



# Performance Audit

# Report

**Electricity Generation and Retail Corporation (Synergy)  
Electricity Generation Licence (EGL7)**

May 2021  
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OFFICIAL



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26 May 2021

Dear Simon

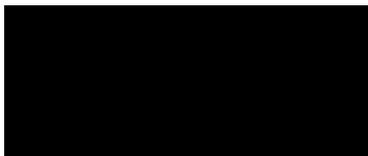
### **Synergy – EGL7 Performance Audit – 2021**

We have completed the Synergy EGL7 Performance Audit for the period 1 November 2016 to 31 October 2020 and are pleased to submit our report to you.

I confirm that this report is an accurate presentation of the findings and conclusions from our procedures.

If you have any questions or wish to discuss anything raised in the report, please contact me on 9263 7271.

Yours sincerely



**Travis McAuliffe**  
Partner

# Contents

1. Independent Auditor's Report	1
2. Executive Summary	4
2.1. Introduction	4
2.2. Objectives	4
2.3. Scope	4
2.4. Audit Planning Approach	5
2.5. Audit Plan Approval	6
2.6. Execution of the Audit Plan	6
2.7. Audit Team Members and Time Undertaken to Complete Audit	7
2.8. Culture of Compliance	8
2.9. Performance summary from current audit	8
2.10. Current Audit Non-Compliances and Recommendations resolved during current Audit Period	10
3. Performance summary	11
4. Observations – Performance Audit Details	14
Appendix 1	30
Licensee's representatives who participated in the audit	30
Appendix 2	31
Key documentation and information sources	31
Appendix 3	32
Risk assessment supporting tables	32

# Abbreviations

<b>Abbreviation</b>	<b>Definition</b>
AEMO	Australian Energy market Operator
AMS	Asset Management System
ASAE 3100	Australian Standard on Assurance Engagements 3100 Compliance Engagements
Authority	Economic Regulation Authority
CBU	Commercial Business Unit
DM	Synergy's document management system
EGL7	Electricity Generation Licence
ERA	Economic Regulation Authority
FBS	Finance and Business Services
GBU	Generation Business Unit
ISO 31000:2018	International Standards Organisation 31000 - Risk Management
LAGS	Loss of Availability and Generation Statistics system
METRON	Western Power Metering Portal
Metering Code	Electricity Industry Metering Code 2012
Model SLA	Model service level agreement
NMI	National Meter Identifier
OAG	Office of the Auditor General
OGC	Office of the General Counsel
PSAM	Process Safety Asset Management
R&C	Regulation and Compliance, Office of the General Counsel
SAMM	Synergy Asset Management Manual
SLA	Service Level Agreement
WBU	Wholesale Business Unit

# 1. Independent Auditor's Report

## Modified Conclusion

In our opinion, based on the procedures performed as outlined in the Audit Plan approved by the Economic Regulation Authority, except for the effect of the issues set out in the Basis for Modified Conclusion section below, Electricity Generation and Retail Corporation ("Synergy") has complied, in all material respects, with the conditions of its Electricity Generation Licence (EGL7) for the period 1 November 2016 to 31 October 2020.

## Basis for Modified Conclusion

The Licence obligation listed on page 3 of this report was assessed as non-compliant.

## Scope

We have performed a reasonable assurance engagement over Synergy's compliance, in all material respects, with the performance criteria specified in its Electricity Generation Licence (EGL7) ("the compliance requirements") throughout the period being 1 November 2016 to 31 October 2020 ("the audit period").

The assurance engagement was undertaken in accordance with the Economic Regulation Authority's ("the Authority") Audit and Review Guidelines: Electricity and Gas Licences March 2019 ("the Audit Guidelines").

The scope of the assurance work required relates to assessing Synergy's systems and effectiveness of processes and regulatory controls to ensure compliance with the obligations, standards, outputs and outcomes required by the Electricity Generation Licence (EGL7) ("the Licence") issued under *Electricity Industry Act 2004 (WA)*.

## Basis of Our Conclusion

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- Used our professional judgement to plan our procedures and assess the risks that may cause material non-compliance with each of the compliance requirements to be concluded upon;
- Considered internal controls implemented to meet the compliance requirements; however, we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

## Summary of Procedures

Our procedures consisted primarily of:

- Utilising the Audit Guidelines and the Electricity Compliance Reporting Manual 2016, 2017, 2018 and 2020 ("the Reporting Manual") as a guide for development of a risk assessment and document review to assess controls.
- Development of an Audit Plan for approval by the Authority and an associated work program, approved by the Authority on 15 March 2021.
- Interviews with and representations from relevant Synergy staff to gain an understanding of process controls.
- Review of documents and walkthrough of processes and controls to support the assessment of compliance and the effectiveness of the control environment in accordance with Licence obligations.
- Sample testing or walkthroughs based on the sample size guide in the approved Audit Plan.

## How We Define Reasonable Assurance and Material Non-Compliance

- Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material non-compliance with the compliance requirements.
- Instances of non-compliance, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of Synergy's compliance with the compliance requirements.

## Inherent Limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the compliance requirements may occur and not be detected.
- A reasonable assurance engagement throughout the audit period does not provide assurance on whether compliance with the compliance requirements will continue in the future.

## Use of this Assurance Report

This report has been prepared for the Directors of Synergy for the purpose set out in the Scope section above and may not be suitable for another purpose.

We acknowledge a copy of this report will be provided to the Authority for the purpose of reporting on the performance for the Licence. We agree that a copy of this report may be provided to the Authority in connection with this purpose, but only on the basis that we accept no duty, liability or responsibility to any party, other than Synergy and the Authority in connection with the report or this engagement.

We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Synergy, or for any other purpose other than that for which it was prepared.

## Synergy Management's responsibility

Management is responsible for:

- The compliance activities undertaken to meet the requirements of the Licence;
- Identification of risks that threaten the compliance requirements identified above being met and identifying, designing and implementing controls to enable the compliance requirements to be met and, monitoring ongoing compliance;
- Identification of the compliance requirements if not identified by law and regulation;
- Ensuring that it has complied in all material respects with the requirements of the Licence;
- Establishing and maintaining an effective system of internal control over its systems designed to

achieve its compliance with the Licence requirements;

- Implementing processes for assessing its compliance requirements and for reporting its level of compliance to the Authority;
- Implementing corrective actions for instances of non-compliance (if any).

### KPMG's responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Synergy's compliance with the compliance requirements throughout the audit period and to issue an assurance report that includes our conclusion.

### Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

### Table of non-compliances:

<b>Reporting Manual number and Licence obligation</b>	<b>Issue</b>
<p><b>Legislative Obligation 105:</b> 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.</p>	<p><b>Details:</b></p> <p>Through discussions held with the Manager, Network R&amp;C and the Senior Compliance and Privacy Officer, it was noted the requirement to pay prescribed licence fees to the Authority and related procedures have been internally outlined within the R&amp;C Operations Manual. Reminders about key dates have been pre-set on the R&amp;C Calendar within Empower. Separate due date reminders now exist for both supplying the invoice data and payment of the invoice.</p> <p>During the audit period there were no breaches against timely payment of the prescribed licence fees to the ERA. However, on one occasion, Synergy did not submit its generation capacity (standing charge data) by the due date of 30 September 2019, constituting a breach of its licence condition. (Standing data is used to calculate the EGL7 licence fees.) This supporting documentation, as required under the EGL7, was provided to the Authority on 25 October 2019 to rectify the breach. Synergy self-reported this within the 2020 Annual Compliance Report on 31 August 2020 and this was acknowledged by Authority on the same day.</p> <p>Preventative measures were taken to reaffirm that requests from the Authority are sent to both allocated contacts within Synergy and that the secondary contact on-forwards information to the primary as a reinforcing control. Relevant staff were notified of the importance of monitoring the R&amp;C Calendar. Internal audit were not aware of other breaches by Synergy during the audit period, under this licence condition.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however Synergy was non-compliant with the obligation during the audit period, resulting in a minor impact on customers or third parties.</p>



**KPMG**

26 May 2021

# 2. Executive Summary

## 2.1. Introduction

This document presents the findings from Electricity Generation and Retail Corporation T/A Synergy ("Synergy") Electricity Generation Licence ("EGL7") Performance Audit ("Audit").

Synergy is Western Australia's largest electricity generator and retailer with more than one million residential, business and industrial customers. Synergy generates electricity using a range of non-renewable and renewable energy sources predominantly within the south west interconnected system, and its EGL7 generation portfolio is extensive and diverse.

The Audit was undertaken in accordance with the Audit plan that was presented and approved by the Authority on 15 March 2021.

## 2.2. Objectives

The Audit was conducted to assist Synergy in meeting its compliance requirements under Section 13 of the Electricity Industry Act 2004 ("the Act").

As per Section 13 of the Act, it is a requirement that Synergy provides the Authority with a performance audit conducted by an independent expert acceptable to the Authority not less than once in every 24 month period (or any longer period that the Authority allows). Synergy's current Licence performance audit cycle is 48 months.

On 5 February 2021, the Authority approved the appointment of KPMG to undertake the EGL7 Audit for the audit period.

The Audit was conducted with reference to the Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements (ASAE 3100), the Audit and Review Guidelines, ASA 500 (Audit Evidence), ASA 530 (Audit Sampling) and in consultation with the Authority where required.

## 2.3. Scope

The reasonable assurance engagement was undertaken to report on Synergy's compliance, in all material respects, with the obligations, standards, outputs and outcomes stipulated in the EGL7 throughout the audit period.

The scope required an assessment of the adequacy and effectiveness of Synergy's performance against the licence requirements. These were assessed by considering:

- *Process compliance* – the effectiveness of systems and procedures in place throughout the audit period including the adequacy of internal controls.
- *Outcome compliance* – the actual performance against standards prescribed in the licence throughout the audit period.
- *Output compliance* - the existence of the output from systems and procedures throughout the audit period (specifically, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained).
- *Integrity of reporting* – the completeness and accuracy of the compliance reports and compliance registers provided to the Authority.
- *Compliance with any individual licence conditions* – the actual performance against the requirements imposed on the specific licensee by the Authority or specific matters raised by the Authority.

The key legislation, regulations, codes and licence conditions applicable to Synergy's EGL7 are:

- Electricity Compliance Reporting Manual October 2016
- Electricity Compliance Reporting Manual July 2017
- Electricity Compliance Reporting Manual July 2018
- Electricity Compliance Reporting Manual June 2020
- Electricity Industry Act 2004
- Electricity Generation Licence EGL7
- Electricity Industry (Metering) Code 2012
- Electricity Industry (Licence Conditions) Regulations 2005
- Economic Regulation Authority (Licensing Funding) Regulations 2014

### **Site visits**

The scope of the Review was undertaken at the Synergy Corporate Office 219 Forrest Centre site.

## **2.4. Audit Planning Approach**

In developing the Audit plan, KPMG adopted a risk based approach, consistent with the Authority's mandatory methodology for assessing risk, which is based on the ISO 31000:2018.

The supporting tables to this risk based approach are shown at Appendix 3.

### **Risk based approach**

This initial step involves an understanding of Synergy's business objectives, organisational culture, and structures, the regulatory framework, industry codes, licence conditions, underlying systems and processes. Furthermore, this step allowed KPMG to understand management's risk management culture and appetite. The key output from this step was the understanding and validation of Synergy's EGL7 Obligations and Compliance Controls Report that were used as the basis in carrying out subsequent steps, as noted below.

KPMG then examined the licence conditions and identified the risks that may affect compliance with these conditions based on our understanding of the business, the relevant regulatory framework and in consultation with Synergy. As part of this, KPMG considered where, when, why and how events could prevent, degrade or delay compliance with the licence obligations.

The first step of the risk assessment is the rating of the potential consequences of Synergy not complying with its licence obligations, in the absence of mitigating controls. As the Reporting Manual is prescriptive in its criteria for classifying the consequences of non-compliance (refer to *Table 1*) the risk assessment applies the Reporting Manual's classifications for each obligation subject to audit. The only exception to this approach to rating consequence is for obligation 106 (Electricity Industry Act, section 31(3)), where the consequence rating was revised from "minor" to "major" at the request of the Secretariat at the time of the previous EGL 7 audits.

Once the consequence has been determined, the likelihood of Synergy not complying with its obligations is assessed using the likelihood ratings listed at *Table 2*. The combination of consequence and likelihood assessments then provided an overall inherent risk rating associated with each individual obligation as detailed in *Table 3*.

Next the strength of the existing internal controls that mitigate the inherent risks was assessed. Controls were assessed as weak, moderate or strong as detailed in *Table 4*. The inherent risk rating and existing controls assessments was then compared to the 2017 Performance Audit Report and supporting rationale documented for any applicable changes.

KPMG also reviewed actions undertaken by Synergy during the audit period to determine if any of the ratings should be amended. A number of documents have been supplied by Synergy to assist in this assessment including:

- Synergy’s EGL 7 Obligations and Compliance Controls Report;
- Internal incident reports applicable to EGL 7; and
- Annual compliance reports to the Authority for 2016/17, 2017/18, 2018/19 and 2019/20

The outcomes from this preliminary risk assessment created a Priority Rating for each obligation as outlined in *Table 5*.

The detailed risk assessment for each obligation and priority ratings is summarised in the tables below.

<b>Risk Rating</b>	<b>EGL7 Risk Ranking by Obligation</b>
High	1
Medium	26
Low	8
Not Applicable	7
TOTAL	42

*Table 6: Risk Assessment Outcomes*

The table below summarises the outcome of the audit priority assessment process.

<b>Audit Priority Rating</b>	<b>EGL7 Audit Priority by Obligation</b>
Priority 1	-
Priority 2	1
Priority 3	2
Priority 4	24
Priority 5	8
Not Applicable	7
TOTAL	42

*Table 7: Audit Priority by Obligation*

## 2.5. Audit Plan Approval

Following the completion of the risk workshops and supporting activities, each obligation was reviewed, and risk was prioritised according to its inherent risk rating using the Authority’s methodology. The relevant management team members confirmed the applicable risk and control ratings prior to completion of the Audit plan.

