



ABN 20 009 454 111

Audit Report  
ATCO Power Australia (Karratha) Pty Ltd 2018 Electricity  
Generation Licence Performance Audit

December 2018



## Executive Summary

ATCO Power Australia (Karratha) Pty Ltd (APAK or the licensee) holds an Electricity Generation Licence (EGL21) issued by the Economic Regulation Authority (the ERA) under Sections 7 and 15 of the Electricity Industry Act 2004 (WA) (the Act). The licence enables APAK to construct and operate power generating facilities in accordance with the licence conditions.

Sections 13 of the Act require APAK to provide the Authority with a report by an independent expert on the measures taken by the licensee to meet the performance criteria specified in the licence. In September 2018 APAK commissioned Qualeng to carry out the performance audit of their licence compliance (the audit) for the period 1 September 2014 to 31 August 2018. The audit has been conducted and this report prepared in accordance with the "ERA's Audit and Review Guidelines: Electricity and Gas Licences (April 2014)" (the guidelines).

### **THE ASSETS**

The licence has been granted for an area located at Lot 1996 Stovehill road, Stove Hill, Karratha, Western Australia. The Karratha Power Station generating assets consist of two GE LM 6000 PD Sprint Gas Turbine Generators (GTG) supplied by General Electrics, plus auxiliary systems including the GTG Sprint water injection systems, evaporative cooling systems, a black start facility and a compressed air system. The Power Station includes the control building, workshop and spare parts store, water treatment plant and storage tanks, a natural gas supply system including heating and gas conditioning, a fire protection system, a waste water, oil and chemical disposal facility, and an evaporation pond. The nameplate power capacity of the station is 96 MW.

APAK manages the operation and maintenance of the assets however Horizon

Power, the single customer, operates the GTGs once start up and synchronization are achieved.

**THE REPORT**

The report includes:

- (i) a summary of the objectives, the scope of the task and details of this audit;
- (ii) key findings and recommendations from this audit.

Separately, a post audit implementation plan has been prepared by the licensee listing the audit recommendations that require responses and actions by the licensee. The plan does not form part of the report and is provided separately to complete the documentation.

**LICENSEE'S RESPONSE TO PREVIOUS AUDIT RECOMMENDATIONS**

The previous audit report covered the period 1 September 2011 to 31 August 2014. The report made one recommendation. The recommendation was closed during this audit period.

**SUMMARY OF ISSUES AND RECOMMENDATIONS, PERFORMANCE AUDIT**

Throughout the audit the licensee’s attitude towards compliance was positive and cooperative.

On completion of the performance audit the auditor has found that ATCO Power Australia (Karratha) Pty Ltd’s operation was in compliance with the licence conditions, there was one finding that resulted in one Opportunity for Improvement.

The Performance Audit summary of issues and recommendations is listed in Table 1.

**Table 1- Performance Audit non-compliances and recommendations**

Table of Current Audit Non Compliances/Recommendations		
Reference No/ Year	Non Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Auditors’ Recommendations
1/2018	<p>B1 Obligation ID 451</p> <p><b>Electricity Industry Metering Code clause 7.2(1)</b> 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.</p> <p>The communication protocol is out of date as the</p>	<p><b>(OFI)</b> The Operating Protocol needs to be updated to reflect the actual communication arrangements.</p> <p>In the interim a temporary contact list should be in place to formally record the communication details and provide them to the customer.</p>



Table of Current Audit Non Compliances/Recommendations		
Reference No/ Year	Non Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Auditors' Recommendations
	power station structure is now different, e.g. there is no "Station Manager" however the document is partly out of the licensee control as it is subject to a combined update with the customer.	

## AUDITOR'S OPINION, PERFORMANCE AUDIT

On completion of the performance audit, after assessment and testing of the licensee's control environment, risk assessment process, information system, control activities and monitoring, the auditor has formed the opinion that, during the audit period of 1 September 2014 to 31 August 2018, ATCO Power Australia (Karratha) Pty Ltd's operation was in compliance with the licence conditions.

## POST AUDIT ACTION PLAN

The audit has resulted in one finding which has generated one Opportunity for Improvement that may require action by the licensee.

In accordance with the guidelines, as the single recommendation compliance rating is B1, the submission of a licensee's Post Audit Implementation Plan for 2018 is not mandatory. If a Post Audit Implementation Plan is submitted by the licensee, responses including actions, responsibilities and dates for completion are completed by the licensee.

