



ABN 20 009 454 111

Audit Report
Merredin Energy Pty Ltd 2020 Electricity
Generation Licence Performance Audit

October 2020



Executive Summary

Merredin Energy Pty Ltd (MEPL or the licensee) holds an Electricity Generation Licence (EGL25) 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 MEPL to construct and operate power generating facilities in accordance with the licence conditions.

Sections 13 of the Act requires MEPL to provide the ERA with a performance audit and a report by an independent expert acceptable to the ERA, on the measures taken by the licensee to meet the performance criteria specified in the licence. In May 2020 MEPL commissioned Qualeng to carry out the performance audit of their licence compliance (the audit) for the period 1 July 2017 to 30 June 2020. The audit has been conducted and this report prepared in accordance with the "2019 Audit and Review Guidelines: Electricity and Gas Licences (March 2019)" (the guidelines).

THE ASSETS

The licence has been granted for an area located at Lot 191 Robartson Rd in the Shire of Merredin, Western Australia. The generating assets consist of two diesel fuelled GE Frame 6 open cycle gas turbines (GT) driving Brush generators, diesel fuel tanks, fuel receipt and forwarding facilities, high voltage switchyard, water treatment and water storage facilities, compressed air system, main control building, workshop, evaporation pond, stormwater pond and water traps. Each GT is rated at 41.7 MW at 41°C with a total export capacity from the station of 82 MW.

THE BUSINESS

MEPL, the licensee and owner of the Merredin Power Station, has engaged Palisade

Integrated Management Services Pty Ltd (PIMS) (previously known as Palisade Asset Management Pty Ltd), a subsidiary of Palisade Investment Partners Ltd, to provide asset management services to the licensee. MEPL has engaged TW Power Services Pty Ltd to manage the operation and maintenance of the assets.

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 July 2014 to 30 June 2017. The report made 11 recommendations, none however were due to non-compliances or to lack of controls, all were about improving processes that were already satisfactory. None of the obligations had been rated lower than A1, which stands for "adequate controls – no improvement needed" and "compliant". All of the recommendations were closed prior to this audit period.

SUMMARY OF FINDINGS AND RECOMMENDATIONS FROM CURRENT AUDIT

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

Table 1 below presents the Performance Audit summary and lists the findings and recommendations assessed as non-compliant or needing controls improvement.

On completion of the performance audit the auditor has found that, except for the findings set out below, Merredin Energy Pty Ltd's operation was in compliance with the licence conditions.

Table 1- Summary of Performance Audit findings and recommendations

Summary of Current Audit Findings / Recommendations		
Reference No/ Year	Non Compliance / Controls Improvement	Auditors' Recommendations
1/2020	Three standing charge fees were not paid by the due date: <ul style="list-style-type: none">• invoice due 19 October 2017, was paid on 20 October 2017, 1 day late;• invoice due 16 October 2019, paid 21 October	Review and revise payment process to ensure that standing charge fees are paid within 30 days from the date on which the notice was issued.

Summary of Current Audit Findings / Recommendations		
Reference No/ Year	Non Compliance / Controls Improvement	Auditors' Recommendations
	2019, 5 days late; <ul style="list-style-type: none"> invoice due 13 December 2019, paid 20 December 2019, 7 days late. 	
2/2020	Evidence of facility for sending and receiving facsimile communication was not available.	The licensee must use reasonable endeavours to ensure that it can send and receive notices by facsimile.
3/2020	Evidence of communication to network operator of a telephone number was not available.	The licensee needs to provide the network provider with all current contact details.

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 and the integrity of the licensee's reporting to the ERA, the auditor has formed the opinion that, except for the findings noted in Table 1, during the audit period of 1 July 2017 to 30 June 2020, Merredin Energy Pty Ltd's operation was in compliance with the licence conditions.

POST AUDIT ACTION PLAN

The audit has resulted in three findings that will require actions by the Licensee.

The recommendation is due to be listed in the Licensee's Post Audit Implementation Plan 2020. 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 on completion of 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.

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	9 December 2020

Ref:	72/1	
Issue Status		
Issue No	Date	Description
1	20 Nov 2020	Final Issue
2	9 Dec 2020	Updated as per final comments



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1 OBJECTIVES AND SCOPE OF AUDIT

1.1 BACKGROUND

Merredin Energy Pty Ltd (MEPL or the licensee) generates and supplies electricity to the South West Interconnected System (SWIS) in Western Australia under the EGL25 Electricity Generation licence (the licence) granted by the Economic Regulation Authority (the ERA) on 22 June 2012 (the Licence was at Version 3, 1 July 2018 at the end of the audit period).

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 191 Robartson Rd in the Shire of Merredin, Western Australia. The generating assets consist of:

- two diesel fuelled GE Frame 6B open cycle gas turbines (GT) driving Brush generators;
- three 150,000 litre diesel fuel tanks, fuel receipt and forwarding facilities;
- high voltage switchyard;
- water treatment and water storage facilities;
- ancillary power supply system;
- compressed air system;
- main control building and workshop and
- evaporation pond, stormwater pond and water traps.

Each GT is rated at 41.7 MW at 41°C with a total export capacity from the station of 82 MW.

The power station supplies all the power generated by the plant to the sole connection point with the SWIS at Western Power's Merredin Terminal, north of the power station, via a single circuit 132kV overhead transmission line.

Under section 13 of the Act MEPL's systems are subject to independent performance audits at 24 month intervals or some other period determined 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 MEPL to conduct the performance audit (the audit) for



the period 1 July 2017 to 30 June 2020. The audit has been conducted and this report prepared in accordance with the "2019 Audit and Review Guidelines: Electricity and Gas Licences (March 2019)" (the guidelines).

1.2 OBJECTIVES OF AUDIT

The objective 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.

