

Western Energy Pty Ltd

Electricity Generation Licence (EGL19)

2024 Performance Audit

Final report

7 February 2025



ASSURANCE
ADVISORY
GROUP

Level 11, 251 Adelaide Terrace
PERTH WA 6000

7 February 2025

Jay McCashney
Asset Manager – Kwinana and Somerton
Western Energy Pty Ltd
c/- AGL | Perth Energy
PO Box 7971, Cloisters Square WA 6850

Dear Jay

Electricity Generation Licence (EGL19) – 2024 Performance audit report

We have completed the Electricity Generation Licence Performance Audit for Western Energy Pty Ltd for the period 1 October 2019 to 30 September 2024 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

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1. Independent assurance practitioner's report

Modified opinion

We have undertaken a reasonable assurance engagement on Western Energy Pty Ltd's (**Western Energy**) compliance, in all material respects, with the conditions of its Electricity Generation Licence (EGL 19) (the **Licence**) and relevant legislative obligations for the period 1 October 2019 to 30 September 2024. Our evaluation was made against the licence obligations listed in the February 2023 Electricity Compliance Reporting Manual and in accordance with the Economic Regulation Authority's (the **ERA**) 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, Western Energy has complied, in all material respects, with its licence conditions and relevant legislative obligations for the period 1 October 2019 to 30 September 2024.

Basis for modified opinion

During the period 1 October 2019 to 30 September 2024, Western Energy did not comply with the applicable licence obligations as outlined below:

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>	Western Energy paid the Oct-Dec 2021 standing charge one day after 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>	Western Energy did not report the breach of obligation 105 above in its 2021/22 Annual Compliance Report.

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.

Western Energy's responsibility for compliance with the conditions of the Licence

Western Energy is responsible for:

- Compliance with the Licences as evaluated against the conditions within the Licence, for the period 1 October 2019 to 30 September 2024
- 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 Western Energy's compliance, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period 1 October 2019 to 30 September 2024. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Western Energy has complied, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 October 2019 to 30 September 2024.

A reasonable assurance engagement in accordance with ASAE 3100, to report on Western Energy'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 February 2023 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 Western Energy 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 October 2019 to 30 September 2024 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 Western Energy 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 Western Energy, 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

7 February 2025

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 Western Energy Pty Ltd (**Western Energy**) an Electricity Generation Licence (EGL19) (the **Licence**).

The Licence relates to Western Energy operating the Kwinana Swift Power Station (**KSPS**), a dual-fuel 120 MW peaking station located in Kwinana, 40km south of Perth. KSPS consists of four 30MW gas turbines connected to two common generators and operates as an open cycle peaking station that can be fired on natural gas or ultra-low sulphur diesel or both. KSPS is operated and maintained by Western Energy using sub-contractors for major maintenance. Western Energy is owned by AGL Energy Limited (**AGL**).

Section 13 of the Act requires Western Energy 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 October 2019 to 30 September 2024 (**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 Western Energy'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:

- Western Energy's processes and arrangements for managing its electricity generation licence obligations are performed by a combination of Western Energy's KSPS Supervisor and AGL personnel on behalf of Western Energy
- Through its contractual arrangements with Western Power, Western Energy has limited obligations in relation to the relevant requirements of the Metering Code
- Over a five year period, Western Energy has demonstrated a relatively high level of compliance with its licence obligations
- Although Western Energy's compliance arrangements have been and will continue to be relatively simple, continued minor, administrative compliance breaches plus some staff changes throughout the audit period have highlighted the need for Western Energy to demonstrate a sustained understanding of its licence compliance obligations, plus for a clearer allocation of responsibility to designated staff for ensuring compliance with those obligations, particularly those with specified due dates.