*This report is an accurate representation of the findings and opinions of the auditors following the audit of the client's conformance to nominated Licence conditions. The audit is reliant on evidence provided by other parties and is subject to limitations due to the nature of the evidence available to the auditor, the sampling process inherent in the audit process, the limitations of internal controls and the need to use judgement in the assessment of evidence. On this basis Qualeng shall not be liable for loss or damage to other parties due to their reliance on the information contained in this report or in its supporting documentation.*

*The Post Audit Implementation Plan is a document prepared by the licensee in response to the recommendations provided by the audit. As it represent the licensee's views and actions it does not form part of the audit.*

#### Approvals

Representation	Name	Signature	Position	Date
Auditor:	M Zammit		Lead Auditor / Projects Director, Qualeng	4 December 2018

Ref:	71/1	
<b>Issue Status</b>		
Issue No	Date	Description
1	21 Nov 2018	First formal Issue for review by ERA
2	4 Dec 2018	Final Issue

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# 1 OBJECTIVES AND SCOPE OF AUDIT

## 1.1 BACKGROUND

ATCO Power Australia (Karratha) Pty Ltd (APAK or the licensee) generates and supplies electricity to the North West Interconnected System (NWIS) in Western Australia under the EGL21 Electricity Generation licence (the licence) granted by the Economic Regulation Authority (the ERA) on 19 December 2008 (the Licence was at Version 4, 1 July 2018 at the end of the audit period but was updated to version 5 later).

The licence has been issued under Sections 7 and 15 of the Electricity Industry Act 2004 (WA) (the Act) and enables the licensee to construct and operate generating works or operate existing generating works in accordance with the licence terms and conditions.

The licence has been granted for an area located at Lot 1996 Stovehill road, Stove Hill, Karratha, Western Australia. The generating assets consist of:

- two GE LM 6000 PD Sprint Gas Turbine Generators (GTG) supplied by General Electrics, plus auxiliary systems including:
- the GTG Sprint water injection systems;
- evaporative cooling systems;
- a black start facility; and
- a compressed air system.

In addition the Karratha Power Station (KPS) includes:

- the control building, workshop and spare parts store;
- water supply and water treatment plant (WTP) including 2 bulk caustic and acidic tanks and storage tanks;
- a natural gas supply system including heating and gas conditioning;
- a fire protection system;
- a waste water, oil and chemical disposal facility;
- an evaporation pond.

The power station is connected to Horizon Power NWIS grid.

Under section 13 of the Act APAK's systems are subject to independent performance audits at 24 month intervals or some other period as decided by the ERA. The performance audit is an audit of the effectiveness of measures taken by the licensee to meet the performance criteria specified in the licence.

Qualeng has been engaged by APAK to conduct the performance audit (the audit) for the period 1 September 2014 to 31 August 2018. The audit has been conducted and this report

prepared in accordance with the "ERA's Audit and Review Guidelines: Electricity and Gas Licences (April 2014)" (the guidelines).

## 1.2 OBJECTIVES OF AUDIT

The purpose of the performance audit is to:

- *Assess the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence.*

## 1.3 SCOPE OF AUDIT

### 1.3.1 Scope of Performance Audit

The scope of the performance audit is to audit the systems and the processes to assess their effectiveness in ensuring compliance with the standards, outputs and outcomes required by the licence, in detail:

- Assess the effectiveness of systems and procedures and the adequacy of internal controls;
- Consider performance against standards prescribed in the licence;
- Provide assurance of compliance to systems and procedures, existence of control and system outputs / records;
- Verify completeness and accuracy of performance reporting to the ERA;
- Verify compliance with any individual licence conditions.

Key documentation examined by the auditors is listed in Appendix A.

## 1.4 AUDIT PERIOD

The audit covers the period between 1 September 2014 to 31 August 2018. The audit was carried out between September and November 2018.

## 1.5 METHODOLOGY OF AUDIT

The audit followed the methodology defined in the ERA's guidelines including:

- Review of documentation;
- Preparation of the audit plan, risk assessment and system analysis;
- Fieldwork including the document review and meetings;
- Reporting.

These activities were supported by additional investigations to further clarify aspects of the procedures.

The audit plan was prepared outlining the objectives, scope, risk assessment, system analysis, fieldwork plan, the report structure, key contacts and auditing staff.



The audit adopted a risk based approach where a preliminary risk and materiality assessment was carried out. The risks resulting from lack of controls (inherent risks) and the strength of existing controls to mitigate the inherent risks were rated and audit priority assigned based on the above. Tests were also defined for each licence condition to assess the compliance and effectiveness of the current process.

## 1.6 LICENSEE'S REPRESENTATION

Licensee representatives that participated in the audit meetings or were requested to clarify aspects of the licensee's operation were:

at Perth head office and Karratha Power Station:

- Anton Beets, Manager, Governance and Compliance, main ATCO representative;
- Chris Jeffries, Senior Manager Operations & Engineering;
- Travis Graham, Station Supervisor Karratha.

## 1.7 LOCATIONS VISITED

The following facilities were visited during the audit:

- APAK head office, Mills St, Perth
- APAK Karratha Power Station site.

## 1.8 AUDIT TEAM

A summary of the auditing resources utilised in the performance of the audit is listed below.

<i>Item</i>	<i>Resource</i>	<i>Description</i>	<i>Hours</i>
1	M Zammit	Project Director and Lead Auditor	40
2	S Campbell	Senior Engineer, Document Reviewer and Verifier	5
3	Support staff	Document control	-

## 1.9 KEY DOCUMENTS AND INFORMATION

Main documents accessed by the auditors are listed in Appendix A.

