

Collgar Wind Farm Pty Ltd

Electricity Generation Licence (EGL22)
2021 Performance Audit

Final report

2 March 2022



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Ms Rebecca White
Regulatory and Trading Manager
Collgar Wind Farm
PO Box 7522
Cloisters Square PO, Perth WA 6850

Dear Ms White

Electricity Generation Licence (EGL22) – 2021 Performance audit report

We have completed the Electricity Generation Licence Performance Audit for Collgar Wind Farm Pty Ltd for the period 1 November 2016 to 31 October 2021 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 audit procedures.

If you have any questions or wish to discuss anything raised in the report, please contact Andrew Baldwin at abaldwin@assuranceadvisory.com.au or myself at slinden@assuranceadvisory.com.au.

Yours sincerely

Assurance Advisory Group



Stephen Linden

Director

www.assuranceadvisory.com.au

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1. Independent assurance practitioner's report

Modified opinion

We have undertaken a reasonable assurance engagement on Collgar Wind Farm Pty Ltd's (**Collgar**) compliance, in all material respects, with the conditions of its Electricity Generation Licence (EGL 22) (the **Licence**) and relevant legislative obligations for the period 1 November 2016 to 31 October 2021. Our evaluation was made against the licence obligations listed in the relevant versions of the Economic Regulation Authority's (the **ERA**) Electricity Compliance Reporting Manual (the **Reporting Manual**) and in accordance with the ERA's March 2019 Audit and Review Guidelines: Electricity and Gas Licences (the **Guidelines**).

In our opinion, based on the procedures we have performed and the evidence we have obtained, except for the effects of the matters described in the Basis for modified opinion paragraph below, Collgar has complied, in all material respects, with its licence conditions and relevant legislative obligations for the period 1 November 2016 to 31 October 2021.

Basis for modified opinion

During the period 1 November 2016 to 31 October 2021, Collgar did not comply with applicable licence obligations as outlined below. In both instances, the non-compliance related to an administrative matter and is rated as having a minor effect on customers or third parties (per the Guidelines):

Reporting Manual number and Licence obligation	Description
105 Electricity Industry Act Section 17(1); ERA (Licensing Funding) Regulations 2014 <i>A licensee must pay the prescribed licence fees to the ERA within one month after the day of grant or renewal of its licence and within one month after each anniversary of that day over the term of the licence according to clauses 6, 7 and 8 of the Economic Regulation Authority (Licensing Funding) Regulations 2014</i>	On one occasion during the audit period, Collgar did not pay quarterly standing charges by the due date.
124 Licence condition 4.5.1 <i>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.</i>	Collgar did not submit its 2018/2019 annual compliance report to the ERA by the due date of 31 August 2019.

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements (ASAE 3100)* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Collgar's responsibility for compliance with the conditions of the Licence

Collgar is responsible for:

- Compliance with the Licences as evaluated against the conditions within the Licence, for the period 1 November 2016 to 31 October 2021
- Identifying risks that threaten the conditions within the Licence identified above being met
- Identifying suitable compliance requirements as specified by the ERA
- Identifying, designing and implementing controls to enable the conditions within the Licence to be met and to monitor ongoing compliance.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We applied Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Our responsibilities

Our responsibility is to express an opinion on Collgar's compliance, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period 1 November 2016 to 31 October 2021. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Collgar has complied, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 November 2016 to 31 October 2021.

A reasonable assurance engagement in accordance with ASAE 3100, to report on Collgar's compliance with the licence obligations as evaluated against its Licence Conditions involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the conditions within the Licence. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the licence obligations as evaluated against its Licence Conditions.

Our procedures included:

- Utilising the Audit Guidelines and the June 2020 Electricity Compliance Reporting Manual (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 ERA and an associated work program, set out in Appendix A
- Interviews with and representations from relevant Collgar representatives 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 where relevant for obligations rated as an audit priority 3 and above in the approved Audit Plan.

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 compliance requirements may occur and not be detected.

A reasonable assurance engagement relating to the period from 1 November 2016 to 31 October 2021 does not provide assurance on whether compliance with the Licence will continue in the future.

Restricted use

This report has been prepared for use by Collgar for the purpose of satisfying its obligation under Section 13 of the Electricity Industry Act 2004. We disclaim any assumption of responsibility for any reliance on this report to any person other than Collgar, or for any other purpose other than that for which it was prepared. We understand that a copy of the report will be provided to the ERA for the purpose of reporting on the performance audit for the Licence. We agree that a copy of this report will be given to the ERA in connection with this purpose, however we accept no responsibility to the ERA or to anyone who is provided with or obtains a copy of our report.

Assurance Advisory Group



Stephen Linden

Director

2 March 2022

2. Executive Summary

2.1 Introduction and Background

The Economic Regulation Authority (the **ERA**) has under the provisions of the Electricity Industry Act 2004 (the **Act**), issued to Collgar Wind Farm Pty Ltd (**Collgar**) an Electricity Generation Licence (EGL22) (the **Licence**).

The Licence relates to Collgar's operation of a 222 MW wind farm located on 18,000 hectares of mostly farming land, approximately 25km south east of Merredin in the central wheatbelt of Western Australia. Collgar Wind Farm utilises 111 Vestas 2MW V90 turbines to deliver electricity into the South West Interconnected System (**SWIS**) via the Merredin to Kalgoorlie 220kV line. All power produced by the wind farm is purchased under agreement by Synergy. Collgar also owns and operates 33kV underground/overhead collection facilities and a 220 kV substation which provides two points of connection to a contiguous Western Power owned substation. Collgar is a 100% subsidiary of CWF Holdings Pty Ltd, which is wholly owned by the Retail Employees Superannuation Trust.

Section 13 of the Act requires Collgar to provide to the ERA a performance audit (the audit) conducted by an independent expert acceptable to the ERA within 24 months after the commencement date, and every 24 months thereafter, unless otherwise approved by the ERA. With the ERA's approval, Assurance Advisory Group (**AAG**) has been appointed to conduct the audit for the period 1 November 2016 to 31 October 2021 (**audit period**).

The audit has been conducted in accordance with the ERA's March 2019 issue of the *Audit and Review Guidelines: Electricity and Gas Licences* (**Audit Guidelines**).

2.2 Observations

In considering Collgar's internal control procedures, structure and environment, its compliance culture and its information systems specifically relevant to those licence obligations subject to audit, we observed that:

- Through its contractual arrangements with Western Power, Collgar has limited obligations in relation to the relevant requirements of the Metering Code
- Collgar uses the CAMMS online platform to log and manage its compliance obligations, including allocation of responsibilities to staff and assigning tasks for reviewing and recording compliance
- Collgar had effectively responded to the one non-compliance it had recognised and reported during the audit period by further improving controls to prevent further administrative oversights
- Collgar has also responded to the additional non-compliance raised by this audit by adding the specific requirements of the obligation to the CAMMS online platform
- Collgar's recent appointment of a Regulatory and Trading Manager further strengthens its capability to understand and adhere to its Licence compliance obligations.

2.3 Findings

The following tables summarise the assessments made during the audit on Collgar's compliance and the adequacy of controls in place for Collgar to manage its compliance with the relevant obligations or conditions of the Licence.

Table 1 sets out the rating scale defined by the ERA in the Audit Guidelines for the assessment of the level of compliance with the conditions of the Licence. For the highest possible compliance rating to be achieved, Collgar was required to demonstrate it has maintained mature processes and controls, which facilitate compliance with relevant obligations.