2.3 Findings

The following tables summarise the assessments made during the audit on Western Energy's compliance and the adequacy of controls in place for Western Energy 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, Western Energy 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					
		1	2	3	4	N/R	Total
Controls rating	A						
	B		2				2
	C						
	D						
	N/P	12				22	34
	Total	12	2			22	36

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		2			34	36
Priority 4						
Priority 5						
Total		2			34	36

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		2				2
Priority 4	9				16	25
Priority 5	3				6	9
Total	12	2			22	36

Note that, in accordance with the Audit Guidelines:

- Obligations assessed as being “not applicable” to Western Energy’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 Western Energy’s response to previous audit recommendations

This audit considered Western Energy’s progress in completing the two action plans detailed in the 2019 post audit implementation plan, relating to obligations 105 and 124. Based on our examination of relevant documents, discussion with staff and consideration of the results of this audit’s testing against the associated licence obligations, we determined that Western Energy implemented both action plans in 2020. However a further breach of Obligation 105 in March 2022 also led to a breach of Obligation 124, indicating that additional control improvements are required (refer to Recommendation 1/2024).

Refer to section 5 of this report for further detail.

2.5 Current audit non-compliances, recommendations and action plans

A. Resolved during 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
Not applicable – there were no non-compliances or control improvements raised by this audit that were resolved during the current audit period.			

B. 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
1/2024	<p>B2</p> <p><u>Obligation 105 - Electricity Industry Act Section 17(1)</u></p> <p>We observed that in accordance with its obligation to pay standing charges by the due date, Western Energy did not pay the Oct-Dec 2021 standing charge by the due date. The payment was made one day late.</p> <p>We did not sight evidence of the 2019 and 2020 annual licence charges being paid by the due date as the relevant records are not readily accessible due to a change in the financial system used by Western energy (via Perth Energy) in late 2020.</p> <p><u>Obligation 124 – Licence condition 4.5.1</u></p> <p>We observed that in accordance with its obligation to submit annual compliance reports to the ERA each year, Western Energy did not include the breach of obligation 105 as described above in its 2021/22 Annual Compliance Report.</p> <p>Western Energy had not effectively used its licence compliance program to:</p> <ul style="list-style-type: none"> (i) Prevent or detect the breach that occurred in March 2022 (ii) Ensure the breach was captured in its annual compliance reporting process (iii) Ensure it retained readily accessible evidence of compliance with its obligations. 	<p>Recommendation 1/2024</p> <p>Western Energy:</p> <ul style="list-style-type: none"> (a) Review its licence compliance program to ensure it addresses all EGL licence compliance obligations, including the need to retain readily accessible evidence of compliance with its obligations (b) Capture the results of its licence compliance program into its annual compliance reporting process. 	n/a

2.6 Scope and objectives

We have conducted a reasonable assurance audit in order to state whether, in our opinion, based on our procedures, Western Energy has complied, in all material respects, with the conditions of its Licence as outlined in the approved Audit Plan (dated October 2024) during the period 1 October 2019 to 30 September 2024.

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 February 2023 Electricity Compliance Reporting Manual.

The Audit Plan approved by the ERA for this audit sets out Western Energy'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 10 January 2025:

- 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 Western Energy representatives to gain an 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 Western Energy for review and response.

Due to relevant AGL staff being located at various offices throughout Australia, audit fieldwork was performed remotely and where appropriate at Western Energy's KSPS premises in Kwinana

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, Western Energy 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 Western Energy'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 4					N/P	1				
103	Section 14(1)(b)	Priority 4					N/P					N/R
104	Section 14(1)(c)	Priority 5					N/P	1				
105	Section 17(1); ERA (Licensing Funding) Regulations 2014	Priority 3		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		B					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

No	Obligation reference	Audit Priority	Controls rating					Compliance rating				
			A	B	C	D	N/P	1	2	3	4	N/R
388	Clause 5.4(2)	Priority 4					N/P					N/R
401	Clause 5.16	Priority 4					N/P					N/R
405	Clause 5.18	Priority 4					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
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	1				
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 Western Energy'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 Western Energy'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 (note that no recommendations are made for this audit).