The final Audit Plan was approved by the Authority on 15 March 2021.

## 2.6. Execution of the Audit Plan

There were no deviations from the Audit plan in executing the fieldwork.

Based on the Audit priority identified for each obligation we carried out specific assurance procedures to obtain sufficient and appropriate evidence. In selecting the assurance procedures, we used our judgment and assessment of the level of risk involved having regard to the example procedures below.

<b>Audit Priority</b>	<b>Examples of possible audit procedures</b>
1	Interview supervisory and operational personnel Inspect relevant documents Examine compliance reports and breach register Obtain evidence through sample testing that policies, procedures and controls are in place and controls are working effectively
2	

3	Moderate Priority	Interview supervisory and operational personnel Inspect relevant documents Examine compliance reports and breach register Obtain evidence through walkthrough and enquiry that policies, procedures and controls are in place and controls are working effectively
4		Interview supervisory and operational personnel Inspect relevant documents Examine compliance reports and breach register
5	Low Priority	Interview supervisory or operational personnel Undertake a desktop review of relevant documents Undertake a desktop review of policies, procedures and controls in place View compliance reports and breach register

Table 8: Examples of Possible Procedures

A list of the licensee's representatives who participated in the Audit is provided in Appendix 1.

A list of key documents and other information sources examined during the course of the Audit is provided in Appendix 2.

We have reported an adequacy of controls rating and compliance rating for applicable obligations using the following structure in line with the Authority's guidelines:

Performance audit compliance and controls rating scales			
Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor effect on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate effect on customers or third parties
D	No controls evident	4	Non-compliant – major effect on customers or third parties
N/P	Not performed – A controls rating was not required	N/R	Not rated – No activity took place during the audit period
N/A	Obligation was identified as not being applicable during the course of the audit	N/A	Obligation was identified as not being applicable during the course of the audit

Table 9: Compliance and Controls Rating Scales

## 2.7. Audit Team Members and Time Undertaken to Complete Audit

The following table outlines the auditor's personnel who undertook the audit and time taken to complete the audit procedures. Fieldwork commenced on 15 March 2021 and was completed on 15 April 2021.

Audit Members	Hours
Travis McAuliffe, Engagement Partner	6
Fish Sim, Senior Consultant	24
Nino Volaric, Consultant	54
Radu Alecsa, Consultant	56
Total	140

Table 1: Audit Members and Hours

## 2.8. Culture of Compliance

Through conducting the 2021 EGL7 Performance Audit, we note that Synergy management and staff have a positive, proactive culture and attitude towards compliance. Staff demonstrated initiative through extensive preparation of policy and procedural documentation and promptly responded to all data and document requests.

Management has designed and implemented processes, controls and systems to manage compliance with licence obligations. This includes the use of compliance calendar and the maintenance of a separate electricity and gas control registers within Synergy's incident management system, Empower, with respect to obligations under its licence conditions. These registers are reviewed bi-annually or in response to a change in law and provide an effective mechanism in recording regulatory obligations and controls and to investigate, remediate and report on any regulatory incidents.

The strength of the compliance culture is also demonstrated through the reporting of identified non-compliances. Where Synergy identified any non-compliance during the audit period, 1 November 2016 to 31 October 2021, Synergy was observed to proactively develop and implement remedial actions with the objective of mitigating the risk of a re-occurrence of the root cause.

## 2.9. Performance summary from current audit

This performance audit involved testing 35 out of a total of 42 licence obligations. The 7 obligations not tested were determined as not applicable to Synergy during the planning stage of the audit. There were also 18 obligations with a Not Rated compliance rating due to no testable events in the audit period. This is consistent with the requirements stipulated within the Audit Guidelines.

The table below provides a summary of the audit outcome. There was 1 obligation rated as non-compliant for the audit period.

EGL7		Adequacy of controls						Subtotal
		A – Adequate controls	B – Generally adequate controls	C – Inadequate controls	D – No controls evident	N/P – Not Performed	N/A – Not Applicable	
Compliance Rating	1 – Compliant	13	-	-	-	3	-	16
	2 – Non-compliant minor	1	-	-	-	-	-	1
	3 – Non-compliant moderate	-	-	-	-	-	-	-
	4 – Non-compliant major	-	-	-	-	-	-	-
	N/R - Not Rated	9	-	-	-	9	-	18
	N/A – Not Applicable	-	-	-	-	-	-	-
	<b>Total</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>35</b>

Table 2: Compliance Profile

The table below illustrates the obligations where non-compliances or control improvement opportunities have been identified. Further details can be found in Section 2.10.

<b>Current Audit Non-Compliances and Recommendations</b>	<b>Resolved during current audit period</b>	<b>Unresolved at the end of the current audit period</b>	<b>Total</b>
Obligations - Non-compliant	1	-	1
Obligations - Compliant with opportunity to improve controls	-	-	-
Obligations – Not-rated with opportunity to improve controls	-	-	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>

Table 3: Current Audit Non-Compliances and Recommendations

Further details of the overall compliance rating applied to each licence condition or obligation and adequacy of controls is detailed in Section 4 Performance Summary and Section 5 Observations – Performance audit details.

## 2.10. Current Audit Non-Compliances and Recommendations resolved during current Audit Period

Manual Ref.	Non Compliance/Controls improvement (Rating/Legislative Obligation / Details of Non Compliance or inadequacy of controls)	Date resolved (and management action taken)	Auditor comments
105	<p><b>Non-Compliance</b></p> <p><b>Rating:</b> A/2</p> <p><b>Legislative Obligation:</b> 107 - A licensee must pay the prescribed licence fees to the ERA according to clauses 6, 7 and 8 of the Economic Regulation Authority (Licensing Funding) Regulations 2014.</p> <p><b>Details:</b></p> <p>Through discussions held with the Manager, Network R&amp;C and the Senior Compliance and Privacy Officer, it was noted the requirement to pay prescribed licence fees to the Authority and related procedures have been internally outlined within the R&amp;C Operations Manual. Reminders about key dates have been pre-set on the R&amp;C Calendar within Empower. Separate due date reminders now exist for both supplying the invoice data and payment of the invoice.</p> <p>During the audit period there were no breaches against timely payment of the prescribed licence fees to the ERA. However, on one occasion, Synergy did not submit its generation capacity (standing charge data) by the due date of 30 September 2019, constituting a breach of its licence condition. (Standing data is used to calculate the EGL7 licence fees.) This supporting documentation, as required under the EGL7, was provided to the Authority on 25 October 2019 to rectify the breach. Synergy self-reported this within the 2020 Annual Compliance Report on 31 August 2020 and this was acknowledged by Authority on the same day.</p> <p>Preventative measures were taken to reaffirm that requests from the Authority are sent to both allocated contacts within Synergy and that the secondary contact on-forwards information to the primary as a reinforcing control. Relevant staff were notified of the importance of monitoring the R&amp;C Calendar. Internal audit was not aware of other breaches by Synergy during the audit period, under this licence condition.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however Synergy was non-compliant with the obligation during the audit period, resulting in a minor impact on customers or third parties.</p>	<p>October 2019</p> <p>The standing charge data was provided to the Authority on 25 October 2019. Synergy self-reported this within the 2020 Annual Compliance Report on 31 August 2020 and this was acknowledged by Authority on the same day.</p> <p>Preventative measures were taken to reaffirm that requests from the Authority are sent to both allocated contacts within Synergy and that the secondary contact on-forwards information to the primary as a reinforcing control. Relevant staff were notified of the importance of monitoring the R&amp;C Calendar. Internal audit was not aware of other breaches by Synergy during the audit period, under this licence condition.</p>	<p>The breach has been resolved during the audit period.</p> <p>No further action required.</p>