## 1.10 LIMITATIONS AND QUALIFICATIONS

An audit provides a reasonable level of assurance on the effectiveness of control procedures, however there are limitations due to the nature of the evidence available to the auditor, the sampling process inherent in checking the evidence, the limitations of internal controls and the need to use judgement in the assessment of evidence.

As noted above, due to the sampling process, the nature of the evidence available to the

auditor, the limitations of internal controls and the need to use judgement in the assessment of evidence there are limitations in the level of accuracy that can be obtained in the audit and in the review and errors and non-compliances may remain undetected.

The Post Audit Implementation Plan (PAIP) is a document prepared by the licensee in response to the recommendations provided by the audit. As it represents the licensee's views and actions it does not form part of the audit and, where applicable, is provided separately in accordance with the guidelines.

## 1.11 ABBREVIATIONS

AMP	Asset Management Plan
AMIS	Asset Management Information System
AMS	Asset Management System
APAK	ATCO Power Australia (Karratha) Pty Ltd
AS	Australian Standard
Audit	2018 Performance Audit
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CMMS	Computerised Maintenance Management System
DM	Document Management
DMS	Document Management System
DSOC	Declared Sent Out Capacity
EC	Effectiveness Criteria
EH&S	Environmental Health and Safety
EIM	Enterprise Information Management System
ERA	Economic Regulation Authority
FY	Financial Year
GTG	Gas Turbine Generator
HP	Horizon Power
HV	High voltage
KPI	Key Performance Indicators
LCC	Lifecycle costs
LV	Low voltage
NA	Not applicable
NR	Not rated

O&M	Operation and Maintenance
OEM	Original Equipment Manufacturer
OFI	Opportunity for Improvement
OHSE	Occupational Health, Safety and Environmental
OPEX	Operating Expenditure
PAIP	Post Audit and Review Implementation Plan
P&L	Profit and Loss
PPA	Power Purchase Agreement
Review	2018 Electricity Generation Licence Asset Management System Review
RMCC	Risk Management and Compliance Committee
SLA	Service Level Agreement
WTP	Water Treatment Plant
YTD	Year to Date

## 2 KEY FINDINGS AND RECOMMENDATIONS

### 2.1 LICENSEE'S RESPONSE TO PREVIOUS AUDIT RECOMMENDATIONS

The previous audit report covered the period 1 September 2011 to 31 August 2014. The report made one recommendation (and closed three from the earlier audit period). The previous audit recommendation was closed in the current audit period of 1 September 2014 to 31 August 2018.

Table 2- Previous audit non-compliances and recommendations

Table of Previous Audit Non Compliances and Recommendations				
A Resolved before end of previous audit period				
Reference (No/Year)	(Compliance rating/ Legislative obligation / Details of the issue)	Auditors' recommendation or action taken	Date resolved	Further action required (Yes/No/Not Applicable) Details of further action required including current recommendation reference if applicable
	No previous audit recommendations were closed in the previous audit period.			
B Resolved during current audit period				
Reference (No/Year)	(Compliance rating/ Legislative Obligation / Details of the issue)	Auditors' Recommendation or action taken	Date resolved	Further action required (Yes/No/Not Applicable) Details of further action required including current recommendation reference if applicable
1/2014	General lack of clarity around the relevance of a number of Metering Code obligations to APAK's metering arrangements. APAK's relevant obligations under the Metering Code and the impact of its metering arrangements on those obligations have not been clearly documented to provide staff and stakeholders with a full and consistent understanding of: <ul style="list-style-type: none"> <li>• Roles and responsibilities (if any) regarding metering &amp; measuring equipment, including those captured under the Metering Code (referenced in the PPA as Horizon Power's responsibility)</li> </ul>	a) Engage with Horizon Power to confirm the extent of the practical obligation on APAK (if any) relating to Horizon Power Technical Rules, Communication Rules and Metrology Procedure b) Update its station Measurement Manual to include: <ul style="list-style-type: none"> <li>- Reference to role and responsibilities regarding metering and measuring equipment, including those captured under the Metering Code</li> <li>- Details of any obligations imposed on APAK by Horizon Power</li> </ul>	June 2015	No

	<ul style="list-style-type: none"> <li>Details of any obligations imposed on APAK by Horizon Power in relation to Horizon Power's Technical Rules, Communication Rules or Metrology Procedure.</li> </ul>			
<b>C</b>	<b>Unresolved at end of current audit period</b>			
<b>Refer ence (No/ Year)</b>	<b>(Compliance rating/ Legislative Obligation / Details of the issue)</b>	<b>Auditors' Recommendation or action taken</b>		<b>Further action required (Yes/No/Not Applicable) Details of further action required including current recommendation reference if applicable</b>
Nil				

## 2.2 SUMMARY OF AUDIT

The performance audit summary is included in this section.

