated is provided to Verve Energy and both electricity and process steam to the BP Kwinana oil refinery under Long Term Power Purchase Agreements.

PPP is required to comply with the terms and conditions of their licence, including applicable legislative provisions and performance reporting as set out in the Electricity Compliance Reporting Manual (issued June 2013).

Not less than once in every period of 36 months, PPP requires a performance audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority. This audit period is 1st July 2010 to 30th June 2013. The previous audit period was 1st July 2008 to 30th June 2010 (report issued in September 2010).

Our audit approach is based on the compliance obligations set out in the licence (Operating Licence EGL8 (Version 3 dated 20 January 2011), applicable legislation and the Audit Guidelines issued by the Authority in August 2010.

2. Methodology

2.1 Objectives and Scope

2.1.1 Performance Audit

The objective of the Performance Audit was to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

The audit applied a risk-based audit approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The scope of the audit covered the following:

- **process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- **compliance with any individual licence conditions** - the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

The audit reviewed the status of the previous audit recommendations and also sought to identify any areas where improvement is required based on the current audit period.

2.1.2 Asset Management System Review

The objective of the review was to assess the adequacy and effectiveness of the asset management system in place for the undertaking, maintenance and monitoring of the licensee's assets.

The scope of the review included an assessment of the adequacy and effectiveness of the asset management system by evaluating the key processes of:

- Asset planning
- Asset creation/acquisition
- Asset disposal
- Environmental analysis
- Asset operations
- Asset maintenance
- Asset management information system
- Risk management
- Contingency planning
- Financial planning
- Capital expenditure planning
- Review of the asset management system.

The review assessed the status of the previous review recommendations and also identified any areas where improvement is required based on this review period.

2.2 Audit Period and Timing

The audit covered the period 1st July 2010 to 30th June 2013 inclusive and was conducted in July 2013.

The previous audit covered the period 1st July 2008 to 30th June 2010 inclusive.

2.3 Licensee's Representatives Participating in the Audit

- James Lee Plant Manager
- Andrew Usher Plant Engineer
- Ken Ferguson HSEQ Compliance Advisor
- Mark Jameson Operations and Maintenance Supervisor
- Lui Dinardo Financial Controller.

2.4 Key Documents Examined

- PPP Electricity Generation Licence (EGL8, Version 3, 13 January 2011)
- Kwinana Cogeneration Plant Electricity Licence Area Generation (Plan ERA-EL-085)
- ABN/ABR registers for PPP and partners
- 2010 Performance Audit and Asset Management System Review for Perth Power Partnership (September 2010)
- Post-Audit Implementation Plan update and acknowledgment letter from the Authority dated 13 December 2011
- Compliance Reports to the Authority for 2010/11, 2011/12 and 2012/13 and confirmations from the Authority
- Table of Licence Renewals/Reports Due and Fees
- Remittance advices for payment of licence fees to the Authority
- IMP Kwinana Cogeneration Business Plan 2010-2014
- Kwinana Full Year Forecast V3 2012
- Kwinana Budget V1 2013
- Kwinana Medium Term Plan 2014-2018
- KCP's Operations & Maintenance Budget – Capital Expenditure Forecast 2013-2017
- KCP's Five Year Capital Spares Purchases 2012-2031
- KCP's Maintenance Prediction 2012
- Customer Satisfaction Survey – Survey Monkey 2012
- Perth Power Partnership Annual Reports for the financial years ending 31 December 2010, 2011 and 2012
- Kwinana Cogeneration Plant Monthly Report – June 2013
- Verve Contract – Supply of Electricity Part 3 section 8 in Power Purchase Agreement
- BP Contract – BP Energy and Services Agreement – Supply of Electricity and Steam Part 3 Section 8
- Kwinana Operations and Maintenance Agreement – Kwinana Power Partnership
- KCP-01 - Environmental Policy
- KCP-02 - Maintenance Policy
- KCP-03 - Operations Policy
- KCP-04 - Quality Assurance Policy
- KCP-05 - Business Management Policy
- KCP-06 - Purchasing & Warehousing Policy
- KCP-08 - Health & Safety Policy
- Permit to Work Forms
- Various operating and maintenance procedures
- Metering data spreadsheets
- Maintenance Work Orders List (planned and unplanned)
- Abnormal Occurrence Reports
- Contact Register

- IPM Kwinana Cogeneration Plant Business Continuity Plan
- Emergency Response Manual
- Minutes of Health, Safety and Environment Meetings (monthly)
- Minutes of Compliance Meetings (quarterly)
- Annual Environmental and Annual Audit Compliance Reports for the years ended 30 June 2010, 2011 and 2012 to the Department of Environment and Conservation
- List of internal audits/reviews conducted from 2011
- Technician Training Module outlines
- Plant Modification Request Register
- Revenue & Receivables Cycle Transaction Flow Chart
- Facility Agreement

2.5 Performance Audit - Compliance Ratings

PPP's compliance with the licence obligations was assessed using the following compliance ratings.

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 of 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

2.6 Asset Management System Review - Effectiveness Ratings

The adequacy of processes and policies, and the performance of the key processes were assessed using the scales described in the tables below.

Asset Management Process and Policy Definition - Adequacy Ratings

RATING	DESCRIPTION	CRITERIA
A	Adequately defined	<ul style="list-style-type: none"> • Processes and policies are documented. • Processes and policies adequately document the required performance of the assets. • Processes and policies are subject to regular reviews, and updated where necessary. • The asset management information system(s) are adequate in relation to the assets that are being managed.
B	Requires some improvement	<ul style="list-style-type: none"> • Process and policy documentation requires improvement. • Processes and policies do not adequately document the required performance of the assets. • Reviews of processes and policies are not conducted regularly enough. • The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).
C	Requires	<ul style="list-style-type: none"> • Process and policy documentation is incomplete or requires significant

	significant improvement	<p>improvement.</p> <ul style="list-style-type: none"> Processes and policies do not document the required performance of the assets. Processes and policies are significantly out of date. The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not for purpose (taking into consideration the assets that are being managed).

Asset Management Process - Performance Ratings

RATING	DESCRIPTION	CRITERIA
1	Performing effectively	<ul style="list-style-type: none"> The performance of the process meets or exceeds the required levels of performance. Process effectiveness is regularly assessed, and corrective action taken where necessary.
2	Opportunity for improvement	<ul style="list-style-type: none"> The performance of the process requires some improvement to meet the required level. Process effectiveness reviews are not performed regularly enough. Process improvement opportunities are not actioned.
3	Corrective action required	<ul style="list-style-type: none"> The performance of the process requires significant improvement to meet the required level. Process effectiveness reviews are performed irregularly, or not at all. Process improvement opportunities are not actioned.
4	Serious action required	<ul style="list-style-type: none"> Process is not performed, or the performance is so poor that the process is considered to be ineffective.

2.7 Audit Team and Hours

NAME AND POSITION	BUDGET HOURS
Geoff White – Director	10
Andrea Stefkova – Assistant Manager	60
Mike Zammit – Consulting Engineer (Qualeng)	25
TOTAL	95

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3. Performance Audit

The preliminary risk assessment included in the Audit Plan was reviewed and updated in the course of the audit and a compliance rating using the scale in Section 2.5 was assigned to each obligation under the licence, as shown in Section 3.1. Section 3.2 provides details of the current status of key recommendations from the previous audit. Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

3.1 Summary of Compliance Ratings

The audit assessment of the compliance ratings for each licence condition is shown below.

No. ¹	Licence Compliance Element	Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)							
							1	2	3	4	5	N/A	N/R	
ELECTRICITY INDUSTRY ACT – LICENCE CONDITIONS AND OBLIGATIONS														
-	Electricity Industry Act section 7 (4)	N/A	N/A	N/A	N/A	N/A						✓		
101	Electricity Industry Act section 13(1)	Cl. 14.1	1	C	Low	Strong					✓			
102	Electricity Industry Act section 14(1)(a)	Cl. 20.1	3	C	High	Strong					✓			
103	Electricity Industry Act section 14(1)(b)	Cl. 20.2 & 20.3	2	C	Medium	Strong					✓			
104	Electricity Industry Act section 14(1)(c)	Cl. 20.4	1	C	Low	Strong					✓			
105	Electricity Industry Act section 17(1)	Cl. 4.1	1	C	Low	Strong					✓			
106	Electricity Industry Act section 31(3)	Cl. 5.1	2	C	Medium	Moderate					✓			
107	Electricity Industry Act section 41(6)	Cl. 5.1	1	C	Low	Strong					✓			
119	Electricity Industry Act section 11	Cl. 12.1	1	C	Low	Strong					✓			
120	Electricity Industry Act section 11	Cl. 5.1	N/A	N/A	N/A	N/A						✓		
121	Electricity Industry Act section 11	Cl. 14.2	2	C	Medium	Strong					✓			
122	Electricity Industry Act section 11	Cl. 14.2	2	C	Medium	Strong					✓			
123	Electricity Industry Act section 11	Cl. 15.1	1	C	Low	Moderate							✓	
124	Electricity Industry Act section 11	Cl. 16.1	2	C	Medium	Strong					✓			
125	Electricity Industry Act section 11	Cl. 17.1 & 17.2	2	C	Medium	Strong					✓			
126	Electricity Industry Act section 11	Cl. 18.1	2	C	Medium	Strong					✓			
ELECTRICITY INDUSTRY METERING CODE – LICENCE CONDITIONS AND OBLIGATIONS														
345	Electricity Industry (EI) Metering Code clause 3.3B	Cl. 5.1	2	B	Medium	Moderate							✓	
360	EI Metering Code clause 3.11(3)	Cl. 5.1	2	B	Medium	Strong					✓			
361 ²	EI Metering Code clause 3.16(5)	Cl. 5.1	2	C	Medium	Strong							✓	
385	EI Metering Code clause 3.27	Cl. 5.1	N/A	N/A	N/A	N/A						✓		
392	EI Metering Code clause 4.4(1)	Cl. 5.1	2	B	Medium	Strong					✓			
393	EI Metering Code clause 4.5(1)	Cl. 5.1	2	B	Medium	Strong					✓			

