

**Bluewaters Power 2 Pty
Ltd**

**Electricity Generation Licence
(EGL 17)**

**2014 Performance Audit
(Independent Assurance) Report**

June 2014

Mr Les Egerton
General Manager Environment Safety & Compliance
Bluewaters Power 2 Pty Ltd
Level 8, 225 St Georges Terrace
Perth, WA 6000

9 June 2014

Dear Les

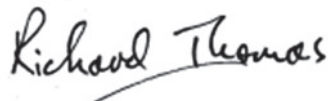
Electricity Generation Licence (EGL 17) Performance Audit Report

We have completed the Electricity Generation Licence Performance Audit for Bluewaters Power 2 Pty Ltd for the period 1 January 2010 to 31 December 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 myself on 9365 7024.

Yours sincerely



Richard Thomas
Partner
Deloitte Touche Tohmatsu

Contents

1	Independent Auditor’s report	1
2	Executive summary	3
3	Summary of findings	9
4	Detailed findings, recommendations and action plans	12
5	Follow-up of previous audit action plans	24
	Appendix A – Audit Plan	29
	Appendix B – References	30
	Appendix C – Post Audit Implementation Plan	31

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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 Bluewaters Power 2 Pty Ltd's (**BP2**) compliance with the conditions of its Electricity Generation Licence (**the 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**).

BP2's responsibility for compliance with the conditions of the Licence

BP2 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 BP2's compliance with the conditions of the Licence based on our audit procedures. We conducted 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 work performed, BP2 has complied, in all material respects, with the conditions of the Licence as outlined in the approved Audit Plan (dated March 2014) for the period 1 January 2010 to 31 December 2013.

Our engagement provides reasonable assurance as defined in ASAE 3500.

Our procedures consisted primarily of:

- Utilising the Audit Guidelines and the *Electricity Compliance Reporting Manual* (**Reporting Manual**) as a guide for 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 BP2 staff to gain an understanding of process controls
- Review of documents and walkthrough of processes and controls to assess the overall compliance and effectiveness in accordance with Licence obligations
- Reporting of findings to BP2 for review and response.

Limitations of use

This report is made solely for the information and internal use of BP2 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 understand that a copy of the report will be provided to the Authority for the purpose of reporting on the performance audit for BP2's electricity generation licence. We agree that a copy of the report may be provided to the Authority for its information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, liability or responsibility to the

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*.

Authority in relation to the report. We accept no duty, responsibility or liability to any party, other than BP2, in connection with the report or this engagement.

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. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the conditions of the Licence, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with conditions of the Licence are undertaken on a test basis

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 work performed, except for the effect of any issues set out below, BP2 has, in all material respects, complied with the conditions of its Licence as outlined in the approved Audit Plan (dated March 2014) for the period 1 January 2010 to 31 December 2013.

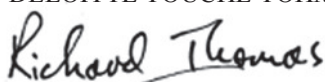
Exception

The 2010 Performance Audit report rated the licence condition in the table below as non-compliant (rating 2). As the non-compliance was not subsequently corrected until part way through the current audit period (effectively carried forward), this current audit retains the non-compliant rating.

In July 2010, BP2 addressed this non-compliance by notifying the Authority of the correct nameplate capacity of its generation works, in accordance with the 2010 post audit implementation plan. This audit determined that no further recommendation or action plan is required to address the past non-compliance.

Reporting manual no. & Licence condition		Issue
123	<i>Electricity Industry Act clause 15.1</i> A licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a significant change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	During the previous audit period, BP2 had not notified the Authority of the correct nameplate capacity of its generation works (relating to "...circumstances upon which the licence was granted"). In July 2010, BP2 addressed this non-compliance by notifying the Authority of the correct nameplate capacity of its generation works, in accordance with the 2010 post audit implementation plan. This audit determined that no further recommendation or action plan is required to address the past non-compliance.

DELOITTE TOUCHE TOHMATSU



Richard Thomas
Partner
Perth, June 2014

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 Bluewaters Power 2 Pty Ltd (**BP2**) an Electricity Generation Licence (EGL17) (**the Licence**).

Griffin Coal, the parent of Griffin Power who was granted an electricity generation licence in March 2006, went into receivership in 2010 and later sold ownership of its related powerhouses in 2013. Sumitomo Corp and Kansai Electric Power Corp (the new joint owners of the Bluewaters powerhouses) applied to the Authority for a name change from Griffin Power 2 Pty Ltd to Bluewaters Power 2 Pty Ltd.

BP2 has been granted a licence to operate a coal fired power station, which supplies electricity to the South West Interconnected System (**SWIS**) through a wholesale supply arrangement with Synergy. BP2 has an Operations and Maintenance agreement with Transfield Worley Power Services (**TWPS**) to operate and maintain the facility in accordance with the terms of that agreement.

Section 13 of the Act requires BP2 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 (or any longer period that the Authority allows). The Authority set the period to be covered by the audit as 1 January 2010 to 31 December 2013.

At the request of BP2, Deloitte Touche Tohmatsu (**Deloitte**) has undertaken a reasonable assurance audit relating to BP2'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, based on the work performed, BP2 has complied, in all material respects, with the relevant conditions of the Licence as outlined in the approved Audit Plan (dated March 2014) for the period 1 January 2010 to 31 December 2013.

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 BP2's internal control procedures, structure and environment, compliance culture and information systems specifically relevant to those licence obligations subject to audit, we observed that BP2 has:

- Demonstrated a basic awareness of its regulatory requirements relating to its Licence
- Allocated the primary responsibility for meeting key Licence obligations to the General Manager Environment Safety & Compliance (most recently) and previously to other designated managers
- Maintained procedures and controls designed to help:
 - Facilitate compliance with its Licence obligations
 - Uphold the integrity of its reporting to the Authority and other statutory organisations on matters specific to its Licence obligations.

2.3 Findings

The following table summarises the assessments made by the audit on BP2's compliance with the relevant obligations or conditions 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 of the compliance rating scale.

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

No. of Obligations	Compliance Rating							Total
	Non-compliant		Compliant					
Audit Priority ²	N/A ³	Not rated ⁴	1	2	3	4	5	
Priority 1		-	-	-	-	1	-	1
Priority 2		-	-	-	-	-	-	-
Priority 3		1	-	1	-	1	1	4
Priority 4		22	-	-	1	2	6	31
Priority 5		8	-	-	-	-	4	12
N/A	1							1
Total	1	31	-	1	1	4	11	49

* The number of obligations listed at Table 1 includes six obligations that were applicable for part of the audit period only. Refer to Appendix A – Audit Plan for further detail.

Specific assessments for each licence obligation are summarised at **Table 3** in section 3 "Summary compliance ratings" 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 BP2's response to previous audit recommendations

This audit considered BP2' progress in completing the action plans detailed in the 2010 performance audit report.

Through our examination of relevant documents, discussion with staff and consideration of the results of this audit's testing against the associated licence obligations, we determined that of the 11 recommendations detailed in the 2010 performance audit report:

- Five were accompanied by a specific action plan developed by Griffin Power. For the remaining recommendations, Griffin Power stated that an action plan was not mandatory for inclusion in the post audit and that the items would be reviewed and actioned through internal management systems and would form part of the next Audit process

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 BP2'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.

- Seven recommendations were addressed during the audit period and that element is now considered to be complete
- The remaining four recommendations have not yet been fully addressed, however are considered to have been superseded by the findings of this audit, with three new recommendations and action plans captured in this 2014 performance audit report.

Refer to section 5 of this report for further detail.

2.5 Recommendations and action plans

Reporting manual no. & Licence condition ref.		Audit Priority	Compliance Rating	Issue 1/2014
123	<i>Licence clause 15.1</i> A licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a significant change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	Priority 3	Non-compliant 2	Obligation 123: Licence condition 15.1 (c) required BP2 to notify the Authority of its name change within 10 business days of the change. The Manager, Market Operations confirmed that BP2 did notify the Authority of that change, however BP2 was unable to provide evidence of that advice being submitted within the required timeframe. BP2 has not developed procedures to guide staff on the actions to be taken following such a change. The previous performance audit report recommended that metering communication procedures be formalised. BP2 has not formalised such procedures, which exposes the business to some risk of staff not understanding and/or not complying with Licence and Metering Code requirements. For example: <ul style="list-style-type: none"> • Where there is a need for relevant BP2 staff to have a full working understanding of any relevant aspects of Western Power's Metrology Procedure, Mandatory Link Criteria and Communication Rules.
469	<i>Electricity Industry Metering Code clause 6.1(2)</i> A user must, in relation to a network on which it has an access contract, comply with the rules, procedures, agreements and criteria prescribed.	Priority 4	Compliant 4	
Recommendation 1/2014 BP2 develop simple guidance documents to assist in ensuring that relevant staff: <ul style="list-style-type: none"> • Are aware of BP2's obligations under the relevant Licence condition and Metering Code • Recognise instances which trigger those requirements, such as any new metering activity • Follow the correct procedures for complying with those requirements. 			Action Plan 1/2014 BP2 will develop a guidance document, which outlines: <ul style="list-style-type: none"> • BP2's key obligations under the relevant Licence condition and Metering Code • Instances which trigger those requirements. The guidance document will be communicated to relevant staff. Responsible Person: General Manager Finance & Accounting Target Date: 31 March 2015	

