

# A Audit scope

The scope for the audit of Horizon Power's compliance with the ringfencing rules is set out in Table A.1.

Table A.1 Audit scope

Clause number	Clause title	Obligation	Audit requirement
5. Responsibilities and compliance			
		Horizon Power maintains ringfencing rules compliance procedures that include: <ul style="list-style-type: none"> <li>– a Ringfencing Declaration that must be signed by all Horizon Power staff, including those involved with the provision of covered services in the Pilbara region, which requires (amongst other things):               <ul style="list-style-type: none"> <li>– compliance with these ringfencing rules; and</li> <li>– immediate reporting of breaches to the Manager, Network Regulation and Open Access;</li> </ul> </li> <li>– training on Horizon Power's ringfencing requirements under the Code and these ringfencing rules, including new starter induction training and periodic refresher training on a three yearly cycle or when there are significant amendments to these ringfencing rules; and</li> <li>– annual independent audits, to ensure compliance with relevant policies and procedures. This includes, but is not limited to:               <ul style="list-style-type: none"> <li>– all registers detailed in these ringfencing rules;</li> <li>– all ringfencing training records; and</li> <li>– the cost allocation requirements in these ringfencing rules.</li> </ul> </li> </ul>	Does the Ringfencing Declaration meet compliance with the ringfencing rules?  Does the Ringfencing Declaration require immediate reporting of breaches to the Manager, Network Regulation and Open Access?  Has a Ringfencing Declaration been signed by all Horizon Power staff?  Are ringfencing training records complete and up-to-date?  Have all Horizon Power staff been trained on Horizon Power's ringfencing requirements under the Code and the ringfencing rules?  Not applicable – this will be the first annual audit.
		The Manager, Network Regulation and Open Access is responsible for reporting any breaches of these ringfencing rules to the [Economic Regulation] Authority within 5 business days of determining that a breach has occurred, in accordance with clause 141(1)(b) of the Code.	Have any breaches of the ringfencing rules been reported to the Manager, Network Regulation and Open Access?  Have any breaches of the ringfencing rules been reported to the Authority?  If so, were they reported within 5 business days of determining that a breach occurred?

Clause number	Clause title	Obligation	Audit requirement
8. Prevention of cross subsidies			
8	Allocation or attribution of costs and revenue between the network business and other business	Horizon Power's cost and revenue items are allocated or attributed to locations, functions, and where required, categories of service.	Not applicable – introductory text
		Any costs that are directly attributable to the network business or to any other business are allocated accordingly.	Refer section 8.1
		Any costs that are not directly attributable are allocated to the network business in accordance with an appropriate allocator.	Refer section 8.2
		Revenue received by the Horizon Power Pilbara Network Business from the provision of goods and services to an Associate or deemed associate is separately identified in the Horizon Power Pilbara Network Business accounts.	Is revenue received by the Horizon Power Pilbara Network Business from the provision of goods and services to an Associate or deemed associate separately identified in the Horizon Power Pilbara Network Business accounts?
		Expenditure by the Horizon Power Pilbara Network Business on the provision of goods and services by an Associate or deemed associate is separately identified in the Horizon Power Pilbara Network Business accounts.	Is expenditure by the Horizon Power Pilbara Network Business on the provision of goods and services by an Associate or deemed associate separately identified in the Horizon Power Pilbara Network Business accounts?
		A cost or revenue item will not be attributed and/or allocated more than once.	Is there any evidence that Horizon Power Pilbara Network Business cost or revenue items are attributed or allocated more than once by Horizon Power?
		A direct cost or revenue item will only be attributed to one location, function and, as appropriate, category of service.	Refer section 8.1.1
		An indirect cost or revenue item will only be allocated once between locations, functions and, as appropriate, categories of service.	Refer sections 8.1.2, 8.1.3, 8.1.4, 8.1.5 and 8.1.6
		The same cost or revenue item will not be treated as both a direct and an indirect cost or revenue item.	Is there any evidence that the same cost or revenue items has been treated as both a direct and an indirect cost or revenue item?
		The same cost will only be recovered once through tariffs and fees.	Is there any evidence that the same cost has been recovered more than once through tariffs or fees?
		The allocation of a cost or revenue item will be determined by the substance of the transaction or event rather than the legal form.	

