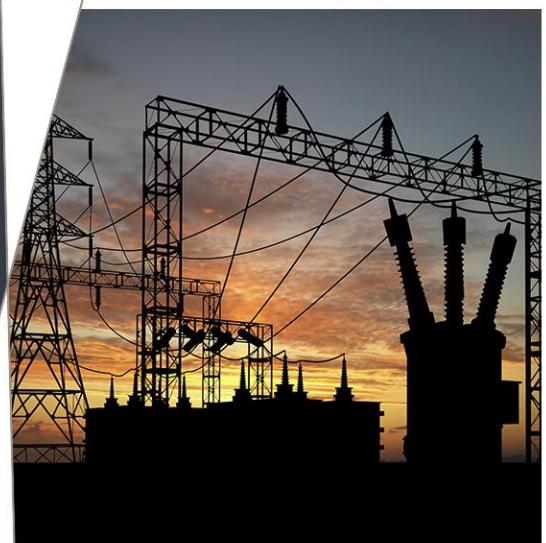


Audit Report

Performance Audit and Asset Management Review

3607-21



Prepared for
Southern Cross Energy Partnership

25 October 2018

Contact Information

Cardno (Qld) Pty Ltd

ABN 57 051 074 992

Level 11
515 St Paul's Terrace
Fortitude Valley QLD 4006
Australia

www.cardno.com

Phone +61 7 3369 9822

Fax +61 7 3369 9722

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Author(s):

Justin Edwards
Senior Consultant

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Approved By:

Simon Martin
Senior Consultant

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Executive Summary

General

Southern Cross Energy Partnership (SCE) holds an electricity distribution licence (EDL3), an electricity retail licence (ERL7), an electricity generation licence (EGL13) and an electricity transmission licence (ETL4). While more than one versions of each licenses have been issued since last audit, the revisions are considered to be immaterial. There have been no significant changes to the assets since the last audit.

Southern Cross Energy Partnership owns and operates four gas turbine power stations in Western Australia located at Kambalda, Mt Keith, Leinster and Kalgoorlie. Southern Cross Energy Partnership is a fully owned subsidiary of TransAlta. Gas is supplied through the Goldfields Gas Transmission pipeline. Southern Cross Energy Partnership also owns and operates 11 diesel generators for back-up capacity. Total generation capacity is around 260MW.

Southern Cross Energy Partnership is also responsible for around 290km of transmission lines and 190km of distribution lines between its generation sites. Southern Cross Energy Partnership holds a retail licence also. Most of its electricity is sold to a single customer.

The audit was carried out in parallel with that for Goldfields Power Pty Ltd (GPPL), a joint venture between TEC Kalgoorlie Pty Ltd (TECK) and NP Kalgoorlie Pty Ltd (NPK). Other parties to the JV Agreement are Gold Mines of Kalgoorlie Limited and Transalta Energy Corporation. Some references for GPPL have been used as evidence for SCE.

Audit and review objectives

This audit has been conducted in order to assess:

1. SCE's level of compliance with the conditions of their electricity licences.
2. The effectiveness of SCE's asset management system.

This report outlines the findings of the audit and review of SCE to fulfil the above objectives, conducted on 13-16 August 2018. The audit and review covers the operating period of 1 July 2014 to 30 June 2018.

Performance Audit - Findings

The previous audit identified the following non-compliances:

1. Non-compliances relating to the lack of metrology procedure (metrology requirements are defined in the Power Purchase Agreement (PPA) with Nickel West) which pre-dates the Code requirement. It was requested that a metrology procedure should be put in place if the opportunity arises e.g. if the contract is renewed.

During the current audit, the following non-compliances have been observed:

1. Five obligations relating to the lack of metrology procedure, as were observed in the 2014 audit. SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure.
SCE considers that these obligations are non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant.

However, as advised by the ERAWA on 18 December 2014, the ERAWA accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract.

As such, we have rated these clauses as continuing to be non-compliant during the current audit period as the PPA has not been replaced by a new contract but acknowledge that SCE will not take action to address these until this replacement takes place.

2. One item relating to the meters not meeting Code requirements, as set out in Appendix 1 - Table 3. Previously SCE has reported compliance against obligation 326 (Electricity Industry Metering Code, clause 3.5(1) and (2)) based on its opinion that clause 3.14(1) can be relied upon for clause 3.5(2). Based on this opinion, SCE is not required to upgrade, modify or replace a metering installation commissioned before 23 December 2005.

However, SCE has not complied with 3.5(1) as SCE does not have metering installation at every connection point and has reported a non-compliance due to the 'absence' of metering, which may not be covered by the exemption applicable to 'existing' metering.

3. Two obligations under the Electricity Industry Metering Code where SCE has not submitted or published documents prescribed under the Code.

Although SCE has reported these non-compliances in its annual compliance reports to the ERA, clause 8.6 of the PPA sets out that SCE and Nickel West acknowledge that the agreement constitutes a Service Level Agreement (as defined in the Metering Code) and agree that the metering installations are adequate to meet the needs of the agreement. Although SCE has reported non-compliance against the Code, it considers that it compliant for these obligations under the terms of the Service Level Agreement that has been agreed with its customer.

Performance Audit - Effectiveness of controls

We consider that SCE has adequate controls in place that are appropriate to the nature and scale of its activities.

Performance Audit - Overall compliance

The overall compliance of SCE with its licence is summarised in Section 4.2 of this report. Eight items were rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

Asset Management System Review – Findings

There were no asset management system recommendations from the previous audit.

SCE has adequate controls in place for the various asset management system components. The recommendations and process improvements identified during this audit are considered minor and are not considered needed improvements. Therefore we do not consider a rating of B appropriate for the following recommendations:

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R1/2018	A1 Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	The SCE AMP notes that there is an "Operation, Maintenance and Contingency Management Plan for the Southern Cross Energy Generation and Transmission System" and this includes the "MS-COM-408 Southern & Northern Systems – RCC Maintenance Manual". However, the AMP identifies that both documents are out of date, having been last revised in 2009. There is relevant content in both documents for the existing facilities but most of the references to clients and other contracts are incorrect.	A substantial rework of the Operations, Maintenance and Contingency Plan would be of benefit to SCE by documenting how to implement the requirements of the PPA and governing regulations.
R2/2018	A1 Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	The SCE AMP has identified that the SAP data conversion appears to have created some gaps in both asset records and detailed master data and may include registered equipment such as pressure vessels. These are being investigated by the Maintenance Process Specialist. Statutory compliance and efficient and effective maintenance relies on this data being readily available.	We recommend that SCE completes the improvement opportunity to rectify the asset record data gaps that it identified in the SCE AMP.
R3/2018	A1 Asset Maintenance Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	Apart from SAP PMs and the major maintenance schedule, there is no asset lifecycle maintenance plan. Major maintenance, including capital works, is planned by the Plant Manager South according to the TransAlta MRF and budgeting processes. There are multiple documents managing different parts of the Asset lifecycles. The SCE AMP has identified that in reviewing these documents, there is poor correlation	We recommend that SCE develops a single document to manage the different parts of the asset lifecycles in accordance with the opportunity it identified in the SCE AMP.

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R4/2018	<p>A1</p> <p><i>Review of Asset Management System</i></p> <p><i>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</i></p>	<p>between planned work and budgeted work and a single document is required to address this.</p>	<p>We recommend that an Improvement Plan is included in the AMP to summarise the opportunities that have been identified in the Plan and to assign responsibilities and timeframes.</p>

Asset Management System Review – Control Environment

We consider that SCE has adequate controls in place for its asset management functions that are appropriate to the nature and scale of its activities.

Asset Management System Review - Overall effectiveness

A summary of our assessment of the effectiveness of SCE's Asset Management System is provided in Section 4.3. Although some minor improvement opportunities have been identified in the Asset Management Plan, all elements have been rated "A" for policy and procedures. All elements have been rated "1" for performance.

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1 Introduction

1.1 Background

The Economic Regulation Authority (ERA) is responsible for regulating the licensing schemes for gas, electricity and water services in Western Australia. The primary objective of regulation is to ensure the provision of a competitive and fair environment, particularly where businesses operate as natural monopolies.

Southern Cross Energy Partnership (SCE) is a subsidiary of TransAlta Energy Australia Pty Ltd (TransAlta). SCE holds an electricity distribution licence (EDL3), an electricity retail licence (ERL7), an electricity generation licence (EGL13) and an electricity transmission licence (ETL4).

1.2 Overview of Southern Cross Energy

TransAlta operates several power generation & transmission operations in regional Western Australia, including Southern Cross Electricity (SCE). Ownership of SCE is 100% TransAlta through two entities, TEC Desert Pty Ltd and TEC Desert No.2 Pty Ltd. TransAlta is contractually obligated to ensure the SCE business objectives are met.

SCE owns and operates four gas turbine power stations in Western Australia and primarily exists to provide power to BHP's Nickel operations (Nickel West) at Mt Keith, Leinster, Kalgoorlie and Kambalda. Nickel West also receives thermal energy from SCE from a number of SCE's power stations. Various smaller operations such as Agnew Gold, New Holland Genesis, Redeemer and Lawlers in the North and Lefroy Mill in the South are also supplied via the TransAlta transmission and distribution networks. However, SCE only has one Power Purchase Agreement (PPA), with Nickel West and the other consumers are considered as third-party supplies through their individual PPAs with Nickel-West.

A Power Purchase Agreement (PPA) governs the supply to the primary customer (BHP Nickel West). SCE's operating strategy is aligned with BHP Nickel West's operating strategy until the time that the current PPA is re-negotiated.

SCE's Asset Management Plan acknowledges that operating and maintenance strategies will need to be modified if there are changes to the PPA depending on the extent of Nickel West's operations into the future. Depending on the future operating scenarios, this may involve pushing out major maintenance, reducing operating spares, changing duty/standby programs and decommissioning plant to meet changing demand. .

Appropriate capital and operating plans and budgets will need to be developed by SCE depending on the future energy requirements of its primary customer.

1.3 Southern Cross Energy's Assets

SCE's assets are located in two regions - North (SCEN) and South (SCES). There have been no significant changes to the assets since the last audit.

SCEN comprises the Leinster Power Station at Nickel-West's Leinster Nickel Operations (LNO) and Mt Keith Power Station at Nickel-West's Mt Keith Nickel Operations (MKO). Leinster is approximately 350 kilometres north of Kalgoorlie with Mt Keith a further 90 kilometres north of Leinster on the Great Northern Highway.

The SCES assets comprise the Kalgoorlie Nickel Smelter Power Station located at Nickel-West's Kalgoorlie Nickel Smelter (KNS) and the Kambalda Power Station located at the Nickel-West Kambalda Nickel Operations (KNO). KNS is located approximately 20 kilometres south of Kalgoorlie with KNO a further 40 kilometres south on the Kalgoorlie – Kambalda highway.

The LM6000PA Gas Turbine machines are identical throughout the SCE operations. KNS and KNO stations are of similar configuration layout and MKO and LNO are of similar configuration layout.

The KNO, KNS and LNO stations also supply thermal energy to their respective mine hosts and this is used primarily in processing of the nickel ore.

In the SCEN region, TransAlta owns and operates a transmission network made up of 132kV, 66kV and 33kV assets interconnecting Mt. Keith and Leinster Nickel operations and the Goldfields Agnew Gold Mine. This is a standalone transmission network not connected to the SWIS. As it is not connected to the SWIS, it is not subjected to the requirements of the Wholesale Energy Market (WEM). All electrical energy is

delivered to Nickel West. Agnew Gold's operations are the only other users of power at present and this is contracted through Nickel West.

In the SCES region, TransAlta owns and operates a transmission network made up of 132kV and 66kV assets interconnecting the TransAlta assets to the SWIS at Boulder substation and connecting KNS to KNO and KNO to St Ives 132kV switchyard. TransAlta supplies energy to BHP Nickel West Operations. Although SCES is connected to the SWIS, it does not receive Capacity Credits from the WEM as issued by the Australian Energy Market Operator (AEMO) because most of the available generation is used by Nickel West. However, SCES does sell power to the WEM as required through the price bidding process.

1.4 Purpose of this report

As a condition of the licences, licensees are required to conduct a performance audit and asset management review that assesses the performance of the licensee against its obligations under the licenses.

The purpose of the performance audit was to assess the effectiveness of measures taken by the licensee to meet the conditions referred to in the licence including the legislative obligations called up by the licence. The scope of the audit report includes assessing the adequacy and effectiveness of performance against the requirements of the licensee by considering:

- > process compliance;
- > outcome compliance;
- > output compliance;
- > integrity of reporting; and
- > compliance with any individual license conditions.

The asset management system reviews covers:

- > a description of the audit or review objectives and the methodology used to conduct the audit or review;
- > the interval of time covered by the audit or review and the previous audit or review, if applicable;
- > the period over which the audit or review has been performed;
- > details of the licensee's representatives participating in the audit or review;
- > details of key documents and other information sources examined by the auditor during the course of the audit or review;
- > details of the audit or review team members and hours utilised by each member; and
- > any other information the auditor considers relevant to the audit or review scope of work.

The Electricity Industry Act 2004 (WA) obligate the licensee to provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority not less than every 24 months period (or such longer period as the Authority allows) and provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system not less than every 24 month period (or such longer period as the Authority allows).

Version 4 of EGL3, version 5 of ERL7 and version 6 of ETL4 were issued on 01 July 2015. Version 7 of EDL3 was issued on 05 September 2016. A Performance Audit of licences EDL3, ERL7, EGL13 and ETL4 was last performed for the period 1 July 2011 to 30 June 2014. An Asset Management review of licences EDL3, EGL13 and ETL4 was last performed for the period 1 July 2011 to 30 June 2014. A Performance Audit of EDL3, ERL7, EGL13 and ETL4 is now required to be undertaken for the period 1 July 2014 to 30 June 2018 and an Asset Management Review of EDL3, EGL13 and ETL4 is now required to be undertaken for the period 1 July 2014 to 30 June 2018.

2 Audit/Review Scope

2.1 Audit/Review Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of SCE's compliance with all of the relevant obligations under the licences
2. Provide to the Authority an independent assessment of the effectiveness of SCE's asset management system in relation to EDL3, EGL13 and ETL4.
3. Provide recommendations to address noncompliance.

2.2 Scope of Works

The audit encompassed an assessment of the following four key areas using a risk based approach (to ISO 31000:2009):

- > Process compliance: assessment of the effectiveness of systems and procedures
- > Outcome compliance: assessment of actual performance against the prescribed licence standards
- > Output compliance: assessment of records to indicate procedures are followed and controls are maintained
- > Integrity of reporting: assessment of the completeness and accuracy of the compliance and performance reports.

The scope of works of this audit included:

- > Interviews with key staff members from SCE to:
 - Assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
 - Assess performance against licence conditions for EDL3, ERL7, EGL13 and ETL4
 - Assess performance against each asset management process for EDL3, EGL13 and ETL4
- > Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- > Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- > Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Electricity and Gas Licences (April 2014).

2.2.1 Performance Audit

The audit of the licences covered the entire licences, and contained the following key areas as outlined in Table 2-1.

Table 2-1 Licence Performance Audit Areas

Clause	Licence Requirements	EDL3	ERL7	EGL13	ETL4
4	Fees	✓	✓	✓	✓
5	Compliance	✓	✓	✓	✓
12	Accounting Records	✓	✓	✓	✓
13	Individual Performance Standards	✓	✓	✓	✓
14	Performance Audit	✓	✓	✓	✓
15	Reporting change in circumstances	✓	✓	✓	✓
16	Provision of information	✓	✓	✓	✓
17	Publishing information	✓	✓	✓	✓
18	Notices	✓	✓	✓	✓
19	Review of the Authority's Decisions	✓	✓	✓	✓
20	Asset Management System	✓	Not used	✓	
21	Approved Scheme	✓	✓	Not used	Not used
22	Determination of Default Supplier	✓	Not used	Not used	Not used
23	Marketers	Not used	✓	Not used	Not used
24	Customer Contracts	Not used	✓	Not used	Not used
25	Amending the Standard Form Contract	Not used	✓	Not used	Not used
26	Directions by the Authority	Not used	✓	Not used	Not used
27	Supplier of Last Resort	Not used	✓	Not used	Not used
28	Notification of Default Supply	Not used	✓	Not used	Not used

2.2.2 Performance Audit Excluded Conditions

Some of the reporting obligations for retail have been excluded from the audit because they are not applicable to SCE.

Table 2-2 Excluded conditions

2017 Compliance Manual Reference	Reference	Reason for exclusion
1-71	Electricity Industry Customer Transfer Code	No retail transfers are available; therefore the Customer Transfer Code does not apply.
72-77	Electricity Industry (Obligation to Connect) Regulations	No small use customers
78-100	Electricity Industry (Customer Contracts) Regulations	No small use customers
108-109	Electricity Industry Act: Section 54	No small use customers
110	Electricity Industry Act: Section 76	The Licensee is not a retailer of last resort
111	Electricity Industry Act: Section 101	No small use customers
112	Electricity Industry Act Section 115	Covered networks are not relevant
114-118	Electricity Industry Act: Section 11	No small use customers
120	Electricity Industry Act: Section 11	There are no individual performance standards
129-316	Electricity Industry Act: Section 82	Code of conduct does not apply because there are no small use customers
317,318	Electricity Industry Metering Code	The retailer and distributor are the same organisation and there is no alternative retailer on the network
319, 330, 333, 336, 342, 343, 344, 346, 347, 348, 349, 422	Electricity Industry Metering Code	Installation of metering pre-dates the requirements of the Code
442-446	Electricity Industry Metering Code	No small use customers
334	Electricity Industry Metering Code	SCE's customer consumes more than 750MWh/a
335	Electricity Industry Metering Code	Compensation is not required.
339	Electricity Industry Metering Code	The Licensee is the user and network operator and any notification would be to itself
350-353	Electricity Industry Metering Code	As the Licensee's network operator does not operate in the WEM conditions relevant to the market rules are not applicable
354	Electricity Industry Metering Code	The licensee has not switched between regulated and nonregulated contracts during the period of this audit
365	Electricity Industry Metering Code	The Licensee has not registered any metering installation providers and it is not obliged to.
393,394	Electricity Industry Metering Code	Code of Conduct does not apply because there are no small use customers
395, 396	Electricity Industry Metering Code	No retail transfers are available; therefore the Customer Transfer Code does not apply.

2017 Compliance Manual Reference	Reference	Reason for exclusion
411-413	Electricity Industry Metering Code	Energy data request forms are not required.
416	Electricity Industry Metering Code	The Licensee is the user and network operator and any requests would be to itself
435	Electricity Industry Metering Code	The Licensee is the retailer and network operator and any requests would be to itself
436	Electricity Industry Metering Code	Electricity networks corporation is not the metering data agent
467, 481-482	Electricity Industry (Network Quality and Reliability of Supply) Code	No small use customers
468-469	Electricity Industry (Network Quality and Reliability of Supply) Code	The Licensee has entered into agreements with its customers that have reliability standards different to that in the Code.
472-476	Electricity Industry (Network Quality and Reliability of Supply) Code	Electricity Corporation condition are not applicable
486-496	Electricity Industry(Licence Conditions) Electricity Industry Act section 61 and 11 Electricity Industry (Customer Contracts) Regulations 2005	Licensee Specific Conditions that don't apply

2.2.3 Asset Management System Review

The review of SCE's asset management system for EDL3, EGL13 and ETL4 covered the following asset management elements:

- > Asset planning
- > Asset creation and acquisition
- > Asset disposal
- > Environmental analysis
- > Asset operations
- > Asset maintenance
- > Asset management information system
- > Risk management
- > Contingency planning
- > Financial planning
- > Capital expenditure planning
- > Review of AMS

2.3 Methodology and Approach

The audit was undertaken in accordance with ASAE3000. Our approach to the reporting work was to work closely with the licensee so that comments and challenges could be responded to and addressed before the audit report was finalised. The key areas of our approach included:

- > A start-up discussion (by telephone) with SCE to:
 - Discuss the main issues to be addressed at audit

- Identify any issues from the previous audit
 - Identify any new issues arising from changes to the Licence or operating environment requirements
 - Discuss the audit plan.
- > Preparation of a draft audit plan for comment by the licensee. The audit plan identified the number and location of audits, the information to be addressed and the auditor responsible.
- > Submission of the draft audit plan to the ERA for approval
- > A start-up meeting on-site at the beginning of our audit work
- > On site audit work comprising:
- Face-to-face interviews with business staff responsible for the audit area
 - Demonstration of key systems
 - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
 - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
 - Controls assessment on obligations that are found to be non-compliant
 - Site visit to Kalgoorlie on 15 August 2018 to meet with the contractor responsible for operating and maintaining SCE's infrastructure.
- > Preliminary audit feedback at the audit close-out meeting
- > Preparation of a draft report for SCE's review and comment;
- > Preparation of a final report for submission to the ERA.

Our methodology for completing this audit assignment was based on:

- > A risk assessment that determined the priority of each audit area, using the risk management framework in Appendix A.
- > Our understanding of the licensee's business
- > The experience of our audit team in undertaking regulatory audits which has been gained in several jurisdictions in Australia and in the United Kingdom
- > The outcome of the previous audit completed of SCE

Our audit methodology, including the key documents required to be reviewed and the supporting systems that we would like to see demonstrated, is detailed in Table 2-3 and Table 2-4.