1.3.2 Audit period

The audit covers the period between 1 July 2017 to 30 June 2020.

1.3.3 Type of assurance engagement

The audit was a reasonable assurance engagement, defined as:

"An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner's conclusion. The assurance practitioner's conclusion is expressed in a form that conveys the assurance practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria" (ASAE3000).

1.3.4 Compliance reports

The following compliance reports have been reviewed by the auditor;

- ERA - 2017.07.13 - Merredin Energy Compliance Report, for the period 2016-17;
- ERA - 2018.09.13 - Merredin Energy Compliance Report, for the period 2017-18;
- ERA - 2019.07.01 - Merredin Energy Compliance Report, for the period 2018-19
- ERA - 2020.07.13 - Merredin Energy Compliance Report, issued outside audit period, however reviewed for completeness.

1.3.5 Sites visited

The following facilities were visited during the review:

- MEPL Merredin Power Station site.

The assets are managed as follows:

- asset management activities are currently undertaken by Palisade Integrated Management Services Pty Ltd (PIMS) from its office in Melbourne, Victoria; due to COVID-19 restriction this office was not visited;
- operations and maintenance services for the generation facilities are provided by TW Power Services Pty Ltd (TWPS).

No other sites were operated by the licensee during the audit and review period.

1.3.6 Licensee's Personnel

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

- Dale Waterson, Asset Manager, main MEPL representative;
- Gareth Davies, Operator/Maintainer, TWPS.

1.3.7 Documentation

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

1.3.8 Work schedule

Activities

The audit carried out activities following the methodology defined in the ERA's guidelines including:

- review of documentation;
- preparation of the audit plan, risk assessment and system analysis;
- fieldwork including examination of documents, interviews, site inspection and meetings;
- report preparation;
- review of report
- issue of report to licensee for first review;
- update and issue of report for formal review by ERA;

- update and final issue of report.

The auditing 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.

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	50
2	S Campbell	Senior Engineer, Document Reviewer and Verifier	5

1.3.9 Audit timeline

The audit was carried out between July and October 2020.

1.3.10 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.

Due to the above constraints there are limitations in the level of accuracy that can be obtained in the audit 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 is provided separately in accordance with the guidelines.

1.4 ABBREVIATIONS

AMP	Asset Management Plan
AMIS	Asset Management Information System

AMS	Asset Management System
AS	Australian Standard
Audit	2020 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
EIM	Enterprise Information Management System
EOY	End of year
ERA	Economic Regulation Authority
FY	Financial Year
GT	Gas Turbine
HV	High voltage
KPI	Key Performance Indicators
LV	Low voltage
MEPL	Merredin Energy Pty Ltd
NA	Not applicable
NP	Not Performed
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 Implementation Plan
P&L	Profit and Loss
PPA	Power Purchase Agreement
SLA	Service Level Agreement
WEM	Wholesale Electricity Market
YTD	Year to Date



1.5 DEVIATION FROM AUDIT PLAN

There were no deviations from the audit plan approved by the ERA on 22 July 2020.

2 RECOMMENDATIONS FROM PREVIOUS AUDIT

2.1 LICENSEE'S RESPONSE TO PREVIOUS AUDIT RECOMMENDATIONS

The previous audit report covered the period 1 July 2014 to 30 June 2017. The report made 11 recommendations. None however were due to non-compliances or lack of controls, all were about improving processes that were already in satisfactory operation. All of the recommendations were closed during this audit period.

This audit noted that, in accordance with the current guidelines, Clause 5.1.8, "Recommendations":

"Auditors who wish to make recommendations for licence obligations, asset management processes or effectiveness criteria that received a rating other than those in the list above [2,3 and 4 for compliance, and C and D for controls] should provide those recommendations directly to the licensee. They should not be included in the audit or review report."

Following the guidelines, recommendations from previous audits that were rated 1 in regard to compliance, and/or A or B in terms of controls, should not be included in the table below, they should be directed to the licensee and not included in the audit report.

The following recommendations were rated A1, which stands for "adequate controls – no improvement needed" and "compliant", and therefore are not included in the table below:

101/2017, 102/2017, 103/2017, 104/2017, 105/2017, 106/2017, 124/2017.

Recommendation 123/2017 was rated NP/NA, i.e. "Not performed / Not applicable", therefore it is assessed that the obligation could not be assessed and could not require a formal recommendation.

Recommendation 339/2017 was rated A (requiring no improvement) and NR (not rated). The obligation was not rated for compliance as no activity had taken place during the audit period. The recommendation stated:

"Establish system procedures/calculations to check meter readings for validity based on operational data."

In the opinion of the auditor, the recommendation was not valid. The licence condition does not require the licensee to make any calculations to check the accuracy of a metering installation, rather it requires:

“A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable”

[Electricity Industry Metering Code clause 3.11(3)]

Awareness does not imply a requirement for a system of checks, rather a response to an indication of an incident, therefore the recommendation does not reflect the requirement of the Electricity Industry Metering Code which does not require a system of checks of the metering installation by the Code participant.

Recommendations 453 and 454/2017 are also rated NP/NR i.e. Not performed / Not Rated. The Electricity Industry Metering Code requires the Code participant to provide contact details to the network operator if requested. There was no request from the network operator for the Code participant contact details in the audit period, therefore there was no applicable finding, no evidence for a recommendation was available and the recommendation should not have been included in the list of recommendations.