Reporting manual no. & Licence condition ref.		Audit Priority	Compliance Rating	Issue 2/2014
105	<i>Electricity Industry Act section 17(1)</i> - A licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	Priority 3	Compliant 4	<p>The previous performance audit report recommended that a compliance scheduling process be implemented to ensure key Licence requirements are met. BP2 has not implemented such a compliance scheduling system.</p> <p>Although BP2 has recently demonstrated that it has met key timeframes (e.g. for submitting compliance reports and paying licence fees), it places heavy reliance on the diligence of individual staff members and remains exposed to future compliance failures in the event of staff turnover or reallocation of tasks. For example:</p> <ul style="list-style-type: none"> • Obligation 105: BP2 currently relies first on the receipt of invoices from the Authority, then on the diligence of staff to recognise the due date before scheduling payment for licence fees within the required timeframe • Obligation 124: Again, BP2 relies on the formal advice of the Authority and the diligence of staff to ensure the provision of information (such as compliance reports) to the Authority within the required timeframe.
124	<i>Licence clause 16(1)</i> - A licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act.	Priority 1	Compliant 4	
<p>Recommendation 2/2014</p> <p>BP2 apply an effective compliance framework to its Licence obligations to enable:</p> <ul style="list-style-type: none"> • Key compliance requirements to be recognised by all relevant staff • Key dates and actions required by applicable legislation to be monitored • Reminders to be set to ensure completion • If appropriate, an internal compliance audit process to be applied. 				<p>Action Plan 2/2014</p> <p>BP2 will implement an excel based compliance management process to capture key Licence compliance requirements (including relevant dates and actions required) and to track the completion of those actions.</p> <p>Responsible Person: General Manager Environment Safety & Compliance</p> <p>Target Date: 31 March 2015</p>

Reporting manual no. & Licence condition ref.		Audit Priority	Compliance Rating	Issue 3/2014
126	<i>Licence clause 18(1)</i> - Unless otherwise specified, all notices must be in writing.	Priority 4	Compliant 4	BP2 did not have an effective records management procedure or framework in place during the period subject to audit.
475	<i>Electricity Industry Metering Code clause 7.2(5)</i> - A Code participant must notify any affected network operator of any change to the contact details it notified to the network operator under subclause 7.2(4) at least 3 business days before the change takes effect.	Priority 4	Compliant 3	<p>A small number of key documents requested by the audit were either difficult for BP2 staff to locate or not located at all. For example:</p> <ul style="list-style-type: none"> Obligation 475: BP2 was unable to provide evidence of its notification to the Authority of changes to its name and contact details within the timeframes prescribed by the relevant legislative instruments. <p>We recognise that a project has recently been re-initiated to implement the TRIM document management system.</p>
<p>Recommendation 3/2014</p> <p>BP2 establish an effective records management framework and function to support (among other business needs) its requirements for maintaining records of correspondence and other key references relevant to its Licence obligations.</p>			<p>Action Plan 3/2014</p> <p>In its implementation of the TRIM document management system, BP2 will accommodate the requirement to maintain records of key documents and references relevant to its Licence obligations.</p> <p>Responsible person: General Manager Environment Safety & Compliance</p> <p>Target date: 31 March 2015</p>	

2.6 Scope and objectives

As described in our engagement letter dated 13 December 2013, we have conducted a reasonable assurance audit in order to express a conclusion whether, in our opinion, BP2 has complied, in all material respects, with the conditions of its Licence as outlined in the approved Audit Plan (dated March 2014) during the period 1 January 2010 to 31 December 2013.

Our engagement was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements, issued by the Australian Auditing and Assurance Standards Board and provides reasonable assurance as defined in ASAE 3500. The procedures we performed are described in more detail in section 2.7 below.

ASAE 3500 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 upon and included in the scope of this 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 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 February to April 2014:

- Utilising the Audit Guidelines and Reporting Manuals (March 2008, June 2010, May 2011 and February 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 BP2 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 the General Manager Environment Safety & Compliance 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. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the conditions of the Licence, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with conditions of the Licence are undertaken on a test basis.

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 compliance ratings

Table 2 below 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, BP2 was required to demonstrate it has maintained mature processes and controls, which facilitate compliance with relevant licence 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 BP2'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 ratings for the compliance obligations (Table 3 below)
- Detailed findings, including any relevant observations (section 4).

Note that the risk assessment presented in the audit plan remains unchanged. No issues or concerns were identified that would indicate a need to modify the nature and level of testing.

The risk assessment has been included in this section to give context to the ratings that have been determined. Description of the obligations can be found in Section 4 "Detailed Findings" and the Audit Plan at Appendix A.

Table 3: Compliance ratings

The table below provides the compliance rating for each relevant Licence condition. The compliance ratings are assigned as per the rating scale in Table 2.

#	Obligation reference	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Risk/Priority	Compliance Rating				
							N/R	1	2	3	4
12 Electricity Industry Act											
101	13(1)	Minor	Likely	Medium	Moderate	Priority 4					✓
102	14(1)(a)	Minor	Unlikely	Low	Moderate	Priority 5					✓
103	14(1)(b)	Moderate	Probable	Medium	Weak	Priority 3					✓
104	14(1)(c)	Minor	Likely	Medium	Moderate	Priority 4					✓
105	17(1)	Moderate	Probable	Medium	Weak	Priority 3				✓	
106	31(3)	Minor	Probable	Low	Moderate	Priority 5					✓
107	41(6)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
13 Electricity Licences - Licence Conditions and Obligations											
119	12.1	Moderate	Unlikely	Medium	Moderate	Priority 4					✓
120	13.4	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
121	14.2	Moderate	Unlikely	Medium	Moderate	Priority 4					✓
122	20.5	Moderate	Unlikely	Medium	Moderate	Priority 4					✓
123	15.1	Moderate	Probable	Medium	Weak	Priority 3		✓			
124	16.1	Moderate	Likely	High	Weak	Priority 1				✓	
125	17.1 & 17.2	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
126	18.1	Moderate	Unlikely	Medium	Moderate	Priority 4				✓	
15 Electricity industry Metering Code - Licence Conditions and Obligations											
Part 3 Meters and metering installations											
345	3.3B	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
360	3.11(3)	Moderate	Probable	Medium	Moderate	Priority 4	✓				
385	3.27	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
Part 4 The metering database											
392	4.4(1)	Minor	Probable	Low	Moderate	Priority 5	✓				
393	4.5(1)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
394	4.5(2)	Moderate	Probable	Medium	Moderate	Priority 4	✓				
Part 5 Metering services											
409	5.4(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
422	5.16	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
423	5.17(1)	Moderate	Unlikely	Medium	Moderate	Priority 4					✓
426	5.18	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
427	5.19(1)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
428	5.19(2)	Minor	Unlikely	Low	Moderate	Priority 5					✓
429	5.19(3)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
431	5.19(6)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
437	5.21(5)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
438	5.21(6)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
456	5.27	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
Part 6 Documentation											
469	6.1(2)	Moderate	Probable	Medium	Moderate	Priority 4				✓	

#	Obligation reference	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Risk/Priority	Compliance Rating				
							N/R	1	2	3	4
Part 7 Notices and confidential information											
472	7.2(1)	Minor	Unlikely	Low	Moderate	Priority 5					✓
474	7.2(4)	Moderate	Probable	Medium	Moderate	Priority 4	✓				
475	7.2(5)	Moderate	Probable	Medium	Moderate	Priority 4			✓		
476	7.5	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
477	7.6(1)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
Part 8 Dispute resolution											
478	8.1(1)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
479	8.1(2)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
480	8.1(3)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
481	8.1(4)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
482	8.3(2)	Minor	Unlikely	Low	Moderate	Priority 5	✓				
Obligations removed from the May 2011 Reporting Manual, but included in the June 2010 Reporting Manual² (applicable for the period 1 January 2010 to 30 April 2011)											
103	12.2	Moderate	Probable	Medium	Weak	Priority 3	✓				
104	12.3	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
326	3.5(6)	Not applicable to BP2's operations as it is not the network operator according to the Electricity Industry Metering Code 2005.									
Obligations removed from the 2013 Reporting Manual, but included in the May 2011 Reporting Manual (applicable for the period 1 May 2011 to 6 December 2012)											
361	3.16(5)	Moderate	Probable	Medium	Moderate	Priority 4	✓				
395	5.5(3)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				
412	5.19(4)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓				

4 Detailed findings, recommendations and action plans

The following sub-sections are categorised by the relevant instruments that require an assessment of BP2's compliance. The instruments relevant to BP2's licence are:

1. Electricity Industry Act 2004
2. Electricity Licences - Licence Conditions and Obligations
3. Electricity Industry Metering Code 2005.

Each sub-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 BP2's compliance with the applicable obligations. These tables include (where relevant):
 - *Findings* – the auditor's understanding of the process and any issues that have been identified during the audit
 - Reference to recommendations and action plans at section 2.5 of this report:
 - *Recommendations* – recommendations for improvement or enhancement of the process or control
 - *Action plans* – BP2's formal response to audit recommendations, providing details of action to be implemented to address the specific issues raised by the audit, assignment of actions to appropriate staff and corresponding completion dates for the actions.