Table 1: Control adequacy and compliance rating scale

Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
N/P	Not performed – A controls rating was not required	N/R	Not rated – No activity took place during the audit period

Table 5 at section 3 of this report provides further detail on the controls and compliance rating scales. The above rating scale is defined by the Audit Guidelines.

Table 2: Summary of findings, by compliance and controls ratings

		Compliance rating					Total
		1	2	3	4	N/R	
Controls rating	A		1				1
	B		1				1
	C						
	D						
	N/P	11				29	40
	Total	11	2			29	42

Table 3: Summary of findings, by audit priority and controls rating

Audit Priority	Controls rating					Total
	A	B	C	D	N/P	
Priority 1						
Priority 2						
Priority 3	1					1
Priority 4		1			28	29
Priority 5					12	12
Total	1	1			40	42

Table 4: Summary of findings, by audit priority and compliance rating

Audit Priority	Compliance rating					Total
	1	2	3	4	N/R	
Priority 1						
Priority 2						
Priority 3		1				1
Priority 4	8	1			20	29
Priority 5	3				9	12
Total	11	2			29	42

Note that, in accordance with the Audit Guidelines:

- Obligations assessed as being “not applicable” to Collgar’s operations have not been included within this report
- A control rating is only provided for those obligations with a Priority 1, 2 or 3 rating, where an obligation is assessed as non-compliant, or where a control improvement opportunity is identified.

Specific assessments for each Licence obligation are summarised at Table 5 in the “Summary of findings” section of this report.

Detailed findings, including relevant observations, recommendations and action plans are located in section 4 “Detailed findings, recommendations and action plans”.

2.4 Collgar’s response to previous audit recommendations

Not applicable - the previous audit did not make any recommendations.

2.5 Current audit non-compliances, recommendations and action plans

A. Resolved during current audit period

Licence obligation ref no. / Recommendation ref from previous audit	Non-compliance / Controls improvement (Rating / Licence obligation / Details of non-compliance or inadequacy of controls)	Date resolved & action taken by the licensee	Auditor’s comments
124	<p>A2</p> <p><i>Licence condition 4.5.1</i></p> <p>Collgar submitted its 2018/2019 annual compliance report to the ERA on 10 September 2019, which was after the due date of 31 August 2019.</p> <p>This non-compliance was attributed to an oversight in the reporting process.</p>	<p>Resolved: October 2019</p> <p>Collgar has reviewed its compliance process and tools to ensure reminders are in place for submitting annual compliance reports, standing charge data and any other information required by the ERA.</p>	No further action required

Unresolved at end of current audit period

Reference (no./year)	Non-compliance / Controls improvement (Rating / Licence obligation reference number and licence obligation / Details of noncompliance or inadequacy of controls)	Auditor's recommendation	Action taken
1/2021	<p>B2</p> <p><u>Obligation 105 Electricity Industry Act Section 17(1); ERA (Licensing Funding) Regulations 2014</u></p> <p>Collgar did not pay the September 2020 quarterly standing charges by the due date of 6 February 2021. The payment was not made until 26 February 2021 due to an administrative oversight.</p>	Collgar update its CAMMS online platform to include the obligation to pay standing data charges on the required 30-day payment terms.	On 13 January 2022, Collgar updated its CAMMS online platform to include the obligation to pay standing data charges on the required 30-day payment terms.

2.6 Scope and objectives

We have conducted a reasonable assurance audit in order to state whether, in our opinion, based on our procedures, Collgar has complied, in all material respects, with the conditions of its Licence as outlined in the approved Audit Plan (dated October 2021) during the period 1 November 2016 to 31 October 2021.

Our engagement was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board and provides reasonable assurance as defined in ASAE 3100. The procedures we performed are described in more detail in section 2.7 below.

A reasonable assurance engagement in accordance with ASAE 3100 involves performing procedures to obtain evidence about the compliance with the conditions of the Licence. The nature, timing and extent of procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material misstatement in compliance with the conditions of the Licence. In making those risk assessments, we considered internal controls in relation to compliance with the conditions of the Licence.

ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

The ERA has summarised the requirements of the applicable legislation that it expects to be reported upon and included in the scope of this audit in its June 2020 Electricity Compliance Reporting Manual.

The Audit Plan approved by the ERA for this audit sets out Collgar's Licence obligations confirmed to be included in the scope of the audit, along with the risk assessments and audit priority assigned to each licence obligation.

2.7 Approach

Our approach for this audit involved the following activities, which were undertaken during the period October to December 2021:

- Utilising the Guidelines and Reporting Manuals as a guide, developed a risk assessment, which involved discussions with key staff and document review to assess controls
- Developed an Audit Plan (see Appendix A) for approval by the ERA and an associated work program
- Interviewed relevant Collgar representatives to gain understanding of process controls (see Appendix B for staff involved)
- Reviewed relevant documentation and walked through processes and controls to assess overall compliance and effectiveness in accordance with Licence obligations (see Appendix B for reference listing)
- Sample tested relevant obligations (assessed as an audit priority 3) and where there was relevant activity, determine whether transactions complied with the requirements of the obligation
- Reported findings to Collgar for review and response.

3. Summary of Ratings

Table 1 in section 2 above sets out the rating scale defined by the ERA in the Audit Guidelines for the assessment of the level of compliance with the conditions of the Licence. For the highest possible compliance rating to be achieved, Collgar was required to demonstrate it has maintained effective processes and controls, which facilitate compliance with relevant obligations.

The remainder of this report provides:

- A summary of the findings for the compliance obligations (at Table 5 below)
- Detailed findings, including relevant observations and recommendations (at Section 4).

Table 5: Compliance Ratings

Refer to Detailed Findings at Section 4 and Audit Plan at Appendix A for descriptions of the obligations. Note that detailed findings are not presented for those obligations assessed to be not applicable to Collgar's operations for the period subject to audit - refer to the Audit Plan at Appendix A for further explanation.

No	Obligation reference	Audit Priority	Controls rating					Compliance rating				
			A	B	C	D	N/P	1	2	3	4	N/R
12 Electricity Industry Act - Licence Conditions and Obligations												
101	Section 13(1)	Priority 4					N/P	1				
102	Section 14(1)(a)	Priority 5					N/P	1				
103	Section 14(1)(b)	Priority 4					N/P					N/R
104	Section 14(1)(c)	Priority 4					N/P	1				
105	Section 17(1); ERA (Licensing Funding) Regulations 2014	Priority 4		B					2			
106	Section 31(3)	Priority 5					N/P	1				
107	Section 41(6)	Priority 4					N/P	1				
13 Electricity Licences – Licence Conditions and Obligations												
119	Licence condition 4.3.1	Priority 4					N/P	1				
120	Licence condition 5.2.4	Priority 4					N/P					N/R
121	Licence condition 5.3.2	Priority 4					N/P	1				
122	Licence condition 5.1.5	Priority 4					N/P	1				
123	Licence condition 4.4.1	Priority 4					N/P					N/R
124	Licence condition 4.5.1	Priority 3	A						2			
125	Licence condition 3.8.1, 3.8.2	Priority 4					N/P					N/R
126	Licence condition 3.7.1	Priority 4					N/P	1				
14 Electricity Industry Metering Code – Licence Conditions and Obligations												
324	Clause 3.3B	Priority 4					N/P					N/R
339	Clause 3.11(3)	Priority 4					N/P					N/R
371	Clause 4.4(1)	Priority 5					N/P					N/R
372	Clause 4.5(1)	Priority 5					N/P					N/R
373	Clause 4.5(2)	Priority 4					N/P					N/R
388	Clause 5.4(2)	Priority 4					N/P					N/R