Table 2- Status of recommendations addressing non-compliances from the previous audit

Table of Previous Non Compliances and Audit Recommendations				
A Resolved during current audit period				
Reco mmen dation refere nce (no/ year)	Non-compliance / Controls improvement (Rating/ Licence obligation number and obligation / Details of non- compliance or inadequacy of controls)	Auditors' recommendation	Date resolved	Further action required (Yes/No/Not Applicable) Details of further action required (including current recommendation reference, if applicable)
	All observations rated A1, or NP, NR or NA. No non compliance or controls improvement was found			Not Applicable (NA)
B Unresolved at end of current audit period				
Reco mmen dation refere nce (no/ year)	Non-compliance / Controls improvement (Rating/ Licence obligation number and obligation / Details of non- compliance or inadequacy of controls)	Auditors' Recommendation		Further action required (Yes/No/Not Applicable) Details of further action required (including current recommendation reference, if applicable)
	All observations rated A1, or NP, NR or NA. No non compliance or controls improvement was found			NA

3 PERFORMANCE SUMMARY

3.1 COMPLIANCE AND CONTROLS RATINGS

The following table sets out the ratings scales auditors must use to rate each licence obligation.

Table 3: Compliance and controls rating scales

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 effect on customers or third parties
C	Inadequate controls – significant improvement needed	3	Non-compliant – moderate effect on customers or third parties
D	No controls evident	4	Non-compliant – major effect on customers or third parties
NP	Not performed – a controls rating was not required	NR	Not rated – no activity took place during the audit period

3.2 PERFORMANCE AUDIT COMPLIANCE SUMMARY

The performance audit ratings are summarised below in Table 5. The table lists the controls and compliance rating for each licence condition using the two-dimensional rating scale described in Table 3.

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

A number of obligations were assessed as ‘not applicable’ either at or post the planning stage and, in accordance with the guidelines were not rated or included in the performance summary and in the observations section of the report. Table 4 below lists those obligations.

Table 4: Summary of ‘Not applicable’ obligations

Obligations excluded from performance audit	
Obligation Number	Reason for exclusion
120	No individual performance standards prescribed
324	The metering point was previously subject to bi- directional flows therefore

	during the audit period there were never changes in the customer's or user's circumstances that will result in bi- directional flows.
364	Obligation 364 is not a generation obligation. It was included in the electricity Compliance Manual 3 July 2017 to 7 June 2020 in error but only applies to Transmission, Distribution and Integrated Regional Licences.
372, 373	MEPL is not responsible for maintaining the registry including the standing data and the energy data
371, 401, 402, 405	MEPL is not responsible for metering
406, 408, 435	MEPL has no customers under the Electricity Metering Code and the connection point is with the network operator, the site address will not change at the connection point
407	The connection point is with the network operator and MEPL is not responsible for metering

Table 5: Performance summary table for audit

Licence obligation reference no.	Licence obligation	Audit priority (1=Highest 5-Lowest)	Controls Rating (Refer to the 4-point rating scale in Table 3 for details)					Compliance rating (Refer to the 4-point rating scale in Table 3 for details)				
			A	B	C	D	NP	1	2	3	4	NR
Electricity Industry Act – Licence Conditions and Obligations												
101	13(1) Lic CI 5.3.1	4	✓					✓				
102	14(1)(a) Lic CI 5.1.1	4	✓					✓				
103	14(1)(b) Lic CI 5.1.2, 5.1.3	4	✓					✓				
104	14(1)(c) Lic CI 5.1.4	4	✓					✓				
105	Economic Regulation Authority (Licensing Funding) Regulations 2014, Lic CI 4.2.1	5		✓					✓			
106	31(3) Lic CI 4.1.1	4	✓					✓				
107	41(6) Lic CI 4.1.1	4	✓					✓				
Electricity Licences – Licence Conditions and Obligations Electricity Industry Act, section 11												
119	Lic CI 4.3.1	4	✓					✓				

Licence obligation reference no.	Licence obligation	Audit priority (1=Highest 5=Lowest)	Controls Rating (Refer to the 4-point rating scale in Table 3 for details)					Compliance rating (Refer to the 4-point rating scale in Table 3 for details)				
			A	B	C	D	NP	1	2	3	4	NR
121	Lic CI 5.3.2	4	✓					✓				
122	Lic CI 5.1.5	4	✓					✓				
123	Lic CI 4.4.1	4	✓					✓				
124	Lic CI 4.5.1	5		✓					✓			
125	Lic CI 3.8.1, 3.8.2	5					NP					NR
126	Lic CI 3.7.1	5					NP					NR
Electricity Industry Metering Code – Licence Conditions and Obligations, Lic CI 4.1.1												
339	3.11(3)	5					NP					NR
388	5.4(2)	5					NP					NR
410	5.19(6)	5					NP					NR
416	5.21(5)	5					NP					NR
417	5.21(6)	5					NP					NR
448	6.1(2)	4	✓					✓				
451	7.2(1)	5	✓						✓			
453	7.2(4)	5	✓					✓				
454	7.2(5)	5	✓					✓				
455	7.5	4	✓					✓				
456	7.6(1)	4	✓					✓				
457	8.1(1)	5					NP					NR
458	8.1(2)	5					NP					NR
459	8.1(3)	5					NP					NR
460	8.1(4)	4					NP					NR
461	8.3(2)	5					NP					NR

Note: Where obligations have not been rated, reasons for the lack of rating are provided in Table 8 Performance Audit Observations, Findings and Recommendations.



3.3 COMPLIANCE AND CONTROLS RATINGS SUMMARY TABLE

The following table lists the number of licence obligations that were given each combination of compliance and controls ratings.

Table 6: Compliance and controls ratings summary table

		Compliance Rating					
		1	2	3	4	NR	Total
Control Rating	A	15	1				16
	B		2				2
	C						
	D						
	NP					12	12
	Total	15	3			12	30



4 OBSERVATIONS AND RECOMMENDATIONS

The observations, findings and recommendations of the performance audit are reported in Table 8.

The table rates MEPL's overall compliance and adequacy of controls for each licence obligation in accordance with the ERA's guidelines. The rating definitions are listed in Table 3.

