

EDL Pilbara Pty Ltd
Electricity Retail Licence
(ERL 16)
2013 Performance Audit
(Independent Assurance) Report
November 2013

Mr Geoff Hobley
Senior Commercial Manager, Energy Developments Remote Energy
EDL Remote Energy
Level 9, 14-16 Victoria Avenue
Perth, WA 6000

28 November 2013

Dear Geoff

EDL Pilbara Electricity Retail Licence (ERL 16) Performance Audit Report

We have completed the EDL Pilbara Pty Ltd (**EDL Pilbara**) Electricity Retail Licence Performance Audit for Energy Developments Limited (**EDL**) for the period 27 August 2011 to 31 August 2013 and are pleased to submit our report to you.

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

If you have any questions or wish to discuss anything raised in the report, please contact Andrew Baldwin on 9365 7236 or me on 9365 7024.

Yours sincerely

Richard Thomas
Partner
Deloitte Touche Tohmatsu

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1 Independent auditor's report

With the Economic Regulation Authority's (**the Authority**) approval, Deloitte Touche Tohmatsu (**Deloitte**) was engaged to conduct a performance audit of Energy Developments Limited (EDL) wholly owned subsidiary EDL Pilbara Pty Ltd.'s (**EDL Pilbara**), compliance with the conditions of its Electricity Retail Licence (**Licence**).

The audit was conducted in accordance with the specific requirements of the Licence and the August 2010 issue of the *Audit Guidelines: Electricity, Gas and Water Licences* (**Audit Guidelines**).

EDL Pilbara's responsibility for compliance with the conditions of the Licence

EDL Pilbara is responsible for ensuring compliance with the conditions of the Licence. This responsibility includes the following:

- Establishing and maintaining policies, procedures and controls, which are designed to ensure compliance with the conditions of the Licence
- Implementing processes for assessing its compliance requirements and for reporting its level of compliance to the Authority
- Implementing corrective actions for instances of non-compliance (if any).

Deloitte's responsibility

Our responsibility is to express a conclusion on EDL Pilbara's compliance with the conditions of the Licence based on our audit procedures. We will conduct our engagement in accordance with the Audit Guidelines and the Australian Standard on Assurance Engagements (**ASAE**) 3500 *Performance Engagements*¹ issued by the Australian Auditing and Assurance Standards Board (**AASB**), in order to state whether, in our opinion, based on the procedures performed, the conditions of the Licence have been complied with.

Our engagement provides reasonable assurance as defined in ASAE 3500.

Our procedures consisted primarily of:

- Utilising the Audit Guidelines and Reporting Manuals as a guide development of a risk assessment, and document review to assess controls
- Development of an Audit Plan for approval by the Authority and an associated work program
- Interviews with and representations from relevant EDL staff to gain understanding of process controls
- Review of documents and walkthrough of processes and controls to assess the overall compliance and effectiveness in accordance with Licence obligations
- Reporting of findings to EDL Pilbara for review and response.

Limitations of use

This report is made solely for the information and internal use of EDL Pilbara and is not intended to be, and should not be, used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than EDL Pilbara for our work, for this report, or for any reliance which may be placed on this report by any party other than EDL Pilbara.

Inherent limitations

Reasonable assurance means a high but not absolute level of assurance. Absolute assurance is very rarely attainable as a result of factors such as the following: the use of selective testing, the inherent

¹ ASAE 3500 also provides for our engagement to be conducted in accordance with relevant requirements of ASAE 3100 *Compliance Engagements* and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

limitations of internal control, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our report should not rely on the report to identify all potential instances of non-compliance which may occur.

Independence

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

Conclusion

In our opinion, based on the procedures performed, except for the effect of the issue set out below, EDL Pilbara has, in all material respects, complied with the conditions of its Licence for the period 27 August 2011 to 31 August 2013.

Exceptions

The following performance criterion was assessed as non-compliant (rating 2):

Reporting manual no. & Licence condition		Issue
124	Retail 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.	EDL Pilbara is required to submit compliance reports to the Authority by 31 August each year. EDL Pilbara failed to submit the required 2012 compliance report to the Authority prior to the 31 August 2012 due date.

DELOITTE TOUCHE TOHMATSU

Richard Thomas
Partner
Perth, November 2013

2 Executive summary

2.1 Introduction and background

The Economic Regulation Authority (**the Authority**) has under the provisions of the Electricity Industry Act 2004 (**the Act**), issued to EDL Pilbara Pty Ltd (**EDL Pilbara**), a wholly owned subsidiary of Energy Developments Limited (**EDL**), an Electricity Retail Licence (**the Licence**). EDL Pilbara owns and operates a liquefied natural gas facility (**the Facility**) at the Maitland Industrial Estate in WA's Pilbara region. As the Facility's existing electricity generation capacity currently exceeds its needs, the licence relates to EDL Pilbara's commercial arrangements to supply electricity to Supagas Pty Ltd (**Supagas**), a business co-located on the Facility's leasehold land. The Licence commenced from 27 August 2011.

As the volume of electricity supplied to Supagas exceeds 160MWh p.a., Supagas is not a Small Use Customer as defined by the *Code of Conduct for the Supply of Electricity to Small Use Customers 2012*. EDL Pilbara does not supply electricity to any other customer.

Section 13 of the Act requires EDL Pilbara to provide to the Authority a performance audit (**the audit**) conducted by an independent expert acceptable to the Authority not less than once in every 24 month period. The Authority elected to set the period to be covered by the audit to the period 27 August 2011 to 31 August 2013.