¹ The number refers to the item reference in the Electricity Compliance Reporting Manual, ERA June 2013

² 2005 Metering Code obligation as listed in the Electricity Reporting Compliance Manual, ERA May 2011

No. ¹	Licence Compliance Element	Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)								
							1	2	3	4	5	N/A	N/R		
395 ³	EI Metering Code clause 5.5(3)	Cl. 5.1	2	B	Medium	Strong					✓				
409	EI Metering Code clause 5.4(2)	Cl. 5.1	2	B	Medium	Strong					✓				
422	EI Metering Code clause 5.16	Cl. 5.1	2	B	Medium	N/A						✓			
423	EI Metering Code clause 5.17(1)	Cl. 5.1	2	B	Medium	Strong					✓				
426	EI Metering Code clause 5.18	Cl. 5.1	N/A	N/A	N/A	N/A						✓			
427	EI Metering Code clause 5.19(1)	Cl. 5.1	1	C	Low	Moderate								✓	
428	EI Metering Code clause 5.19(2)	Cl. 5.1	2	C	Medium	Strong					✓				
429	EI Metering Code clause 5.19(3)	Cl. 5.1	2	C	Medium	Moderate								✓	
412 ⁴	EI Metering Code clause 5.19(4)	Cl. 5.1	2	B	Medium	Strong								✓	
431	EI Metering Code clause 5.19(6)	Cl. 5.1	2	B	Medium	Strong								✓	
437	Electricity Industry Metering Code clause 5.21(5)	Cl. 5.1	1	C	Low	Strong								✓	
438	EI Metering Code clause 5.21(6)	Cl. 5.1	2	B	Medium	Strong								✓	
456	EI Metering Code clause 5.27	Cl. 5.1	2	B	Medium	Strong								✓	
469	EI Metering Code clause 6.1(2)	Cl. 5.1	N/A	N/A	N/A	N/A						✓			
472	EI Metering Code clause 7.2(1)	Cl. 5.1	2	B	Medium	Strong					✓				
474	EI Metering Code clause 7.2(4)	Cl. 5.1	N/A	N/A	N/A	N/A						✓			
475	EI Metering Code clause 7.2(5)	Cl. 5.1	N/A	N/A	N/A	N/A						✓			
476	EI Metering Code clause 7.5	Cl. 5.1	2	B	Medium	Strong					✓				
477	EI Metering Code clause 7.6(1)	Cl. 5.1	2	B	Medium	Strong					✓				
478	EI Metering Code clause 8.1(1)	Cl. 5.1	2	B	Medium	Strong								✓	
479	EI Metering Code clause 8.1(2)	Cl. 5.1	2	B	Medium	Strong								✓	
480	EI Metering Code clause 8.1(3)	Cl. 5.1	2	B	Medium	Strong								✓	
481	EI Metering Code clause 8.1(4)	Cl. 5.1	2	B	Medium	Strong								✓	
482	EI Metering Code clause 8.3(2)	Cl. 5.1	2	B	Medium	Strong								✓	
	Electricity Licences - Licensee Specific Conditions and Obligations	Cl. 5.1	N/A	N/A	N/A	N/A						✓			

³ 2005 Metering Code obligation as listed in the Electricity Reporting Compliance Manual, ERA May 2011

⁴ 2005 Metering Code obligation as listed in the Electricity Reporting Compliance Manual, ERA May 2011

3.2 Previous Audit Recommendations

The status of the key recommendations in the previous audit report issued in September 2010 is summarised below.

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
1.1	Generation Licence Condition 4.1 - Electricity Industry Act section 17 (1)	<p>Licence fees were paid 4 days after the date they were required to be paid by the licence.</p> <p>The organisation is aware of the requirements for payment of licence fees annually.</p> <p>As a result of the last audit an EMPAC work order was established to pay licence fees. The last date it was set for was the 1/7/10; however, the Licensee has amended the work order to be raised on 9/5/2011. This should ensure future compliance with this Licence Condition.</p> <p>The ERA invoice was issued and paid within the organisations accounts system as promptly as allowed. The issue arises as the system requires accounts prior to payment. In order to meet the deadline a payment would need to be authorised prior to receipt of the invoice.</p>	2	Monitoring of the Licence fees in the management meeting could be considered to ensure the payment is occurring on time. Investigation of approval to pay without the invoice could be sought.	<p>a) Work order scheduled date brought forward to ensure more time available for payment to be actioned.</p> <p><i>Completed</i></p> <p>b) Purchasing procedure review undertaken with regard to making provision for regulatory licences to paid on due date regardless of invoice being received.</p> <p><i>Financial Controller</i> <i>By 31 March 2011</i></p>	<p>The work order schedule date in the EMPAC system was brought forward to ensure more time available for payment to be actioned.</p> <p>The KCP-06-02 Purchase of Goods and Services procedure has been updated to provide flexibility for regulatory licences to be paid on due date regardless of invoice being received.</p> <p>Audit sighted the remittance advices and confirmed that the licence fees for 2010, 2011 and 2012 were paid by the due dates.</p>	COMPLETED
1.2	Generation	The Risk Survey Report by	4	Ensure the post audit	A review has been	Various WA	COMPLETED

Item	Licence Condition	Previous Audit Findings	Prev. Comp. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Licence Condition 5.1	Marsh reviewed the consequences of fire risks, natural perils, catastrophic failure, terrorism, etc. It did not consider the loss of natural gas supply specifically. However the Business Continuity Plan (BCP) does consider this event, ranking the probability of total loss of gas supply as Low. Consideration could be given to reviewing this document in light of the Varanus Island incident as per discussions with the Plant Manager.		implementation action plan from the 2008 audit is monitored for completion and effectiveness.	undertaken and the probability ranking of a loss of supply event has been increased to Medium as a result of the Varanus Island Incident. However there is no simple solution to obtaining alternative supplies of gas fuel should something happen to upstream production facilities or the DBNG pipeline to CS10 at Kwinana. At this time, there is no alternative source of supply available or, perhaps more importantly, an alternative pipeline route to the plant for that supply. This issue will continue to remain on PPP's review agenda until such time as any viable alternatives become available and backup supplies can be arranged. <i>Plant Manager - Ongoing</i>	Government bills (Gas Supply (Gas Quality Specification) Act 2009 and the National Gas access (WA) Act 2009) are working through Parliament to allow greater competition and contributors to the WA LNG supply network. This will alleviate concerns of the Varanus Island incident.	(PPP continues to monitor any developments in the availability of LNG supply to the plant)

3.3 Audit Results and Recommendations

No. ⁵	Licence Condition	Obligation Under Licence Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
SUMMARY OF COMPLIANCE OBLIGATIONS							
LEGISLATION:							
ELECTRICITY INDUSTRY ACT 2004				Refer list of detailed compliance obligations 101 to 126 below.			
REGULATIONS:							
ELECTRICITY INDUSTRY (ACCESS CODE ENFORCEMENT) REGULATIONS 2005				Relates to regulators			
ELECTRICITY INDUSTRY (ARBITRATOR AND BOARD FUNDING) REGULATIONS 2005				Relates to regulators			
ELECTRICITY INDUSTRY (CODE OF CONDUCT) REGULATIONS 2005				Not applicable to Generation Licence			
ELECTRICITY INDUSTRY (CUSTOMER CONTRACTS) REGULATIONS 2005				Not applicable to Generation Licence			
ELECTRICITY INDUSTRY (INDEPENDENT MARKET OPERATOR) REGULATIONS 2004				Relates to regulators			
ELECTRICITY INDUSTRY (LICENSING FEES) REGULATIONS 2005				Refer detailed compliance clause 105 below.			
ELECTRICITY INDUSTRY (LICENCE CONDITIONS) REGULATIONS 2005				Not applicable to Generation Licence			
ELECTRICITY INDUSTRY (OBLIGATION TO CONNECT) REGULATIONS 2005				Not applicable to Generation Licence			

⁵ Number refers to the item reference in the Electricity Compliance Reporting Manual, ERA February 2013

No. ⁵	Licence Condition	Obligation Under Licence Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance Rating (1=significantly non-compliant , 2=non-compliant, 3 =compliant/major action, 4=compliant/minor action, 5=fully compliant, N/A = not applicable, N/R = not rated)
ELECTRICITY INDUSTRY (OMBUDSMAN SCHEME) REGULATIONS 2005				Relates to regulators			
ELECTRICITY INDUSTRY (TARIFF EQUALISATION) REGULATIONS 2006				Relates to regulators			
ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004				Relates to regulators			
CODES:							
CODE OF CONDUCT FOR THE SUPPLY OF ELECTRICITY TO SMALL USE CUSTOMERS				Not applicable to Generation Licence			
ELECTRICITY INDUSTRY CUSTOMER TRANSFER CODE 2004				Not applicable to Generation Licence			
ELECTRICITY NETWORKS ACCESS CODE 2004				Not applicable to Generation Licence			
ELECTRICITY INDUSTRY METERING CODE 2005				Refer list of detailed compliance obligations 409 to 482 below.			
ELECTRICITY INDUSTRY (NETWORK QUALITY AND RELIABILITY OF SUPPLY) CODE 2005				Not applicable to Generation Licence			