Clause number	Clause title	Obligation	Audit requirement
		Unregulated costs will be allocated to the unregulated business segments and will be ringfenced from the recovery of costs through regulated services.	Are all unregulated costs allocated to the unregulated business?  Are these costs ringfenced from the recovery of costs through regulated services?
8.1.1	Attribution of costs and revenue	The costs and revenues that are directly attributed are directly identified and attributed to a location, function and, where required, category of service via the account codes of the underlying transactions (typically booked via a project and/or work order).	Have the account codes for which costs are directly attributable to a location, function and where applicable, category of service, been identified?  Are the costs for each of these account codes being directly attributed to the appropriate location, function and, where applicable, category of service?
8.1.2	Allocation of costs and revenue	<p>The costs and revenue transactions that cannot be directly attributed to a particular location and/or function and/or category of service (the indirect items) are allocated. Horizon Power’s indirect items include the following:</p> <ul style="list-style-type: none"> <li>– operations shared costs</li> <li>– system control and dispatch shared costs</li> <li>– corporate shared costs</li> <li>– indirect revenue e.g. interest received.</li> </ul> <p>Shared cost and revenue items are allocated using the method that most appropriately reflects the causal correlation of the underlying transaction, to provide a true and fair view as to the costs and revenue that relate to the network business. The application of these methodologies determine the percentage of each cost and revenue item that is allocated to the network business.</p> <p>Horizon Power will maintain a Cost Allocation Methodology that is consistent with these ringfencing rules and provides a more detailed list of Horizon Power’s shared cost and revenue items, and the allocation method applied.</p>	<p>Has a Cost Allocation Methodology been established? Is it being maintained? Does the Cost Allocation Methodology provide a more detailed list of Horizon Power’s shared cost and revenue items, and the allocation method applied?</p>

Clause number	Clause title	Obligation	Audit requirement
8.1.3	Operations shared costs (allocation method)	<p>Horizon Power's operations shared costs cannot be directly attributed to specific services, e.g. training, travel and non-timesheet labour. Instead, these costs are identified in a 'shared cost pool' and allocated across the works program using Horizon Power's three step 'indirect cost allocation method' that most appropriately reflects the causal correlation of the underlying transaction.</p> <p>The three step cost allocation process allocates the costs to the:</p> <ul style="list-style-type: none"> <li>– location e.g. West Pilbara, then</li> <li>– function e.g. distribution services, then</li> <li>– where required, category of service e.g. unregulated distribution service or cost pool for revenue and pricing purposes e.g. distribution LV.</li> </ul>	Have each of the operations shared costs been allocated (based on the most appropriate allocator) to the appropriate location, function and where required, category of service?
8.1.5	Corporate shared costs (causal correlation)	Horizon Power allocates corporate shared costs to the business segments using the method that most appropriately reflects the causal correlation of the underlying transaction.	Have each of the corporate shared costs been allocated (based on the most recent activity based costing exercise) to the appropriate location, function and where required, category of service ?
8.1.6	Indirect revenue (causal correlation)	Horizon Power allocates indirect revenue to the business segment using the method that most appropriately reflects the causal correlation of the underlying transaction.	Has indirect revenue been allocated (based on the most appropriate allocator) to the appropriate location, function and where required, category of service?
8.2	Attribution or allocation of assets and liabilities between the network business and other businesses	<p>Horizon Power's inception-to-date assets and liabilities are allocated to business services and segments based on the substance (and not the legal form) of the underlying transactions. This is typically identified via the correlating cost or revenue items and attributed/allocated accordingly.</p> <p>Consistent with this, assets and liabilities that cannot be directly attributed to business services and/or segments are allocated using the method that most appropriately reflects the causal correlation of the underlying transaction.</p> <p>Horizon Power will maintain a Cost Allocation Methodology that is consistent with these ringfencing rules and provides a more detailed list of assets and liabilities, and the allocation method applied.</p>	<p>Have Horizon Power's inception-to-date assets and liabilities been allocated (based on the most appropriate allocator) to the appropriate location, function and where required, category of service, based on the most appropriate allocator?</p> <p>Does the Cost Allocation Methodology provide a more detailed list of assets and liabilities, and the allocation method applied?</p>