4.1 Electricity Industry Act 2004

Obligations determined to be not applicable

All relevant obligations were deemed applicable to BP2's operations for the period subject to audit.

Obligations determined to be not rateable

BP2's compliance with the following obligation could not be rated as there was no relevant activity during the period subject to audit.

Obligation	Reason
107	<p>The General Manager Finance & Accounting confirmed that during the period 1 January 2010 to 31 December 2013, BP2:</p> <ul style="list-style-type: none"> Continued to lease the land on which its power plant is located Did not obtain any further interest or easement over land. <p>As BP2 has not obtained ownership in or easement over land during the period subject to audit, there has been no requirement for BP2 to pay for the associated costs.</p>

Assessment of compliance

The table below summarises the audit's assessment of BP2'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	
-	1	-	-	-	1	5	7

The following table provides detailed findings for the applicable and rateable obligation with an individual assessment of compliance.

No	Obligation under Condition	Compliance Rating	Findings
101	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.	Compliant - 5	<p>The previous performance audit was conducted by Geographe Environmental Solutions, with the Authority's approval for the period to 31 December 2009.</p> <p>Deloitte was appointed with the Authority's approval to undertake the performance audit for the period 1 January 2010 to 31 December 2013.</p> <p>In 2010, the Authority set the audit period for BP2 at 36 months following the results of the previous performance audit. The Authority subsequently granted an extension of the audit period to 48 months, in light of the change to BP2's ultimate parent entity in 2013.</p>
102	A licensee must provide for an asset management system.	Compliant - 5	<p><i>Obligations 102 and 103</i></p> <p>The Manager, Market Operations confirmed that for the duration of the period 1 January 2010 to 31 December 2013, BP2 had:</p>
103	A licensee must notify details of the asset management system and any substantial changes to it to the Authority.	Compliant - 5	<ul style="list-style-type: none"> • Provided for a functioning asset management system, for its generating facility (note that the 2014 Asset Management System review will report on the effectiveness of that system for the period) • Not required its asset management system to be modified to accommodate new generating works or new technologies • Not changed its asset management philosophy. <p>We examined evidence of notification to the Authority, dated 5 July 2010, regarding BP2's asset management system.</p>
104	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	Compliant - 5	<p>The previous asset management system review was conducted by Geographe Environmental Solutions, with the Authority's approval for the period to 31 December 2009.</p> <p>Deloitte was appointed with the Authority's approval to undertake the asset management system review for the period 1 January 2010 to 31 December 2013.</p> <p>In 2010, the Authority set the review period for BP2 at 36 months following the results of the previous asset management system review. The Authority subsequently granted an extension of the review period to 48 months, in light of the change to BP2's ultimate parent entity in 2013.</p>

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.	Compliant 4	<p>By obtaining BP2's records of its payment of the 2012 and 2013 licence fees, we determined that payments were made within the one month period required by section 17(1) of the Act (i.e. by 20 July).</p> <p>We did not assess the timing of the payment of the 2010 and 2011 licence fees as the required records were not readily available at the time of audit.</p> <p>We also confirmed that BP2 does not use a diary or scheduling tool (per the 2/2010 action plan nominated by Griffin Power) to record the due date for licence fee payments.</p> <p><i>Refer to issue 2/2014 (relating to BP2's compliance framework) at section 2.5 for recommendation and action plan.</i></p>
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.	Compliant - 5	<p>Through discussions with TWPS (BP2's site operators) site representatives, examination of BP2's business continuity and contingency plans and consideration of the plant's design, we note that:</p> <ul style="list-style-type: none"> • Regular condition monitoring is performed by third party contractors to identify potential faults at an early stage • TWPS maintains emergency response plans, with responsibilities during an emergency, and all staff are aware of the plans and the procedures to be performed during an emergency • BP2 has commercial arrangements in place with the market to ensure continuity of supply to customers in the event the plant sustains an extended outage • Both Bluewaters Power 1 and Bluewaters Power 2 plants run simultaneously and are not physically linked, preventing any knock on effect of a failure/emergency • Each plant has multiple contingencies built into its design, which are in place to prevent full asset failure (e.g. four coal feeders exist, so if one feeder fails, the plant can still run at 75% capacity) • Operational incidents are captured by TWPS within its Operational Incidents Register, which is communicated to BP2 in monthly reports.

4.2 Electricity Licences – Licence Conditions and Obligations

Obligations determined to be not applicable

All relevant obligations were deemed applicable to BP2's operations for the period subject to audit.

Obligations determined to be not rateable

BP2's compliance with the following obligations could not be rated as there was no relevant activity in the period subject to audit.

Obligation	Reason
(103 and 104) ⁵	The General Manager Environment Safety & Compliance confirmed that, for the period 1 January 2010 to 31 December 2013, no expansions or reductions to BP2's generating works were undertaken.
120	The General Manager Environment Safety & Compliance confirmed that, for the period 1 January 2010 to 31 December 2013, BP2 was not prescribed individual performance standards by the Authority.
125	The General Manager Environment Safety & Compliance confirmed that, for the period 1 January 2010 to 31 December 2013, the Authority did not direct BP2 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 BP2's compliance with the relevant obligations of its Licence.

		Non-compliant		Compliant			Total
N/A	N/R	1	2	3	4	5	
-	4	-	1	-	2	3	10

The following table provides detailed findings for the applicable and rateable obligation 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.

⁵ Numbering based on the June 2010 Reporting Manual

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.	Compliant - 5	<p>The General Manager Finance & Accounting confirmed that for the period 1 January 2010 to 31 December 2013:</p> <ul style="list-style-type: none"> • BP2 was compliant with the Australian Accounting Standards Board (AASB) standards • There were no significant accounting transactions or items that could jeopardise BP2's compliance with accounting standards. <p>Deloitte is responsible for auditing the annual statutory accounts of BP2 for compliance with Australian International Financial Reporting Standards (A-IFRS).</p> <p>Based on examination of the published Financial Statements of BP2 for the years ending March 2010, 2011, 2012 and 2013, we determined that all financial statements were issued on the basis that they represented a true and fair view of the company's financial position.</p>
121	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit.	Compliant - 5	<p><i>Obligations 121 and 122</i></p> <p>The audit and review plans approved by the Authority on 24 March 2014 commit BP2 and Deloitte (auditor and expert) to complying with the prescribed audit guidelines and reporting manual issued by the Authority.</p>
122	A licensee must comply, and must require the licensee's expert to comply, with the relevant aspects of the Authority's standard guidelines dealing with the asset management system.	Compliant - 5	<p>Deloitte confirms that the audit and review were undertaken utilising the framework from the Audit Guidelines: Electricity, Gas and Water Licences, dated August 2010.</p>

No	Obligation under Condition	Compliance Rating	Findings
123	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.	Non-compliant 2	<p>BP2's Licence clause 15.1 requires BP2 to report relevant information to the Authority in the event that it:</p> <ul style="list-style-type: none"> (a) Is under external administration (b) Experiences a change in its corporate, financial or technical circumstances upon which this licence was granted; and that change may materially affect BP2's ability to perform its obligations under this licence (e.g. changes to nameplate capacity) (c) Changes its name, ABN or address. <p>Although BP2 was not under external administration during the period 1 January 2010 to 31 December 2013, the circumstances where Griffin Coal, the prior owner of BP2 went into receivership in 2010 and sold ownership of its related powerhouses in February 2013 do constitute a significant change in circumstances upon which its Licence was granted. Based on examination of written communication with the Authority dated 4 January 2010, we determined that notification was provided to the Authority of the change in circumstances, in accordance with Licence clause 15.1.</p> <p>In relation to Licence clause 15.1 (c), which required BP2 to notify the Authority of its name change within 10 business days of the change, the Manager, Market Operations confirmed that BP2 did notify the Authority of that change, however BP2 was unable to provide evidence of that advice being submitted within the required timeframe.</p> <p>The 2010 performance audit report rated this obligation as non-compliant as BP2 did not notify the Authority of an increase to the nameplate capacity of its unit. In January 2014 and in accordance with Action Plan 1/2010, BP2 addressed the cause of the non-compliance by notifying the Authority of the increase to its nameplate capacity. As BP2 was rated as non-compliant during the previous audit period and only subsequently corrected the non-compliance part way through the current audit period (effectively carried forward), this audit is required to retain the non-compliant rating.</p> <p><i>Refer to issue 1/2014 (relating to guidance documents) and 3/2014 (relating to records management) at section 2.5 for recommendation and action plan.</i></p>