### 2.2.1 Performance Audit Compliance Summary

The performance audit is summarised below in Table 3. The table lists the compliance rating for each licence condition using the two-dimensional rating scale described in Table 4.

Each obligation is rated for both the adequacy of existing controls and the compliance with the relevant licence obligation.

**Table 3: Audit Obligation Ratings**

Compliance Obligation Reference No.	Licence Reference	Audit Priority Applied (1=Highest 5=Lowest)	Adequacy of Controls Rating (Refer to the 4-point rating scale in Table 4 for details) (NP = Not Performed)					Compliance Rating (Refer to the 4-point rating scale in Table 4 for details)			
			A	B	C	D	NP	1	2	3	4
<b>Licence Clauses</b>											
Licence Clause (Lic Cl)	2.1 Activities authorised	4	4					4			
Lic Cl	2.5 Area	5	4					4			
Lic Cl	4.1 Compliance with legislation	4	4					4			
Lic Cl	5.1.7 Expert approval (AMS)	4	4					4			
<b>Electricity Industry Act – Licence Conditions and Obligations</b>											
101	13(1) Lic Cl 5.3.1	4	4					4			
102	14(1)(a) Lic Cl 5.1.1	2	4					4			
103	14(1)(b) Lic Cl 5.1.2, 5.1.3	4					NR				
104	14(1)(c) Lic Cl 5.1.4	5	4					4			
105	17(1) Lic Cl 4.2.1	5	4					4			
106	31(3) Lic Cl 4.1.1	4	4					4			
107	41(6) Lic Cl 4.1.1	4	4					4			
<b>Electricity Licences – Licence Conditions and Obligations</b>											
119	Lic Cl 4.3.1	4	4					4			
121	Lic Cl 5.3.2	4	4					4			
122	Lic Cl 5.1.5	2	4					4			
123	Lic Cl 4.4.1	4					NR				

Compliance Obligation Reference No.	Licence Reference	Audit Priority Applied (1=Highest 5=Lowest)	Adequacy of Controls Rating (Refer to the 4-point rating scale in Table 4 for details) (NP = Not Performed)					Compliance Rating (Refer to the 4-point rating scale in Table 4 for details)			
			A	B	C	D	NP	1	2	3	4
124	Lic Cl 4.5.1	5	4					4			
125	Lic Cl 3.8.1	5					NR				
126	Lic Cl 3.7.1	5					NR				
<b>Electricity Industry Metering Code – Licence Conditions and Obligations</b>											
451	7.2(1)	5		4				4			
455	7.5	4	4					4			
456	7.6(1)	4					NR				
457	8.1(1)	5					NR				
458	8.1(2)	5					NR				
459	8.1(3)	5					NR				
460	8.1(4)	4					NR				
461	8.3(2)	5					NR				

Note: Where obligations have not been rated, reasons for the lack of rating are provided in Table 5 Performance Audit Observations and Recommendations (September 2018 version).

**Table 4: Audit compliance and controls rating scales**

Performance audit compliance and controls rating scales	
<b>Adequacy of Controls Rating</b>	
Rating	Description
A	Adequate controls – no improvement needed
B	Generally adequate controls - some improvement needed
C	Inadequate controls - significant improvement required
D	No control evident
<b>Compliance Rating</b>	
Rating	Description
1	Compliant
2	Non-compliant– minor impact on customers or third parties
3	Non-compliant – moderate impact on customers or third parties

Performance audit compliance and controls rating scales	
Adequacy of Controls Rating	
Rating	Description
4	Non-compliant – major impact on customers or third parties



## 2.3 OBSERVATIONS AND FINDINGS

The observations and findings of the performance audit are reported in Table 5.

The tables include all the findings, observations and recommendations and rate APAK's overall compliance and adequacy of controls for each licence requirement in accordance with the ERA's guidelines. The rating definitions are reproduced in Table 4.

Where appropriate or where the compliance obligation has been rated as C, D, 2, 3 or 4, recommendations are made to address the issue(s) that have resulted in that rating. Optionally, recommendations to address opportunities for improvement (for items rated A, B or 1) may also be included in the audit report.

If applicable, the licensee's corrective actions are included in the separate Post Audit Implementation Plan.

### 2.3.1 Performance audit findings and observations

Key findings and recommendations arising from the performance audit are listed against their licence obligation in the following table.