Where compliance of licence obligations has been rated as 2, 3 or 4 (non-compliant), or where controls rating for licence obligations was either C or D (inadequate or non-existent controls), recommendations are made to address the finding(s) that have resulted in that rating.

Table 7: Ratings that require recommendations

	Finding	Rating
Compliance	Non-compliant	2, 3 or 4
Controls	Inadequate or non existent controls	C or D

The licensee's corrective actions (if applicable) are included in the separate Post Audit Implementation Plan.

4.1.1 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
►	Finding/ Non-compliance or Inadequacy of controls
1. Text	Recommendations
[OFI]	Opportunity for Improvement. In accordance with the guidelines OFIs will not be documented and will be communicated directly to the licensee and not included in the report.

Key	Description
Licence Grant Date	22 June 2012
Audit period	1 July 2017 to 30 June 2020

Table 8 Performance Audit Observations, Findings and Recommendations

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
Electricity Industry Act						

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
101	CI 5.3.1	<p>Electricity Industry Act section 13(1)</p> <p>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>► The Electricity Compliance Reporting Manual 2020 still refers to the superseded text of the Act; the new version of the Act, e.g. 29 March 2018, states:</p> <p>“not less than once in every period of 24 months (or any longer period that the Authority allows)”.</p>	4	<p>By examining the licence, which was granted on 22 June 2012, and the following information, the audit found evidence of the licensee compliance with the requirement to provide a performance audit:</p> <ul style="list-style-type: none"> approval by the ERA of the proposed auditor for the 2020 Performance Audit as per ERA’s letter of 3 June 2020 advising that a draft report is to be provided to the ERA by 30 October 2020 and a final report by 30 November 2020; ERA’s “Notice - EGL025 - 2017 Audit & Review” publishing the 2017 Performance Audit and Asset Management System Review report for Merredin Energy Pty Ltd’s (MEPL) electricity generation licence EGL25, acknowledging "a high level of compliance with its licence and ... an effective asset management system" and specifying the next audit and review period to be 36 months, with the audit to cover the period from 1 July 2017 to 30 June 2020; the licensee commissioned an independent expert to provide the ERA with a performance audit and a report to cover the period of 36 months from 1 July 2017 to 30 June 2020. <p>Note on Changes to the Licence:</p> <p>In regard to the period between performance audits, Obligation 101 of the “Electricity-Compliance-Reporting-Manual-2020” and Clause 5.3.1 of the licence read:</p> <p>“not less than once every 24 months”.</p> <p>This should be updated to the revised text of the Act (Version 03-a0-05, of 29 March 2018 to 6 April 2020, or version 03-b0-00 from 7 April 2020):</p> <p>“not less than once in every period of 24 months (or any longer period that the Authority allows)”.</p> <p>This is noted in section 6 “Changes to the licence”, in this report.</p>	A	1
102	CI 5.1.1	<p>Electricity Industry Act section 14(1)(a)</p> <p>A licensee must provide for an asset</p>	4	<p>Complies.</p> <p>The licensee has implemented an asset management system (AMS) which has been subject to review by independent auditors in 2014 and 2017. The AMS was revised</p>	A	1

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
		management system.		on 25th January 2019 with the change over to the new Computerised Maintenance Management System (CMMS), as advised by email to the ERA on 28 January 2019.		
103	CI 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 ERA	4	Complies. There was a change to the Asset Management System (AMS) with the implementation of a new CMMS that was completed on 25 January 2019. The changes to the AMS were notified to the ERA by email on 28 January 2019.	A	1
104	CI 5.1.4	Electricity Industry Act section 14(1)(c) A licensee must provide the ERA with a report by an independent expert about the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA.	4	The audit found that there had been compliance with the obligation: <ul style="list-style-type: none"> ERA's "Notice - EGL025 - 2017 Audit & Review": <ul style="list-style-type: none"> notified the publication of the 2017 Performance Audit and Asset Management System Review report for MEPL's electricity generation licence EGL25; acknowledged "a high level of compliance with its licence and ... an effective asset management system"; and specified the next audit and review period to be 36 months, with the audit to cover the period from 1 July 2017 to 30 June 2020; the licensee commissioned an independent expert to provide the ERA with a report on the effectiveness of its asset management system to cover a period of 36 months from 1 July 2017 to 30 June 2020; ERA approved the independent expert on ERA's letter of 3 June 2020. 	A	1
105	CI 4.2.1	Electricity Industry Act section 17(1) 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.	5	The Audit noted that the licence had been granted on 22 June 2012 and licence fees are due to be paid annually on 22 July. A report generated by MEPL identified the payment trail of each invoice. Through examination of evidence related to licence fee payments the audit found prescribed licence fees had been paid as per requirements: <ul style="list-style-type: none"> During the previous audit period ending 30 June 2017 the power station asset management, operations, and maintenance activities were conducted by Perth Energy Pty Ltd. In regard to the licence fee payment due 22 July 2017, Perth 	B	2

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<p>Energy effected the payment as the invoice was issued in June 2017;</p> <ul style="list-style-type: none"> For licence fee payment due 22 July 2018, payment was effected on 27 June 2018; For licence fee payment due 22 July 2019, payment was effected on 19 July 2019. <p>The audit has found that some of the standing charge fees were not paid by the due dates.</p> <p>Standing Charge Fees were introduced in Quarter 1 of 2015 to be paid within 30 Days of issue date. The audit found:</p> <ul style="list-style-type: none"> for Q2 2017 (1 April to 30 June), payment due 19 October 2017, was paid on 20 October 2017, 1 day late; for Q3 2017, invoice due 13 December 2017, paid 21 November 2017; for Q4 2017, invoice due 13 July 2018, paid 27 June 2018; for Q1 2018, invoice due 22 July 2018, paid 20 July 2018; for Q2 2018, invoice due 11 October 2018, paid 11 October 2018; for Q3 2018, invoice due 18 January 2019, paid 21 January 2019, 3 days late; for Q4 2018, invoice due 21 April 2019, paid 18 April 2019; for Q1 2019, invoice due 28 June 2019, paid 21 June 2019; for Q2 2019, invoice due 16 October 2019, paid 21 October 2019, 5 days late; for Q3 2019, invoice due 13 December 2019, paid 20 December 2019, 7 days late; for Q4 2019, invoice due 19 March 2020, paid 18 March 2020; 		

