



NewGen Power Kwinana Pty Ltd.



2019 Performance Audit

ELECTRICITY GENERATION LICENCE EGL3

NewGen Power Kwinana Pty Ltd

Audit Report	Authorisation	Name	Position,	Date,
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GLOSSARY

AEMO – Australian Energy Market Operator

AMS – Asset Management System

CMMS – Computerised Maintenance Management System

EIT - Energy Infrastructure Trust

ERA – Economic Regulation Authority

ERAP – Engineering Risk Assessment Process

FMECA – Failure Mode Effect Criticality Analysis

GE – General Electric Power

GES – Geographe Environmental Services

ICG - Infrastructure Capital Group Limited

MW – Megawatt

NPK – NewGen Power Kwinana

NewGen Kwinana Partnership – The Licensee

OFI – Opportunities for Improvement

O & M – Operate and Maintain

SWIS – South West Integrated System

WPN – Western Power Networks

This report is prepared by representatives of GES Pty Ltd in relation to the above named client's conformance to the nominated audit standard(s). Audits are undertaken using a sampling process and the report and its recommendations are reflective only of activities and records sighted during this audit process. GES Pty Ltd shall not be liable for loss or damage caused to or actions taken by third parties as a consequence of reliance on the information contained within this report or its accompanying documentation.

Quality Control Record

	CLIENT	DATE
REQUESTED BY	MARK HAMMOND	JUNE 2019
PREPARED BY	NICOLE DAVIES	OCTOBER 2019
REVISION	2	23/10/2019

1. EXECUTIVE SUMMARY

The Licensee, NewGen Power Kwinana Pty Ltd, holds Generation Licence (EGL3) to operate the Kwinana Power Station (KPS).

Asset Overview

The Kwinana Power Station is jointly owned by Energy Infrastructure Trust (which is managed by Infrastructure Capital Group (ICG)) and Sumitomo Corporation.

ICG is an Australian-based infrastructure investment manager with over AU\$1 billion of equity funds under management.

ICG specialises in the origination and investment management of equity investments in the utility and infrastructure sectors. ICG has capabilities in existing and development opportunities in the energy sector, including pricing, generation, transmission and distribution.

Sumitomo Corporation is a fully integrated trading and investing companies headquartered in Tokyo, Japan. Sumitomo has accumulated knowledge and experience from many business fields including commodity trading, industry products distribution, mineral resources investments, infrastructure construction, operation and management etc.

The intermediate load station is capable of supplying approximately 10% of Western Australia's electricity demand and contributes to the stability of the South West Interconnected System (SWIS) and the reliability of electricity supply in the region.

The Kwinana Power Station is a 327.8 MW combined-cycle, gas-fired power station located at the Kwinana industrial estate, 30km south of Perth, Western Australia.

The installed plant primarily consists of;

- One Alstom 13E2-MXL 165MW Gas Turbine fired on Natural Gas
- Associated GT Air Inlet and Exhaust Gas structures
- One Heat Recovery Steam Generator (HRSG) complete with Supplementary Gas Firing
- One Alstom 160MW integral IP/LP and HP Steam Turbine
- Natural Gas conditioning and metering station
- Water Treatment Plant
- Associated Balance of Plant required for effective operation
- The Main Cooling Water System is Sea Water supplied from the Cooling Water Intake located adjacent to NPK at the Synergy Kwinana Power Station.

NewGen Power Kwinana Pty Ltd has issued a Consultancy Brief to undertake its third Performance Audit as required by the Economic Regulation Authority (the Authority). NewGen Power Kwinana Pty Ltd holds a Generation Licence (Licence Number EGL3) under the Electricity Industry Act 2004.

Sections 13 and 14 of the Electricity Industry Act 2004 require as a condition of every licence that the licensee must, not less than once in every period of 24 months (or any longer period that the Authority allows) calculated from the grant of the licence, provide the Authority with a performance audit and an asset management system review report by an independent expert acceptable to the Authority.

The Licensee completed an asset management review obligation submitting a report covering the audit period 1 August 2014 to 31 July 2017. The Authority has reviewed this report and subject to actions detailed in the post audit action plan extended the audit period for the next asset management review to 60 months.

Geographe Environmental Services has been approved by the Authority (Ref: D203833 / 2nd July 2019) to undertake the works in accordance with the approved Performance Audit plan.

The period for the Performance Audit is 1 August 2014 to 31 July 2019, and the report is due to be submitted to the Authority on or before 31st October 2019.

It is confirmed that the licensee facilitated the audit process by providing the audit team;

- Access to the facilities and business premises identified in the audit plan.
- Access to materials and information sources that the auditor needs to conduct the audit, including data, reports, records and any other relevant information.
- Access to the relevant personnel at the Kwinana Power Station site audited and liaison with key administrative personnel at the head office.
- An introduction to persons, other than employees of the licensee, who are relevant to the audit.

Performance Audit Objectives

The Performance Audit has been conducted in order to assess the level of compliance with the conditions of its Generation Licence EGL3. Through the execution of the Audit Plan, field work, assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that NewGen Power Kwinana Pty Ltd has complied with its Generation Licence, with the exception of obligations 105 and 124 relating to payment of licence fees and reporting of compliance requirements. It is the auditors' opinion that the omission of the reporting of the late payment of fees in the annual compliance report was due to a lack of awareness to the requirement. Compliance and integrity of reporting by the Licensee is considered well managed and is comprehensively detailed in the NPK Compliance Requirements Schedule for the generation licence and other statutory obligations. Issues arising from late payment of fees and reporting of compliance requirements have been addressed by the Licensee proactively by the

amendment of payment terms in accounting systems and the alteration of invoice recipient to ensure no delays in the payment process.