At the request of EDL, Deloitte Touche Tohmatsu (**Deloitte**) has undertaken a reasonable assurance audit relating to EDL Pilbara's compliance with the relevant conditions of the Licence.

The reasonable assurance audit was undertaken in order to express a conclusion whether, in our opinion, EDL Pilbara has complied, in all material respects, with the relevant conditions of the Licence.

The objective of this report is to:

- (a) Provide a summary of the background to the audit and of the procedures performed by us
- (b) Communicate our audit findings and associated recommendations to you.

Our independent auditor's report is also contained in section 1 of this report.

The audit has been conducted in accordance with the August 2010 issue of the *Audit Guidelines: Electricity, Gas and Water Licences (Audit Guidelines)*.

2.2 Observations

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

- Allocated responsibilities to specific staff for meeting key Licence obligations
- Demonstrated a commitment to regulatory compliance
- Maintained procedures and controls designed to help:
 - Facilitate compliance with its Licence obligations
 - Uphold the integrity of its reporting to the Authority on matters specific to its Licence obligations.

Due to the specific nature of the commercial arrangements between EDL Pilbara and Supagas, EDL Pilbara's regulatory obligations on its operations as a retailer are minimal, with the majority of the Licence obligations applicable to EDL Pilbara operations being generic to the requirements of all electricity licence holders.

2.3 Findings

The following table summarises the assessments made by the audit on EDL Pilbara’s compliance with the obligations of the Licence. On a scale of 1 to 5, “5” is the highest compliance rating possible (defined as “Compliant with no further action required to maintain compliance”) with the rating scale moving down through lower levels of compliance to “1”, the lowest rating possible (defined as “Significantly non-compliant: Significant weaknesses and/or serious action required”).

Table 2 at section 3 of this report provides further detail to the compliance rating scale.

Table 1: Summary of findings, by audit priority and compliance rating

No. of Obligations	Compliance Rating							Total
	N/A ³	Not rated ⁴	Non-compliant		Compliant			
Audit Priority ²			1	2	3	4	5	
Priority 1		-	-	-	-	-	-	-
Priority 2		-	-	-	-	-	-	-
Priority 3		-	-	-	-	-	-	-
Priority 4		4	-	1	-	-	5	10
Priority 5		1	-	-	-	-	1	2
N/A								277
Total	277	5	-	1	-	-	6	289

Refer to Appendix A – Audit Plan for further detail.

Specific assessments for each licence obligation are summarised at **Table 3** in the “Summary of findings” section of this report.

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

2.4 EDL Pilbara’s response to previous audit recommendations

As this is the first audit of EDL Pilbara’s Licence obligations, there are no previous audit recommendations to which EDL Pilbara can respond.

² Audit priority for each licence obligation was determined as an outcome of the risk assessment approach outlined in the Audit Plan at Appendix A

³ Obligations assessed as not applicable to EDL Pilbara’s operations are detailed in the Audit Plan at Appendix A

⁴ Obligations for which there was no relevant activity during the audit period; therefore a compliance assessment could not be made

2.5 Recommendations and action plans

Reporting manual no. & Licence condition ref.		Audit Priority	Compliance Rating	Issue 1/2013
124	Retail 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.	Priority 4	Non-compliant - 2	EDL Pilbara is required to submit compliance reports to the Authority by 31 August each year. EDL Pilbara failed to submit the required 2012 compliance report to the Authority until 2 October 2012, after two reminders were issued by the Authority's Secretariat. EDL Pilbara has since included the 31 August due date in the EDL licence compliance spreadsheet and has allocated responsibility to EDL's Senior Environmental and Compliance Advisor for monitoring compliance with this obligation. EDL Pilbara submitted the required 2013 compliance report to the Authority by the 31 August 2013 due date.
Recommendation 1/2013 n/a – no further action is required.		Action Plan 1/2013 n/a – no further action is required.		

2.6 Scope and objectives

As described in our engagement letter dated 29 July 2013, we have conducted a reasonable assurance audit in order to express a conclusion whether, in our opinion, EDL Pilbara has complied, in all material respects, with the conditions of its Licence during the period 27 August 2011 to 31 August 2013.

Our engagement was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the Australian Auditing and Assurance Standards Board and provides reasonable assurance as defined in ASAE 3000. The procedures we performed are described in more detail in section 2.7 below.

ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

The Authority has summarised the requirements of the applicable legislation that it expects to be reported and included in the scope of the audit in its Electricity Compliance Reporting Manual (**Reporting Manual**).

The Audit Plan set out at Appendix A lists those Licence conditions confirmed to be included in the scope of the audit, along with the risk assessments made for, and audit priority assigned to, each licence obligation.

2.7 Approach

Our approach for this audit involved the following activities, which were undertaken during the period August to November 2013:

- Utilising the Audit Guidelines and Reporting Manuals (May 2011, February 2013 and June 2013 versions) as a guide, development of a risk assessment, which involved discussions with key staff and document review to assess controls
- Development of an Audit Plan (see **Appendix A**) for approval by the Authority and an associated work program

- Interviews with and representations from relevant EDL staff to gain understanding of process controls (see **Appendix B** for staff involved)
- Review of documents and walkthrough of processes and controls to assess the overall compliance and effectiveness of those processes and controls in accordance with Licence obligations (see **Appendix B** for reference listing)
- Reporting of findings to EDL Pilbara for review and response.

2.8 Inherent limitations

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

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our report should not rely on the report to identify all potential instances of non-compliance which may occur.