#### KEY TO FINDINGS AND RECOMMENDATIONS

Key	Description
<input type="checkbox"/>	Finding/ Non-compliance or Inadequacy of controls
1. Text	Recommendations
[OFI]	Opportunity for Improvement

Key	Description
Licence Grant Date	According to the licence document at the start of the audit the licence grant date was 19 September 2008; this was corrected on version 5 of the licence (issued 1 November 2018) to 19 December 2008.
Audit period	1 September 2014 to 31 August 2018

**Table 5 Performance Audit Observations and Recommendations (September 2018 version)**

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
L1	Cl.2.1	<b>Activities authorised under this Licence</b> Licensee is granted a licence for the licence area to construct and operate generating works or operate existing generating works in accordance with the terms and conditions of this licence	The licensee has identified the licence area and is operating the plant in accordance with the conditions of the licence.	4	A	1	
L3	Cl.2.5 (Sch1)	<b>Licence Area</b> The licence area is the area as set out in plan ERA-EL-116	The licensee has identified the licence area and the licence boundaries which correspond to the licence information.	5	A	1	
L11	Cl.4.1 & 4.1.1	<b>Compliance:</b> Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with all applicable legislation.	The audit found that the licensee has a process and documentation in place to ensure the licensee's compliance with applicable legislation: <ul style="list-style-type: none"> <li>• Internal due diligence report prepared by APAK to verify compliance with the requirements of the licence and supporting compliance reports;</li> <li>• Annual Electricity Generation Licence compliance reports;</li> <li>• External review of Asset Management System;</li> <li>• Maintenance and review of "Obligations Register" created by the licensee to record statutory and regulatory requirements and check compliance;</li> </ul>	4	A	1	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
			<ul style="list-style-type: none"> <li>ERA Generation Licence fee payments.</li> </ul> <p>(Further details of compliance are audited under obligation 124).</p>				
L13	CI 5.1.7	The review of the asset management system must be conducted by an independent expert approved by the ERA.	The Manager Governance and Compliance confirmed that the auditor was approved by the Authority prior to the audit as documented in the ERA's letter (reference D192205) of 10 September 2018.	4	A	1	
101	CI 5.3.1	<p><b>Electricity Industry Act section 13(1)</b> 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.</p> <p>CI 5.3.1 The licensee must, unless otherwise notified in writing by the ERA, provide the ERA with a performance audit within 24 months after the commencement date, and every 24 months thereafter.</p>	<p>The audit found evidence of the licensee compliance with the requirement to provide a performance audit by examining the following information:</p> <ul style="list-style-type: none"> <li>The Licence, which was granted on 19 December 2008;</li> <li>a letter of 10 September 2018 by the ERA advising the approval of the auditor and stating that the audit period was from 1 September 2014 to 31 August 2018, with a report to be provided to the ERA by 30 November 2018;</li> <li>the licensee commissioned an independent expert to provide the ERA with a performance audit and a report to cover the period of 48 months from 1 September 2014 to 31 August 2018.</li> </ul>	4	A	1	<p><b>Note</b> (Not a recommendation): Licence needs to be updated to allow periods longer than 24 months between audits, reference section 3 "Changes to the licence" in this report.</p>
102	CI 5.1.1	<p><b>Electricity Industry Act section 14(1)(a)</b> A licensee must provide for an asset</p>	The licensee has implemented an asset management system (AMS) which has been subject to review by independent auditors in	2	A	1	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
		management system. CI 5.1.1 The licensee must provide for an asset management system in respect of the licensee's assets.	2011, 2014 and as part of this audit.				
103	CI 5.1.2 5.1.3	<b>Electricity Industry Act section 14(1)(b)</b> A licensee must notify details of the asset management system and any substantial changes to it to the ERA. CI 5.1.2 The licensee must notify the ERA of the details of the asset management system within five business days from the later of: (a) the commencement date; and (b) the completion of construction of the licensee's assets. CI 5.1.3 The licensee must notify the ERA of any substantial change to the asset management system within ten business days of such change.	Not Rated. Not applicable during the audit period. The details of the Asset Management System (AMS) were notified to the ERA through the issue of the Asset Management Plan (AMP) in 2010. There were no substantial changes to the licensee's AMS in the audit period.	4	NR	NR	
104	CI 5.1.4	<b>Electricity Industry Act section 14(1)(c)</b> A licensee must provide the ERA with a report by an independent expert as to the effectiveness of its asset management system every 24 months [calculated from the commencement date] or such longer period as determined [in writing] by	The licensee has commissioned an independent expert to provide the ERA with a report on the effectiveness of its asset management system to cover a period of 48 months from 1 September 2014 to 31 August 2018 as noted in the ERA's letter of the 10 September 2018.	5	A	1	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
		the ERA.					
105	CI 4.2.1	<p><b>Electricity Industry Act section 17(1)</b> 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.</p> <p>[2016 Compl. Manual: within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.]</p>	<p>The Review noted that the licence grant date appeared to be 19 September 2008 (as per licence v4, 1 July 2018). Subsequent verification has determined that the licence grant date was 19 December 2008, which was confirmed by the ERA.</p> <p>Through examination of evidence related to licence fee payments the audit found prescribed licence fees had been paid as per requirements:</p> <ul style="list-style-type: none"> <li>• For payment due 19 January 2015, payment effected on 19 December 2014 as per ATCO Power Australia Remittance Advice;</li> <li>• For payment due 19 January 2016: paid 18 December 2015 as per Remittance Advice;</li> <li>• For payment due 19 January 2017: paid on 16 December 2016 as per Remittance Advice;</li> <li>• For payment due 19 January 2018: paid on 5 January 2018 as per Remittance Advice.</li> </ul>	5	A	1	
106	-	<p><b>Electricity Industry Act section 31(3)</b> 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.</p>	<p>The audit found that documents and processes are in place to manage and minimise the extent and duration of interruption of the supply of electricity:</p> <ul style="list-style-type: none"> <li>• Plans are in place to deal with emergencies including:</li> </ul>	4	A	1	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
			<ul style="list-style-type: none"> <li>( Emergency Response Plan</li> <li>( Crisis Management Plan</li> <li>( Business Continuity Plan</li> <li>( Emergency Response Plan</li> <li>( Pandemic Plan</li> <li>( Loss of Unit - ATCO Contingency Plan;</li> <li>• contracted, defined and regularly monitored performance criteria to optimise the reliability of the plant;</li> <li>• a process of risk analysis which identifies risks and actions for mitigating risks;</li> <li>• experienced staff and support contractors with defined service scopes;</li> <li>• defined operation and maintenance plans, including outages, based on OEM information and manuals.</li> </ul>				
107	CI 4.1.1	<p><b>Electricity Industry Act section 41(6)</b> A licensee must pay the costs of taking an interest in land or an easement over land</p>	<p>The Power Purchase Agreement (PPA) between the licensee and its single customer, Horizon Power, under sections 1 and 2, provides for the customer to lease the land on which the Karratha Power Station (KPS) is situated, to the licensee.</p> <p>The Audit found sufficient evidence to show that APAK continued to lease the land on which</p>	4	A	1	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
			the KPS is located at a nominal fee from the customer and did not obtain further interest on the land.				
119	CI 4.3.1	<p><b>Accounting records:</b> Electricity Industry Act section 11 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.</p>	<p>There was evidence to show that accounting records of the body corporate comply with the Australian Accounting Standards Board Standards.</p> <p>Examination of the licensee's records confirmed that:</p> <ul style="list-style-type: none"> <li>• accounting records had been maintained for the audit period;</li> <li>• compliance statements are included in the annual financial reports stating compliance with the Corporation Act and with recognition and measurement criteria and with disclosure requirements of Australian Accounting Standards Board (AASB) Standards.</li> </ul> <p>The financial reports have been audited by independent auditors which have concluded that in their opinion the financial report "presents fairly, in all material respects, the financial position" of the licensee and "its financial performance and cashflow... in accordance with the accounting policies described" [above].</p>	4	A	1	
121	CI 5.3.2	<b>Electricity Industry Act section 11</b>	The licensee has specified and the auditor has	4	A	1	



Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
		A licensee must comply, and require its auditor to comply, with the ERA's standard audit guidelines for a performance audit.	documented in the Audit Plan its compliance with the ERA's guidelines. The Audit Plan was approved by the ERA on 12 November 2018.				
122	CI 5.1.5	<b>Electricity Industry Act section 11</b> A licensee must comply, and must require the licensee's expert to comply, with the relevant aspects of the ERA's standard guidelines for the asset management system review.	The licensee has complied and has requested the licensee's expert, Qualeng, to comply with the ERA's guidelines.  The licensee's expert has documented in the Audit Plan its compliance with the ERA's guidelines.	2	A	1	
123	CI 4.4.1	<b>Reporting a Change in Circumstances</b> Electricity Industry Act section 11 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.	Not rated, the Senior Manager Operations and Engineering confirmed that there was no significant change in the circumstances upon which the licence was granted which could affect APAK's ability to meet its obligations in the audit period.	4	NR	NR	
L12	CI 4.4.1	The licensee must report to the ERA:  (a) if the licensee is under external administration as defined by the Corporations Act 2001 (Cwth) within 2 business days of such external administration occurring; or  (b) if the licensee experiences a change in the licensee's corporate, financial or technical circumstances upon which this licence was granted which may affect the licensee's ability to meet its obligations under this licence  within 10 business days of the change occurring or	Not rated, the Senior Manager Operations and Engineering confirmed that there was no significant change in the circumstances upon which the licence was granted which could affect APAK's ability to meet its obligations in the audit period.	4	NR	NR	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
		<p>(c) if the:</p> <p>(i-iii) licensee's name; licensee's ABN; licensee's address;</p> <p>(iv) description of the generating works; or</p> <p>(v) nameplate capacity of the generating works,</p> <p>change, within 10 business days of the change occurring.</p>					
124	CI 4.5.1	<p><b>Provision of information</b> Electricity Industry Act section 11 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.</p>	<p>Under the Electricity Industry Act the licensee is required to provide the information requested by the Authority which includes:</p> <ul style="list-style-type: none"> <li>Annual Compliance reports covering all of its type 1 and type 2 licence obligations for each reporting year (1 July and ending 30 June) by 31 August immediately following the end of the financial year that is the subject of the report.</li> </ul> <p>A "Licence compliance Due Diligence Process" is in place through the Manager Governance &amp; Compliance and the Senior Manager Operations and Engineering for the preparation of compliance reports due to be issued to the ERA annually. "Due Diligence/ Compliance Reports" for 2017 and 2018 were sighted.</p> <p>The audit examined the licensee obligation register and compliance reports and found evidence of the following:</p>	5	A	1	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
			<ul style="list-style-type: none"> <li>Report required by 31 August 2015 to cover the period 1 July 2014 to 30 June 2015 ( Issued 18 August 2015, reported no contraventions;</li> <li>Report required by 31 August 2016 to cover the period 1 July 2015 to 30 June 2016 ( Issued 29 August 2016, reported no contraventions;</li> <li>Report required by 31 August 2017 to cover the period 1 July 2016 to 30 June 2017 ( Issued 24 August 2017, reported no contraventions;</li> <li>Report required by 31 August 2018 to cover the period 1 July 2017 to 30 June 2018 ( Issued 20 August 2018, reported no contraventions.</li> </ul> <p>The compliance reports were consistent with the obligation register requirements and were submitted in accordance with the requirements during the audit period.</p> <p>There was a request by the ERA on 17 August 2017 for the capacity rating of the generation works which was provided by the licensee on 6 September 2017.</p>				
125	CL 3.8.1	<b>Publishing information</b>	Not Rated. Not applicable in the audit period.	5	NR	NR	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
		Electricity Industry Act section 11 A licensee must publish any information as directed by the ERA to publish, within the timeframes specified.	There were no directions by the Authority to publish any information other than the reports detailed under Obligation 124.				
126	CI 3.7.1	<b>Notices</b> Electricity Industry Act section 11 Unless otherwise specified, all notices must be in writing.	No notices were given during the audit period. It was confirmed with the licensee's Manager Governance and Compliance that all notices are due to be provided in writing.	5	NR	NR	
<b>Electricity Industry Metering Code</b>							
451	CI 4.1.1	<b>Electricity Industry Metering Code clause 7.2(1)</b> 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.	Complies. Communication protocols are set in section 8.2 of the PPA. Requirements include telephone, electronic signals through the SCADA systems, notices in writing, The code participant has facilities to send and receive notices by post, facsimile and electronic communication. The Manager, Governance and Compliance advised that APAK holds quarterly meetings with the network operator. Both parties have appointed communication leads and provided contact details. The Code participant has a Communication Protocol in place with the network operator which was approved in December 2014. The Communication Protocol is currently under review. <input type="checkbox"/> The Communication Protocol is out of date	5	B	1	<ol style="list-style-type: none"> <li>1. (OFI) The Operating Protocol needs to be updated to reflect the actual communication arrangements.               <ol style="list-style-type: none"> <li>1.1. In the interim a temporary contact list should be in place to formally record the communication details and provide them to the customer.</li> </ol> </li> </ol>

