

**Bluwaters Power 1 Pty
Ltd**

Electricity Retail Licence (ERL 12)

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

June 2014

Mr Les Egerton
General Manager Environment Safety & Compliance
Bluewaters Power 1 Pty Ltd
Level 8, 225 St Georges Terrace
Perth, WA 6000

10 June 2014

Dear Les

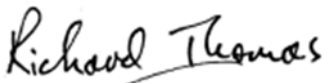
Electricity Retail Licence (ERL 12) Performance Audit Report

We have completed the Electricity Retail Licence Performance Audit for Bluewaters Power 1 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 compliance ratings	9
4	Detailed findings, recommendations and action plans	13
5	Follow-up of previous audit action plans	29
	Appendix A – Audit Plan	32
	Appendix B – References	33
	Appendix C – Post Audit Implementation Plan	34

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Liability limited by a scheme approved under Professional Standards Legislation.

© 2014 Deloitte Touche Tohmatsu. All rights reserved.

Member of Deloitte Touche Tohmatsu Limited.

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 1 Pty Ltd's (**BP1**) compliance with the conditions of its Electricity Retail 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**).

BP1's responsibility for compliance with the conditions of the Licence

BP1 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 BP1'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, BP1 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 BP1 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 BP1 for review and response.

Limitations of use

This report is made solely for the information and internal use of BP1 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 BP1's electricity retail 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 Authority in

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*.

relation to the report. We accept no duty, responsibility or liability to any party, other than BP1, 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.

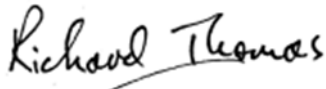
Independence

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, BP1 has complied, in all material respects, 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.

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 1 Pty Ltd (**BP1**) an Electricity Retail Licence (ERL12) (**the Licence**).

Griffin Coal, the parent of Griffin Power who was granted an electricity retail 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 1 Pty Ltd to Bluewaters Power 1 Pty Ltd.

BP1 currently supplies electricity to two customers. As the volume of electricity supplied to each customer exceeds 160MWh p.a., the customers are not Small Use Customers as defined by the *Code of Conduct for the Supply of Electricity to Small Use Customers 2012*.

Section 13 of the Act requires BP1 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 BP1, Deloitte Touche Tohmatsu (**Deloitte**) has undertaken a reasonable assurance audit relating to BP1'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, BP1 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 BP1's internal control procedures, structure and environment, compliance culture and information systems specifically relevant to those licence obligations subject to audit, we observed that BP1 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 BP1'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		-	-	-	-	-	-	-
Priority 2		-	-	-	-	-	-	-
Priority 3		-	-	-	-	3	-	3
Priority 4		42	-	-	2	3	10	57
Priority 5		14	-	-	-	-	6	20
N/A	11							11
Total	11	56	-	-	2	6	16	91

* The number of obligations listed at Table 1 includes six obligations that were applicable for part of the audit period only (of which, only four obligations were applicable to BP1's operations). 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 BP1's response to previous audit recommendations

This audit considered BP1's 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 seven recommendations detailed in the 2010 performance audit report:

- One was 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 implementation plan (per the Audit Guidelines) 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 BP1'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.

- One recommendation was partially addressed during the audit period and that element is now considered to be closed out
- The remaining 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
<p>19 <i>This issue relates broadly to BP1's obligations under the Electricity Industry Customer Transfer Code and Electricity Industry Metering Code.</i> <u>Specific obligations of note:</u></p> <p>19 <i>Electricity Industry Customer Transfer Code clause 3.9(4) - A retailer must keep a copy of the verifiable consent received from a contestable customer for two years.</i></p> <p>48 <i>Electricity Industry Customer Transfer Code clause 5.1(4) - A network operator and a retailer must comply with approved communication rules.</i></p> <p>469 <i>Electricity Industry Metering Code 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.</i></p>	<p>Priority 4</p> <p>Priority 4</p> <p>Priority 4</p>	<p>Not rated</p> <p>Compliant 4</p> <p>Compliant 4</p>	<p>The previous performance audit report recommended that sales & marketing and metering communication procedures be formalised. BP1 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 Customer Transfer Code and Metering Code. For example, where there is a need for relevant BP1 staff to have a full:</p> <ul style="list-style-type: none"> • Awareness of the specific licence requirement for retaining verifiable consent for two years (Obligation 19) • Working understanding of any relevant aspects of Western Power's Metrology Procedure, Mandatory Link Criteria and Communication Rules (Obligations 48 and 469). <p>We recognise that as BP1 is currently not an active retailer (so the likelihood of further sales activity is limited) and undertakes relatively simple metering activities, the value of comprehensive, formal sales & marketing and metering procedures may be limited. Rather, a simple guidance document or checklist may better suit BP1's needs.</p>
<p>Recommendation 1/2014</p> <p>BP1 develop simple guidance documents to assist in ensuring that relevant staff:</p> <ul style="list-style-type: none"> • Are aware of BP1's obligations under the relevant Licence condition, Customer Transfer Code and Metering Code • Recognise instances which trigger those requirements, such as any new interaction with customers • Follow the correct procedures for complying with those requirements. 			<p>Action Plan 1/2014</p> <p>BP1 will develop a guidance document, which outlines:</p> <ul style="list-style-type: none"> • BP1's key obligations under the relevant Licence condition, Customer Transfer Code and Metering Code • Instances which trigger those requirements <p>The guidance document will be communicated to relevant staff.</p> <p>Responsible Person: General Manager Finance & Accounting</p> <p>Target Date: 31 March 2015</p>