Table 2-3 Licence Audit Methodology

Audit Area	Priority	Approach	Systems	Key Documents
Licence Audit				
Clause 4 Fees	5	<ul style="list-style-type: none"> ▪ Review invoices from Authority and receipts of payment 		<ul style="list-style-type: none"> ▪ Invoices and receipts
Clause 5 Compliance	Various	<ul style="list-style-type: none"> ▪ Review legislative requirements and confirm compliance ▪ Identify any corrective action applied to correct / prevent breaches of compliance 	<ul style="list-style-type: none"> ▪ Work scheduling system 	<ul style="list-style-type: none"> ▪ Performance standards ▪ Compliance Summary Reports (record of breaches)
Clause 12 Accounting Records	4	<ul style="list-style-type: none"> ▪ Check that 2014, 2015, 2016 and 2017 financial statements are signed off as being to appropriate standards 	<ul style="list-style-type: none"> ▪ Finance system 	<ul style="list-style-type: none"> ▪ 2014 Financial statement ▪ 2015 Financial statement ▪ 2016 Financial statement ▪ 2017 Financial statement
Clause 13 Individual Performance Standards	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		
Clause 14 Performance Standards	4	<ul style="list-style-type: none"> ▪ Review information reported to the Authority ▪ Confirm methodology used to determine performance conforms to legislation and procedures. 		<ul style="list-style-type: none"> ▪ Performance Audit ▪ Annual Performance Reports ▪ Procedures / Policy Manual ▪ Post Implementation Audit Reports / Status since previous audit ▪ Correspondence between SCE and Authority regarding review requirements
Clause 15 Reporting change in circumstances	5	<ul style="list-style-type: none"> ▪ Review any correspondence with the Authority 	<ul style="list-style-type: none"> ▪ Correspondence register 	<ul style="list-style-type: none"> ▪ Correspondence with ERA
Clause 16 Provision of Information	4	<ul style="list-style-type: none"> ▪ Confirm that the licensee has provided the Authority with data required for performance monitoring purposes as set out in the Compliance Reporting Manual. 	<ul style="list-style-type: none"> ▪ Correspondence register 	<ul style="list-style-type: none"> ▪ Annual compliance reports ▪ Correspondence register
Clause 17 Publishing Information	4	<ul style="list-style-type: none"> ▪ Check if any requests have been issued by the Authority to publish any information relating to the performance of the Licensee and correlating response 	<ul style="list-style-type: none"> ▪ Correspondence register 	<ul style="list-style-type: none"> ▪ Letters of notification / requests from the Authority ▪ Response to the Authority
Clause 18	4	<ul style="list-style-type: none"> ▪ Confirm all notices are issued in writing 	<ul style="list-style-type: none"> ▪ Correspondence register 	<ul style="list-style-type: none"> ▪ Issued notices

Audit Area	Priority	Approach	Systems	Key Documents
Notices				
Clause 19 Review of the Authority's Decisions	4	<ul style="list-style-type: none"> ▪ Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response 		<ul style="list-style-type: none"> ▪ Requests for review of decision (Correspondence)
Clause 20 Asset Management System	Various	<ul style="list-style-type: none"> ▪ Confirm that the asset management policies and procedures meet legislative requirements. 	<ul style="list-style-type: none"> ▪ Enterprise Asset Management System ▪ Computerised Maintenance Management System 	<ul style="list-style-type: none"> ▪ Asset Management Policies ▪ Asset Management Plans ▪ Asset Management Systems and Procedures Manual ▪ Asset Register
Clause 21 Approved Scheme	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		
Clause 23 Marketers	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		
Clause 24 Customer Contracts	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		
Clause 25 Amending the Standard Form Contract	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		
Clause 26 Directions by the Authority	5	<ul style="list-style-type: none"> ▪ Confirm that directions from the authority have been complied with. 	<ul style="list-style-type: none"> ▪ Correspondence register 	<ul style="list-style-type: none"> ▪ Correspondence with ERA
Clause 27 Supplier of Last Resort	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		
Clause 28 Notification of Default Supply	NA	<ul style="list-style-type: none"> ▪ Confirm that it is not applicable 		

Table 2-4 Asset Management Review Methodology

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset Management Review				
Asset planning	<ul style="list-style-type: none"> ▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning ▪ Service levels are defined ▪ Non-asset options (eg, demand management) are considered ▪ Lifecycle costs of owning and operating assets are assessed ▪ Funding options are evaluated ▪ Costs are justified and cost drivers identified ▪ Likelihood and consequences of asset failure are predicted ▪ Plans are regularly reviewed and updated 	<ul style="list-style-type: none"> ▪ Review and assess the adequacy of asset planning processes ▪ Review and assess adequacy of asset management plans ▪ Assess if asset management plans are up to date ▪ Assess implementation of asset management plans (status) ▪ Assess whether the asset management plan clearly assigns responsibilities and if these have been applied in practice 	<ul style="list-style-type: none"> ▪ GIS ▪ Asset database / information system 	<ul style="list-style-type: none"> ▪ Overview of planning approach ▪ Population projections ▪ Infrastructure Planning Reports ▪ Asset management plans ▪ Service level agreements ▪ Business Case/project justification
Asset creation and acquisition	<ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions ▪ Evaluations include all life-cycle costs ▪ Projects reflect sound engineering and business decisions ▪ Commissioning tests are documented and completed ▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood 	<ul style="list-style-type: none"> ▪ Review adequacy of policies and procedures in relation to asset creation and acquisition ▪ Review examples of creations / acquisitions to check if policies and procedures were followed and check costs against estimates 		<ul style="list-style-type: none"> ▪ Policies and procedures for asset creating and acquisition. Accounting and engineering ▪ Overview of planning approach ▪ Business Case/project justification ▪ Asset management plans ▪ Commissioning certificates
Asset disposal	<ul style="list-style-type: none"> ▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process ▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken ▪ Disposal alternatives are evaluated ▪ There is a replacement strategy for assets 	<ul style="list-style-type: none"> ▪ Review adequacy of policies and procedures in relation to asset disposal, asset replacement, identification of under-performing assets ▪ Determine if a review on the usefulness of assets are undertaken ▪ Review examples to check that policies and procedures are being followed 		<ul style="list-style-type: none"> ▪ Policies and procedures for asset disposal. Accounting and engineering ▪ Asset management plans ▪ Decommissioning certificates

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Environmental analysis	<ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed ▪ Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved ▪ Compliance with statutory and regulatory requirements ▪ Achievement of customer service levels 	<ul style="list-style-type: none"> ▪ Review performance and service standards over audit period ▪ Review performance / identify any breaches and non-compliances and corrective action taken ▪ Review adequacy of reporting and monitoring tools 		<ul style="list-style-type: none"> ▪ Relevant policies and procedures ▪ Planning reports ▪ Performance standards ▪ Compliance reports ▪ Strategic plans (if appropriate) ▪ Monthly KPI reports
Asset operations	<ul style="list-style-type: none"> ▪ Operational policies and procedures are documented and linked to service levels required ▪ Risk management is applied to prioritise operations tasks ▪ Assets are documented in an Asset Register, including asset assessment of assets' physical, structural condition and accounting data ▪ Operational costs are measured and monitored ▪ Staff receive training commensurate with their responsibilities 	<ul style="list-style-type: none"> ▪ Review adequacy of policies and procedures in relation to asset operations ▪ Review staff skills / training and resources available ▪ Check that operations procedures are being followed including testing of the asset register, observation of operational procedures and analysis of costs ▪ Identify any operational events and corrective actions 	<ul style="list-style-type: none"> ▪ Asset information system ▪ SCADA ▪ Finance system ▪ Works management system ▪ HR system 	<ul style="list-style-type: none"> ▪ Asset register ▪ Operations procedures ▪ Operational costs ▪ Daily / weekly / monthly check sheets ▪ Staff skills / resourcing structure ▪ Asset management plan ▪ Incident register
Asset maintenance	<ul style="list-style-type: none"> ▪ Maintenance policies and procedures are documented and linked to service levels required ▪ Regular inspections are undertaken of asset performance and condition ▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule ▪ Failures are analysed and operational / maintenance plans adjusted where necessary ▪ Risk management is applied to prioritise maintenance tasks ▪ Maintenance costs are measured and monitored 	<ul style="list-style-type: none"> ▪ Review adequacy of policies and procedures in relation to asset maintenance / maintenance functions ▪ Check that policies and procedures have been followed including testing of maintenance schedules, analysis of costs, ▪ Review maintenance schedules / plans ▪ Identify any maintenance events and corrective actions 	<ul style="list-style-type: none"> ▪ Asset information system ▪ Works management system 	<ul style="list-style-type: none"> ▪ Maintenance procedures and schedules ▪ Record of maintenance ▪ Maintenance costs

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset Management Information System	<ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators ▪ Input controls include appropriate verification and validation of data entered into the system ▪ Logical security access controls appear adequate, such as passwords and that appropriate system access and functionality is provided to users ▪ Physical security access controls appear adequate ▪ Data backup procedures appear adequate ▪ Key computations related to licensee performance reporting are materially accurate ▪ Management reports appear adequate for the licensee to monitor licence obligations 	<ul style="list-style-type: none"> ▪ Review adequacy of asset information system: <ul style="list-style-type: none"> – Asset coverage – Functionality – Data coverage – Security – User functionality granted is appropriate ▪ Review outputs / reports generated by systems and assess suitability for reporting against performance standards / licence obligations 	Asset Management Information system	<ul style="list-style-type: none"> ▪ Asset Management Information System manual ▪ AMIS data coverage and quality report ▪ Asset reports
Risk management	<ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system ▪ Risks are documented in a risk register and treatment plans are actioned and monitored ▪ The probability and consequence of risk failure are regularly assessed 	<ul style="list-style-type: none"> ▪ Review risk assessment coverage ▪ Review sample of risk mitigation to check policies and procedures are followed ▪ Assess staff understanding of risk management and adequacy of risk management training for staff 		<ul style="list-style-type: none"> ▪ Corporate Risk management framework ▪ Risk assessment ▪ Risk Register
Contingency Planning	<ul style="list-style-type: none"> ▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	<ul style="list-style-type: none"> ▪ Review adequacy / relevance and currency of contingency plans ▪ Review if plans have been tested and report on findings ▪ Identify any improvements that have been actioned as a result of testing of the contingency plans 		<ul style="list-style-type: none"> ▪ Contingency plans
Financial Planning	<ul style="list-style-type: none"> ▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives 	<ul style="list-style-type: none"> ▪ Review adequacy and effectiveness of financial planning and reporting processes 		<ul style="list-style-type: none"> ▪ Financial Plan

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
	<ul style="list-style-type: none"> ▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs ▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) ▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period ▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services ▪ Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	<ul style="list-style-type: none"> ▪ Review current financial plan and assess whether the process is being followed 		
Capital expenditure planning	<ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates ▪ The plan provides reasons for capital expenditure and timing of expenditure ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> ▪ Review adequacy and effectiveness of capital planning processes through examination of application of process and example documents 	<ul style="list-style-type: none"> ▪ Spreadsheets for capital planning and prioritisation 	<ul style="list-style-type: none"> ▪ Capital expenditure planning process outline ▪ Value engineering documents ▪ Risk management applied to investment planning ▪ Program management documents ▪ Review of capex estimate v outturn
Asset management plan	<ul style="list-style-type: none"> ▪ A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current ▪ Independent reviews (eg, internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> ▪ Review adequacy and currency of Asset Management Plan ▪ Assess when the Asset Management Plan was last updated / reviewed ▪ Assess outcomes of independent review of AMPs ▪ Identify if AMP needs to be updated 	<ul style="list-style-type: none"> ▪ Asset management system 	<ul style="list-style-type: none"> ▪ Asset management plans

2.4 Time Period Covered by the Audit/Review

This audit covers the period from 1 July 2014 to 30 June 2018.

2.5 Time Period of the Audit/Review Process

The audit/review commenced in July 2018 with preparation of the draft Audit Plan. Interviews with SCE staff were carried out on 13, 14 and 16 August 2018 at SCE's office in Perth, WA and on 15 August 2018 at Parkes Power Station and Kalgoorlie Nickel Smelter, Kalgoorlie, WA.

2.6 Details of the Licensee Representatives Participating in the Audit/Review

Details of representatives from SCE who participated in the audit and review process are provided in Table 2-5.

Table 2-5 Details of Licensee Representatives

Name	Organisation	Role
Troy Forward	Southern Cross Energy Pty Ltd	Group Manager, Commercial and Markets
Jamie Crombie	Southern Cross Energy Pty Ltd	Goldfields Operations Manager
Simon Broom	Southern Cross Energy Pty Ltd	RCC Manager
Matthew Kenneday	Southern Cross Energy Pty Ltd	TransAlta - Commercial
Nigel Feletti	Southern Cross Energy Pty Ltd	Environmental, Health and Safety
Clinton Schick	Southern Cross Energy Pty Ltd	Plant Engineering Technician
Brad Fanetti	Southern Cross Energy Pty Ltd	SCE Plant Manager
Marvin Menjivar	Southern Cross Energy Pty Ltd	Asset Team - Finance

2.7 Details of Key Documents and Other Information Sources

The audit was carried out in parallel with that for Goldfields Power Pty Ltd (GPPL), being also a subsidiary owned by TransAlta. Some references for GPPL have been used as evidence for SCE.

Asset Planning

- > GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf
- > Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013
- > Life Cycle Planning 20110201.ppt presentation
- > 2019 Australia Budget Timelines memo, dated 16 July 2018
- > Budget Process PowerPoint, dated June 2017
- > Australia 2018 L01.xlsx long range forecast spreadsheet
- > AFE Policy document
- > AFE (Authorisation For Expenditure) Standards document
- > Capital Actuals June 18.xlsx spreadsheet

Asset Creation

- > GAS.07.1342 PROCUREMENT GOVERNING PRINCIPLES.pdf.
- > TransAlta Financial Policy 230 (a) PP&E.pdf

Asset Disposal

- > Asset register showing existence of all assets, newly created assets and major asset maintenance plans were viewed.

- > 5 and 10 year asset major maintenance budget and NTA budgets
- > Financial Policy 230 (a) PP&E.pdf
- > Financial Policies 230(k) Decommissioning & Restoration Obligations

Environmental Analysis

- > TransAlta FY18 NPI & NGER V3.0 2366518 3.xlsx emissions register.
- > The following policies/procedures were viewed:
 - GAS.03.0848 VEGETATION CLEARING PROCEDURE.pdf
 - GAS.03.0849 WASTE MANAGEMENT.pdf
 - GAS.03.0850 SOLID, LIQUID AND GAS SPILL RESPONSE.pdf
 - GAS.03.1037 FLORA AND FAUNA CONSERVATION.pdf
 - GAS.03.1059 SOIL AND GROUND WATER PROTECTION.pdf
 - GAS.04.1260 LEGIONELLA HEALTH RISK MANAGEMENT.pdf
 - GAS.03.0820 ENVIRONMENTAL ASPECTS, HAZARD IDENTIFICATION, RISK ASSESSMENT AND DETERMINING CONTROLS.pdf
 - GAS.03.0876 HAZARDS, NEAR MISSES AND INCIDENT REPORTING.pdf
 - GAS.03.1061 SITE ENVIRONMENTAL LICENCES.pdf
- > The following Annual Environmental Reports were viewed:
 - Kalgoorlie Annual Environmental Report 2017 2326111 1.DOCX
 - Kambalda Annual Environmental Report 2017 2326113 1.DOCX
 - Leinster Annual Environmental Report 2017 2326116 1.DOCX
 - MtKeith Diesel Annual Environmental Report 2017 2326119 1.DOCX
 - MtKeith Gas Annual Environmental Report 2017 2326125 1.DOCX
 - Parkes Annual Environmental Report 2017 2326090 1.DOCX (GPPL)
- > The following NPI reports were viewed:
 - WA0146 Emission Report 2016-2017.pdf (GPPL)
 - WA0322 Emission Report 2016-2017.pdf
 - WA0323 Emission Report 2016-2017.pdf
- > The following site summary reports were viewed:
 - KNO.pdf
 - KNS.pdf
 - LNO.pdf
 - MKO – Diesel.pdf
 - MKO – Gas.pdf
 - PPS.pdf (GPPL)
- > The following SRS Notifiable Events Reports were viewed:
 - OC-293-276417 SummaryPopup.pdf
 - OC-570-283188 SummaryPopup.pdf
 - OC-889-301430 SummaryPopup.pdf
- > POS-438-291442 Communications.pdf

Asset Operations

- > Visit to PPS control room:
 - SCADA viewed (site level and detailed for Parkeston)
 - Example hard copy procedures in control room viewed
- > Visit to SCE plant at Nickel West Smelter, Kalgoorlie
 - Assets viewed
 - Control room and switchboards viewed
- > The following fortnightly performance test reports were viewed:
 - KNO HR 2-8-18.xlsx
 - KNS HR 030818.xlsx
 - LNO HR 1-8-18.xlsx
 - MKO HR 040818.xlsx
- > The following liquidated damages calculations were viewed:
 - LD Calculator - North – 2018.xlsm
 - LD Calculator - South – 2018.xls
- > The following weekly production ('heat rate') reports were viewed:
 - North Graphs 2018-07-17.pdf
 - North Graphs 2018-07-24.pdf
 - North Graphs 2018-07-31.pdf
 - South Graphs 2018-07-17.pdf
 - South Graphs 2018-07-24.pdf
 - South Graphs 2018-07-31.pdf
- > The following KPI reports were viewed:
 - PSD KPI Overview.jpg
 - PSD KPI Priority Risk Control Area.pdf
 - PSD Maintenance Management KPI Overview.jpg
 - Parkeston Weekly Schedule Example.pdf (GPPL)
 - Parkeston3 Monthly Schedule Example.pdf (GPPL)
- > Equipment Register – Example.txt viewed. This is an asset register in structured hierarchy showing all assets for Kalgoorlie. (SCE) (091)
- > The following daily reports were viewed:
 - Daily Meter Readings.xlsx
 - Pre-start Checklist.xlsx
 - Station Rounds.xlsx
- > The following daily report pro formas were viewed:
 - Equipment Operating Hours Document.doc
 - Eye Wash Station Checks.xlsx
- > The following operational procedures were viewed:
 - GAS.05.0963 S AND S FORTNIGHTLY HEAT RATE TEST.pdf
 - GAS.05.0985 KNO AND KNS GT OR BLACK PLANT TRIP.pdf
 - GAS.05.1369 BLACK START DIESEL TEST.pdf

- > EHS&T 2018 Programme V2.pdf viewed. This is TransAlta's Environmental, Health and Safety Training Programme
- > ERA #027 Training Compliance Report.xlsx
- > ERA #027 Training History Report.xlsx
- > Training Needs Analysis V2.9.xlsx

Asset Maintenance

- > SAP viewed live
- > GAS.06.1324 Maintenance Work Management.docx viewed. Covers environmental management; health, injury management and wellness initiatives; safety; training, learning and development; auditing and document control, contractor management; TSE reporting and measurement; budget management; and resourcing
- > The following maintenance records were viewed:
 - KNO-90858861.pdf
 - KNS-90838158.pdf
 - PPS-90835766.pdf (GPPL)
 - PPS-90858457.pdf (GPPL)
 - Last 6 Months Of Notification History – Example
- > The following maintenance procedures were viewed:
 - GAS.06.0919 GAS VALVE CALIBRATION PROCEDURE TO S AND S PACKAGE.pdf
 - GAS.06.0946 VARIABLE GEOMETRY CALIBRATIONS.pdf
 - GAS.09.1029 TM2500 LOADING CODE INTO MICRONET-NETCON.pdf
- > Maintenance Plans & Schedules.xlsx spreadsheet viewed. Lists preventive/planned maintenance activities.
- > Maintenance Policy Engineering Standard - Example List.jpg.

Asset Management Information System

- > The following key SCE asset management information systems were observed during the review:
 - SAP Asset Register
 - SAP PM (Plant maintenance) work schedules
 - Safety Performance Reporting for its incident reporting
 - Citect SCADA system for asset operations and performance monitoring
 - Total Safety Documents (TSD) system for its risk management.
 - Operational Integrity Program (OIP) for reviewing and identifying equipment and safety aspects.
 - TapRooT for Root Cause analysis
- > Examples of monthly operation and maintenance reports and financial reports were observed during the course of the review.

Risk Management

- > TransAlta Australia Risk Register on Synergi
- > ERA #105 Risk Register Goldfields.xlsx
- > TAC.09.0098 TECHNICAL RISK METHOD.pdf
- > TAC.07.0118 TSMS ELEMENT 2 - OPERATIONAL RISK MANAGEMENT.pdf

- > TAC.03.0069 RISK MATRIX STANDARD.pdf
- > TA Emergency Management Standard.pdf
- > Mapping of TransAlta Current TSMA to TEA TS&E Management System hardcopy diagram
- > Safety Performance Report – 201806.xlsx viewed. (Newmont)
- > Synergi system on TransAlta intranet
- > EHS Portal on TransAlta intranet
- > Various EHS reports (screenshots)
- > The following incident investigation reports were viewed:
 - Incident Investigation Report 6830 V2.pdf
 - Incident Investigation Report 9183 V6.pdf
 - Incident Investigation Report 8853 v3.pdf
- > GAS.06.1324 Maintenance Work Management.docx.
- > TAC.13.0257 WORK MANAGEMENT WORK EXECUTION STANDARD.pdf
- > TAC.13.0259 WORK MANAGEMENT DOCUMENT CLOSURE STANDARD.pdf
- > TAC.09.0097 RISK INTOLERABILITY CRITERIA AND ALARP CONCEPT.pdf
- > The following Critical Task Analysis Forms (CTAs) were viewed
 - 180809132435.pdf (Recommission PPS-BLD tie line)
 - 180809132712.pdf (Generator protection relay testing)
- > The following incident reports were viewed:
 - Synergi Life case no 5720 PPS - 33kV CB161 Kaltails Feeder trip suspected lightning strike.msg (GPPL)
 - Synergi Life case no 7253 KNS - Unit trip CO2 fire suppression system operated.msg (SCE)
 - Synergi Life case no 8140 Islanding event for SCE 09052018.msg (SCE)
- > GAS.07.1418 TA AUSTRALIA DOCUMENT AND RECORDS CONTROL PROCEDURE.pdf
- > TAC.07.0124 TSMS ELEMENT 7 - DOCUMENT AND RECORDS CONTROL.pdf
- > The following monthly EMG meeting minutes were viewed:
 - 2018 0531 EMG North Minutes.docx
 - 2018 0702 EMG North Minutes.docx
 - 2018 0723 EMG North Minutes.docx
 - EMG South Minutes 20180227.docx
 - EMG South Minutes 20180328.docx
 - EMG South Minutes 20180529.docx
- > The following emails regarding safety improvements were viewed:
 - NiW Email - Hood Breathers.msg
 - NiW Email - Moulded Ear Plugs.msg
 - NiW Email - Wash Bays.msg
- > The following safety reports were viewed:
 - Safety Report - June 2018.xlsx
 - Safety Report - July 2018.xlsx
- > The following monthly report pro formas were viewed:
 - Emergency Light Tests.xlsx

- Oil, Chemical & Gas storage area checks.xlsx
- > The following incident/hazard reports were viewed:
 - ERA #93 GF MAY Synergi Reports Raised.xlsx
 - ERA #93 GF JUNE Synergi Reports Raised.xlsx
 - ERA #93 GF JULY Synergi Reports Raised.xlsx
- > Example Asset Operations Report.PNG

Contingency Planning

- > TA Emergency Management Standard.pdf
- > TAC.02.0023 CORPORATE EMERGENCY MANAGEMENT STANDARD.pdf
- > TAC.07.0130 TSMS ELEMENT 11 - EMERGENCY MANAGEMENT.pdf
- > GAS.03.0913 EMERGENCY RESPONSE GUIDE.pdf
- > GAS.02.1407 SOUTHERN CROSS ENERGY EMERGENCY RESPONSE PLAN V2.pdf
- > ERA #031 Synergi History of Drills.xlsx
- > The following drill reports were viewed:
 - 20170906 - ER Report KNS.pdf
 - 20180605 LNO ER Report.pdf plus photographs
 - 20180515 - ER Report MKO.pdf

Financial Planning

- > The following monthly business planning forecasts were viewed:
 - Parkeston Jun18 F.xlsx (GPPL)
 - SCE North Jun18 F.xlsx
 - SCE South Jun18 F.xlsx
- > Australia Capital Detail 2018 L01 Final.xlsx viewed. Long range forecast 2018-2042.
- > Budget MRF 2018 BUD.xls.
- > 1806 Day 8 Report Jun18.xlsx.
- > Australia Jun18 F.xlsx viewed. Spreadsheet shows budget vs actual costs for each TransAlta Australia site for June 2018.

Capital Expenditure Planning

- > Australia Capital Detail 2018 L01 Final.xlsx viewed. Long range forecast 2018-2042

Review of Asset Management System

- > 2014, 2015, 2016 and 2017 Compliance Reports

2.8 Details of Auditors Participating in the Audit/Review and Hours Utilised

The audit/review team comprised three staff members from Cardno.

Details of their roles and hours utilised in the audit/review process are provided in the table below.

Table 2-6 Details of Audit / Review Team Members

Name	Organisation	Role	Summary of Task	Hours Utilised
Simon Martin	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"> ▪ Audit preparation ▪ Audit ▪ Preparation of Report 	20 hours
Justin Edwards	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"> ▪ Audit preparation ▪ Audit ▪ Preparation of Report 	75 hours
Patrick Lamb	Cardno	Project Manager	<ul style="list-style-type: none"> ▪ Project Management ▪ Audit Plan 	30 hours

3 Licensee's Response to Previous Audit Recommendations

No actions were recommended or suggested to improve the existing controls in the previous operating licence audit and asset management review.