3 Summary of findings

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

Table 2: Compliance rating scale

Level	Rating	Description
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 EDL Pilbara's business operations
Not rated	N/R	No relevant activity took place during the audit period; therefore it is not possible to assess compliance.

The remainder of this report provides:

- A summary of the findings for the compliance obligations (**Table 3** below).
- Detailed findings, including relevant observations (**Section 4**).

Note that the risk assessment presented in the audit plan (refer **Appendix A**) remains unchanged. No issues or concerns were identified that would indicate a need to modify the nature and levels of testing.

The risk assessment has been included in this summary to give context to the ratings that have been determined.

Table 3: Compliance Summary

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

#	Obligation reference	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Risk/Priority	Compliance Rating				
							NR	1	2	3	4
Section 9 Electricity Industry Customer Transfer Code											
All obligations relevant to retailers are not applicable to EDL Pilbara's operations due to:											
<ul style="list-style-type: none"> The absence of a network and network operator Under current arrangements, no practical ability of customer transfer. 											
11. Electricity Industry (Customer Contracts) Regulations											
All obligations relevant to retailers are not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers and therefore is not required to use standard or nonstandard form contracts.											
12. Electricity Industry Act											
101	13(1)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
105	17(1)	Minor	Probable	Low	Moderate	Priority 5					✓
106	31(3)	Minor	Unlikely	Medium	Moderate	Priority 4					✓
107	41(6)	Moderate	Unlikely	Medium	Moderate	Priority 4					✓
108	54(1)	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers									
109	54(2)										
110	76	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
111	101	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers									
113	115(2)	Not applicable to EDL Pilbara's operations as there is no applicable network.									
13. Electricity Licences - Licence Conditions and Obligations											
114	23.1	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.									
115	23.2										
116	24.2										
117	24.3										
118	25.1										
119	12.1	Moderate	Unlikely	Medium	Strong	Priority 4					✓
120	13.4	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
121	14.2	Moderate	Unlikely	Medium	Moderate	Priority 4					✓
123	15.1	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
124	16.1	Moderate	Probable	Medium	Moderate	Priority 4			✓		
125	17.1 & 17.2	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
126	18.1	Moderate	Probable	Medium	Strong	Priority 4					✓
14. Code of Conduct for the Supply of Electricity to Small Use Customers											
All obligations relevant to retailers are not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.											
15. Electricity Industry Metering Code											
All obligations relevant to retailers are not applicable to EDL's operations as there is no network or network operator to trigger any metering obligations.											

4 Detailed findings, recommendations and action plans

The following section is categorised into the relevant Codes and Regulations that require an assessment of EDL Pilbara's compliance. The Codes and Regulations relevant to EDL Pilbara's operations are:

1. Electricity Industry Act 2004
2. Electricity Licenses - Licence Conditions and Obligations.

Each section contains:

- **Not applicable obligations** – an outline of and the reasons as to why the obligations were assessed as not applicable
- **Not rateable obligations** – the obligations assessed as not rated for the audit period and reasons for this assessment
- **Assessment of compliance** – the conclusions from our audit procedures and a determination of EDL Pilbara's compliance with the applicable obligations. These tables include:
 - *Findings* – the auditor's understanding of the process and any issues that have been identified during the audit
 - *Recommendations* – recommendations for improvement or enhancement of the process or control, if appropriate. Note that this audit did not make any recommendations
 - *Action plans* – EDL Pilbara's formal response to audit recommendations, providing details of action to be implemented to address the specific issue raised by the audit, assignment of the actions to appropriate staff and corresponding completion dates for the actions. Note that, since this audit did not make any recommendations, no action plans were developed.

Note that this section does not further address the following Codes and Regulations as they do not include any obligations applicable to EDL Pilbara's operations as a retailer (refer to the Audit Plan at Appendix A for further explanation):

- Electricity Industry Customer Transfer Code
- Electricity Industry (Customer Contracts) Regulations
- Code of Conduct for the Supply of Electricity to Small Use Customers
- Electricity industry Metering Code.

4.1 Electricity Industry Act 2004

Obligations determined to be not applicable

The following obligations are not applicable to EDL Pilbara's operations:

Obligation	Reason
108 – 109 and 111	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers
113	Not applicable to EDL Pilbara's operations as there is no applicable network.

Obligations determined to be not rateable

EDL Pilbara's compliance with the following obligations could not be rated as there was no relevant activity in the period subject to audit.

Obligation	Reason
101	Section 13(1) of the Act outlines a licensee's obligation, not less than once every 24 months, to provide the Authority with a performance audit conducted by an independent expert. As the scope of this audit focussed on the first 24 month audit period for the License, there was no requirement for an audit to be performed during that period.
110	During the period 27 August 2011 to 31 August 2013, EDL Pilbara had not been designated as a supplier of last resort.

Assessment of compliance

The table below summarises the audit's assessment of EDL Pilbara's compliance with the relevant obligations of the Electricity Industry Act 2004.

		Non-compliant		Compliant			Total
N/A	N/R	1	2	3	4	5	
4	2					3	9

The following table provides detailed findings for the applicable and rateable obligations with an individual assessment of compliance. Note that separate findings are not provided for the obligations that are not applicable or cannot be rated, as detailed in the table above.