Clause number	Clause title	Obligation	Audit requirement
9. Competition Protection Measures			
9.1	Obligation to not discriminate	<p>The Horizon Power Pilbara Network Business does not discriminate (either directly or indirectly) between those parts of the Horizon Power business that provide or market contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power in connection with the provision of covered network services or other services (whether to itself or any other legal entity) by:</p> <ul style="list-style-type: none"> <li>– treating that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region as if they were not part of the same legal entity (that is, as if they have no connection or affiliation with the Horizon Power Pilbara Network Business)</li> <li>– in like circumstances, dealing or offering to deal with that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power on substantially the same terms and conditions</li> <li>– in like circumstances, providing substantially the same quality, reliability and timeliness of service to that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power</li> </ul>	<p>Is there any evidence that staff in the Horizon Power Pilbara Network Business are treating that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region as if they were part of the same legal entity?</p> <hr/> <p>Is there any evidence that staff in the Horizon Power Pilbara Network Business are dealing or offering to deal with that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power on terms and conditions that are not substantially the same?</p> <hr/> <p>Is there any evidence that staff in the Horizon Power Pilbara Network Business are not providing substantially the same quality, reliability and timeliness of service to that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power?</p>

Clause number	Clause title	Obligation	Audit requirement
		<ul style="list-style-type: none"> <li>not disclosing to that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region information that the Horizon Power Pilbara Network Business has obtained through its dealings with a competitor (or potential competitor) of Horizon Power where the disclosure would, or would be likely to, provide an advantage to Horizon Power.</li> </ul>	Is there any evidence that staff in the Horizon Power Pilbara Network Business have disclosed to that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region information that the Horizon Power Pilbara Network Business has obtained through its dealings with a competitor (or potential competitor) of Horizon Power where the disclosure would, or would be likely to, provide an advantage to Horizon Power?
		<p>The Horizon Power Pilbara Network Business communicates these requirements to all its staff through:</p> <ul style="list-style-type: none"> <li>a Ringfencing Declaration, which must be signed by all Horizon Power staff, including those involved with the provision of covered services in the Pilbara region</li> </ul>	Refer section 5
		<ul style="list-style-type: none"> <li>training on the ringfencing arrangements, including induction training and periodic refresher training on a three yearly cycle or when there are significant amendments to these ringfencing rules</li> </ul>	Refer section 5
		<ul style="list-style-type: none"> <li>this document and other relevant policies and procedures</li> </ul>	Has Horizon Power Pilbara Network Business communicated the ringfencing rules and other relevant policies and procedures to all staff?
		<ul style="list-style-type: none"> <li>ongoing compliance monitoring and reporting to all its staff.</li> </ul>	<p>Does the Horizon Power Pilbara Network Business monitor compliance of the ringfencing rules?</p> <p>Does the Horizon Power Pilbara Network Business report on compliance to its staff?</p>