Table 3-1 Previous Audit Non-compliances and Recommendations

A. Resolved before end of previous audit period				
Electricity compliance reporting manual 2014 (ref. no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	Nil			
B. Resolved during current Audit period				
Electricity compliance reporting manual 2014 (ref. no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	Nil			
C. Unresolved at end of current Audit period				
Electricity compliance reporting manual 2014 (ref. no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	Nil			

4 Performance Summary

The findings of the performance audit is summarised in a table with adequacy of control and compliance rating. The table includes all applicable compliance reporting items and are numbered according to the Electricity Compliance Reporting Manual 2017. Description of the rating scale and outcomes of the performance audit is provided in the following sections.

4.1 Assessment Rating Scales

In accordance with the Audit Guidelines, an assessment of the performance of SCE was completed using the rating scale in Table 4-1 and asset management system effectiveness using the rating scales in Table 4-2 and Table 4-3. In addition to these ratings a NP indicates that a control rating was not performed for those obligations that were considered to be compliant and having an audit priority of 3, 4 or 5.

Table 4-1 Audit Compliance and Controls Rating Scales

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls - no improvement needed	1	Compliant
B	Generally adequate controls - improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties

Table 4-2 Asset Management Process and Policy Definition Adequacy Rating

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> ▪ Processes and policies are documented. ▪ Processes and policies adequately document the required performance of the assets. ▪ Processes and policies are subject to regular reviews, and updated where necessary. ▪ The asset management information system(s) are adequate in relation to the assets that are being managed.
B	Requires some improvement	<ul style="list-style-type: none"> ▪ Process and policy documentation requires improvement. ▪ Processes and policies do not adequately document the required performance of the assets. ▪ Reviews of processes and policies are not conducted regularly enough. ▪ The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).
C	Requires significant improvement	<ul style="list-style-type: none"> ▪ Process and policy documentation is incomplete or requires significant improvement. ▪ Processes and policies do not document the required performance of the assets. ▪ Processes and policies are significantly out of date. ▪ The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).
D	Inadequate	<ul style="list-style-type: none"> ▪ Processes and policies are not documented. ▪ The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).
NP	Not performed	<ul style="list-style-type: none"> ▪ Obligation is compliant and asset priority was considered to be either four or five

Table 4-3 Asset Management Performance Ratings

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

4.2 Performance Audit Compliance Summary

Table 4-4 provides a summary of SCE's compliance rating against each licence obligation, and an adequacy of controls rating where the item has been found to be non-compliant.

Na = Not applicable - Determined during the audit that the compliance obligation does not apply to the Licensee's business operations

Nr = Not rated - No relevant activity took place during the audit period, therefore it is not possible to assess compliance.

Table 4-4 Audit Obligation Ratings

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
6	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	5					✓						✓
7	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	5					✓						✓
8	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	5					✓						✓
9	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
16	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
17	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
18	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
19	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
23	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	5					✓						✓
24	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
25	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
26	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
27	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
28	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
29	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
30	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
34	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
39	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
40	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
43	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
44	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
45	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
48	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	5					✓						✓
48A	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	5					✓						✓
49	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
52	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
53	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
54	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
55	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
56	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
57	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
58	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
59	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	4					✓						✓
101	Electricity Industry Act section 13(1)	4					✓	✓					
102	Electricity Industry Act section 14(1)(a)	5					✓	✓					
103	Electricity Industry Act section 14(1)(b)	4					✓						✓
104	Electricity Industry Act section 14(1)(c)	5					✓	✓					
105	Electricity Industry Act section 17(1)	5					✓	✓					
106	Electricity Industry Act section 31(3)	5					✓	✓					
107	Electricity Industry Act section 41(6)	4					✓	✓					
113	Electricity Industry Act section 115(2)	4					✓	✓					
119	Electricity Industry Act, section 11	4					✓	✓					
121	Electricity Industry Act, section 11	4					✓	✓					
122	Electricity Industry Act, section 11	5					✓	✓					
123	Electricity Industry Act, section 11	5					✓	✓					
124	Electricity Industry Act, section 11	4					✓	✓					
125	Electricity Industry Act, section 11	4					✓						✓
126	Electricity Industry Act, section 11	4					✓						✓
127	Electricity Industry Act, section 11	4					✓	✓					
128	Electricity Industry Act, section 11	4					✓	✓					
320	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
321	Distribution/ Transmission Licence condition 5.1	4					✓						✓
322	Distribution/ Transmission Licence condition 5.1	4					✓						✓
323	Distribution/ Generation Licence condition 5.1	4					✓	✓					
324	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓						✓
325	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
326	Distribution/ Transmission Licence condition 5.1	4	✓							✓			
327	Distribution/ Transmission Licence condition 5.1	4					✓	✓					

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
328	Distribution/ Transmission Licence condition 5.1	4					✓						✓
329	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
330	Distribution/ Transmission Licence condition 5.1	4					✓						✓
331	Distribution/ Transmission Licence condition 5.1	4					✓						✓
332	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
336	Distribution/ Transmission Licence condition 5.1	4					✓						✓
337	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
338	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
340	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
341	Distribution/ Transmission Licence condition 5.1	4					✓						✓
342	Distribution/ Transmission Licence condition 5.1	4					✓						✓
343	Distribution/ Transmission Licence condition 5.1	4					✓						✓
344	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
345	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
346	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
347	Distribution/ Transmission Licence condition 5.1	4					✓						✓
348	Distribution/ Transmission Licence condition 5.1	4					✓						✓
349	Distribution/ Transmission Licence condition 5.1	4					✓						✓
355	Distribution/ Transmission Licence condition 5.1	4					✓						✓
356	Distribution/ Transmission Licence condition 5.1	4					✓						✓
357	Distribution/ Transmission Licence condition 5.1	4					✓						✓
358	Distribution/ Transmission Licence condition 5.1	4					✓						✓
359	Distribution/ Transmission Licence condition 5.1	4					✓						✓
360	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
361	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
362	Retail condition 5.1	4					✓						✓
363	Retail condition 5.1	4					✓						✓

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
364	Generation/ Retail Licence condition 5.1	4					✓						✓
366	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
367	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
368	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
369	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
370	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
371	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	5					✓	✓					
372	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓	✓					
373	Generation/ Retail Licence condition 5.1	5					✓						✓
374	Distribution/ Transmission Licence condition 5.1	4					✓						✓
375	Distribution/ Transmission Licence condition 5.1	4					✓						✓
376	Distribution/ Transmission Licence condition 5.1	4					✓						✓
377	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
378	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
379	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
380	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
381	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
382	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
383	Distribution/ Transmission Licence condition 5.1	5					✓						✓
384	Distribution/ Transmission Licence condition 5.1	5					✓						✓
385	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
386	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
387	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
388	Generation/ Retail Licence condition 5.1	5					✓	✓					
389	Distribution/ Transmission Licence condition 5.1	4					✓						✓

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
390	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
391	Distribution/ Transmission Licence condition 5.1	4					✓						✓
392	Distribution/ Transmission Licence condition 5.1	4					✓						✓
397	Distribution/ Transmission Licence condition 5.1	4					✓						✓
398	Distribution/ Transmission Licence condition 5.1	4					✓						✓
399	Distribution/ Transmission Licence condition 5.1	4					✓						✓
400	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
401	Generation/ Retail Licence condition 5.1	4					✓						✓
402	Generation/ Retail Licence condition 5.1	4					✓	✓					
403	Distribution/ Transmission Licence condition 5.1	5					✓						✓
404	Distribution/ Transmission Licence condition 5.1	5					✓						✓
405	Generation/ Retail Licence condition 5.1	4					✓						✓
406	Generation/ Retail Licence condition 5.1	5					✓	✓					
407	Generation/ Retail Licence condition 5.1	5					✓	✓					
408	Generation/ Retail Licence condition 5.1	4					✓						✓
409	Generation/ Retail Licence condition 5.1	4					✓						✓
410	Generation/ Retail Licence condition 5.1	5					✓	✓					
414	Distribution/ Transmission Licence condition 5.1	4					✓						✓
415	Distribution/ Transmission Licence condition 5.1	4					✓						✓
417	Generation/ Retail Licence condition 5.1	4					✓						✓
418	Distribution/ Transmission Licence condition 5.1	4					✓						✓
419	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
420	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
421	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
422	Distribution/ Transmission Licence condition 5.1	4	✓						✓				

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
423	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
424	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
425	Distribution/ Transmission Licence condition 5.1	4	✓							✓			
426	Distribution/ Transmission Licence condition 5.1	4	✓							✓			
427	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
428	Distribution/ Transmission Licence condition 5.1	4					✓						✓
429	Distribution/ Transmission Licence condition 5.1	4					✓						✓
430	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
431	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
432	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
433	Distribution/ Transmission Licence condition 5.1	4					✓						✓
434	Distribution/ Transmission Licence condition 5.1	4	✓							✓			
436	Distribution/ Transmission Licence condition 5.1	4					✓						✓
437	Distribution/ Transmission Licence condition 5.1	4					✓						✓
438	Distribution/ Transmission Licence condition 5.1	4					✓						✓
439	Distribution/ Transmission Licence condition 5.1	4					✓						✓
440	Distribution/ Transmission Licence condition 5.1	4					✓						✓
441	Distribution/ Transmission Licence condition 5.1	4					✓						✓
447	Distribution/ Transmission Licence condition 5.1	3	✓							✓			
448	Generation/ Retail Licence condition 5.1	4					✓	✓					
448A	Distribution/ Transmission Licence condition 5.1	4	✓							✓			
448B	Distribution/ Transmission Licence condition 5.1	5					✓						✓
448C	Distribution/ Transmission Licence condition 5.1	5	✓							✓			
448D	Distribution/ Transmission Licence condition 5.1	4					✓						✓
449	Distribution/ Transmission Licence condition 5.1	5					✓						✓
450	Distribution/ Transmission Licence condition 5.1	5					✓						✓

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
451	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓	✓					
452	Distribution/ Transmission Licence condition 5.1	4					✓						✓
453	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓						✓
454	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓						✓
455	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓	✓					
456	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	5					✓						
457	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	5					✓						✓
458	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	5					✓						✓
459	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓						✓
460	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	5					✓						✓
461	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	4					✓						✓
462	Distribution/ Generation/ Retail/ Transmission Licence condition 5.1	5					✓						✓
463	Distribution/ Transmission Licence condition 5.1	5					✓						✓
464	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
465	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
466	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
470	Distribution/ Transmission Licence condition 5.1	4					✓						✓
471	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
477	Distribution/ Transmission Licence condition 5.1	5					✓	✓					
478	Distribution/ Transmission Licence condition 5.1	4					✓	✓					
479	Distribution/ Transmission Licence condition 5.1	4					✓						✓

2017 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied [rated 1 (Highest) to 5 (Lowest)]	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
480	Distribution/ Transmission Licence condition 5.1	4					✓						✓
483	Distribution/ Transmission Licence condition 5.1	4					✓						✓
483A	Distribution/ Transmission Licence condition 5.1	5					✓						✓
483B	Distribution/ Transmission Licence condition 5.1	5					✓						✓
484	Distribution/ Transmission Licence condition 5.1	4					✓						✓
485	Distribution/ Transmission Licence condition 5.1	5					✓						✓

4.3 Asset Management Review Effectiveness Summary

The asset management system review assessed the effectiveness of the asset management system in delivering the services as required under the operating licence.

The review was conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines. A summary of the outcomes of the review is provided in Table 4-5. SCE has adequate controls in place for the various asset management system components. Some recommendations and process improvements were identified during this audit but they are considered minor and are not considered needed improvements. Therefore we do not consider a rating of B appropriate for those components

Table 4-5 Asset Management Review Effectiveness Summary

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Asset planning	A	1
Asset creation/acquisition	A	1
Asset disposal	A	1
Environmental analysis	A	1
Asset operations	A	1
Asset maintenance	A	1
Asset management information system	A	1
Risk management	A	1
Contingency planning	A	1
Financial planning	A	1
Capital expenditure planning	A	1
Review of AMS	A	1

5 Observations and Recommendations

5.1 Performance Audit

Table 5-1 Performance Audit Observations

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
6	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code 3.2(2)	A retailer must submit a separate data request for each exit point unless otherwise agreed.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the <i>Electricity Industry Customer Transfer Code</i> as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit a data request for multiple exit points during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
7	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 3.4(1)	A retailer 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, unless otherwise agreed.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the <i>Electricity Industry Customer Transfer Code</i> as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				complied with this obligation. SCE as a retailer has not submitted multiple electronic data requests on a business day during the time within the audit period that the obligation was applicable.		
8	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE as retailer did not make any requests for any type of data during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
9	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 3.6(2)	A retailer must pay any reasonable costs incurred by the network operator for work performed in relation to a request for historical consumption data that has been subsequently withdrawn.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE has complied with this obligation. SCE was not requested to pay for costs incurred by the network operator for work performed 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				in relation to a withdrawn request for historical consumption data during the time within the audit period that the obligation was applicable.		
16	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 3.9(1)	A retailer may only use data relating to a contestable customer to provide that customer with a quotation for the supply of electricity by the retailer; or to initiate a transfer of that customer.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE has complied with this obligation. SCE did not request any data for any contestable customers during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
17	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE as retailer did not aggregate a contestable customer's historical consumption with that of other contestable customers 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				during the time within the audit period that the obligation was applicable.		
18	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE as retailer treated all data relating to each of its contestable customers in accordance with the Code during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
19	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE did not request any customer data and, as such, did not receive any verifiable consents during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
23	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 4.2(2)	A retailer must submit a separate customer transfer request for each connection point, unless otherwise agreed.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
24	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
25	Electricity Industry (Licence Conditions)	Electricity Industry Customer Transfer	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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Regulations regulation 5(2)	Code, clause 4.4(1)		<p>and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences.</p> <ul style="list-style-type: none"> ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 		
26	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
27	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 4.5(1)	A retailer 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, unless otherwise agreed.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> ▪ selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 		
28	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
29	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 		
30	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not submit any customer transfer request forms during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
34	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 4.9(6)	A network operator and retailer must agree to a revised nominated transfer date in certain circumstances.	<ul style="list-style-type: none"> Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not have to revise a nominated customer transfer date during the time within the 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				audit period that the obligation was applicable.		
39	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. There were no customer transfers during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
40	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. There were no customer transfers during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
43	Electricity Industry	Electricity Industry	In the case of a transfer to reverse an erroneous transfer, a network operator	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	(Licence Conditions) Regulations regulation 5(2)	Customer Transfer Code, clause 4.15	and all affected retailers (and, if applicable, AEMO) must act in good faith to ensure that the affected contestable customer has the same rights and obligations as if the erroneous transfer had not occurred.	<p>September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences.</p> <ul style="list-style-type: none"> ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. There were no customer transfers during the time within the audit period that the obligation was applicable. 		
44	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 4.16	A verifiable consent given by a contestable customer in relation to the lodgement of a customer transfer request must be retained by the incoming retailer for two years, except in the case of a customer transfer request to reverse an erroneous transfer.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not make any customer transfer requests and did not receive any verifiable consent forms during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
45	Electricity Industry (Licence Conditions)	Electricity Industry Customer Transfer	A previous retailer must not bill a contestable customer for charges incurred after the transfer time, except in the case of an erroneous transfer.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Regulations regulation 5(2)	Code, clause 4.17		<p>SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences.</p> <ul style="list-style-type: none"> ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not bill a contestable customer for charges incurred after the transfer time during the time within the audit period that the obligation was applicable. 		
48	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 5.2	A network's communication rules apply in respect of data and information communication between the network operator and a retailer under this Code.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
48A	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 6.1	All notices must be in writing and delivered as described in subclauses 6.1(a)-(c).	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. There were no requirements for SCE related to the issue of Notices under the code. 		
49	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 6.2	A licensee's notice in relation to a data request or customer transfer request must identify the connection point to which it relates.	<ul style="list-style-type: none"> Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not receive/make a data request or customer transfer request during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
52	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 6.4(1)	A retailer must notify its contact details to a network operator within three business days of a request.	<ul style="list-style-type: none"> Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
53	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 6.4(2)	A retailer must notify the network operator of any change in its contact details at least three business days before the change takes effect.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. SCE did not amend its contact details during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
54	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 6.6	A network operator or a retailer must send required electronic communications to the applicable electronic communication address, in accordance with the communication rules.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ SCE has systems in place that are capable of sending automated responses. SCE communicates IAW the governing PPA for its single customer, and with Western Power as required 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
55	Electricity Industry (Licence Conditions)	Electricity Industry Customer Transfer	For a dispute in respect of a matter under, or in connection with, the Electricity Industry Customer Transfer Code, the disputing parties must meet, within five business days of a request by one of	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Regulations regulation 5(2)	Code, clause 7.1(1)	those parties, and attempt to resolve the dispute through negotiations that are conducted in good faith.	<p>licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences.</p> <ul style="list-style-type: none"> ▪ SCE has not been involved in any disputes within the audit period. 		
56	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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 through negotiations that are conducted in good faith.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ SCE has not been involved in any disputes within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
57	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. No disputes were raised during the time within the 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				audit period that the obligation was applicable.		
58	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, clause 7.2(4)	A disputing party that refers a dispute to the arbitrator must provide the arbitrator with prescribed details of the nature of the dispute.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. No disputes were raised during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
59	Electricity Industry (Licence Conditions) Regulations regulation 5(2)	Electricity Industry Customer Transfer Code, 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.	<ul style="list-style-type: none"> ▪ Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016) and Transmission licence ETL4, Version 6 (1 July 2015) and Schedule 2, Clause 2.1 of its Retail licence ERL7, Version 5 (1 July 2015), SCE is no longer required to comply with the Electricity Industry Customer Transfer Code as long as there is only one retailer selling electricity transported through the transmission or distribution system covered by the Licences. ▪ For the period before the introduction of the clause in its Retail licence, SCE complied with this obligation. No disputes were raised during the time within the audit period that the obligation was applicable. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
101	Electricity Industry Act section 13(1)	Electricity Industry Act, section 13(1)	A licensee must provide the ERA with a performance audit conducted by an independent expert acceptable to the ERA, not less than once every 24 months.	<ul style="list-style-type: none"> November 2014 Performance Audit Report completed by Cardno. Current audit being undertaken in August 2018 in accordance with ERAWA's requirements and with its approval. The performance audit period was extended by ERAWA from 24 months to 48 months after the 2014 audit. 	<ul style="list-style-type: none"> Correspondence from ERA viewed. Audit Report – Performance Audit and Asset Management Review – November 2014 	1
102	Electricity Industry Act section 14(1)(a)	Electricity Industry Act, section 14(1)(a)	A licensee must provide for an asset management system.	<ul style="list-style-type: none"> SCE have provided for an effective asset management system to support their physical assets. Further details of SCE's asset management system are included in Table 5-2. 	<ul style="list-style-type: none"> Refer to Table 5-2 	1
103	Electricity Industry Act section 14(1)(b)	Electricity Industry Act, section 14(1)(b)	A licensee must notify details of the asset management system and any substantial changes to it to the ERA.	<ul style="list-style-type: none"> The asset management system was provided to ERAWA as part of SCE's licence applications. There have been no such substantial changes to the AMS within the audit period. Therefore, the obligation has not been rated for the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
104	Electricity Industry Act section 14(1)(c)	Electricity Industry Act, section 14(1)(c)	A licensee must provide the ERA with a report by an independent expert about the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA.	<ul style="list-style-type: none"> A written report as to the effectiveness of SCE's asset management system is being provided regularly to the Authority, and within the required timescales. The asset management review period was extended by ERAWA from 24 months to 48 months after the 2014 audit. The previous asset management system review was reported on in November 2014 and the subsequent audit is currently being undertaken (this audit). 	<ul style="list-style-type: none"> Audit Report – Performance Audit and Asset Management Review – November 2014 	1
105	Electricity Industry Act section 17(1)	Electricity Industry Act, section 17(1) Economic Regulation	A licensee must pay the prescribed licence fees to the ERA according to clauses 6, 7 and 8 of the Economic Regulation Authority (Licensing Funding) Regulations 2014.	<ul style="list-style-type: none"> Licence fees have been paid regularly, and within the required timeframes. 	<ul style="list-style-type: none"> Tax invoice from ERAWA to SCE SCE Bank statements 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
		Authority (Licensing Funding) Regulations 2014				
106	Electricity Industry Act section 31(3)	Electricity Industry Act, 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.	<ul style="list-style-type: none"> ▪ SCE have taken reasonable steps to minimise the extent or duration of any unavoidable interruption, suspension or restriction of electricity. ▪ SCE have introduced an Operational Integrity Program to review and identify equipment from a safety aspect (loss of primary containment) to ensure the asset does not fail and does not impact during the review period. ▪ There are strong financial disincentives for any interruptions to supply. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 ▪ Operational Integrity Program documentation 	1
107	Electricity Industry Act section 41(6)	Electricity Industry Act, section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	<ul style="list-style-type: none"> ▪ SCE has complied with this obligation and met all costs associated with interests in land and easements over land. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ Example of Mining Rehabilitation Fund Payment Notice used for rehabilitation of abandoned mine sites. ▪ Examples of invoices from land/easement owners for rental payments 	1
113	Electricity Industry Act section 115(2)	Electricity Industry Act, 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 that hinders or prohibits access.	<ul style="list-style-type: none"> ▪ There have been no formal requests for access by new customers within the audit period. ▪ SCE as network provider has not engaged in prohibited conduct. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
119	Electricity Industry Act, section 11	Distribution Licence condition 12.1 Generation Licence condition 12.1 Retail Licence condition 12.1 Transmission Licence condition 12.1	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	<ul style="list-style-type: none"> ▪ SCE has complied with the requirements. ▪ Accounting records are prepared in accordance with AASB standards. ▪ Transalta Energy (Australia) Financial Statements 2015, 2016, 2017 were reviewed. These are signed-off by Ernst & Young as complying with the Australian Accounting Standards. The 2018 annual report that includes the last 6 months of the audit period has not yet been prepared. This is because SCE use a calendar year as its financial year. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ TransAlta Financial Statements for calendar years ending 2014, 2015, 2016 and 2017 viewed. ▪ Letter from Ernst & Young regarding satisfactory audit of these documents in accordance with Australian Accounting Standards. 	1
121	Electricity Industry Act, section 11	Distribution Licence condition 14.2 Generation Licence condition 14.2 Retail Licence condition 14.2 Transmission Licence condition 14.2	A licensee must comply, and require its auditor to comply, with the ERA's standard audit guidelines for a performance audit.	<ul style="list-style-type: none"> ▪ SCE has previously complied with, and continues to comply with the Authority's standard audit guidelines dealing with the performance audit. ▪ The previous performance audit was reported on in November 2014 and the subsequent audit is currently being undertaken (this audit). 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ Compliance reports dated 2015, 2016 and 2017 viewed. ▪ Letter dated 5 July 2018 from ERA approving SCE audit plan viewed. 	1
122	Electricity Industry Act, section 11	Distribution Licence condition 20.5 Generation Licence condition 20.5 Transmission Licence condition 20.5	A licensee must comply, and must require the licensee's expert to comply, with the relevant aspects of the ERA's standard audit guidelines for an asset management system review.	<ul style="list-style-type: none"> ▪ SCE has previously complied with, and continues to comply with the Authority's standard audit guidelines dealing with the asset management system review. ▪ The previous asset management system review was reported on in November 2014 and the subsequent review is currently being undertaken (this review). 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ Audit Report – Performance Audit and Asset Management Review – November 2014 ▪ Letter dated 5 July 2018 from ERA 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				approving SCE audit plan viewed.		
123	Electricity Industry Act, section 11	Distribution Licence condition 15.1 Generation Licence condition 15.1 Retail Licence condition 15.1 Transmission Licence condition 15.1	In the manner prescribed, a licensee must notify the ERA, if it is under external administration or if there is a significant change in the circumstances that the licence was granted which may affect the licensee's ability to meet its obligations.	<ul style="list-style-type: none"> ▪ No significant changes in circumstances have occurred over the audit period. ▪ SCE has not been under external administration during the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ Correspondence with ERA viewed. 	1
124	Electricity Industry Act, section 11	Distribution Licence condition 16.1 Generation Licence condition 16.1 Retail Licence condition 16.1 Transmission Licence condition 16.1	A licensee must provide the ERA, in the manner prescribed, with any information that the ERA requires in connection with its functions under the Electricity Industry Act.	<ul style="list-style-type: none"> ▪ SCE has complied with the requirements over the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ Compliance reports dated 2015, 2016 and 2017 viewed. ▪ SCE correspondence with the ERA 	1
125	Electricity Industry Act, section 11	Distribution Licence condition 17.1 and 17.2 Generation Licence condition 17.1 and 17.2 Retail Licence condition 17.1 and 17.2 Transmission Licence	A licensee must publish any information as directed by the ERA to publish, within the timeframes specified.	<ul style="list-style-type: none"> ▪ SCE has not been directed to publish any information by the Authority during the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ Compliance reports dated 2015, 2016 and 2017 viewed. ▪ SCE correspondence with the ERA 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
		condition 17.1 and 17.2				
126	Electricity Industry Act, section 11	Distribution Licence condition 18.1 Generation Licence condition 18.1 Retail Licence condition 18.1 Transmission Licence condition 18.1	All notices must be in writing, unless otherwise specified.	<ul style="list-style-type: none"> No Notices have been required by the Authority The licensee has not undertaken any actions that required notifying the Authority in writing. 	<ul style="list-style-type: none"> Interview with Troy Forward. SCE correspondence with the ERA 	Nr
127	Electricity Industry Act, section 11	Distribution Licence, condition 29.1	A distributor must create and maintain a Priority Restoration Register.	<ul style="list-style-type: none"> Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016), SCE is not required to maintain a priority restoration register where the distribution system transports electricity to one customer. However, SCE has a Priority register established in its PPA. This register is maintained in SCE's control system. 	<ul style="list-style-type: none"> Interview with Troy Forward. PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
128	Electricity Industry Act, section 11	Distribution Licence, condition 29.1	The Priority Restoration Register must comply with any criteria determined by the Minister.	<ul style="list-style-type: none"> Under Schedule 2, Clause 1.1 of SCE's, Distribution licence EDL3, Version 7 (5 September 2016), SCE is not required to maintain a priority restoration register where the distribution system transports electricity to one customer. For the period before the introduction of the clause in its Distribution licence, SCE complied with this obligation. 	<ul style="list-style-type: none"> Interview with Troy Forward. PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 ERAWA SCE Energy Distribution Licence, EDL3, Version 7, 5 September 2016 	1
320	Distribution Licence, condition 5.1	Electricity Industry Metering Code, clause 3.2(1)	An accumulation meter must at least conform to the requirements specified in the applicable metrology procedure and display, or permit access to a display of the measurements that are specified in	<ul style="list-style-type: none"> SCE has accumulation meters with display panels. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Transmission Licence, condition 5.1		subclauses 3.2(1)(a)(b) using dials, a cyclometer, an illuminated display panel or some other visual means.		<ul style="list-style-type: none"> ▪ SCE Compliance Reports viewed ▪ Site visit to SCE sites in Kalgoorlie to inspect assets and operations 	
321	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.3(1)	An interval meter must at least have an interface to allow the interval energy data to be downloaded in the manner prescribed using an interface compatible with the requirements specified in the applicable metrology procedure.	<ul style="list-style-type: none"> ▪ SCE does not have interval meters as required by Appendix 1 - Table 3, nor a metrology procedure. SCE Interval accumulation is carried out in the control system (PLC). ▪ This obligation is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and accuracy requirements specified in Part 3 of the 2012 Metering Code. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ SCE Compliance Reports viewed ▪ Site visit to SCE sites in Kalgoorlie to inspect assets and operations 	Na
322	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.3(3)	If a metering installation is required to include a communications link, the link must, where necessary, include a modem and isolation device approved under the relevant telecommunications regulations that allows the interval energy data to be downloaded in the manner prescribed.	<ul style="list-style-type: none"> ▪ SCE's retailer and customers have no requirement for a communication link to download interval energy data. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ SCE Compliance Reports viewed ▪ Site visit to SCE sites in Kalgoorlie to inspect assets and operations 	Nr
323	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.3A(1)	A network operator must ensure that bi-directional electricity flows do not occur at a metering point unless the metering installation for the metering point is capable of separately measuring and recording electricity flows in each direction.	<ul style="list-style-type: none"> ▪ SCE has complied with this obligation. ▪ SCE's meters are capable of measuring bi-directional flow at locations where bidirectional flow may exist. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ SCE Compliance Reports viewed ▪ Site visit to SCE sites in Kalgoorlie to inspect assets and operations 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
					inspect assets and operations	
324	Distribution Licence, condition 5.1 Generation Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.3B	If a user is aware of bi-directional electricity flows at a metering point that was not previously subject to a bi-directional flows or any changes in a customer's or user's circumstances in a metering point that will result in bi-directional flows, the user must notify the network operator within 2 business days.	<ul style="list-style-type: none"> SCE has not become aware of a metering point which was not previously subject to bi-directional electricity flow becoming subject to bi-directional flow over the audit period 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie SCE Compliance Reports viewed Site visit to SCE sites in Kalgoorlie to inspect assets and operations 	Nr
325	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.3C	An accumulation meter or an interval meter that separately measures and records bi-directional electricity flows at the metering point must record: <ul style="list-style-type: none"> the net electricity production transferred into the network that exceeds electricity consumption; and the net electricity consumption transferred out of the network that exceeds electricity production. 	<ul style="list-style-type: none"> SCE has complied with this obligation. All SCE bi-directional metering points have the capability to record the net electricity production transferred into the network that exceeds electricity consumption and the net electricity consumption transferred out of the network that exceeds production. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie SCE Compliance Reports viewed Site visit to SCE sites in Kalgoorlie to inspect assets and operations 	1
326	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.5(1) and (2)	A network operator must ensure that there is a metering installation at every connection point on its network that is not a Type 7 connection point. Unless it is a Type 7 metering installation, the metering installation must meet the functionality requirements prescribed.	<ul style="list-style-type: none"> SCE South has meters installed only at its gas turbines and the Western Power (Boulder) connection point. SCE has installed Type 2, 0.5 class CT and VT meters. Energy POS per the contract are not metered, however, individual loads on SCE's network are derived in our control system. The difference between what's generated and the net of what goes to WPC goes to SCE's customer. However, the meters that are installed are incorrect per the requirements of Appendix 1 - Table 3. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie SCE Compliance Reports viewed PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	2