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											
				21	21	3				18	21
	2			34	36	12	2			22	36

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>			Geographe Environmental Services prepared the 2019 Performance Audit report in November 2019 in accordance with the ERA's requirements. With the ERA's approval, Assurance Advisory Group (AAG) was appointed to undertake Western Energy's Performance Audit for the period 1 October 2019 to 30 September 2024.
	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>			Through discussion with the Asset Manager – Kwinana and Somerton (AGL) and the Supervisor KSPS, and consideration of Western Energy's asset management system in operation during the period 1 October 2019 to 30 September 2024, we determined that Western Energy had provided for an asset management system during the audit period. The EGL19 2024 Asset Management System Review report provides further detail on the effectiveness of Western Energy's asset management system during the audit period.
	Priority 4	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>			During the audit period 1 October 2019 to 30 September 2024, Western Energy had not made any substantial change to its Asset Management System that would warrant notification to the ERA. We note that since AGL's ownership of Western Energy in September 2019 (i.e. prior to the commencement of this audit period), several of Western Energy's systems, processes and procedures have transitioned to AGL organisation-wide systems, processes and procedures, including replacement of the Technology One system with the SAP system for managing operations and maintenance works. These changes were not considered to comprise a substantial change to Western Energy's Asset Management System. Therefore, this obligation was not relevant to Western Energy's activities 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>			Geographe Environmental Services prepared the 2019 Asset Management System Review report in November 2019 in accordance with the ERA's requirements. With the ERA's approval, Assurance Advisory Group (AAG) was appointed to undertake Western Energy's Asset Management System Review for the period 1 October 2019 to 30 September 2024.
	Priority 5	Controls rating: N/P	Compliance rating: 1	

No	Obligation under Condition			Findings
105	<p>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>.</p> <p><i>Electricity Industry Act Section 17(1); ERA (Licensing Funding) Regulations 2014</i></p>			<p>We sighted evidence of the 2021, 2022 and 2023 annual licence charges being paid by the due date. We did not sight evidence of the 2019 and 2020 annual licence charges being paid by the due date as the relevant records are not readily accessible due to a change in the financial system used by Western energy (via Perth Energy) in late 2020.</p> <p>We sighted evidence that Western Energy paid quarterly standing charges by the due dates from December 2019, with the exception of the payment due on 30 March 2022, which was paid one day after the due date.</p> <p>We determined that Western Energy had not effectively used its licence compliance program to:</p> <ul style="list-style-type: none"> (iv) Prevent or detect the breach that occurred in March 2022 (v) Ensure it retained readily accessible evidence of compliance with its obligations. <p>Recommendation 1/2024</p> <p><i>Western Energy:</i></p> <ul style="list-style-type: none"> (a) Review its licence compliance program to ensure it addresses all EGL licence compliance obligations, including the need to retain readily accessible evidence of compliance with its obligations (b) Capture the results of its licence compliance program into its annual compliance reporting process.
	Priority 3	Controls rating: B	Compliance rating: 2	
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 Asset Manager – Kwinana and Somerton (AGL) and Supervisor KSPS and consideration of the KSPS asset management plan, we observed that:</p> <ul style="list-style-type: none"> • Key objectives of the KSPS operations are to maintain the facility's availability and to provide system restart services to the Southwest Interconnected System, which ensures the ability to restart the system in the event of a blackout or other disruptions. These objectives provide the direct incentive to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity • Western Energy has appropriate maintenance, restart, emergency response and contingency planning systems and procedures in place to reasonably provide for and manage unplanned events, including emergencies or equipment failures.
	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 discussion with the Asset Manager – Kwinana and Somerton (AGL) and examination of supporting documentation, we determined that for the audit period 1 October 2019 to 30 September 2024, Western Energy:</p> <ul style="list-style-type: none"> • Held a lease agreement with the Western Australian Land Authority, trading as Development WA, for the use of the KSPS site • Appropriately paid the lease fees. <p>Although Western Energy reported in its 2020/21, 2021/22, 2022/23 annual compliance reports that isolated lease fees were paid after the due date, we assess that Western Energy was compliant with this obligation as the Act does not stipulate a requirement for such lease fees to be paid by the due date.</p>
	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>			Western Energy is a fully owned entity of Perth Energy Holdings which is a fully owned subsidiary of AGL Holdings (AGL). AGL prepares consolidated financial statements for its financial year ending 30 June annually. Those financial statements fully account for Western Energy’s financial activity. We sighted AGL’s Annual Reports for the financial years 2020, 2021, 2022, 2023 and 2024 that include general purpose financial statements prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and the Corporations Act 2001. These financial statements were audited by Deloitte.
	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 Asset Manager – Kwinana and Somerton (AGL) confirmed that, for the period 1 October 2019 to 30 September 2024, Western Energy was not prescribed individual performance standards by the ERA. Therefore, this obligation was not relevant to Western Energy’s activities during the audit period.
	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> The November 2019 report on Western Energy’s EGL19 performance audit and asset management system review for the period 1 October 2014 to 30 September 2019 demonstrated that the audit and review were performed in accordance with the ERA’s 2019 Audit and Review Guidelines applicable to performance audits and asset management system reviews.
	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>			Note that for the 2024 performance audit and asset management system review, the audit and review plans approved by the ERA commit Western Energy and AAG (auditor and expert) to complying with the ERA’s 2019 Audit and Review Guidelines.
	Priority 4	Controls rating: N/P	Compliance rating: 1	