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 4	Compliant 4	<p>The previous performance audit report recommended that a compliance scheduling process be implemented to ensure key Licence requirements are met. BP1 has not implemented such a compliance scheduling system.</p> <p>Although BP1 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: BP1 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, BP1 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 4	Compliant 4	
<p>Recommendation 2/2014</p> <p>BP1 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>BP1 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
53	<i>Electricity Industry Customer Transfer Code clause 6.4(2) - A retailer must notify any change in its contact details to a network operator at least three business days before the change takes effect.</i>	Priority 4	Compliant 3	<p>BP1 did not have an effective records management procedure or framework in place during the period subject to audit.</p> <p>A small number of key documents requested by the audit were either difficult for BP1 staff to locate or not located at all. For example:</p> <ul style="list-style-type: none"> Obligations 53, 123 and 475: BP1 was unable to provide evidence of its notification to the Authority of the change in its name and contact details subsequent to the change to its ultimate parent entity in February 2013. <p>We recognise that a project has recently been re-initiated to implement the TRIM document management system.</p>
123	<i>Licence clause 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.</i>	Priority 3	Compliant 4	
126	<i>Licence clause 18(1) - Unless otherwise specified, all notices must be in writing.</i>	Priority 4	Compliant 4	
475	<i>Electricity Industry Metering Code 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.</i>	Priority 4	Compliant 3	
<p>Recommendation 3/2014</p> <p>BP1 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, BP1 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, BP1 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 BP1 staff to gain an 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, BP1 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 BP1'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	5	
9 Electricity Industry Customer Transfer Code													
6	3.2(2)	Moderate	Unlikely	Medium	Moderate	Priority 4						✓	
7	3.4(1)	Moderate	Unlikely	Medium	Moderate	Priority 4						✓	
8	3.5(3)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
9	3.6(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
16	3.9(1)	Moderate	Unlikely	Medium	Moderate	Priority 4						✓	
17	3.9(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
18	3.9(3)	Moderate	Probable	Medium	Moderate	Priority 4	✓						
19	3.9(4)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
23	4.2(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
24	4.3	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
25	4.4(1)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
26	4.4(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
27	4.5(1)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
28	4.6(3)	Moderate	Probable	Medium	Moderate	Priority 4	✓						
29	4.7	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
30	4.8(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
34	4.9(6)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
39	4.11(3)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
40	4.12(3)	Minor	Unlikely	Low	Moderate	Priority 5	✓						
43	4.15	Minor	Unlikely	Low	Moderate	Priority 5	✓						
44	4.16	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
45	4.17	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
48	5.1(4)	Moderate	Unlikely	Medium	Moderate	Priority 4						✓	
49	6.2	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
52	6.4(1)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
53	6.4(2)	Moderate	Unlikely	Medium	Moderate	Priority 4					✓		
54	6.6	Moderate	Unlikely	Medium	Moderate	Priority 4						✓	
55	7.1(1)	Minor	Unlikely	Low	Moderate	Priority 5	✓						
56	7.1(2)	Minor	Unlikely	Low	Moderate	Priority 5	✓						
57	7.1(3)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓						
58	7.2(4)	Minor	Unlikely	Low	Moderate	Priority 5	✓						
59	7.3(2)	Minor	Unlikely	Low	Moderate	Priority 5	✓						
68	A6.2(a)	Minor	Unlikely	Low	Moderate	Priority 5						✓	
69	A6.2(b)	Moderate	Unlikely	Medium	Moderate	Priority 4						✓	
70	A6.6	Minor	Unlikely	Low	Moderate	Priority 5						✓	
71	A6.7	Minor	Unlikely	Low	Moderate	Priority 5						✓	
11 Electricity Industry (Customer Contracts) Regulations													
All obligations (6-71) are not applicable to BP1's operations as BP1 does not supply electricity to small use customers.													

#	Obligation reference	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Risk/Priority	Compliance Rating					
							N/R	1	2	3	4	5
12 Electricity Industry Act - Licence Conditions and Obligations												
101	13(1)	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	✓					
108	54(1)	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.										
109	54(2)											
110	76	Moderate	Unlikely	Medium	Moderate	Priority 4	✓					
111	101	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.										
113	115(2)	Moderate	Unlikely	Medium	Moderate	Priority 4	✓					
13 Electricity Licences - Licence Conditions and Obligations												
114	23.1	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.										
115	23.2											
116	24.2											
117	24.3											
118	25.1											
119	12.1	Moderate	Probable	Medium	Moderate	Priority 4						✓
120	13.4	Moderate	Unlikely	Medium	Moderate	Priority 4	✓					
121	14.2	Moderate	Unlikely	Medium	Moderate	Priority 4						✓
123	15.1	Moderate	Probable	Medium	Weak	Priority 3					✓	
124	16.1	Moderate	Probable	Medium	Weak	Priority 3					✓	
125	17.1 & 17.2	Moderate	Probable	Medium	Moderate	Priority 4	✓					
126	18.1	Moderate	Unlikely	Medium	Moderate	Priority 4					✓	
14 Code of Conduct for the Supply of Electricity to Small Use Customers												
All obligations (129-337) are not applicable to BP1's operations as BP1 does not supply electricity to small use customers.												
15 Electricity industry Metering Code												
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						✓
375	3.18(1)	Not applicable to BP1 as the obligation relates to Electricity Retail Corporation (Synergy) only.										
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	Unlikely	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	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	5
431	5.19(6)	Minor	Probable	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	Probable	Medium	Moderate	Priority 4	✓					
Part 6 Documentation												
469	6.1(2)	Moderate	Probable	Medium	Moderate	Priority 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)												
102	15.2	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.										
326	3.5(6)	Not applicable to BP1's operations as BP1 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 BP1's compliance. The instruments relevant to BP1's licence are:

1. Electricity Industry Customer Transfer Code 2004
2. Electricity Industry Act 2004
3. Electricity Licenses - Licence Conditions and Obligations
4. 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 BP1'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* – BP1'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 Customer Transfer Code 2004

Obligations determined to be not applicable

All relevant obligations were deemed applicable to BP1's operations for the period subject to audit.

Obligations determined to be not rateable

BP1's compliance with the following obligations could not be rated as there was no relevant activity during the period subject to audit.

Obligation	Reason
8, 9	The Manager, Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, BP1 was not required to withdraw any requests made for historical consumption data through the Western Power Web Portal, due to a contestable customer withdrawing consent for such data to be obtained.
17, 18	The Manager, Market Operations confirmed that, for the period 1 January 2010 to 31 December 2013, BP1 did not: <ul style="list-style-type: none"> Aggregate a customer's data with that of another customer Disclose a contestable customer's data to a person, other than the customer to which the data relates.
19	We determined that during the period 1 January 2010 to 31 December 2013, there were no instances where BP1 was required to obtain and maintain a customer's verifiable consent for BP1 to obtain metering data.
23-30, 34, 39, 43-45, 49	The Manager, Market Operations confirmed that no changes were made to BP1's customer base and consequently no transfer requests were made during the period 1 January 2010 to 31 December 2013.
40	Clause 4.12(3) requires BP1 to negotiate any amendments to its ETAC with another party in good faith. As no amendments to BP1's ETAC with Western Power were made during the period 1 January 2010 to 31 December 2013, we were unable to assess BP1's compliance with this obligation.
52	The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, Western Power did not make a request of BP1 to provide its contact details.
55-59	The Manager, Market Operations confirmed that BP1 did not enter into any disputes with Western Power, any other retailer or the Independent Market Operator in relation to any matter under or in connection with the Customer Transfer Code.

Assessment of compliance

The table below summarises the audit's assessment of BP1's compliance with the relevant obligations of the Electricity Industry Customer Transfer Code 2004.