No	Obligation reference	Audit Priority	Controls rating					Compliance rating				
			A	B	C	D	N/P	1	2	3	4	N/R
401	Clause 5.16	Priority 4					N/P					N/R
402	Clause 5.17(1)	Priority 4					N/P					N/R
405	Clause 5.18	Priority 4					N/P					N/R
406	Clause 5.19(1)	Priority 5					N/P					N/R
407	Clause 5.19(2)	Priority 5					N/P					N/R
408	Clause 5.19(3)	Priority 4					N/P					N/R
410	Clause 5.19(6)	Priority 5					N/P					N/R
416	Clause 5.21(5)	Priority 4					N/P					N/R
417	Clause 5.21(6)	Priority 4					N/P					N/R
435	Clause 5.27	Priority 4					N/P					N/R
448	Clause 6.1(2)	Priority 4					N/P	1				
451	Clause 7.2(1)	Priority 5					N/P	1				
453	Clause 7.2(4)	Priority 4					N/P					N/R
454	Clause 7.2(5)	Priority 4					N/P					N/R
455	Clause 7.5	Priority 4					N/P					N/R
456	Clause 7.6(1)	Priority 4					N/P					N/R
457	Clause 8.1(1)	Priority 5					N/P					N/R
458	Clause 8.1(2)	Priority 5					N/P					N/R
459	Clause 8.1(3)	Priority 5					N/P					N/R
460	Clause 8.1(4)	Priority 4					N/P					N/R
461	Clause 8.3(2)	Priority 5					N/P					N/R

4. Detailed findings, recommendations and action plans

This section has been structured in subsections for the relevant Codes and Regulations against which we assessed Collgar's compliance. The sections are:

- 4.1: Electricity Industry Act – Licence Conditions and Obligations
- 4.2 Electricity Licences – Licence Conditions and Obligations
- 4.3 Electricity Industry Metering Code – Licence Conditions and Obligations.

Each section contains:

- **Assessment of compliance and control adequacy** – the conclusions from our audit procedures and our assessment of Collgar's compliance with the applicable obligations
- **Findings** – the auditor's understanding of the process and any issues that have been identified during the audit
- **Recommendations (if any)** – for improvement or enhancement of the process or control.

The compliance and control adequacy ratings have been summarised below for each sub-section.

Controls adequacy rating						Compliance rating					
A	B	C	D	NP	Total	1	2	3	4	NR	Total
4.1 Electricity Industry Act											
	1			6	7	5	1			1	7
4.2 Electricity Licences											
1				7	8	4	1			3	8
4.3 Electricity Industry Metering Code											
				27	27	2				25	27
1	1			40	42	11	2			29	42

4.1 Electricity Industry Act – Licence Conditions and Obligations

No	Obligation under Condition	Findings		
101	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. <i>Electricity Industry Act Section 13(1)</i>	The previous performance audit for Collgar Wind Farm EGL22 was prepared by McGill Engineering Service Pty Ltd in 2017. With the ERA's approval, AAG was appointed to undertake Collgar's Performance Audit for the period 1 November 2016 to 31 October 2021 (the ERA increased the audit and review period to 60 months by notice on 31 March 2017).		
	Priority 4	Controls rating: N/P	Compliance rating: 1	
102	A licensee must provide for an asset management system. <i>Electricity Industry Act Section 14(1)(a)</i>	<i>Obligations 102 and 103</i> Through discussion with the Principal Engineer and Site Superintendent, and consideration of Collgar's asset management system in operation during the period to 31 October 2021, we determined that Collgar had provided for an asset management system during the audit period. The EGL22 2021 Asset Management System Review report provides further detail on the effectiveness of Collgar's asset management system.		
	Priority 5	Controls rating: N/P	Compliance rating: 1	
103	A licensee must notify details of the asset management system and any substantial changes to it to the ERA. <i>Electricity Industry Act Section 14(1)(b)</i>	The previous audit confirmed notification of the Asset Management System to the ERA. The Principal Engineer confirmed that there had been no substantial change to the asset management system during the audit period.		
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
104	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. <i>Electricity Industry Act Section 14(1)(c)</i>	The previous Asset Management System Review for Collgar Wind Farm EGL22 was conducted by McGill Engineering Service Pty Ltd in 2016 with the final report submitted to the ERA in 2017. With the ERA's approval, AAG was appointed to undertake Collgar's Asset Management System Review for the period 1 November 2016 to 31 October 2021 (the ERA increased the audit and review period to 60 months by notice on 31 March 2017).		
	Priority 4	Controls rating: N/P	Compliance rating: 1	
105	A licensee must pay the prescribed licence fees to the ERA according to clauses 6, 7 and 8 of the <i>Economic Regulation Authority (Licensing Funding) Regulations 2014</i> . <i>Electricity Industry Act Section 17(1); ERA (Licensing Funding) Regulations 2014</i>	By examining records of Collgar's payment of all licence fees and standing data charges payable during the audit period, we determined that: <ul style="list-style-type: none"> For the 2017, 2018, 2019, 2020 and 2021 licence fees, payment was made within the required one-month period of the licence anniversary date (i.e. by 30 May each year) With one exception, all quarterly standing data charges were paid on time, being within 30 days of the ERA's issue of the related invoice. The exception related to standing data charges for the September 2020 quarter, which were paid late due to an administrative error. This breach was not recognised by Collgar and therefore not disclosed in its 2020/21 annual compliance report. <p>Recommendation 1/2021 <i>Collgar update its CAMMS online platform to include the obligation to pay standing data charges on the required 30-day payment terms.</i></p>		
	Priority 4	Controls rating: B	Compliance rating: 2 Note that Collgar implemented this recommendation on 13 January 2022.	

No	Obligation under Condition	Findings	
106	<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> <p><i>Electricity Industry Act Section 31(3)</i></p>	<p>Through discussion with the Site Superintendent and Site Manager - Vestas, and consideration of emergency response and business continuity processes established to accommodate the Collgar Wind Farm facility, we observed that:</p> <ul style="list-style-type: none"> • A key objective of Collgar's operations is to maintain the facility's availability (including for individual turbines) and to maximise the supply of electricity to the extent allowable by the market operator. This objective provides the direct incentive to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity • Collgar has appropriate maintenance, emergency response and contingency planning systems and procedures in place to reasonably provide for and manage unplanned events, including emergencies or equipment failures. <p>We sighted evidence of those systems and procedures being effectively applied in Collgar's response to a severe bearing failure in August 2021, which resulted in a single turbine generator being unavailable. Collgar's response enabled it to avoid an interruption to the supply of electricity.</p>	
	Priority 5	Controls rating: N/P	Compliance rating: 1
107	<p>A licensee must pay the costs of taking an interest in land or an easement over land.</p> <p><i>Electricity Industry Act Section 41(6)</i></p>	<p>Through examination of supporting documentation, we determined that Collgar:</p> <ul style="list-style-type: none"> • Entered into a lease agreement with the landowners for the use of the sites for the purposes of installing turbines and supporting infrastructure • Appropriately paid the associated lease fees. We sighted examples of annual rent and easement rent paid quarterly (Recipient Created Tax Invoices and payments) and rates refund payments - to five different landowners during 2020 and 2021. 	
	Priority 4	Controls rating: N/P	Compliance rating: 1