No	Obligation under Condition			Findings
123	<p>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.</p> <p><i>Licence condition 4.4.1</i></p>			<p>Licence condition 4.4.1 requires Western Energy to report to the ERA within prescribed timeframes any of the following:</p> <ul style="list-style-type: none"> (a) If Western Energy was under external administration (b) Any change in Western Energy's corporate, financial or technical circumstances in which the Licence was granted, and if that change materially affected Western Energy'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). <p>The Asset Manager – Kwinana and Somerton (AGL) confirmed that during the audit period:</p> <ul style="list-style-type: none"> • Western Energy, Perth Energy and AGL had not been under external administration • Western Energy had not undergone any significant change in its corporate, financial or technical circumstances upon which the licence was granted which may affect its ability to meet its obligations. We note that the change in ownership of Perth Energy in September 2019 (i.e. during the previous audit period) did not affect Western Energy's ability to meet its obligations. • Western Energy had not changed its name, ABN or address.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	Therefore, this obligation was not relevant to Western Energy's activities during the audit period.
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 Asset Manager – Kwinana and Somerton (AGL) confirmed that, other than annual compliance reports and standing charge data, the ERA did not request any other information from Western Energy 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 by 31 August each year, Western Energy submitted the 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 reports to the ERA by the due date • Western Energy had provided the required quarterly standing charge data to the ERA • Western Energy did not report in its 2021/22 Annual Compliance Report that the Oct-Dec 2021 standing charge payment was paid after the due date. We determined that Western Energy had not effectively used its licence compliance program to effectively detect that breach and to ensure the breach was captured in its annual compliance reporting process. <p>Recommendation 1/2024</p> <p><i>Western Energy</i></p> <ul style="list-style-type: none"> (a) <i>Review its licence compliance program to ensure it addresses all EGL licence compliance obligations, including the need to retain readily accessible evidence of compliance with its obligations</i> (b) <i>Capture the results of its licence compliance program into its annual compliance reporting process.</i>
	Priority 3	Controls rating: B	Compliance rating: 2	