N/A	N/R	Non-compliant		Compliant			Total
		1	2	3	4	5	
-	26	-	-	1	1	8	36

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
6	A retailer must submit a separate data request for each exit point unless otherwise agreed.	Compliant - 5	<i>Obligation 6 and 7</i>
7	A retailer, unless otherwise agreed, must submit a data request electronically and must not submit more than a prescribed number of standing or historical data requests in a business day.	Compliant - 5	<p>Through discussion with the Manager, Market Operations, consideration of the single data request made during the period subject to audit and walkthrough of the functions of the Western Power web portal, we determined that:</p> <ul style="list-style-type: none"> • BP1 submits a separate data request for each customer exit point through the web portal (maintained by Western Power) to obtain consumption data for billing purposes • The web portal has been configured to limit data requests submissions to the prescribed 20 requests per day. <p>The Manager, Market Operations confirmed that requests for historical consumption data can only be made through the web portal and BP1 has not attempted to submit such a request using any other medium.</p>
16	A retailer may only use data relating to a contestable customer to provide a contestable customer with a quotation for the supply of electricity by the retailer to the contestable customer or to initiate a transfer in relation to the contestable customer.	Compliant - 5	<p>Through discussion with the Manager, Market Operations and consideration of BP1's customer quotation processes, we determined that BP1's procedures provide for:</p> <ul style="list-style-type: none"> • With the consent of the potential customer, a request for consumption data to be made to Western Power, via the web portal, before providing a quote • Data obtained from Western Power to only be used for the purpose of providing a quote or initiating a transfer. <p>The Manager, Market Operations confirmed that during the period subject to audit no quotations for supply of electricity were provided and no transfers were initiated.</p>
48	A network operator and a retailer must comply with approved communication rules.	Compliant - 4	<p>The Manager, Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, BP1 complied with the approved communication rules, between Western Power and BP1.</p> <p>Although Western Power has historically managed all metering activity, it remains relevant for BP1 staff to have a full working understanding of any 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
53	A retailer must notify any change in its contact details to a network operator at least three business days before the change takes effect.	Compliant 3	As a result of the change to BP1's ultimate parent entity, on 15 April 2013, the Authority issued a notification of name change of the power house from Griffin Power 1 Pty Ltd to Bluewaters Power 1 Pty Ltd. The Manager, Market Operations advised that notification was provided to all affected parties of the change to BP1's contact details. However, BP1 was unable to provide evidence demonstrating that notification was provided to Western Power three business days before the change took effect. <i>Refer to issue 3/2014 (relating to records management) at section 2.5 for recommendation and action plan.</i>
54	A network operator or a retailer must send required electronic communications to the applicable electronic communication address, in accordance with Annex 6.	Compliant - 5	In relation to customer transfer activity and historical data requests, BP1 and Western Power communicate through the Metering Service Centre web portal. We observed that the web portal identifies BP1 via log in details, which contains the current electronic communications address for the Manager, Market Operations.
68	A network operator and a retailer must use reasonable endeavours to ensure that its information system on which electronic communications are made is operational 24 hours a day and 7 days a week.	Compliant - 5	Through walkthrough of the web portal and discussion with the Manager, Market Operations, we understand that Western Power operates the Metering Service Centre web portal 24 hours/day and seven days/week.
69	A network operator and a retailer must establish a mechanism to generate an automated response message for each electronic communication (other than an automated response message) received at the electronic communication address.	Compliant - 5	<i>Obligation 69 to 71</i> The web portal acts as the electronic communication mechanism for acknowledging and recording all customer transfer and data request communications. The web portal provides for: <ul style="list-style-type: none"> • Issue of email alerts to confirm transactions • The Manager, Market Operations to be identified as the originator each time a request is submitted • All communication information, including the originator of the communication, to be changed by Western Power when notified by the originator (BP1) • A template format to create and submit requests.
70	The originator of an electronic communication must identify itself in the communication.	Compliant - 5	
71	The originator of an electronic communication must use reasonable endeavours to adopt a consistent data format for information over time, to facilitate any automated processing of the information by the addressee.	Compliant - 5	

4.2 Electricity Industry Act 2004

Obligations determined to be not applicable

In the audit planning phase, the following obligations were deemed not applicable to BP1's electricity retail activities.

Obligation	Reason
108, 109 and 111	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.

Obligations determined to be not rateable

BP1's compliance with the following obligations could not be rated as there was no relevant activity during the period subject to audit.

Obligation	Reason
107	The General Manager Finance & Accounting confirmed that during the period 1 January 2010 to 31 December 2013, BP1: <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. As BP1 has not obtained ownership in or easement over land during the period subject to audit, there has been no requirement for BP1 to pay for the associated costs.
110	During the period 1 January 2010 to 31 December 2013, BP1 had not been designated as a supplier of last resort.
113	The Manager, Market Operations confirmed that the current nature of the relationship that BP1 has with Western Power does not allow for BP1 to have any access to Western Power's network, which could put BP1 in a position to hinder or prohibit access. BP1's current market arrangements also provide for customers to continue to receive a constant flow of electricity, in the event that BP1 had to stop producing electricity for a certain period of time.

Assessment of compliance

The table below summarises the audit's assessment of BP1's compliance with the relevant obligations of the Electricity Industry Act 2004.

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

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 BP1 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 BP1's ultimate parent entity in 2013.</p>
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 BP1's records of its payment of the 2011, 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 14 September).</p> <p>We did not assess the timing of the payment of the 2010 licence fee as the required records were not readily available at the time of audit.</p> <p>We also confirmed that BP1 does not use a diary or scheduling tool (per the 4/2010 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 BP1's compliance framework) at section 2.5 for recommendation and action plan.</i></p>

No	Obligation under Condition	Compliance Rating	Findings
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 site representatives, examination of Transfield's and BP1's business continuity and contingency plans and consideration of the plant's design, we observed 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 • The contracted operators of the plant maintain emergency response plans, with clearly defined responsibilities during an emergency. Staff are aware of the plans and the procedures to be performed during an emergency • BP1 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 units 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 within the unit's Operational Incidents Register, which is communicated to BP1 in monthly reports. <p>The audit concludes that BP1 had taken reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.</p>

4.3 Electricity Licences – Licence Conditions and Obligations

Obligations determined to be not applicable

In the audit planning phase, the following obligations were deemed not applicable to BP1's electricity retail activities.

Obligation	Reason
102 ⁵ , 114 - 118	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.

Obligations determined to be not rateable

BP1's compliance with the following obligations could not be rated as there was no relevant activity in the period subject to audit.

Obligation	Reason
120	The General Manager Environment, Safety & Compliance confirmed that, for the period 1 January 2010 to 31 December 2013, BP1 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 BP1 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 BP1's compliance with the relevant obligations of its Licence.