4.2 Electricity Licences – Licence Conditions and Obligations

No	Obligation under Condition	Findings		
119	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. <i>Licence condition 4.3.1</i>	As a proprietary company limited by shares, incorporated and domiciled in Australia, Collgar Wind Farm Pty Ltd prepares financial reports for its financial year ending 31 December annually. Those financial reports fully account for Collgar's financial activity. We examined the following financial reports which have been prepared in accordance with the Corporations Act 2001, complying with Australian Accounting Standards and audited by KPMG:		
	Priority 4	Controls rating: N/P	Compliance rating: 1	
120	A licensee must comply with any individual performance standards prescribed by the ERA. <i>Licence condition 5.2.4</i>	The Principal Engineer confirmed that for the period 1 November 2016 to 31 October 2021 Collgar was not prescribed individual performance standards by the ERA.		
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
121	A licensee must comply, and require its auditor to comply, with the ERA's standard audit guidelines for a performance audit. <i>Licence condition 5.3.2</i>	<i>Obligations 121 and 122</i> With the ERA's approval, AAG was appointed to undertake Collgar's performance audit and asset management system review for the period 1 November 2016 to 31 October 2021. For the 2021 performance audit and asset management system review, the audit and review plans approved by the ERA in October 2021 commit Collgar and AAG (auditor and expert) to comply with the prescribed audit and review guidelines and reporting manual issued by the ERA.		
	Priority 4	Controls rating: N/P	Compliance rating: 1	
122	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. <i>Licence condition 5.1.5</i>			
	Priority 4	Controls rating: N/P	Compliance rating: 1	
123	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. <i>Licence condition 4.4.1</i>	Licence condition 4.4.1 requires Collgar to report to the ERA within prescribed timeframes any of the following: (a) If Collgar was under external administration (b) Any change in Collgar's corporate, financial or technical circumstances in which the Licence was granted, and if that change materially affected Collgar's ability to meet its obligations (c) Any change in the Licensee's name, ABN or address (within 10 business days of the change occurring).		
	Priority 4	Controls rating: N/P	Compliance rating: N/R	

No	Obligation under Condition	Findings	
124	<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> <p><i>Licence condition 4.5.1</i></p>	<p>The Principal Engineer confirmed that, other than Annual Compliance Reports and standing data charges, the ERA did not request any other information from Collgar in connection with its functions under the Electricity Industry Act.</p> <p>We observed that:</p> <ul style="list-style-type: none"> In accordance with its obligation to submit annual compliance reports to the ERA, Collgar submitted its 2016/17, 2017/18, 2019/20 and 2020/21 annual compliance reports by the due date The 2018/19 annual compliance report was submitted on 10 September 2019, which was after the due date of 31 August 2019. Collgar self-reported the breach in the following year's compliance report. The non-compliance was attributed to an oversight in the reporting process, which was addressed through implementation of stronger process for reminding staff of due dates for compliance reports Collgar appropriately submitted standing data to the ERA to enable the ERA to calculate quarterly standing charges. 	
	Priority 3	Controls rating: A	Compliance rating: 2
125	<p>A licensee must publish any information as directed by the ERA to publish, within the timeframes specified.</p> <p><i>Licence conditions 3.8.1 and 3.8.2</i></p>	<p>The Principal Engineer confirmed that Collgar was not requested to publish any information by the ERA.</p>	
	Priority 4	Controls rating: N/P	Compliance rating: N/R
126	<p>All notices must be in writing, unless otherwise specified.</p> <p><i>Licence condition 3.7.1</i></p>	<p>Through discussions with the Principal Engineer and Regulatory and Trading Manager, and examination of relevant communications, we determined that Collgar:</p> <ul style="list-style-type: none"> Has an established document management system that maintains records within its corporate network for all formal communication with the ERA Has maintained processes and practices to formally respond to all notices in writing unless the ERA specified otherwise. 	
	Priority 4	Controls rating: N/P	Compliance rating: 1

4.3 Electricity Industry Metering Code – Licence Conditions and Obligations.

No	Obligation under Condition			Findings
324	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. <i>Electricity Metering Code Clause 3.3B</i>			The 2016 performance audit identified that all meters installed by Western Power at Collgar Wind Farm had bi-directional capability. The Principal Engineer confirmed that there had been no change to metering arrangements during the audit period. Therefore, this obligation was not relevant to Collgar's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
339	A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable. <i>Electricity Metering Code Clause 3.11(3)</i>			<i>Obligations 339 and 371</i> We observed that: <ul style="list-style-type: none"> Western Power is responsible for installing and operating all meters located at Collgar Wind Farm, and for maintaining the metering database and metering registry. Although Collgar has limited visibility of the function and operation of those meters and energy data held in the metering database, as it does monitor electricity production, it has the capacity to query the accuracy and completeness of energy data presented in Western Power's monthly invoices During the audit period, there were no instances where Collgar became aware of an outage or malfunction of a meter, and no known discrepancies between energy data held in a metering installation and in the metering database.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
371	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. <i>Electricity Metering Code Clause 4.4(1)</i>			
	Priority 5	Controls rating: N/P	Compliance rating: N/R	
372	A Code participant must not knowingly permit the registry to be materially inaccurate. <i>Electricity Metering Code Clause 4.5(1)</i>			<i>Obligations 372 and 373</i> The Principal Engineer confirmed that Western Power was solely responsible for the management of standing data within the metering registry and/or metering database, and Collgar plays no active role in managing standing data or the metering registry. Therefore, these obligations were not relevant to Collgar's activities during the audit period.
	Priority 5	Controls rating: N/P	Compliance rating: N/R	
373	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. <i>Electricity Metering Code Clause 4.5(2)</i>			
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
388	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). <i>Electricity Metering Code Clause 5.4(2)</i>			Through discussion with the Principal Engineer we determined that: <ul style="list-style-type: none"> All meters installed at the facility are designated as interval meters (i.e. not accumulation meters, for which Western Power may require assistance for scheduling meter reads) Western Power has permission to induct their own employee to enter the site at any time in order for them to access meters and meet their obligations. Therefore, this obligation was not relevant to Collgar's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	