No	Obligation under Condition			Findings
125	A licensee must publish any information as directed by the ERA to publish, within the timeframes specified. <i>Licence conditions 3.8.1 and 3.8.2</i>			The Asset Manager – Kwinana and Somerton (AGL) confirmed that Western Energy was not requested to publish any information by the ERA. Therefore, this obligation was not relevant to Western Energy's activities during the audit period.
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
126	All notices must be in writing, unless otherwise specified. <i>Licence condition 3.7.1</i>			The Asset Manager – Kwinana and Somerton (AGL) confirmed that: <ul style="list-style-type: none"> Throughout the audit period, Western Energy maintained processes and practices to formally respond to all notices in writing, unless the ERA specified otherwise Western Energy has an established document management system that maintains records within its corporate network for all formal communications with the ERA.
	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>			<p>The Supervisor KSPS confirmed that:</p> <ul style="list-style-type: none"> Western Power is responsible for installing, owning and operating the meters located at the KSPS facility All meters installed by Western Power at the KSPS facility are subject to bi-directional electricity flows During the audit period, no additional metering installations had become subject to bi-directional electricity flows. <p>Therefore, this obligation was not relevant to Western Energy's activities during the audit period.</p>
	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>			<p><i>Obligations 339 to 373</i></p> <p>We observed that Western Power is responsible for installing and operating all meters located at the KSPS facility and for maintaining the metering database and metering registry. Western Energy has no visibility of:</p> <ul style="list-style-type: none"> The function and operation of those meters Energy data held in the meters or in the metering database Standing data in the metering registry. <p>Therefore, these obligations were not relevant to Western Energy's activities during the audit period.</p>
	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>			
	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>			<p>Through discussions with the Supervisor KSPS we determined that:</p> <ul style="list-style-type: none"> All meters installed at the KSPS are designated as interval meters (i.e. not accumulation meters, for which Western Power may require assistance for scheduling meter reads) Western Power is provided with reasonable access to enter the site at any time in order for them to access meters and meet their obligations. <p>Therefore, this obligation was not relevant to Western Energy's activities during the audit period.</p>
	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 and 405</i></p> <p>We observed that during the audit period:</p> <ul style="list-style-type: none"> Western Power was solely responsible for the management of energy and standing data within the metering registry and/or metering database Western Energy did not maintain any standing data or energy data in relation to the connection points and meters captured under the Metering Code Western Energy did not have any visibility of or influence over the data contained in the registry or metering database. <p>Therefore, these obligations were not relevant to Western Energy's activities during the audit period.</p>
	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	
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 Supervisor KSPS confirmed that during the audit period, Western Energy 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, these obligations were not relevant to Western Energy's activities during the audit period.</p>
	Priority 4	Controls rating: N/P	Compliance rating: N/R	
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	Compliance rating: N/R	
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 Western Energy (as 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 Agreement (SLA) (if any).</p> <p>As Western Energy 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. In addition, Western Energy has entered into a Market Operating Protocol with Western Power, which details the supply configuration and ownership of the electrical infrastructure, including meters.</p> <p>We did not observe any evidence to indicate non-compliance with the requirements of Western Power's Metrology procedure, Communication rules or Mandatory Link Criteria. We observed that Western Energy is aware of the relevant requirements prescribed within the above documents.</p>
	Priority 4	Controls rating: N/P	Compliance rating: 1	
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 Asset Manager – Kwinana and Somerton (AGL) and Supervisor KSPS; and consideration of Western energy's and AGL's business practices, we determined that:</p> <ul style="list-style-type: none"> Western Energy maintains postal, electronic, facsimile and voice communication channels commensurate with the expectations of a business Western Energy's access contract with Western Power forms the basis for of the operating arrangements between Western Energy and Western Power, including a telephone number for voice communication in connection with metering arrangements.
	Priority 5	Controls rating: N/P	Compliance rating: 1	

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>	The Supervisor KSPS confirmed that Western Energy has not been requested by Western Power to provide notification of its contact details. Therefore, this obligation was not relevant to Western Energy's activities during the audit period.	
	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>	The Supervisor KSPS confirmed that there was no change to Western Energy's contact details during the audit period. We note that the change in ownership of Western Energy in September 2019 (during the previous audit period) did not affect Western Energy's ability to meet its obligations. Therefore, this obligation was not relevant to Western Energy's activities during the audit period.	
	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>	Through discussion with the Asset Manager – Kwinana and Somerton (AGL) and Supervisor KSPS; and consideration of Western Energy's business practices, we determined that: <ul style="list-style-type: none"> Western Energy and AGL treat metering data as confidential Staff and contractors are bound by general confidentiality agreements in their terms of employment Western Energy does not hold metering database information or other confidential information provided under or in connection with the Metering Code. The Supervisor KSPS confirmed that, as a result of the nature of Western Energy's operations, there were no instances where Western Energy was aware of any confidential information, which would be required not to be disclosed in connection with the Metering Code.	
	Priority 4	Controls rating: N/P	Compliance rating: 1
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>	We observed that, during the audit period, Western Energy was not required to disclose confidential information under a provision of the Metering Code. Therefore, this obligation was not relevant to Western Energy'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 Western Energy as a Code Participant, a retailer, another generator, the network operator (Western Power), a user or the AEMO. The Supervisor KSPS confirmed that Western Energy 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 Western Energy's activities during the audit period.	
	Priority 5	Controls rating: N/P	Compliance rating: N/R