No	Obligation under Condition	Compliance Rating	Findings
105	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. <i>Electricity Industry Act s.17(1)</i>	Compliant - 5	By obtaining system evidence of payment for the 2011, 2012 and 2013 Licence Fees, we confirmed that all payments had been made within one month, as required by section 17(1) of the Act.
106	A licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause. <i>Electricity Industry Act s.31(3)</i>	Compliant - 5	The Senior Commercial Manager, Energy Developments Remote Energy confirmed that: <ul style="list-style-type: none"> • In the event of an emergency or other unavoidable cause for interruption to EDL Pilbara's operations (including electricity generation), EDL Pilbara's plant operating and re-start procedures provide guidance for orderly and safe plant shut-down and re-start. There was one instance where EDL Pilbara performed a plant shut-down and re-start in preparation for a potential cyclone • During the period to 31 August 2013, EDL Pilbara: <ol style="list-style-type: none"> (a) Maintained arrangements for securing fuel supplies to operate its gas fired turbines and diesel generating unit (b) Met its obligations to Supagas in relation to communicating and rectifying any interruption to supply of electricity. <p>The audit concludes that EDL Pilbara had taken reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.</p>
107	A licensee must pay the costs of taking an interest in land or an easement over land. <i>Electricity Industry Act s. 41(6)</i>	Compliant - 5	The EDL Manager Shared Services confirmed that EDL Pilbara sub-leases its property from EDLLNG, which in turn leases from the WA Government and that the lease payment has been duly allocated to EDL Pilbara's (via Remote Energy) accounts. We sighted evidence of EDL's payment of the 2013/14 Lease invoice.

4.2 Electricity Licences – Licence Conditions and Obligations

Obligations determined to be not applicable

The following obligations are not applicable to EDL Pilbara's operations:

Obligation	Reason
114-118	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.

Obligations determined to be not rateable

EDL Pilbara's compliance with the following obligations could not be rated as there was no relevant activity in the period subject to audit.

Obligation	Reason
120	EDL's Legal Counsel and Senior Environmental and Compliance Advisor confirmed that, for the period 27 August 2011 to 31 August 2013, EDL Pilbara has not been prescribed individual performance standards by the Authority.
123	EDL's Legal Counsel confirmed that during the period 27 August 2011 to 31 August 2013, EDL Pilbara was not under external administration and had not undergone any significant change in circumstances upon which its Licence was granted, which may affect its ability to meet its Licence obligations. Accordingly, there was no obligation to report to the Authority.
125	EDL's Senior Environmental and Compliance Advisor confirmed that for the period 27 August 2011 to 31 August 2013, the Authority did not direct EDL Pilbara to publish any information with regards to its Licence (other than information associated with annual compliance reports and the performance audit report).

Assessment of compliance

The table below summarises the audit's assessment of EDL Pilbara's compliance with the relevant obligations of its Licence.

N/A	N/R	Non-compliant		Compliant			Total
		1	2	3	4	5	
5	3		1			3	12

The following table provides detailed findings for the applicable and rateable obligations with an individual assessment of compliance. Note that separate findings are not provided for the obligations that are not applicable or cannot be rated, as detailed in the table above.

No	Obligation under Condition	Compliance Rating	Findings
119	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. <i>Retail Licence Condition 12.1</i>	Compliant - 5	The published Financial Statements of Energy Developments Limited (EDL), EDL Pilbara Pty Ltd.'s parent company, for the years ending 30 June 2012 and 2013 were examined. Those statements were unqualified, with respect to all subsidiaries of EDL. EDL's Legal Counsel confirmed that EDL Pilbara is part of the EDL group; and that its financial results and balance sheet are consolidated into the EDL Group.
121	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit. <i>Retail Licence Condition 14.2</i>	Compliant - 5	The audit plan approved by the Authority on 20 November 2013 committed EDL Pilbara and Deloitte (independent expert) to complying with the prescribed audit guidelines and reporting manual issued by the Authority. Deloitte confirms that the audit was undertaken utilising the framework from the <i>Audit Guidelines: Electricity, Gas and Water Licences</i> , dated August 2010.
124	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. <i>Retail Licence 16.1</i>	Non-Compliant - 2	EDL Pilbara is required to submit compliance reports to the Authority by 31 August each year. EDL Pilbara failed to submit the required 2012 compliance report to the Authority until 2 October 2012, after two reminders were issued by the Authority's Secretariat. EDL Pilbara has since included the 31 August due date in EDL's licence compliance spreadsheet and has allocated responsibility to the Senior Environmental and Compliance Advisor for monitoring compliance with this obligation. EDL Pilbara submitted the required 2013 compliance report to the Authority by the 31 August 2013 due date.
	Recommendation 1/2013 n/a – no further action is required.		Action Plan 1/2013 n/a – no further action is required.
126	Unless otherwise specified, all notices must be in writing. <i>Retail Licence Condition 18.1</i>	Compliant - 5	We observed that EDL Pilbara maintains central, electronic records to evidence formal communications with the Authority, which have been made via post or email. EDL's Senior Environmental and Compliance Advisor confirmed that EDL Pilbara's records of correspondence with the Authority contain all requests or instructions that have been made by the Authority in relation to EDL Pilbara's Licence.

Appendix A – Audit Plan

Energy Developments Limited

**EDL Pilbara Pty Ltd Electricity Retail
Licence (ERL16)**

2013 Performance Audit

Audit Plan

November 2013

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1 Introduction

Overview

Energy Developments Limited (**EDL**), through its subsidiary EDL Pilbara Pty Ltd (**EDL Pilbara**) owns and operates a liquefied natural gas facility (the **Facility**) at the Maitland Industrial Estate in WA's Pilbara region. As the Facility's existing electricity generation capacity currently exceeds its needs, EDL Pilbara sought and was granted an Electricity Retail Licence ERL 16 (the **Licence**) to supply electricity under a commercial arrangement to Supagas Pty Ltd (**Supagas**), a business co-located on the Facility's leasehold land. The Licence commenced from 27 August 2011.