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
DETAILED COMPLIANCE OBLIGATIONS							
ELECTRICITY INDUSTRY ACT 2004							
-	Electricity Industry Act section 7 (4)	-	A person must not sell electricity to customers except under the authority of a retail licence or an integrated regional licence (unless exempted by the Electricity Industry Exemption Order 2005 (section 4(a) Exemptions for supply to commercial premises on which generating works are located) (gazetted 15 December 2012).	N/A	N/A	<p>The Electricity Industry Exemption Order 2005 section 4A (2) states:</p> <p><i>“A person (the supplier) is exempt from the Electricity Industry Act 2004 section 7(4) if —</i></p> <p><i>(a) the electricity is generated using generating works operated by the supplier; and</i></p> <p><i>(b) [deleted]</i></p> <p><i>(c) the electricity is sold for consumption on commercial premises on which the generating works are located”.</i></p> <p>The generating works are located on BP Kwinana Refinery's land, and this is leased by PPP. The power supplied to the BP refinery is for their consumption only, The review confirmed that both sections of the clause are met and therefore a retail licence is not required in respect of supply to BP.</p> <p>PPP sells a service to Verve Energy to convert gas fuel into electricity and therefore, Verve Energy is not defined as a customer under the Electricity Industry Act section 7 (4).</p>	N/A
101	Electricity Industry Act	Generation Licence	A licensee must, not less than once every 24 months,	NR	5	The previous Performance Audit covered the period 1 st July 2008 to 30 th June 2010 inclusive, with the report to be	5

⁶ Number refers to the item reference in the Electricity Compliance Reporting Manual, ERA June 2013

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	section 13(1)	condition 14.1	provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority.			<p>provided to the Authority by 31st August 2010. The previous Audit Report – 2010 Performance Audit and Asset Management Review for Perth Power Partnership was dated September 2010.</p> <p>The requirement for the audit is scheduled in EMPAC to generate a work order for Electrical Generation Licence Audit on 15th March with 3 yearly frequencies.</p> <p>The audit confirmed that Electrical Generation Licence Audit due dates are included in the Table of IPM Kwinana License Renewals/ Reports Due and Fees.</p>	
102	Electricity Industry Act section 14(1)(a)	Generation Licence condition 20.1	A licensee must provide for an asset management system.	NR	1	The audit confirmed that the Asset Management System in respect to the licensed activity is in place.	5
103	Electricity Industry Act section 14(1)(b)	Generation Licence condition 20.2 and 20.3	A licensee must notify details of the asset management system and any substantial changes to it to the Authority.	2	4	<p>The licence commencement date was 9 June 2006. The Authority was notified of the licensee's asset management system back then.</p> <p>Audit confirmed through discussion with the Plant Manager, Plant Engineer and HSEQ Compliance Advisor that there were no substantial changes made to the Asset Management System during the audit period.</p> <p>The Authority has been kept informed about the progress of implementation of the previous audit recommendations via the Post Audit Implementation Plan updates.</p>	5
104	Electricity Industry Act section	Generation Licence condition	A licensee must provide the Authority with a report by an independent expert as to the	NR	5	The previous Asset Management System (AMS) Review covered the period 1 st July 2008 to 30 th June 2010 inclusive, with the report to be provided to the Authority by 31 st August	5

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	14(1)(c)	20.4	effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.			<p>2010. The previous Audit Report – 2010 Performance Audit and Asset Management Review for Perth Power Partnership was dated September 2010.</p> <p>The requirement for the AMS Review is scheduled in EMPAC to generate a work order for Electrical Generation Licence Audit on 15th March with 3 yearly frequencies.</p> <p>The audit confirmed that Electrical Generation Licence Audit due dates are included in the Table of IPM Kwinana License Renewals/ Reports Due and Fees.</p>	
105	Electricity Industry Act section 17(1)	Generation Licence condition 4.1	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.	2	5	<p>The licence was granted on 9th June 2006.</p> <p>Work order schedule date in EMPAC was brought forward to ensure more time is available for payment to be actioned.</p> <p>The KCP-06-02 Purchase of Goods and Services procedure has been updated to provide flexibility for regulatory licences to be paid on the due date regardless of an invoice being received.</p> <p>Audit sighted the remittance advices and confirmed that the licence fees for 2010, 2011 and 2012 were paid by the due date.</p>	5
106	Electricity Industry Act section 31(3)	Generation Licence condition 5.1	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	NR	4	<p>Audit sighted the Kwinana - Operations & Maintenance Agreement between PPP and IPM (2000). Section 4.2 adequately addresses requirements to maximise electricity generation; high availability targets are set for IPM/PPP safety and environmental performance requirements are specified. Compliance with the Agreement is monitored by Management.</p> <p>Various WA Government bills (Gas Supply (Gas Quality</p>	5

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			or other unavoidable cause.			Specification) Act 2009 and the National Gas access (WA) Act 2009) are working through the process of Parliament to allow greater competition and contributors to the WA NG supply network, this will alleviate concerns of the Varanus Island incident. PPP continues to monitor this issue.	
107	Electricity Industry Act section 41(6)	Generation Licence condition 5.1	A licensee must pay the costs of taking an interest in land or an easement over land.	2	5	The Kwinana site is leased from BP until 2023. This timeframe is aligned with all other relevant contract documentation. It is noted that the ERA Licence is valid until 2036. Sighted the Site Lease between BP Refinery (Kwinana) Pty Ltd and Kwinana Power Partnership dated 14th March 1995 and ESA (Energy Services Agreement) between Lessor and Lessee dated 7th March 1995 and Amended and Restated ESA Agreement between the Lessor and the Lessee dated 28 June 2012.	5
119	Electricity Industry Act section 11	Generation Licence condition 12.1	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.	2	5	PPP's Annual Financial Audit for 2010, 2011 and 2012 includes statements of compliance by the independent auditor for the compliance with Australian Accounting Standards – Reduced Disclosure Requirements.	5
120	Electricity Industry Act section 11	Generation Licence condition 5.1	A licensee must comply with any individual performance standards prescribed by the Authority.	2	N/A	No individual performance standards have been prescribed by the Authority per the Licence.	N/A
121	Electricity Industry Act	Generation Licence	A licensee must comply, and require its auditor to comply,	2	4	The previous Performance Audit covered the period 1 st July 2008 to 30 th June 2010 inclusive. The previous Audit Report –	5

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	section 11	condition 14.2	with the Authority's standard audit guidelines dealing with the performance audit.			2010 Performance Audit and Asset Management Review for Perth Power Partnership dated September 2010 confirms the compliance with the Authority's Standard Audit Guidelines. Also the Perth Power Partnership: Kwinana Cogeneration Plant's Audit Plan - Electricity Generation Licence – Performance Audit and Asset Management System Review (15 July 2013) stipulates compliance requirements on auditors.	
122	Electricity Industry Act section 11	Generation Licence condition 14.2	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the asset management system.	2	4	The previous Asset Management System Review covered the period 1 st July 2008 to 30 th June 2010 inclusive. The previous Audit Report – 2010 Performance Audit and Asset Management Review for Perth Power Partnership dated September 2010 confirms the compliance with the Authority's Standard Audit Guidelines. Also the Perth Power Partnership: Kwinana Cogeneration Plant's Audit Plan - Electricity Generation Licence – Performance Audit and Asset Management System Review (15 July 2013) stipulates compliance requirements on auditors.	5
123	Electricity Industry Act section 11	Generation Licence condition 15.1	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	2	5	The audit confirmed with the KPC's Plant Manager that during the audit period, PPP wasn't under external administration, there was no significant change in its financial or technical circumstances that could affect PPP's ability to meet its obligations under the licence, and there was no change in PPP's name, ABN, address, description of generating works, nameplate capacity of the generating works changed. One partner (ex Transfield) had a change of business name	N/R

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			obligations.			but this does not affect the licensee name.	
124	Electricity Industry Act section 11	Generation Licence condition 16.1	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.	2	4	<p>In accordance with the Electricity Compliance Reporting Manual June 2013, PPP is required to submit to the Authority an annual compliance reports by 31 August for the year ending 30 June.</p> <p>The audit reviewed PPP's Compliance Reports for the years ending 30 June 2010, 2011, 2012 and 2013 and confirmed that all reports were submitted by the due date.</p> <p>In order to meet all reporting deadlines, PPP has developed a Table of IPM Kwinana License Renewals, Reports Due and Fees and the EMPAC will generate work orders when due. Audit has confirmed that the annual Compliance Report submission due date is included in the Table.</p> <p>In addition to the reporting requirements under the Electricity Compliance Reporting Manual, PPP provided updates of the Post-Audit Implementation Plan (PAIP) in respect of the 2010 performance audit and asset management system review.</p> <p>PPP provided its last update to the Authority in December 2011. Due to the progress made by PPP towards addressing the actions in the PAIP and the only outstanding item in the PAIP being in respect of item reference 86, which has been classified as an ongoing issue rather than one that has a forecast completion date, no further updates were required.</p>	5
125	Electricity Industry Act section 11	Generation Licence condition 17.1 and	A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.	2	4	The audit confirmed with the KPC's Plant Manager that during the audit period, no such directions were received from the Authority.	N/R

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		17.2.				It is noted that PPP has the ability to comply by publishing on the International Power Kwinana Website (www.ipplc.com.au).	
126	Electricity Industry Act section 11	Generation Licence condition 18.1.	Unless otherwise specified, all notices must be in writing.	2	4	Use of the Authority's reporting protocols was confirmed in discussion with the Plant Manager and through the review of various correspondence and electronic communication between PPP and other parties during the performance of this audit.	5
ELECTRICITY INDUSTRY METERING CODE 2005							
345	Electricity Industry Metering Code clause 3.3B	Generation Licence condition 5.1	A user who is aware of bi-directional flows at a metering point which was not previously subject to a bi-directional electricity flows or any changes in a customer's or user's circumstances in a metering point which will result in bi-directional electricity flows must notify the network operator within 2 business days.	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering.</p> <p>Audit confirmed with the KPC's Plant Engineer that PPP does not own the meters and as such do not subcontract anyone to look after the meters. There is no Service Level Agreement in place. WP owns the meters. PPP have no access to the meters and only receive a metering data file from WP each month.</p> <p>The KPC's Plant Engineer advised that meters to BP are unidirectional and meters to Verve are bi-directional (export/import). During the audit period, no changes have been made to these arrangements that have come to PPP's attention.</p>	N/R
360	Electricity	Generation	A Code participant who	2	4	The licensee still has an obligation to report malfunction of a	5