No	Obligation under Condition			Findings
401	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. <i>Electricity Metering Code Clause 5.16</i>			<p><i>Obligations 401, 402, 405 to 408 and 410</i></p> <p>We observed that during the period:</p> <ul style="list-style-type: none"> Western Power was solely responsible for the management of standing data within the metering registry and/or metering database, including information relating to connection points such as address, and site and customer attributes Collgar did not maintain any standing data or energy data in relation to the connection points and meters captured under the Metering Code Collgar did not have any visibility of or influence over the data contained in the registry or metering database Western Power did not make any request of Collgar to provide information collected from any customers. <p>Therefore, these obligations were not relevant to Collgar's activities during the audit period.</p>
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
402	A user must provide standing data and validated, and where necessary substituted or estimated, energy data to the user's customer to which that information relates where the user is required by an enactment or an agreement to do so for billing purposes or for the purpose of providing metering services to the customer. <i>Electricity Metering Code Clause 5.17(1)</i>			
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
405	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. <i>Electricity Metering Code Clause 5.18</i>			
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
406	A user must, when requested by the network operator acting in accordance with good electricity industry practice, use reasonable endeavours to collect information from customers, if any, that assists the network operator in meeting its obligations described in the Code and elsewhere, and provide that information to the network operator. <i>Electricity Metering Code Clause 5.19(1)</i>			
	Priority 5	Controls rating: N/P	Compliance rating: N/R	
407	A user must, to the extent that it is able, collect and maintain a record of the prescribed information in relation to the site of each connection point with which the user is associated. <i>Electricity Metering Code Clause 5.19(2)</i>			
	Priority 5	Controls rating: N/P	Compliance rating: N/R	
408	Subject to subclauses 5.19(3A) and 5.19(6), the user must, within 1 business day after becoming aware of any change in an attribute described in subclause 5.19(2), notify the network operator of the change. <i>Electricity Metering Code Clause 5.19(3)</i>			
	Priority 4	Controls rating: N/P	Compliance rating: N/R	

No	Obligation under Condition	Findings	
410	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. <i>Electricity Metering Code Clause 5.19(6)</i>		
	Priority 5	Controls rating: N/P	Compliance rating: N/R
416	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 the IMO. <i>Electricity Metering Code Clause 5.21(5)</i>		<p><i>Obligations 416 and 417</i></p> <p>The Principal Engineer and Site Superintendent confirmed that during the audit period, Collgar did not request a test or audit of the items at clause 5.21(1) of the Metering Code (i.e. relating to the accuracy of the metering installation, the energy data from the metering installation and the standing data for the metering installation).</p> <p>Therefore, this obligation was not relevant to Collgar's activities during the audit period.</p>
	Priority 4	Controls rating: N/P	
417	A Code participant must not make a request under subclause 5.21(1) that is inconsistent with any access arrangement or agreement. <i>Electricity Metering Code Clause 5.21(6)</i>		
	Priority 4	Controls rating: N/P	
435	Upon request from a network operator, the current user for a connection point must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the timeframes prescribed. <i>Electricity Metering Code Clause 5.27</i>		<p>We observed that during the audit period, Western Power did not make any request of Collgar to provide customer attribute information.</p> <p>Therefore, this obligation was not relevant to Collgar's activities during the audit period.</p>
	Priority 4	Controls rating: N/P	
448	A user must, in relation to a network on which it has an access contract, comply with the rules, procedures, agreements and criteria prescribed. <i>Electricity Metering Code Clause 6.1(2)</i>		<p>Section 6.1(2) of the Metering Code requires Collgar (a user with an electricity transfer access contract with Western Power) to comply with the network operator's Metrology procedure, Communication rules, Mandatory Link Criteria or Service Level Agreements (SLA) (if any).</p> <p>As Collgar does not have a specific SLA in place with Western Power, the Metering Code model SLA provides the most relevant reference for the provision of metering services.</p> <p>The Principal Engineer and Site Superintendent confirmed that there have been no breaches of Western Power's Metrology procedure, Communication rules or Mandatory Link Criteria and we did not observe any evidence to indicate otherwise. We observed that Collgar is aware of the relevant requirements prescribed within the above documents.</p>
	Priority 4	Controls rating: N/P	
451	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. <i>Electricity Metering Code Clause 7.2(1)</i>		<p>Through discussion with the Principal Engineer and Regulatory and Trading Manager, and consideration of Collgar's business practices, we determined that:</p> <ul style="list-style-type: none"> • Collgar maintains postal, electronic, facsimile and voice communication channels commensurate with the expectations of a business • Collgar's ETAC with Western Power forms the basis for of the operating arrangements between Collgar and Western Power, including a telephone number for voice communication in connection with the Code.
	Priority 5	Controls rating: N/P	

No	Obligation under Condition			Findings
453	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. <i>Electricity Metering Code Clause 7.2(4)</i>			We observed that through the process of drafting and approving the ETAC between Collgar and Western Power in 2009, Collgar had satisfied the requirement of notifying Western Power of its contact details. During the audit period Western Power did not make any further request for Collgar to provide its contact details.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
454	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. <i>Electricity Metering Code Clause 7.2(5)</i>			We observed that since the ETAC was established in 2009, there had been no change to Collgar's contact details.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
455	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. <i>Electricity Metering Code Clause 7.5</i>			<i>Obligations 455 and 456</i> The Principal Engineer and Site Superintendent confirmed that there have been no instances where: <ul style="list-style-type: none"> • Collgar was aware of any confidential information in connection with the Metering Code, which must not be disclosed • Collgar was required to disclose confidential information under a provision of the Metering Code.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
456	A Code participant must disclose or permit the disclosure of confidential information that is required to be disclosed by the Code. <i>Electricity Metering Code Clause 7.6(1)</i>			Therefore, these obligations were not relevant to Collgar's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
457	If any dispute arises between any Code participants then (subject to subclause 8.2(3)) representatives of disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and attempt to resolve the dispute by negotiations in good faith. <i>Electricity Metering Code Clause 8.1(1)</i>			<i>Obligations 457 to 461</i> For the purposes of the Metering Code, 'disputes' refers to metering disputes between Collgar as a Code Participant, a retailer, another generator, the network operator (Western Power), a user or the AEMO. The Principal Engineer and Site Superintendent confirmed that Collgar had not entered into any metering disputes with Western Power or any other Code Participant.
	Priority 5	Controls rating: N/P	Compliance rating: N/R	
458	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. <i>Electricity Metering Code Clause 8.1(2)</i>			Therefore, these obligations were not relevant to Collgar's activities during the audit period.
	Priority 5	Controls rating: N/P	Compliance rating: N/R	

No	Obligation under Condition	Findings					
459	<p>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.</p> <p><i>Electricity Metering Code Clause 8.1(3)</i></p>						
	Priority 5			Controls rating: N/P	Compliance rating: N/R		
460	<p>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.</p> <p><i>Electricity Metering Code Clause 8.1(4)</i></p>						
	Priority 4					Controls rating: N/P	Compliance rating: N/R
461	<p>The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the objective in subclause 8.3(1).</p> <p><i>Electricity Metering Code Clause 8.3(2)</i></p>						
	Priority 5						

5. Status of recommendations addressing non-compliances from the previous audit

Reference (no./year)	Non-compliance / Controls improvement Rating / Licence obligation reference number and licence obligation / Details of noncompliance or inadequacy of controls)	Auditor's recommendation or action planned	Further action required (Yes/No/Not Applicable) Details of further action required (including current recommendation reference, if applicable)
A. Resolved during current audit period			
B. Unresolved at end of current audit period			
Not applicable – there were no recommendations addressing non-compliances or controls improvement from the previous 2016 audit.			

Collgar Wind Farm Pty Ltd

Electricity Generation Licence (EGL22)

2021 Performance Audit

Audit Plan

26 October 2021

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Introduction

Overview

The Economic Regulation Authority (the **ERA**) has under the provisions of the Electricity Industry Act 2004 (the **Act**), issued to Collgar Wind Farm Pty Ltd (Collgar Wind Farm) an Electricity Generation Licence (EGL 22) (the **Licence**).