The Licensee has implemented the recommendations of the previous audit report, the effectiveness of the actions is evident in the compliance history during the audit period i.e. all of the compliance reports were submitted with the required timeframes (refer Table 3). Implementation of corrective actions were confirmed, tested and have been regularly reviewed during the audit period.

The site audit was conducted on the 15th October 2019 and this audit report is an accurate representation of the audit team's findings and opinions. The Auditor confirm that the Licensee provided full access as required by the Audit Guidelines (2019), in respect to; access to facilities and business premise, access to data, reports, minutes, documentation, correspondence and process control data. Additionally, the Licensee ensured the appropriate personnel were available and provided information where possible as requested for external persons relevant to the audit process.

NewGen Power Kwinana have established a sound control environment, the management and operating philosophy, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of the relevant staff members were tested and verified during the audit process.

1.1 Performance Audit Summary of Findings

The majority of licence obligations reviewed were found to be compliant during the audit, with the exception of Electricity Compliance Reporting Manual Ref 105 and 124 (refer Table 6 & Appendix 1 for further details). The organisation has established processes and provided resources to ensure compliance requirements are met.

A two-dimensional rating scale (refer Section 5.1.6.1 of the Audit Guidelines) was used in the Audit report to summarise the compliance rating for each licence condition. Each obligation was rated for both the adequacy of existing controls and the compliance with the relevant licence obligation. The methodology for the Audit has been clearly defined in the Audit Plan.

A comprehensive report of the audit findings is included in Appendix 1.

Table 1 Personnel Interview During the Audit

Mark Hammond	Power Station Manager
Ralph Lochbuehler	Engineering Manager
Kris Roots	Operations Manager
Melissa Coats	Administration Support
James Hyland	Financial Controller

The performance audit was conducted in a period over July to October involving one visit to site. The audit required 90 hours of Nicole Davies time.

Specific activities performed during the audit included interviews with the personnel listed in Table 1 above and review of MEX, PIVision systems, Control System Data and MYOB Accounting Systems. Specific application of the activities and key documentation to the Electricity Compliance Obligations is further detailed in Appendix 1.

A list of key documentation that was reviewed in the process of conducting the performance audit is detailed below;

- Asset Management Plan
- Asset Management System Manual NPK-AM-MAN-001
- Asset Management Review Report 2017
- Balance Of Plant Asset Management Plan NPK-AM-PLN-005
- Business Continuity Plan Oct 2019 (00000002)
- Business Impact Assessment NPK_Updated
- Accounting Rules (SSCP-RL-FA-001)
- ERA Correspondence
- NPK Compliance Requirement Schedule
- Compliance Management Framework NPK-COR-FWK-003
- Copy of NPK Compliance Register NPK MASTER 20191021 (00000004)
- Strategic Plans and Budgets
 - NewGen Power Kwinana - Strategic Plan & Budget FY18
 - 1805C Strategic Budget & Plan FY19
 - 1805C2 Strategic Plan & Budget FY19
 - 1905C1 Strategic Plan & Budget FY20
- 060606 NPK LEG ADM 004 Entry Services Agreement
- NewGen Kwinana Power Station Life Cycle Model
- Condition Monitoring and Maintenance Programmes
- Lease and Lease Payments (Synergy Rental Payments)
- Compliance Reports 2015-2018
 - 190808 NPK RPT ADM ERA Compliance Report 2018 2019_Signed
- NPK Special Purpose Financial Statements
 - NPK Special Purpose FS 30 June 2015
 - NPK Special Purpose FS 30 June 2016
 - NPK Special Purpose FS 30 June 2017
 - NPK Special Purpose FS 30 June 2018
 - NPK Special Purpose FS 30 June 2019
- Gas Turbine Asset Management Plan NPK-AM-PLN-004
- Kwinana Combined Cycle Power Station FMECA - V1 -09-10-2019
- MEX - ERA PM's
- NewGen Kwinana Power Station Life Cycle Model - V4S
- NPK Document Register
- Operator Services Agreement – Section 2 -Financial Services (25)
- Operator Organisational Chart
- Quarterly Management Meetings Minutes
- FMECA – Failure Mode Effect Criticality Analysis
- ERAP Study – Engineering Risk Assessment Process
- Safety Risks – Plant Availability Risk
- 8.0 NPK REG SAF 242 Risk Register Rev 4.xlsm (Site Wide - Risk Register/ SITE-14) – Note superseded by NPK Risk Register Suite_Site.xlsx
- Risk Management Framework NPK-COR-FWK-002
- Risk Management Policy NPK-COR-POL-002
- Risk Management Procedure NPK-COR-PRO-001

- Risk Management Rules NPK-COR-RUL-003
- Risk Scoring Guidelines NPK-COR-GDL-003
- Steam Turbine Asset Management Plan NPK-AM-PLN-001
- Strategic Asset Management Plan NPK-AM-PLN-002
- Water Steam Cycle - Asset Management Plan NPK-AM-PLN-006

1.2 Performance Audit Excluded Conditions

The following reporting obligations for EGL3 have been excluded from the audit as they are not applicable to NewGen Power Kwinana Pty Ltd. There are no Type 1 reporting requirements applicable to EGL3. Excluded compliance obligations are detailed in Table 1 below;