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
			<p>as the power station structure is now different, e.g. there is no "Station Manager" however the document is partly out of the licensee control as it is subject to a combined update with the customer.</p> <p>In the interim the existing protocol is in operation, and continuous communication processes are in place such as daily formal handover, regular notifications on O&amp;M matters and quarterly meetings between the two parties.</p>				
455	CI 4.1.1	<p><b>Electricity Industry Metering Code clause 7.5</b> 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.</p>	<p>Complies. There was no evidence that there have been breaches of confidentiality during the audit period.</p> <p>Manager, Governance and Compliance advised that:</p> <ul style="list-style-type: none"> <li>Information management, IT and data security practices are in place;</li> <li>Confidentiality clauses exist in the licensee's staff employment contracts;</li> <li>Ring fencing policy is in place on information (e.g. electricity information is not shared with other branches of business like gas).</li> </ul>	4	A	1	
456	CI 4.1.1	<p><b>Electricity Industry Metering Code clause 7.6(1)</b> A Code participant must disclose or permit the disclosure of confidential information that is required to be disclosed by the Code.</p>	<p>Complies. Discussion with the Manager, Governance and Compliance confirmed that the licensee permits the disclosure of confidential information that is required to be disclosed by the Code and that no disclosure was required</p>	4	NR	NR	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
			during the audit period.				
457	CI 4.1.1	<b>Electricity Industry Metering Code clause 8.1(1)</b> 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.	Not rated. The Manager, Governance and Compliance confirmed that there were no disputes in the audit period.	5	NR	NR	
458	CI 4.1.1	<b>Electricity Industry Metering Code clause 8.1(2)</b> 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.	Not rated. The Manager, Governance and Compliance confirmed that there were no disputes in the audit period.	5	NR	NR	
459	CI 4.1.1	<b>Electricity Industry Metering Code clause 8.1(3)</b> 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.	Not rated. The Manager, Governance and Compliance confirmed that there were no disputes in the audit period.	5	NR	NR	
460	CI 4.1.1	<b>Electricity Industry Metering Code clause 8.1(4)</b> If the dispute is resolved by representative negotiations, senior management negotiations or	Not rated. The Manager, Governance and Compliance confirmed that there were no disputes in the audit period.	4	NR	NR	