# 3. Performance summary

Licence Obligation Reference No.	Licence Obligations	Audit Priority	Adequacy of Controls Rating (Refer to the 5-point rating scale on <i>Table 9</i> for details)						Compliance Rating (Refer to the 5-point rating scale on <i>Table 9</i> for details)						
			A	B	C	D	NP	NA	1	2	3	4	NR	NA	
101	Electricity Industry Act, section 13(1)	4	X							X					
102	Electricity Industry Act, section 14(1)(a)	5	X							X					
103	Electricity Industry Act, section 14(1)(b)	4	X							X					
104	Electricity Industry Act, section 14(1)(c)	4	X							X					
105	Economic Regulation Authority (Licensing Funding) Regulations 2014	4	X								X				
106	Electricity Industry Act, section 31(3)	2	X							X					
107	Electricity Industry Act, section 41(6)	4						X						X	
119	General License, condition 4.3.1	4						X		X					
121	General License Condition 5.3.2	4	X							X					
122	General License Condition 5.1.5	4	X							X					
123	Electricity Industry Act, section 11	4	X							X					
124	Electricity Industry Act, section 11	4	X											X	
125	Electricity Industry Act, section 11	4	X											X	
126	Electricity Industry Act, section 11	4	X							X					
324	Electricity Industry	4						X						X	

Licence Obligation Reference No.	Licence Obligations	Audit Priority	Adequacy of Controls Rating (Refer to the 5-point rating scale on <i>Table 9</i> for details)						Compliance Rating (Refer to the 5-point rating scale on <i>Table 9</i> for details)					
			A	B	C	D	NP	NA	1	2	3	4	NR	NA
	Metering Code, clause 3.3B													
339	Electricity Industry Metering Code, clause 3.11 (3)	4					X						X	
371	Electricity Industry Metering Code, clause 4.4(1)	5					X						X	
372	Electricity Industry Metering Code, clause 4.5(1)	5					X		X					
373	Electricity Industry Metering Code, clause 4.5(2)	4					X		X					
388	Electricity Industry Metering Code, clause 5.4(2)	4					X						X	
401	Electricity Industry Metering Code, clause 5.16	4					X						X	
405	Electricity Industry Metering Code, clause 5.18	4					X						X	
416	Electricity Industry Metering Code, clause 5.21(5)	4	X										X	
417	Electricity Industry Metering Code, clause 5.21(6)	4	X										X	
448	Electricity Industry Metering Code, clause 6.1(2)	4	X						X					
451	Electricity Industry Metering Code, clause 7.2(1)	5	X						X					
453	Electricity Industry Metering Code, clause 7.2(4)	3					X						X	
454	Electricity Industry Metering Code, clause 7.2(5)	3					X						X	
455	Electricity Industry	4	X						X					

Licence Obligation Reference No.	Licence Obligations	Audit Priority	Adequacy of Controls Rating (Refer to the 5-point rating scale on <i>Table 9</i> for details)						Compliance Rating (Refer to the 5-point rating scale on <i>Table 9</i> for details)					
			A	B	C	D	NP	NA	1	2	3	4	NR	NA
	Metering Code, clause 7.5													
456	Electricity Industry Metering Code, clause 7.6(1)	4	X							X				
457	Electricity Industry Metering Code, clause 8.1(1)	5	X										X	
458	Electricity Industry Metering Code, clause 8.1(2)	5	X										X	
459	Electricity Industry Metering Code, clause 8.1(3)	5	X										X	
460	Electricity Industry Metering Code, clause 8.1(4)	4	X										X	
461	Electricity Industry Metering Code, clause 8.3(2)	5	X										X	

# 4. Observations - Performance

## Audit Details

The following sets out the audit findings. The obligations are listed as these appear in the Electricity Compliance Reporting Manual October 2016, July 2017, July 2018 and June 2020.

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
101	Generation Licence, condition 5.3.1	Electricity Industry Act, section 13(1)	A licensee must provide the ERA with a performance audit conducted by an independent expert acceptable to the ERA, not less than once every 24 months.	4	<p>Through discussions held with the Senior Compliance and Privacy Officer and review of the Regulation and Compliance (R&amp;C) Operations Guideline, it was noted the R&amp;C team are responsible for arranging the performance auditor and ensuring the request for tender specifies that the appointed auditor must comply with the Authority standard audit guidelines. R&amp;C must also apply in writing to the Authority to seek approval for the appointment of auditor. All correspondence with the Authority is stored within Synergy's Document Management (DM) system. Additionally, key dates encompassing the audit requirements are included as reminders on the R&amp;C Calendar within Empower.</p> <p>As per Authority notice dated 22 June 2017, the EGL7 audit period was increased from 43 months to 48 months post the 2017 performance audit. On 5 February 2021, Authority approved the appointment of KPMG to conduct the performance audit for the audit period 1 November 2016 to 31 October 2020.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
102	Generation Licence, condition 5.1.1	Electricity Industry Act, section 14(1)(a)	A licensee must provide for an asset management system.	5	<p>Through discussions held with the Asset Strategy Lead and review of key documentation, it was noted that Synergy maintains an asset management system (AMS) which consolidates a set of policies, procedures, standards, systems and other aspects of organisational governance that define, specify and enable asset management to be conducted within the enterprise. These include the Asset Management Policy and the Synergy Asset Management Manual (SAMM).</p> <p>Review of the Asset Management Policy notes that it is reviewed every 5 years or due to significant change in corporate strategy. It was last reviewed in October 2019. Review of the SAMM notes that it is reviewed every 2 years and was last updated and approved in September 2020.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
103	Generation Licence, condition 5.1.2 and 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	<p>Through review of key documentation, it was noted that Synergy's Obligations and Compliance Controls Report identified the Manager Asset Optimisation as the control owner for ensuring details of the AMS and any substantial changes to it are informed to the ERA.</p> <p>Based on interviews held with the Manager Asset Optimisation, we understand that during the audit period, Synergy's generation business unit (GBU) established an improvement program to integrate its Process Safety and Asset Management (PSAM) practices to manage asset risk and optimise investment in the generation asset base. Internal audit reviewed written notification provided by Synergy on 2 October 2020 to the Authority informing the change to its AMS, in light of the integrated PSAM system.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
104	Generation Licence, condition 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	<p>Through discussions held with the Senior Compliance and Privacy Officer and review of the R&amp;C Operations Guideline, it was noted the R&amp;C team are responsible for arranging the asset management system review. R&amp;C must also apply in writing to the Authority to seek approval for the appointment of independent expert. All correspondence with the Authority is stored within the DM system. Additionally, key dates encompassing the audit requirements are included as reminders on the R&amp;C Calendar within Empower.</p> <p>As per Authority notice dated 22 June 2017, the EGL7 review period was increased from 43 months to 48 months post the 2017 AMS review. On 5 February 2021, Authority approved the appointment of KPMG to conduct the AMS review for the review period 1 November 2016 to 31 October 2020.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
105	Generation Licence, condition 4.2.1	Electricity Industry Act, section 17(1) Economic Regulation	A licensee must pay the prescribed licence fees to the ERA according to clauses 6, 7 and 8 of the <i>Economic</i>	4	Through discussions held with the Manager, Network R&C and the Senior Compliance and Privacy Officer, it was noted the requirement to pay prescribed licence fees to the Authority and related procedures have been internally outlined within the R&C Operations Manual.	No recommendation is made as corrective action in place adequately resolves	A	2