No	Obligation under Condition	Compliance Rating	Findings
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.	Compliant - 4	<p>Through discussions with the General Manager Environment Safety & Compliance , we determined that BP2 has processes in place to respond to requests for information from the Authority. We note that:</p> <ul style="list-style-type: none"> • From late 2013, the General Manager Environment Safety & Compliance was allocated responsibility for: <ul style="list-style-type: none"> ○ Maintaining records of communication with the Authority, including timing for submission of required information and reports ○ Monitoring compliance with BP2's licence obligations. <p>Previously, that responsibility was allocated to various Bluewaters Power and Griffin Power staff</p> <ul style="list-style-type: none"> • The Manager, Market Operations is responsible for developing and submitting the Annual Compliance reports to the Authority by 31 August each year. <p>We sighted the 2010, 2011, 2012 and 2013 letters for BP2's submission of annual compliance reports and confirmed that all letters were dated prior to 31 August each year.</p> <p>The General Manager Environment Safety & Compliance confirmed that the Authority did not request BP2 to provide any other information in connection with its functions under the Act.</p> <p>Although BP2 has recently demonstrated that it has met key timeframes for providing information to the Authority, it places heavy reliance on the diligence of individual staff members and remains exposed to future compliance failures in the event of staff turnover or reallocation of tasks.</p> <p>Refer to the findings for obligation 123 for our assessment of BP2's compliance with the provision of information regarding items under Licence clause 15.1.</p> <p><i>Refer to issue 2/2014 (relating to BP2's compliance framework) at section 2.5 for recommendation and action plan.</i></p>
126	Unless otherwise specified, all notices must be in writing.	Compliant - 4	<p>The General Manager Environment Safety & Compliance confirmed that:</p> <ul style="list-style-type: none"> • BP2 maintains records of formal communications (including notices) with the Authority • All responses to the Authority's requests are made in writing, unless otherwise requested. <p>The Manager Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, all formal communication to the Authority was in writing.</p> <p>BP2 did not have an effective records management procedure or framework in place during the period subject to audit. A number of documents requested by the audit, including records of written notices to the Authority were either difficult for BP2 staff to locate or not located at all.</p> <p><i>Refer to issue 3/2014 (relating to records management) at section 2.5 for recommendation and action plan.</i></p>

4.3 Electricity Industry Metering Code 2005

Obligations determined to be not applicable

The following obligations are not applicable to BP2's operations:

Obligation	Reason
326 ⁶	Clause 3.5(6) is not applicable to BP2's operations as BP2 is not the Network Operator according to the Electricity Industry Metering Code 2005.

Obligations determined to be not rateable

BP2's compliance with the following obligation could not be rated as there was no relevant activity in the period subject to audit.

Obligation	Reason
345	The Manager, Market Operations confirmed that during the period 7 December 2012 to 31 December 2013, no metering installations became subject to bi-directional electricity flows.
385	As Western Power is responsible for installing and managing all metering installations on BP2's site, BP2 has not installed or facilitated the installation of any metering installation on the network.
360, 392 and 422	The Manager, Market Operations confirmed that BP2 does not collect data from its site meters and is not in a position to become aware of any discrepancy in metering data or an outage or malfunction to a meter.
361 ⁷	The Manager, Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, BP2 did not enter into any Service Level Agreement with Western Power.
393, 394 and 426	The following activities in relation to the metering installations located at BP2's site is performed solely by Western Power: <ul style="list-style-type: none"> Maintenance of data, including standing data, within the metering database and registry (obligation 393 and 394) Collection of information regarding changes in a metering installation (e.g. energisation status) (obligation 426). <p>BP2 does not have any influence/visibility of the metering database and registry and therefore is not in a position of influence over the data contained within the database and registry (obligation 394).</p> <p>As Western Power is solely responsible for the management of standing data within the registry and/or metering database, these obligations are not relevant to BP2's operations for the period 1 January 2010 to 31 December 2013.</p>
395 ⁸	For the period 1 May 2011 to 31 December 2013, BP2 did not have access to data provided for in the Metering Code, for which to impose a charge for providing to another party.
409	The Manager, Market Operations confirmed that all meters installed at the BP2 site are designated as interval meters. Therefore, until such time meters are installed or designated as accumulation meters, an assessment of compliance with clause 5.4(2) cannot be made.
412 ⁹	The Manager, Market Operations confirmed that during the period 1 May 2011 to 6 December 2013, BP2 was not aware of any sensitive load at a meter located on its site.

⁶ Numbering based on the June 2010 Reporting Manual

⁷ Numbering based on the May 2011 Reporting Manual

⁸ Numbering based on the May 2011 Reporting Manual

Obligation	Reason
427	The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, Western Power did not request BP2, in accordance with clause 5.19(1), to assist in collecting information from customers.
429 and 431	The Manager, Market Operations confirmed that BP2's records are based on information obtained by Western Power from its customers. Any changes to customer attribute information are made by Western Power, who will inform BP2. As a result, BP2 was not in a position to become aware of such change. The Manager, Market Operations confirmed that BP2 did not make any change to customer attribute information during the period subject to audit.
437 and 438	The Manager, Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, BP2 did not request a test or audit of the items at s.5.21 (1) of the Metering Code.
456	The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, Western Power did not request BP2 to provide customer attribute information that it reasonably believed was missing or incorrect.
474	The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, Western Power did not make a request of BP2 to provide its contact details.
476 and 477	The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, BP2: <ul style="list-style-type: none"> Was not required under a provision in the Metering Code to disclose confidential information Did not disclose, or permit the disclosure of, any confidential information in connection to the Code.
478 - 482	For the purposes of the Metering Code, 'disputes' refers to metering disputes between BP2 as a generator, a Code Participant, another generator, the network operator (Western Power), a user or the IMO. As the definition of Code Participant applies, the only parties with whom BP2 may have disputes are Western Power and the IMO. The Manager, Market Operations confirmed that no metering disputes have arisen between BP2 and Western Power or the IMO, during the period 1 January 2010 to 31 December 2013.

Assessment of compliance

The table below summarises the audit's assessment of BP2's compliance with the relevant obligations of the Electricity Metering Code 2005.

N/A	N/R	Non-compliant		Compliant			Total
		1	2	3	4	5	
1	26	-	-	1	1	3	32

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.

⁹ Numbering based on the May 2011 Reporting Manual

No	Obligation under Condition	Compliance Rating	Findings
423	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.	Compliant - 5	Through discussion with the Manager, Market Operations and examination of a bill provided to a customer, we observed that BP2's procedures provide for validated energy data and standing data, including substituted or estimated data, where necessary, to be provided to the customer on the monthly bill.
428	A user must, to the extent that it is able, collect and maintain a record of the prescribed information in relation to the site of each connection point with which the user is associated.	Compliant - 5	<p>Through discussion with the Manager, Market Operations and General Manager Finance & Accounting and examination of an extract of the address, site and customer attributes of connection points associated with BP2's operations, we determined that BP2 maintains clear records of site, address and customer attributes (e.g. customer name, contact details, NMI and site addresses for each relevant connection point).</p> <p>We also note that there are no persons residing at any customer sites who require life support equipment (per clause 5.19(2)(c)(v)).</p>
469	A user must, in relation to a network on which it has an access contract, comply with the rules, procedures, agreements and criteria prescribed.	Compliant - 4	<p>Section 6.1(2) of the Metering Code requires BP2 (as a user) to comply with the network operator's Metrology procedure, Communication rules, Mandatory Link Criteria or Service Level Agreements (SLA) (if any).</p> <p>Apart from the ETAC, BP2 does not have a written SLA in place with Western Power. We did not observe any evidence to indicate non-compliance with the requirements of Western Power's Metrology procedure, Communication rules, Mandatory Link Criteria and Metering Code Model Service Level Agreement.</p> <p>The Manager Market Operations confirmed that BP2 is aware of and complies with the relevant requirements prescribed within the above documents.</p> <p>Although Western Power has historically managed all metering activity, it remains relevant for BP2 staff to have a full working understanding of all relevant aspects of Western Power's Metrology Procedure, Mandatory Link Criteria and Communication Rules.</p> <p><i>Refer to issue 1/2014 (relating to guidance documents) at section 2.5 for recommendation and action plan.</i></p>

No	Obligation under Condition	Compliance Rating	Findings
472	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 with the Code.	Compliant - 5	<p>Through discussions with the Manager, Market Operations and consideration of BP2's business practices, we determined that BP2 maintains electronic, facsimile and voice communication channels commensurate with the expectations of a major business.</p> <p>BP2's access contract with Western Power contains BP2's current contact details, including details for all of the communication methods listed above.</p>
475	A Code participant must notify any affected network operator of any change to the contact details it notified to the network operator under subclause 7.2(4) at least 3 business days before the change takes effect.	Compliant - 3	<p>As a result of the change to BP2's ultimate parent entity, on 15 April 2013 the Authority issued a notification of name change of the power house from Griffin Power 2 Pty Ltd to Bluewaters Power 2 Pty Ltd.</p> <p>The Manager, Market Operations confirmed that notification was provided to all affected parties of the change to BP2's contact details. However, BP2 was unable to provide us with evidence demonstrating that notification was provided to Western Power three business days before the change took effect.</p> <p><i>Refer to issue 3/2014 (relating to records management) at section 2.5 for recommendation and action plan.</i></p>