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> ▪ Previously SCE has reported compliance against this obligation based on its view that clause 3.14(1) can be relied upon for clause 3.5(2). Based on this opinion, SCE is not required to upgrade, modify or replace a metering installation commissioned before 23 December 2005. ▪ SCE has not complied with 3.5(1) as SCE does not have metering installation at every connection point. However, SCE has reported as non-compliant due to the 'absence' of metering, which may not be covered by the exemption applicable to 'existing' metering. 		
327	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.5(3)	For each metering installation on its network, a network operator must provide, install, operate and, subject to subclause 3.7(5), maintain the metering installation in the manner prescribed, unless otherwise agreed.	<ul style="list-style-type: none"> ▪ There were no new meters installed during the audit period. ▪ SCE has in place Power Purchase Agreements with its customer specifying requirements for maintaining meter installations and connections per Good Engineering and Operating Practices, e.g. testing metering accuracy, remedying any faults, etc., which are more onerous than the requirements of this clause. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ SCE Compliance Reports viewed ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
328	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.5(4)	Except for a Type 7 metering installation, a network operator must ensure that the metering point for a revenue metering installation is located as close as practicable to the connection point in accordance with good electricity industry practice.	<ul style="list-style-type: none"> ▪ The meters that SCE has in place were installed prior to the Metering Code coming into effect. SCE has taken the view that the meters do not comply with the accuracy requirements for the meters to be considered as revenue meters under the Code. ▪ As such, SCE considers that it does not have revenue meters at this point in time and there are no plans to replace these meters at present. Therefore, the obligation is considered not able to be rated for the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ SCE Compliance Reports viewed ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> SCE has in place Power Purchase Agreements with its customers specifying meter installations and connections as per Good Engineering and Operating Practices. 		
329	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.5(6)	A network operator may only impose a charge for providing, installing, operating or maintaining a metering installation in accordance with the applicable service level agreement that it has with the user.	<ul style="list-style-type: none"> SCE has in place Power Purchase Agreements with its customers and as per the PPA, there is no charge for metering installations. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie SCE Compliance Reports viewed PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
330	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.5(9)	If a network operator becomes aware that a metering installation does not comply with the Code, it must advise affected parties of the non-compliance and arrange for the non-compliance to be corrected as soon as practicable.	<ul style="list-style-type: none"> SCE's meter installation pre-dates the requirements of the Code. Therefore, this obligation is considered to be not applicable. The PPA (clause 8.6) currently identifies that there is no obligation for SCE to change its meters and that the meters are adequate for the purposes of the PPA. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	Na
331	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.7	All devices that may be connected to a telecommunications network must be compatible with the telecommunications network and comply with all applicable State and Commonwealth enactments.	<ul style="list-style-type: none"> SCE does not have "devices" connected to a telecommunications network. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
332	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.8	Subject to clause 3.27, a network operator must ensure that each metering installation on its network is secured by devices or methods that hinder unauthorized access and enable unauthorized access to be detected, consistent with the standards of good electricity industry practice.	<ul style="list-style-type: none"> SCE maintains its meter installations securely. Unauthorised access is prevented and restricted through control of metering installations. The meters are located on private property and access is strictly controlled 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
336	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.10	A network operator must ensure that any programmable settings in any of its metering installations, data loggers or peripheral devices, which may affect the resolution of displayed or stored data, satisfy the relevant requirements specified in the applicable metrology procedure and comply with any applicable instructions by the National Measurement Institute under the National Measurement Act.	<ul style="list-style-type: none"> SCE has appropriate measures in place concerning programmable settings in regards to how it affects data resolution and accuracy. However, SCE does not have a metrology procedure specifying the relevant requirements for which the measures must comply. This requirement is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and accuracy requirements specified in Part 3 of the 2012 Metering Code. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	Na
337	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.11(1)	A network operator must ensure that a metering installation on its network is operating consistently with good electricity industry practice to measure and record data, and permits the collection of data within the time specified in the applicable service level agreement, for at least the percentages of the year specified.	<ul style="list-style-type: none"> SCE as a network operator operates in accordance with good engineering operating practice and has entered into a PPA with its customer detailing information provision requirements. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
338	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.11(2)	If an outage or malfunction occurs to a metering installation, the network operator must repair the metering installation in accordance with the applicable service level agreement.	<ul style="list-style-type: none"> SCE has complied with the requirements. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
340	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.11A(1)	A network operator must ensure that the meters on its network are systematically sampled and tested for accuracy in accordance with AS 1284.13.	<ul style="list-style-type: none"> The requirement for accuracy of meters is covered by the PPA. The standard requires unity and 0.5pf. The periodicity of testing is more frequent than that prescribed in AS 1284 and 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie Global Testing Services - Accuracy 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				covers all revenue meters, not just a sample set.	<ul style="list-style-type: none"> ▪ Verification Of Power Meter Test Report, January 2018 ▪ Global Testing Services - Power Meter Calibrations Test Report, December 2016 	
341	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.11A(2)	Subject to clause 3.11A(3), if a "population" of meters is deemed to have failed under AS 1284.13, the network operator must ensure that all of the meters in that population are removed and replaced with new meters within 3 years of the testing of the population.	<ul style="list-style-type: none"> ▪ No population of meters is deemed to have failed under AS1284.13. ▪ The PPA stipulates that all meters are tested every 24 months. ▪ The PPA stipulates that if any tests deem a meter to be inaccurate then that meter will be repaired. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 ▪ Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 ▪ Global Testing Services - Power Meter Calibrations Test Report, December 2016 	Nr
342	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.12(1)	A network operator must ensure that each metering installation complies with at least the prescribed design requirements.	<ul style="list-style-type: none"> ▪ SCE does not have revenue meters, check meters, separate wiring on VTs and has complied with all the prescribed design requirements ▪ This requirement is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	Na

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				accuracy requirements specified in Part 3 of the 2012 Metering Code.		
343	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.12(2)	A network operator must ensure that instrument transformers in its metering installations comply with the relevant requirements of any applicable specifications or guidelines, including any transitional arrangements, specified by the National Measurement Institute under the National Measurement Act and any requirements specified in the applicable metrology procedure.	<ul style="list-style-type: none"> ▪ SCE has complied with the obligation. ▪ However, the requirement is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and accuracy requirements specified in Part 3 of the 2012 Metering Code. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	Na
344	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.12(3)	A network operator must provide isolation facilities of a standard consistent with good electricity industry practice, to facilitate testing and calibration of the metering installation.	<ul style="list-style-type: none"> ▪ SCE has complied with the obligation. ▪ Calibration and testing is undertaken under the terms of the PPA. Isolation facilities of a standard consistent with good electricity industry practice are in place to facilitate testing and calibration of the metering installations. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 ▪ Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 ▪ Global Testing Services - Power Meter Calibrations Test Report, December 2016 	1
345	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.12(4)	A network operator must maintain drawings and supporting information, of a standard consistent with good electricity industry practice, to detail the metering installation for maintenance and auditing purposes.	<ul style="list-style-type: none"> ▪ SCE has complied with the requirements. 	<ul style="list-style-type: none"> ▪ Australian Management System viewed 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
346	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.13(1)	A network operator must procure the user, or the user's customer, to install, or arrange for the installation of, a full check metering installation or partial check metering installation in accordance with the prescribed requirements.	<ul style="list-style-type: none"> The Code requires that for output >1000GWh per annum that SCE must procure the user to install full check meters. SCE do not have full check meters installed. However, SCE does have partial check metering installation through its SCADA system SCE's meters were installed before Metering Code came into force and, as such, it considers that its meter installations are grandfathered. As a result of the age of the meters (20-25 years), SCE has relied on the grandfathering clause as its meters may not comply fully with the requirements for meters under the Code. SCE has a service level agreement with its customers under which both parties have agreed that the meters are adequate. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
347	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.13(3)(c)	A partial check metering installation must be physically arranged in a manner determined by the network operator, acting in accordance with good electricity industry practice.	<ul style="list-style-type: none"> SCE complies with 'partial check' requirements in that SCE uses SCADA data. This requirement is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and accuracy requirements specified in Part 3 of the 2012 Metering Code. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Na
348	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.13(4)	A check metering installation for a metering point must comply with the prescribed requirements.	<ul style="list-style-type: none"> SCE does not use check meters. This requirement is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of 	<ul style="list-style-type: none"> Interview with Troy Forward 	Na

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and accuracy requirements specified in Part 3 of the 2012 Metering Code.		
349	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.14(3)	If, under clause 3.14(2), a metering installation uses metering class CTs and VTs that do not comply with the Table 3 in Appendix 1, then the network operator must install meters of a higher class accuracy and/or apply accuracy calibration factors within the meter to compensate for CT and VT errors, in order to achieve the accuracy requirements in Table 3 in Appendix 1.	<ul style="list-style-type: none"> ▪ SCE's meters were installed and commissioned before commencement of this Code. ▪ This requirement is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and accuracy requirements specified in Part 3 of the 2012 Metering Code. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Na
355	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.20(1)	If reasonably requested by a Code participant, a network operator must provide enhanced technology features in a metering installation.	<ul style="list-style-type: none"> ▪ SCE has not received a request to provide enhanced technology features 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
356	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.20(3)	A network operator may only impose a charge for the provision of metering installations with enhanced technology features in accordance with its applicable service level agreement with the user.	<ul style="list-style-type: none"> ▪ SCE has not imposed a charge for metering installation 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
357	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.21(1)	Meters containing an internal real time clock must maintain time accuracy as prescribed. Time drift must be measured over a period of 1 month.	<ul style="list-style-type: none"> ▪ SCE do not measure time drift as specified by the code for its meters SCE's meters are accumulation meters and do not contain internal real time clocks ▪ This obligation is not applicable due to the transitional provisions in the <i>Electricity Industry (Metering) Code 2012</i>, which provide exemptions for meters installed prior to the commencement of the <i>Electricity Industry (Metering) Code 2005</i> from the majority of testing and 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ SCE Compliance Reports viewed. 	Na