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
		Authority (Licensing Funding) Regulations 2014	<i>Regulation Authority (Licensing Funding) Regulations 2014.</i>		<p>Reminders about key dates have been pre-set on the R&amp;C Calendar within Empower. Separate due date reminders now exist for both supplying the invoice data and payment of the invoice.</p> <p>During the audit period there were no breaches against timely payment of the prescribed licence fees to the ERA. However, on one occasion, Synergy did not submit its generation capacity (standing charge data) by the due date of 30 September 2019, constituting a breach of its licence condition. (Standing data is used to calculate EGL7 licence fees.) This supporting documentation, as required under the EGL7, was provided to the Authority on 25 October 2019 to rectify the breach. Synergy self-reported this within the 2020 Annual Compliance Report on 31 August 2020 and this was acknowledged by Authority on the same day.</p> <p>Preventative measures were taken to reaffirm that requests from the Authority are sent to both allocated contacts within Synergy and that the secondary contact on-forwards information to the primary as a reinforcing control. Relevant staff were notified of the importance of monitoring the R&amp;C Calendar. Internal audit was not aware of other breaches by Synergy during the audit period, under this licence condition.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however Synergy was non-compliant with the obligation during the audit period, resulting in a minor impact on customers or third parties.</p>	cause of non-compliance identified during the audit period.		
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.	2	Through discussions held with the Asset Strategy Lead and examination of key internal documents, it was noted that all plant incidents and associated forced outages are tracked in the Loss of Availability and Generation Statistics system (LAGS) which provides the population and duration of forced outages. Incidents are input into Empower and maintenance work orders are generated containing risk-based priority ratings. A business continuity management framework exists to minimise the duration of interruptions and includes Crisis Response Plans, a Business Continuity Manual, an Emergency Management Manual and site-specific emergency response plans. The emergency management manual outlines live drills, Emergency Response Training and desktop training. Additionally, Synergy typically operates its generating units below	N/A	A	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
					<p>maximum such that additional usage required during interruptions can be accommodated.</p> <p>Sample based testing of five restrictions in supply was conducted, and it was noted, through review of steps recorded within LAGS, that Synergy took reasonable steps to minimise the extent, or duration, of the interruptions, restrictions and suspensions of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.</p> <p>Based on enquiries, examination of documentation, walkthroughs, and sample testing, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>			
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	Based on enquiries held with the Manager, Network R&C, corroborated with discussions with the Manager Renewables Development (CBU) and the Senior Category Manager – Property (FBS), it was concluded that, during the audit period, Synergy had not taken an interest in land or easement over land, and had not received recommendation from the Minister(s) to do so under Section 41(2) and (3) of the Act. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.	N/A	NP	NR
119	Electricity Industry Act, section 11	Generation Licence, condition 4.3.1	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	4	<p>The Office of the Auditor General (OAG) is responsible for performing the independent audit of Synergy's annual statutory accounts for compliance with Australian Accounting Standards.</p> <p>Review of Synergy's annual reports for year ending 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020 noted the financial reports of the Group complied with the Australian Accounting Standards.</p> <p>Based on enquiries and examination of documentation, it was concluded that a control assessment could not be performed, however, Synergy has complied with the obligation during the audit period.</p>	N/A	NP	1
121	Electricity Industry Act, section 11	Generation Licence, condition 5.3.2	A licensee must comply, and require its auditor to comply, with the ERA's standard audit guidelines for a performance audit.	4	Through discussions held with the Manager, R&C, and review of the R&C Operations Guideline, it was noted R&C are responsible for ensuring the request for tender specifies the appointed auditor must comply with the Authority standard audit guidelines. R&C must also apply in writing to the Authority to seek approval for the	N/A	A	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
					<p>appointment of auditor and confirming that the guidelines will be followed. All correspondence with the Authority is stored within DM.</p> <p>On 5 February 2021, the Authority approved the appointment of KPMG to conduct the performance audit for the audit period 1 November 2016 to 31 October 2020. The audit plan was prepared in accordance with the ERA's standard audit guidelines which was approved by the Authority on 15 March 2021. KPMG also confirmed the audit is to be conducted in line with the framework outlined in the guidelines.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>			
122	Electricity Industry Act, section 11	Generation Licence, condition 5.1.5	A licensee must comply, and must require the licensee's expert to comply, with the relevant aspects of the ERA's standard audit guidelines for an asset management system review.	4	<p>Through discussions held with the Manager, R&amp;C and review of the R&amp;C Operations Guideline, it was noted the R&amp;C team are responsible for ensuring the request for tender specifies the appointed independent expert must comply with the Authority standard audit guidelines. R&amp;C must also apply in writing to the Authority to seek approval for the appointment of independent expert whereby confirming that the guidelines will be followed. All correspondence with the Authority is stored within the DM system.</p> <p>On 5 February 2021, the Authority approved the appointment of KPMG to conduct the AMS review for the review period 1 November 2016 to 31 October 2020. The review plan was prepared in accordance with the ERA's standard audit guidelines which was approved by the Authority on 15 March 2021. KPMG also confirmed the review is to be conducted in line with the framework outlined in the guidelines.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
123	Generation Licence, condition 4.4.1	Electricity Industry Act, section 11	In the manner prescribed, a licensee must notify the ERA, if it is under external administration or if there is a significant change in the circumstances that the licence was granted which may affect the	4	Through discussions held with the Manager, Network R&C and review of published annual reports, it was confirmed that Synergy were not under external administration during the audit period. In the event of material change in circumstances, Synergy must report relevant information to the Authority under its Licence condition 4.4. Any future changes beyond a reasonable	N/A	A	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
			licensee's ability to meet its obligations.		<p>horizon are reported at a more relevant time to the Authority by way of reminders set up within the R&amp;C calendar in Empower.</p> <p>Discussions with the Senior Compliance and Privacy Officer determined that during the audit period, there was one instance where Synergy was subject to a significant change in circumstances. Review of the advice provided to Authority on 25 September 2018 regarding changes to its nameplate capacity confirmed that Synergy was compliant in reporting significant changes in the circumstances under which the licence was granted.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>			
124	Generation Licence, condition 4.5.1	Electricity Industry Act, section 11	A licensee must provide the ERA, in the manner prescribed, with any information that the ERA requires in connection with its functions under the Electricity Industry Act.	4	<p>Through discussions held with the Senior Compliance and Privacy Officer and the Manager, Network R&amp;C, it was noted the R&amp;C team are responsible for ensuring all correspondence with Authority are saved onto the DM system. When requests are made by ERA, a Synergy representative is assigned as the request owner and is responsible for managing the request. A R&amp;C calendar entry is manually entered into Empower, specifying the deadline, accountable party and actions required, including milestones such as stage-gate for data collation, approval and submission.</p> <p>Discussions held with the Senior Compliance and Privacy Officer confirmed that, throughout the audit period, there were no formal requests for information in relation to EGL7 under obligation 124 sent by the Authority except for notifications provided in relation to timing of the asset management system review and performance audits, requests for updates to generation licence EGL7 post audit implementation plans and post review implementation plans as well as confirmation of receipt of annual compliance reports. It was noted Synergy responded in the manner prescribed with information required by the Authority as per notification received by Synergy.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity</p>	N/A	A	NR