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	Industry Metering Code clause 3.11(3)	Licence condition 5.1	becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.			<p>metering installation. Audit confirmed with the KPC's Plant Engineer that there are systems established and adequate monitoring programs in place to identify a malfunction should it not be identified by the Network Operator in the first instance.</p> <p>PPP has no access to the meters and only receives a metering data file from WP each month. The data file is then compared with the internal information measured by megawatt transducers for any specific apparent disagreements. Any suspected disagreements in the metering data file are then advised to WP for follow up.</p>	
361*	Electricity Industry Metering Code clause 3.16(5)	Generation Licence condition 5.1	A network operator or a user may require the other to negotiate and enter into a written service level agreement in respect of the matters in the metrology procedure dealt with under clause 3.16(4) of the Code.	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995.</p> <p>Audit confirmed with the Plant Engineer that during the audit period no requirement has been made by PPP on WP to negotiate and enter into a written service level agreement in respect of the matters in the metrology procedure dealt with under clause 3.16(4) of the Code.</p>	N/R
385	Electricity Industry Metering Code clause 3.27	Generation Licence condition 5.1	A person must not install a metering installation on a network unless the person is the network operator or a registered metering installation provider for the network operator doing the type of work authorised by its registration.	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995.</p> <p>Tariff meters installed at the Kwinana Cogeneration Plant are the responsibility of WP.</p>	N/A

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392	Electricity Industry Metering Code clause 4.4(1)	Generation Licence condition 5.1	If there is a discrepancy between energy data held in a metering installation and data held in the metering database, the affected Code participants and the network operator must liaise together to determine the most appropriate way to resolve a discrepancy.	NR	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering.</p> <p>Audit confirmed with the Plant Engineer that PPP does not have access to the metering database. PPP has no access to the meters either and only receives a metering data file from WP each month. The data file is then compared with the internal information measured by megawatt transducers for any specific apparent disagreements such as wrong month's data, transposition error, time reset on meters etc. Any suspected disagreements in the metering data file are then advised to WP for follow up.</p>	5
393	Electricity Industry Metering Code clause 4.5(1)	Generation Licence condition 5.1	A Code participant must not knowingly permit the registry to be materially inaccurate.	NR	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering.</p> <p>Audit confirmed with the Plant Engineer that PPP does not have access to the metering database. PPP have no access to the meters either and only receives metering data file from WP on monthly bases. The data file is then compared with the internal information measured by megawatt transducers for any specific apparent disagreements such as wrong month's data, transposition error, time reset on meters etc. Any suspected disagreements in the metering data file are then advised to WP for follow up.</p>	5
394	Electricity Industry	Generation Licence	Subject to sub clause 5.19(6), if a Code participant, other	2	4	Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power	N/R

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	Metering Code clause 4.5(2)	condition 5.1	than a network operator, becomes aware of a change to, or an inaccuracy in, an item of standing data in the registry, then it must notify the network operator and provide details of the change or inaccuracy within the timeframes prescribed.			<p>Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering.</p> <p>Audit confirmed with the Plant Engineer that PPP does not have access to the metering database.</p> <p>Audit confirmed with the KPC's Plant Engineer that, during the audit period, no change to or inaccuracy in an item of standing data in the registry came to PPP's attention.</p>	
395*	Electricity Industry Metering Code clause 5.5(3)	Generation Licence condition 5.1	A user must not impose any charge for the provision of the data under this Code unless it is permitted to do so under another enactment.	2	4	<p>Audit confirmed with the Plant Engineer that no charges are imposed for the provision of data under this Code.</p> <p>Audit has sighted the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as Amended and Restated ESA Agreement dated 28 June 2012.</p>	5
409	Electricity Industry Metering Code clause 5.4(2)	Generation Licence condition 5.1	A user must, when reasonably requested by a network operator, use reasonable endeavours to assist the network operator to comply with the network operator's obligations.	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995.</p> <p>Audit confirmed in discussion with the Plant Engineer and through the review of various correspondence and electronic communication between PPP and Verve/WP during the performance of this audit, that when requested, PPP uses reasonable endeavours to assist Verve/WP.</p>	5
422	Electricity Industry Metering	Generation Licence condition	A user that collects or receives energy data from a metering installation must	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power</p>	N/A

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	Code clause 5.16	5.1	provide the network operator with the energy data (in accordance with the communication rules) within the timeframes prescribed.			Purchase Agreement dated 10 March 1995. Audit confirmed with the Plant Engineer that PPP does not own the meters and as such do not subcontract anyone to look after the meters. There is no Service Level Agreement in place. WP owns the meters. PPP has no access to the meters and does not collect or receive energy data from the metering installations. PPP only receives a metering data file from WP each month.	
423	Electricity Industry Metering Code clause 5.17(1)	Generation Licence condition 5.1	A user must provide standing data and validated (and where necessary substituted or estimated) energy data to the user's customer, to which that information relates, where the user is required by an enactment or an agreement to do so for billing purposes or for the purpose of providing metering services to the customer.	2	4	Billing and payments clauses are included in both power purchasing contracts with Verve and BP. Audit has sighted the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as Amended and Restated ESA Agreement dated 28 June 2012. PPP has no access to the meters and does not collect or receive energy data from the metering installations. PPP only receives a metering data file from WP each month. The data file is then compared with the internal information measured by megawatt transducers for any specific apparent disagreements such as wrong month's data, transposition error, time reset on meters etc. Any suspected disagreements in the metering data file are then advised to WP for follow up. A draft invoice with the raw metering data file is then provided to Verve for review. When Verve agrees that the data is	5

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						<p>correct, PPP then issues the final invoice.</p> <p>PPP provides BP with the final invoice together with the raw metering data file. BP does not check the data prior to PPP's final invoice being issued.</p> <p>Audit sighted the Revenue & Receivables Cycle Transaction Flow Chart provided by the Financial Controller.</p>	
426	Electricity Industry Metering Code clause 5.18	Generation Licence condition 5.1	A user that collects or receives information regarding a change in the energisation status of a metering point must provide the network operator with the prescribed information, including the stated attributes, within the timeframes prescribed.	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering.</p> <p>Audit confirmed with the Plant Engineer that PPP does not own the meters and as such do not subcontract anyone to look after the meters. There is no Service Level Agreement in place. WP owns the meters. PPP has no access to the meters and does not collect or receive energy data from the metering installations. PPP only receives a metering data file from WP each month.</p>	N/A
427	Electricity Industry Metering Code clause 5.19(1)	Generation Licence condition 5.1	A user must, when requested by the network operator acting in accordance with good electricity industry practice, use reasonable endeavours to collect information from customers, if any, that assists the network operator in meeting its obligations described in the	NR	4	Audit confirmed with the Plant Engineer that, during the audit period, no requests to collect information from customers have been received from the network operator.	N/R

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			Code and elsewhere.				
428	Electricity Industry Metering Code clause 5.19(2)	Generation Licence condition 5.1	A user must, to the extent that it is able, collect and maintain a record of the address, site and customer attributes, prescribed in relation to the site of each connection point, with which the user is associated.	NR	4	Audit has sighted the Contact Register and noted for both BP Refinery and Verve Energy, it contains the National Meter Identifier (NMI), NMI location, contact person, phone, physical address and postal address. PPP have NMI's for each of the connection points and neither has anyone requiring life support at their facilities.	5
429	Electricity Industry Metering Code clause 5.19(3)	Generation Licence condition 5.1	A user must, after becoming aware of any change in a site's prescribed attributes, notify the network operator of the change within 1 business day.	2	4	Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering. Audit confirmed with the KPC's Plant Engineer that, during the audit period, no change in site prescribed attributes came to PPP's attention.	N/R
412*	Electricity Industry Metering Code clause 5.19(4)	Generation Licence condition 5.1	A user that becomes aware that there is a sensitive load at a customer's site must immediately notify the network operator's Network Operations Control Centre of the fact.	2	4	Electricity generated is provided to Verve Energy and both electricity and process steam to the BP Kwinana Oil Refinery under Long Term Power Purchase Agreements. Audit has confirmed with the Plant Engineer that there are no sensitive loads at either of the customer's site. Audit has sighted the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as Amended and Restated ESA Agreement dated 28	N/R

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
						June 2012.	
431	Electricity Industry Metering Code clause 5.19(6)	Generation Licence condition 5.1	A user must use reasonable endeavours to ensure that it does not notify the network operator of a change in an attribute that results from the provision of standing data by the network operator to the user.	NR	4	This is to prevent a loop situation occurring. Audit confirmed with the Plant Engineer that, during the audit period, no change in the address attributes, site attributes or customer attributes came to PPP's attention and as such there was no notification of the change to the network operator.	N/R
437	Electricity Industry Metering Code clause 5.21(5)	Generation Licence condition 5.1	A Code participant must not request a test or audit unless the Code participant is a user and the test or audit relates to a time or times at which the user was the current user or the Code participant is the IMO.	2	4	Audit confirmed with the Plant Engineer that, during the audit period, PPP hasn't requested any test or audit.	N/R
438	Electricity Industry Metering Code clause 5.21(6)	Generation Licence condition 5.1	A Code participant must not make a test or audit request that is inconsistent with any access arrangement or agreement.	2	4	Audit confirmed with the Plant Engineer that, during the audit period, PPP hasn't requested any test or audit.	N/R
456	Electricity Industry Metering Code clause 5.27	Generation Licence condition 5.1	Upon request, a current user must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the	2	4	Audit confirmed with the Plant Engineer that, during the audit period, no request to provide customer attribute information was received from the network operator.	N/R