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				accuracy requirements specified in Part 3 of the 2012 Metering Code		
358	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.21(2)	If a metering installation includes measurement elements and an internal data logger at the same site, it must include facilities on-site for storing the interval energy data for the periods prescribed.	<ul style="list-style-type: none"> SCE does not have interval meters. SCE interval accumulation is carried out in the control system (PLC). Therefore, this obligation has been rated as not applicable. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Na
359	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.22	A network operator providing one or more metering installations with enhanced technology features must be licensed to use, and access, the metering software applicable to all devices being installed and be able to program the devices and set parameters.	<ul style="list-style-type: none"> SCE does not provide meters with enhanced technology features 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
360	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.23(a)	Where signals are provided from the meter for the user or the user's customer, a network operator must ensure that signals are isolated by relays or electronic buffers to prevent accidental or malicious damage to the meter.	<ul style="list-style-type: none"> SCE has complied with this obligation 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
361	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 3.23(b)	Where signals are provided from the meter for the user or the user's customer, a network operator must provide the user, or the user's customer, with sufficient details of the signal specification to enable compliance with clause 3.23(c) of the Code.	<ul style="list-style-type: none"> SCE has complied with this obligation 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
362	Retail Licence, condition 5.1	Electricity Industry Metering Code, clause 3.24A(1)	If a retailer requests a network operator to install a pre- payment meter at a connection point, then the pre-payment meter must be sufficient to enable the retailer to comply with the retailer's obligations under the Code of Conduct.	<ul style="list-style-type: none"> SCE has not received a request to install a pre-payment meter within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
363	Retail Licence, condition 5.1	Electricity Industry Metering	If a retailer requests a network operator to replace a pre- payment meter at a connection point with a meter that is not a pre-payment meter, then the network	<ul style="list-style-type: none"> SCE has not received a request to install a pre-payment meter within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
		Code, clause 3.24B(1)	operator must do so in accordance with this Code and the Code of Conduct.			
364	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has not installed any metering installations within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
366	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.1(1)	A network operator must establish, maintain and administer a metering database containing standing data and energy data for each metering point on its network.	<ul style="list-style-type: none"> SCE has complied with this obligation. SCE stores meter data on commercial databases. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
367	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.1(2)	A network operator must ensure that its metering database with its associated links, circuits, information storage and processing systems are secured by devices or methods consistent with a good industry practice to hinder unauthorised access and enable unauthorised access to be detected.	<ul style="list-style-type: none"> SCE has complied with this obligation. There is an IT policy in place to protect access to the database. Access has to be granted in order for access to be possible. 	<ul style="list-style-type: none"> IT Policy viewed. 	1
368	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.1(3)	A network operator must prepare and, if applicable, implement a disaster recovery plan to ensure that it is able, to rebuild the metering database and provide energy data to Code participants within 2 business days after the day of any disaster.	<ul style="list-style-type: none"> SCE has an Emergency Management Policy and also a Standard. Under this there are individual plans for crisis management, threat responses, communications plan and IT contingency. Under this there are business unit plans for emergency response and continuity. The Emergency Management Standard defines the TransAlta Corporate Emergency Management Program through documentation, procedures and activities to be used by the TransAlta Corporation and its wholly owned subsidiaries. The standard specifies that it is to be used prior to, during and post emergency situations. 	<ul style="list-style-type: none"> Interview with Matt Kenneday, Nigel Feletti Emergency Management Policy Emergency Management Standard 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> ▪ The Emergency Management Standard sets out the emergency policies, the management program with all the relevant management plans, leadership and accountability details , training and evaluation requirements and processes and the executive review processes for the Standard. ▪ Data is backed on a daily basis to the Calgary server. In the event of a disaster the Calgary server is able to recover all lost information. ▪ In the event of a disaster, all data is able to be recovered expediently as part of SCE's disaster recovery and business continuity plan. 		
369	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.2(1)	A network operator must ensure that its registry complies with the Code and the prescribed clause of the market rules.	<ul style="list-style-type: none"> ▪ SCE has complied with this obligation as there is no registry to be non-compliant. ▪ The registry that holds the standing data for SCE's metering points is maintained by Western Power. ▪ SCE's network does not form part of the Wholesale Electricity Market therefore the market rules do not apply. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
370	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.3(1)	The standing data for a metering point must comprise at least the items specified.	<ul style="list-style-type: none"> ▪ The Licensee has provided a complete print out of the registry information which contains the standing data required by the code and additional data. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
371	Distribution Licence, condition 5.1 Generation Licence condition 5.1	Electricity Industry Metering Code, clause 4.4(1)	If there is a discrepancy between energy data held in a metering installation and in the metering database, the affected Code participants and the network operator must liaise to determine the most appropriate way to resolve the discrepancy.	<ul style="list-style-type: none"> ▪ Any instance of incorrect energy data due to loss of communications are identified and rectified with SCE customers before invoicing. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Retail Licence condition 5.1 Transmission Licence, condition 5.1					
372	Distribution Licence, condition 5.1 Generation Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.5(1)	A Code participant must not knowingly permit the registry to be materially inaccurate.	<ul style="list-style-type: none"> ▪ SCE have not knowingly permitted the registry to be materially inaccurate. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	1
373	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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 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.	<ul style="list-style-type: none"> ▪ No such event has occurred within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	Nr
374	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.6(1)	If the network operator is notified of a change to, or inaccuracy in, an item of standing data by a Code participant that is the designated source for the item of standing data under Table 2 in clause 4.3(1), then the network operator must update the registry to reflect the change to, or correct the inaccuracy in, the standing data.	<ul style="list-style-type: none"> ▪ SCE has not received any notices within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	Nr
375	Distribution Licence, condition 5.1	Electricity Industry Metering Code, clause 4.6(2)	If a network operator is notified of a change to, or inaccuracy in, an item of standing data by a Code participant which is not the designated source for the item of standing data, or otherwise becomes aware of a change to or inaccuracy in an	<ul style="list-style-type: none"> ▪ SCE has not received any notices within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Transmission Licence, condition 5.1		item of standing data, then the network operator must undertake investigations to the standard of good electricity industry practice to determine whether the registry should be updated, and update the registry as required.			
376	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.7(1)	If standing data for a metering point is updated in the registry, the network operator must, within 2 business days after the update (or such other time as is specified in the applicable service level agreement) notify the update to the current user and each previous user, if the updated standing data relates to a period or periods when the previous user was the current user.	<ul style="list-style-type: none"> ▪ No updates have been made to standing data within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	Nr
377	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.8(3)	A network operator must allow a user who is a retailer or a generator to have local and, where a suitable communications link is installed, remote access to the energy data for metering points at its associated connection points, using a password provided by the network operator that provides 'read only' access.	<ul style="list-style-type: none"> ▪ SCE can allow its users to have access. (SCE is both network operator and retailer). ▪ Nickel West is technically a retailer to third party users. Nickel West has local access to the metering installations and local data. Provision of this data is covered by the PPA. ▪ There have been no requests for remote access to the energy data for the metering points and, therefore, a suitable communication link for remote data provision is not installed. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 	1
378	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.8(3A)	A network operator must allow a user who is a retailer or a generator to have access to data held in its metering database for metering points at its associated connection points, by means of a website, or otherwise by remote access to a "data storage device" as that expression is defined in the Electronic Transactions Act 2003), using a password provided by the network operator which provides 'read only' access.	<ul style="list-style-type: none"> ▪ SCE can allow its users to have access. (SCE is both network operator and retailer). ▪ Nickel West is technically a retailer to third party users. Nickel West has local access to the metering installations and local data. Provision of this data is covered by the PPA. ▪ There have been no requests for remote access to the energy data for the 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013. 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				metering points and, therefore, a suitable communication link for remote data provision is not installed.		
379	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.8(4)(a)	A network operator must have devices and methods in place to ensure that energy data held in its metering installation is secured from unauthorised local or remote access using the methods prescribed	<ul style="list-style-type: none"> ▪ SCE has security devices, controls and passwords in place in accordance with its IT policy. 	<ul style="list-style-type: none"> ▪ Systems with password protection viewed. 	1
380	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.8(4)(b)	A network operator must have devices and methods in place to ensure that the data held in its metering database is secured from unauthorised local, or remote, access using the methods prescribed.	<ul style="list-style-type: none"> ▪ SCE has security devices, controls and passwords in place in accordance with its IT policy. 	<ul style="list-style-type: none"> ▪ Systems with password protection viewed. 	1
381	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.8(5)	Without limiting subclause 4.8(4), a network operator must ensure that electronic passwords and other electronic security controls are only issued to the specified authorised personnel and otherwise keep its records of electronic passwords, and other electronic security controls, secure from unauthorised access.	<ul style="list-style-type: none"> ▪ SCE has security devices, controls and passwords in place in accordance with its IT policy. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. ▪ IT Policy 	1
382	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 4.9	A network operator must retain energy data in its metering database for each metering point on its network, including any energy data that has been replaced under subclause 5.24, for at least the periods, and with the level of accessibility, prescribed.	<ul style="list-style-type: none"> ▪ SCE has complied with this obligation. ▪ SCE's commercial database has data going back to 2006 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	1
383	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.1 (1)	A network operator must use all reasonable endeavours to accommodate another Code participant's requirement to obtain a metering service and requirements in connection with the negotiation of a service level agreement.	<ul style="list-style-type: none"> ▪ There have been no such requirements within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward. 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
384	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.1(2)	Without limiting subclause 5.1(1), a network operator must expeditiously and diligently process all requests for a service level agreement and negotiate its terms in good faith, and, to the extent reasonably practicable in accordance with good electricity industry practice, permit a Code participant to acquire a metering service containing only those elements of the metering service which the Code participant wishes to acquire.	<ul style="list-style-type: none"> There have been no such requirements within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward. 	Nr
385	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.3	A network operator must, for each metering point on its network, obtain energy data from the metering installation and transfer the energy data into its metering database by no later than 2 business days after the date for the scheduled meter reading for the metering point (or such other time as is specified in the applicable service level agreement).	<ul style="list-style-type: none"> SCE has complied with the requirements 	<ul style="list-style-type: none"> Interview with Troy Forward. 	1
386	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.4(1)	A network operator must, for each meter on its network, at least once in every 12 month period undertake a meter reading that provides an actual value that passes the validation processes in Appendix 2.	<ul style="list-style-type: none"> SCE has complied with this obligation. SCE takes manual meter reads daily and monthly. Meter readings are verified by cross checking and separation of duties. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
387	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.4(1A)	The meter reading referred to in clause 5.4(1) must not be undertaken by the customer associated with the meter, and must be undertaken by a person who is employed or appointed by the network operator and who is suitably skilled in accordance with good electricity industry practice to carry out meter readings.	<ul style="list-style-type: none"> SCE has complied with this obligation. Meter readings are not undertaken by the customer as SCE employs qualified and trained high voltage technicians to take manual readings of customer associated meters on a monthly basis. Meter readings are also verified by cross checking and separation of duties. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	1
388	Generation Licence condition 5.1	Electricity Industry Metering	A user must, when reasonably requested by a network operator, assist the network operator to comply with the network	<ul style="list-style-type: none"> SCE has complied with this regulation. SCE has assisted the network operator when requested. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Retail Licence condition 5.1	Code, clause 5.4(2)	operator's obligation under subclause 5.4(1).			
389	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.5(2)	Subject to subclause 5.5(2A)(b), a network operator may impose a charge for the provision of data, but only if a user has requested the energy data to the extent permitted by, and in accordance with the applicable service level agreement between it and the user, and if a customer has given a direction under subclause 5.17A(1), in accordance with the prescribed conditions.	<ul style="list-style-type: none"> ▪ No charges have been imposed for the provision of data between network operator and retailer 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
390	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.5(2A)	A network operator must not impose a charge for the provision of standing data and for the provision of energy data if another enactment prohibits it doing so.	<ul style="list-style-type: none"> ▪ SCE has not imposed a charge for the provision of standing data. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	1
391	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.6(1)	Subject to subclause 5.6(2), a network operator must provide validated, and where necessary, substituted or estimated energy data for a metering point to the user for the metering point and the IMO within the timeframes prescribed in subclause 5.6(1)(2).	<ul style="list-style-type: none"> ▪ Western Power is the network operator at the Kambalda Town point where substituted or estimated energy data is/was required. Therefore, Western Power is responsible for notifying the IMO of changes within the prescribed time. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
392	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.7	If a replacement energy data value is inserted in a metering database for a metering point, the network operator must provide replacement energy data to the user for the metering point and the IMO within the timeframes prescribed.	<ul style="list-style-type: none"> ▪ Western Power is the network operator at the Kambalda Town point where substituted or estimated energy data is/was required. Therefore, Western Power is responsible for notifying the IMO of changes within the prescribed time. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
397	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.12(1)	If a user gives a network operator an energy data request for a metering point in accordance with the communication rules, and the energy data request relates only to a time or times for which the user was the current user at the metering point, then the network operator must provide a	<ul style="list-style-type: none"> ▪ SCE as a network operator has not received such a request in the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
			user with a complete set of energy data for the metering point within the timeframes prescribed.			
398	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.13	If the current user for a metering point gives the network operator a standing data request for the metering point in accordance with the communication rules then the network operator must provide the current user with a complete current set of standing data for a metering point and advise whether there is a communications link for the metering point, within the timeframes prescribed.	<ul style="list-style-type: none"> ▪ No request for standing data has been received within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
399	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.14(3)	If a user makes a bulk standing data request, the network operator must in accordance with the communication rules, acknowledge receipt of the request and provide the requested standing data within the timeframes prescribed.	<ul style="list-style-type: none"> ▪ No request for standing data has been received within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
400	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.15	If a network operator provides energy data to a user or the IMO it must also provide the date of the meter reading in accordance with the requirements specified.	<ul style="list-style-type: none"> ▪ SCE has complied with the requirements. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	1
401	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> ▪ SCE is both network operator and retailer. SCE as a user has not collected any data required to be provided to network operator Western Power. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
402	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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	<ul style="list-style-type: none"> ▪ SCE has complied with the requirements. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
			for the purpose of providing metering services to the customer.			
403	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.17A(1)	A network operator must provide data for a metering point from its metering database to a person if (and to the extent that) the customer associated with the metering point gives the network operator a direction to do so that complies with subclause 5.17A(2).	<ul style="list-style-type: none"> SCE has not received any requests for information during the audit period. The requirements for providing data are covered under the PPA. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	Nr
404	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.17A(3)	A network operator must comply with a direction under subclause 5.17A(1) within the timeframes prescribed.	<ul style="list-style-type: none"> SCE has not received any requests for information during the audit period. The requirements for providing data are covered under the PPA. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	Nr
405	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE is both network operator, generator and retailer. Information is shared between them. SCE as a user has not collected or received information regarding a change in energisation status of a metering point. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
406	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has complied with the requirements. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
407	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has complied with the requirements. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
408	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE as a retailer and generator has not become aware of any change in attribute. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
409	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.19(5)	A network operator must give notice to a user, or (if there is a different current user) the current user, acknowledging receipt of any customer, site or address attributes from the user within the timeframes prescribed.	<ul style="list-style-type: none"> SCE as a network operator has not received any customer, site or address attributes. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
410	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has complied with the requirements. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
414	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.21(2)	A network operator must comply with any reasonable request under subclause 5.21(1).	<ul style="list-style-type: none"> SCE has not received any requests for meter testing during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
415	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.21(4)	A test or audit under subclause 5.21(1) is to be conducted in accordance with the metrology procedure and the applicable service level agreement.	<ul style="list-style-type: none"> SCE has not received any requests for meter testing during the audit period. The applicable service level agreement is included in the PPA. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
417	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> No request to test or audit has been made within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
418	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.21(8)	A network operator may only impose a charge for the testing of the metering installations, or auditing of information from the meters associated with the metering installations, or both, in accordance with the applicable service level agreement between it and the user.	<ul style="list-style-type: none"> ▪ SCE as network operator has not imposed a charge for the testing of metering installations of the audit of information from meters associated with the metering installation during the audit period. ▪ The applicable service levels are set out in the PPA between SCE and its customer. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	Nr
419	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.21(9)	Any written service level agreement entered into under subclause 5.21(7) must include a provision that no charge is to be imposed if the test or audit reveals a non-compliance with this Code.	<ul style="list-style-type: none"> ▪ As per the PPA, the cost of testing and auditing lies with SCE. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1
420	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.21(11)	If a test or audit shows that the accuracy of the metering installation or information from the meter associated with the metering installation does not comply with the requirements under this Code, the network operator must advise the affected parties as soon as practicable of errors detected under a test or audit, the possible duration of the errors, and must restore the accuracy of the metering installation in accordance with the applicable service level agreement.	<ul style="list-style-type: none"> ▪ No errors have been identified that require the affected party to be notified during the audit period. ▪ This requirement is covered by the PPA. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd, 30 November 2013 ▪ Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 ▪ Global Testing Services - Power Meter Calibrations Test Report, December 2016 ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
421	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.21(12)	The original stored error correction data in a meter must not be altered except during accuracy testing and calibration of a metering installation.	<ul style="list-style-type: none"> No data has been altered during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
422	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.22(1)	A network operator must validate energy data in accordance with this Code applying, as a minimum, the prescribed rules and procedures set out in Appendix 2 and must, where necessary, substitute and estimate energy data under this Code applying, as a minimum, the prescribed rules and procedures set out in Appendix 3.	<ul style="list-style-type: none"> Although SCE validates its energy data, it considers that the methodologies it uses do not fully comply with the prescribed validation rules and procedures set out in Appendix 2 and the prescribed substitution and estimation rules and procedures set out in Appendix 3. Procedures for validation, substitution and estimation are set out in the PPA that SCE has agreed with its customer (Section 8.6 Electricity metering of the PPA). Installation of SCE's metering pre-dates the requirements of the Code and it considers that it is non-compliant. However, as advised by the Authority on 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. 	<ul style="list-style-type: none"> Interview with Troy Forward 	2
423	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.22(2)	The network operator must use check metering data, where available, to validate energy data provided that the check metering data has been appropriately adjusted for differences in metering installation accuracy in accordance with subclause 3.13.	<ul style="list-style-type: none"> No data has been altered during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
424	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.22(3)	If a check meter is not available or energy data cannot be recovered from the metering installation within the time required under this Code, then the network operator must prepare substitute values using a method contained in	<ul style="list-style-type: none"> SCE does not employ check meters. Substitute values are estimated by SCE where necessary. The requirements for substitute values are covered in the PPA between SCE and its customer. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
			Appendix 3 and agreed where necessary with the relevant Code participants.		Nickel West Pty Ltd viewed.	
425	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.22(4)	If a network operator detects a loss of energy data or incorrect energy data from a metering installation, it must notify each affected Code participant of the loss or error within 24 hours after detection.	<ul style="list-style-type: none"> ▪ Substitute values are estimated by SCE where necessary. The requirements for substitute values are covered in the PPA between SCE and its customer. ▪ We note that SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant. ▪ SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure. However, as advised by the ERAWA on 18 December 2014, the ERAWA accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	2
426	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.22(5)	Substitution or estimation of energy data is required when energy data is missing, unavailable or corrupted, including in the circumstances described in this subclause.	<ul style="list-style-type: none"> ▪ Although SCE substitutes and estimates energy data when required, it considers that the methodologies it uses do not fully comply with the prescribed substitution and estimation rules and procedures set out in Appendix 3. ▪ Procedures for validation, substitution and estimation are set out in the PPA that SCE has agreed with its customer (Section 8.6 Electricity metering of the PPA). ▪ Installation of SCE's metering pre-dates the requirements of the Code and SCE considers that it is non-compliant. However, as advised by the Authority on 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. ▪ Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 ▪ Global Testing Services - Power Meter Calibrations 	2

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
					Test Report, December 2016	
427	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.22(6)	A network operator must review all validation failures before undertaking any substitution.	<ul style="list-style-type: none"> The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs. Validation checks and error corrections are made to data using an automated routine when importing data into the database which is consistent with this obligation. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 Global Testing Services - Power Meter Calibrations Test Report, December 2016. 	1
428	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.23(1)	If a network operator determines that there is no possibility of determining an actual value for a metering point, then the network operator must designate an estimated or substituted value for the metering point to be a deemed actual value for the metering point.	<ul style="list-style-type: none"> The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs. Validation checks and error corrections are made to data using an automated routine when importing data into the database which is consistent with this obligation. However, no instances have occurred within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 Global Testing Services - Power Meter Calibrations 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
429	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.23(3)	If a network operator has designated a deemed actual value for a metering point then the network operator must repair or replace the meter or one or more of components of metering equipment (as appropriate) at the metering point and subclauses 5.24(3(c) and 5.24(4) apply in respect of the estimated or substituted value which was designated to be the deemed actual value.	<ul style="list-style-type: none"> The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs. Validation checks and error corrections are made to data using an automated routine when importing data into the database which is consistent with this obligation. However, no such event has occurred that has required replacement or repair of any meters within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 Global Testing Services - Power Meter Calibrations Test Report, December 2016 	Nr
430	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.24(1)	If a network operator uses an actual value (first value) for energy data for a metering point, and a better quality actual or deemed actual value is available (second value), the network operator must replace the first value with the second value if doing so would be consistent with good electricity industry practice.	<ul style="list-style-type: none"> The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs. Validation checks and error corrections are made to data using an automated routine when importing data into the database which is consistent with this obligation. Based on the validation checks and error corrections performed, SCE complies with the requirements of this clause. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 Global Testing Services - Power Meter Calibrations 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
431	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.24(2)	If a network operator uses a deemed actual value (first value) for energy data for a metering point, and a better quality deemed actual value is available (second value), then the network operator must replace the first value with the second value if doing so would be consistent with good electricity industry practice.	<ul style="list-style-type: none"> The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPA. Validation checks and error corrections are made to data using an automated routine when importing data into the database which is consistent with this obligation. Based on the validation checks and error corrections performed, SCE complies with the requirements of this clause. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 Global Testing Services - Power Meter Calibrations Test Report, December 2016. 	1
432	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.24(3)	If a network operator uses an estimated or substituted value (first value) for energy data for a metering point, and a better quality actual, deemed, estimated or substituted value is available (second value), then the network operator must replace the first value with the second value if doing so would be consistent with good electricity industry practice or the user and its customer jointly request it to do so.	<ul style="list-style-type: none"> The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPA. Validation checks and error corrections are made to data when importing data into the database which is consistent with this obligation. Based on the validation checks and error corrections performed, SCE complies with the requirements of this clause. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Global Testing Services - Accuracy Verification Of Power Meter Test Report, January 2018 Global Testing Services - Power Meter Calibrations 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
					Test Report, December 2016.	
433	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.24(4)	A network operator (acting in accordance with good electricity industry practice) must consider any reasonable request from a Code participant for an estimated or substituted value to be replaced under subclause 5.24.	<ul style="list-style-type: none"> No requests under subclause 5.24 of the Electricity Industry Metering Code have occurred during the audit period. All requests have been made under the conditions of the PPA in place between the parties (Nickel West & SCE). 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	Nr
434	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.25	A network operator must ensure the accuracy of estimated energy data in accordance with the methods in its metrology procedure and ensure that any transformation or processing of data preserves its accuracy in accordance with the metrology procedure.	<ul style="list-style-type: none"> SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant. SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure. However, as advised by the ERAWA on 18 December 2014, the ERAWA accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. Correspondence with ERA 	2
436	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.29	If a network operator makes an election under subclause 5.28 in respect of a network, then, (unless the election is terminated under the meter data agency agreement) the parties must undertake the activities prescribed, as applicable.	<ul style="list-style-type: none"> SCE and WPC have not entered into a metering data agency agreement as defined by the Electricity Industry Metering Code. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
437	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.30(1)	If a network operator makes an election under subclause 5.28 in relation to the network, then the parties must enter into an agreement in relation to the network, which must deal with at least the matters prescribed.	<ul style="list-style-type: none"> SCE and WPC have not entered into a metering data agency agreement as defined by the Electricity Industry Metering Code. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
438	Distribution Licence, condition 5.1	Electricity Industry Metering	If a network operator makes an election under subclause 5.28 in relation to a network, the electricity networks	<ul style="list-style-type: none"> SCE and WPC have not entered into a metering data agency agreement as 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Transmission Licence, condition 5.1	Code, clause 5.31(1)	corporation must assess the compliance of each metering installation in the network with this Code and notify the electing network operator of each non-compliant metering installation.	defined by the Electricity Industry Metering Code.		
439	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.31(2)	For each non-compliant metering installation notified under subclause 5.31(1)(b), the electing network operator may, by notice to the electricity networks corporation, require the electricity networks corporation to upgrade a non-compliant metering installation, in which case the electricity networks corporation must undertake the upgrade in accordance with the metering data agency agreement and good electricity industry practice.	<ul style="list-style-type: none"> ▪ SCE and WPC have not entered into a metering data agency agreement as defined by the Electricity Industry Metering Code. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
440	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.34(2)	Except to the extent that the metering data agency agreement provides otherwise, the costs which may be recovered by the electricity networks corporation under subclause 5.34(1) must not exceed the amounts prescribed.	<ul style="list-style-type: none"> ▪ SCE and WPC have not entered into a metering data agency agreement as defined by the Electricity Industry Metering Code. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
441	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 5.37(1)(a)	A network operator must for the year ending on each 30 June, prepare a report setting out the information listed in subclause 5.37(2) for each metering service it was requested during the year to provide or scheduled during the year to carry out.	<ul style="list-style-type: none"> ▪ Metering information and consumption reports are provided monthly and annually by SCE as a network operator to its retailer and customer. ▪ However, Division 5.5 (clauses 5.35 - 5.38) are not applicable to SCE due to no small use customers. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ Examples of monthly operating reports viewed 	Na
447	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.1(1)	A network operator must, in relation to its network, comply with the agreements, rules, procedures, criteria and processes prescribed.	<ul style="list-style-type: none"> ▪ SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure in full accordance with the requirements of the Electricity Industry Metering Code. However, SCE has a well-documented metrology procedure in the PPA with its customer which covers most of the requirements of the Code 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. ▪ Correspondence with ERA 	2

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The ERAWA advised SCE on 18 December 2014 that the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. The current PPA is dated 30 October 2013. 		
448	Generation Licence condition 5.1 Retail Licence condition 5.1	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.	<ul style="list-style-type: none"> SCE has complied with the requirements. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
448A	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.2	A network operator must, as soon as practicable and in any event no later than 6 months after the date this Code applies to it, submit to the ERA for its approval the prescribed documents in subclauses 6.2(a)-(d).	<ul style="list-style-type: none"> SCE has not submitted the prescribed documents in sub-clauses 6.2(a)-(d) to the ERA for approval. Therefore, SCE is non-compliant with the obligation. 	<ul style="list-style-type: none"> Interview with Troy Forward 	2
448B	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.18	A network operator must publish the document within 10 business days after notification of the ERA's approval under subclauses 6.13(1)(a)(i), 6.16 or 6.17.	<ul style="list-style-type: none"> SCE has not submitted any documents to the ERA for approval under subclauses 6.13(1)(a)(i), 6.16 or 6.17. Therefore, this obligation has not been rated. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
448C	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.19A(1)	A network operator must publish its communication rules as soon as practicable, and in any event within 6 months after the date this Code applies to it.	<ul style="list-style-type: none"> SCE has not published its communication rules. Therefore, SCE is non-compliant with the obligation. 	<ul style="list-style-type: none"> Interview with Troy Forward 	2
448D	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.19B(1)	Once communication rules have been published for a network under clause 6.19A, or amended under clause 6.21(3), the communication rules may only be amended thereafter in accordance with the communication rules made under subclause 6.7(1)(k) or clause 6.19C.	<ul style="list-style-type: none"> SCE has not amended its communication rules during the audit period. Therefore, this obligation has not been rated. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
449	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.20(4)	A network operator must amend any document in accordance with the ERA's final recommendation.	<ul style="list-style-type: none"> SCE has not received any request by the Authority to amend any documents within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
450	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 6.20(5)	The network operator must publish any document that has been amended under subclause 6.20(4).	<ul style="list-style-type: none"> SCE has had no documents amended under subclause 6.20(4) during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
451	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has complied with the requirements. Email, phone and postal address are available. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
452	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry Metering Code, clause 7.2(2)	A network operator must notify each Code participant of its initial contact details and of any change to its contact details at least 3 business days before the change takes effect.	<ul style="list-style-type: none"> SCE as a network operator has not changed its address during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
453	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has not received any requests during the audit period in relation to clause 7.2(4) of the Electricity Industry Metering Code. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
454	Generation Licence condition 5.1 Retail Licence condition 5.1	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.	<ul style="list-style-type: none"> SCE has not changed its contact details during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
455	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE as a code participant has not disclosed or permitted the disclosure of confidential information provided to it under or in connection with the code during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	1
456	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> SCE has not been required to disclose or permit the disclosure of confidential information that is required to be disclosed by the Code during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
457	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> There have been no disputes between Code participants within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
458	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> There have been no disputes between Code participants within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
459	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> There have been no disputes between Code participants within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
460	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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.	<ul style="list-style-type: none"> There have been no disputes between Code participants within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
461	Generation Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code, 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).	<ul style="list-style-type: none"> There have been no disputes between Code participants within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
462	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 8	A distributor or transmitter must, so far as reasonably practicable, disconnect the supply of electricity to installations or property in specified circumstances, unless it is in the interest of the customer to maintain the supply.	<ul style="list-style-type: none"> The electricity supply to SCE's customer's electrical installations during the audit period has complied with prescribed standards. There have been no such requests to disconnect the supply within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
463	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 8	A distributor or transmitter must, so far as reasonably practicable, disconnect the supply of electricity to installations or property in specified circumstances, unless it is in the interest of the customer to maintain the supply.	<ul style="list-style-type: none"> There have been no such requests to disconnect the supply within the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Nr
464	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 9	A distributor or transmitter must, as far as reasonably practicable, ensure that the supply of electricity is maintained and the occurrence and duration of interruptions is kept to a minimum.	<ul style="list-style-type: none"> SCE have ensured that the supply of electricity has been maintained and the occurrence and duration of interruptions has been kept to a minimum. There are heavy PPA financial penalties imposed for any interruptions to supply. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1
465	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code	A distributor or transmitter must, so far as reasonably practicable, reduce the effect of any interruption on a customer.	<ul style="list-style-type: none"> SCE have reduced the effect of any interruption on the customer. There are heavy PPA financial penalties imposed for any interruptions to supply. 	<ul style="list-style-type: none"> Interview with Troy Forward PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
		2005, clause 10(1)				
466	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 10(2)	A distributor or transmitter must consider whether, in specified circumstances, it should supply electricity by alternative means to a customer who will be affected by a proposed interruption.	<ul style="list-style-type: none"> ▪ There are strong financial disincentives for any interruptions to supply. ▪ SCE has back-up arrangements to minimise the interruption of supply to its customers including contract arrangements with Western Power, generation of electricity using higher cost fuel sources, etc. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1
470	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 14(8)	A distributor or transmitter must, on request, provide to an affected customer a free copy of an instrument issued by the Minister and of any notice given under section 14(7) of the Electricity Industry (Network Quality and Reliability of Supply) Code 2005.	<ul style="list-style-type: none"> ▪ SCE has not received any such request within the audit period. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Nr
471	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 15(2)	A distributor or transmitter that agrees with a customer to exclude or modify certain provisions must set out the advantages and disadvantages to the customer of doing so in their agreement.	<ul style="list-style-type: none"> ▪ SCE has in place Power Purchase Agreements with its customers specifying network quality and reliability of supply and are similar to requirements set out in the Code. ▪ Limits on power frequency and voltage limits on SCE's northern network (islanded) are more onerous than on the wider SWIS network. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward ▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed. 	1
477	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 23(1)	A distributor or transmitter must take all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with specified requirements.	<ul style="list-style-type: none"> ▪ SCE runs a Regional Control Centre (RCC) which is manned 24/7/365. ▪ SCE have taken all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with the specified requirements. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Simon Broom, Jamie Crombie ▪ Site visit to Parkesston Power Station. 	1
478	Distribution Licence, condition 5.1	Electricity Industry (Network Quality and	A distributor or transmitter must keep records of information regarding its	<ul style="list-style-type: none"> ▪ SCE have an internal system for record keeping and alerts for when obligations fall due. 	<ul style="list-style-type: none"> ▪ Interview with Nigel Feletti, Troy 	1