Table 1 Performance Audit Excluded Conditions

Compliance Manual Reference	Legislative Reference	Reason For Exclusion
120	Electricity Industry Act section 11 Generation Licence, condition 5.2.4	Individual performance standards have not been prescribed by the Authority.
364	Electricity Industry Metering Code clause 3.27 Generation Licence, condition 4.1.1	This requirement is not applicable to Generation Licences
401	Electricity Industry Metering Code clause 5.16 Generation Licence, condition 4.1.1	The Network Operator collects the energy data.
405	Electricity Industry Metering Code clause 5.18 Generation Licence, condition 4.1.1	The network operator has access to their own tariff meters
407- 408	Electricity Industry Metering Code clause 5.19(2) & (3) Generation Licence, condition 4.1.1	The connection point is with the network operator.
	Section 18	This section is not applicable to NewGen Power Kwinana Pty Ltd as there have been no specific conditions and obligations attached to the generation licence.

Table 2 Audit Compliant and Control Rating Scales

Performance Audit Compliance & 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 needed	3	Non-Compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-Compliant – major impact on customers or third parties
NP	Not Performed	NR	Not rated – Determined Not Applicable during the audit period

The Generation Licence compliance elements that were included in the scope of this audit because they are defined in Table 3, are further detailed in Appendix 1.

Table 3 Performance Audit Compliance Summary

Compliance Obligation Reference No.	Licence Reference	Audit Priority	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	NP	1	2	3	4	NR
SECTION 8: TYPE 1 REPORTING REQUIREMENTS												
THERE ARE NO TYPE 1 REPORTING REQUIREMENTS APPLICABLE TO EGL3												
SECTION 11: ELECTRICITY INDUSTRY ACT - LICENCE CONDITIONS AND OBLIGATIONS												
101	Electricity Industry Act section 13(1) Generation Licence, condition 5.3.1	4		B				1				
102	Electricity Industry Act section 14(1)(a) Generation Licence condition 5.1.1	4	A					1				
103	Electricity Industry Act section 14(1)(b) Generation Licence condition 5.1.2 & 5.1.3	4					NP					NR
104	Electricity Industry Act section 14(1)(c) Generation Licence condition 5.1.4	5		B				1				
105	Electricity Industry Act section 17(1) Generation Licence condition 4.2.1	4		B					2			
106	Electricity Industry Act section 31(3) Generation Licence condition 4.1.1	5	A					1				

107	Electricity Industry Act section 41(6) Generation Licence condition 4.1.1	4	A					1				
SECTION 12: ELECTRICITY LICENCES - LICENCE CONDITIONS AND OBLIGATIONS												
119	Electricity Industry Act section 11 Generation Licence condition 4.3.1	4	A					1				
121	Electricity Industry Act section 11 Generation Licence condition 5.3.2	4	A					1				
122	Electricity Industry Act section 11 Generation Licence condition 5.1.5	4	A					1				
123	Electricity Industry Act section 11 Generation Licence condition 4.4.1	4					NP					NR
124	Electricity Industry Act section 11 Generation Licence condition 4.5.1	4		B					2			
125	Electricity Industry Act section 11 Generation Licence condition 3.8.1 & 3.8.2	4					NP					NR
126	Electricity Industry Act section 11 Generation Licence condition 3.7.1	4	A					1				
SECTION 14: ELECTRICITY INDUSTRY METERING CODE - LICENCE CONDITIONS AND OBLIGATIONS												
324	Generation Licence condition 4.1.1 Electricity Industry Metering Code, clause 3.3B	4					NP					NR
339	Generation Licence condition 4.1.1 Electricity Industry Metering Code CI 3.27	4	A									NR
371	Electricity Industry Metering Code CI 4.4(1) Generation Licence condition 4.1.1	5					NP					NR
372	Electricity Industry Metering Code CI 4.5(1) Generation Licence condition 4.1.1	5					NP					NR
373	Electricity Industry Metering Code CI 4.5(2) Generation Licence condition 4.1.1	4					NP					NR
388	Electricity Industry Metering Code CI 5.4(2) Generation Licence condition 4.1.1	4					NP					NR
402	Electricity Industry Metering Code CI 5.17(1) Generation Licence condition 4.1.1	4					NP					NR
406	Electricity Industry Metering Code CI 5.19(1) Generation Licence condition 4.1.1	5					NP					NR
410	Electricity Industry Metering Code CI 5.19(6)	5					NP					NR

Table 4 Compliance and controls ratings summary table

		Compliance Rating					
		1	2	3	4	N/R	TOTAL
Controls Rating	A	8	-	-	-	1	9
	B	2	2	-	-	-	4
	C	-	-	-	-	-	0
	D	-	-	-	-	-	0
	N/P	1	-	-	-	23	24
	TOTAL	11	2	0	0	24	37

2. PERFORMANCE AUDIT

2.1 Performance Audit Scope

In executing the Audit Plan and in line with the Audit & Review Guidelines (March 2019) the auditors, when assessing if the licensee has complied with its licence obligations, applied a level of scrutiny that corresponds to a “reasonable assurance engagement”. This has been further detailed within the audit plan (refer Paragraph 12(a)(i)(a) of ASAE 3000, June 2014).

This is the third audit of EGL3. The organisation has implemented the recommendations of the previous audit and as required by Section 11.3 of the Audit Guidelines (March 2019). Table 6 below details how all recommendations were resolved in the current audit period.