N/A	N/R	Non-compliant		Compliant			Total
		1	2	3	4	5	
6	2	-	-	-	3	2	13

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 Obligation number obtained from the June 2010 Compliance 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"> • BP1 was compliant with the Australian Accounting Standards Board (AASB) standards • There were no significant accounting transactions or items that could jeopardise BP1's compliance with accounting standards. <p>Deloitte is responsible for auditing the annual statutory accounts of BP1 for compliance with Australian International Financial Reporting Standards (A-IFRS).</p> <p>Based on examination of the published Financial Statements of BP1 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>The audit plan approved by the Authority on 24 March 2014, commits BP1 and Deloitte (the auditor) to complying with the prescribed audit guidelines and reporting manual issued by the Authority. Deloitte confirms that the audit was undertaken utilising the framework from the 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.	Complaint - 4	<p>BP1's Licence clause 15.1 requires BP1 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 BP1's ability to perform its obligations under this licence (c) Changes its name, ABN or address. <p>Although BP1 was not under external administration during the period 1 January 2010 to 31 December 2013, the circumstances where Griffin Coal, the prior owner of BP1 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 BP1 to notify the Authority of its name change within 10 business days of the change, the Manager, Market Operations confirmed that BP1 did notify the Authority of that change, however BP1 was unable to provide evidence of that advice being submitted within the required timeframe.</p> <p><i>Refer to issue 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 BP1 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 BP1's licence obligations. • Previously, that responsibility was allocated to various Bluewaters Power and Griffin Power staff • 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 BP1'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 BP1 to provide any other information in connection with its functions under the Electricity Industry Act.</p> <p>Although BP1 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><i>Refer to issue 2/2014 (relating to BP1'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"> • BP1 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>BP1 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 BP1 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>

4.4 Electricity Industry Metering Code 2005

Obligations determined to be not applicable

The following obligations are not applicable to BP1's operations:

Obligation	Reason
326 ⁶	Clause 3.5(6) is not applicable to BP1's operations as BP1 is not the Network Operator according to the Electricity Industry Metering Code 2005.
375	Clause 3.18(1) is not applicable to BP1's operations as the clause relates to Electricity Retail Corporation (Synergy) only.

Obligations determined to be not rateable

BP1'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 customer metering installations for BP1, BP1 has not installed or facilitated the installation of any metering installation on the network.
392 and 422	The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, BP1: <ul style="list-style-type: none"> Did not collect data from customer installation meters (Western Power performs that role) Was not in a position to become aware of any discrepancy between energy data held in a metering installation and data held in the metering database.
361 ⁷	The Manager, Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, BP1 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 BP1's customers' sites are 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>BP1 also does not have any edit access to 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 BP1'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, BP1 did not have access to data provided for in the Metering Code, for which to impose a charge for providing data to another party.

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
409	The Manager, Market Operations confirmed that all meters installed at BP1's customers' sites are 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 for the period subject to audit.
412 ⁹	The Manager, Market Operations confirmed that, during the period 1 May 2011 to 6 December 2013, BP1 was not aware of any sensitive load at a customer site.
427	The Manager, Market operations confirmed that, during the period 1 January 2010 to 31 December 2013, Western Power did not request BP1, in accordance with clause 5.19(1), to assist in collecting information from customers.
429 and 431	The Manager, Market Operations confirmed that BP1'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 BP1. As a result, BP1 was not in a position to become aware of such change. The Manager, Market Operations confirmed that BP1 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, BP1 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 BP1 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 BP1 to provide its contact details.
476 and 477	The Manager, Market Operations confirmed that, during the period 1 January 2010 to 31 December 2013, BP1: <ul style="list-style-type: none"> • Did not disclose, or permit the disclosure of, any confidential information in connection to the Code • Was not required under a provision in the Metering Code to disclose confidential information.
478 - 482	For the purposes of the Metering Code, 'disputes' refers to metering disputes between BP1 as a retailer, a Code Participant, another generator, the network operator (Western Power), a user or the IMO. As the definition of Code Participant applies, the only possible party with whom BP1 may have disputes are Western Power and the IMO. The Manager, Market Operations confirmed that no metering disputes have arisen between BP1 and Western Power or the IMO, during the period 1 January 2010 to 31 December 2013.

⁹ Numbering based on the May 2011 Reporting Manual

Assessment of compliance

The table below summarises the audit's assessment of BP1'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	
2	25	-	-	1	1	4	33

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

Note that separate findings are not provided for the obligations that are not applicable or cannot be rated, as detailed in the table above.

No	Obligation under Condition	Compliance Rating	Findings
360	A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.	Compliant - 5	Through discussion with the Manager, Market Operations, consideration of BP1's business practices and examination of a service order for resolution of a customer meter malfunction, we observed that BP1's procedures provide for Western Power to be notified within one working day of any instance where BP1 becomes aware of a malfunction of a customer's metering installation. The Manager, Market Operations confirmed that during the period 1 January 2010 to 31 December 2013, BP1 had not become aware of any outage of a metering installation of which Western Power had not already been notified by BP1's customer, who had experienced such an outage, in accordance with that customer's ETAC with Western Power.
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 BP1's procedures provide for standing data and validated energy 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	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 BP1's retail operations, we determined that BP1 maintains clear records of site, address and customer attributes (e.g. customer name, contact details, NMI and site addresses for each relevant connection point). 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)).

No	Obligation under Condition	Compliance Rating	Findings
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 BP1 (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, BP1 does not have any 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 and Mandatory Link Criteria.</p> <p>The Manager, Market Operations confirmed that BP1 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 BP1 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>
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 BP1's business practices, we determined that BP1 maintains electronic, facsimile and voice communication channels commensurate with the expectations of a major business.</p> <p>BP1's access contract with Western Power contains BP1'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 BP1's ultimate parent entity, on 15 April 2013 the Authority issued a notification of name change of the power house from Griffin Power 1 Pty Ltd to Bluewaters Power 1 Pty Ltd.</p> <p>The Manager, Market Operations confirmed that notification was provided to all affected parties of the change to BP1's contact details. However, BP1 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	18	Consideration could be given to developing formalised Sales Procedures.	<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 1/2014) Sales procedures have not been formalised. As BP1 is not an active retailer and the generation capacity of BP1 and BP2 is fully contracted, BP1's opportunities for further sales are limited until either existing contractual arrangements change or further capacity is developed or acquired. Accordingly, rather than developing formal procedures, a simple guidance document better suits BP1's needs.	Recommendation 1/2014 BP1 develop simple guidance documents to assist in ensuring that relevant staff: <ul style="list-style-type: none"> • Are aware of BP1's obligations under the relevant Licence condition, Customer Transfer Code and Metering Code • Recognise instances which trigger those requirements • Follow the correct procedures for complying with those requirements. <i>Note: This recommendation also relates to issue/recommendation 2/2010, 6/2010 and 7/2010.</i>
2/2010	28	Consideration could be given to establishing formalised procedures for internal control and use for Sales and Marketing employees.	<i>Refer to generic action plan 1/2010 (no specific action plan nominated).</i>	Superseded (generic issue 1/2014) Sales and marketing procedures have not been formalised. Per 1/2010 above, rather than developing formal procedures, a simple guidance document better suits BP1's needs.	<i>Refer to generic recommendation 1/2014 above (re guidance documents).</i>
3/2010	81 107 110	<i>Relates to the provision of information to the Authority</i> Implementation of a compliance scheduling process to ensure key requirements in association with the Retail Licences is met.	<i>Refer to generic action plan 1/2010 (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.	Recommendation 2/2014 BP1 apply an effective compliance framework to its Licence obligations to enable: <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

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
					<ul style="list-style-type: none"> Reminders to be set to ensure completion If appropriate, an internal compliance audit process to be applied. <p><i>Note: This recommendation also relates to issue/recommendation 4/2010 and 5/2010</i></p>
4/2010	85	Refer to ERL recommendation 3/2010	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. This will continue into the future, however additional to this, 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.	Superseded (generic issue 2/2014) A compliance scheduling system has not been implemented to monitor timeframes for payment of licence fees.	Refer to generic recommendation 2/2014 above (re compliance framework).