As the volume of electricity supplied to Supagas exceeds 160MWh p.a., Supagas is not a Small Use Customer as defined by the *Code of Conduct for the Supply of Electricity to Small Use Customers 2012*. EDL Pilbara does not supply electricity to any other customer.

Section 13 of the Act requires EDL Pilbara to provide the Economic Regulation Authority (the **Authority**) with a performance audit (the **audit**) conducted by an independent expert acceptable to the Authority within 24 months after the Licence commencement date. With the Authority's approval, Deloitte Touche Tohmatsu (**Deloitte**) has been appointed to conduct the audit for the period 27 August 2011 to 31 August 2013.

The audit will be conducted in accordance with the August 2010 issue of the *Audit Guidelines: Electricity, Gas and Water Licences (Audit Guidelines)*. In accordance with the Audit Guidelines this document represents the Audit Plan (**the Plan**) that is to be agreed upon by Deloitte and EDL and presented to the Authority for approval.

Objective

The performance audit is defined as an examination of the measures taken by EDL Pilbara to meet the performance criteria specified in its Licence.

The audit is designed to provide reasonable assurance regarding the assessment of appropriateness, effectiveness and efficiency associated with EDL Pilbara's compliance with its Licence. The audit will specifically consider the following:

- Process compliance - the effectiveness of systems and procedures in place throughout the audit period, including assessing 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 performance - the completeness and accuracy of the performance reporting to the Authority
- Compliance with any individual licence conditions - the requirements imposed on EDL Pilbara by the Authority or specific issues for follow-up that are advised by the Authority.

Scope

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

The audit approach applies the singular audit priority assessment approach to identify all applicable licence obligations. Each of the compliance requirements identified in the Reporting Manual have been evaluated for applicability to EDL Pilbara's and used as the basis for determining the performance criteria to be considered for the audit.

The audit period is 27 August 2011 to 31 August 2013.

Summary of Licence compliance obligations

The following table summarises the relevant compliance obligations applicable to EDL Pilbara's operations during the period subject to audit. Where necessary, further explanation is provided to describe the extent of application of those obligations. The assessment is made against the June 2013 Reporting Manual.

Additionally, obligations are listed as not applicable where there is no application to Retail Licensees, or where the obligation only applies to Retail Licensees with Small Use Customers.

Further, obligations have been considered not applicable to EDL Pilbara on the basis that there is no network or network operator, or there is no relevant activity to report against the requirement.

Legislative element	Obligations applicable to EDL Pilbara's operations (in scope)	Obligations not applicable to EDL Pilbara's operations (out of scope)
Type 1 reporting obligations for all licence types	None	All type 1 obligations fall under the Code of Conduct for the Supply of Electricity to Small Use Customers (Code of Conduct). All type 1 requirements are not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.
Electricity Industry Customer Transfer Code	None	<p>The objective of the Customer Transfer Code is to:</p> <ul style="list-style-type: none"> “set out rules for the provision of information relating to contestable customers and the process for transferring contestable customers from one retailer to another retailer in order to promote retail competition; and protect the interests of contestable customers by ensuring that a contestable customer's verifiable consent is obtained before— <ul style="list-style-type: none"> (i) a retailer may request the contestable customer's historical consumption data; or (ii) a transfer of that contestable customer may proceed;” - (<i>Electricity Customer Transfer Code</i>)” <p>The entire Customer Transfer Code is not applicable to EDL's operations for the following reasons:</p> <ul style="list-style-type: none"> The logistics of EDL's arrangement with Supagas makes it highly unlikely for the customer to be practically contested in the future and therefore no likelihood of transfer There is no network or network operator to facilitate such a transfer.

Legislative element	Obligations applicable to EDL Pilbara's operations (in scope)	Obligations not applicable to EDL Pilbara's operations (out of scope)
Electricity Industry (Obligation to Connect) Regulations	None	<p>The Electricity Industry (Obligation to Connect) Regulations do not apply to electricity retail license holders.</p> <p><i>Note: The contractual arrangements between EDL Pilbara and Supagas will be considered by the audit to provide context to EDL Pilbara's responsibilities for connection.</i></p>
Electricity Industry (Customer Contracts) Regulations	None	<p>As the Regulations only apply to small use customers (of which EDL Pilbara has none), the Regulations do not apply to EDL Pilbara's current circumstances and will not be subject to audit.</p>
Electricity Industry Act	<p>Of the nine obligations relevant to electricity retail license holders, the following are applicable to EDL Pilbara's operations:</p> <ul style="list-style-type: none"> • 101 • 105 – 107 • 110 	<p>The following obligations refer to supply to small use customers and are not applicable to EDL Pilbara's operations:</p> <ul style="list-style-type: none"> • 108 • 109 • 111 <p>In the absence of a network, the following obligation does not apply to EDL Pilbara's operations:</p> <ul style="list-style-type: none"> • 113.
Electricity Licenses	<p>Of the 12 obligations relevant to retailers the following regulations apply to EDL Pilbara's operations:</p> <ul style="list-style-type: none"> • 119-121 • 123-126 	<p>The following obligations refer to Small Use Customers and are not applicable to EDL Pilbara's operations:</p> <ul style="list-style-type: none"> • 114-118.
Code of Conduct for the Supply of Electricity to Small Use Customers	None	<p>All obligations of electricity retailers under the Code of Conduct are not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.</p>