Section 13 of the Act requires Collgar Wind Farm to provide to the ERA a performance audit (the audit) conducted by an independent expert acceptable to the ERA within 24 months after the commencement date, and every 24 months thereafter, unless otherwise approved by the ERA. With the ERA's approval, Assurance Advisory Group (**AAG**) has been appointed to conduct the audit for the 60-month period 1 November 2016 to 31 October 2021 (**audit period**).

The Licence relates to Collgar Wind Farm's operation of a 222 MW wind farm located on 18,000 hectares of mostly farming land, approximately 25km south east of Merredin in the central wheatbelt of Western Australia. Collgar Wind Farm utilises 111 Vestas V90 turbines to deliver electricity into the South West Interconnected System (**SWIS**) via the Merredin to Kalgoorlie 220kV line. All power produced by the wind farm is purchased under agreement by Synergy. Collgar Wind Farm also owns and operates 33kV underground / overhead collection facilities and a 220 kV substation which provides two points of connection to a contiguous Western Power-owned substation.

The audit will be conducted in accordance with the ERA's March 2019 issue of the *Audit and Review Guidelines: Electricity and Gas Licences* (**Audit Guidelines**). In accordance with the Audit Guidelines this document represents the Audit Plan (the **Plan**) that is to be agreed upon by AAG and Collgar Wind Farm and presented to the ERA for approval.

Objective

A performance audit is defined as an examination of the measures taken by Collgar Wind Farm to meet the performance criteria specified in its Licence. The purpose of the audit is to assess the effectiveness of measures taken by Collgar Wind Farm to meet the conditions of its Licence.

The audit will specifically consider the following:

- *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 which provide assurance that procedures are consistently followed and controls are maintained)
- *Integrity of performance* - the completeness and accuracy of the compliance and performance reports provided to the ERA
- *Compliance with any individual licence conditions* – the actual performance against the requirements imposed on Collgar Wind Farm by the ERA or specific matters raised by the ERA.

Scope

The ERA provides guidance on those aspects of the Licence and Collgar Wind Farm's performance criteria, which it expects to be reported upon and included in the scope of the performance audit in its *Electricity Compliance Reporting Manual* (**Reporting Manual**).

The audit approach applies the singular audit priority assessment approach to identify all applicable licence obligations. Each of the compliance requirements identified in the Reporting Manual have been evaluated for applicability to Collgar Wind Farm’s operations and used as the basis for determining the performance criteria to be considered for the audit. All applicable compliance requirements are listed at **Appendix 2**.

The audit period is 1 November 2016 to 31 October 2021. This is Collgar Wind Farm’s third performance audit. Since the last audit, the Reporting Manual has undergone three revisions to reflect changes in electricity licensees’ obligations. The revised versions of the Reporting Manual were issued in July 2017, July 2018 and June 2020.

The audit will address all relevant obligations contained in each of the October 2016, July 2017, July 2018 and June 2020 versions of the Reporting Manual. As there were no significant changes to generation licence obligations throughout the period subject to audit, this audit will use the current June 2020 version of the Reporting Manual as the primary audit reference.

Table 1 below outlines the compliance requirements that apply to Collgar Wind Farm’s electricity generation operations during the period subject to audit. Where necessary, further explanation is provided to describe the obligation application.

Note that due to Collgar Wind Farm’s current operating arrangements, a number of those obligations are not likely to be triggered during the period subject to audit. In such instances, the obligation remains applicable to the scope of this audit, with the audit report to identify and describe instances where an obligation cannot be assessed and rated.

Table 1 – Application of legislative elements to Collgar Wind Farm’s electricity generation operations

Legislative element	Application to Collgar Wind Farm’s electricity operations
Electricity Industry Act 2004	Seven of the 11 Electricity Industry Act obligations are applicable to Collgar Wind Farm’s electricity generation operations.
Electricity Licences	Eight of the 14 Electricity Licence obligations are applicable to Collgar Wind Farm’s electricity generation operations.
Electricity Industry Metering Code	27 of the 149 Metering Code obligations are applicable to Collgar Wind Farm’s electricity generation operations.

Collgar Wind Farm’s responsibility for compliance with the conditions of the Licence

Collgar Wind Farm is responsible for:

- Compliance with the Licence
- Identifying risks that threaten the conditions within the Licence being met
- Identifying suitable compliance requirements as specified by the ERA
- Identifying, designing and implementing controls to enable the conditions within the Licence to be met and to monitor ongoing compliance
- Implementing corrective actions for any instances of non-compliance.

AAG's responsibility

Our responsibility is to express an opinion on Collgar Wind Farm 's compliance, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 November 2016 to 31 October 2021. We will conduct our engagement in accordance with the Audit Guidelines and the Standard on Assurance Engagements ASAE 3100 Compliance Engagements (**ASAE 3100**) issued by the Auditing and Assurance Standards Board.

ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Collgar Wind Farm has complied, in all material respects, with the licence obligations as evaluated against its Licence Conditions. This assurance engagement will involve performing procedures to obtain evidence about the compliance activity and controls implemented to meet the conditions within the Licence. The procedures selected depend on our judgement, including the identification and assessment of risks of material noncompliance with the relevant licence conditions.

Limitations of use

Our report will be produced solely for the information and internal use of Collgar Wind Farm and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner or for any purpose, on our report.

We understand that a copy of our report will be provided to the ERA for the purpose of meeting Collgar Wind Farm's reporting requirements of section 13 of the Act. We agree that a copy of our report may be provided to the ERA for its information in connection with this purpose, however we accept no responsibility to the ERA or to anyone who is provided with or obtains a copy of our report.

Inherent limitations

Reasonable assurance means a high but not absolute level of assurance. Absolute assurance is very rarely attainable as a result of factors such as: the use of selective testing, the inherent limitations of internal control, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Accordingly, readers of our report should not rely on the report to identify all potential instances of non-compliance which may occur.

An assurance engagement relating to the period from 1 November 2016 to 31 October 2021 will not provide assurance on whether compliance with the Licence will continue in the future.

Independence

In conducting our engagement, we will comply with the independence requirements of the Australian professional accounting bodies.

Approach

The audit will be conducted in three distinct phases, being a risk assessment, system analysis/walkthrough and testing and review. From the audit results, a report will be produced to outline findings, overall compliance assessments and recommendations for improvement in line with the Audit Guidelines. Each step of the audit is discussed in detail below.

Risk assessment

The audit will focus on identifying or assessing those activities and management control systems to be examined and the matters subject to audit. Therefore, the purpose of conducting the risk assessment as a preliminary phase enables the auditor to focus on pertinent/high risk areas of Collgar Wind Farm’s licence obligations. The risk assessment considers any changes to Collgar Wind Farm’s systems and processes and any matters of significance raised by the ERA and/or Collgar Wind Farm. The levels of risk and materiality of the process determine the level of audit required, i.e. the greater the materiality and the higher the risk, the more audit effort to be applied.

The first step of the risk assessment is the rating of the potential consequences of Collgar Wind Farm 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 Appendix 1-1) the risk assessment applies the Reporting Manual’s classifications for each obligation subject to audit.

Once the consequence has been determined, the likelihood of Collgar Wind Farm not complying with its obligations is assessed using the likelihood rating listed at Table 17 of the Audit Guidelines (refer to Appendix 1-2). The assessment of likelihood is based on the expected frequency of Collgar Wind Farm’s non-compliance with the relevant licence obligation over a period of time.