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
					occurred during the audit period, therefore the obligation is not rated.			
125	Generation Licence, condition 3.8.1 and 3.8.2	Electricity Industry Act, section 11	A licensee must publish any information as directed by the ERA to publish, within the timeframes specified.	4	<p>Through discussions held with the Senior Compliance and Privacy Officer, it was noted, should a request be made by the Authority to publish any required information, it would be addressed to the CEO, whose personal assistant would on-forward the request to the R&amp;C team.</p> <p>Discussions held with the Senior Compliance and Privacy Officer confirmed that, throughout the audit period, there were no requests to publish information in relation to EGL7 sent by the ERA.</p> <p>Based on enquiries, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.</p>	N/A	A	NR
126	Generation Licence, condition 3.7.1	Electricity Industry Act, section 11	All notices must be in writing, unless otherwise specified.	4	<p>Through discussions with the Manager, Network R&amp;C and review of the R&amp;C Operations Guideline (Section 17), it was noted that Synergy receives and responds to all enquiries in writing unless otherwise instructed. Synergy maintains records on the DM system to evidence key communications which are made with the Authority by post or email.</p> <p>It was confirmed with the Senior Compliance and Privacy Officer that, throughout the audit period, all notices were made in writing unless otherwise specified.</p> <p>Based on enquiries and examination of records stored on the DM system, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
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	Based on enquiries held with the Manager, Network R&C and the Senior Asset Engineer, GBU it was concluded that Synergy has not become aware of bi-directional electricity flows at a metering point that was previously not subject to bi-directional flows or other changes in circumstance, during the audit period. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.	N/A	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	4	Based on enquiries held with the Manager, Network R&C and a Trading Analyst (WBU), it was concluded that Synergy had not become aware of an outage or	N/A	NP	NR

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
			network operator as soon as practicable.		malfunction of a metering installation during the audit period. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.			
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>Through discussions with the Manager, Network R&amp;C and a Trading Analyst (WBU), it was confirmed that Synergy did not have any issues in relation to discrepancies between energy data in a metering installation and the metering database.</p> <p>Based on enquiries held with the Manager, R&amp;C and a Trading Analyst (WBU), it was concluded that Synergy had not become aware of any discrepancies between energy data held in a metering installation and in the metering database during the audit period. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.</p>		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	<p>Through discussions with the Manager, Network R&amp;C it was noted that the standing data within the registry is defined by clause 4.3 of the Metering Code to encompass a list of elements the network operator has visibility of. As such, without knowledge of the network operator's procedures for validating standing data it is unlikely for Synergy to become aware of inaccuracies. WBU staff are aware of their obligations to notify the network operator of inaccuracies in the registry and the error has not been detected.</p> <p>It was confirmed with a Trading Analyst (WBU) that, throughout the audit period, Synergy did not knowingly permit the registry to be materially inaccurate.</p> <p>Based on enquiries and examination of documentation, it was concluded that a control assessment could not be performed, however, Synergy has complied with the obligation during the audit period.</p>	N/A	NP	1
373	Generation Licence, condition 4.1.1	Electricity Industry Metering Code, clause 4.5(2)	Subject to subclause 5.19(6), if a Code participant, other than a network operator, becomes aware of a change to, or inaccuracy in, an item of standing data in the registry, then it must notify the network operator and provide details of the change or inaccuracy within the timeframes prescribed.	4	<p>Through discussions with the Manager, Network R&amp;C and a Senior Asset Engineer, GBU it was determined that Synergy has no visibility over practices that the network operator uses to validate data and hence the possibility of Synergy becoming aware of inaccuracies in standing data is unlikely. WBU staff are aware of their obligations to notify the network operator should they become aware of a change to, or inaccuracy in, an item of standing data in the registry.</p> <p>Discussions with a Trading Analyst (WBU) determined that, during the audit period, WBU staff identified one</p>	N/A	NP	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
					<p>instance where an item of standing data was inaccurate as result of an incorrect assignment of meter number to the National Meter Identifier (NMI) when the network operator conducted a meter change out on 17 May 2017. This error was identified from the standing data registry on the 28 July 2021 and following a review of the data, Synergy advised Western Power of the discrepancy through email, and a request on the Western Power Metering Portal (METRON) on the next business day (31 Jul 2021), thus within the timeframes prescribed under Section 4.5(2) of the Code (i.e. no later than 2 business days).</p> <p>Based on enquiries and examination of documentation, it was concluded that a control assessment could not be performed, however, Synergy has complied with the obligation during the audit period.</p>			
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, assist the network operator to comply with the network operator's obligation under subclause 5.4(1).	4	Based on enquiries held with the Manager, Network R&C and a Senior Asset Engineer, GBU it was concluded that, during the audit period, Synergy had not been requested by Western Power to assist in reading the meters at least once in a 12 month period under subclause 5.4(1). Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.	N/A	NP	NR
401	Generation Licence, condition 4.1.1	Electricity Industry Metering Code, clause 5.16	If a user collects or receives energy data from a metering installation, then the user must provide the network operator with the energy data (in accordance with the communication rules) within the timeframes prescribed.	4	Based on enquiries held with the Manager, Network R&C and a Senior Asset Engineer, GBU it was concluded that Synergy had not collected or received energy data from a metering installation during the audit period. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.	N/A	NP	NR
405	Generation Licence, condition 4.1.1	Electricity Industry Metering Code, clause 5.18	If a user collects or receives information regarding a change in the energisation status of a metering point then the user must provide the network operator with the prescribed information, including the stated attributes, within the timeframes prescribed.	4	Based on enquiries held with the Manager, Network R&C and a Senior Asset Engineer, GBU it was concluded that Synergy had not collected or received information regarding a change in the energisation status of a metering point during the audit period. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.	N/A	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 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	4	Through discussions held with a Trading Analyst (WBU), it was determined that tests and audits are requested under the model Service Level Agreement (SLA) through Western Power's metering portal. Western Power's metering portal only permits requests in relation to connection points where Synergy is the current user, or	N/A	A	NR