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

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			
1/2019	<p>Obligation 105 (rated as B2)</p> <p>Electricity Industry Act Section 17(1); ERA (Licensing Funding) Regulations 2014</p> <p><i>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.</i></p> <p>KSPS standing data charges are required to be paid within 30 days of issue of an invoice and the Generation Licence fee is to be paid before 15 October annually.</p> <p>On three occasions invoices were not paid in the required timeframe.</p>	<p>Action Plan 1/2019 – WE will include the payment of licence fees in the Online WHS portal with one reminder for checking if the invoice has been received from the ERA in time and a follow up reminder to pay the invoice in time. In addition, the finance team will be instructed to pay the invoice with sufficient lead time to account for potential transfer delays. The importance of timely payments will be highlighted to the finance team in terms of complying with EGL requirements.</p>	<p>Yes.</p> <p>In 2020, Western Energy updated its compliance checklist for paying ERA invoices by the due dates and initiated reminders and instructions for paying ERA invoices by the due dates. Subsequently, that checklist was converted into an SAP Compliance Program. This action closed out Action Plan 1/2019, however as a further breach occurred in March 2022, additional control improvements are required.</p> <p>Refer to Recommendation 1/2024.</p>
2/2019	<p>Obligation 124 (rated as B2)</p> <p>Licence condition 4.5.1</p> <p><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></p> <p>The licensee is required to ensure that non-compliances are reported in a Compliance Report which is to be submitted by the 31st August annually.</p> <p>On three occasions the Compliance Report prepared during the audit period did not report a non-compliance in reference to late payment of the licence fee for the 2014/15, 2015/16 and 2018/19 Compliance Reporting years.</p>	<p>Recommendation 2/2019 - WE will amend the entry in the current compliance check list to clarify that the payment date of annual licence fees is the 15th of October each year and standing data charges are due to be paid within the required payment terms.</p>	<p>Yes.</p> <p>In 2020, Western Energy updated its compliance checklist for paying ERA invoices by the due dates. Subsequently, that checklist was converted into an SAP Compliance Program. This action closed out Action Plan 2/2019, however as a further breach of Obligation 105 occurred in March 2022, which was not detected by Western Energy for inclusion in its 2021/22 Annual Compliance Report, further control improvements are required.</p> <p>Refer to Recommendation 1/2024.</p>
B. Unresolved at end of current audit period			
Not applicable – there were no unresolved recommendations or actions addressing non-compliances or controls improvement from the previous (2019) audit.			

Appendix A – Audit Plan

Western Energy Pty Ltd

Electricity Generation Licence (EGL19)

2024 Performance Audit

Audit Plan

October 2024

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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 Western Energy Pty Ltd (**Western Energy**) an Electricity Generation Licence (EGL 19) (the **Licence**).

Section 13 of the Act requires Western Energy to provide to the ERA a performance audit (the **audit**) conducted by an independent expert acceptable to the ERA not less than once in every 24 month period, 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 October 2019 to 30 September 2024 (**audit period**).

The Licence relates to Western Energy operating the Kwinana Swift Power Station (**KSPS**), a dual-fuel 120 MW peaking station located in Kwinana, 40km south of Perth. KSPS consists of four 30MW gas turbines connected to two common generators and operates as an open cycle peaking station that can be fired on natural gas or ultra-low sulphur diesel or both. KSPS is operated and maintained by Western Energy using sub-contractors for major maintenance. Western Energy is owned by AGL Energy Limited (**AGL**).

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 Western Energy and presented to the ERA for approval.

Objective

A performance audit is defined as an examination of the measures taken by Western Energy to meet the performance criteria specified in its Licence. The purpose of the audit is to assess the effectiveness of measures taken by Western Energy 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 Western Energy by the ERA or specific matters raised by the ERA.

Scope

The ERA provides guidance on those aspects of the Licence and Western Energy'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 Western Energy's electricity generation 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 October 2019 to 30 September 2024. The Reporting Manual has undergone four revisions since 30 September 2019, to reflect changes in electricity licensees' obligations. The revised versions of the Reporting Manual were issued in June 2020, January 2022, January 2023 and February 2023.