Oblig or Lic ID	Lic ref	Licence Conditions	Findings	Audit Priority	Adequacy A,B=Y C,D=N	Compliance * 1=Y 2,3,4=N	Recommendations
		CEO negotiations, the disputing parties must prepare a written and signed record of the resolution and adhere to the resolution.					
461	CI 4.1.1	<b>Electricity Industry Metering Code clause 8.3(2)</b> The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the objective in subclause 8.3(1).	Not rated. The Manager, Governance and Compliance confirmed that there were no disputes in the audit period.	5	NR	NR	

### 3 CHANGES TO THE LICENCE

A minor change to the licence conditions is required to bring the licence text in line with current legislation:

Licence Clause 5.3.1:

“The licensee must, unless otherwise notified in writing by the ERA, provide the ERA with a performance audit within 24 months after the commencement date, and every 24 months thereafter.”

The last part of the clause needs to be changed to reflect the Act, section 13(1) in regard to the audit being carried out “once in every period of 24 months (or any longer period that the Authority allows)”.

### 4 RECOMMENDATIONS

#### 4.1 CURRENT AUDIT NON-COMPLIANCES AND RECOMMENDATIONS

Recommendations on the actions to be taken by the licensee to address the current performance audit non-compliances are listed in Table 6 and Table 7.

Table 6 - Current audit non-compliances and recommendations (Resolved)

Table of Current Audit Non Compliances/Recommendations (Resolved)			
A. Resolved during current Audit period			
Manual Ref	Non Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditors Comments
	No actions resolved during current audit period.		

Table 7 - Current audit non-compliances and recommendations (Unresolved)

Table of Current Audit Non Compliances/Recommendations (Unresolved)			
B. Unresolved during current Audit period			
Ref. No/ Year	Non Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Auditors' Recommendation	Management action taken by end of Audit period



Table of Current Audit Non Compliances/Recommendations (Unresolved)			
B. Unresolved during current Audit period			
Ref. No/ Year	Non Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Auditors' Recommendation	Management action taken by end of Audit period
1/2018	<p>B1 451 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.</p> <p>The Communication Protocol is out of date as the power station structure is now different, e.g. there is no "Station Manager" however the document is partly out of the licensee control as it is subject to a combined update with the customer.</p>	<p>(OFI): The Operating Protocol needs to be updated to reflect the actual communication arrangements. In the interim a temporary contact list should be in place to formally record the communication details and provide them to the customer.</p>	

## 5 POST AUDIT IMPLEMENTATION PLAN

The Post Audit Implementation Plan (PAIP) is a separate document prepared by the licensee in response to the recommendations made in the audit. In accordance with the guidelines, where compliance ratings are A, B or 1, the preparation of the PAIP is at the option of the licensee.

As the PAIP represents the licensee's views and actions it does not form part of the audit report, however it includes all key audit findings and recommendations that have been made in the audit. For each recommendation the licensee records responses and corrective actions, responsibility for the actions and a proposed date for completion.

# Appendix A - Documentation reviewed

## Key Documentation Reviewed

### Performance Audit

1. Electricity Generation Licence EGL21
2. Electricity Generation Licence Performance Audit 2014
3. Review Report 2014
4. Post Audit Implementation Plan 2014 - Status
5. Compliance Reports
6. ERA letter noting receipt of Compliance Report
7. Economic Regulation Authority Letters on Status of Post Audit Implementation Plan 2014
8. Updated Post-Audit and Post-Review Implementation Plan – 2015
9. Asset Management Plan
10. Licence fee payments 2014-18
11. Audited Reports
12. Monthly Operating Reports
13. Power Purchase Agreement
14. Plant, Parts and Services Agreement
15. APAK Policies and Procedures list
16. ATCO Top Level Policies
17. ATCO Group Risk Management and Control Policy A-08
18. AA-GRC-CH-01 Risk Management Committee (RMCC) Charter
19. APAK Risk Register
20. AA-WHS-PLA-002 Crisis Management Plan
21. KPS-RSK-PL-03 Business Continuity Plan
22. APAK-WHS-PLA-008 Pandemic Plan
23. Karratha Power Station Turbine Contingency Plan [Loss of One Unit]
24. APA-APAK-GRC-WI01 Electricity Generation Licence Reporting Work Instruction
25. Name Plate Notification 10 August 2016
26. Master Obligations Register - APAK Obligations
27. APAK Compliance Report 2017-18 - due diligence report
28. Signed Financial Statements
29. O&M Plan
30. Quarterly Operational Communication Meeting Report, APAK and Horizon Power (2014-2018)
31. APAK Supply Constraint Notification to Horizon Power
32. Operating Protocol between APAK and Horizon Power
33. APAK-ENG-001-GL Station Metering and Measurement Manual

34. AA-GOV-FWK-01 Information Management Governance Framework