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
			the Independent Market Operator (IMO).		<p>during the period where Synergy was the current user. Log in details to Western Power's metering portal are restricted to members of the WBU trading team only.</p> <p>It was confirmed with the Trading Analyst (WBU) that Synergy had not made a request to test or audit a metering installation during the audit period.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.</p>			
417	Generation Licence, condition 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.	4	<p>Through discussions with held a Trading Analyst (WBU), it was determined that tests and audits are requested under the model SLA through Western Power's metering portal. Only requests that are consistent with Synergy's Electricity Transfer Access Contract are permitted. Log in details to Western Power's metering portal are restricted to members of the WBU trading team only.</p> <p>It was confirmed with the Trading Analyst (WBU) that Synergy had not made a request for a metering installation test or audit during the audit period.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.</p>	N/A	A	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 rules, procedures, agreements and criteria prescribed.	4	<p>Through discussions with the Manager, Network R&amp;C and a Senior Asset Engineer, GBU and examination of the model SLA with the network operator, it was determined that obligations in relation to the EGL7 licence are limited to communication requirements and the payment of service fees. The quarterly production meeting charter addresses communication rules and compliance requirements to this obligation. Further training is provided through Synergy's online training platform (Enlighten) to relevant employees.</p> <p>It was confirmed with the Senior Asset Engineer GBU that Synergy was in compliance with the rules, procedures, agreements and criteria prescribed in relation to the network on which it has an access contract.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no</p>	N/A	A	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
					improvement needed, and Synergy has complied with the obligation during the audit period.			
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	<p>Through discussions held with the Manager, Network R&amp;C and a Trading Analyst (WBU), it was noted that an authorised officer is assigned to receive communications. Should the officer become unavailable, the communication will be redirected to an appropriate person, and an automatic email reply sent advising of alternative contact details.</p> <p>It was confirmed with a Trading Analyst (WBU) that, throughout the audit period, Synergy used reasonable endeavours to ensure that they can be contacted by post, facsimile and electronic communications.</p> <p>Based on enquiries, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
453	Generation Licence, condition 4.1.1	Electricity Industry Metering Code, clause 7.2(4)	If requested by a network operator with whom it has entered into an access contract, the Code participant must notify its contact details to a network operator within 3 business days after the request.	3	<p>Through discussions held with the Manager, Network R&amp;C and a Trading Analyst (WBU), it was noted Synergy has not received a request from the network operator for Synergy's contact details during the audit period.</p> <p>Based on enquiries, examination of documentation, and walkthroughs, it was concluded that the network operator has not requested contact details from Synergy. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.</p>	N/A	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 under subclause 7.2(4) at least 3 business days before the change takes effect.	3	<p>Through discussions held with a WBU Trading Analyst, it was noted, during the audit period, there were no changes in Synergy's physical address, email address, facsimile address or phone number.</p> <p>Based on enquiries, examination of documentation, and walkthroughs, it was concluded that Synergy did not have any change in its contact details. Therefore, a control assessment for this obligation was not performed and cannot be rated for compliance.</p>	N/A	NP	NR
455	Generation Licence, condition 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	4	Through discussions held with Manager, Network R&C and a Senior Asset Engineer, GBU it was noted Synergy considers standing data and energy data as confidential information in line with definition within the Metering Code. Synergy stores all confidential information on Synergy's DM system or in secure databases. Access to secure databases, and confidential files located on the DM system are restricted to appropriate permission levels or	N/A	A	1

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
			purpose for which it was disclosed or another purpose contemplated by the Code.		<p>specific users. All employees are bound by Synergy's Enterprise Bargain Agreement, which stipulates that employees must not disclose any confidential information or use it for any purpose other than employment with Synergy, and are required to complete training on 'Confidentiality of Information' delivered through Synergy's online training platform.</p> <p>It was confirmed with the Manager, Network R&amp;C that, during the audit period, there were no instances where Synergy used or reproduced confidential information that was contrary to the requirements of the Metering Code.</p> <p>Based on enquiries, examination of documentation, and walkthroughs, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>			
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	<p>Through discussion held with the Manager, Network R&amp;C, it was found that Synergy only discloses confidential information with Western Power and the Australian Energy Market Operator (AEMO), both of which have access to this information under their capacity as a network operator and independent market operator respectively. The extent to which it is reported externally is governed in accordance with AEMO requirements. This information is also subject to disclosure under legal requests from authorities. All employees are bound by Synergy's Enterprise Bargain Agreement, which stipulates that employees must not disclose any confidential information or use it for any purpose other than employment with Synergy, and are required to complete training on 'Confidentiality of Information' provided through Synergy's online training platform .</p> <p>Based on discussion held with a Senior Asset Engineer, GBU and review of Annual Compliance reports, it was confirmed that during the audit period, Synergy disclosed and permitted the disclosure of confidential information as required by the Metering Code.</p> <p>Based on enquiries, examination of documentation, and walkthroughs, it was concluded that there were adequate controls with no improvement needed, and Synergy has complied with the obligation during the audit period.</p>	N/A	A	1
457	Generation Licence, condition 4.1.1	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	5	Through discussions held with Manager Network R&C and review of key documentation, it was noted disputes are governed by Clause 10 of the Model SLA which references Section 8 of the Electricity Industry Metering	N/A	A	NR

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
			disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and attempt to resolve the dispute by negotiations in good faith.		Code. Section 7.4 of the internal Metering Code Compliance Procedure also outlines employee obligations relating to disputes in further detail and is in line with Section 8 of the Code. This document, as a control, outlines detailed workflow and enforces the 5 business day timeframe. Disputes cannot be initiated and conducted by the business units without the involvement of OGC.  Discussions held with Manager Network R&C confirmed that, Synergy has not had any disputes with other Code participants during the audit period.  Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.			
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	Through discussions held with Manager Network R&C and review of key documentation, it was noted disputes are governed by Clause 10 of the Model SLA which references Section 8 of the Electricity Industry Metering Code. Section 7.4 of the internal Metering Code Compliance Procedure also outlines employee obligations relating to disputes in further detail and is in line with Section 8 of the Code. This document, as a control, outlines detailed workflow and enforces the 10 business day timeframe. Disputes cannot be initiated and conducted by the business units without the involvement of OGC.  Discussions held with Manager Network R&C confirmed that, Synergy has not had any disputes with other Code participants during the audit period.  Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.	N/A	A	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	5	Through discussions held with Manager, Network R&C and review of key documentation, it was noted disputes are governed by Clause 10 of the Model SLA which references Section 8 of the Electricity Industry Metering Code. Section 7.4 of the internal Metering Code Compliance Procedure also outlines employee obligations relating to disputes in further detail and is in line with	N/A	A	NR