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Transmission Licence, condition 5.1	Reliability of Supply) Code 2005, clause 23(2)	compliance with specific requirements for the period specified.		Forward, Matthew Kennedy	
479	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 24(3)	A distributor or transmitter must complete a quality investigation requested by a customer in accordance with specified requirements.	<ul style="list-style-type: none"> SCE has not received a quality investigation request from its customer during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
480	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 24(4)	A distributor or transmitter must report the results of an investigation to the customer concerned.	<ul style="list-style-type: none"> SCE has not received a quality investigation request from its customer during the audit period. 	<ul style="list-style-type: none"> Interview with Troy Forward, Simon Broom, Jamie Crombie 	Nr
483	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 26(1) and (2)	A distributor or transmitter must arrange for an independent audit and report on its systems for monitoring, and its compliance with specific requirements. This is to be carried out in respect of the operation of such systems during each reporting period of 3 years or as specified by the ERA.	<ul style="list-style-type: none"> The obligation only applies to network operators that have small-use customers (customers with an annual consumption below 160 MW/h) connected to their network. Therefore, this obligation is not applicable to SCE. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Na
483A	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 26(3) and (4)	A distributor or transmitter must publish the audit report not later than 1 October following the reporting period.	<ul style="list-style-type: none"> The obligation only applies to network operators that have small-use customers (customers with an annual consumption below 160 MW/h) connected to their network. Therefore, this obligation is not applicable to SCE. 	<ul style="list-style-type: none"> Interview with Troy Forward 	Na
483B	Distribution Licence, condition 5.1	Electricity Industry (Network	A distributor or transmitter must give a copy of its audit report to the Minister and	<ul style="list-style-type: none"> The obligation only applies to network operators that have small-use customers (customers with an annual consumption 	<ul style="list-style-type: none"> Interview with Troy Forward 	Na

2017 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence	Compliance Rating
	Transmission Licence, condition 5.1	Quality and Reliability of Supply) Code 2005, clause 26(5)	the ERA not less than 7 days before it is published.	below 160 MW/h) connected to their network. Therefore, this obligation is not applicable to SCE.		
484	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 27(1)	A distributor or transmitter must annually prepare and publish a report about its performance in respect of each year ending on 30 June.	<ul style="list-style-type: none"> ▪ The obligation only applies to network operators that have small-use customers (customers with an annual consumption below 160 MW/h) connected to their network. Therefore, this obligation is not applicable to SCE. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Na
485	Distribution Licence, condition 5.1 Transmission Licence, condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005, clause 27(3)	A distributor or transmitter must give a copy of its report about its performance to the Minister and the ERA not less than 7 days before it is published.	<ul style="list-style-type: none"> ▪ The obligation only applies to network operators that have small-use customers (customers with an annual consumption below 160 MW/h) connected to their network. Therefore, this obligation is not applicable to SCE. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward 	Na

5.2 Asset Management System Review

Table 5-2 provides detailed commentary based on the findings observed during the audit process.

Table 5-2 Asset Management System Review Observations

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
Asset Planning – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Asset management plan covers key requirements ▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning ▪ Service levels are defined ▪ Non-asset options (eg, demand management) are considered ▪ Lifecycle costs of owning and operating assets are assessed ▪ Funding options are evaluated ▪ Costs are justified and cost drivers identified ▪ Likelihood and consequences of asset failure are predicted ▪ Plans are regularly reviewed and updated 	<p>Overview</p> <ul style="list-style-type: none"> ▪ There have been no changes to SCE's assets, the functions of the business, the utilisation of the assets over the review period or the asset management approaches used to manage the assets. <p>Asset Management Plans</p> <ul style="list-style-type: none"> ▪ SCE have developed an Asset Management Plan (AMP) during the review period. The SCE AMP defines the activities required over the life of the asset to achieve the strategic objectives and desired customer levels of service. The plan represents an integrated view of financial, commercial, human resources, operations, maintenance and engineering perspective required to manage the facility. ▪ The AMP has been developed to be consistent with the requirements of ISO 55000 but SCE are not looking to gain accreditation for its asset management. ▪ The AMP has a review process set up in Total Safety Documents, the corporate system. The next review of the document is due in 2021. <p>Stakeholder Requirements</p> <ul style="list-style-type: none"> ▪ SCE's operating strategy is aligned with BHP Nickel West's operating strategy until the time that the current PPA is re-negotiated. ▪ SCE's Asset Management Plan acknowledges that operating and maintenance strategies will need to be modified if there are changes to the PPA depending on the extent of Nickel West's operations into the future. Depending on the future operating scenarios, this may involve pushing out major maintenance, reducing operating spares, changing duty/standby programs and decommissioning plant to meet changing demand. ▪ Appropriate capital and operating plans and budgets will need to be developed by SCE depending on the future energy requirements of its primary customer. <p>Levels of Service</p> <ul style="list-style-type: none"> ▪ The PPA specifies the levels of service to the client. Heat rates are required to be maintained at the optimum level through sound operating & maintenance practices. PPA obligations are managed through the Australian Contract Management System Database. This database is set 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Jamie Crombie, Matthew Kenneday ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ Life Cycle Planning 20110201.ppt presentation viewed. ▪ 2019 Australia Budget Timelines memo, dated 16 July 2018, viewed. ▪ Budget Process PowerPoint, dated June 2017, viewed. ▪ Australia 2018 L01.xlsx long range forecast spreadsheet viewed ▪ AFE Policy document viewed. ▪ AFE (Authorisation For Expenditure) Standards document viewed ▪ Capital Actuals June 18.xlsx spreadsheet viewed. Shows actuals and forecast capital spend

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<p>up to provide automatic notifications to the relevant owners, with an escalation mechanism to ensure the obligations are met.</p> <ul style="list-style-type: none"> ▪ The PPA specifies an availability targets for the SCEN and SCES and there are financial incentives for meeting the targets. ▪ Thermal energy availability targets exist for each of Leinster, Kambalda and Kalgoorlie plants. The SCE contract specifies that the SCE may need to demonstrate the adequacy of their "Operating, Maintenance and Contingency Plan" if thermal availability targets are not met. ▪ In addition to the requirements of the contracts, SCE has internal performance indicators for gas turbine trip reliability, Root Cause Analysis (RCA) investigations and the Injury Frequency Rate (IFR). Safety KPIs are developed each year as part of TransAlta's "Target Zero Initiative" <p>Asset Planning Processes</p> <ul style="list-style-type: none"> ▪ TransAlta corporate has well-developed and documented asset management criteria, procedures and planning requirements which are applied across all of TransAlta's assets, including SCE's. ▪ Performance of existing assets are regularly monitored and checked against expected performance – underperforming assets are flagged for critical review for remedial actions and/or ultimately for disposal if justified. ▪ Investments for new assets are critically reviewed in accordance with TransAlta's asset investment / asset creation criteria, including financial considerations, technology choices, technical alternatives, operations and maintenance considerations, etc. ▪ Asset replacements are based on asset performance, in many instances utilising hours run. This is monitored regularly. As with new assets, the justification for asset retirement is strictly considered and takes into account not only financial factors, but technological, environmental, commercial / legal and relative benefit, comparing continuation of operating and maintaining the underperforming asset versus replacing it. ▪ SCE has a full governance structure across the development and finance for new projects. This is set out in the AMP. ▪ For new asset projects, costs, risks, rate of return requirements, funding and approval processes are assessed. Once a project has been approved, it goes through the corporate processes to form the arrangements for that specific project, e.g. expenditure and contract term sheets for the business unit responsible, legal and tax implications, etc. There are also approval processes for international approval as Canadian laws, under which TransAlta's global business operate, differ from Australian laws that their Australian operations are subject to. ▪ Projects are screened to look at options and to assess risks, timeframes and technology in order to arrive at the best solution. Hybrid solutions are also considered. Typically asset projects are funded from SCE's balance sheet or from debt equity. ▪ Designs for plant augmentation and remedial work are typically done in-house (using TransAlta's corporate engineering and technical resources) but are also commonly 	

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<p>outsourced to engineering companies who specialise in the various services and/or directly to competitive OEM's for new / significant asset modifications or additions.</p> <ul style="list-style-type: none"> ▪ External independent consultants are used to prepare and/or confirm financial models, performance analysis, comparisons between different technical solutions, preparation of tender documents, vetting of options analysis etc. <p>Lifecycle Costs and Funding</p> <p>SCE have a detailed short-term forecast for the next three years. The long-term forecast goes out 2038 although this is not detailed. SCE interacts with its customers to develop its future asset planning and identify the future asset portfolio.</p> <ul style="list-style-type: none"> ▪ Lifecycle costs are taken into consideration when assessing new assets. However, lifecycle costs are not considered when like-for-like replacements are carried out. ▪ Capital expenditure is analysed on a global basis across all of TransAlta's operations, including those in Australia. The assets are compared on an asset by asset basis, using normalised ranking methods. Costs, risks, timing and other considerations are factored. ▪ Capital funds are sourced from TransAlta in Canada. <p>Asset Planning and Management Post-Current PPA</p> <ul style="list-style-type: none"> ▪ SCE has developed operating strategies it is expecting to pursue if the current PPA ends and is not extended. ▪ When major capital replacement is necessary, decisions will need to be made by SCE as to the best ongoing method of providing that power depending on the term of any PPA extension. ▪ Depending on the future of Parkes Power Station, the Regional Control Centre may need to be relocated to enable continued operation of SCE. 	
Asset Creation – Overall Rating: A1		<ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions ▪ Evaluations include all life-cycle costs ▪ Projects reflect sound engineering and business decisions ▪ Commissioning tests are documented and completed <ul style="list-style-type: none"> ▪ Requests for new assets are generally driven directly by customer needs. Utilisation of assets is assessed in order to review if an operations solution is feasible rather than a solution based on acquiring or creating a new asset. The example of capital projects we reviewed included provisions for options where a non-asset solution was considered in the options analysis. ▪ SCE use the Australian Capital Process to summarise the capital projects and present the business case in order to receive funding. ▪ The Application for Expenditure (AFE) template includes associated operating costs impacting from the new capital spend, details of the people involved in the project, the project details, project alternatives and supplier . ▪ Gate checks, as part of the Australian Capital Process, are used to assess the options at an earlier stage prior to the preparation of the AFE template. Gate 2 is required to be passed in order to progress to developing the AFE. The corporate gateway documentation has been developed this year although the business was already using the process informally prior to <ul style="list-style-type: none"> ▪ Interview with Troy Forward, Jamie Crombie, Matthew Kenneday ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
<ul style="list-style-type: none"> ▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood 	<p>this year. Approvals for individual spend/projects are granted by the Australian Managing Director once the Capital budget is approved. If the proposed project is estimated to cost more than \$0.5M, the project has to be approved by the Australian MD.</p> <ul style="list-style-type: none"> ▪ SCE are required to follow the corporate financial policies with regard to project planning and purchasing. ▪ Engineering and development teams are responsible for reviewing technical designs. Internal engineering standards are used for the development of new assets. ▪ The majority of SCE's asset acquisitions during the review period have been for the replacement of assets. ▪ New assets that have been acquired have typically been for corporate/administration assets, including IT assets and vehicles, rather than for assets related to the generation and supply of electricity. Investments for new assets are critically reviewed in accordance with TransAlta's asset investment / asset creation criteria, which includes financial considerations, technology choices, technical alternatives, operations and maintenance considerations, etc. ▪ Ongoing legal, environmental and safety obligations in relation to asset planning are understood by SCE (refer to Environmental Analysis section). 	<ul style="list-style-type: none"> ▪ GAS.07.1342 PROCUREMENT GOVERNING PRINCIPLES.pdf viewed. ▪ Financial Policy 230 (a) PP&E.pdf viewed. Describes capitalisation criteria for property, plant and equipment. ▪ Life Cycle Planning 20110201.ppt presentation viewed. ▪ 2019 Australia Budget Timelines memo, dated 16 July 2018, viewed. ▪ Budget Process PowerPoint, dated June 2017, viewed. ▪ Australia 2018 L01.xlsx long range forecast spreadsheet viewed ▪ AFE Policy document viewed. ▪ AFE (Authorisation For Expenditure) Standards document viewed ▪ Capital Actuals June 18.xlsx spreadsheet viewed. Shows actuals and forecast capital spend
Asset Disposal – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process ▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken ▪ Disposal alternatives are evaluated ▪ There is a replacement strategy for assets 	<ul style="list-style-type: none"> ▪ SCE's policies for disposal are included in its Financial Policy. TransAlta corporate document "230(k) Decommissioning & Restoration Obligations" details the financial requirements for decommissioning and 230(a) describes de-recognition as capital of disposed asset. ▪ Performance of existing assets are regularly monitored and checked against expected performance. Underperforming assets are flagged for critical review for remedial actions and/or ultimately for disposal if justified. ▪ Hot section replacements are examples of scheduled and monitored major maintenance activities for SCE's gas turbines. ▪ Condition based performance monitoring and testing – results of which are considerations for any asset remedial and/or disposal decisions. ▪ At some point decommissioning of the SCE plant will involve dismantling and disposal of all equipment and the sites remediated. Depending on when that occurs, it is likely that the 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward, Jamie Crombie, Matthew Kenneday ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ Asset register showing existence of all assets, newly created

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<p>machines will have some residual value and could be sold on the open market or redeployed as operational spares for other TransAlta operations.</p>	<p>assets and major asset maintenance plans were viewed.</p> <ul style="list-style-type: none"> ▪ 5 and 10 year asset major maintenance budget and NTA budgets were exhibited. ▪ Financial Policy 230 (a) PP&E.pdf viewed. Describes de-recognition as capital of disposed asset. ▪ Financial Policies 230(k) Decommissioning & Restoration Obligations viewed.
Environmental Analysis – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed ▪ Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved ▪ Compliance with statutory and regulatory requirements ▪ Achievement of customer service levels 	<p>Opportunities and Threats</p> <ul style="list-style-type: none"> ▪ SCE has assessed opportunities and threats in the system environment and included these in the SCE Asset Management Plan. <p>Asset Performance</p> <ul style="list-style-type: none"> ▪ Asset performance is regularly monitored. Incentives and penalties are included in the PPA for fuel conversion efficiencies, plant availability and reliability, impact on production, unplanned outages, etc. ▪ Penalties for unplanned outages are substantial. Strong commitment to root cause analysis for all incidents, particularly those causing loss of production and/or non-compliances with any statutory or PPA requirements. ▪ Voltages and frequency tolerances are covered by the PPA and tighter than on the SWIS for the SCE Northern System (islanded operation). ▪ Utilisation of fuel and maintenance are cost drivers. <p>Statutory and Regulatory Compliance</p> <ul style="list-style-type: none"> ▪ The PPA puts the onus on SCE to take all reasonable measures to comply with all statutory regulations. These include but not limited to the Occupational Health & Safety, Environmental, and WA Electrical regulations. Management of this compliance is through the Environmental, Health & Safety Plan and associated procedures. ▪ SCE holds a Network Access Contract with Western Power for connection to the SWIS at SCES. Grandfathering arrangements under the Technical Rules deem technical compliance of SCES. Any change to the configuration of the SCES power stations can require compliance with the current technical rules. This is a costly exercise and asset management decisions, capital investment and plant modifications must take this compliance cost into consideration. 	<ul style="list-style-type: none"> ▪ Interview with Nigel Feletti ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ TransAlta FY18 NPI & NGER V3.0 2366518 3.xlsx emissions register viewed. ▪ The following policies/procedures were viewed: <ul style="list-style-type: none"> – GAS.03.0848 VEGETATION CLEARING PROCEDURE.pdf – GAS.03.0849 WASTE MANAGEMENT.pdf – GAS.03.0850 SOLID, LIQUID AND GAS SPILL RESPONSE.pdf – GAS.03.1037 FLORA AND FAUNA CONSERVATION.pdf – GAS.03.1059 SOIL AND GROUND WATER PROTECTION.pdf

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ The impact from carbon pricing on the business is yet to be determined due to government authorities currently changing the structure. ▪ An external third party is engaged by SCE to provide information on legislative and environmental changes. A monthly bulletin that outlines any changes to State or Federal legislation is received and entered into SCE's legislative register. The register is stored in an Excel spreadsheet. The spreadsheet is used to identify actions and assign responsibilities. <p>Emissions Reporting</p> <ul style="list-style-type: none"> ▪ SCE undertakes annual National Greenhouse and Energy Reporting (NGER) and National Pollutant Inventory (NPI) reporting. It also reports internally on a number of sustainability performance indicators. ▪ SCE has a process to put its greenhouse gas data into a series of verification sheets for each of its sites. The Plant Managers at each site collect the sheets from the Operations staff and verify the data on a monthly basis. The data collected includes diesel and gas used for electricity generation and vehicles. There is a sense check of the information before SCE forward this data to a third-party consultant to verify. The monthly sheets are consolidated into an annual report each year. ▪ SCE has established thresholds for emissions limits from its sites. <p>Incident Reporting</p> <ul style="list-style-type: none"> ▪ SCE uses the corporate Safety Performance Reporting for its incident reporting. This system utilises Synergi via a dashboard set-up that all the staff in the business can access. <p>Levels of Service</p> <ul style="list-style-type: none"> ▪ The PPA specifies the levels of service to the client. Heat rates are required to be maintained at the optimum level through sound operating & maintenance practices. PPA obligations are managed through the Australian Contract Management System Database. This database is set up to provide automatic notifications to the relevant owners, with an escalation mechanism to ensure the obligations are met. ▪ Costs are passed onto SCE's customers if there is more demand for electricity generation above that which has been forecast. 	<ul style="list-style-type: none"> - GAS.04.1260 LEGIONELLA HEALTH RISK MANAGEMENT.pdf - GAS.03.0820 ENVIRONMENTAL ASPECTS, HAZARD IDENTIFICATION, RISK ASSESSMENT AND DETERMINING CONTROLS.pdf - GAS.03.0876 HAZARDS, NEAR MISSES AND INCIDENT REPORTING.pdf - GAS.03.1061 SITE ENVIRONMENTAL LICENCES.pdf ▪ The following Annual Environmental Reports were viewed: <ul style="list-style-type: none"> - Kalgoorlie Annual Environmental Report 2017 2326111 1.DOCX - Kambalda Annual Environmental Report 2017 2326113 1.DOCX - Leinster Annual Environmental Report 2017 2326116 1.DOCX - MtKeith Diesel Annual Environmental Report 2017 2326119 1.DOCX - MtKeith Gas Annual Environmental Report 2017 2326125 1.DOCX - Parkes Annual Environmental Report 2017 2326090 1.DOCX (GPL) ▪ The following NPI reports were viewed:

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
		<ul style="list-style-type: none"> – WA0146 Emission Report 2016-2017.pdf (GPPL) – WA0322 Emission Report 2016-2017.pdf – WA0323 Emission Report 2016-2017.pdf ▪ The following site summary reports were viewed: <ul style="list-style-type: none"> – KNO.pdf – KNS.pdf – LNO.pdf – MKO – Diesel.pdf – MKO – Gas.pdf – PPS.pdf (GPPL) ▪ The following SRS Notifiable Events Reports were viewed: <ul style="list-style-type: none"> – OC-293-276417 SummaryPopup.pdf – OC-570-283188 SummaryPopup.pdf – OC-889-301430 SummaryPopup.pdf – POS-438-291442 Communications.pdf
Asset Operations – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Operational policies and procedures are documented and linked to service levels required ▪ Risk management is applied to prioritise operations tasks ▪ Assets are documented in an Asset Register, including asset assessment of assets' physical, structural condition and accounting data 	<p>SCE Assets</p> <ul style="list-style-type: none"> ▪ The assets of SCE fall into the following classes: <ul style="list-style-type: none"> – Gas Turbines – open cycle – Generators – Transformers from 11kV to 132kV – Transmission Lines – 33kV and 132kV – Switchyards – Black Start generation – Balance of Plant: <ul style="list-style-type: none"> ▪ ancillaries such as gas and diesel fuel handling and water supply & treatment 	<ul style="list-style-type: none"> ▪ Interviews with Troy Forward, Jamie Crombie, Simon Broom, Clinton Schick, Matthew Kenneday ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
<ul style="list-style-type: none"> ▪ Operational costs are measured and monitored ▪ Staff receive training commensurate with their responsibilities 	<p data-bbox="631 227 765 322"> ▪ buildings ▪ fences ▪ roads </p> <p data-bbox="552 366 844 390">Overall Asset Operations</p> <ul style="list-style-type: none"> ▪ SCE (through TECO) runs a Regional Control Centre (RCC) which is manned 24/7/365, based at the Parkes Power Station (PPS) in Kalgoorlie, WA. The RCC is used to remotely operate all of SCE's assets both in the Northern System as well as in the Southern System. ▪ The SCADA system is used to provide all real-time monitoring information, data trending, alarming and reporting, which is backed up on a Plant Historian system. ▪ Operator intervention is executed on a real-time basis for any deviations (e.g. sudden departure from limits) or assets are removed from production and investigations carried out to remedy any non-performance issue (e.g. transducers, rotor-earth faults, control system failures). ▪ Longer trending unfavourable performance is flagged for further investigation while assets still remain in operation, and maintenance schedules adjusted to ensure degraded performance is addressed proactively, in preference to reactively. ▪ Plant performance data is shown daily on production graphs but can be displayed half-hourly. Trends are able to be used to determine if there are issues with generators or other equipment. <p data-bbox="552 890 732 914">Asset Register</p> <ul style="list-style-type: none"> ▪ SCE uses SAP for the operational asset register. SAP is configured with a functional location structure, which sets out the hierarchy for all the assets. SCE also uses SAP for its materials master system. ▪ SCE has a separate financial asset register for its assets in SAP. ▪ The asset registers include information on the asset attributes, including physical, structural condition and accounting data. <p data-bbox="552 1152 1091 1176">Operation of the SCE Northern Region Assets</p> <ul style="list-style-type: none"> ▪ The two SCEN LM6000 gas turbines (GTs) are run continuously to generate base load power for Nickel West. Only in the hotter months is the TM2500 GT run, usually at low load, mainly to provide spinning reserve. When maintenance is required on a LM6000 the TM2500 GT and diesels are run to provide base load power. Otherwise, the reciprocating diesel engines are not normally operated. ▪ The automated control philosophy for the SCEN system minimises fuel burn and maintains frequency and voltage. Efficiency of dispatch is managed by the Northern System RCC control room operators and dispatch follows the various machine efficiency curves. 	<ul style="list-style-type: none"> ▪ Visit to PPS control room: <ul style="list-style-type: none"> – SCADA viewed (site level and detailed for Parkes) – Example hard copy procedures in control room viewed ▪ Visit to SCE plant at Nickel West Smelter, Kalgoorlie <ul style="list-style-type: none"> – Assets viewed – Control room and switchboards viewed ▪ The following fortnightly performance test reports were viewed: <ul style="list-style-type: none"> – KNO HR 2-8-18.xlsx – KNS HR 030818.xlsx – LNO HR 1-8-18.xlsx – MKO HR 040818.xlsx ▪ The following liquidated damages calculations were viewed: <ul style="list-style-type: none"> – LD Calculator - North – 2018.xlsxm viewed. – LD Calculator - South – 2018.xls ▪ The following weekly production ('heat rate') reports were viewed: <ul style="list-style-type: none"> – North Graphs 2018-07-17.pdf – North Graphs 2018-07-24.pdf – North Graphs 2018-07-31.pdf – South Graphs 2018-07-17.pdf – South Graphs 2018-07-24.pdf – South Graphs 2018-07-31.pdf ▪ The following KPI reports were viewed: <ul style="list-style-type: none"> – PSD KPI Overview.jpg

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Liquidated Damages dictate the priority of restoration for the North System after an unplanned supply interruption. <p>Operation of the SCE Southern Region Assets</p> <ul style="list-style-type: none"> ▪ For SCE's southern region, the KNS and KNO LM6000 machines easily meet demand on a day to day basis. Major works are scheduled to align with outages at both Nickel West facilities. SCE has a firm standby power agreement with Western Power to enable supply to be maintained to the Nickel West operations in the event of unplanned and planned outage works. ▪ Market bidding in the Southern System uses weekly load forecasts provided by NiW together with machine capacity forecasts generated by SCE. Any surplus capacity is bid into the WEM. ▪ SCADA is used to measure system performance and to manage the dispatch instructions. The dispatch instructions are entered into the system for input into the energy market. <p>Operational Levels of Service</p> <ul style="list-style-type: none"> ▪ Levels of service are set out in the PPA. SCE is required to maintain sufficient spinning reserve to enable it to satisfy its obligations to Nickel West. ▪ In addition, there is a priority system for start-up of generators when demand requires it. SCE has its own internal levels of service related to the merit levels of the plant which set out the order of assets to use. There are financial penalties related to how the assets are operated and liquidated damages are payable if SCE is unable to meet reliability and availability targets. <p>Operating Procedures</p> <ul style="list-style-type: none"> ▪ Operational procedures are stored at the RCC. As the control room is common for all of SCE sites (plus TransAlta's Goldfields Power sites), some of the operational procedures are common across the different sites, while some are site-specific. The operating procedures are also stored in TransAlta's document management system, allowing them to be accessed through the global system. ▪ SCE does not currently have a documented operations plan detailing how to implement the requirements of the PPA, despite the PPA devoting a whole section to it. Procedural documents have been developed to ensure compliance with the WEM and managing compliance with dispatch instructions. ▪ The SCE AMP notes that there is an "Operation, Maintenance and Contingency Management Plan for the Southern Cross Energy Generation and Transmission System" and this includes the "MS-COM-408 Southern & Northern Systems – RCC Maintenance Manual". However, the AMP identifies that both documents are out of date, having been last revised in 2009. There is relevant content in both documents for the existing facilities but most of the references to clients and other contracts are incorrect. A substantial rework of the Operations, Maintenance 	<ul style="list-style-type: none"> – PSD KPI Priority Risk Control Area.pdf – PSD Maintenance Management KPI Overview.jpg – Parkeston Weekly Schedule Example.pdf viewed (GPPL) (090) – Parkeston3 Monthly Schedule Example.pdf viewed. (GPPL) (090) ▪ Equipment Register – Example.txt viewed. This is an asset register in structured hierarchy showing all assets for Kalgoorlie. ▪ The following daily reports were viewed: <ul style="list-style-type: none"> – Daily Meter Readings.xlsx – Pre-start Checklist.xlsx – Station Rounds.xlsx ▪ The following daily report pro formas were viewed: <ul style="list-style-type: none"> – Equipment Operating Hours Document.doc – Eye Wash Station Checks.xlsx ▪ The following operational reports were viewed: <ul style="list-style-type: none"> – GPPL.DOCX ▪ The following operational procedures were viewed: <ul style="list-style-type: none"> – GAS.05.0963 S AND S FORTNIGHTLY HEAT RATE TEST.pdf – GAS.05.0985 KNO AND KNS GT OR BLACK PLANT TRIP.pdf – GAS.05.1369 BLACK START DIESEL TEST.pdf

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<p>and Contingency Plan would be of benefit to SCE by documenting how to implement the requirements of the PPA and governing regulations.</p> <p>Operational Reporting</p> <ul style="list-style-type: none"> ▪ Operations and performance data is analysed to assess trends. The performance of the engines is reported fortnightly. Performance via graphical data from SCADA is reviewed and discussed at the weekly production meeting. The data reviewed at the weekly meetings includes: <ul style="list-style-type: none"> – Availability – Start rate reliability – TEA revenue – Diesel usage for unplanned outages – Gas usage – Performance and dispatch across sites – Spinning reverse – Machine performance (actual/target heat rates and outputs) ▪ The operations and performance information is reported up to the Group Operations Manager. ▪ Monthly operation outcomes are included in the monthly invoice to BHP Nickel West, SCE's customer, to allow the operations outcomes to be validated by the customer. <p>Operating Costs</p> <ul style="list-style-type: none"> ▪ SCE's budget process defines the expenditure requirements for a rolling three year period, with the next year budget being locked in at the end of each year's budget process. As SCE's parent company is Canadian, all financial management is carried out with regard to a calendar year financial year. Monthly reporting is carried out to report against the budget. ▪ Fuel gas and diesel are sourced from Nickel West, however they have no obligation to provide fuel for generation for the WEM or any other third party. <p>Staff Resources and Training</p> <ul style="list-style-type: none"> ▪ SCE sources its own workforce independently of any other party. Turnover is considered to be very low, approximately one recruitment per year. ▪ SCE is at liberty to utilise subcontractors to support the operation and maintenance efforts. Subcontractors are qualified on an as-needed basis as specified by TransAlta's corporate contracting strategy document ▪ SCE's training is split into compliance training directly related to work activities undertaken by each member of staff and individual development training to improve skills and knowledge. The EHS team identify training needs through a training matrix and schedule the required 	<ul style="list-style-type: none"> ▪ EHS&T 2018 Programme V2.pdf viewed. This is TransAlta's Environmental, Health and Safety Training Programme ▪ ERA #027 Training Compliance Report.xlsx viewed ▪ ERA #027 Training History Report.xlsx viewed ▪ Training Needs Analysis V2.9.xlsx viewed

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<p>activities. Training is managed through the corporate DART system. The Training Coordinator Manager receives alerts from the system when training needs become overdue. SCE staff also have a quarterly staff appraisal where training needs can be identified.</p>	
Asset Maintenance – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Maintenance policies and procedures are documented and linked to service levels required ▪ Regular inspections are undertaken of asset performance and condition ▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule ▪ Failures are analysed and operational / maintenance plans adjusted where necessary ▪ Risk management is applied to prioritise maintenance tasks ▪ Maintenance costs are measured and monitored 	<p>Overview</p> <ul style="list-style-type: none"> ▪ The maintenance team located in Kalgoorlie are responsible for the maintenance at the SCE sites in Kalgoorlie and Kambalda. The maintenance at the Mt Keith and Leinster sites is managed by a plant manager located in the northern area. ▪ Maintenance management information can be accessed through Total Safety Documents, the corporate system available through the intranet to everyone in the business. ▪ SCE's service levels are set out in the contracts with its customers. ▪ Regular meetings are held to firm up the outage plans and ensure all stakeholders are engaged. <p>Maintenance Management System</p> <ul style="list-style-type: none"> ▪ Since the last asset management review, SCE has changed its maintenance management system from GP MaTe to a corporate version of SAP. SCE uses SAP PM (Plant Maintenance) to manage the maintenance program. Backlog is managed well with the forward log being properly planned and scheduled. The WEM is informed of planned outages as required and output tracked in real time. ▪ SCE also uses SAP for as its materials master system. ▪ History records from the GP MaTe legacy system have been stored in files in a shared folder on the network. Therefore, SAP has maintenance history that goes back to around December 2015. ▪ The SCE AMP has identified that the SAP data conversion appears to have created some gaps in both asset records and detailed master data and may include registered equipment such as pressure vessels. These are being investigated by the Maintenance Process Specialist. Statutory compliance and efficient and effective maintenance relies on this data being readily available. ▪ SCE has a separate financial asset register for its assets. <p>Maintenance Procedures</p> <ul style="list-style-type: none"> ▪ SCE's maintenance management follows TransAlta's Maintenance Work Management procedure (AUS-243) which details: <ul style="list-style-type: none"> – Work Identification and prioritisation – Planning work – Kitting and staging 	<ul style="list-style-type: none"> ▪ Interview with Brad Fanetti at Parkesston Power Station ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ SAP viewed live ▪ GAS.06.1324 Maintenance Work Management.docx viewed. Covers environmental management; health, injury management and wellness initiatives; safety; training, learning and development; auditing and document control, contractor management; TSE reporting and measurement; budget management; and resourcing ▪ The following maintenance records were viewed: <ul style="list-style-type: none"> – KNO-90858861.pdf – KNS-90838158.pdf – PPS-90835766.pdf (GPPL) (095) – PPS-90858457.pdf (GPPL) (095) – Last 6 Months Of Notification History – Example ▪ The following maintenance procedures were viewed:

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> - Scheduling work - Work Execution - Work closure and documentation - Work meetings and communication - Work management compliance <p>▪ SCE does not have Standard Operating Procedures as such, but instead uses maintenance plans stored within SAP which sets out the steps required to complete the cyclical maintenance activities.</p> <p>Maintenance Strategies</p> <ul style="list-style-type: none"> ▪ Turbine maintenance is structured around the standard OEM guidelines and based on condition, hours run and operational experience. TransAlta monitors equipment condition to optimise asset life prior to completion of hot sections and major overhauls. This is accepted practice in the industry. No negative impact are considered to have been experienced by SCE from this strategy. ▪ Major maintenance for the LM6000 gas turbines is conducted by GE under the Terms of the Customer Service Agreement (CSA), with minor servicing and repairs conducted by TransAlta site personnel and alternate third party vendors. GPPL has a long-term agreement with the OEM for the major maintenance servicing of the assets. ▪ SCE's maintenance strategy follows the standard GE servicing regime for the LM6000s. Ancillaries receive appropriate care through predictive and preventive maintenance. ▪ Two spare LM6000s are available as drop-in replacements when major maintenance is required or major failure occurs. ▪ The gas turbines are conditioned-managed beyond their default major service intervals which has proven to be worthwhile for these machines. Decisions about changing strategies are made by the Plant Maintenance Manager South with input from the Goldfields Regional Manager and the Canada-based Senior Rotating Engineer. <p>Maintenance Plans</p> <ul style="list-style-type: none"> ▪ Apart from SAP PMs and the major maintenance schedule there is no asset lifecycle maintenance plan. Major maintenance, including capital works, is planned by the Plant Manager South according to the TransAlta MRF and budgeting processes. There are multiple documents managing different parts of the Asset lifecycles. The SCE AMP has identified that in reviewing these documents, there is poor correlation between planned work and budgeted work and a single document is required to address this. ▪ SCE are planning to ramp down minor and major maintenance, including capital, in the budgets as the current end date of the PPA approaches. The capital plans for SCE have been reviewed in light of the stage of the contract life . 	<ul style="list-style-type: none"> - GAS.06.0919 GAS VALVE CALIBRATION PROCEDURE TO S AND S PACKAGE.pdf - GAS.06.0946 VARIABLE GEOMETRY CALIBRATIONS.pdf - GAS.09.1029 TM2500 LOADING CODE INTO MICRONET-NETCON.pdf <p>▪ Maintenance Plans & Schedules.xlsx spreadsheet viewed. Lists preventive/planned maintenance activities.</p> <p>▪ Maintenance Policy Engineering Standard - Example List.jpg viewed.</p>

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Capital expenditure is still available if it provides a return on investment during the remaining contract term of the current PPA. <p>Condition Monitoring, Inspections and Maintenance Tasks</p> <ul style="list-style-type: none"> ▪ Condition Monitoring tactics used throughout the facilities include: <ul style="list-style-type: none"> – Online & offline vibration analysis – On-line temperature monitoring – Oil analysis – Partial Discharge (annual test on the generators) – Motor flux analysis (on the generators) – Dissolved Gas Analysis (on transformers) – Thermography ▪ SCE has fleet-wide engineering standards that set out the inspection requirements, including the tests that need to be completed, the frequency of the tests and the required results that need to be returned. Within the Total Safety Documents system, there is a separate area for the standards that apply to TransAlta's Australian sites. ▪ SAP is configured with a functional location structure, which sets out the hierarchy for all the assets. If notifications are received from the field, these can be recorded against the specific asset using the location structure. ▪ There is a maintenance meeting every Wednesday morning to discuss the maintenance work coming up in the next three weeks. The schedule for the maintenance tasks to be completed during the upcoming Wednesday-Tuesday week is locked down by the Plant Manager after the meeting. ▪ The SAP work orders are used to record the work history, including findings, work carried out, as well as the labour and material costs associated with completing the work order. ▪ Requisitions for parts are created manually because the SAP inventory / automatic ordering system is not adequately set up. SCE has identified in its AMP there is an opportunity to improve cost performance by implementing SAP Materials Requirements Processing (MRP) ▪ There is a semi-automated process built-in to SAP to report on work orders that have not been completed by the required due date. The results are presented in the weekly maintenance meetings to outstanding maintenance tasks can be tracked and addressed. ▪ SCE minimises its warehouse inventory as much as possible while retaining an acceptable risk of non-availability of spares. Inventory is restricted to high turnover consumables and insurance items. Exceptions to this are determined by SCE using a risk assessment process considering the impact of a part not being available when required. SCE is able to source parts from Parkes Power Station and the extensive fleet of similar equipment elsewhere in Australia. Parts that are required for planned maintenance are ordered when the work becomes due. 	

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<p>Maintenance Resourcing</p> <ul style="list-style-type: none"> ▪ Six maintenance staff are located in Kalgoorlie to work on TransAlta's assets in Kalgoorlie and Kambalda - three mechanical maintenance staff and three electrical maintenance staff. In addition, there are two staff members to carry out the maintenance on the HV assets. For SCE's assets located in Mt Keith and Leinster, there is a total of 18 staff. Remote support is also available as SCE's operations systems can be logged into remotely. ▪ SCE's maintenance staff are available 24/7, 365 days a year. Maintenance staff are rostered to be on-call in the north and south areas to carry out any reactive maintenance on the turbines or HV assets. On call staff are able to call in addition internal and/or external support if required. Maintenance staff visit each site every day and conduct the inspection rounds. <p>Asset Failure Analysis</p> <ul style="list-style-type: none"> ▪ Although accurate tracking can assist with prediction of failure rates and cost estimates for major services, SCE does not currently track the life cycles of critical parts. SCE has identified in the SCE AMP that in order to do this, a software upgrade on the LM6000 control system may be required and the Original Equipment Manufacturer (OEM) needs to be consulted to determine the applicability at SCE. SCE needs to perform an analysis of the benefit of a system to track the remaining life of major interchangeable components in order to assess whether it would be beneficial to implement this change. ▪ The failure cause is able to be recorded on the work order but SCE consider that the asset failure information captured in the field is not reviewed as much as it could be in order to complete more thorough root cause failure analysis. SCE has introduced TapRooT since the last audit and has developed the software to facilitate and the standards to specify when investigations should be undertaken and this analysis has started to use this for high risk events and critical assets during the review period. <p>Maintenance Reporting</p> <ul style="list-style-type: none"> ▪ SCE uses a Process Safety Dashboard accessed through its intranet site to provide an overview of the operations and maintenance performance at each site against eight different areas. ▪ SCE has moved away from the maintenance management key performance indicators it previously used (e.g. percentage of work orders completed) to focus on the safety critical elements. ▪ This has been facilitated through ranking each piece of equipment with a criticality score based on engineering standards that determines whether an asset has a high, medium or low criticality. This change in approach allows SCE to focus on the work orders for the most critical assets as opposed to the previous approach that treated all assets and their associated work orders as equal. 	

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Each performance indicator has a details document that sets out how the indicator has been calculated. <p>Maintenance Cost Forecasting</p> <ul style="list-style-type: none"> ▪ The medium range forecast (MRF) is a budget for expenditure over a three-year period and is built from minor and major maintenance activities. Major Maintenance intervals are tracked, updated and planned using an Excel spreadsheet. This sheet is updated at the budget and MRF intervals and any unplanned engine event. 	
Asset Management Information System – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators ▪ Input controls include appropriate verification and validation of data entered into the system ▪ Logical security access controls appear adequate, such as passwords and that appropriate system access and functionality is provided to users ▪ Physical security access controls appear adequate ▪ Data backup procedures appear adequate ▪ Key computations related to licensee performance reporting are materially accurate ▪ Management reports appear adequate for the licensee to monitor licence obligations 	<p>Overview</p> <ul style="list-style-type: none"> ▪ Since the last asset management review, SCE has changed its maintenance management system from GP MaTe to a corporate version of SAP. SCE uses SAP PM (Plant Maintenance) to manage the maintenance program. ▪ SAP is also used for the operational asset register. SAP is configured with a functional location structure, which sets out the hierarchy for all the assets. ▪ SCE also uses SAP for as its materials master system. ▪ SCE has a separate financial asset register for its assets in SAP. ▪ SCE use the Approval for Expenditure (AFE) process to develop capital projects and present the business case for approval for it to be added to the approved budget. ▪ SCE uses the corporate Safety Performance Reporting for its incident reporting. This system utilises Synergi via a dashboard set-up that all the staff in the business can access. ▪ The SCADA system is used to provide all real-time monitoring information, data trending, alarming and reporting, which is backed up on a Plant Historian system ▪ SCE uses the corporate Total Safety Documents (TSD) system for its risk management. The dashboard provides access to the consequence guidelines, risk matrices and responsibilities. ▪ Since the last review in 2014, SCE has implemented its Operational Integrity Program (OIP). This has been used to review and identify equipment and safety aspects. The OIP is used to assess the loss of primary containment (the energy within the assets). The TSD and OIP are used to cover the management of assets and people. ▪ SCE has introduced TapRooT since the last review for root cause failure analysis. ▪ SharePoint is used throughout business. ▪ There is extensive system documentation for users and IT operators stored on the corporate intranet site. <p>Data Entry and Validation</p>	<ul style="list-style-type: none"> ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ The following key SCE asset management information systems were observed during the review: <ul style="list-style-type: none"> – SAP Asset Register – SAP PM (Plant maintenance) work schedules – Safety Performance Reporting for its incident reporting – Citect SCADA system for asset operations and performance monitoring – Total Safety Documents (TSD) system for its risk management. – Operational Integrity Program (OIP) for reviewing and identifying equipment and safety aspects. – TapRooT for Root Cause analysis

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Some readings are manual so checks and balances occur in SCE's invoicing process e.g. decimal point placement incorrect in HV reading. Readings are checked by separation of duties. ▪ Calculations are checked using financial settlement data and raw data. ▪ SCE conducts daily and ongoing monitoring of its contract and market compliance. This overlaps with Western Power's technology rules. ▪ Operations data is entered manually into an operations spreadsheet that is stored on the business's server. This is uploaded into the Market database in .csv format every day. ▪ The Citect SCADA system is connected to the Aspen server located in Perth and is also mirrored on a server located in Canada. <p>Management Reports</p> <ul style="list-style-type: none"> ▪ Operations and performance data is analysed to assess trends. The performance of the engines is reported weekly. Performance via graphical data from SCADA is reviewed and discussed at the weekly production meeting. ▪ The operations and performance information is reported up to the Group Operations Manager. ▪ Monthly operation outcomes are included in the monthly invoice to BHP Nickel West, SCE's customer, to allow the operations outcomes to be validated by the customer. ▪ A weekly report of scheduled vs completed work orders, high priority planned maintenance tasks and extra work orders is generated each Tuesday afternoon, along with forthcoming week's work, for discussion at Wednesday maintenance meeting. ▪ The weekly maintenance meeting is attended by all whole maintenance team, with minutes recorded ▪ SCE's maintenance culture is very effective. Essentially, maintenance teams are self-scheduling and able to review, propose and execute the maintenance activities from the plan to prevent back-log, yet ensure the asset maintenance needs are met. This takes into account priorities, risks to operations, production, compliance, safety and financially. ▪ A monthly financial pack is prepared and provided to management to show the financials for the month, year to date, balance of the year and the annual estimate. This financial pack provides overall profit and loss information and details of the capital expenditure program by site and project. ▪ In addition, each site has a separate monthly finance report that is prepared for the Plant Managers and which contains more detail. ▪ Management reports are considered to be adequate for the licensee to monitor licence obligations. SCE's licence obligations are reviewed annually during the preparation of the annual compliance reports. <p>Security access of assets and systems</p>	<ul style="list-style-type: none"> ▪ Examples of monthly operation and maintenance reports and financial reports were observed during the course of the review.

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Physical access to SCE's sites is strictly controlled and the security access controls are effective. ▪ Access to the SCE's servers is strictly controlled and a ticket needs to be lodged to gain access. Staff are only able to interface with the systems and are not able to edit the recorded information without going through an approval process to be able to carry out these functions. SQL queries have been set up for non-approved staff to get information when required. ▪ Password changes are required every 1-2 months. 	
Risk Management – Overall Rating: A1		
	<ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system ▪ Risks are documented in a risk register and treatment plans are actioned and monitored ▪ The probability and consequence of risk failure are regularly assessed 	<ul style="list-style-type: none"> ▪ Interview with Nigel Feletti ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ TransAlta Australia Risk Register on Synergi viewed. ▪ ERA #105 Risk Register Goldfields.xlsx ▪ TAC.09.0098 TECHNICAL RISK METHOD.pdf ▪ TAC.07.0118 TSMS ELEMENT 2 - OPERATIONAL RISK MANAGEMENT.pdf viewed. ▪ TAC.03.0069 RISK MATRIX STANDARD.pdf viewed ▪ TA Emergency Management Standard.pdf ▪ Mapping of TransAlta Current TSMA to TEA TS&E Management System hardcopy diagram viewed. ▪ Safety Performance Report – 201806.xlsx viewed. (Newmont) ▪ Synergi system on TransAlta intranet viewed.