This audit will use the current February 2023 version of the Reporting Manual as the primary audit reference as:

- The removal of obligations 402, 406, 407, 408, 410 and 435 in January 2022 recognised that the Metering Code did not place any obligation on an electricity generation licensee (i.e. those obligations have been determined by the ERA to be not applicable for the entire the audit period)
- There were no other significant changes to generation licence obligations throughout the period subject to audit.

Table 1 below outlines the compliance requirements that apply to Western Energy'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 Western Energy'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. The assessment is made against the current (February 2023) Reporting Manual.

Table 1 – Application of legislative elements to Western Energy's electricity generation operations

Legislative element	Application to Western Energy's electricity generation operations
Electricity Industry Act 2004	7 of the 11 Electricity Industry Act obligations are applicable to Western Energy's electricity generation operations.
Electricity Licences	8 of the 14 Electricity Licence obligations are applicable to Western Energy's electricity generation operations.
Electricity Industry Metering Code	21 of the 159 Metering Code obligations are applicable to Western Energy's electricity generation operations.

Western Energy's responsibility for compliance with the conditions of the Licence

Western Energy 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 instances of non-compliance.

AAG's responsibility

Our responsibility is to express an opinion on Western Energy's compliance, in all material respects, with the licence obligations as evaluated against its Licence Conditions for the period from 1 October 2019 to 30 September 2024. 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 Western Energy 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 Western Energy 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 Western Energy'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 reports.

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 October 2019 to 30 September 2024 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 Western Energy's licence obligations. The risk assessment considers any changes to Western Energy's systems and processes and any matters of significance raised by the ERA and/or Western Energy. 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 Western Energy 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 Western Energy 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 Western Energy'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

Likelihood	Consequence		
	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 Western Energy 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 Western Energy
- Our understanding of Western Energy’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.

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: Western Energy'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 Western Energy'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 Western Energy'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 Western Energy 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 Western Energy'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 Western Energy'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 Western Energy 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 at Western Energy's KSPS premises in Kwinana and remotely where appropriate due to relevant AGL staff being located at various offices throughout Australia.

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

Western Energy is responsible for providing a separate post audit implementation plan, if required.

Resources and team

Key Western Energy contacts

The key contacts for this audit are:

- Operations Manager – Gas Generation (AGL)
- Supervisor, Kwinana Swift Power Station
- AGL Finance representative
- AGL Compliance & Risk representative.

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 Western Energy and subsequently presented to the ERA.

Timing

The initial risk assessment phase was completed on 11 October 2024, after which the draft audit plan and risk assessment were presented to Western Energy 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 mid-November 2024, enabling draft and final reports to be submitted to the ERA by the due dates of 29 November 2024 and 31 December 2024 respectively.

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

- Planning (including risk assessment): 11 hours
- Fieldwork (including system analysis/walkthrough and testing/review): 25 hours
- Reporting: 14 hours.

Appendix 1 - Risk assessment key

1-1 Criteria for classification of compliance obligations

Source: Electricity Compliance Reporting Manual February 2023

Rating (type)	Classification of Non-Compliance	Criteria for classification
1	Major	Classified on the basis 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: <ul style="list-style-type: none"> 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, or The regulatory obligation is not otherwise classified as Type 1 or Type NR non-compliance. Reclassification of Type 2 to Type 1 may occur in circumstances of systemic non-compliance.
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. Reclassification of Type NR to Type 2 may occur in circumstances of: <ul style="list-style-type: none"> Systemic non-compliance, or A failure to resolved non-compliance promptly.

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 February 2023 Reporting Manual. Only those obligations relevant to Generation Licensees are listed.

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 or any longer period that the ERA allows.	2	Moderate	Unlikely	Medium	Moderate	Priority 4
102	Section 14(1)(a)	A licensee must provide for an asset management system.	2	Moderate	Probable	Medium	Moderate	Priority 4
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	Minor	Unlikely	Low	Moderate	Priority 5
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	Weak	Priority 3
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

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
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
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

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
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
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
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
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
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

No	Obligation reference	Obligation description	Type	Consequence	Likelihood	Inherent Risk Rating	Control Assessment	Audit Priority
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 3 - Previous audit recommendations

The 2019 performance audit made the following two recommendations.