Legislative element	Obligations applicable to EDL Pilbara's operations (in scope)	Obligations not applicable to EDL Pilbara's operations (out of scope)
Electricity Industry Metering Code	None	<p>The following obligations are considered to be not applicable to EDL's operations as:</p> <ul style="list-style-type: none"> • There is no network operator and therefore no network - (360, 385, 392, 394, 409, 422, 426-427, 429, 431, 437-438, 456, 469, 472, 474-475, 476, 477, 478-482) • The obligation refers to the Electricity Retail Corporation (375) • There is no requirement for a registry in the absence of a network (393) • The obligations refer to "User" obligations (423, 428 + 361, 395, 412 referenced from the earlier versions of the Reporting Manual). <p><i>Note: The contractual terms with Supagas will be considered to gain an understanding of EDL Pilbara's responsibilities in relation to metering.</i></p>

Responsibility

EDL Pilbara's responsibility for compliance with the conditions of the Licence

EDL Pilbara is responsible for:

- Putting in place policies, procedures and controls, which are designed to ensure compliance with the conditions of the Licence
- Implementing processes for assessing its compliance requirements and for reporting its level of compliance to the Authority
- Implementing corrective actions for instances of non-compliance.

Deloitte's responsibility

Our responsibility is to express a conclusion on EDL Pilbara's compliance with the conditions of the Licence based on our procedures. We will conduct our engagement in accordance with the Audit Guidelines and the Australian Standard on Assurance Engagements (ASAE) 3500 *Performance Engagements*⁵ issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in our opinion, based on the procedures performed, the conditions of the Licence have been complied with. Our engagement will provide reasonable assurance as defined in ASAE 3500.

Limitations of use

This report is intended solely for the information and internal use of EDL Pilbara, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than EDL Pilbara for our work, for this report, or for any reliance which may be placed on this report by any party other than EDL Pilbara.

Inherent limitations

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

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our report should not rely on the report to identify all potential instances of non-compliance which may occur.

Independence

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

⁵ ASAE 3500 also provides for our engagement to be conducted in accordance with relevant requirements of ASAE 3100 *Compliance Engagements* and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

2 Approach

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

Risk assessment

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

The first step of the risk assessment is the rating of the potential consequences of EDL Pilbara not complying with its licence obligations, in the absence of mitigating controls. As the Reporting Manual is prescriptive in its criteria for classifying the consequences of non-compliance (refer to **Appendix 1-1**) the risk assessment applies the Reporting Manual's classifications for each obligation subject to audit. Reference is also made to the consequence rating descriptions listed at Table 10 of the Audit Guidelines (refer to **Appendix 1-2**), providing the risk assessment with context to ensure the appropriate consequence rating is applied to each obligation subject to audit.

Once the consequence has been determined, the likelihood of EDL Pilbara not complying with its obligations is assessed using the likelihood rating listed at Table 11 of the Audit Guidelines (refer to **Appendix 1-3**). The assessment of likelihood is based on the expected frequency of EDL Pilbara's non-compliance with the relevant licence obligation over a period of time.

Table 2 below (sourced from Table 12 of the Audit Guidelines) outlines the combination of consequence and likelihood ratings to determine the level of inherent risk associated with each individual obligation.

Table 2: Inherent risk rating

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

Once the level of inherent risk has been determined, the adequacy of existing controls is assessed in order to determine the level of control risk. Controls are assessed and prioritised as weak, moderate or strong dependant on their suitability to mitigate the risks identified. The control adequacy ratings used by this risk assessment are aligned to the ratings listed at Table 14 of the Audit Guidelines (refer to **Appendix 1-4**).

Once inherent risks and control risks are established, the audit priority can then be determined using the matrix listed at Table 15 of the Audit Guidelines (refer to **Table 3** below). Essentially, the higher the level of risk the more substantive testing is required.

Table 3: Assessment of Audit Priority

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

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

Table 4: Audit Priority Table

Priority rating and resulting audit procedures	
Rating	Audit requirement
Audit Priority 1	<ul style="list-style-type: none"> Controls testing and extensive substantive testing of activities and/or transactions Follow-up and if necessary, re-test matters previously reported.
Audit Priority 2	<ul style="list-style-type: none"> Controls testing and moderate substantive testing of activities and/or transactions Follow-up and if necessary, re-test matters previously reported.
Audit Priority 3	<ul style="list-style-type: none"> Limited controls testing (moderate sample size). Only substantively test transactions if further control weakness found Follow-up of matters previously reported.
Audit Priority 4	<ul style="list-style-type: none"> Confirmation of existing controls via observation and walk through testing Follow-up of matters previously reported.
Audit Priority 5	<ul style="list-style-type: none"> Confirmation of existing controls via observation, discussions with key staff and/or reliance on key references (“desktop review”).

The risk assessment has been discussed with stakeholders to gain their input as to the appropriateness and factual accuracy of risk and control ratings and associated explanations.

At this stage, the risk assessment can only be a preliminary assessment based on reading of documentation and our understanding of EDL Pilbara’s control environment. It is possible that the ratings and risk assessment comments may be revised as we conduct our work and new evidence comes to light. Such revisions will be detailed in the final report in accordance with section 10.2 of the Audit Guidelines. Accordingly the risk assessment for the performance audit is a preliminary draft, not a final report, and no reliance should be placed on its findings. It is however an invaluable tool for focussing the audit effort.

The performance audit risk assessment is attached at **Appendix 2**.