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<ul style="list-style-type: none"> for Q1 2020, invoice due 20 June 2020, paid 19 June 2020. <p>Findings:</p> <ul style="list-style-type: none"> Three standing charge fees were not paid by the due date: <ul style="list-style-type: none"> for Q2 2017, payment due 19 October 2017 was paid 1 day late, on 20 October 2017; for Q2 2019, payment due 16 October 2019, was paid 5 days late, on 21 October 2019; for Q3 2019, payment due 13 December 2019, was paid 7 days late, on 20 December 2019. <p>Recommendation</p> <ol style="list-style-type: none"> Review and revise payment process to ensure that standing charge fees are paid within 30 days from the date on which the notice was issued. 		
106	CI 4.1.1	<p>Electricity Industry Act section 31(3)</p> <p>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>	4	<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"> a contingency plan is in place as a management tool to maintain high availability and reliability; the plan assesses the operation of the plant and each of the plant components to identify possible failures, the risks and strategies in place to respond to the loss of individual components; mitigating actions are: <ul style="list-style-type: none"> redundancy of plant; change in operating strategies; spare part holdings; availability of experienced resources to take care of any repairs or replacements; an emergency procedure is in place, the “MER-GEN-PR-EM-001 Emergency Response Procedure”, which provides a comprehensive framework and 	A	1

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<p>procedures for responding to site emergencies;</p> <ul style="list-style-type: none"> the "PQMS-B3-HSE-PR-001 Crisis and Emergency Management Procedure" provides the framework for company wide crisis and emergency response; a risk assessment is carried out twice yearly and results are tabled in a risk matrix; risks are continually monitored in quarterly and monthly reports; there is quarterly reporting of operation and risks by the General Manager to the Board, reference "Agenda 6.1 GM Report", for Quarter 3 2020 and Quarter 4 2020; critical spares are held; testing of response to crisis and emergencies was performed on 17 May 2018 and 8 April 2019; performance criteria to optimise the reliability of the plant are continually monitored; the licensee employs experienced staff and support contractors with defined service scopes; defined operation and maintenance plans, including outages, are based on OEM information and manuals. 		
107	CI 4.2.1	Electricity Industry Act section 41(6) A licensee must pay the costs of taking an interest in land or an easement over land .	4	Complies. The Audit found that the Certificate of Title 2798-466 and related financial documentation show that MEPL owns the land on which the Merredin Power Station is located.	A	1
119	CI 4.3.1	Electricity Industry Act section 11 Accounting Records	4	There was evidence to show that accounting records of the body corporate comply with the Australian Accounting Standards Board Standards (AASB Standards).	A	1

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
		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.		Examination of the licensee's records confirmed that: <ul style="list-style-type: none"> accounting records had been maintained for the audit period; 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 AASB Standards. Audit reports for FYs ending in 2017, 2018 and 2019 were examined. 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].		
121	CI 5.3.2	Electricity Industry Act section 11 A licensee must comply, and require its auditor to comply, with the ERA's standard audit guidelines for a performance audit.	4	The licensee has specified and the auditor has documented in the Audit Plan its compliance with the ERA's guidelines. The Audit Plan was approved by the ERA on 22 July 2020.	A	1
122	CI 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 ERA's standard guidelines for an asset management system review.	4	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.	A	1
123	CI 4.4.1	Electricity Industry Act section 11 Reporting a Change in Circumstances 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. CI 4.4.1 of the licence requires:	4	Complies. This audit found that there were only two changes that could be considered as significant during the course of the audit period: <ul style="list-style-type: none"> the Asset Management System transitioned to a new CMMS, which was fully implemented by the 25 January 2019 and communicated to the ERA by email and through the Merredin Post Audit Implementation Plan Update on the 28 January 2019; a refinancing process took place in the first Quarter of 2020, however this 	A	1

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
		<p>"The licensee must report to the ERA:</p> <p>(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</p> <p>(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</p> <p>(c) if the:</p> <p>(i-iii) licensee's name; licensee's ABN; licensee's address;</p> <p>change, within 10 business days of the change occurring.</p>		<p>process did not have an impact on the licensee's ability to meet its obligations.</p>		
124	CI 4.5.1	<p>Electricity Industry Act section 11 Provision of information</p> <p>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>	5	<p>Under the Electricity Industry Act the licensee is required to provide the information requested by the ERA which includes:</p> <ul style="list-style-type: none"> Annual Compliance reports covering all of its type 1 and type 2 licence obligations for each reporting year (from 1 July to 30 June) by 31 August immediately following the end of the financial year that is the subject of the report. <p>This audit found that:</p> <ul style="list-style-type: none"> licence compliance obligations are captured in an annual "Work Order", generated by the system CMMS, which generates report listing all the 	B	2