Table 2 below (sourced from the Audit Guidelines) outlines the combination of consequence and likelihood ratings to determine the level of inherent risk associated with each individual obligation.

Table 2: Inherent risk rating

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

Once the level of inherent risk has been determined, the adequacy of existing controls is assessed in order to determine the level of control risk. Controls are assessed and prioritised as weak, moderate or strong dependant on their suitability to mitigate the risks identified. The control adequacy ratings used by this risk assessment are aligned to the ratings specified in the Audit Guidelines (refer to Appendix 1-3). Once inherent risks and control risks are established, the audit priority can then be determined using the matrix specified in the Audit Guidelines (refer to Table 3 below). Essentially, the higher the level of risk the more substantive testing is required.

Table 3: Assessment of Audit Priority

	Preliminary adequacy of existing controls		
Inherent Risk	Weak	Moderate	Strong
High	Audit priority 1	Audit Priority 2	
Medium	Audit priority 3	Audit Priority 4	
Low	Audit Priority 5		

The following table outlines the audit requirement for each level of audit priority. Testing can range from extensive substantive testing around the controls and activities of processes to confirming the existence of controls through discussions with relevant staff.

Table 4: Audit Priority Table

Priority rating	Audit requirement
Audit Priority 1	<ul style="list-style-type: none"> • Via interview and walkthrough, understand relevant processes and controls • Examine relevant documents, including compliance registers and reports • Obtain evidence of policies, procedures and controls being in place and working effectively • Extensive substantive testing of activities and/or transactions • Follow-up and if necessary, re-test matters previously reported.
Audit Priority 2	<ul style="list-style-type: none"> • Via interview and walkthrough, understand relevant processes and controls • Examine relevant documents, including compliance registers and reports • Obtain evidence of policies, procedures and controls being in place and working effectively • Moderate substantive testing of activities and/or transactions • Follow-up and if necessary, re-test matters previously reported.
Audit Priority 3	<ul style="list-style-type: none"> • Via interview and walkthrough, understand relevant processes and controls • Examine relevant documents, including compliance registers and reports • Limited controls testing (moderate sample size) to assess whether policies, procedures and controls are in place and working effectively • Follow-up of matters previously reported.
Audit Priority 4	<ul style="list-style-type: none"> • Confirmation of existing controls via walk through of key processes and examination of key documents including policies and procedures, compliance/breach registers and reports • Follow-up of matters previously reported.
Audit Priority 5	<ul style="list-style-type: none"> • Confirmation of existing controls via observation, discussions with key staff and/or reliance on key references including policies and procedures, compliance/breach registers and reports (“desktop review”).

The risk assessment has been discussed with Collgar Wind Farm representatives to gain their input as to the appropriateness and factual accuracy of risk and control ratings and associated explanations. The key sources considered in reaching our preliminary assessment of the risk and control ratings were based on:

- Review of annual compliance reports lodged by Collgar Wind Farm for each of the years 2017 to 2021
- Our understanding of Collgar Wind Farm's regulatory environment
- Any other factors that may influence the level or strength of controls
- Consideration of relevant circumstances and activity that trigger specific compliance obligations.

Note that the previous audit did not make any recommendations for improvement or corrective action.

At this stage, the risk assessment can only be a preliminary assessment based on reading of documentation and interviews by the auditors. It is possible that the ratings and risk assessment comments may be revised as we conduct our work and new evidence comes to light. The performance audit risk assessment is attached at Appendix 2.

System analysis / walkthrough

The systems analysis required will be determined utilising the audit priority scale outlined above. Once the priority level has been defined, the testing component will take place by way of interviewing key operational and administrative staff who will outline information that displays compliance with the Licence requirements.

In performing this analysis/walkthrough, we will consider the following:

- The control environment: Collgar Wind Farm's management philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of key staff members
- Information systems: The appropriateness of Collgar Wind Farm's information systems to record the information needed to comply with the Licence, the accuracy of data, the security of data and documentation describing the information system
- Control procedures: The presence of systems and procedures to ensure compliance with the Licence, effectiveness of Collgar Wind Farm's internal control structure to detect and correct non-compliance. Specific consideration will be given to significant changes in relevant systems and procedures implemented during the period subject to audit
- Compliance attitude: Action taken by Collgar Wind Farm in response to any previous non-compliances. Consideration will be given to the timing of action taken during the period subject to audit and whether the action has a permanent impact on Collgar Wind Farm's level of compliance
- Outcome compliance: Actual performance against standards prescribed in the Licence throughout the audit period.

Where required, an observation of processes, procedures and operations and review of key documents will occur to assist in the determination of Collgar Wind Farm's compliance with Licence obligations. Key documents, which may be subject to audit, are not specifically disclosed in this plan. A list of documents examined will be included in the audit report.

Testing/review

Using the results of the risk assessment and systems analysis, detailed testing and analysis will be performed to compare those standards maintained by Collgar Wind Farm with the relevant sections and schedules of the Licence.

Control testing is performed for those licence obligations with an audit priority 3 and above (refer to table 4), and where there is relevant activity. This method of testing will involve:

- Understanding the population of transactions
- Selecting a sample of transactions to examine compliance with relevant sections of applicable legislation, codes and regulations
- Comparing the sample selected to expected requirements as mandated by relevant sections of applicable legislation, codes and regulations.

A full work program will be completed to record the specific aspects of our testing and analyses for each licence obligation. This work program will be based on:

- The audit priority determined by the risk assessment applicable to each licence obligation
- The results of the systems analysis performed, as described above
- AAG's sampling methodology, which is in accordance with ASA 530 (Audit Sampling) and takes account of the volume and frequency (e.g. daily, weekly, monthly, annual) of relevant transactions. Sample sizes typically range from 1 to 30, increasing with the volume and frequency of transactions
- The location of personnel and transactions to be tested.

Audit fieldwork will be performed remotely and where appropriate at Collgar Wind Farm premises.

Reporting

The performance audit report will also be structured to address all of the minimum contents specified in section 5 of the Audit Guidelines.

In accordance with the Audit Guidelines, all aspects of compliance with the Licence will be assessed according to the rating scale based on the work performed. Refer to **Table 5** below for the compliance levels that will be used for the performance audit.

Table 5: Compliance and control 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 impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
N/P	Not performed – A controls rating was not required	N/R	Not rated – No activity took place during the audit period

Collgar Wind Farm is responsible for providing a separate post audit implementation plan, if required.

Resources and team

Key Collgar Wind Farm contacts

The key contacts for this audit are:

- Dale Cartwright, Principal Engineer
- Rebecca White, Regulatory and Trading Manager
- Fan Zhang, CFO.

AAG Staff

AAG staff who will be involved with this assignment are:

- Andrew Baldwin Executive Director
- Margaret-Mary Gauci Consultant
- Stephen Linden Director (QA review).

Resumes for key AAG staff are outlined in the proposal accepted by Collgar Wind Farm and subsequently presented to the ERA.

Timing

The initial risk assessment phase was completed on 12 October 2021, after which the draft audit plan and risk assessment were presented to Collgar Wind Farm for comment prior to submission to the ERA for review and approval.

The remainder of the fieldwork phase is scheduled to be performed over the period October to December 2021, enabling draft and final reports to be submitted to the ERA by the due dates of 31 December 2021 and 31 January 2022 respectively.