Clause number	Clause title	Obligation	Audit requirement
9.2	Staff separation		
9.2.1	Separate staff	<p>Horizon Power structures its business to maximise the extent to which staff involved in the provision or marketing of covered services in the Pilbara region are not also involved in the provision or marketing of contestable generation or retail electricity services in the Pilbara region, except where:</p> <ul style="list-style-type: none"> <li>– a member of its staff who, in the course of their duties: <ul style="list-style-type: none"> <li>– does not have access to commercially sensitive information</li> <li>– has access to commercially sensitive information but does not have, in performing the roles, functions or duties of their staff position, any opportunity to use that commercially sensitive information to engage in conduct that is contrary to the Horizon Power Pilbara Network Business’s obligation to not discriminate in pursuance of section 127(1)(c) of the Code</li> <li>– only has access to commercially sensitive information to the extent necessary to perform services that are not electricity services (such as corporate services which include general administration, accounting, payroll, human resources, legal, or information technology support services)</li> </ul> </li> <li>– assistance is provided to another network service provider to the extent necessary to respond to an event (such as an emergency) that is beyond the reasonable control of the other network service provider</li> <li>– the member of staff is an officer of Horizon Power.</li> </ul>	Not applicable – introductory text
		Business development activities associated with the covered Pilbara network sit with the Network Regulation and Open Access team and not within the Commercial and Business Development Division.	Is there any evidence that business development activities associated with the covered Pilbara network are being done by the Commercial and Business Development Division rather than the Network Regulation and Open Access team?
		Customer Services (Call Centre) – there is a separate telephone number for network-related calls, with all calls directed to a single call centre queue for Horizon Power.	<p>Is there a separate telephone number for network-related calls?</p> <p>Is the separate telephone number being used by customers of the covered Pilbara network?</p>

Clause number	Clause title	Obligation	Audit requirement
		Customer Services (Processes / systems) – the metering team is responsible for maintaining the metering systems and processes.	Is the metering team maintaining the metering systems and processes?
		Future Energy Systems (long term planning and forecasting) – employees in the contestable part of the business are not permitted to have access to commercially sensitive information held by Future Energy Systems, and all documentation relating to long term planning and forecasting is quarantined from employees providing contestable services.	Is there any evidence that employees in the contestable part of the business have access to commercially sensitive information held by Future Energy Systems?  Is all documentation relating to long term planning and forecasting quarantined from employees providing contestable services?
		Asset Management Support, Capacity Management Support and Engineering Services: <ul style="list-style-type: none"> <li>– periodic training is conducted for employees on their ringfencing obligations</li> <li>– commercially sensitive information is protected and quarantined from employees providing contestable services</li> <li>– as much information as possible that can be shared is published.</li> </ul>	Are ringfencing training records for staff in Asset Management Support, Capacity Management Support and Engineering Services complete and up-to-date?  Is all commercially sensitive information in the possession of Asset Management Support, Capacity Management Support and Engineering Services protected and quarantined from employees providing contestable services?