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<p>obligations against the licence conditions, identifies the responsibilities and requires sign off;</p> <ul style="list-style-type: none"> each individual compliance obligation related to operating, legal and environmental requirements that are placed on MEPL that requires action(s) during each year is captured by auto-generated individual CMMS work orders that require to be closed; a compliance report for the audit period was examined and included tasks like: <ul style="list-style-type: none"> the annual ERA Generation Licence Compliance report; the 6 monthly Reserve Capacity Test; environmental reports; etc. <p>The audit examined the licensee compliance register, the compliance reports due 31 August each year and found evidence of the following:</p> <ul style="list-style-type: none"> for the report to cover the period 1 July 2016 to 30 June 2017, required by 31 August 2017: <ul style="list-style-type: none"> the report was Issued on 13 July 2017 and reported no contraventions; Report required by 31 August 2018 to cover the period 1 July 2017 to 30 June 2018 <ul style="list-style-type: none"> Issued 13 September 2018, reported no contraventions; this report was issued to the ERA 13 days late, this contravention was recorded in the next reporting period; Report required by 31 August 2019 to cover the period 1 July 2018 to 30 June 2019 <ul style="list-style-type: none"> Issued 26 July 2019, reported two contraventions (as detailed below). <p>As noted above the compliance report for the period 1 July 2018 to 30 June 2019, reported two (2) contraventions:</p> <ul style="list-style-type: none"> MEPL did not submit its 2017/2018 Compliance Report by the due date of 3 		

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<p>September 2018 (specified by the ERA on email of 6 April 2018); however:</p> <ul style="list-style-type: none"> the ERA granted an extension of the due date to the 21 September 2018; the report was submitted on the 13 September 2018, in accordance with the extension granted; the licensee provided reasons for the delay in submitting the report; these included a request for clarification from the ERA on reporting of outage entries related to WEM rules into Western Power systems, these were not required to be included in the Compliance Report; the licensee recorded in the Compliance Report Schedule its action to ensure that any future clarifications are requested with sufficient time for the ERA to respond; the compliance reports are now set to be processed by target date of 23 July, one month in advance. <p>► Schedule A of the Compliance Report of 26 July 2019 reported that Merredin Energy did not submit the 2018 ERA Licence Standing Charge Data prior to the due date of 30/09/2018.</p> <ul style="list-style-type: none"> the ERA granted an extension of the due date to the 16 October 2018; MEPL rectified the breach by submitting the ERA Licence Standing Charge Data on 12 October 2018; the licensee confirmed that it has implemented a corrective action by including the Standing Charge Data information request in the compliance matrix. <p>Findings:</p> <ul style="list-style-type: none"> ► MEPL did not submit its 2017/2018 Compliance Report by the due date of 3 September 2018 (specified by the ERA on email of 6 April 2018). ► Schedule A of the Compliance Report of 26 July 2019 reported that Merredin Energy did not submit the 2018 ERA Licence Standing Charge Data prior to the due date of 30 September 2018. 		

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<p>Recommendations:</p> <p>Not required.</p> <p>The licensee has confirmed that it has implemented corrective actions on each of the findings:</p> <ul style="list-style-type: none"> In respect of the Compliance Report, the licensee recorded in the Compliance Report Schedule its action to ensure that any future clarifications are requested with a sufficient time for the ERA to respond; the compliance reports are now set to be processed by target date of 23 July, one month in advance. In respect of the standing charge 'Data Information' request, the licensee has confirmed that it has implemented a corrective action by including the Standing Charge Data information request in the compliance matrix. <p>This audit is satisfied that the licensee has addressed the cause(s) of the non-compliances. On this basis recommendations are not necessary.</p>		
125	CL 3.8.1 and 3.8.2	<p>Electricity Industry Act section 11 Publishing information</p> <p>A licensee must publish any information as directed by the ERA to publish, within the timeframes specified.</p>	5	<p>Not Rated.</p> <p>Not applicable in the audit period. There were no directions by the ERA to publish any information.</p>	NP	NR
126	CI 3.7.1	<p>Electricity Industry Act section 11 Notices</p> <p>Electricity Industry Act section 11</p> <p>All notices must be in writing, unless otherwise specified.</p>	5	<p>Not Rated.</p> <p>No notices were given during the audit period. It was confirmed with the licensee's Asset Manager that all communications with the ERA are provided in writing through the licensee's Electronic Document System (EDS).</p>	NP	NR
Electricity Industry Metering Code						

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
339	CI 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.	5	Not Rated. Not applicable in the audit period. The licensee was not aware of any outages or malfunctions of the metering installation. Through discussions with the Asset Manager, review of the document “Merredin Energy Overview (MER)” and examination of evidence the audit found that: <ul style="list-style-type: none"> the network operator owns and operates the connection to the SWIS, including the metering installation, while MEPL has right to use it under the Electricity Transfer Access Contract (ETAC). during the audit period MEPL contracted CQ Partners Pty Ltd to: <ul style="list-style-type: none"> manage invoices and reporting provide summary reports providing consulting services, among others, related to metering issues. 	NP	NR
388	CI 4.1.1	Electricity Industry Metering Code clause 5.4(2) A user must, when reasonably requested by a network operator, assist the network operator to comply with the network operator’s obligation under subclause 5.4(1).	5	Not Rated. The user was not requested by the network operator to assist with the compliance of the network operator’s obligations during the audit period.	NP	NR
410	CI 4.1.1	Electricity Industry Metering Code, clause 5.19(6) The user must use reasonable endeavours to ensure that it does not notify the network operator of a change in an attribute described in subclause 5.19(2) that results from the provision of standing data by the network operator to the user.	5	Not Rated. Not applicable during the audit period. MEPL’s contractor CQ Partners has access to the Western Power (WP) portal, and therefore to metering data, and there was no need for notification to the network operator.	NP	NR
416	CI 4.1.1	Electricity Industry Metering Code, clause 5.21(5) A Code participant must not request a test or	5	Not Rated. No tests were requested by the user during the audit period.	NP	NR