AAG time and staff commitment to the completion of the audit is outlined in the proposal accepted by Collgar Wind Farm. In summary, the estimated time allocated to each performance audit activity is as follows:

- | | |
|-------------------------------------------------------------------------|-----------|
| • Planning (including risk assessment): | 10 hours |
| • Fieldwork (including system analysis/walkthrough and testing/review): | 24 hours |
| • Reporting: | 11 hours. |

Appendix 1 - Risk assessment key

1-1 Criteria for classification of compliance obligations

Source: Electricity Compliance Reporting Manual June 2020

Rating (type)	Classification of Non-Compliance	Criteria for classification
1	Major	Classified on the bases that: <ul style="list-style-type: none"> The consequences of non-compliance would cause major damage, loss or disruption to customers; or The consequences of non-compliance would endanger or threaten to endanger the safety or health of a person.
2	Moderate	Classified on the basis that the consequences of non-compliance affect the efficiency and effectiveness of the licensee's operations or service provision, but do not cause major damage, loss or disruption to customers.
NR (not reportable)	Minor	Classified on the basis that: <ul style="list-style-type: none"> 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; Compliance with the obligation is immeasurable; The non-compliance is required to be reported to the ERA under another instrument, guideline or code; The non-compliance is identified by a party other than the licensee; or The licensee only needs to use its reasonable or best endeavours to achieve compliance, or where the obligation does not otherwise impose a firm obligation on the licensee.

1-2 Likelihood ratings

Source: Audit Guidelines: Electricity and Gas Licences March 2019

	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 every three years
C	Unlikely	Non-compliance is expected to occur at least once every 10 years or longer

1-3 Preliminary adequacy ratings for existing controls

Source: Audit Guidelines: Electricity and Gas Licences March 2019

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

Appendix 2 - Risk assessment

Obligation numbers and references listed below are sourced from the June 2020 Reporting Manual.

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
12 Electricity Industry Act - Licence Conditions and Obligations								
101	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
102	Section 14(1)(a)	A licensee must provide for an asset management system.	NR	Minor	Unlikely	Low	Moderate	Priority 5
103	Section 14(1)(b)	A licensee must notify details of the asset management system and any substantial changes to it to the ERA.	2	Moderate	Probable	Medium	Moderate	Priority 4
104	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
105	ERA (Licensing Funding) Regulations 2014	A licensee must pay the prescribed licence fees to the ERA according to clauses 6, 7 and 8 of the <i>Economic Regulation Authority (Licensing Funding) Regulations 2014</i> .	2	Moderate	Probable	Medium	Moderate	Priority 4
106	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.	NR	Minor	Probable	Low	Moderate	Priority 5
107	Section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	2	Moderate	Probable	Medium	Moderate	Priority 4
13. Electricity Licences – Licence Conditions and Obligations								
119	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.	2	Moderate	Probable	Medium	Moderate	Priority 4
120	Licence condition 5.2.4	A licensee must comply with any individual performance standards prescribed by the ERA.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
121	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
122	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
123	Licence condition 4.4.1	In the manner prescribed, a licensee must notify the ERA, if it is under external administration or if there is a significant change in the circumstances that the licence was granted which may affect the licensee's ability to meet its obligations.	2	Moderate	Probable	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
124	Licence condition 4.5.1	A licensee must provide the ERA, in the manner prescribed, with any information that the ERA requires in connection with its functions under the Electricity Industry Act.	2	Moderate	Probable	Medium	Weak	Priority 3
125	Licence condition 3.8.1 and 3.8.2	A licensee must publish any information as directed by the ERA to publish, within the timeframes specified.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
126	Licence condition 3.7.1	All notices must be in writing, unless otherwise specified.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
14 Electricity Industry Metering Code – Licence Conditions and Obligations								
324	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
339	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
371	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.	NR	Minor	Unlikely	Low	Moderate	Priority 5
372	Clause 4.5(1)	A Code participant must not knowingly permit the registry to be materially inaccurate.	NR	Minor	Unlikely	Low	Moderate	Priority 5
373	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
388	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)	2	Moderate	Unlikely	Medium	Moderate	Priority 4
401	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
402	Clause 5.17(1)	A user must provide standing data and validated, and where necessary substituted or estimated, energy data to the user's customer to which that information relates where the user is required by an enactment or an agreement to do so for billing purposes or for the purpose of providing metering services to the customer.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
405	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
406	Clause 5.19(1)	A user must, when requested by the network operator acting in accordance with good electricity industry practice, use reasonable endeavours to collect information from customers, if any, that assists the network operator in meeting its obligations described in the Code and elsewhere, and provide that information to the network operator.	NR	Minor	Probable	Low	Moderate	Priority 5
407	Clause 5.19(2)	A user must, to the extent that it is able, collect and maintain a record of the prescribed information in relation to the site of each connection point with which the user is associated.	NR	Minor	Probable	Low	Moderate	Priority 5
408	Clause 5.19(3)	Subject to subclauses 5.19(3A) and 5.19(6), the user must, within 1 business day after becoming aware of any change in an attribute described in subclause 5.19(2), notify the network operator of the change.	2	Moderate	Probable	Medium	Moderate	Priority 4
410	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.	NR	Minor	Probable	Low	Moderate	Priority 5
416	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 the IMO.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
417	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
435	Clause 5.27	Upon request from a network operator, the current user for a connection point must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the timeframes prescribed.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
448	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.	2	Moderate	Probable	Medium	Moderate	Priority 4
451	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.	NR	Minor	Probable	Low	Moderate	Priority 5
453	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.	2	Moderate	Probable	Medium	Moderate	Priority 4
454	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.	2	Moderate	Probable	Medium	Moderate	Priority 4
455	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	2	Moderate	Unlikely	Medium	Moderate	Priority 4

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
456	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
457	Clause 8.1(1)	If any dispute arises between any Code participants then (subject to subclause 8.2(3)) representatives of disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and attempt to resolve the dispute by negotiations in good faith.	NR	Minor	Unlikely	Low	Moderate	Priority 5
458	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.	NR	Minor	Unlikely	Low	Moderate	Priority 5
459	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.	NR	Minor	Unlikely	Low	Moderate	Priority 5
460	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.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
461	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).	NR	Minor	Unlikely	Low	Moderate	Priority 5

Appendix B - References

Collgar representatives participating in the audit

- Regulatory and Trading Manager
- Principal Engineer
- Site Superintendent
- Site Manager - Vestas
- Chief Financial Officer
- Management Accountant

AAG staff participating in the audit

Hrs

- | | | |
|-----------------------|----------------------|----|
| • Andrew Baldwin | Executive Director | 17 |
| • Margaret-Mary Gauci | Consultant | 19 |
| • Stephen Linden | Director (QA review) | 1 |

Key documents and other information sources examined

- 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21 Annual Compliance Reports
- Collgar Wind Farm Life of Asset Management Plan (2018)
- Collgar Wind Farm Asset Management Plan, Revision B (2021)
- Vestas ANZ Collgar Emergency Response Plan V1 (2020)
- Report on response to a severe bearing failure (2021)
- Evidence of payment of licence fees and quarterly standing charges
- Financial Reports for the periods ending 31 December 2019 and 31 December 2020
- Electricity Transfer Access Contract
- Evidence of lease payments during 2020 and 2021
- Email correspondence with the ERA, including notifications relating to audit requirements
- Representations from the Principal Engineer, Site Superintendent and Regulatory and Trading Manager