Table 6 Previous Audit Non-compliances and Recommendations

Table of Previous Non-Compliances & Audit Recommendations				
A Resolved before end of previous audit period & C Unresolved at the end of the current audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation or action taken	Date Resolved	Further action required
Not applicable				
B Resolved during the current audit period				
Reference (no./year)	(Compliance rating/ Legislative Obligation/ details of the issue)	Auditors' Recommendation or action taken	Date Resolved	Further action required
1/2014	A2 /Obligation 124 /A licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act. The 2014 submission of the annual generation licence compliance report was five days late as it was due on the 31 August 2014 and was submitted on the 5 September 2014.	A non-compliance was recorded for the reporting year 1 July 2014- 30 June 2015. The obligation has been added to the station CMMS and scheduled for July 2015 to ensure sufficient time is allowed for completion of the report.	10/8/15	NIL –all reports were submitted on time during the audit period.

		It is noted that the action is scheduled for 31 August in the NPK Compliance Requirements Schedule but the MEX PM1190 has a 30 day lead time to 31 st August due date.		
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2.2 Recommendations and Action Plans

Recommendations made within the report are detailed below and will be reviewed and included in the post audit implementation plan by the licensee to ensure compliance with requirements.

Table 7 Current audit non-compliances and recommendations

CURRENT AUDIT NON COMPLIANCES/RECOMMENDATIONS			
A. RESOLVED DURING THE CURRENT AUDIT PERIOD			
There are no non compliances or recommendations raised and resolved during the audit period.			
B. UNRESOLVED AT END OF CURRENT AUDIT PERIOD			
Reference (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
01/2019 – Ref 105	<p>Non-Compliant/B2 /105 Generation Licence Obligation 4.2.1 The licensee has not met the obligations in regards to payment of prescribed licence fees on 3 occasions during the audit period.</p> <p>The Licensee is required to pay the invoices issued by the Authority for the standing data charges within 30 days of issue of the invoice and Generation Licence fee before the 22 march annually.</p>	The organisation has already amended the email recipient for the invoices during the audit period to go directly to accounts department. Additionally, they have amended the terms in MYOB to 14 days to ensure timely payment. These are corrective actions that rely on the personnel in the roles maintaining them. A change in personnel or accounting systems would mean the action may not be carried through. The obligations also need to be included in the MEX system as separate routines and highlighted as a legislative requirement. The inclusion of the invoices on the NPK	Nil - Refer Post Audit Action Plan

B. UNRESOLVED AT END OF CURRENT AUDIT PERIOD			
	<p>The reason for the late payments (ERA 100410 and 100491) was due to a delay in delegation of the invoice from the initial person receiving the email. Late payment on invoice ERA 597 was due to a delay in release of bank transactions.</p> <p>Additionally, it is noted the MEX Routine established (PM1240) only refers to the Annual Payment of Licence fees and does not reference the quarterly standing data charges. During discussions, the Licensee was unclear of the requirement to pay both Annual and quarterly licence fees. It is also included on the NPK Compliance schedule as the annual licence payment only.</p>	<p>Compliance Requirements Schedule is also recommended. An OFI for the organisation to embed the controls into their operating processes has been provided in a separate document of auditor recommendations.</p>	
02/2019 – Ref 124	<p>Non-Compliant/B2 /124 Generation Licence Obligation 4.5.1</p> <p>The Annual Compliance Report for 2015-2016 Year did not reflect the late payment of the licence fee for the Standing Data Charge quarters commencing April and July 2015.</p> <p>The Licensee is required to ensure that non-compliances are reported in a Compliance Report which is to be submitted by the 31st August annually.</p> <p>The awareness to the requirement to include the late payment of fees as a compliance obligation was not established and there are not processes implemented within the organisation to identify the compliance requirement proactively.</p>	<p>Although the organisation has established corrective actions to ensure timely payment of licence fees (refer finding 105). A process to ensure compliance requirements have been met and a documented liaison relating to the legislative requirements and content of the Compliance Report prior to submission to the Authority is required, for example including in MEX routine notes. The MEX system and the NPK Compliance Requirement Schedule could be optimised to ensure this is an automated process.</p>	<p>Nil - Refer Post Audit Action Plan</p>

2.3 Deviations from the Audit Plan

There have been no deviations from the Audit plan.

2.4 Follow Up Review Process

This is the third Performance Audit conducted since the issue of the licence. The Licensee will submit a post audit action plans to address the recommendations arising from this audit.

As detailed in section 5.1.8 of the Audit Guidelines (March 2019) recommendations for licence obligations that received a rating other than those detailed in section 5.1.8. have been provided directly to the licensee.

2.5 Follow-Up from Previous Audit Findings

The organisation has implemented the recommendations of the previous audit where possible and as required by Section 5.1.5 of the Audit Guidelines (March 2019).

APPENDIX 1

NEWGEN POWER KWINANA PTY LTD

PERFORMANCE AUDIT

OCTOBER 2019

Table 8 Performance Audit

REF*	LICENCE CONDITION	RELATED LEGISLATION	LEGISLATIVE/LICENCE REQUIREMENT	AUDIT PRIORITY	AUDITING FINDING RELATED DOCUMENTATION &/OR CONTROL SYSTEMS/AUDIT EVIDENCE → CORRECTIVE ACTION (CA) OPPORTUNITY FOR IMPROVEMENT	ADEQUACY OF CONTROLS	COMPLIANCE RATING
SECTION 8: TYPE 1 REPORTING REQUIREMENTS							
THERE ARE NO TYPE 1 REPORTING REQUIREMENTS APPLICABLE TO EGL3							
SECTION 9: ELECTRICITY INDUSTRY CUSTOMER TRANSFER CODE - PART 3 - CUSTOMER/ CONNECTION INFORMATION/DATA							
101	Generation Licence condition 5.3.1	Electricity Industry Act section 13(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.	4	<p>The Authority published a notice (25 March 2015) regarding the decision to increase the period of time until the next Performance Audit from 36 months to 60 months based upon the previous audit. As such, this Performance Audit covers the period from 1 August 2014 to 31 July 2019, with the report on the Audit to be provided to the Authority by 31 October 2019.</p> <p>The last performance audit was undertaken in 2014 by Qualeng (final report prepared in October 2014) which covered a 36-month period 1 August 2011 to 31 July 2014.</p>	B	1