Rec no	Obligation no.	Recommendation (2010)	Previous audit action plan (2010)	Current status (2014)	Reference to revised recommendation / action plan
5/2010	109	<ol style="list-style-type: none"> 1. Ensure ongoing correspondence to ERA regarding impact of voluntary administration of The Griffin Coal Company on ERL12. 2. Refer to ERL recommendation 3/2010. 	<i>Refer to generic action plan 1/2010 (no specific action plan nominated).</i>	<p>1. Complete On 4 July 2010, Griffin Power notified the Authority regarding the voluntary administration of the Griffin Coal Company.</p> <p>2. Superseded (generic issue 2/2014) A compliance scheduling system has not been implemented to monitor timeframes for the provision of information to the Authority.</p>	<ol style="list-style-type: none"> 1. n/a 2. Refer to generic recommendation 2/2014 above (re compliance framework)
6/2010	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 1/2010 (no specific action plan nominated).</i>	<p>Superseded (issue 3/2014) A formal records management procedure or framework was not in place during the period subject to audit. A number of documents requested by the audit were either difficult for BP1 staff to locate or not located at all. We recognise that a project has recently been re-initiated to implement the TRIM document management system.</p>	Recommendation 3/2014 BP1 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.
7/2010	319	Consideration could be given to establishing communication procedures to ensure transfer of information and metering instrumentation performance.	<i>Refer to generic action plan 1/2010 (no specific action plan nominated).</i>	<p>Superseded (generic issue 1/2014) Communication (with Western Power) procedures have not been formalised. Per 1/2010 above, rather than developing formal procedures, a simple guidance document better suits BP1's needs.</p>	<i>Refer to generic recommendation 1/2014 above (re guidance documents).</i>

Appendix A – Audit Plan

Bluewaters Power 1 Pty Ltd
Electricity Retail Licence (ERL12)
2014 Performance Audit
Audit Plan
March 2014

Contents

1	Introduction	3
	Overview	3
	Objective	3
	Scope	3
	Responsibility	6
2	Approach	7
	Risk assessment	7
	Systems analysis/walkthrough	9
	Testing/review	9
	Reporting	10
3	General information	11
	Key BP1 contacts	11
	Deloitte staff	11
	Timing	11
	Appendix 1 – Risk assessment key	12
	Appendix 2 – Risk assessment	14
	Appendix 3 - New and superseded obligations	21
	Appendix 4 - Previous audit recommendations	22

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2014 Deloitte Touche Tohmatsu. All rights reserved.

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 1 Pty Ltd (**BP1**) an Electricity Retail Licence (ERL12) (**the Licence**).

Section 13 of the Electricity Industry Act requires BP1 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 retail 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 1 Pty Ltd to Bluewaters Power 1 Pty Ltd

BP1 currently supplies electricity to two customers. As the volume of electricity supplied to each customer exceeds 160MWh p.a., the customers are not Small Use Customers as defined by the *Code of Conduct for the Supply of Electricity to Small Use Customers 2012*.

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 BP1 and presented to the Authority for approval.

Objective

The performance audit is defined as an examination of the measures taken by BP1 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 BP1'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 BP1 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 BP1'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 BP1's and used as the basis for determining the performance criteria to be considered for audit.

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

Since BP1'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 structural revisions and corrections to the various versions of the Reporting Manual have resulted in a number of additions, updates or removal of obligations. Refer to **Appendix 3** for a list of changes in those obligations relevant to BP1's licence obligations.

Summary of Licence compliance obligations

Table 1 below outlines the compliance requirements that apply to BP1's operations during the period subject to audit. Where necessary, further explanation is provided to describe the extent of application of those obligations. The assessment is made against the June 2013 Reporting Manual.

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

Table 1 – Application of legislative elements to BP1's operations

Legislative element	Obligations applicable to BP1's operations (in scope)	Obligations not applicable to BP1's operations (out of scope)
Type 1 reporting obligations for all licence types	None	All type 1 obligations fall under the Code of Conduct for the Supply of Electricity to Small Use Customers (Code of Conduct). All type 1 requirements are not applicable to BP1's operations as BP1 does not supply electricity to small use customers.
Electricity Industry Customer Transfer Code	Each of the 36 Retail Licence obligations are applicable to BP1's operations.	None

¹ Note that the revision of the 2008 Reporting Manual had no impact on the obligations applicable to BP1, 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	Obligations applicable to BP1's operations (in scope)	Obligations not applicable to BP1's operations (out of scope)
Electricity Industry (Customer Contracts) Regulations	None	As the Regulations only apply to small use customers (of which BP1 has none), the Regulations do not apply to BP1's current circumstances and will not be subject to audit.
Electricity Industry Act	Of the nine obligations relevant to electricity retail license holders, the following are applicable to BP1's operations: <ul style="list-style-type: none"> • 101 • 105 – 107 • 110 • 113 	The following obligations refer to supply to small use customers and are not applicable to BP1's operations: <ul style="list-style-type: none"> • 108 • 109 • 111
Electricity Licenses	Of the 12 obligations relevant to retailers the following apply to BP1's operations: <ul style="list-style-type: none"> • 119-121 • 123-126 	The following obligations refer to Small Use Customers and are not applicable to BP1's operations: <ul style="list-style-type: none"> • 114-118.
Code of Conduct for the Supply of Electricity to Small Use Customers	None	All obligations of electricity retailers under the Code of Conduct are not applicable to BP1's operations as BP1 does not supply electricity to small use customers.
Electricity Industry Metering Code	With the exception of obligation 375, all Metering Code obligations relevant to retailers apply to BP1's operations.	Obligation 375 is considered to be not applicable to BP1 as it relates to Electricity Retail Corporation (Synergy) only.

Responsibility

BP1's responsibility for compliance with the conditions of the Licence

BP1 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.

Deloitte's responsibility

Our responsibility is to express a conclusion on BP1's compliance with the conditions of the Licence based on our procedures. We will conduct our engagement in accordance with the Audit Guidelines and the Australian Standard on Assurance Engagements (ASAE) 3500 *Performance Engagements*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 BP1, 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 BP1 for our work, for this report, or for any reliance which may be placed on this report by any party other than BP1.