Clause number	Clause title	Obligation	Audit requirement
		<p>HP Systems Operations – the Horizon Power Control Centre (HPCC) will manage the Horizon Power coastal network in accordance with the Pilbara networks rules and the Independent System Operator’s (ISO’s) directions and protocols.</p> <p>The HPCC will also perform dispatch of Horizon Power’s generators in accordance with procedures. The HPCC will not interfere with any generation dispatch unless required to do so in accordance with the ISO’s direction.</p> <p>To mitigate risks:</p> <ul style="list-style-type: none"> <li>– the operations of the HPCC are undertaken in a physically discrete room, separate from the rest of the business. Information and data shown on monitors in that separate room and visible to the HPCC will not be visible to anyone else within the business by virtue of frosting all transparent and glass surfaces</li> <li>– periodic training is conducted for employees on their ringfencing obligations</li> <li>– commercially sensitive information is protected and quarantined from employees providing contestable services.</li> </ul>	<p>Is there any evidence that the HPCC has managed the Horizon Power coastal network in a way that is not in accordance with the Pilbara networks rules and the Independent System Operator’s (ISO’s) directions and protocols?</p> <p>Is there any evidence that the HPCC has dispatched Horizon Power’s generators in a way that is not in accordance with procedures?</p> <p>Is there any evidence that the HPCC has interfered with any generator dispatch other than when required to do so in accordance with the ISO’s direction?</p> <p>Are the operations of the HPCC being undertaken in a physically discrete room, separate from the rest of the business?</p> <p>Is the information and data shown on monitors in that separate room visible to anyone within the business other than the HPCC?</p> <p>Are ringfencing training records for staff in the HPCC complete and up-to-date?</p> <p>Are all commercially sensitive information in the possession of HPCC protected and quarantined from employees providing contestable services?</p>
9.2.3	Separate offices	<p>Other than staff that are officers of Horizon Power, to the maximum extent possible, staff located in the Bentley office that provide or market contestable generation or retail electricity services in the Pilbara region are located in a different building to those that provide or market covered network services in the Pilbara region.</p> <p>In the Karratha and Port Hedland offices, to the maximum extent possible, staff that provide or market contestable generation or retail electricity services in the Pilbara region are located in different parts of the building to staff that provide or market covered network services. Where it is not possible to undertake such segregation, separation is maximised within the available seating layouts in the building.</p>	<p>To what extent are staff located in the Bentley office that provide or market contestable generation or retail electricity services in the Pilbara region located in a different building to those that provide or market covered network services in the Pilbara region?</p> <p>To what extent are staff located in the In the Karratha and Port Hedland offices that provide or market contestable generation or retail electricity services in the Pilbara region located in different parts of the building to those that provide or market covered network services in the Pilbara region?</p>

Clause number	Clause title	Obligation	Audit requirement
9.2.3	Office and staff register	<p>Horizon Power maintains and keeps a register that identifies the nature of the positions (including a description of the roles, functions and duties) of its members of staff which:</p> <ul style="list-style-type: none"> <li>– do not have access to commercially sensitive information</li> <li>– have access to commercially sensitive information but do not have, in performing the roles, functions or duties of their staff position, any opportunity to use that commercially sensitive information to engage in conduct that is contrary to the Horizon Power Pilbara Network Business's obligation to not discriminate</li> <li>– only have access to commercially sensitive information to the extent necessary to perform services that are not electricity services (such as corporate services which include general administration, accounting, payroll, human resources, legal, or information technology support services)</li> <li>– are an officer of Horizon Power.</li> </ul>	Is the office and staff register complete and up-to-date?
9.3	Information access and disclosure		
9.3.1	Meaning of confidential information	<p>Section 157 of the Code defines confidential information as information that:</p> <ul style="list-style-type: none"> <li>– by its nature is confidential, or</li> <li>– is specified to be confidential by the discloser.</li> </ul> <p>Section 158 of the Code states that information is not confidential if it is in the public domain or ascertainable from public domain sources, was already in possession of Horizon Power when the information was disclosed or has been developed independently.</p> <p>For the purposes of this clause, confidential information includes commercially sensitive information.</p>	Not applicable – introductory text

Clause number	Clause title	Obligation	Audit requirement
9.3.2	Disclosure of confidential information	<p>The Horizon Power Pilbara Network Business will not disclose confidential information to any person, including Horizon Power staff that provide or market contestable generation or retail electricity services, unless:</p> <ul style="list-style-type: none"> <li>a) subject to the pre-disclosure process: <ul style="list-style-type: none"> <li>i) it is reasonably necessary (as determined in good faith by the recipient of the Confidential Information) for performing a function under the Pilbara regime; or</li> <li>ii) it has obtained the information owner's written consent and is disclosed in accordance with any conditions in that consent;</li> <li>iii) on a confidential basis to its legal or other professional advisers; or</li> <li>iv) the disclosure is required under a written law, the ASX Listing Rules or the rules of any other applicable financial market; or</li> <li>v) the disclosure is directed by a court or arbitrator, on a confidential basis unless the court or arbitrator directs otherwise; or</li> <li>vi) the disclosure does not disclose any elements that could lead to the information owner being identified; or</li> </ul> </li> <li>b) the disclosure is on a confidential basis to the Independent System Operator, the Authority, the Coordinator of Energy or the Minister; or</li> <li>c) the confidential information is omitted or obscured, and the omission of the confidential information is evident in the document from which the information is omitted.</li> </ul>	<p>Is there any evidence that the Horizon Power Pilbara Network Business has disclosed confidential information to any person, including Horizon Power staff that provide or market contestable generation or retail electricity services?</p> <p>If so, was the disclosure permitted:</p> <ul style="list-style-type: none"> <li>– subject to the pre-disclosure process</li> <li>– as it was on a confidential basis to the Independent System Operator, the Authority, the Coordinator of Energy or the Minister</li> <li>– as the confidential information was omitted or obscured, and the omission of the confidential information was evident in the document from which the information was omitted?</li> </ul>