				<p>The next scheduled audit (this audit) is the 3rd Performance Audit conducted by an independent expert for the current licensee since the licence was granted in 22 February 2006. The requirement for the audit is monitored by the Power Station Manager. Additionally it is raised in email communications and correspondence with the Secretariat. GES was appointed with the Authority's approval to undertake the performance audit for the audit period on the 2nd July 2019 (Authority Document Ref: D203833).</p> <p>The NPK Compliance Schedule and MEX Routine (PM1388) both incorrectly referenced the due dates for the Performance Audit and the Asset Management Review. This was corrected during the audit by the Station Manager (ref PM388 – Performance Audit and PM2051- Asset Management Review).</p> <p>In addition to the MEX Routines and Compliance Schedule, the organisation has identified the requirement in the following documentation;</p>		
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					<ul style="list-style-type: none"> ▪ 8.0 NPK REG SAF 242 Risk Register Rev 4.xlsm (Site Wide - Risk Register/ SITE-14) – Note superseded by NPK Risk Register Suite_Site.xlsx ▪ Quarterly Management Meetings ▪ Various communication between licensee and the Authority ▪ Audit Plan developed and approved in accordance with Audit Guidelines ▪ Discussion with Power Station Manager <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Power Station Manager ▪ NPK Compliance Requirement Schedule ▪ MEX Routines 		
102	Generation Licence condition 5.1.1	Electricity Industry Act section 14(1)(a)	A licensee must provide for an asset management system.	4	<p>The licensee has provided for an asset management system and this has been verified during a site visit to the Kwinana Power Station.</p> <p>The organisation has provided resources to ensure the ongoing review and implementation of the asset management plans. The following documentation, system controls and processes were reviewed;</p>	A	1

					<ul style="list-style-type: none"> ▪ Asset Management Plan ▪ 1805C Strategic Budget & Plan FY19 ▪ NewGen Kwinana Power Station Life Cycle Model ▪ NPK Risk Register Suite_Site ▪ Strategic Plans and Budgets ▪ Condition Monitoring and Maintenance Programmes ▪ PIVision ▪ MEX system <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with the Power Station Manager, Engineering Manager and the Operations Engineer ▪ Desktop Review documents 		
103	Generation Licence condition 5.1.2 & 5.1.3	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 Authority.	4	The asset management system was provided to the Authority as part of generation licence applications. There have been no such substantial changes to the AMS within the audit period. The Power Station Manager confirmed the Asset Management System is still operating under the criteria defined in the Asset Management plan. Therefore, the obligation has not been rated for the audit period.	NP	NR

104	Generation Licence condition 5.1.4	Electricity Industry Act section 14(1)(c)	A licensee must provide the Authority 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 Authority.	5	<p>The Authority required that the Asset Management Review be undertaken at an interval of 36 months instead of the 60 months granted for the Performance Audit Review. The determination was attributed to the progress detailed within the post audit action plan.</p> <p>The Asset Management Review was undertaken for the audit period 1 July 2014 to 31 August 2017. The Authority has decided to increase the period covered by the next review from 36 to 60 months. The next review will cover 1 August 2017 to 31 July 2022, with the report due by 31 October 2022.</p> <p>The NPK Compliance Schedule and MEX Routine (PM1388) both incorrectly referenced the due dates for the Performance Audit and the Asset Management Review. This was corrected during the audit by the Station Manager (ref PM388 – Performance Audit and PM2051- Asset Management Review).</p>	B	1
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					<p>In addition to the MEX Routines and Compliance Schedule, the organisation has identified the requirement in the following documentation;</p> <ul style="list-style-type: none"> ▪ 8.0 NPK REG SAF 242 Risk Register Rev 4.xlsm (Site Wide - Risk Register/ SITE-14) – Note superseded by NPK Risk Register Suite_Site.xlsx ▪ Quarterly Management Meetings ▪ Various communication between licensee and the Authority ▪ Audit Plan developed and approved in accordance with Audit Guidelines ▪ Discussion with Power Station Manager <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Power Station Manager ▪ NPK Compliance Requirement Schedule ▪ MEX Routines 		
105	Generation Licence condition 4.2.1	Electricity Industry Act section 17(1)	A licensee must pay the prescribed licence fees to the Authority according to clauses 6, 7 and 8 of the Economic Regulation Authority (Licensing Funding) Regulations 2014.	4	Licence fees were assessed during the audit period for the Annual Licence Charge and the Quarterly Standing Data Charges. In total there were 5 Annual fees due within the audit period. All of them were paid in accordance with the licence requirements (i.e before the 22 March Annually). There	B	2