<p>Issue 1/2019</p> <p>Obligation 105 (rated as B2)</p> <p><u>Obligation 105 Electricity Industry Act Section 17(1); ERA (Licensing Funding) Regulations 2014</u></p> <p>KSPS standing data charges are required to be paid within 30 days of issue of an invoice and the Generation Licence fee is to be paid before 15 October annually.</p> <p>On three occasions invoices were not paid in the required timeframe.</p>	
<p>Recommendation 1/2019</p> <p>The organisation could include the payment of licence fees in the Online WHS or similar Compliance management process established by AGL. Ensuring the invoices are paid prior to the due dates to allow for transfer delays. Communicate the requirement to accounts department to ensure ongoing compliance.</p>	<p>Action Plan 1/2019</p> <p>WE will include the payment of licence fees in the Online WHS portal with one reminder for checking if the invoice has been received from the ERA in time and a follow up reminder to pay the invoice in time. In addition, the finance team will be instructed to pay the invoice with sufficient lead time to account for potential transfer delays. The importance of timely payments will be highlighted to the finance team in terms of complying with EGL requirements.</p> <p>Responsible person: Manager HR, Compliance and Risk</p> <p>Target date: 31/01/2020</p>
<p>Issue 2/2019</p> <p>Obligation 124 (rated as B2)</p> <p><u>Obligation 124 – Licence condition 4.5.1</u></p> <p>The licensee is required to ensure that non-compliances are reported in a Compliance Report which is to be submitted by the 31st August annually.</p> <p>On three occasions the Compliance Report prepared during the audit period did not report a non-compliance in reference to late payment of the licence fee for the 2014/15, 2015/16 and 2018/19 Compliance Reporting years.</p>	
<p>Recommendation 2/2019</p> <p>A process (such as an internal audit) to ensure compliance requirements have been met and a documented liaison relating to the legislative requirements and content of the Compliance Report prior to submission to the Authority is required. The Tech One system does not include the Compliance Report in the Compliance Activity and this could be optimised to ensure this is an automated process to ensure ongoing compliance. Updating the procedure to reference conducting internal audits prior to the submission of the Compliance Report would also be beneficial.</p>	<p>Action Plan 2/2019</p> <p>WE will amend the entry in the current compliance check list to clarify that the payment date of annual licence fees is the 15th of October each year and standing data charges are due to be paid within the required payment terms.</p> <p>Responsible person: Generation Lead</p> <p>Target date: 31/03/2020</p>

Appendix B - References

Western Energy representatives participating in the audit

- Operations Manager – Gas Generation (AGL)
- Asset Manager – Kwinana and Somerton (AGL)
- Supervisor, Kwinana Swift Power Station.

AAG staff participating in the audit

Hrs

- | | | |
|-----------------------|----------------------|------|
| • Margaret-Mary Gauci | Senior Consultant | 23 |
| • Andrew Baldwin | Executive Director | 19.5 |
| • Stephen Linden | Director (QA review) | 1 |

Key documents and other information sources examined

- Electricity Compliance Reporting Manual (June 2020 to February 2023)
- ERA Audit and Review Guidelines: Electricity and Gas Licenses March 2019
- Electricity Generation Licence Western Energy Pty Ltd EGL19, version 5, 1 July 2018
- Western Energy 2019 EGL19 Audit and Review Report
- Western Energy EGL19 Annual Compliance Reports 2019/20, 2020/21, 2021/22, 2022/23, 2023/24
- Sample ERA invoices
- Listing of payments made to the ERA for annual licence fees and standing data charges
- Site Lease Agreement (Lot 13 on Deposited Plan 39572)
- Listing of payments made to Development WA for lease fees since 30 June 2023
- AGL Annual Reports FY 2020, 2021, 2022, 2023 and 2024
- Kwinana Swift Power Station 2019 Post Audit Implementation Plan
- ERA Approval of Auditor – 2024 performance audit and asset management system review, September 2024
- Worley/AGL Energy Asset Management Plan, Kwinana Swift Power Station 2023
- Representations from Operations Manager – Gas Generation (AGL), Asset Manager – Kwinana and Somerton (AGL) and Supervisor KSPS.