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
			resolve the dispute by negotiations in good faith.		<p>Section 8 of the Code. This document, as a control, outlines detailed workflow and enforces the 10 business day timeframe. Disputes cannot be initiated and conducted by the business units without the involvement of OGC.</p> <p>Discussions held with Manager Network R&amp;C confirmed that, Synergy has not had any disputes with other Code participants during the audit period.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.</p>			
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 signed record of the resolution and adhere to the resolution.	4	<p>Through discussions held with Manager Network R&amp;C and review of key documentation, it was noted disputes are governed by Clause 10 of the Model SLA which references Section 8 of the Electricity Industry Metering Code. Section 7.4 of the internal Metering Code Compliance Procedure also outlines employee obligations relating to disputes in further detail and is in line with Section 8 of the Code. Disputes cannot be initiated and conducted by the business units without the involvement of OGC. All resolutions are required to be recorded and signed off by the legal team, OGC.</p> <p>Discussions held with Manager Network R&amp;C confirmed that, Synergy has not had any disputes with other Code participants during the audit period.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.</p>	N/A	A	NR
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 in subclause 8.3(1).	5	<p>Through discussions held with Manager, Network R&amp;C and review of key documentation, it was noted disputes are governed by Clause 10 of the Model SLA which references Section 8 of the Electricity Industry Metering Code. Section 7.4 of the internal Metering Code Compliance Procedure also outlines employee obligations relating to disputes in further detail and is in line with Section 8 of the Code.</p>	N/A	A	NR

Ref. No.	Licence Condition	Licence Obligation	Description	Audit priority	Observation	Recommendation	Control Rating	Compliance Rating
					<p>Discussions held with Manager Network R&amp;C confirmed that, Synergy has not had any disputes with other Code participants during the audit period.</p> <p>Based on enquiries and examination of documentation, it was concluded that there were adequate controls with no improvement needed, however no relevant activity occurred during the audit period, therefore the obligation is not rated.</p>			

# Appendix 1

## Licensee's representatives who participated in the audit

The table below outlines key personnel who were involved in discussions and contributed to the findings detailed in this Audit Report.

#	Name	Title
1	Simon Thackray	Manager Regulation and Compliance, OGC
2	Catherine Lennon	Senior Compliance and Privacy Officer, OGC
3	Karthi Mahalingham	Manager, Networks Regulatory and Compliance, OGC
4	Brendan Fidock	Senior Asset Engineer
5	Gian Garttan	GPS – Electrical I&C Engineer
6	Andre Pratama	Asset Strategy Lead
7	Bec Ngooi	Trading Analyst, WBU
8	John Lorenti	Manager Renewable Development, CBU
9	Monique Llanes	Senior Category Manager – Property, Finance and Business Services

# Appendix 2

## Key documentation and information sources

The table below outlines all documents used in this Audit Report.

#	Name
1	Audit and Review Guidelines Electricity and Gas Licences 2019
2	EGL07 electricity Generation and Retail Corporation
3	Electricity Compliance Reporting Manuals (2016 to 2020)
4	Regulation and Compliance Operations Guideline
5	Extension Notice from the ERA
6	Letter of Auditor Approval from the ERA
7	Synergy Asset Management Manual
8	Asset Management Policy
9	Correspondence between Synergy and ERA
10	Synergy's Annual Compliance Reports (2017, 2018, 2019, 2020)
11	Screenshots of Internal Synergy systems (including training modules)
12	Breach Incident Report
13	ERA Acknowledgement of Breach and Report Receipt
14	Audit Outages Report
15	Synergy Annual Reports (2017, 2018, 2019, 2020)
16	Correspondence between KPMG and Synergy
17	Metering Code Compliance Procedure
18	Metering Service Level Agreement
19	Synergy's Enterprise Bargain Agreement
20	Filtered Obligations and Compliance Controls Report
21	Filtered Incidents Report
22	PAIP Updates to the ERA
23	ERA Fees Invoices
24	Non-Order Invoice Request Forms
25	Payment Screenshots from Internal System
26	Records Management System Document 2018
27	Electric Transfer Access Contract 2018
28	Synergy's Code of Conduct
29	GBU Monthly Report Packages

# Appendix 3

## Risk assessment supporting tables

The consequences of the risk occurring was determined with regards to the criteria for classification of licence obligations included in the Reporting Manual.

Table 1: Consequences

Rating (Type)	Classification of non-compliance	Criteria for classification
1	Major	<ul style="list-style-type: none"> <li>The consequences of non-compliance will cause major damage, loss or disruption to customers.</li> <li>or</li> <li>The consequences of non-compliance will endanger or threaten to endanger the safety or health of a person.</li> </ul>
2	Moderate	<ul style="list-style-type: none"> <li>The consequences of non-compliance will affect the efficiency and effectiveness of the licensee's operations or service provision, but will not cause major damage, loss or disruption to customers.</li> <li>or</li> <li>The regulatory obligation is not otherwise classified as Type 1 or Type NR non-compliance.</li> </ul> <p>Reclassification of Type 2 to Type 1 may occur in circumstances of systematic non-compliance.</p>
NR (not reportable)	Minor	<ul style="list-style-type: none"> <li>The consequences of non-compliance are relatively minor – i.e. non-compliance will have minimal effect on the licensee's operations or service provision and do not cause damage, loss or disruption to customers.</li> <li>Compliance with the obligation is immeasurable.</li> <li>The non-compliance is required to be reported to the Authority under another instrument, guideline or code.</li> <li>The non-compliance is identified by a party other than the licensee.</li> <li>or</li> <li>The licensee needs to use only its reasonable or best endeavours to achieve compliance, or the obligation does not otherwise impose a firm obligation on the licensee.</li> </ul> <p>Reclassification of Type NR to Type 2 may occur in circumstances of:</p> <ul style="list-style-type: none"> <li>systemic non-compliance.</li> <li>or</li> <li>a failure to resolve non-compliance promptly.</li> </ul>

The likelihood was assessed using the 3-point rating scale described in the table below:

Table 2: Likelihood

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

The inherent risk was arrived through the combination of the consequence rating and the likelihood rating. The inherent risk rating that was used is depicted in the table below:

Table 3: Inherent risk rating

Likelihood	Consequence		
	1. Minor	2. Moderate	3. Major
A. Likely	Medium	High	High
B. Probable	Low	Medium	High
C. Unlikely	Low	Medium	High

Described below are the inherent risk ratings:

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

Once the inherent risks were identified and classified, KPMG undertook a high level assessment of the internal controls that are in place to mitigate each inherent risk.

The table below describes the preliminary adequacy rating for existing controls.

Table 4: Adequacy of existing controls

Level	Description
Strong	Controls that mitigate the identified risks to a suitable level
Moderate	Controls that only cover material risks; improvement required
Weak	Controls are weak or non-existent and do little to mitigate the risks

The next stage in the audit planning process was to determine audit priorities for each of the licence conditions based on the combined rating for inherent risk and control adequacy. The prescribed 5-level audit priority scale was used:

Table 5: Priority Rating

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



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