5 Follow-up of previous audit action plans

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
1/2010, 2/2010, 3/2010	General issue – r.e. licence condition 2.1	<ol style="list-style-type: none"> 1. Request an amendment to licence as soon as practicable to reflect current plant capacity in accordance with performance tests 2. A formalised and comprehensive Compliance Scheduling Process could be established to incorporate the legislative requirements relating to the power station. Inclusion of parameters relating to requirements other than EGL4 would ensure alignment with other processes. For example, Capacity stated within the Environmental Licence (L8326) aligns with that of the ERA Licence (EGL4) 3. An internal compliance audit process could be established to ensure ongoing compliance, this could be aligned with the requirement to submit annual compliance reports to the ERA. 	<p><i>Relates to both Bluewaters (BW) 1 and 2 (EGL4 and EGL17 respectively)</i></p> <p>BW1/2 is a new unit only being commissioned in 2009. The final nameplate capacity (and performance test results) has been known for a number of months now. There are several regulatory instruments that contain reference to these numbers – of which EGL4/17 is one. Griffin is working through each instrument and its obligation to update the required information. Griffin will contact the ERA with regards amending EGL4/17 to take account of the known nameplate capacity and maximum output capability of Bluewaters Unit 1/2.</p> <p>Any future change to the capacity of BW1/2 will entail a more coordinated approach to amending regulatory instruments, of which EGL4/17 will be given a higher priority than has been attributed in this case. This will be communicated to the Senior Management Group at an appropriate Management Meeting. Additionally, this obligation will be included in a comprehensive Compliance Manual, which will be reviewed annually under a process conducted by Griffin’s internal Audit Team, likely just prior to annual compliance reporting to the ERA.</p>	<p>1. Complete In July 2010, Griffin Power formally advised the Authority of the increase in nameplate capacity.</p> <p>2. Superseded A compliance scheduling system has not been implemented to monitor timeframes for the provision of information to the Authority.</p> <p>3. Superseded An internal compliance audit process has not been implemented.</p> <p><i>Note: Items 2 and 3 are generic to other 2010 issues/ recommendations.</i></p>	<p>1. n/a 2 & 3</p> <p>Recommendation 2/2014 BP2 apply an effective compliance framework to its Licence obligations to enable:</p> <ul style="list-style-type: none"> • Key compliance requirements to be recognised by all relevant staff • Key dates and actions required by applicable legislation to be monitored • Reminders to be set to ensure completion • If appropriate, an internal compliance audit process to be applied.

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
-	85	Refer to recommendations 2/2010 and 3/2010 above.	<i>Generic action plan</i> Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit process.	Superseded (generic issue 2/2014) A compliance scheduling system or internal compliance audit process has not been implemented.	<i>Refer to generic recommendation 2/2014 above (re compliance framework).</i>
-	416	<i>Relates to requirements of the Access Contract being captured in a Compliance Manual.</i> Refer to recommendations 2/2010 and 3/2010 above.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 2/2014) A compliance scheduling system or internal compliance audit process has not been implemented.	<i>Refer to generic recommendation 2/2014 (re compliance framework).</i>
-	418	<i>Relates to metering communication requirements.</i> Refer to recommendations 2/2010 and 3/2010 above.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 2/2014) A compliance scheduling system or internal compliance audit process has not been implemented.	<i>Refer to generic recommendation 2/2014 (re compliance framework).</i>
	Government Gazette information - Licence Condition 5.1	<i>Relates to feeding information contained in Government Gazettes into compliance process.</i> Refer to recommendations 2/2010 and 3/2010 above.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 2/2014) A compliance scheduling system or internal compliance audit process has not been implemented.	<i>Refer to generic recommendation 2/2014 (re compliance framework).</i>
4/2010	86	Ensure that Operational Incidents reported in the TWPS Operations Incident Register align with the monthly reports to Griffin Power. Consideration could be given to referencing incident number for ease of identification.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Complete We sighted evidence of incidents from TWPS Operational Incidents Register being included on monthly reports to BP2.	n/a

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
5/2010, 6/2010	319	<ol style="list-style-type: none"> 1. Establish formalised procedures/ process for Western Power and Griffin to communicate metering information 2. Review the possibility of providing access to billing meter data for TWPS. 	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	<p>1. Superseded BP2 has not established formalised guidelines for:</p> <ul style="list-style-type: none"> • Communicating metering information to Western Power • Monitoring compliance with the requirements of the Metrology Procedure and Communication Rules. <p>2. Complete BP2 determined that it was appropriate to maintain its existing practice for the Manager, Market Operations to monitor billing meter data, with input and advice sought from site operational staff where necessary (i.e. that it was not necessary for TWPS staff to have ongoing access to billing meter data).</p>	<p>Recommendation 1/2014 BP2 develop simple guidance documents to assist in ensuring that relevant staff:</p> <ul style="list-style-type: none"> • Are aware of BP2's metering obligations, including metering communication arrangements with Western Power • Recognise instances which trigger those requirements • Follow the correct procedures for complying with those requirements.
7/2010	103	Review the Asset Management Plan on completion of the warranty outage at the end of the first year of commercial operation (as for Recommendation 9 in Asset Management Review).	<i>As part of their contract obligations, BW1 operators (TWPS) are obliged to review the asset management plan annually and submit a report to Griffin's Executive General Manager Operations and Trading.</i>	<p>Complete The Asset Management Plan is now updated by TWPS and approved by BP2 on a yearly basis. We sighted the most current (2013) version.</p>	n/a

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
-	81	<i>Relates to the conduct of performance audits.</i> Refer to recommendations 2/2010 and 3/2010 above.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 2/2014) A compliance scheduling system has not been implemented to monitor timeframes for the provision of information to the Authority.	<i>Refer to generic recommendation 2/2014 (re compliance framework).</i>
8/2010	82	Provide notification of the AMP to the Authority in relation to the generating works.	Notify the Authority of the Asset Management System.	Complete In July 2010, Griffin Power formally notified the Authority of its Asset Management System.	<i>n/a</i>
9/2010	83	Communicate the plant capacity to the ERA.	<i>As per Action for Recommendation 1/2010, 2/2010 & 3/2010.</i>	Complete In July 2010, Griffin Power formally advised the Authority of the increase in nameplate capacity.	<i>n/a</i>
-	84 and 108	<i>Relates to the conduct of asset management system reviews.</i> Refer to recommendations 2/2010 and 3/2010	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 2/2014) A compliance scheduling system has not been implemented to monitor timeframes for the provision of information to the Authority.	<i>Refer to generic recommendation 2/2014 (re compliance framework).</i>
10/2010	109	Ensure ongoing correspondence to ERA regarding impact of voluntary administration of The Griffin Coal Company on EGL4.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Complete On 4 July 2010, Griffin Power notified the Authority regarding the voluntary administration of the Griffin Coal Company.	<i>n/a</i>

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
-	110	<i>Relates to the provision of information to the Authority. Refer to recommendations 2/2010 and 3/2010</i>	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 2/2014) A compliance scheduling system has not been implemented to monitor timeframes for the provision of information to the Authority.	<i>Refer to generic recommendation 2/2014 (re compliance framework).</i>
11/2010	112	Consideration could be given to establishing a formalised procedure for maintaining records of (email and hardcopy correspondence). Guidance could be sought from ISO 9001.	<i>Refer to generic action plan at obligation 85 above (no specific action plan nominated).</i>	Superseded (generic issue 3/2014) Record keeping procedures have not been formalised.	Recommendation 3/2014 BP2 establish an effective records management framework and function to support (among other business needs) its requirements for maintaining records of correspondence and other key references relevant to its Licence obligations.

Appendix A – Audit Plan

Bluewaters Power 2 Pty Ltd

**Electricity Generation Licence
(EGL17)**

2014 Performance Audit

Audit Plan

March 2014

Contents

1	Introduction	1
	Overview	1
	Objective	1
	Scope	1
	Responsibility	3
2	Approach	4
	Risk assessment	4
	Systems analysis/walkthrough	6
	Testing/review	6
	Reporting	7
3	General information	8
	Key BP2 contacts	8
	Deloitte staff	8
	Timing	8
	Appendix 1 – Risk assessment key	9
	Appendix 2 – Risk assessment	11
	Appendix 3 - New and superseded obligations	16
	Appendix 4 - Previous audit recommendations	17

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1 Introduction

Overview

The Economic Regulation Authority (**the Authority**) has under the provisions of the Electricity Industry Act 2004 (**the Act**), issued to Bluewaters Power 2 Pty Ltd (**BP2**) an Electricity Generation Licence (EGL17) (**the Licence**) to operate a coal fired powerhouse, which supplies electricity to the South West Interconnected System (**SWIS**).

Section 13 of the Electricity Industry Act requires BP2 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. With the Authority's approval, Deloitte Touche Tohmatsu (**Deloitte**) has been appointed to conduct the audit for the four year period 1 January 2010 to 31 December 2013.

Griffin Energy, who was granted an electricity generation licence in June 2007 to operate the BP2 powerhouse, went into receivership in 2010 and later sold ownership of the powerhouse in 2013. Sumitomo Corp and Kansai Electric Power Corp (the new joint owners of the powerhouse) applied to the Authority for a name change from Griffin Power 2 Pty Ltd to Bluewaters Power 2 Pty Ltd.

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 BP2 and presented to the Authority for approval.

Objective

The performance audit is defined as an examination of the measures taken by BP2 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 BP2'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 BP2 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 BP2'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 BP2's operations and used as the basis for determining the performance criteria to be considered for the audit.

The audit period is 1 January 2010 to 31 December 2013.