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			timeframes prescribed.				
469	Electricity Industry Metering Code clause 6.1(2)	Generation Licence condition 5.1	A user must, in relation to a network on which it has an access contract, comply with the rules, procedures, agreements and criteria prescribed.	2	4	<p>Metering is managed by Western Power (WP) via the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995. WP and System Management have direct control of metering.</p> <p>'System Management' is a segregated business unit within Western Power established under the Wholesale Electricity Market Rules. System Management is responsible for the operation and control of generator facilities, transmission and distribution networks, and large customer retailer supply management including demand side management.</p> <p>Audit confirmed with the Plant Engineer that PPP does not own the meters and as such do not subcontract anyone to look after the meters. There is no Service Level Agreement in place. WP owns the meters.</p> <p>Audit has sighted the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995.</p>	N/A
472	Electricity Industry Metering Code clause 7.2(1)	Generation Licence condition 5.1	Code participants must use reasonable endeavours to ensure that they can send and receive a notice by post, facsimile and electronic communication and must notify the network operator of a telephone number for voice communication in connection	NR	4	<p>The use of post, facsimile and electronic methods of communication was confirmed in discussion with the Plant Manager, Financial Controller and Plant Engineer and through the review of various correspondence and electronic communication between PPP and other parties during the performance of this audit.</p> <p>During the performance of this audit, audit reviewed the email conversation between PPP's staff members and other parties and confirmed that PPP's staff telephone contact details are</p>	5

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			with the Code.			included in each staff email signature.	
474	Electricity Industry Metering Code clause 7.2(4)	Generation Licence condition 5.1	A Code participant must notify its contact details to a network operator with whom it has entered into an access contract within 3 business days after the network operator's request.	2	4	As per item No. 469.	N/A
475	Electricity Industry Metering Code clause 7.2(5)	Generation Licence condition 5.1	A Code participant must notify any affected network operator of any change to the contact details it notified to the network operator at least 3 business days before the change takes effect.	2	4	As per item No. 469. Relates to the notification of changes as per Electricity Industry Metering Code clause 7.2(4).	N/A
476	Electricity Industry Metering Code clause 7.5	Generation Licence condition 5.1	A Code participant must not disclose, or permit the disclosure of, confidential information provided to it under or in connection with the Code and may only use or reproduce confidential information for the purpose for which it was disclosed or another purpose contemplated by the Code.	2	4	Confidentiality clauses are included in both power purchasing contracts with Verve and BP. Audit has sighted the confidentiality clauses included in the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as the Amended and Restated ESA Agreement dated 28 June 2012 and confirmed confidentiality clauses cover the requirements of this clause 7.5 of the Code.	5
477	Electricity Industry	Generation Licence	A Code participant must disclose or permit the	2	4	Confidentiality clauses are included in both power purchasing contracts with Verve and BP.	5

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1=Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	Metering Code clause 7.6(1)	condition 5.1	disclosure of confidential information that is required to be disclosed by the Code.			Audit has sighted the confidentiality clauses included in the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as the Amended and Restated ESA Agreement dated 28 June 2012 and confirmed adequate dispute resolution processes are in place.	
478	Electricity Industry Metering Code clause 8.1(1)	Generation Licence condition 5.1	Representatives of disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and attempt to resolve the dispute under or in connection with the Electricity Industry Metering Code by negotiations in good faith.	NR	4	<p>Audit confirmed with the Plant Engineer that, during the audit period, there were no disputes between PPP and other Code Participants and therefore no dispute resolution has taken place.</p> <p>Dispute resolution process is outlined in both power purchasing contracts with Verve and BP.</p> <p>Audit has sighted the dispute resolution clauses included in the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as the Amended and Restated ESA Agreement dated 28 June 2012 and confirmed adequate dispute resolution processes are in place.</p>	N/R
479	Electricity Industry Metering Code clause 8.1(2)	Generation Licence condition 5.1	If a dispute is not resolved within 10 business days after the dispute is referred to representative negotiations, the disputing parties must refer the dispute to a senior	NR	4	Refer item 478 above	N/R

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
			management officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.				
480	Electricity Industry Metering Code clause 8.1(3)	Generation Licence condition 5.1	If the dispute is not resolved within 10 business days after the dispute is referred to senior management negotiations, the disputing parties must refer the dispute to the senior executive officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.	NR	4	Refer item 478 above	N/R
481	Electricity Industry Metering Code clause 8.1(4)	Generation Licence condition 5.1	If the dispute is resolved by representative negotiations, senior management negotiations or CEO negotiations, the disputing parties must prepare a written and signed record of the resolution and adhere to the resolution.	2	4	Refer item 478 above	N/R
482	Electricity Industry Metering Code clause	Generation Licence condition	The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the	NR	4	Refer item 478 above	N/R

No ⁶	Licence Condition	Obligation Under Condition	Description	Risk Type (1= Major, 2=Moderate, N/R= Not reportable)	Audit Priority (1=highest, 5=lowest)	System established to comply with licence obligation (including any potential improvements)	Compliance rating (Refer to the 7-point rating scale in section 2.5)
	8.3(2)	5.1	objective of dispute resolution with as little formality and technicality and with as much expedition as the requirements of Part 8 of the Code and a proper hearing and determination of the dispute, permit.				

3.4 Recommended Changes to the Licence

No changes to the licence are considered necessary.

3.5 Conclusion

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that PPP has complied with its Electricity Generation Licence performance and quality standards and obligations during the audit period 1st July 2010 to 30th June 2013 without any exceptions.

The audit reviewed the action taken on the previous audit recommendations in the audit report dated September 2010 and confirmed that the two previous audit recommendations had been completed.

No new audit recommendations have been made in this audit.

The audit confirmed that PPP has fully complied with its information reporting obligations for the period 1st July 2010 to 30th June 2013.

The control environment is considered to be well-designed and effective. No audit recommendations have been made to strengthen the internal controls.

Perth Power Partnership
Kwinana Cogeneration Plant

Electricity Generation Licence

Asset Management
System Review –
Detailed Report

Report

September 2013

4. Asset Management System Review

The effectiveness of PPP's asset management system was assessed using the asset management system process and policy definitions ratings and the performance ratings (refer section 2.6) as provided by the Authority in the Audit Guidelines.

The review has assessed and rated these key processes as shown in Section 4.1.

Section 4.2 provides details of the current status of recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating for each process in the asset management system.

4.1 Summary of Asset Management System Ratings

The audit assessment of the asset management system process and policy definitions and their effectiveness, based on the ratings scale in Section 2.6, is shown in the table below.

Section 4.3 provides further details of the rating for each process in the asset management system.

ASSET MANAGEMENT SYSTEM	Process and policy definition rating				Performance rating				
	Inadequate (D)	Requires significant improvement (C)	Requires some improvement (B)	Adequately defined (A)	Serious action required (4)	Corrective action required (3)	Opportunity for improvement (2)	Performing effectively (1)	Not Rated
Key Processes									
1. Asset planning				√				√	
2. Asset creation/ acquisition				√				√	
3. Asset disposal				√				√	
4. Environmental analysis				√				√	
5. Asset operations				√				√	
6. Asset maintenance				√				√	
7. Asset management information system				√				√	
8. Risk management				√				√	
9. Contingency planning			√			√			
10. Financial planning				√				√	
11. Capital expenditure planning				√				√	
12. Review of asset management system				√				√	

4.2 Previous Review Recommendations

The status of the key recommendations in the previous audit report issued in September 2010 is summarised below.