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 BP1's licence obligations. The risk assessment gives specific consideration to any matters of significance raised by the Authority and/or BP1. 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 BP1 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 BP1 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 BP1'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 ERL performance audit
- Our understanding of the electricity retail 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 our understanding of BP1’s control environment. It is possible that the ratings and risk assessment comments may be revised as we conduct our work and new evidence comes to light. Such revisions will be detailed in the final report in accordance with section 10.2 of the Audit Guidelines. Accordingly the risk assessment for the performance audit is a preliminary draft, not a final report, and no reliance should be placed on its findings. It is however an invaluable tool for focussing the audit effort.

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

Systems analysis/walkthrough

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

In performing our analysis/walkthrough of BP1's systems and processes, we will consider the following:

- **The control environment:** BP1'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 BP1's information systems (in particular, those designed to meet licence requirements, in addition to BP1's record management system).
- **Control procedures:** the presence of systems and procedures to ensure compliance with the licence, effectiveness of BP1'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 BP1 in response to any previous audit recommendations that may have an impact on BP1's obligations. Consideration will be given to the timing of action taken during the period subject to audit and whether the action has a permanent impact on BP1'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 BP1's compliance with Licence obligations. Key documents, which may be subject to audit, are not specifically disclosed in this plan. A list of documents examined will be included in the audit report.

Testing/review

Using the results of the risk assessment and systems analysis, testing and analysis will be performed to compare those standards maintained by BP1 with the relevant sections and schedules of the Licence.

Controls testing will be performed for those elements 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.
- Conducting discussions with relevant personnel to determine the adequacy of the controls and procedures in place
- Review of documentation supporting compliance with the Licence Requirements
- Gaining an understanding of the relevant contract terms outlining BP1's current operating arrangements with its customers.

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

- The audit priority determined by the risk assessment to be applicable each licence obligation

- The results of the system analysis performed, as described above
- 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 BPI’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 BPI’s operations
Not rated	N/R	No relevant activity took place during the audit period; therefore it is not possible to assess compliance.

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

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

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

Appendix 1 – Risk assessment key

1-1 Criteria for classification

Source: *Electricity Compliance Reporting Manual June 2013*

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

1-2 Consequence ratings

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

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

1-3 Likelihood ratings

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

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

1-4 Adequacy ratings for existing controls

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

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

Appendix 2 – Risk assessment

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

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
Section 9 Electricity Industry Customer Transfer Code							
6	Clause 3.2(2)	A retailer must submit a separate data request for each exit point unless otherwise agreed.	Moderate	Unlikely	Medium	Moderate	Priority 4
7	Clause 3.4(1)	A retailer, unless otherwise agreed, must submit a data request electronically and must not submit more than a prescribed number of standing or historical data requests in a business day.	Moderate	Unlikely	Medium	Moderate	Priority 4
8	Clause 3.5(3)	A retailer must withdraw a request for historical consumption data if the contestable customer's verifiable consent ceases to apply before the network operator provides the historical consumption data.	Moderate	Unlikely	Medium	Moderate	Priority 4
9	Clause 3.6(2)	A retailer must pay any reasonable costs incurred by the network operator for work performed in relation to a withdrawn request for historical consumption data.	Moderate	Unlikely	Medium	Moderate	Priority 4
16	Clause 3.9(1)	A retailer may only use data relating to a contestable customer to provide a contestable customer with a quotation for the supply of electricity by the retailer to the contestable customer or to initiate a transfer in relation to the contestable customer.	Moderate	Unlikely	Medium	Moderate	Priority 4
17	Clause 3.9(2)	A retailer must not aggregate a contestable customer's historical consumption data with that of other contestable customers for the purposes of internal business development, if requested not to do so by the customer.	Moderate	Unlikely	Medium	Moderate	Priority 4
18	Clause 3.9(3)	A retailer must not disclose a contestable customer's data to any other person without the verifiable consent of the contestable customer, except in the circumstances defined.	Moderate	Probable	Medium	Moderate	Priority 4
19	Clause 3.9(4)	A retailer must keep a copy of the verifiable consent received from a contestable customer for two years.	Moderate	Unlikely	Medium	Moderate	Priority 4
23	Clause 4.2(2)	A retailer must submit a separate customer transfer request for each exit point unless otherwise agreed.	Moderate	Unlikely	Medium	Moderate	Priority 4
24	Clause 4.3	A retailer's reason for a transfer must be specified in the customer transfer request form as either to transfer a contestable customer to the retailer which submitted the customer transfer request or to reverse an erroneous transfer.	Moderate	Unlikely	Medium	Moderate	Priority 4
25	Clause 4.4(1)	A retailer may only submit a customer transfer request if it has an access contract for the network, unless it is to reverse an erroneous transfer.	Moderate	Unlikely	Medium	Moderate	Priority 4
26	Clause 4.4(2)	A retailer that submits a customer transfer request to reverse an erroneous transfer must ensure the transfer was made in error and, if it is an incoming retailer, confirm the identity of the previous retailer.	Moderate	Unlikely	Medium	Moderate	Priority 4
27	Clause 4.5(1)	A retailer, unless otherwise agreed, must submit a customer transfer request electronically and must not submit more than a prescribed number of customer transfer requests in a business day or with the same nominated transfer date.	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
28	Clause 4.6(3)	A retailer must withdraw a customer transfer request if the contestable customer's verifiable consent ceases to apply before the transfer occurs.	Moderate	Probable	Medium	Moderate	Priority 4
29	Clause 4.7	A retailer must nominate a transfer date in a customer transfer request in accordance with specified timeframes, except if the customer transfer request is to reverse an erroneous transfer.	Moderate	Unlikely	Medium	Moderate	Priority 4
30	Clause 4.8(2)	A retailer must pay any reasonable costs incurred by a network operator for providing and/or installing a meter if a customer transfer request is withdrawn.	Moderate	Unlikely	Medium	Moderate	Priority 4
34	Clause 4.9(6)	A network operator and retailer must agree to a revised nominated transfer date in certain circumstances.	Moderate	Unlikely	Medium	Moderate	Priority 4
39	Clause 4.11(3)	A network operator and the retailer must take certain action if the contestable customer's meter is not read on the nominated transfer date.	Moderate	Unlikely	Medium	Moderate	Priority 4
40	Clause 4.12(3)	The parties to an access contract must negotiate in good faith any necessary amendments to the access contract arising from certain circumstances.	Minor	Unlikely	Low	Moderate	Priority 5
43	Clause 4.15	In the case of a transfer to reverse an erroneous transfer, a network operator and all affected retailers (and the independent market operator if applicable) must act in good faith to ensure that the rights and obligations of the affected contestable customer are as they would have been had the erroneous transfer not occurred.	Minor	Unlikely	Low	Moderate	Priority 5
44	Clause 4.16	An incoming retailer must retain a copy of a verifiable consent given by a contestable customer in relation to the lodgement of a customer transfer request for two years, except in the case of a customer transfer request to reverse an erroneous transfer.	Moderate	Unlikely	Medium	Moderate	Priority 4
45	Clause 4.17	A previous retailer must not bill a contestable customer for charges incurred after the transfer time, except in the case of an erroneous transfer.	Moderate	Unlikely	Medium	Moderate	Priority 4
48	Clause 5.1(4)	A network operator and a retailer must comply with approved communication rules.	Moderate	Unlikely	Medium	Moderate	Priority 4
49	Clause 6.2	A licensee's notice in relation to a data request or customer transfer request must identify the exit point to which it relates.	Moderate	Unlikely	Medium	Moderate	Priority 4
52	Clause 6.4(1)	A retailer must notify its contact details to a network operator within three business days of a request.	Moderate	Unlikely	Medium	Moderate	Priority 4
53	Clause 6.4(2)	A retailer must notify any change in its contact details to a network operator at least three business days before the change takes effect.	Moderate	Unlikely	Medium	Moderate	Priority 4
54	Clause 6.6	A network operator or a retailer must send required electronic communications to the applicable electronic communication address, in accordance with Annex 6.	Moderate	Unlikely	Medium	Moderate	Priority 4
55	Clause 7.1(1)	For a dispute in respect of a matter under or in connection with the Electricity Industry Customer Transfer Code, any disputing party must meet within five business days of a request from another disputing party and attempt to resolve the dispute by negotiations in good faith.	Minor	Unlikely	Low	Moderate	Priority 5