Since BP2's previous EGL performance audit in 2010, the Reporting Manual has undergone three revisions. For the period subject to audit, the four versions¹ of the Reporting Manual are applicable to the periods outlined below:

Reporting Manual version	Applicable period
April 2008	1 January 2010 to 30 June 2010
July 2010	1 July 2010 to 30 April 2011
May 2011	1 May 2011 to 31 December 2012 Metering Code: 1 May 2011 to 6 December 2012
June 2013	1 January to 31 December 2013 Metering Code: 7 December 2012 to 31 December 2013

The May 2011 version of the Reporting Manual was published to accommodate, among other changes, the removal of three obligations specific to electricity generation licences (two relating to Electricity Licences and one relating to the Metering Code).

The current version of the Reporting Manual was released in June 2013 to accommodate the following revisions (specific to electricity generation licences) to the Metering Code:

- Addition of one obligation, which became applicable from 7 December 2012
- Removal of three obligations, which were applicable to 6 December 2012.

This audit will consider all obligations that existed at any point during the audit period.

Refer to **Appendix 3** for further detail on obligations introduced and superseded through relevant revisions to Codes and licences.

Table 1 below outlines the compliance requirements that apply to BP2'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 current (June 2013) Reporting Manual. Note that four additional obligations are applicable for part of the audit period, where the obligation was removed from the relevant Code or Licence Condition during the period.

Table 1 – Application of legislative elements to BP2's operations

Legislative element	Application to BP2's operations
Electricity Industry Act	Seven of the 13 Electricity Industry Act obligations apply to BP2's Electricity Generation Licence.
Electricity Licences	Eight of the 15 Electricity Licence obligations apply to BP2's Electricity Generation Licence. Note that two Electricity Licence obligations, which were removed in 2011 are relevant for the period 1 January 2010 to 30 April 2011.

¹ Note that the revision of the 2008 Reporting Manual had no impact on the obligations applicable to BP2, therefore obligations contained in the July 2010 Reporting Manual will also be used as a reference for the period 1 January to 30 June 2010.

Legislative element	Application to BP2's operations
Electricity Industry Metering Code	28 of the 145 Metering Code obligations apply to BP2's Electricity Generation Licence. Note that of four Metering Code obligations, which were removed during the period, three (326, 361 and 412) are not applicable to BP2's operations.

Responsibility

BP2's responsibility for compliance with the conditions of the Licence

BP2 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 its 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 BP2's compliance with the conditions of its 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*² 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 BP2, 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 BP2 for our work, for this report, or for any reliance which may be placed on this report by any party other than BP2.

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.

² 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 BP2's licence obligations. The risk assessment gives specific consideration to the changes to BP2's systems and processes and any matters of significance raised by the Authority and/or BP2. 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 BP2 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 BP2 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 BP2'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. The key sources considered in reaching our preliminary assessment of the risk and control ratings were based on:

- Prior assessments of the state of controls during the 2010 EGL performance audit
- Our understanding of BP2’s asset operations from previous engagements
- Our understanding of the electricity generation industry and regulatory environment
- Any other factors that may have an effect on the level of risk or strength of controls.

At this stage, the risk assessment can only be a preliminary assessment based on reading of documentation and interviews by the auditors. It is possible that the ratings and risk assessment comments may be revised as we conduct our work and new evidence comes to light. Accordingly, the risk assessment for this 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 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 BP2's systems and processes, we will consider the following:

- The control environment: BP2'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 BP2's information systems (in particular, those relating to communication with the external parties, metering services and resource planning) to record the information needed to comply with the licence, the accuracy of data, the security of data and documentation describing the information system
- Control procedures: the presence of systems and procedures to ensure compliance with the licence, effectiveness of BP2'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 BP2 in response to any previous audit recommendations. 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 BP2'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 BP2'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, detailed testing and analysis will be performed to compare those standards maintained by BP2 with the relevant sections and schedules of the Licence.

Controls testing is performed for those licence obligations with an audit priority 3 and above (refer to table 4), and where there is relevant activity. This method of testing will involve:

- Understanding the population of transactions
- Selecting a sample of transactions to examine compliance with relevant sections of applicable Codes/Regulations
- Comparing the sample selected to expected requirements as mandated by relevant sections of applicable Codes/Regulations.

A full 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 systems analysis performed, as described above
- Deloitte's pre-determined sampling methodology, which takes account of the volume and frequency (e.g. daily, weekly, monthly, annual) of relevant transactions. Sample sizes typically range from 1 to 30, increasing with the volume and frequency of transactions
- The location of personnel and transactions to be tested.

All audit fieldwork is expected to be performed in consultation with key staff at BP2's Perth 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
- Response to previous audit recommendations (refer to **Appendix 4**)
- 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, BP2 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 BP2 contacts

The key contacts for this audit are:

- Les Egerton General Manager Environment, Safety & Compliance

Deloitte staff

Deloitte staff who will be involved with this assignment are:

- Richard Thomas Partner
- Andrew Baldwin Account Director
- Emlyn King Analyst
- Darren Gerber Quality Assurance Partner

Resumes for key Deloitte staff are outlined in the proposal accepted by BP2 and the Auditors Approval Submission document presented to the Authority.

Timing

The initial risk assessment phase was completed on 7 February 2014. On 17 February 2014, the audit plan and detailed risk assessment were presented to the Authority for review and comment. The audit plan was subsequently amended on 11 March 2013 to address the Secretariat's observations and requests.

The remainder of the fieldwork phase is scheduled to be performed in February and March 2014.

Deloitte's time and staff commitment to the completion of the audit is outlined in the proposal accepted by BP2 and as follows:

- Planning (including risk assessment): 8 hours
- Fieldwork: 25 hours
- Reporting: 7 hours

Appendix 1 – Risk assessment key

1-1 Criteria for classification

Source: *Electricity Compliance Reporting Manual February 2013*

Rating (type)	Classification of Non-Compliance	Criteria for classification
1	Major	<p>Classified on the basis that:</p> <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	<p>Classified on the basis that:</p> <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. <p>Reclassification of Type 2 as a Type 1 may occur in circumstances of systematic non-compliance.</p>
NR	Minor	<p>Classified on the basis that:</p> <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; or ▪ compliance with the obligation is immeasurable; or ▪ the non-compliance is required to be reported to the Regulator under another instrument, guideline or code 6; or ▪ 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. <p>Reclassification of Type NR as a Type 2 may occur in circumstances of:</p> <ul style="list-style-type: none"> ▪ systemic non-compliance; or ▪ a failure to resolve non-compliance promptly.

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. Refer to Appendix 3 of the Audit Plan for details of obligations added and removed during the audit period.