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
2.1	Environmental Analysis Compliance with statutory and regulatory requirements	<p>There has been some disagreement over the inclusion of the waste water discharge in the Licensee's Environmental Licence or BP's Environmental Licence.</p> <p>Currently, the intention of the DEC is to include it in PPP's Licence. IPL may challenge this decision. The Environmental Licence for the site is essentially its licence to operate within the environmental parameters defined, if the disagreement is not readily resolved the cessation of discharge could have an impact on the operational ability of the plant.</p>	B, 3	Resolution of the issue is required to ensure the future discharge of waste water in accordance with licence requirements.	<p>PPP are in discussion with DEC and BP refinery to sort out this ongoing issue under the stipulations of the long term agreements and take measures to comply with the regulatory requirements set down by DEC.</p> <p>PPP is confident that the issue will be resolved and there would be no disruption to the operation of the plant.</p> <p><i>Plant Manager</i> <i>Ongoing</i></p>	<p>The discharge of waste water on the PPP site is now part of PPP's Environmental Licence.</p> <p>PPP continues to monitor water quality through regular monitoring and analyses. PPP provides an Annual Environmental Report and Annual Audit Compliance Report for the Environmental Licence to the Department of Environment and Conservation.</p> <p>Audit has sighted the Annual Environmental Report and Annual Audit Compliance Report for the years ended 30 June 2010, 2011, 2012 and 2013.</p>	COMPLETED
2.2	Asset	The DCS backup tapes	A, 2	The storage of DCS back-	Procedure to be	Audit confirmed that	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
	Management Information System Data backup procedures appear adequate	could not be located in the library as per procedure. Also all doors between DCS server and library were open, including fire doors.		up tapes requires review; although the library is remote to the DCS servers a review of fire safety processes (i.e. fire doors left open) may be appropriate.	amended to indicate onsite storage as the Fire Proof Safe located in the Office Amenities room and also off-site storage through the current service provider. <i>Plant Engineer</i> <i>By 31 December 2010</i>	data is being backed up on a daily basis and tapes are being stored in the fire proof safe. The tapes are being taken for storage offsite once a week. The procedures (KCP02-20, KCP02-21 and KCP02-22) have been amended and the compliance with these procedures is being checked as part of the annual internal audit by the HSEQ Compliance Advisor. Audit has sighted the Internal Audit Schedule for 2010, 2011, 2012 and 2013.	
2.3	Asset Management Information System Key computations related to licensee performance reporting are materially accurate	At the time of the audit concerns were raised about whether Western Power is monitoring ambient temperatures utilised to calculate PPP's maximum capability	A, 2	The issue with the ambient temperature monitoring should be resolved with Western Power to ensure PPP capability is not adversely affected.	Select and agree on a suitable temperature reference site with System Management/IMO for the purpose of calculating KCP's maximum capability. <i>Plant Engineer</i>	PPP application for the 2013/14 reserve capacity cycle correspondence to the Independent Market Operator dated 19 th July 2011 indicates that the method of measurement of ambient temperature	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
					<i>By 31 December 2010</i>	for this plant is SCADA Cockburn.	
2.4	<p>Contingency Planning</p> <p>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</p>	Currently KCP is in the process of reviewing its draft Business Continuity Plan. It requires be finalising and testing as prescribed within the plan.	A, 2	KCP Business Continuity Plan 2010 – Draft to be finalised and implemented accordingly.	<p>a) BCP to move from draft to approved and migrated into Lotus Notes procedures database.</p> <p><i>Plant Manager</i></p> <p><i>By 31 October 2010</i></p> <p>b) Testing of BCP is to be conducted by IPR/Marsh and was scheduled for 2010.</p> <p><i>Plant Manager</i></p> <p><i>By 31 December 2010</i></p>	<p>The BCP is now incorporated as a new document in KPC Quality Management System and is an approved KCP document KCP-05-36.</p> <p>The BCP review is now scheduled annually in the PPP Internal Audit Schedule for review and to randomly check components of the BCP for effectiveness.</p> <p>Testing by IPR/Marsh was completed.</p>	COMPLETED
2.10	<p>Financial Planning</p> <p>The financial plan identifies the source of funds for capital expenditure and recurrent costs.</p>	The Syndicated Project Facility Agreement provided for and continues to provide for a secure line of credit, as a viable source of funds until July 2011. The use of this source of credit facility was evident in the purchase of a new rotor and refurbishment of the failure rotor of Bearing No.	A, 2	PPP must investigate financial credit line instrumentalities and implement accordingly such that it can be used as an alternate source of funds upon the expiration of the current agreement.	<p>Review options for credit facility and make recommendation for approval prior to existing arrangement expiration.</p> <p><i>Financial Controller</i></p> <p><i>By 31 May 2011</i></p>	Working capital facility credit is in place. Audit has sighted the Facility Agreement.	COMPLETED

Item	Asset Management Element	Previous Review Findings	Prev. Effect. Rating	Recommended Corrective Actions	Post Audit Action Plan	Action Taken	Status
		2.					

4.3 Review Results and Recommendations

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ⁷	A	Performance Rating ⁸	1
1	ASSET PLANNING				
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>Audit has discussed the asset planning process with the KCP's Financial Controller and the KCP's Plant Engineer. Asset strategies are documented within business plans which are reviewed and updated on an annual basis. Asset planning is based on the long term operation and maintenance requirements as detailed in the Kwinana - Operational & Maintenance Agreement 2000 and the service levels as defined through the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as the Amended and Restated ESA Agreement dated 28 June 2012.</p> <ul style="list-style-type: none"> The community complaint procedure is well defined and customer satisfaction surveys are being performed. 			
1.2	Service levels are defined.	<p>Service levels are defined through the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as Amended and Restated ESA Agreement dated 28 June 2012. Long term service levels are detailed in the Kwinana - Operations and Maintenance Agreement 2000 and the business plan provides a 5-year prediction of service levels.</p> <p>Service levels are regularly reported upon in the Monthly Reports and during the bi-monthly PPP Meetings. Audit has sighted the Monthly Report for June 2013 and minutes of meetings.</p>			
1.3	Non-asset options (e.g. demand management) are considered.	<p>Agreements with Verve and BP are well defined and clear in relation to demand management. Plant output is matched to BP steam demand and BP and Verve generation requirements.</p>			
1.4	Lifecycle costs of owning and operating assets are assessed.	<p>Life cycle costs are monitored, evaluated, and incorporated into the business and budget planning processes.</p>			
1.5	Funding options are evaluated.	<p>Alternative funding options are evaluated at the Board levels on an annual basis.</p> <p>Operational and maintenance costs are self-funded while capital expenditure is primarily facilitated through the project finance facility agreement. Working capital facility credit is in place. Audit has sighted the Facility Agreement.</p>			

⁷ Process ratings: A=adequately defined, B=requires some improvement, C=requires significant improvement, D=inadequate.

⁸ Performance ratings: 1=performing effectively, 2=opportunity for improvement, 3=corrective action required, 4=serious action required

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
1.6	Costs are justified and cost drivers identified.	Budgets are approved on an annual basis. Spending limits have been established. Costs for non-budgeted items require separate approval. Monthly and annual reports provide details on budget and cost drivers. Variances are monitored and actioned.			
1.7	Likelihood and consequences of asset failure are predicted.	The likelihood and consequences of asset failure are analysed and risk rated in the Whole of Plant Risk Assessment for 2013. Plant availability and incidents are regularly reported, a procedures exist to ensure that all incidents are reviewed. Significant failures and incidents are entered into the EMPAC incident database, included into monthly reports and discussed at tool box and monthly meetings. Audit has sighted the KCP-08-05 Accident / Incident Reporting, Investigation and Management procedure.			
1.8	Plans are regularly reviewed and updated.	All plans are reviewed on a monthly, quarterly and annual basis and an internal audit schedule exists documenting the review of plans and procedures.			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	Audit has discussed the asset acquisition/creation process with the Financial Controller and the Plant Engineer. Project evaluations of new assets are well documented reviewed and controlled. The impact on service delivery and costs are assessed as part of the modification procedure. The plant is well established and only minor changes to the original plant have been performed to date or planned for the future.			
2.2	Evaluations include all life-cycle costs.	Life-cycle costs are evaluated as part of the modification procedure as outlined above.			
2.3	Projects reflect sound engineering and business decisions.	Project design and costing of new asset is well documented, monitored and controlled. The impact on service delivery, costs and safety are assessed as part of the modification procedure. The plant is well established and only minor changes to the original plant have been performed to date or are planned for the future. All projects are reviewed by the Plant Engineer and the Financial Controller before approval.			
2.4	Commissioning tests are documented and completed.	Documented procedures exist to ensure that commissioning tests and data are conducted and documented.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Audit has discussed the process of ongoing monitoring legal/environmental/safety obligations with the HSEQ Compliance Advisor. Legal, environmental and safety obligations are well understood, documented, monitored and controlled. Audit has sighted the Table of IPM Kwinana Licence Renewals, Reports Due and Fees. The plant has been certified SAI Global during the triennial recertification achieved on 3rd April 2012 and expires 26th			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		June 2015 as having an effective integrated management system compliant with Occupational Health and Safety Management System AS 4801, Environmental management Systems ISO 14001 and Quality Management Systems ISO 9001.			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>Audit has discussed the asset disposal process with the Financial Controller and the Plant Engineer.</p> <p>Performance of the plant and major components is monitored in the DCIS and logged into the DAS. Inspections of equipment are regularly performed as part of the preventative and predictive maintenance system in EMPAC. The asset performance and condition is reviewed and reported in the monthly reports. Under-utilised and under-performing assets are identified and action taken as required.</p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>The reasons for asset underutilisation or under-performance are investigated. Each asset identified as redundant, underperforming or requiring replacement is initially examined to see if alternative measures can be taken to restore its performance or utilisation before instigating disposal measures.</p> <p>Audit has sighted the following documentation:</p> <ul style="list-style-type: none"> o KCP-05-25 Disposal of Redundant Assets procedure o KCP-01-08 Waste Disposal procedure o KCP-06-07 Spare Parts Policy procedure 			
3.3	Disposal alternatives are evaluated.	<p>Asset disposal alternatives are investigated and the most appropriate method adopted. Assets of value are sold to staff or externally, or donated to the community as appropriate. Assets of little or no value are disposed of as waste.</p> <p>Audit has sighted the following documentation:</p> <ul style="list-style-type: none"> o KCP-05-25 Disposal of Redundant Assets procedure o KCP-01-08 Waste Disposal procedure o KCP-06-07 Spare Parts Policy procedure 			
3.4	There is a replacement strategy for assets.	<p>Asset replacement plans are well documented. Although, most of the plant is designed to last for the life of the operation, extensive risk assessment of whole of plant is carried out annually.</p> <p>Consumables and equipment that require replacement before the end of the plant operational life are replaced as appropriate. Equipment manufacturer recommendations and good industry practices have been included into the</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		preventative and predictive maintenance system in EMPAC.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	1
4.1	Opportunities and threats in the system environment are assessed.	<p>Opportunities and threats are reviewed and assessed as part of the annual business and planning process and regularly reviewed within the monthly reports.</p> <p>Risk management is an integral part of the business planning process at PPP. The plant has been certified SAI Global during the triennial recertification achieved on 3rd April 2012 and expires 26th June 2015 as having an effective integrated management system compliant with Occupational Health and Safety Management System AS 4801, Environmental management Systems ISO 14001 and Quality Management Systems ISO 9001.</p>			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The monthly report documents the performance of the plant (availability, capacity, incidents, fuel supply and customer demand) and is reviewed by plant management.			
4.3	Compliance with statutory and regulatory requirements.	<p>Statutory and regulatory requirements are documented in the Table of IPM Kwinana Licence Renewals, Reports Due and Fees and regularly reviewed via the quarterly compliance meetings. Internal and external audit recommendations are tabled and action plans monitored. Audit has sighted the Minutes of Quarterly Compliance Meeting held on 20th June 2013.</p> <p>PPP continues to monitor water quality through regular monitoring and analyses. Audit has sighted the Annual Environmental Report and Annual Audit Compliance Report for the year ended 30 June 2010, 2011, 2012 and 2013. These confirmed compliance with one minor exception in 2012 relating to data collection only.</p>			
4.4	Achievement of customer service levels.	<p>Service levels are defined through the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as the Amended and Restated ESA Agreement dated 28 June 2012. Long term service levels are detailed in the Kwinana - Operations and Maintenance Agreement 2000 and the business plan provides a 5-year prediction of service levels.</p> <p>Service levels are regularly reported upon in the Monthly Reports and during the bi-monthly meetings. Audit has sighted a sample of Monthly Reports and Minutes of Meetings.</p>			
5	ASSET OPERATIONS	Process Rating	A	Performance Rating	1
5.1	Operational policies and procedures	PPP's operating policies and procedures (including emergency procedures) are well documented in the EMPAC			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
	are documented and linked to service levels required.	<p>system and regularly reviewed as part of the Internal Audit process.</p> <p>Service levels are defined through the Electricity Generation Corporation (Verve Energy) – Power Purchase Agreement dated 10 March 1995 and ESA (Energy Services Agreement) between the Kwinana Power Partnership and BP Refinery (Kwinana) as well as the Amended and Restated ESA Agreement dated 28 June 2012. Long term service levels are detailed in the Kwinana - Operations and Maintenance Agreement 2000 and the business plan provides a 5-year prediction of service levels.</p> <p>Service levels are regularly reported upon in the Monthly Reports and during the bi-monthly PPP Meetings, and are incorporated into the operating procedures e.g. KCP-03-02 Fuel/Gas Management procedure. Various operating policies and procedures were sighted.</p>
5.2	Risk management is applied to prioritise operations tasks.	Operational tasks are prioritised at the weekly toolbox meetings and on an ongoing basis. A combination of EMPAC data, DCS data, operating procedures and plant knowledge and history are utilised to risk rate and prioritise operating tasks.
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>All assets including the asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data as well as their maintenance history and schedules and the costing details for plant maintenance are recorded within EMPAC system database. EMPAC asset management and maintenance software & latest Lotus Notes Database are used to manage plans, policies, procedures and issues relating to maintenance, operations, environment, quality assurance, costing, procurement, warehousing, occupational health and safety, community and employees.</p> <p>Plant performance data is recorded within the DCIS system. Foxboro Distributed Control Information System (DCIS) software is used to monitor and control plant and equipment and to log data into the DAS. Wonderware Data Acquisition System (DAS) software is used to store and retrieve data and to provide management of information.</p>
5.4	Operational costs are measured and monitored.	<p>Operational budgets (operations & maintenance) are set annually and form part of the annual business planning process. Operational costs form part of maintenance costs. EMPAC is used to record costs on a work order basis and reported on a plant area basis.</p> <p>Operational costs are monitored and reported regularly via the monthly reports. Deviations from budget are reported and investigated.</p>
5.5	Staff receive training commensurate with their responsibilities.	<p>Staff training is planned and recorded. A training matrix exists to ensure staff receive the correct training. Ongoing training is planned and monitored.</p> <p>Audit has sighted various training policies, training matrix and register.</p>