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
		audit under subclause 5.21(1) unless the Code participant is a user and the test or audit relates to a time or times at which the user was the current user or the Code participant is the IMO.				
417	CI 4.1.1	Electricity Industry Metering Code, clause 5.21(6) A Code participant must not make a request under subclause 5.21(1) that is inconsistent with any access arrangement or agreement.	5	Not Rated. No tests were requested by the user during the audit period.	NP	NR
448	CI 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 rules, procedures, agreements and criteria prescribed.	4	Complies. Through discussions with the Asset Manager, review of documentation and examination of evidence the audit confirmed that there were no breaches of the communication rules, metrology procedure, service level agreements and criteria in the audit period in relation to the network.	A	1
451	CI 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	Through discussions with the Asset Manager, review of documentation and examination of evidence the audit found that: <ul style="list-style-type: none"> The licensee has facilities to send and receive notices by post and electronic means. Initially an “Electronic Communication’s Protocol” was set in Schedule 7 the “Western Power - 2011.03.02 - Electricity Transfer Access Contract” (ETAC) between the network operator and the licensee, as well as the pro-forma for Notices in Schedule 6. The communication protocol defined the methods for handling formal electronic communication related to facsimile and email but it did not include a protocol for telephone communication. Notification of changes to MEPL’s representatives at start of audit period was evident on email communications from 17 to 22 August 2017 between the network operator and the asset manager, Palisade Integrated Management 	A	2

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				<p>Services Pty Ltd (PIMS) and the issue of the updated Schedule 6 was sighted; this included authorised officers, addresses and email addresses.</p> <ul style="list-style-type: none"> Notification of change of MEPL's General Manager was sighted through an official letter and a separate email of 28 February 2020 and the updated Schedule 6 – Notices of February 2020 including authorised officers, addresses and email addresses. No facsimile number was available on updated Schedule 6 – Notices of August 2017 and on updated Schedule 6 – Notices of February 2020. MEPL recently transitioned to the NBN, which resulted in one of the two landlines at the power station being disconnected. <p>Findings</p> <ul style="list-style-type: none"> Evidence of facility for sending and receiving facsimile communication was not available. Evidence of communication to network operator of a telephone number was not available. <p>Recommendations</p> <ol style="list-style-type: none"> The licensee must use reasonable endeavours to ensure that it can send and receive notices by facsimile. The licensee needs to provide the network provider with all current contact details. 		
453	CI 4.1.1	<p>Electricity Industry Metering Code clause 7.2(4)</p> <p>If requested by a network operator with whom it has entered into an access contract, the Code participant must notify its contact details to a network operator within 3 business days after the request.</p>	5	<p>The audit found that the network operator requested updates to contact details on Schedule 6 of the ETAC and that there was compliance with the obligation:</p> <ul style="list-style-type: none"> a request by the network operator was sent after business hours on Thursday 17 August 2017; the network operator received a response from the Asset Manager on Tuesday 22 August 2017, within 3 business days after the request; following advice from the licensee, a request to formally update contact details was sent by the network operator on Thursday 27 February 2020; the network 	A	1

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
				operator received a response from the Asset Manager on Wednesday 28 February 2020, within 3 business days after the request.		
454	CI 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 under subclause 7.2(4) at least 3 business days before the change takes effect.	5	Complies. On 27 February 2020 the licensee advised the network operator of changes in contact details provided earlier to the network operator and initiated the formal updating of Schedule 6 of the ETAC which is used to formally record the contact details.	A	1
455	CI 4.1.1	Electricity Industry Metering Code clause 7.5 A Code participant must subject to subclauses 5.17A and 7.6 not disclose, or permit the disclosure of, confidential information provided to it under or in connection with the Code and may only use or reproduce confidential information for the purpose for which it was disclosed or another purpose contemplated by the Code.	4	Complies. Following discussions with the Asset Manager there was no evidence that there have been breaches of confidentiality during the audit period. Through examination of documentation this audit found evidence and application of confidentiality e.g.: <ul style="list-style-type: none"> in the Operations and Maintenance Agreement with TWPS; in the Asset Management Agreement of MEPL with Palisade Integrated Management Services Pty Ltd. 	A	1
456	CI 4.1	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.	5	Complies. Through discussion with the Asset Manager, and the evidence of disclosure by MEPL of confidential information to the auditor it was confirmed that the licensee permits the disclosure of confidential information required under the Code.	A	1
457	CI 4.1	Electricity Industry Metering Code clause 8.1(1) If any dispute arises between any Code participants then (subject to subclause 8.2(3)) representatives of disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and	5	Not rated. The Asset Manager confirmed that there were no disputes in the audit period.	NP	NR

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B=Y C,D=N	Compliance rating* 1=Y 2,3,4=N
		attempt to resolve the dispute by negotiations in good faith.				
458	CI 4.1	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	Not rated. The Asset Manager confirmed that there were no disputes in the audit period.	NP	NR
459	CI 4.1	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	Not rated. The Asset Manager confirmed that there were no disputes in the audit period.	NP	NR
460	CI 4.1	Electricity Industry Metering Code clause 8.1(4) If the dispute is resolved by representative negotiations, senior management negotiations or CEO negotiations, the disputing parties must prepare a written and signed record of the resolution and adhere to the resolution.	4	Not rated. The Asset Manager confirmed that there were no disputes in the audit period.	NP	NR
461	CI 4.1	Electricity Industry Metering Code clause 8.3(2)	5	Not rated. The Asset Manager confirmed that there were no disputes in the audit period.	NP	NR

Oblig Ref No	Lic ref	Licence Reference & Summary of licence obligation	Audit Priority	Observations, Findings & Recommendations	Controls rating A,B = Y C,D = N	Compliance rating* 1=Y 2,3,4=N
		The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the objective in subclause 8.3(1).				