				<p>were 18 quarterly Standing Data Charge Invoices received during the audit period. The majority were paid within the terms but 3 of these were paid up to 7 days after the invoice terms of 30 days of receipt of the invoice.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Accounts Assistant/Station Support Officer & the Power Station Manager ▪ Review of MYOB accounting systems ▪ Desktop Review documents ▪ Verification of payments with the Authority <p>RECOMMENDATION – 01/2019</p> <p>CRITERIA: The Licensee is required to pay the invoices issued by the Authority for the standing data charges within 30 days of issue of the invoice and Generation Licence fee before the 22 march annually.</p> <p>CURRENT CONDITION: There were 3 invoices paid past the required timeframe.</p>		
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				<p>CAUSE: The reason for the late payments (ERA 100410 and 100491) was due to a delay in delegation of the invoice from the initial person receiving the email. Late payment on invoice ERA 101597 was due to a delay in release of bank transactions. Additionally, it is noted the MEX Routine established (PM1240) only refers to the Annual Payment of Licence fees and does not reference the quarterly standing data charges. During discussions, the Licensee was unclear of the requirement to pay both Annual and quarterly licence fees. It is also included on the NPK Compliance schedule as the annual licence payment only.</p> <p>CONSEQUENCE: The terms of the Standing Data invoice payments were late by up to 7 days on 3 occasions.</p> <p>CORRECTIVE ACTION: The organisation has already amended the email recipient for the invoices during the audit period to go directly to accounts department. Additionally, they have amended the terms in MYOB to 14 days to ensure timely payment. These are corrective actions that rely on the personnel in the roles</p>		
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					maintaining them. A change in personnel or accounting systems would mean the action may not be carried through. The obligations also need to be included in the MEX system as separate routines and highlighted as a legislative requirement. The inclusion of the invoices on the NPK Compliance Requirements Schedule is also recommended. An OFI for the organisation to embed the controls into their operating processes has been provided in a separate document of auditor recommendations.		
106	Generation Licence condition 4.1.1	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.	5	<p>The Licensee has taken reasonable steps to minimise the extent or duration of any unavoidable interruption, suspension or restriction of electricity. Capacity and Availability Factors have been on or close to target throughout the audit period. Exceptions were due to a C inspection overrun (FY16), HRSG tube failure (FY17) and to unbudgeted pro-active inspection of ST Generator (FY18) as a risk mitigation following 2 failures of the same type of generator in the global fleet.</p> <p>The Life Cycle model has been implemented and maintained by the</p>	A	1

					<p>Engineering Manager. Improvements to monitoring of plant performance have been achieved with the implementation of Pi Vision. Evidence of risk review in response to operational and safety incidents was noted during the audit period. The risk register has been reviewed and the Strategic Plans & Budgets planned in response to requirements to mitigate risk. Additionally, the license has undertaken significant measures to ensure the plant performance both contractually and operationally.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Power Station Manager, Engineering Manager ▪ Desktop Review documents (including operational, risk assessments) ▪ Review of site operational control systems such as MEX, Pi Vision ▪ NewGen Kwinana Power Station Life Cycle Model 		
107	Generation Licence condition 4.1.1	Electricity Industry Act section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	4	A lease exists over the property, which was valid and has been executed in compliance	A	1

					<p>with the lease terms (including payment) during the audit period.</p> <p>The organisation has identified the requirement in the following documentation and processes;</p> <ul style="list-style-type: none"> ▪ Lease ▪ Budget allocation ▪ Accounts processes established <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Power Station Manager ▪ Lease Payments ▪ Site Visit access 		
SECTION 12: ELECTRICITY LICENCES - LICENCE CONDITIONS AND OBLIGATIONS							
119	Generation Licence condition 4.3.1	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.	4	<p>The Partnership is not a reporting entity. During the audit period the organisation has engaged third party auditors to prepare Special Purpose Financial Statements auditing the Financial Report of NewGen Power Kwinana Partnership (the Partnership).</p> <p>The Auditors confirmed compliance with Australian Accounting Standards and further review of the organisations</p>	A	1

					<p>Accounting Rules details Regulatory Requirements and Accounting Standards applied (Ref Section 1.2.1)</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Financial Controller ▪ Accounting Rules (SSCP-RL-FA-001) ▪ NPK Special Purpose Financial Statements 2015 to 2019 ▪ Operator Services Agreement – Section 2 -Financial Services (25) 		
121	Generation Licence condition 5.3.2	Electricity Industry Act section 11	A licensee must comply and require its auditor to comply with the Authority's standard audit guidelines for a performance audit.	4	<p>Direct instructions from Licensee to Auditor to comply with the Economic Regulation Authority's guidelines. Approval process for the development of the Audit Plan.</p> <p>Copies of communications received from the Authority relating to audit requirements sent by Licensee through to Auditor to convey requirements specifically the undertaking of audits in compliance with the Audit & Review Guidelines: Electricity Gas and Water Licences.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with supervisory & operational personnel 	A	1