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	1
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>Maintenance plans, policy and procedures are well documented in EMPAC system and regularly reviewed as part of the annual business planning process and reflect the service levels required by the stakeholders. The maintenance plans, policy and procedures are also being reviewed annually as part of the Internal Audit process.</p> <p>Performance of the plant and major components is monitored in the DCIS and logged into the DAS. Performance is reviewed and reported in monthly reports.</p> <p>Maintenance is scheduled by the EMPAC system and tasks are assigned to resources as work orders at tool box meetings. Planned tasks for major shutdown work are entered into MS project.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>The planned maintenance program is well managed. It follows operating and maintenance manuals, the manufacturer's recommendations and industry practices. Some of the plant follows manufacturer's recommended maintenance regimes to maintain manufacturer guarantees. Maintenance tasks are entered in the EMPAC system.</p> <p>The entirety of the plant is subject to regular inspection and maintenance which are performed both at regular intervals and at operating intervals. Regular inspections are scheduled by the EMPAC system and assigned to resources as work orders at tool box meetings.</p> <p>Continuous routine inspection of all the plant is in place. Regular routine testing is performed, e.g. water quality sampling, transformer oil,</p> <p>Performance of the plant and major components is monitored in the DCIS and logged into the DAS and reviewed as part of the condition monitoring scheme. The condition monitoring scheme augments visual inspections to monitor asset performance and condition. Performance is reviewed and reported in monthly reports.</p>			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>Major maintenance plans are included in the business planning process and documented within the plan and the maintenance prediction sheet. The plans include preventative, corrective and emergency maintenance. EMPAC is used to ensure maintenance is planned and carried out on time, exceptions are reported and monitored and the plans modified as required. Overdue work orders are reviewed and followed up as required. Work orders older than 60 days are automatically reported by EMPAC.</p> <p>Planned tasks for major shutdown work are entered into MS project. The MS project plans are reviewed and late tasks followed up as required.</p>			
6.4	Failures are analysed and operational/maintenance plans adjusted	<p>Asset failures are repaired, documented, reviewed, investigated if appropriate and plans modified if appropriate. Significant failures and incidents are entered into the EMPAC incident database, included into monthly reports and</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	where necessary.	discussed at tool box and monthly meetings.			
6.5	Risk management is applied to prioritise maintenance tasks.	<p>Maintenance tasks are prioritised during the annual planning process utilising the whole of plant risk assessments and survey and the plant history.</p> <p>Day to day maintenance tasks are programmed via EMPAC and prioritised at the toolbox meetings, a combination of EMPAC data, DCIS data, operating procedures and plant knowledge history are utilised to risk rate and prioritise maintenance tasks.</p>			
6.6	Maintenance costs are measured and monitored.	Operational budgets (operations & maintenance) are set annually and form part of the annual business planning process. EMPAC is used to record costs on a work order basis and reported on a plant area basis. Maintenance costs are monitored and reported regularly via the monthly reports. Deviations from budget are reported and investigated.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	<p>PPP utilises the following information systems:</p> <ul style="list-style-type: none"> • EMPAC asset management and maintenance software & latest Lotus Notes Database – is used to manage plans, policies, procedures and issues relating to maintenance, operations, environment, quality assurance, costing, procurement, warehousing, occupational health and safety, community and employees. • Foxboro Distributed Control Information System (DCIS) software – is used to monitor and control plant and equipment and to log data into the DAS. • Wonderware Data Acquisition System (DAS) software – is used to store and retrieve data and to provide management of information. <p>Asset information systems are well documented for users and IT administrators, EMPAC includes an on-line help system. There are documented procedures in place for the maintenance and back-up of the data control system. Users and IT administrators receive appropriate formal and on the job training to operate the information systems.</p>			
7.2	Input controls include appropriate verification and validation of data entered into the system.	<p>Validation of input information is performed by supervisors as appropriate based on the hierarchy of controls.</p> <p>Security controls are in place as per Item no. 7.3 to ensure that only authorised staff are allowed to input certain information. Changes to procedures and policies are strictly controlled within the EMPAC system.</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
7.3	Logical security access controls appear adequate, such as passwords.	Computer system access is well controlled and only available to site staff. The IT manager provides user names and passwords to new users and assigns access rights as appropriate. Users are automatically prompted to change passwords on a monthly basis. The IT manager changes access rights and removes users from the computer systems as appropriate.				
7.4	Physical security access controls appear adequate.	Physical access is well controlled via a number of security measures that were sighted during the audit.				
7.5	Data backup procedures appear adequate.	<p>Audit confirmed that data are being backed up on a daily and weekly basis and tapes are being stored in the fire proof safe. The tapes are being taken for storage of site once a week.</p> <p>The procedures (KCP02-20, KCP02-21 and KCP02-22) have been amended and the compliance with these procedures is being checked as part of annual internal audit by the HSEQ Compliance Advisor. Audit has sighted the Internal Audit Schedule for 2010, 2011, 2012 and 2013.</p>				
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Monitoring of electrical output to both Verve and BP is by Western Power calibrated metering at the Mason Road switchyard. The method of measurement of ambient temperature for this plant is SCADA Cockburn. Natural gas supply is monitored by the Dampier Bunbury Gas Pipeline and refinery gas by BP.</p> <p>Metering of steam is done by PPP. Meters are checked and calibrated by a NATA approved agent. Metering is performed by primary (main) and secondary (check/backup) meters.</p> <p>Invoices for metered items are checked by sending and receiving organisations. Other process items are monitored and controlled by the DCS, logged into DAS and reported monthly.</p>				
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	In order to meet all reporting deadlines, PPP has developed a Table of IPM Kwinana License Renewals, Reports Due and Fees and the EMPAC will generate work orders when due.				
8	RISK MANAGEMENT	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; text-align: center;">Process Rating</td> <td style="width: 10%; text-align: center; background-color: #4CAF50; color: white;">A</td> <td style="width: 40%; text-align: center;">Performance Rating</td> <td style="width: 10%; text-align: center; background-color: #4CAF50; color: white;">1</td> </tr> </table>	Process Rating	A	Performance Rating	1
Process Rating	A	Performance Rating	1			
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	Risk management is an integral part of the business planning process at PPP. The plant has been certified SAI Global during the triennial recertification achieved on 3 rd April 2012 and expires 26 th June 2015 as having an effective integrated management system compliant with Occupational Health and Safety Management System AS 4801, Environmental management Systems ISO 14001 and Quality Management Systems ISO 9001. Audit has sighted the SAI Global Audit Report: Surveillance audit for IPM Operation & Maintenance Kwinana P/L.				
8.2	Risks are documented in a risk register and treatment plans are actioned and	Risks are identified and documented in the EMPAC asset management and maintenance software, PPP's Register of Environmental Aspects and Impacts 2013, Whole of Plant Risk Assessment for 2013 and Liberty International				