5 RECOMMENDATIONS

5.1 CURRENT AUDIT NON-COMPLIANCES, CONTROL DEFICIENCIES AND RECOMMENDATIONS

Recommendations on the actions to be taken by the licensee to address the current performance audit non-compliances are listed in Table 9 and Table 10.

Table 9 – Recommendations to address current non-compliances and control deficiencies (Resolved)

Table of Current Non Compliances, Control Deficiencies and Recommendations (Resolved)			
A. Resolved during current Audit period			
Licence obligation ref no / Recommendation ref from previous audit (if applicable)	Non-compliance / Controls improvement (Rating / Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Date Resolved & action taken by the licensee	Auditor's Comments
124	B2 Electricity Industry Act Section 11 Lic CI 4.5.1 ▶ MEPL did not submit its 2017/2018 Compliance Report by the due date of 3 September 2018 (specified by the ERA on email of 6 April 2018).	26 July 2019 The licensee has confirmed that it implemented corrective action on 26 July 2019. The licensee recorded in the Compliance Report Schedule its action to ensure that any future clarifications are requested with a sufficient time for the ERA to respond; the compliance reports are now set to be processed by target date of 23 July, one month in advance.	Recommendation is not required. No further action required.
124	B2 Electricity Industry Act Section 11 Lic CI 4.5.1 ▶ Schedule A of the Compliance Report of 26 July 2019 reported that Merredin Energy did not submit the 2018 ERA Licence Standing Charge Data prior to the due date of 30 September 2018.	26 July 2019 The licensee has confirmed that it has implemented a corrective action on 26 July 2019. The licensee has confirmed that it has implemented a corrective action by including the Standing Charge Data information request in the compliance matrix.	Recommendation is not required. No further action required.

Table 10 - Recommendations to address current non-compliances and control deficiencies (Unresolved)

Table of Current Non Compliances, Control Deficiencies and Recommendations (Unresolved)			
B. Unresolved at end of current audit period			
Recommendation reference (Ref. No/ Year)	Non compliance / Controls Improvement (Rating / Licence obligation reference no & obligation / Details of non compliance or inadequacy of controls)	Auditors' Recommendation	Action taken by the licensee by end of audit period
1/2020	B2 (105) Electricity Industry Act CI 17(1) Three standing charge fees were not paid by the due date: <ul style="list-style-type: none"> • invoice due 19 October 2017, was paid on 20 October 2017, 1 day late; • invoice due 16 October 2019, paid 21 October 2019, 5 days late; • invoice due 13 December 2019, paid 20 December 2019, 7 days late. 	Review and revise payment process to ensure that standing charge fees are paid within 30 days from the date on which the notice was issued.	No action taken
2/2020	A2 (451) Electricity Industry Metering Code clause 7.2(1) Evidence of facility for sending and receiving facsimile communication was not available.	The licensee must use reasonable endeavours to ensure that it can send and receive notices by facsimile.	MEPL will investigate the feasibility of configuring a printer on site to receive fax communications.
3/2020	A2 (451) Electricity Industry Metering Code clause 7.2(1) Evidence of communication to network operator of a telephone number was not available.	The licensee needs to provide the network provider with all current contact details.	MEPL will update the network provider with all current contact details.

6 CHANGES TO THE LICENCE

A change is required to the licence conditions to bring the licence text in line with current legislation. The Act has been revised to allow audit periods to extend beyond 24 months. Licence Clause 5.3.1 still contains the superseded text:

“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 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 ERA allows)”.

Similarly obligation 101 of the “Electricity-Compliance-Reporting-Manual-2020” contains the superseded text and should be updated.

7 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. As it 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 has recorded 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 EGL25
2. 2017 Performance Audit and Asset Management System Review for Merredin Energy Pty Ltd (EGL25)
3. Post Audit Implementation Plan 2017 – Status, 2017.12.19; 2018.07.24; 2019.01.28; 2019.07.19
4. Merredin Energy Overview (MER)
5. Email 2019.01.28 on update to the Asset Management System
6. Licence fee payment register 2017-20
7. Western Power - 2011.03.02 - Electricity Transfer Access Contract
8. Notice - EGL025 - Merredin Energy Pty Ltd, 2017 Performance Audit and Asset Management System Review
9. ERA - 2020.06.03 - Approval of auditor - 2020 Audit and Review - EGL025 - Merredin Energy Pty Ltd
10. ERA Standing Charge Invoice
11. MER-GEN-PA-EM-001 Merredin Energy Contingency Plan
12. MER-GEN-PR-EM-001 Emergency Response Procedure
13. PQMS-B3-HSE-PR-001 Crisis and Emergency Management Procedure
14. MER-GEN-RP-EM-001 ER Exercise Report 2019 Merredin Fire and Rescue
15. PQMS-B3-HSE-RP-002 - PIMS Crisis Response Exercise Report
16. PQMS-A2-RMT-FR-001 Risk Management Framework
17. Merredin Energy Risk Register 2018; 2019; 2020
18. Agenda 6.1 GM Reports
19. Monthly Operating Reports, 2017 – 2020
20. ME Scorecard reports
21. Merredin - National Mortgage Form - CT 2798-466 (22 June 2020)
22. Financial Reports
23. Audit and Review Plan, Merredin Energy Pty Ltd 2020 Electricity Generation Licence (EGL25) Performance Audit and Asset Management System Review
24. 20200408 Merredin Board Update
25. Compliance Reports, 2017.07.13; 2018.09.13; 2019.07.01; 2020.07.13
26. ERA letters noting receipt of Compliance Report
27. Emails 2017 and 2020. Western Power to PIMS and PIMS to Western Power, Merredin Energy Electricity Transfer Access Contract - updated Schedule 6

- 28. Operations and Maintenance Agreement
- 29. Asset Management Agreement.