Systems analysis/walkthrough

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

In performing our analysis/walkthrough of EDL Pilbara's systems and processes, we will consider the following:

- The control environment: EDL Pilbara's management philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of key staff members
- Information systems: the appropriateness of EDL Pilbara's information systems (in particular, those designed to meet licence requirements, in addition to EDL's record management system).
- Control procedures: the presence of systems and procedures to ensure compliance with the licence, effectiveness of EDL Pilbara's internal control structure to detect and correct non-compliance. Specific consideration will be given to and significant changes in relevant systems and procedures implemented during the period subject to audit
- Compliance attitude: action taken by EDL in response to any previous audit recommendations that may have an impact on EDL Pilbara's obligations. Consideration will be given to the timing of action taken during the period subject to audit and whether the action has a permanent impact on EDL Pilbara's level of compliance
- Outcome compliance: actual performance against standards prescribed in the licence throughout the audit period.

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

Testing/review

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

Controls testing is performed for those elements with an audit priority 3 and above (refer to table 4). On initial assessment, as none of the applicable requirements are rated with this level of priority, the obligations will be tested through the following means: and where there is relevant activity. This method of testing will involve:

- Conducting discussions with relevant personnel to determine the adequacy of the controls and procedures in place
- Review of documentation supporting compliance with the Licence Requirements
- Gaining an understanding of the relevant contract terms outlining EDL Pilbara's operating arrangements with Supagas.

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

- The audit priority determined by the risk assessment to be applicable each licence obligation
- The results of the system analysis performed, as described above.

All audit fieldwork is expected to be performed in consultation with key staff at EDL Pilbara's Perth CBD office and EDL's Brisbane office.

Reporting

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

Table 5: Operational/performance compliance rating scale

Name	Rating	Description
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.

The performance audit report will also be structured to address all key components expected by the Audit Guidelines, including:

- An executive summary containing all elements listed in section 11 of the Audit Guidelines
- Performance/compliance summary and rating for each licence condition – in tabular form
- Audit observations
- Where appropriate, recommendations on actions required to address areas of non-compliance.

Where appropriate, EDL Pilbara will provide a post audit implementation plan for incorporation into the report.

3 General information

All aspects of the audit will undergo quality assurance and review procedures as outlined in our previous communications. Before delivery of a final report, full quality procedures will be applied, including second partner review.

Key EDL Pilbara contacts

The key contacts for this audit are:

- Geoff Hobley Senior Commercial Manager, Energy Developments Remote Energy
- Peter White Senior Environmental and Compliance Advisor, EDL

Deloitte staff

Deloitte staff who will be involved with this assignment are:

- Richard Thomas Partner
- Andrew Baldwin Account Director
- David Herbert Analyst
- Darren Gerber QA Partner

Timing

The initial risk assessment phase was completed on 28 October 2013. On 4 November 2013 the audit plan and detailed risk assessment were presented to the Authority for review and comment.

The remainder of the fieldwork phase is scheduled to be performed in early to mid-November 2013.

Deloitte's estimated time and staff commitment to the completion of the audit is as follows:

- Planning (including risk assessment): 16 hours
- Fieldwork (including system analysis/walkthrough and testing/review): 19 hours
- Reporting: 18 hours

Appendix 1 – Risk assessment key

1-1 Criteria for classification

Source: Electricity Compliance Reporting Manual June 2013

Rating (type)	Classification of Non-Compliance	Criteria for classification
1	Major	Classified on the basis that: <ul style="list-style-type: none"> ▪ the consequences of non-compliance would cause major damage, loss or disruption to customers; or ▪ the consequences of non-compliance would endanger or threaten to endanger the safety or health of a person.
2	Moderate	Classified on the basis that: <ul style="list-style-type: none"> ▪ the consequences of non-compliance impact the efficiency and effectiveness of the licensee's operations or service provision but do not cause major damage, loss or disruption to customers; or ▪ the regulatory obligation is not otherwise classified as a Type 1 or a Type NR non-compliance.
NR (not reportable)	Minor	Classified on the basis that: <ul style="list-style-type: none"> ▪ the consequences of non-compliance are relatively minor – i.e. non-compliance will have minimal impact on the licensee's operations or service provision and do not cause damage, loss or disruption to customers; ▪ compliance with the obligation is immeasurable; ▪ the non-compliance is required to be reported to the Regulator under another instrument, guideline or code; ▪ the non-compliance is identified by a party other than the licensee; or ▪ the licensee only needs to use its reasonable endeavours or best endeavours to achieve compliance or where the obligation does not otherwise impose a firm obligation on the licensee.

1-2 Consequence ratings

Source: Audit Guidelines: Electricity, Gas and Water Licences August 2010

	Rating	Examples of non-compliance			
		Supply Quality	Supply Reliability	Consumer Protection	Breaches of legislation or other licence conditions
1	Minor	Minor public health and safety issues. Breach of quality standards minor - minimal impact on customers.	System failure or connection delays affecting only a few customers. Some inconvenience to customers.	Customer complaints procedures not followed in a few instances. Nil or minor costs incurred by customers.	Licence conditions not fully complied with but issues have been promptly resolved.
2	Moderate	Event is restricted in both area and time e.g., supply of service to one street is affected up to one day. Some remedial action is required.	Event is restricted in both area and time e.g., supply of service to one street is affected up to one day. Some remedial action is required.	Lapse in customer service standards is clearly noticeable but manageable. Some additional costs may be incurred by some customers.	Clear evidence of one or more breaches of legislation or other licence conditions and/or sustained period of breaches.
3	Major	Significant system failure. Life-threatening injuries or widespread health risks. Extensive remedial action required.	Significant system failure. Extensive remedial action required.		