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
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	Likely	Medium	Moderate	Priority 4
102	Section 14(1)(a)	A licensee must provide for an asset management system.	Minor	Unlikely	Low	Moderate	Priority 5
103	Section 14(1)(b)	A licensee must notify details of the asset management system and any substantial changes to it to the Authority.	Moderate	Probable	Medium	Weak	Priority 3
104	Section 14(1)(c)	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	Minor	Likely	Medium	Moderate	Priority 4
105	Section n 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.	Moderate	Probable	Medium	Weak	Priority 3
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.	Minor	Probable	Low	Moderate	Priority 5
107	Section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	Moderate	Unlikely	Medium	Moderate	Priority 4
13. Electricity Licences - Licence Conditions and Obligations							
119	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.	Moderate	Unlikely	Medium	Moderate	Priority 4
120	Generation Licence condition 13.4	A licensee must comply with any individual performance standards prescribed by the Authority.	Moderate	Unlikely	Medium	Moderate	Priority 4
121	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 performance audit.	Moderate	Unlikely	Medium	Moderate	Priority 4
122	Generation Licence condition 20.5	A licensee must comply, and must require the licensee's expert to comply, with the relevant aspects of the Authority's standard guidelines dealing with the asset management system.	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
123	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 obligations.	Moderate	Probable	Medium	Weak	Priority 3
124	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.	Moderate	Likely	High	Weak	Priority 1
125	Generation Licence condition 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	Generation Licence condition 18.1	Unless otherwise specified, all notices must be in writing.	Moderate	Unlikely	Medium	Moderate	Priority 4
15. Electricity Industry Metering Code - Licence Conditions and Obligations							
345	Clause 3.3B	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.	Moderate	Unlikely	Medium	Moderate	Priority 4
360	Clause 3.11(3)	A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.	Moderate	Probable	Medium	Moderate	Priority 4
385	Clause 3.27	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.	Moderate	Unlikely	Medium	Moderate	Priority 4
392	Clause 4.4(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.	Minor	Probable	Low	Moderate	Priority 5
393	Clause 4.5(1)	A Code participant must not knowingly permit the registry to be materially inaccurate.	Minor	Unlikely	Low	Moderate	Priority 5
394	Clause 4.5(2)	Subject to subclause 5.19(6), if a Code participant, other 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.	Moderate	Probable	Medium	Moderate	Priority 4
409	Clause 5.4(2)	A user must, when reasonably requested by a network operator, assist the network operator to comply with the network operator's obligation under subclause 5.4(1).	Moderate	Unlikely	Medium	Moderate	Priority 4
422	Clause 5.16	If a user collects or receives energy data from a metering installation then the user must provide the network operator with the energy data (in accordance with the communication rules) within the timeframes prescribed.	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
423	Clause 5.17(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.	Moderate	Unlikely	Medium	Moderate	Priority 4
426	Clause 5.18	If a user collects or receives information regarding a change in the energisation status of a metering point then the user must provide the network operator with the prescribed information, including the stated attributes, within the timeframes prescribed.	Moderate	Unlikely	Medium	Moderate	Priority 4
427	Clause 5.19(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 Code and elsewhere, and provide that information to the network operator.	Minor	Unlikely	Low	Moderate	Priority 5
428	Clause 5.19(2)	A user must, to the extent that it is able, collect and maintain a record of the prescribed information in relation to the site of each connection point with which the user is associated.	Minor	Unlikely	Low	Moderate	Priority 5
429	Clause 5.19(3)	Subject to subclauses 5.19(3A) and 5.19(6), the user must within 1 business day after becoming aware of any change in an attribute described in subclause 5.19(2), notify the network operator of the change.	Moderate	Unlikely	Medium	Moderate	Priority 4
431	Clause 5.19(6)	The user must use reasonable endeavours to ensure that it does not notify the network operator of a change in an attribute described in subclause 5.19(2) that results from the provision of standing data by the network operator to the user.	Minor	Unlikely	Low	Moderate	Priority 5
437	Clause 5.21(5)	A Code participant must not request a test or audit under subclause 5.21(1) 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.	Moderate	Unlikely	Medium	Moderate	Priority 4
438	Clause 5.21(6)	A Code participant must not make a request under subclause 5.21(1) that is inconsistent with any access arrangement or agreement.	Moderate	Unlikely	Medium	Moderate	Priority 4
456	Clause 5.27	Upon request from a network operator, the current user for a connection point must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the timeframes prescribed.	Moderate	Unlikely	Medium	Moderate	Priority 4
469	Clause 6.1(2)	A user must, in relation to a network on which it has an access contract, comply with the rules, procedures, agreements and criteria prescribed.	Moderate	Probable	Medium	Moderate	Priority 4
472	Clause 7.2(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 with the Code.	Minor	Unlikely	Low	Moderate	Priority 5
474	Clause 7.2(4)	If requested by a network operator with whom it has entered into an access contract, the Code participant must notify its contact details to a network operator within 3 business days after the request.	Moderate	Probable	Medium	Moderate	Priority 4
475	Clause 7.2(5)	A Code participant must notify any affected network operator of any change to the contact details it notified to the network operator under subclause 7.2(4) at least 3 business days before the change takes effect.	Moderate	Probable	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
476	Clause 7.5	A Code participant must subject to subclauses 5.17A and 7.6 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.	Moderate	Unlikely	Medium	Moderate	Priority 4
477	Clause 7.6(1)	A Code participant must disclose or permit the disclosure of confidential information that is required to be disclosed by the Code.	Moderate	Unlikely	Medium	Moderate	Priority 4
478	Clause 8.1(1)	If any dispute arises between any Code participants then (subject to subclause 8.2(3)) 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 by negotiations in good faith.	Minor	Unlikely	Low	Moderate	Priority 5
479	Clause 8.1(2)	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 management officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.	Minor	Unlikely	Low	Moderate	Priority 5
480	Clause 8.1(3)	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.	Minor	Unlikely	Low	Moderate	Priority 5
481	Clause 8.1(4)	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.	Moderate	Unlikely	Medium	Moderate	Priority 4
482	Clause 8.3(2)	The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the objective in subclause 8.3(1).	Minor	Unlikely	Low	Moderate	Priority 5
Obligations removed from the May 2011 Reporting Manual, but included in the June 2010 Reporting Manual ¹ (applicable for the period 1 January 2010 to 30 April 2011)							
103	Generation Licence condition 12.2	A licensee must amend the asset management system before an expansion or reduction in generating works, distribution systems and transmission systems and notify the Authority in the manner prescribed, if the expansion or reduction is not provided for in the asset management system.	Moderate	Probable	Medium	Weak	Priority 3
104	Generation Licence condition 12.3	A licensee must not expand the generating works, distribution systems or transmission systems outside the licence area.	Moderate	Unlikely	Medium	Moderate	Priority 4
326	Electricity Industry Metering Code clause 3.5(6)	A network operator may only impose a charge for providing, installing, operating or maintaining a metering installation in accordance with the applicable service level agreement between it and the user.	Not applicable to BP2's operations as BP2 is not the network operator according to the Electricity Industry Metering Code 2005.				
Obligations removed from the 2013 Reporting Manual, but included in the May 2011 Reporting Manual ² (applicable for the period 1 May 2011 to 6 December 2012)							
361	Electricity Industry Metering Code clause 3.16(5)	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.	Moderate	Probable	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
395	Electricity Industry Metering Code clause 5.5(3)	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.	Moderate	Unlikely	Medium	Moderate	Priority 4
412	Electricity Industry Metering Code clause 5.19(4)	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.	Moderate	Unlikely	Medium	Moderate	Priority 4

¹Numbering based on the June 2010 Reporting Manual

²Numbering based on the May 2011 Reporting Manual

Appendix 3 - New and superseded obligations

Legislative Element	New obligations ³ Relevant period: 7 Dec '12 – 31 Dec '13	Superseded obligations ⁴ Relevant period: 1 Jul '10 – 30 Apr '11	Superseded obligations ⁵ Relevant period: 1 May '11 – 6 Dec '12
Electricity Industry Act	N/A	N/A	N/A
Electricity Licences – Licence Conditions and Obligations	N/A	103: Condition 12.2 104: Condition 12.3	N/A
Electricity Industry Metering Code	342: Clause 3.3B	326: Clause 3.5(6)	361: Clause 3.16(5) 395: Clause 5.5(3) 412: Clause 5.19(4)

³ Obligation number is based on the current (June 2013) Reporting Manual

³ Obligation number is based on the June 2010 Reporting Manual

⁵ Obligation number is based on the May 2011 Reporting Manual

Appendix 4 - Previous audit recommendations

Overarching issue:

The Generation Licence EGL17 specifies a capacity of 220 MW the actual capacity of the Power Station is 229.8MW. This differs from the Installed Capacity stated within the Generation Licence.

Recommendation:

1. Request an amendment to licence as soon as practicable to reflect current plant capacity in accordance with performance tests
2. A formalised and comprehensive Compliance Scheduling Process could be established to incorporate the legislative requirements relating to the power station. Inclusion of parameters relating to requirements other than EGL17 would ensure alignment with other processes. For example, Capacity stated within the Environmental Licence (L8326) aligns with that of the ERA Licence (EGL17)
3. An internal compliance audit process could be established to ensure ongoing compliance, this could be aligned with the requirement to submit annual compliance reports to the ERA.

Action plan:

BW2 is a new unit only being commissioned in 2009. The final nameplate capacity (and performance test results) has been known for a number of months now. There are several regulatory instruments that contain reference to these numbers – of which EGL17 is one. Griffin is working through each instrument and its obligation to update the required information. Griffin will contact the ERA with regards amending EGL17 to take account of the known nameplate capacity and maximum output capability of Bluewaters Unit 1.

Any future change to the capacity of BW2 will entail a more coordinated approach to amending regulatory instruments, of which EGL17 will be given a higher priority than has been attributed in this case. This will be communicated to the Senior Management Group at an appropriate Management Meeting.

Additionally, this obligation will be included in a comprehensive Compliance Manual, which will be reviewed annually under a process conducted by Griffin's internal Audit Team, likely just prior to annual compliance reporting to the ERA.

Responsible Person: General Manager Policy & Strategy
Group Financial Manager

Target date: June 2010

Issue 1 – Obligation 81: Electricity Industry Act section 13(1)

Ensure the requirement for the audits is captured through a formalised system. Currently rely on notification from the Authority and the personalised diary of employees.

<p>Recommendation 1</p> <ol style="list-style-type: none"> 1. A formalised and comprehensive Compliance Scheduling Process could be established to incorporate the legislative requirements relating to the power station. Inclusion of parameters relating to requirements other than EGL17 would ensure alignment with other processes. For example, Capacity stated within the Environmental Licence (L8326) aligns with that of the ERA Licence (EGL17) 2. An internal compliance audit process could be established to ensure ongoing compliance, this could be aligned with the requirement to submit annual compliance reports to the ERA. 	<p>Action plan 1</p> <p>Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.</p>
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Issue 2 – Obligation 82: Electricity Industry Act section 14(1)(a)

The Licensee has provided for an asset management system. The primary driver of the O&M Agreement is availability which provides the requirements for an effective asset management system for the power station. However, formal notification of the asset management system has not been provided to the Authority.

<p>Recommendation 2</p> <p>Provide notification of the AMP to the Authority in relation to the generating works.</p>	<p>Action plan 2</p> <p>Notify the Authority of the Asset Management System.</p> <p>Responsible Person: General Manager Policy & Strategy</p> <p>Target date: June 2010</p>
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Issue 3 – Obligation 83: Electricity Industry Act section 14(1)(b)

The Licensee has not notified a substantial change to the Authority.