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority	
56	Clause 7.1(2)	If the negotiations in 7.1(1) of the Electricity Industry Customer Transfer Code do not resolve the dispute within 10 days after the first meeting, the dispute must be referred to the senior executive officer of each disputing party who must attempt to resolve the dispute by negotiations in good faith.	Minor	Unlikely	Low	Moderate	Priority 5	
57	Clause 7.1(3)	If the dispute is resolved, the disputing parties must prepare a written and signed record of the resolution and adhere to the resolution.	Moderate	Unlikely	Medium	Moderate	Priority 4	
58	Clause 7.2(4)	A disputing party that refers a dispute to the Authority must give notice to the Authority of the nature of the dispute, including specified details.	Minor	Unlikely	Low	Moderate	Priority 5	
59	Clause 7.3(2)	A disputing party must at all times conduct itself in a manner which is directed towards achieving the objectives in clause 7.3(1) of the Electricity Industry Customer Transfer Code.	Minor	Unlikely	Low	Moderate	Priority 5	
68	Annex 6 clause A6.2(a)	A network operator and a retailer must use reasonable endeavours to ensure that its information system on which electronic communications are made is operational 24 hours a day and 7 days a week.	Minor	Unlikely	Low	Moderate	Priority 5	
69	Annex 6 clause A6.2(b)	A network operator and a retailer must establish a mechanism to generate an automated response message for each electronic communication (other than an automated response message) received at the electronic communication address.	Moderate	Unlikely	Medium	Moderate	Priority 4	
70	Annex 6 clause A6.6	The originator of an electronic communication must identify itself in the communication.	Minor	Unlikely	Low	Moderate	Priority 5	
71	Annex 6 clause A6.7	The originator of an electronic communication must use reasonable endeavours to adopt a consistent data format for information over time, to facilitate any automated processing of the information by the addressee.	Minor	Unlikely	Low	Moderate	Priority 5	
11. Electricity Industry (Customer Contracts) Regulations								
All obligations (78 - 100) are not applicable to BP1's operations as BP1 does not supply electricity to small use customers.								
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	
105	Section 17(1)	A licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	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	
108	Section 54(1)	A retail or integrated regional licensee must not supply electricity to a small use customer otherwise than under a standard form contract or a non-standard form contract.	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.					
109	Section 54(2)	A licensee must comply with any direction by the Authority to amend the standard form contract and do so within the period specified.						

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
110	Section 76	If a designation under section 71(1) of the Electricity Industry Act is in force a licensee must perform the functions of a retailer of last resort and must carry out the supplier of last resort plan if it comes into operation under section 70 of the Electricity Industry Act.	Moderate	Unlikely	Medium	Moderate	Priority 4
111	Section 101	A retail, distribution or integrated regional licensee must not supply electricity to small use customers unless the licensee is a member of an approved scheme and is bound by and compliant with any decision or direction of the electricity ombudsman under the approved scheme.	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.				
113	Section 115(2)	A licensee that has, or is an associate of a person that has, access to services under an access agreement must not engage in conduct for the purpose of hindering or prohibiting access.	Moderate	Unlikely	Medium	Moderate	Priority 4
13. Electricity Licences - Licence Conditions and Obligations							
114	Condition 23.1	A licensee must ensure that an electricity marketing agent of the licensee complies with the applicable codes.	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.				
115	Condition 23.2	The licensee must report a breach of the applicable code conditions by an electricity marketing agent to the Authority within the prescribed timeframe.					
116	Condition 24.2	A licensee must, if directed by the Authority, review the standard form contract and submit to the Authority the results of that review within the time specified by the Authority.					
117	Condition 24.3	A licensee must comply with any direction given by the Authority in relation to the scope, process and methodology of the standard form contract review.					
118	Condition 25.1	A licensee may only amend the standard form contract with the Authority's approval.					
119	Condition 12.1	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	Moderate	Probable	Medium	Moderate	Priority 4
120	Condition 13.4	A licensee must comply with any individual performance standards prescribed by the Authority.	Moderate	Unlikely	Medium	Moderate	Priority 4
121	Condition 14.2	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit.	Moderate	Unlikely	Medium	Moderate	Priority 4
123	Condition 15.1	A licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a significant change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	Moderate	Probable	Medium	Weak	Priority 3
124	Condition 16.1	A licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act.	Moderate	Probable	Medium	Weak	Priority 3
125	Conditions 17.1 and 17.2	A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.	Moderate	Probable	Medium	Moderate	Priority 4
126	Condition 18.1	Unless otherwise specified, all notices must be in writing.	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
14 Code of Conduct for the Supply of Electricity to Small Use Customers							
All obligations (129-337) are not applicable to BP1's operations as BP1 does not supply electricity to small use customers.							
15 Electricity Industry Metering Code							
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
375	Clause 3.18(1)	If the Electricity Retail Corporation supplies electricity to a contestable customer at a connection point under a non-regulated contract, and in circumstances where immediately before entering into the contract, the electricity retail corporation supplied electricity to the contestable customer under a regulated contract, then the metering installation for the connection point must comply with the prescribed wholesale market metering installation requirements.	Not applicable op BP1 as the obligation relates to Electricity Retail Corporation (Synergy) only.				
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	Unlikely	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
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