					<ul style="list-style-type: none"> ▪ Desktop Review documents ▪ Communication between the Authority and the Licensee 		
122	Generation Licence condition 5.1.5	Electricity Industry Act section 11	A licensee must comply and must require the licensee's expert to comply with the relevant aspects of the Authority's standard audit guidelines for an asset management system review.	4	<p>Direct instructions from Licensee to Auditor to comply with the Economic Regulation Authority's guidelines. Approval process for the development of the Review Plan.</p> <p>Copies of communications received from the Authority relating to audit requirements sent by Licensee through to Auditor to convey requirements specifically the undertaking of audits in compliance with the Audit & Review Guidelines: Electricity Gas and Water Licences.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with supervisory & operational personnel ▪ Asset Management Review Report published on the Authority's website ▪ Communication between the Authority and the Licensee 	A	1
123	Generation Licence condition 4.4.1	Electricity Industry Act section 1	In the manner prescribed a licensee must notify the Authority, if it is under external administration or if there is a significant change in the circumstances that the licence	4	The Licensee is not under administration or endured significant changes in circumstances to those the licence was granted during the audit period.	NP	NR

			was granted which may affect the licensee's ability to meet its obligations.		<p>Under Licence clause 15.1 the licensee is required to report relevant information to the Authority in the event that it:</p> <p>(a) Is under external administration</p> <p>(b) Experiences a change in its corporate financial or technical circumstances upon which this license was granted; and that change may materially affect the licensee's ability to perform its obligations under this license</p> <p>(c) Changes its name, ABN or address.</p> <p>Confirmed that for the period 1 August 2014 to 31 July 2019 no such changes arose.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Power Station Manager ▪ Review documents including Strategic Plans and Budgets, and NPK Special Purpose Financial Reports 		
124	Generation Licence condition 4.5.1	Electricity Industry Act section 11	A licensee must provide the Authority in the manner prescribed with any information that the Authority requires in connection with its functions under the Electricity Industry Act.	1	During the Audit Period the Licensee has provided the Authority information it required in connection with its functions under the Electricity Industry Act.	B	2

				<p>All licensees are required to submit a compliance report to the Authority covering all of its type 1 and type 2 licence obligations for each financial year (1 July to 30 June inclusive) by 31 August immediately following the year that is the subject of the report. Compliance with submission of the report is confirmed during the audit period the reports were submitted on the following dates;</p> <ul style="list-style-type: none"> ▪ 2014 - 2015 Report – 10th August 2015 ▪ 2015 - 2016 Report – 27th July 2016 ▪ 2016 - 2017 Report – 22nd August 2017 ▪ 2017 - 2018 Report – 7th August 2018 <p>Compliance with the date of submission of the reports was noted during the audit period, however, during the audit review of compliance, it is noted during the audit period the Compliance Report (due 31 August 2016) did not reflect the late payment of the Standing Data Charge for the quarters commencing April and July 2015 which should have been reflected in the Compliance Report for 2015-2016 Year.</p>		
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				<p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with Power Station Manager ▪ Review of compliance reports ▪ MEX Routine (PM 1190) ▪ NPK Compliance Requirements Schedule <p>RECOMMENDATION – 02/2019</p> <p>CRITERIA: The Licensee is required to ensure that non-compliances are reported in a Compliance Report which is to be submitted by the 31st August annually.</p> <p>CURRENT CONDITION: The 2015-2016 Compliance Report prepared during the audit period did not report a non-compliance in reference to late payment of the licence fee for the 2015 Standing Data Charges for the April and July quarters.</p> <p>CAUSE: The awareness to the requirement to include the late payment of fees as a compliance obligation was not established and there are not processes implemented within the organisation to identify the compliance requirement proactively.</p>		
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					<p>CONSEQUENCE: On 2 occasions during the audit period the standing data invoices were paid outside the required payment terms and this even was not captured in the annual compliance reporting process.</p> <p>CORRECTIVE ACTION: Although the organisation has established corrective actions to ensure timely payment of licence fees (refer finding 105). A process to ensure compliance requirements have been met and a documented liaison relating to the legislative requirements and content of the Compliance Report prior to submission to the Authority is required. The MEX system and the NPK Compliance Requirement Schedule could be optimised to ensure this is an automated process.</p>		
125	Generation Licence condition 3.8.1	Electricity Industry Act section 11	A licensee must publish any information it is directed by the Authority to publish within the timeframes specified.	4	<p>There have been no requests by the Authority to publish information during the audit period.</p> <p>According the Licensee's Generation Licence EGL3; the term "publish" in relation to a report or information means either: (a) posting the report or information on the licensee's website; or (b) sending</p>	NP	NR

					<p>the report or information to the Authority to be published on the Economic Regulation Authority's website.</p> <p>The Licensee has submitted the previous Performance Audit and Asset Management System Review. This was published on the Economic Regulation Authority's Website on the 15/11/2015 and a notice published on the 1/12/15 advising the outcome and subsequent audit period.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with supervisory & operational personnel ▪ Review of Economic Regulation Authority's website ▪ Desktop Review documents 		
126	Generation Licence condition 3.7.1	Electricity Industry Act section 11	Unless otherwise specified all notices must be in writing.	4	<p>During the audit period the Licensee maintained records of communication with the Authority, primarily via mail or email communication. All responses have been in writing and specific notices in relation to the EGL3 have been reviewed as part of the audit.</p> <p>The conclusion was determined via;</p>	A	1

					<ul style="list-style-type: none"> ▪ Interview with Power Station Manager ▪ Desktop Review documents ▪ Review of communication electronic and hardcopy ▪ Verification of processes on site 		
SECTION 14: ELECTRICITY INDUSTRY METERING CODE - LICENCE CONDITIONS AND OBLIGATIONS							
324	Generation Licence condition 4.1.1	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.	4	There has been no change with respect to bi-directional flows during the audit period. The Licensee continues to import power from Synergy as required. Normal operating conditions requires this only occurs when the plant is not generating sufficient electricity for site consumption.	NP	NR
339	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 3.11(3)	A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.	4	WPN has primary responsibility for the management and monitoring of meters. There were no outages or malfunctions identified during the audit period. The Engineering Manager monitors usage through production calculations to verify generation. Personnel interviewed <ul style="list-style-type: none"> ▪ Operations Engineer ▪ Engineering Manager 	A	NR