<p>Recommendation 3</p> <p>Communicate the plant capacity to the ERA.</p>	<p>Action plan 3</p> <p>Refer to action plan for overarching recommendation.</p>
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Issue 4 – Obligation 84: Electricity Industry Act section 14(1)(c)

Ensure the requirement for the review is captured through a formalised system. Currently rely on notification from the Authority and the personalised diary of employees.

<p>Recommendation 4</p> <p>Refer to recommendation 1.</p>	<p>Action plan 4</p> <p>Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.</p>
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Issue 5 – Obligation 85: Electricity Industry Act section 17(1)

There is no formalised process established for the payment of fees. Due to an error on the invoice issued by the ERA (invoice ERA136) which incorrectly noted that the Licence was granted on 20 July 2007 the EFT Payment was not paid in appropriate timeframe. A formalised process for monitoring compliance is required.

Recommendation 5

Refer to recommendation 1.

Action plan 5

Griffin accounts payable function operates on a manual processing of invoices received. Payments cannot be authorised or generated without the receipt of the corresponding invoice. Typically, invoices are paid at 60 days from receipt, except in cases where pre-existing arrangements are in place. On receipt of invoices, they are entered into a rolling 3 month budget tracking system.

For ERA invoices, all ERA correspondence is forwarded to the GM Policy & Strategy, who then authorises payment of the invoice and submits to accounts payable for action with instructions that the invoices must be paid within 1 month.

A schedule of licence due dates (falling on the anniversary of each ERA licence) will be set up in an appropriate scheduling tool shared between the GM Policy & Strategy and the relevant Accounts Payable Clerk. This will ensure the relevant people are aware that invoices are expected from the ERA.

Responsible Person: General Manager Policy & Strategy

Target date: March 2010

Issue 6 – Obligation 86: Electricity Industry Act section 31(3)

Operational Incidents are not always captured within the reporting process to Griffin. Improvement in the process will ensure this information is communicated and clear links to operations logs can be made.

Recommendation 1

Ensure that Operational Incidents reported in the TWPS Operations Incident Register align with the monthly reports to Griffin Power. Consideration could be given to referencing incident number for ease of identification.

Action plan 1

Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.

Issue 7 – Obligation 103: Generation Licence condition 12.2

There has been an increased plant capacity realised during the commissioning of the plant. Whilst it is considered that the Asset Management System provides for the expansion a review after the completion of the warranty outage is recommended to ensure compliance.

<p>Recommendation 7</p> <p>Review the Asset Management Plan on completion of the warranty outage at the end of the first year of commercial operation (as for Recommendation 9 in Asset Management Review).</p>	<p>Action plan 7</p> <p>As part of their contract obligations, BW1 operators (TWPS) are obliged to review the asset management plan annually and submit a report to Griffin's Executive General Manager Operations and Trading.</p> <p>Responsible Person: Executive GM Operations and Trading</p> <p>Target date: June 2010</p>
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Issue 8 – Obligation 108 and 110: Generation Licence condition 20.5 and 16.1

Ensure the requirement for the review is captured through a formalised system. Currently rely on notification from the Authority and the personalised diary of employees.

<p>Recommendation 8</p> <p>Refer to recommendation 1.</p>	<p>Action plan 8</p> <p>Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.</p>
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Issue 9 – Obligation 109: Generation Licence condition 15.1

Whilst the organisation has complied with this condition in the audit period, recent circumstances relating to the Voluntary Administration of Griffin Coal may require the Licensee to ensure that if situations change the appropriate actions are implemented. Inclusion in a compliance reporting process or linkage to the Administration process may achieve this objective.

<p>Recommendation 9</p> <p>Ensure ongoing correspondence to ERA regarding impact of voluntary administration of The Griffin Coal Company on EGL17.</p>	<p>Action plan 9</p> <p>Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.</p>
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Issue 10 – Obligation 112: Generation Licence condition 18.1

There are no formalised procedures for maintaining records of correspondence in relation to the Generation Licence.

<p>Recommendation 10</p> <p>Consideration could be given to establishing a formalised procedure for maintaining records of (email and hardcopy correspondence). Guidance could be sought from ISO 9001.</p>	<p>Action plan 10</p> <p>Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.</p>
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Issue 11 – Obligation 319: Metering Code clause 3.11(3)

Control Room operators do not have access to the sent out meter data and the delay in information relay can be 2 weeks. The check meter is available to the Control Room Operators. Griffin does have access to data via the web portal.

Recommendation 11

1. Establish formalised procedures/ process for Western Power and Griffin to communicate metering information
2. Review the possibility of providing access to billing meter data for TWPS.

Action plan 11

Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.

Issue 12 – Obligation 416: Metering Code clause 6.1(2)

Requirements of the Access Contract could be captured in a Compliance Manual.

Recommendation 12

Refer to recommendation 1.

Action plan 12

Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.

Issue 13 – Obligation 418: Metering Code clause 7.2(1)

Inclusion of the requirement in a formalised process would ensure compliance. Currently relies on expertise of employees.

Recommendation 13

Refer to recommendation 1.

Action plan 13

Action Plan not mandatory for inclusion in post audit implementation plan as detailed in Audit Guidelines (July 2009) Section 11.9. These items will be reviewed and actioned through internal management systems and will form part of next Audit/Review process.

Appendix B – References

Key BP2 contacts

- General Manager Environment Safety & Compliance
- Manager, Market Operations
- General Manager Finance & Accounting
- TWPS Power Station Manager.

Deloitte staff

Name	Position	Hours
• Richard Thomas	Partner	2.5
• Andrew Baldwin	Account Director	14.5
• Emlyn King	Analyst	26.5
• Darren Gerber	Partner (Quality Assurance Review)	1

Key Documents and other information sources

- Representations from the:
 - General Manager Environment Safety & Compliance
 - Manager, Market Operations
 - General Manager Finance & Accounting
 - TWPS Power Station Manager.
- Audited annual reports for the years ending 2010, 2011, 2012 and 2013
- Evidence of payment of licence fees
- Letter of submission of compliance reports to the Authority – 2010, 2011, 2012 and 2013
- BP2 Asset Management Plan
- Electricity Transfer Access Contract with Western Power
- Western Power’s Metrology procedure, Communication rules, Mandatory link criteria and Metering Code Model Service Level Agreement
- Operational Incidents Register
- Correspondence with the Authority relating to:
 - Griffin Coal receivership
 - Nameplate capacity
 - Asset management system
- Memos on coal, water supply and ash removal
- Consolidated Monthly reports
- Emergency Response Plan.

Appendix C – Post Audit Implementation Plan

Issue 1/2014

The previous performance audit report recommended that metering communication procedures be formalised. BP2 has not formalised such procedures, which exposes the business to some risk of staff not understanding and/or not complying with Licence requirements relating to the Metering Code.

We recognise that as BP2 undertakes relatively simple metering activities, the value of comprehensive metering procedures may be limited. Rather, a simple guidance document or checklist may better suit BP2's needs.

Recommendation 1/2014

BP2 develop simple guidance documents to assist in ensuring that relevant staff:

- Are aware of BP2's obligations under the relevant Licence condition and Metering Code
- Recognise instances which trigger those requirements, such as any new metering activity
- Follow the correct procedures for complying with those requirements.

Action Plan 1/2014

BP2 will develop a guidance document, which outlines:

- BP2's key obligations under the relevant Licence condition and Metering Code
- Instances which trigger those requirements.

The guidance document will be communicated to relevant staff.

Responsible Person: General Manager Finance & Accounting

Target Date: 31 March 2015

Issue 2/2014

The previous performance audit report recommended that a compliance scheduling process be implemented to ensure key Licence requirements are met. BP2 has not implemented such a compliance scheduling system.

Although BP2 has recently demonstrated that it has met key timeframes (e.g. for submitting compliance reports and paying licence fees), it places heavy reliance on the diligence of individual staff members and remains exposed to future compliance failures in the event of staff turnover or reallocation of tasks.

Recommendation 2/2014

BP2 apply an effective compliance framework to its Licence obligations to enable:

- Key compliance requirements to be recognised by all relevant staff
- Key dates and actions required by applicable legislation to be monitored
- Reminders to be set to ensure completion
- If appropriate, an internal compliance audit process to be applied.

Action Plan 2/2014

BP2 will implement an excel based compliance management process to capture key Licence compliance requirements (including relevant dates and actions required) and to track the completion of those actions.

Responsible person: General Manager Environment Safety & Compliance

Target date: 31 March 2015

<p>Issue 3/2014</p> <p>BP2 did not have an effective records management procedure or framework in place during the period subject to audit. A small number of key documents requested by the audit were either difficult for BP2 staff to locate or not located at all.</p> <p>We recognise that a project has recently been re-initiated to implement the TRIM document management system.</p>	
<p>Recommendation 3/2014</p> <p>BP2 establish an effective records management framework and function to support (among other business needs) its requirements for maintaining records of correspondence and other key references relevant to its Licence obligations.</p>	<p>Action Plan 3/2014</p> <p>In its implementation of the TRIM document management system, BP2 will accommodate the requirement to maintain records of key documents and references relevant to its Licence obligations.</p> <p>Responsible person: General Manager Environment Safety & Compliance</p> <p>Target date: 31 March 2015</p>