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Dashboard links provide access to the individual risk assessments recorded in SCE's corporate Synergi system. The assessments include the controls used to manage the risks. The Synergi dashboards also provide links to business risks and non-WHS risks. ▪ Incident reports are completed when required and high-risk incidents are escalated to corporate level. ▪ SCE uses the corporate TapRooT root cause analysis tool to assess asset failures. ▪ Hierarchy of site drills undertaken is as follows: <ul style="list-style-type: none"> – Tabletop exercise – Functional exercise – Full scale exercise ▪ TransAlta engage a third-party consultant to provide the business with a monthly update of legislative changes regarding health, safety and the environment. ▪ Permits and training are required to carry out hot work activities, and for working at heights and confined space entry. Lock out tag out procedures are in place. ▪ SCE's training requirements and management of compliance training are very comprehensive (refer to Asset Operations section). 	<ul style="list-style-type: none"> ▪ EHS Portal on TransAlta intranet viewed. ▪ Various EHS reports (screenshots) viewed. ▪ The following incident investigation reports were viewed: <ul style="list-style-type: none"> – Incident Investigation Report 6830 V2.pdf – Incident Investigation Report 9183 V6.pdf – Incident Investigation Report 8853 v3.pdf ▪ GAS.06.1324 Maintenance Work Management.docx viewed. ▪ TAC.13.0257 WORK MANAGEMENT WORK EXECUTION STANDARD.pdf viewed ▪ TAC.13.0259 WORK MANAGEMENT DOCUMENT CLOSURE STANDARD.pdf viewed ▪ TAC.09.0097 RISK INTOLERABILITY CRITERIA AND ALARP CONCEPT.pdf ▪ The following Critical Task Analysis Forms (CTAs) were viewed <ul style="list-style-type: none"> – 180809132435.pdf (Recommission PPS-BLD tie line) – 180809132712.pdf (Generator protection relay testing) ▪ The following incident reports were viewed: <ul style="list-style-type: none"> – Synergi Life case no 5720 PPS - 33kV CB161 Kaltails Feeder trip suspected lightning strike.msg (GPPL)

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
		<ul style="list-style-type: none"> - Synergi Life case no 7253 KNS - Unit trip CO2 fire suppression system operated.msg - Synergi Life case no 8140 Islanding event for SCE 09052018.msg ▪ GAS.07.1418 TA AUSTRALIA DOCUMENT AND RECORDS CONTROL PROCEDURE.pdf ▪ TAC.07.0124 TSMS ELEMENT 7 - DOCUMENT AND RECORDS CONTROL.pdf ▪ The following monthly EMG meeting minutes were viewed: <ul style="list-style-type: none"> - 2018 0531 EMG North Minutes.docx - 2018 0702 EMG North Minutes.docx - 2018 0723 EMG North Minutes.docx - EMG South Minutes 20180227.docx - EMG South Minutes 20180328.docx - EMG South Minutes 20180529.docx ▪ The following emails regarding safety improvements were viewed: <ul style="list-style-type: none"> - NiW Email - Hood Breathers.msg - NiW Email - Moulded Ear Plugs.msg - NiW Email - Wash Bays.msg ▪ The following safety reports were viewed:

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
		<ul style="list-style-type: none"> - Safety Report - June 2018.xlsx - Safety Report - July 2018.xlsx ▪ The following monthly report pro formas were viewed: <ul style="list-style-type: none"> - Emergency Light Tests.xlsx - Oil, Chemical & Gas storage area checks.xlsx ▪ The following incident/hazard reports were viewed: <ul style="list-style-type: none"> - ERA #93 GF MAY Synergi Reports Raised.xlsx - ERA #93 GF JUNE Synergi Reports Raised.xlsx - ERA #93 GF JULY Synergi Reports Raised.xlsx - Example Asset Operations Report.PNG
Contingency Planning – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	<ul style="list-style-type: none"> ▪ SCE has an Emergency Management Policy and also a Standard. Under this there are individual plans for crisis management, threat responses, communications plan and IT contingency. Under this there are business unit plans for emergency response and continuity. ▪ The Emergency Management Standard defines the TransAlta Corporate Emergency Management Program through documentation, procedures and activities to be used by the TransAlta Corporation and its wholly owned subsidiaries. The standard specifies that it is to be used prior to, during and post emergency situations. ▪ The Emergency Management Standard sets out the emergency policies, the management program with all the relevant management plans, leadership and accountability details, training and evaluation requirements and processes and the executive review processes for the Standard. ▪ SCE's corporate Emergency Response Guide for emergencies sets out the internal and external contacts for managing incidents and emergencies. SCE also has site specific emergency response plans for its sites ▪ Detailed Contingency and Risk Assessment Plans have been developed for SCE's assets in the North System and South System separately, covering various operational scenarios and emergency situations. ▪ Contingency procedures covering various aspects of asset operation and maintenance have been developed. 	<ul style="list-style-type: none"> ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ TA Emergency Management Standard.pdf ▪ TAC.02.0023 CORPORATE EMERGENCY MANAGEMENT STANDARD.pdf ▪ TAC.07.0130 TSMS ELEMENT 11 - EMERGENCY MANAGEMENT.pdf ▪ GAS.03.0913 EMERGENCY RESPONSE GUIDE.pdf

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ Emergency response drills are carried out twice a year, for each of SCE's sites. ▪ Contingency plans for business continuity is well-developed and includes back-up and off-site data storage and restoration of business. ▪ Contingency Plans and Procedures documents are stored on the corporate Total Safety Documents system. ▪ Operations and Maintenance teams are well aware of contingency documents and procedures. Procedures are reviewed on a regular basis and updated to suit outcomes of review process. 	<ul style="list-style-type: none"> ▪ GAS.02.1407 SOUTHERN CROSS ENERGY EMERGENCY RESPONSE PLAN V2.pdf ▪ ERA #031 Synergi History of Drills.xlsx ▪ The following drill reports were viewed: <ul style="list-style-type: none"> – 20170906 - ER Report KNS.pdf – 20180605 LNO ER Report.pdf plus photographs – 20180515 - ER Report MKO.pdf
Financial Planning – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives ▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs ▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) ▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period ▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services ▪ Significant variances in actual / budget income and expenses 	<p>Budgets and Forecasts</p> <ul style="list-style-type: none"> ▪ Annual budgets are prepared and justification for expenditure are strictly controlled. All business cases have the required criteria well-defined in the justification template, including risks, financial returns, impact on commercial / contractual, options, legal, legislative, maintenance, operations, personnel, timing, etc. ▪ SCE has a long-range forecast (LRF) and a medium range forecast (MRF). The latest medium range forecast goes out three years from 2018 to 2020 and is developed between June and September each year. Between March and April each year a refresh of the budgets for these years is carried out and the LRF is also reviewed. The LRF currently goes out to 2038. ▪ The LRF includes estimates for revenue that includes lines for contract, merchant and miscellaneous revenue. The LRF includes estimates for operating costs that includes labour, staff costs, vehicles, office, materials, insurance and contract staff. The budgets/forecasts are developed for each site using a bottom-up approach. ▪ Operational experience over the past 20 years has given SCE sufficient knowledge to form the basis of the annual budget development and review. The MRF supplements this process and is used for identifying and planning for large capital and O&M Administration expenditure items. <p>Financial Plan</p> <ul style="list-style-type: none"> ▪ SCE's current financial plan is included in its Asset Management Plan. The details are broken down to report separately on the SCE northern and southern regions. <p>Financial Reporting</p> <ul style="list-style-type: none"> ▪ A monthly financial pack is prepared and provided to management to show the financials for the month, year to date, balance of the year and the annual estimate. This financial pack 	<ul style="list-style-type: none"> ▪ Interview with Marvin Menjivar ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ The following monthly business planning forecasts were viewed: <ul style="list-style-type: none"> – Parkeston Jun18 F.xlsx (GPL) – SCE North Jun18 F.xlsx – SCE South Jun18 F.xlsx ▪ Australia Capital Detail 2018 L01 Final.xlsx viewed. Long range forecast 2018-2042. ▪ Budget MRF 2018 BUD.xls viewed. ▪ 1806 Day 8 Report Jun18.xlsx viewed. ▪ Australia Jun18 F.xlsx viewed. Spreadsheet shows budget vs

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
are identified and corrective action taken where necessary	<p>provides overall profit and loss information and details of the capital expenditure program by site and project.</p> <ul style="list-style-type: none"> ▪ The monthly financial reports also include information on the availability of supply and power outages as there are financial impacts for these performance indicators under the conditions of the contract that SCE has with its customer. ▪ The monthly reports data is extracted from SAP, the corporate financial system used by SCE. The data extracted and reported is based on a transactional level. There is a monthly meeting to discuss the business finances. ▪ In addition, each site has a separate monthly finance report that is prepared and distributed to the Plant Managers which provides transactional detail. ▪ SCE works to a calendar year for its financial planning, budgeting processes and reporting. This is due to SCE's parent company being a Canadian company. Annual budgets are approved for use by November of the preceding year. 	actual costs for each TransAlta Australia site for June 2018.
Capital Expenditure Planning – Overall Rating: A1		
	<ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates ▪ The plan provides reasons for capital expenditure and timing of expenditure ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned ▪ Capital expenditure planning is included in SCE's annual budgeting process. ▪ SCE's capital plans and budgets are managed in spreadsheets and capital expenditure is forecast out to 2023. At the current time there is no requirement to increase the capacity of SCE asset's through additional capital investment. The costed schedule for capital purchases provides clarity for SCE's major expenditure into the future and provides a basis for optimisation of that spend. The forecast expenditure has been developed by SCE considering the stage of the contract life. The capital forecast is reviewed each year to ensure that it meets TransAlta's business objectives. ▪ The annual capital plans out to 2023 are included in the SCE AMP. ▪ At this time, no consideration has been given by SCE to what capital expenditure should occur, if any, when the current contract terminates. Planning for decommissioning of the asset will be determined depending on the circumstances when the contract terminates. ▪ SCE use the Australian Capital Process to summarise the capital projects and present the business case in order to receive funding. ▪ The Application for Expenditure (AFE) template includes associated operating costs impacting from the new capital spend, details of the people involved in the project, the project details, project alternatives and supplier . ▪ Gate checks as part of the Australian Capital Process are used to assess the options at an earlier stage prior to the preparation of the AFE template. Gate 2 is required to be passed in order to progress to developing the AFE. The corporate gateway documentation has been developed this year although the business was already using the process informally prior to this year. Approvals for individual spend/projects are granted by the Australian Managing Director once the Capital budget is approved. If the proposed project is estimated to cost more than \$0.5M, the project has to be approved by the Australian MD. 	<ul style="list-style-type: none"> ▪ Interview with Marvin Menjivar ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ Power Purchasing Agreement between SCE and BHP Billiton Nickel West , 30 October 2013 viewed ▪ Australia Capital Detail 2018 L01 Final.xlsx viewed. Long range forecast 2018-2042.

Asset Management Process / Effectiveness Criteria	Observations / Comments	Evidence (Include Contact)
	<ul style="list-style-type: none"> ▪ SCE are required to follow the corporate financial policies with regard to project planning and purchasing. 	
Review of Asset Management System – Overall Rating: A1		
<ul style="list-style-type: none"> ▪ A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current ▪ Independent reviews (e.g., internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> ▪ Routine review of asset management systems is undertaken. ▪ The current version of the SCE Asset Management Plan was developed in February 2018. The next review date included in the document control table is February 2021. ▪ Improvement opportunities are included in Section 14 of the SCE AMP. However, there is no Improvement Plan that sets out timeframes and responsibilities. We note that other improvements have been identified in the AMP. We recommend that an Improvement Plan is included in the AMP to summarise the opportunities that have been identified in the Plan and to assign responsibilities and timeframes. ▪ External review of the AMS is undertaken as part of Clause 20.4 of SCE's current generation, transmission and distribution operating licences under section 14(1)(c) of the <i>Electricity Industry Act</i>. The last review was undertaken for year period 1 July 2011 to 30 June 2014. No other intermediary reviews have been undertaken between the previous review and this review which covers the period 1 July 2014 to 30 June 2018. ▪ SCE's AMS is considered appropriate, fit-for-purpose and suitable for the organisation. 	<ul style="list-style-type: none"> ▪ Interview with Troy Forward and Matthew Kenneday ▪ GAS.05.1405 ASSET MANAGEMENT PLAN, SOUTHERN CROSS ENERGY.pdf ▪ 2015, 2016 and 2017 Compliance Reports viewed

6 Recommendations

6.1 Performance Audit

Table 6-1 Table of Current Audit Non Compliances and Recommendations

A. Resolved during current audit period				
Electricity compliance reporting manual 2017 (ref. no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
B. Unresolved at end of current Audit period				
(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable	
326 <i>"A network operator must ensure that there is a metering installation at every connection point on its network that is not a Type 7 connection point. Unless it is a Type 7 metering installation, the metering installation must meet the functionality requirements prescribed."</i> SCE has not complied with 3.5(1) as SCE does not have metering installation at every connection point.	SCE has reported as non-compliant due to the 'absence' of metering, which may not be covered by the exemption applicable to 'existing' metering.		Although SCE has reported a non-compliance against this obligation in its annual compliance reports to the ERA, clause 8.6 of the PPA sets out that SCE and Nickel West acknowledge that the agreement constitutes a Service Level Agreement (as defined in the Metering Code) and agree that the metering installations are adequate to meet the needs of the agreement. However, SCE considers that it is compliant for this obligation under the terms of the Service Level Agreement that has been agreed with its customer.	
422 <i>"A network operator must validate energy data in accordance with this Code applying, as a minimum, the prescribed rules and procedures set out in Appendix 2 and must, where necessary, substitute and estimate energy data under this Code applying, as a minimum, the prescribed rules and procedures set out in Appendix 3."</i> Although SCE validates its energy data, it considers that the methodologies it uses do not fully comply with the prescribed validation rules and procedures set out in Appendix 2 and the prescribed substitution and estimation	Procedures for validation, substitution and estimation are set out in the PPA that SCE has agreed with its customer (Section 8.6 Electricity metering of the PPA). Installation of SCE's metering pre-dates the requirements of the Code and it considers that it is non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time.	

B. Unresolved at end of current Audit period			
(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
rules and procedures set out in Appendix 3.			
425 <i>"If a network operator detects a loss of energy data or incorrect energy data from a metering installation, it must notify each affected Code participant of the loss or error within 24 hours after detection."</i> SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure.	We note that SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time.
426 <i>"Substitution or estimation of energy data is required when energy data is missing, unavailable or corrupted, including in the circumstances described in this subclause."</i> Although SCE substitutes and estimates energy data when required, it considers that the methodologies it uses do not fully comply with the prescribed substitution and estimation rules and procedures set out in Appendix 3. .	Procedures for validation, substitution and estimation are set out in the PPA that SCE has agreed with its customer (Section 8.6 Electricity metering of the PPA). Installation of SCE's metering pre-dates the requirements of the Code and SCE considers that it is non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time.
434 <i>"A network operator must ensure the accuracy of estimated energy data in accordance with the methods in its metrology procedure and ensure that any transformation or processing of data preserves its accuracy in accordance with the metrology procedure."</i> SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure.	We note that SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time.
447 <i>"A network operator must, in relation to its network, comply with the agreements, rules, procedures, criteria and processes prescribed."</i> SCE is non-compliant in relation to clause 6.1(1)(c) as SCE does not have a metrology procedure.	We note that SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time.

B. Unresolved at end of current Audit period			
(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
448A <i>"A network operator must, as soon as practicable and in any event no later than 6 months after the date this Code applies to it, submit to the ERA for its approval the prescribed documents in subclauses 6.2(a)-(d)." </i> SCE has not submitted the prescribed documents in sub-clauses 6.2(a)-(d) to the ERA for approval. Therefore, SCE is non-compliant with the obligation.	We note that SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time
448C <i>"A network operator must publish its communication rules as soon as practicable, and in any event within 6 months after the date this Code applies to it." </i> SCE has not published its communication rules. Therefore, SCE is non-compliant with the obligation.	We note that SCE considers that this obligation is non-reportable because of the nature of the non-compliance in relation to Electricity Industry Metering Code, clause 6.1(1) and the subsidiary requirements thereafter need not be reported as non-compliant.		As advised by the Authority 18 December 2014, the Authority accepts that SCE will not take action to address the non-compliances unless replacing the current PPA with a new contract. Therefore, we consider that no further action is required at this time

6.2 Asset Management Review

Table 6-2 Table of Current Review Asset System Deficiencies/Recommendations

A. Resolved during current audit period			
Ref.	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (no./year)	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Auditor's recommendation	Management action taken by end of Audit Period
R1/2018	A1 <i>Asset Management</i> <i>Maintenance plans (emergency, corrective and preventative) are</i>	A substantial rework of the Operations, Maintenance and Contingency Plan would be of benefit to SCE by documenting how to implement the	

B. Unresolved at end of current Audit period

documented and completed on schedule.

requirements of the PPA and governing regulations.

The SCE AMP notes that there is an “Operation, Maintenance and Contingency Management Plan for the Southern Cross Energy Generation and Transmission System” and this includes the “MS-COM-408 Southern & Northern Systems – RCC Maintenance Manual”. However, the AMP identifies that both documents are out of date, having been last revised in 2009. There is relevant content in both documents for the existing facilities but most of the references to clients and other contracts are incorrect.

A1

Asset Management

Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.

R2/2018

The SCE AMP has identified that the SAP data conversion appears to have created some gaps in both asset records and detailed master data and may include registered equipment such as pressure vessels. These are being investigated by the Maintenance Process Specialist. Statutory compliance and efficient and effective maintenance relies on this data being readily available.

We recommend that SCE completes the improvement opportunity to rectify the asset record data gaps that it identified in the SCE AMP.

A1

Asset Management

Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.

R3/2018

Apart from SAP PMs and the major maintenance schedule, there is no asset lifecycle maintenance plan. Major maintenance, including capital works, is planned by the Plant Manager South according to the TransAlta MRF and budgeting processes. There are multiple documents managing different parts of the Asset lifecycles. The SCE AMP has identified that in reviewing these documents, there is poor correlation between planned work and budgeted

We recommend that SCE develops a single document to manage the different parts of the asset lifecycles in accordance with the opportunity it identified in the SCE AMP.

B. Unresolved at end of current Audit period

work and a single document is required to address this.

A1

Review of Asset Management System

A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current

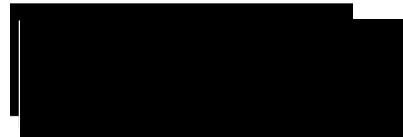
R4/2018

Improvement opportunities are included in Section 14 of the SCE AMP. However, there is no Improvement Plan that sets out timeframes and responsibilities. We note that other improvements have been identified in the AMP.

We recommend that an Improvement Plan is included in the AMP to summarise the opportunities that have been identified in the Plan and to assign responsibilities and timeframes.

7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at SCE on 13 – 16 August 2018 and recorded in this report is an accurate presentation of our findings and opinions.



Justin Edwards PhD MEng
Cardno (QLD) Pty Ltd
515 St Paul's Terrace
Fortitude Valley QLD 4006

9 October 2018

APPENDIX

A

RISK MANAGEMENT FRAMEWORK

Types of Compliance Risk

Type of Risk	Examples
Supply quality and reliability	Delays in new connections, excessive supply interruptions, supply quality standards not met.
Consumer protection	Customer service levels not met, incorrect bills, disconnection and reconnection standards not met, customers unable to access financial hardship assistance.
Legislation/licence	Breach of industry Acts, regulations and codes, contravention of licence conditions.

Risk Assessment Rating Scales

The consequence, likelihood and inherent risk are assessed using a 3-point rating scale as described below. The rating scale is as per the Audit and Review Guidelines: Electricity and Gas Licences, (Economic Regulation Authority), April 2014.

Consequence Rating

The consequence rating scale is outlined below.

Rating	Supply Quality and Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1 Minor	Breaches of supply quality or reliability standards – affecting small number of customers. Delays in providing a small proportion of new connections.	Customer complaints procedures not followed in a few instances. Small percentage of disconnections or reconnections not completed on time. Small percentage of bills not issued on time.	Legislative obligations or licence conditions not fully complied with, minor impact on customers or third parties. Compliance framework generally fit for purpose and operating effectively.
2 Moderate	Supply quality breach events that significantly impact customers; large number of customers affected and/or extended duration and/or damage to customer equipment. Supply interruptions affecting significant proportion of customers on the network for up to one day. Significant number of customers experiencing excessive number of interruptions per annum. Significant percentage of new connections not provided on time/ some customers experiencing extended delays.	Significant percentage of complaints not being correctly handled. Customers not receiving correct advice regarding financial hardship. Significant percentage of bills not issued on time. Ongoing instances of disconnections and reconnections not completed on time, remedial actions not being taken or proving ineffective. Instances of wrongful disconnection.	More widespread breaches of legislative obligations or licence conditions over time. Compliance framework requires improvement to meet minimum standards.
3 Major	Supply interruptions affecting significant proportion of customers on the network for more than one day. Majority of new connections not completed on time/ large number of customers experiencing extended delays.	Significant failure of one or more customer protection processes leading to ongoing breaches of standards. Ongoing instances of wrongful disconnection.	Wilful breach of legislative obligation or licence condition. Widespread and/or ongoing breaches of legislative obligations or licence conditions. Compliance framework not fit for purpose, requires significant improvement.

Likelihood Ratings

The likelihood rating scale is described below.

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

Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

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

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Controls that mitigate the identified risks to an appropriate level
Moderate	Controls that only cover significant risks; improvement required
Weak	Controls are weak or non-existent and have minimal impact on the risks

Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

Inherent Risk	Adequacy of Existing Controls		
	Weak	Medium	Strong
High	Audit Priority 1		Audit Priority 2
Medium	Audit Priority 3		Audit Priority 4
Low	Audit Priority 5		

APPENDIX

B

ASSET MANAGEMENT PERFORMANCE RATING DEFINITIONS

Compliance Assessment Rating Scale

In accordance with the Audit Guidelines – Electricity, Gas and Water Licences (ERA, April 2014), a 7-point rating scale has been adopted to assess the licensee's compliance against each licence condition. The rating scale and description of compliance is outlined below.

Compliance Status	Rating	Description of Compliance
Compliant	5	Compliant with no further action required to maintain compliance
Compliant	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
Compliant	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
Non-Compliant	2	Does not meet minimum requirements
Significantly Non-Compliant	1	Significant weaknesses and/or serious action required
Not Applicable	N/A	Determined that the compliance obligation does not apply to the licensee's business operations.
Not Rated	N/R	No relevant activity took place during the audit period therefore it is not possible to assess compliance.

Asset Management Review Rating Scales

The asset management review utilises a combination of asset management adequacy ratings and asset management performance ratings, which are outlined below. These are based on the Audit Guidelines – Electricity, Gas and Water Licenses (ERA, April 2014).

Asset Management Adequacy Ratings

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

Asset Management Performance Ratings

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