Clause number	Clause title	Obligation	Audit requirement
		<p>If the disclosure of the confidential information is subject to a pre-disclosure process, the person intending to disclose the confidential information must:</p> <ol style="list-style-type: none"> <li>1. first have regard to the primary and secondary objectives in section 156 of the Code and consider the balance between the benefits associated with the proposed disclosure and any likely detriment to the information owner from the proposed disclosure</li> <li>2. notify the information owner of the proposed disclosure, describing the information proposed to be disclosed and, if practicable, the circumstances of the disclosure</li> <li>3. allow the information owner an opportunity to express its views and to request redactions or other changes to minimise disclosure of confidential information</li> <li>4. have regard to the information owner's views and requests</li> <li>5. if compelled to disclose the confidential information, minimise what is disclosed and not hinder the information owner intervening in the process.</li> </ol>	<p>If the disclosure of confidential information was permitted as it was subject to a pre-disclosure process, was there evidence that:</p> <ul style="list-style-type: none"> <li>– regard was had to the primary and secondary objectives in section 156 of the Code and the balance between the benefits associated with the proposed disclosure and any likely detriment to the information owner from the proposed disclosures was considered</li> <li>– the information owner of the proposed disclosure was notified, describing the information proposed to be disclosed and, if practicable, the circumstances of the disclosure</li> <li>– the information owner was allowed an opportunity to express its views and to request redactions or other changes to minimise disclosure of confidential information</li> <li>– regard was had to the information owner's views and requests</li> <li>– the information disclosed was minimised and intervention by the information owner in the process was not hindered?</li> </ul>
9.3.3		<p>Commercially sensitive information includes all confidential or commercially sensitive information in relation to, as applicable—</p> <ul style="list-style-type: none"> <li>– an applicant or customer which is developed by or comes into the possession of the Horizon Power Pilbara Network Business including present and future dealings with the applicant, or customer, but excludes aggregated information that does not relate to an identifiable applicant or customer; or</li> <li>– a network service provider which comes into the possession of the Horizon Power Pilbara Network Business for the purposes of performing a function under the Pilbara networks rules; or</li> <li>– a network service provider which is developed by or comes into the possession of an applicant or customer, but excludes information required by the Code to be published or aggregated information that does not relate to the identifiable network service provider.</li> </ul>	Not applicable – introductory text

Clause number	Clause title	Obligation	Audit requirement
		Horizon Power will: – Implement changes to its IT systems and processes to support commercially sensitive information being kept confidential.	Have changes been implemented to Horizon Power's IT systems and processes to support commercially sensitive information being kept confidential?
		– Ensure that staff involved with the contestable parts of the business who continue to have access to data not solely related to their own customers are adequately trained to prevent unauthorised access of commercially sensitive information.	– Are records of this training current and up-to-date?
		– Periodically audit the process followed by the contestable parts of the business to verify that commercially sensitive information is only accessed when authorised to do so.	Has the process followed by the contestable parts of the business to ensure that commercially sensitive information is only accessed when authorised to do so been audited? If so, when did the audits occur? What were the outcomes of those audits?

Source: ACIL Allen