1-3 Likelihood ratings

Source: Audit Guidelines: Electricity, Gas and Water Licences August 2010

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

1-4 Adequacy ratings for existing controls

Source: Audit Guidelines: Electricity, Gas and Water Licences August 2010

Rating	Description
Strong	Strong controls that are sufficient for the identified risks
Moderate	Moderate controls that cover significant risks; improvement possible
Weak	Controls are weak or non-existent and have minimal impact on the risks

Appendix 2 – Risk assessment

Obligation numbers and references listed below are sourced from the June 2013 Reporting Manual.

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority	
Section 9 Electricity Industry Customer Transfer Code								
All obligations (1-71) are not applicable to EDL Pilbara's operations due to: <ul style="list-style-type: none"> The absence of a network and network operator Under current arrangements, no practical ability of customer transfer. 								
11. Electricity Industry (Customer Contracts) Regulations								
All obligations (78-100) are not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers and therefore is not required to use standard or non-standard form contracts.								
12. Electricity Industry Act - Licence Conditions and Obligations								
101	Section 13(1)	A licensee must, not less than once every 24 months, provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority.	Minor	Unlikely	Low	Moderate	Priority 5	
105	Section 17(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.	Minor	Probable	Low	Moderate	Priority 5	
106	Section 31(3)	A licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.	Moderate	Unlikely	Medium	Moderate	Priority 4	
107	Section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	Moderate	Probable	Medium	Moderate	Priority 4	
108	Section 54(1)	A retail or integrated regional licensee must not supply electricity to a small use customer otherwise than under a standard form contract or a non-standard form contract.	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.					
109	Section 54(2)	A licensee must comply with any direction by the Authority to amend the standard form contract and do so within the period specified.						
110	Section 76	If a designation under section 71(1) of the Electricity Industry Act is in force a licensee must perform the functions of a retailer of last resort and must carry out the supplier of last resort plan if it comes into operation under section 70 of the Electricity Industry Act.	Moderate	Unlikely	Medium	Moderate	Priority 4	
111	Section 101	A retail, distribution or integrated regional licensee must not supply electricity to small use customers unless the licensee is a member of an approved scheme and is bound by and compliant with any decision or direction of the electricity ombudsman under the approved scheme.	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.					
113	Section 115(2)	A licensee that has, or is an associate of a person that has, access to services under an access agreement must not engage in conduct for the purpose of hindering or prohibiting access.	Not applicable to EDL Pilbara's operations as there is no applicable network.					

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority	
13. Electricity Licences - Licence Conditions and Obligations								
114	Condition 23.1	A licensee must ensure that an electricity marketing agent of the licensee complies with the applicable codes.	Not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.					
115	Condition 23.2	The licensee must report a breach of the applicable code conditions by an electricity marketing agent to the Authority within the prescribed timeframe.						
116	Condition 24.2	A licensee must, if directed by the Authority, review the standard form contract and submit to the Authority the results of that review within the time specified by the Authority.						
117	Condition 24.3	A licensee must comply with any direction given by the Authority in relation to the scope, process and methodology of the standard form contract review.						
118	Condition 25.1	A licensee may only amend the standard form contract with the Authority's approval.						
119	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.	Moderate	Unlikely	Medium	Strong	Priority 4	
120	Condition 13.4	A licensee must comply with any individual performance standards prescribed by the Authority.	Moderate	Unlikely	Medium	Moderate	Priority 4	
121	Condition 14.2	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit.	Moderate	Unlikely	Medium	Moderate	Priority 4	
123	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 obligations.	Moderate	Unlikely	Medium	Moderate	Priority 4	
124	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.	Moderate	Probable	Medium	Moderate	Priority 4	
125	Conditions 17.1 and 17.2	A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.	Moderate	Unlikely	Medium	Moderate	Priority 4	
126	Condition 18.1	Unless otherwise specified, all notices must be in writing.	Moderate	Probable	Medium	Strong	Priority 4	
14 Code of Conduct for the Supply of Electricity to Small Use Customers								
All obligations (129-337) are not applicable to EDL Pilbara's operations as EDL Pilbara does not supply electricity to small use customers.								
15 Electricity Industry Metering Code								
All obligations (338-482) are not applicable to EDL's operations as there is no network or network operator to trigger any metering obligations.								

Appendix B – References

Key EDL Pilbara contacts

- Senior Commercial Manager, Energy Developments Remote Energy
- Senior Environmental and Compliance Advisor, EDL

Deloitte staff

Name	Position	Hours
• Richard Thomas	Partner	2
• Andrew Baldwin	Account Director	13
• David Herbert	Analyst	37
• Darren Gerber	Partner - Quality Assurance	1

Key Documents and other information sources

- Power Purchase Agreement between EDL Pilbara Pty Ltd and Supagas Pty Ltd
- 2012 and 2013 EDL Annual Reports and audited financial statements
- EDL Pilbara correspondence with the Authority
- Evidence of annual licence payments to the Authority
- 2012 and 2013 compliance reports
- Electricity Retail Licence ERL16
- Evidence of lease payment
- Representations from:
 - Senior Commercial Manager, Energy Developments Remote Energy
 - Senior Environmental and Compliance Advisor, EDL
 - Accounts Supervisor, EDL
 - Legal Counsel, EDL
 - Manager Shared Services, EDL
 - Management Accountant, EDL.