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	monitored.	<p>Underwriters' Insurance Underwriting Summary Report.</p> <p>The assets risks have been analysed and are regularly assessed in risk management plans which appear sound and comprehensive.</p> <ul style="list-style-type: none"> • External risk assessment including two yearly independent assessment of asset and operational risks; • Whole of plant risk assessment for H&S risks; • HAZID security analysis of plant and operation; • Safety risks; • Toolbox. <p>Risks and action plans are reviewed regularly at the Monthly Health, Safety and Environment Meetings and Quarterly Compliance Meetings. Incidents and abnormal events are reported regularly in the monthly reports. Audit has sighted the Minutes of Health, Safety and Environment Meeting, Minutes of Quarterly Compliance Meeting and Monthly Report for June 2013.</p>			
8.3	The probability and consequences of asset failure are regularly assessed.	The Whole of Plant Risk Assessment is being reviewed annually.			
9	CONTINGENCY PLANNING	Process Rating	B	Performance Rating	3
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>There are well documented plans for site emergency, incident and evacuation which are reviewed annually, updated accordingly, monitored and tested. Staff evacuation and plant/operations protection plans are also in place as part of the Kwinana Industrial zone.</p> <p>The Business Continuity Plan (BCP) includes Emergency Responses, Crisis Management and Business Recovery procedures. Review of the BCP is scheduled annually in the Internal Audit Schedule (latest review was May 2012 with no changes).</p> <p>Audit noted that PPP's emergency response reaction and processes have been tested by real time emergency response exercises at least annually over the past two years.</p> <p>However, the BCP does not include a structured testing plan to ensure that key components are tested and participants receive training in the implementation of the Plan on a regular basis, such as at least annually.</p> <p>Recommendation:</p> <ul style="list-style-type: none"> • Include in the BCP, a structured testing plan covering the frequency and manner of testing individual components of the Plan (eg emergency evacuation, the alternate site control centre, etc.) and a full scenario test involving all key participants. <p><i>(Post Audit Implementation Plan 1.1)</i></p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
10	FINANCIAL PLANNING	Process Rating	A	Performance Rating	1
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	Audit has discussed the financial planning with the Financial Controller and reviewed PPP's Full Year Forecast V3 2012, Budget V1 2013 and Medium Term Plan 2014-2018 and confirmed that the financial plans states objectives and strategies and actions to achieve objectives.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	Financial plans clearly identify sources of funding for capital expenditure and recurrent costs. Ongoing operating and maintenance costs and minor projects are self-funded from the revenue base. Major capital acquisitions and/or major projects can be justified internally, using retained earnings, or alternatively via a line of credit facility using the Facility Agreement between the Commonwealth Bank of Australia and PPP.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	Audit has reviewed PPP's Full Year Forecast V3 2012, Budget V1 2013 and Medium Term Plan 2014-2018 and Axiom report snap-shot: International Power Income Statement 2013-2019 and International Power balance Sheet 2013-2019 and confirmed that the financial plans provide projections of operating statements (profit and loss) and statement of financial position (balance sheets) until 2019.			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	Audit has reviewed PPP's Full Year Forecast V3 2012, Budget V1 2013 and Medium Term Plan 2014-2018 document and confirmed that financial plans provide firm predictions of income and expenditure for at least next five years. The Kwinana Evaluation Model 2008 gives income forecasts from 2008 to 2021.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	Audit has reviewed PPP's Full Year Forecast V3 2012, Budget V1 2013 and Medium Term Plan 2014-2018 document, Operations & Maintenance Budget – Capital Expenditure Forecast 2013-2017, Five Year Capital Spares Purchases 2012-2031 and Maintenance Prediction 2012 and confirmed that financial plans provide for the operations and maintenance, administration and capital expenditure requirements of the services.			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Audit reviewed the Monthly Report for June 2013 and IPM O&M Kwinana Cogeneration Plant's Minutes of the Management Meeting and confirmed income and expenses are monitored on a monthly basis on a management level. Results for a period are also presented at the PPP meeting that is being held every 2 months. Significant variances in actual/budget income and expenditure are being identified and satisfactorily explained and corrective action implemented accordingly.			
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	Audit has discussed capital expenditure planning with the Financial Controller and reviewed PPP's Full Year Forecast V3 2012, Budget V1 2013 and Medium Term Plan 2014-2018 document Operations & Maintenance Budget – Capital Expenditure Forecast 2013-2017, Five Year Capital Spares Purchases 2012-2031 and confirmed that capital			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>expenditure plans cover issues to be addressed, actions proposed, responsibilities and dates.</p> <p>Capital expenditure plans are well documented and integrated into business and budget plans. Capital Expenditure Forecasts are conducted annually and projected out 5 yearly and up to 2031.</p>			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	<p>Plant refurbishment and replacement programs are incorporated in planned outages and in the Plant Maintenance Predictions. The programmed maintenance requires the inspection and replacement/refurbishment of parts such as turbine nozzles, buckets, transition pieces and combustion pass components. Provision for the replacement of these components is made in projections, sighted "Plant Life Extension Provisional Capital Projection", the costs are included in the capital expenditure budgets. The projections and allowances appeared adequate and appropriate for the regime of operation of the plant.</p> <p>Capital acquisition procedures are well documented and plans detail reasoning, timing, costs and implementation responsibilities. Audit has sighted the KCP-05-02 Preparation of Annual Business Plan procedure and KCP-06-02 Purchase of Goods & Services Procedure.</p>			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	EMPAC is utilised as basis for capital justification. Capital acquisitions/ replenishments are defined using equipment manufacturer recommendations and condition monitoring regime within EMPAC. In addition a risk assessment is carried out on the entire plant to complement this process.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	Audit has discussed the process of review and monitoring of capital expenditure plans with the Financial Controller. The capital expenditure plan for the current year is reviewed at each finance meeting generally from April onwards i.e. the full year forecast. The plans for the future years are reviewed in April when we are required to resubmit the plans if deemed necessary. Confirmed by review of plans and minutes of meetings.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	A	Performance Rating	1
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	Audit has confirmed that the asset management plans and asset management system described are being reviewed on an annual basis. Plans are reviewed on a monthly, quarterly and yearly basis. PPP's policies and procedures in EMPAC system and regularly reviewed as part of the Internal Audit process performed by the HSEQ Compliance Advisor.			
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	<p>The current audit/review period is from 1st July 2010 to 30th June 2013 inclusive with the report to be provided to the Authority by 30 September 2013.</p> <p>The policies and procedures in the EMPAC system and regularly reviewed as part of the Internal Audit process performed by the HSEQ Compliance Advisor. Audit has sighted the Internal Audit Schedule for 2010, 2011, 2012 and</p>			

Item no.	Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		2013.

4.4 Conclusion

The review of the Asset Management System has shown that the system is operating effectively and meeting the expected performance standards under the Authority's licence.

The policies, procedures and supporting systems to operate and maintain the system are comprehensively documented, maintained and applied. From review of the plant and the asset management system, the plant is being well-managed and maintained.

The review confirmed that the five recommendations from the previous review reported in September 2010 have been implemented.

The review identified one corrective action required:

- Include in the Business Continuity Plan, a structured testing plan covering the frequency and manner of testing individual components of the Plan (eg emergency evacuation, the alternate site control centre, etc.) and a full scenario test involving all key participants.

The Post Audit Implementation Plan in Appendix A provides a summary of the issue and recommendation from the asset management system review with a response from PPP.

Appendix A: Post Audit Implementation Plan

No.	Issue	Priority (High Medium Low)	Recommendation	Management Response	Person Responsible & Completion Date
1.1	<p>Contingency Planning - Testing</p> <p>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</p> <p>There are well documented plans for site emergency, incident and evacuation which are reviewed annually, updated accordingly, monitored and tested. Staff evacuation and plant/operations protection plans are also in place as part of the Kwinana Industrial zone.</p> <p>The Business Continuity Plan (BCP) includes Emergency Responses, Crisis Management and Business Recovery procedures. Review of the BCP is scheduled annually in the Internal Audit Schedule (latest review was May 2012 with no changes).</p> <p>Audit noted that PPP's emergency response reaction and processes have been tested by real time emergency response exercises at least annually over the past two years.</p> <p>However, the BCP does not include a structured testing plan to ensure that key components are tested and participants receive training in the implementation of the Plan on a regular basis, such as at least annually.</p>	Medium	PPP should include in the BCP, a structured testing plan covering the frequency and manner of testing individual components of the Plan (eg emergency evacuation, the alternate site control centre, etc.) and a full scenario test involving all key participants.	<p>PPP conducts internal audits of the BCP annually and seeks to test those functions such as contingency box recovery and contents, availability of office accommodation and equipment, backup of tapes, access to files records etc....</p> <p>A recent internal management meeting identified the need to conduct a full test of the BCP against a catastrophic event and hence it is planned to conduct a review prior to December 2013.</p> <p>Variations to this planned exercise of a catastrophic event will follow in future years to cover the partial loss of the business.</p>	<p>HSEQ Compliance Advisor</p> <p>31 December 2013</p>

END OF REPORT