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
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	Probable	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	Probable	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	Probable	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
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

No	Obligation reference	Obligation description	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority	
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 ³ (applicable for the period 1 January 2010 to 30 April 2011)								
102	Condition 15.2	A licensee must, unless otherwise notified in writing by the Authority, review the customer service charter within the timeframe specified, and submit to the Authority the results of that review within 5 days after it is completed.	Not applicable to BP1's operations as BP1 does not supply electricity to small use customers.					
326	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 BP1's operations as BP1 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 ⁴ (applicable for the period 1 May 2011 to 6 December 2012)								
361	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	
395	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	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	

³ Numbering based on the June 2010 Reporting Manual

⁴ Numbering based on the May 2011 Reporting Manual

Appendix 3 - New and superseded obligations

Legislative Element	New obligations ⁵ Relevant period: 7 Dec '12 – 31 Dec '13	Superseded obligations ⁶ Relevant period: 1 Jan '10 – 30 Apr '11	Superseded obligations ⁷ Relevant period: 1 May '11 – 6 Dec '12
Electricity Industry Customer Transfer Code	N/A	N/A	N/A
Electricity Industry Act	N/A	N/A	N/A
Electricity Licences – Licence Conditions and Obligations	N/A	102: Condition 15.2	N/A
Electricity Industry Metering Code	345: Clause 3.3B	326: Clause 3.5(6)	361: Clause 3.16(5) 395: Clause 5.5(3) 412: Clause 5.19(4)

⁵ Obligation number is based on the current (June 2013) Reporting Manual

⁶ Obligation number is based on the June 2010 Reporting Manual

⁷ Obligation number is based on the May 2011 Reporting Manual

Appendix 4 - Previous audit recommendations

Issue 1 - Obligation 18: Electricity Industry Customer Transfer Code clause 3.9(3)

There are no formalised Sales Procedures established.

Recommendation 1

Consideration could be given to developing formalised Sales Procedures.

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 process.

Issue 2 - Obligation 28: Electricity Industry Customer Transfer Code clause 4.6(3)

There are no established procedures for the Sales and Marketing personnel. Reliance on the expertise of employees. A transient workforce could impact performance in this area if handover and training periods are not permitted.

Recommendation 2

Consideration could be given to establishing formalised procedures for internal control and use for Sales and Marketing employees.

Action plan 2

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.

Issue 3 - Obligation 81, 107 and 110: Electricity Industry Act section 11 - Retail Licence condition 22 and 24.1 and section 13.1 - Retail Licence condition 22.1

A Compliance Schedule has not been established in order to ensure compliance with aspects of the Retail Licence compliance. It is primarily included as day to day functions of employees and a transient workforce could limit the efficiency of the current system.

Recommendation 3

Implementation of a compliance scheduling process to ensure key requirements in association with the Retail Licences is met.

Action plan 3

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.

Issue 4 - Obligation 85: Electricity Industry Act section 17 (1) - Retail Licence condition 4.1

Payment of licence fees have not been made the required dates.

<p>Recommendation 4</p> <p>Refer to recommendation 3.</p>	<p>Action plan 4</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Responsible Person: General Manager Policy & Strategy</p> <p>Target date: June 2010</p>
--	---

<p>Issue 5 - Obligation 109: Electricity Industry Act section 11 - Retail Licence condition 23.1</p> <p>Although the organisation was not under external administration during the audit period and is currently not under external administration, there are several key requirements with which Griffin Power must comply given the current situation. A lack of formalised compliance program may also lead to deficiencies in this area.</p>	
<p>Recommendation 5</p> <p>Ensure ongoing correspondence to ERA regarding impact of voluntary administration of The Griffin Coal Company on ERL12.</p> <p>Refer to recommendation 3.</p>	<p>Action plan 5</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 process.</p>

<p>Issue 6 - Obligation 112: Electricity Industry Act section 11 - Retail Licence condition 26.1</p> <p>There are no established procedures for the Sales and Marketing personnel. Reliance on the expertise of employees. A transient workforce could impact performance in this area if handover and training periods are not permitted.</p>	
<p>Recommendation 6</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 6</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 process.</p>

<p>Issue 7 - Obligation 319: Metering Code clause 3.11(3)</p> <p>There are no formalised procedures established with relation to the communication of this requirement.</p>	
<p>Recommendation 7</p> <p>Consideration could be given to establishing communication procedures to ensure transfer of information and metering instrumentation performance.</p>	<p>Action plan 7</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 process.</p>

Appendix B – References

Key BP1 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	3
• Andrew Baldwin	Account Director	19.5
• Emlyn King	Analyst	32.5
• Darren Gerber	Partner (Quality Assurance Review)	1

Key Documents and other information sources

- Audited annual reports for the years ending 2010, 2011, 2012 and 2013
- Representations from the:
 - General Manager Environment Safety & Compliance
 - Manager, Market Operations
 - General Manager Finance & Accounting
 - TWPS Power Station Manager
- Evidence of payment of licence fees
- Electricity Transfer Access Contract with Western Power
- TWPS Operational Incidents Register
- Monthly Operational reports
- Correspondence with the Authority regarding Griffin Coal receivership.

Appendix C – Post Audit Implementation Plan

<p>Issue 1/2014</p> <p>The previous performance audit report recommended that sales & marketing and metering communication procedures be formalised. BP1 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 Customer Transfer Code and Metering Code.</p> <p>We recognise that as BP1 is currently not an active retailer (so the likelihood of further sales activity is limited) and undertakes relatively simple metering activities, the value of comprehensive, formal sales & marketing and metering procedures may be limited. Rather, a simple guidance document or checklist may better suit BP1's needs.</p>	
<p>Recommendation 1/2014</p> <p>BP1 develop simple guidance documents to assist in ensuring that relevant staff:</p> <ul style="list-style-type: none"> • Are aware of BP1's obligations under the relevant Licence condition, Customer Transfer Code and Metering Code • Recognise instances which trigger those requirements • Follow the correct procedures for complying with those requirements. 	<p>Action Plan 1/2014</p> <p>Bluewaters Power will develop a guidance document, which outlines:</p> <ul style="list-style-type: none"> • BP1's key obligations under the relevant Licence condition, Customer Transfer Code and Metering Code • Instances which trigger those requirements <p>The guidance document will be communicated to relevant staff.</p> <p>Responsible Person: General Manager Finance and Accounting</p> <p>Target Date: 31 March 2015</p>

<p>Issue 2/2014</p> <p>The previous performance audit report recommended that a compliance scheduling process be implemented to ensure key Licence requirements are met. BP1 has not implemented such a compliance scheduling system.</p> <p>Although BP1 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.</p>	
<p>Recommendation 2/2014</p> <p>BP1 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>BP1 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>

<p>Issue 3/2014</p> <p>BP1 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 BP1 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>BP1 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, BP1 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>