					<ul style="list-style-type: none"> ▪ Power Station Manager <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with supervisory & operational personnel ▪ Verification of processes and systems on site 		
371	Generation Licence condition 4.1.1	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.	5	<p>There have been no discrepancies between energy data held in metering installation and in the metering database. As such compliance with this requirement cannot be made. Discussions with the Power Station Manager.</p> <p>The conclusion was determined via;</p> <ul style="list-style-type: none"> ▪ Interview with supervisory & operational personnel ▪ Desktop Review documents 	NP	NR
372	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 4.5(1)	A Code participant must not knowingly permit the registry to be materially inaccurate.	5	NewGen Power Kwinana Pty Ltd does not maintain any standing data or energy data in relation to the metering installations captured under the Metering Code. These activities are managed by the Network Operator and are outside the control of the Licensee. As the Network operator maintains sole responsibility for the management of standing data within the registry and/or metering database these	NP	NR

					obligations are not relevant to the Licensee's operations for the period 1 August 2014 to 31 July 2019.		
373	Generation Licence 4.1.1	Electricity Industry Metering Code clause 4.5(2)	If a Code participant (other than a network operator) becomes aware of a change to or an inaccuracy in an item of standing data in the registry then it must notify the network operator and provide details of the change or inaccuracy within the timeframes prescribed.	4	As above.	NP	NR
388	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 5.4(2)	A user must when reasonably requested by a network operator use reasonable endeavours to assist the network operator to comply with the network operator's obligation.	4	The network operator has not requested the assistance of NewGen Kwinana Pty Ltd with respect to their metering installation during the audit period. Note: The Licensee has no meters and Western Power owns the meters at Kwinana Power Station Terminal substation and is responsible for their quality control.	NP	NR
402	Generation Licence condition 4.1.1	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 for the purpose of providing metering services to the customer.	4	There are no meters maintained by the Licensee to collect information or data from billing. The Network Operator is responsible for metering installations.	NP	NR

406	Generation Licence condition 4.1.1	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.	5	There have been no requests to any user to collect information during the audit period. Therefore, this obligation has not been rated.	NP	NR
410	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 5.19(6)	A user must use reasonable endeavours to ensure that it does not notify the network operator of a change in an attribute that results from the provision of standing data by the network operator to the user.	5	During the audit period there has been no provision of standing data by the network operator to the user that resulted in the user notifying the network operator of a change in attributes.	NP	NR
416	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 5.21(5)	A Code participant must not request a test or audit unless the Code participant is a user and the test or audit relates to a time or times at which the user was the current user or the Code participant is the IMO.	4	No tests have been requested during the audit period 1 August 2014 to 31 July 2019.	NP	NR
417	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 5.21(6)	A Code participant must not make a test or audit request that is inconsistent with any access arrangement or agreement.	4	As above.	NP	NR
435	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 5.27	Upon request a current user must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the timeframes prescribed.	4	The network operator did not make any requests for customer attributes information during the audit period.	NP	NR
448	Generation Licence condition 4.1.1	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	4	There have been no breaches of the rules, procedures, agreements and criteria during the audit period.	NP	1

			rules procedures agreements and criteria prescribed.				
451	Generation Licence condition 4.1.1	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.	5	The Kwinana Power Station site has well established communication processes such as a main telephone line, mobile telephone coverage, remote system monitoring, and wireless internet access. During the audit period there have been no communication issues arising.	A	1
453	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 7.2(4)	A Code participant must notify its contact details to a network operator with whom it has entered into an access contract within 3 business days after the network operator's request.	4	During the period 1 August 2014 to 31 July 2019, the network operator did not request the licensee to provide its contact details. There have been no changes made to Licensee's contact details.	NP	NR
454	Generation Licence condition 4.1.1	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 at least 3 business days before the change takes effect.	4	There have been no changes in contact details for the Licensee during the audit period.	NP	NR
455	Generation Licence condition 4.1.1	Electricity Industry Metering Code clause 7.5	A Code participant must 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.	4	During the period 1 August 2014 to 31 July 2019, the Licensee was not required to disclose or permit the disclosure of confidential information in connection to the Code.	NP	NR

456	Generation Licence condition 4.1.1	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.	4	As above	NP	NR
457	Generation Licence Condition 4.1.1	Electricity Industry Metering Code clause 8.1(1)	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 under or in connection with the Electricity Industry Metering Code by negotiations in good faith.	5	There have been no disputes arising during the audit period.	NP	NR
458	Generation Licence condition 4.1.1	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.	5	As above	NP	NR
459	Generation Licence condition 4.1.1	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.	5	As above	NP	NR
460	Generation Licence condition 4.1.1	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	5	As above	NP	NR

			signed record of the resolution and adhere to the resolution.				
461	Generation Licence condition 4.1.1	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 of dispute resolution with as little formality and technicality and with as much expedition as the requirements of Part 8 of the Code and a proper hearing and determination of the dispute permit.	5	As above	NP	NR

SECTION 16: ELECTRICITY LICENCES - LICENSEE SPECIFIC CONDITIONS AND OBLIGATIONS

THIS SECTION IS NOT APPLICABLE TO NEWGEN POWER KWINANA PTY LTD AS THERE HAVE BEEN NO SPECIFIC CONDITIONS AND OBLIGATIONS ATTACHED TO THE GENERATION LICENCE

NOTE NP - not possible to provide a compliance rating because no activity has taken place to exercise the obligation during the audit period
 NA - Not applicable to audit period and as such not assessed

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