



ECONOMIC REGULATION AUTHORITY
Agreed Upon Procedures Engagement
Western Power's Access Arrangement for
the South West Interconnected Network
March 2012



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1. EXECUTIVE SUMMARY

1.1. Background

Western Power is a Western Australia State Government-owned Trading Enterprise (“GTE”) which operates under the Electricity Corporations Act 2005, and is regulated by the Economic Regulation Authority (“ERA”).

Western Power owns the South West Interconnected Network (“SWIN”). This is a grid of electricity transmission and distribution power lines that cover most of the south western part of Western Australia. The transmission lines carry high levels of electricity from power stations, while the distribution lines carry lower power (through step-down transformers) to consumers. The SWIN forms part of the South West Interconnected System (“SWIS”) which includes third party generators and retailers, such as Verve and Synergy.

The Office of Energy (“OoE”) is responsible for determining and issuing guiding rules and energy policy for Western Australia. The ERA is subject to these guiding rules and energy policy, and is an independent body that reports directly to the Western Australia Parliament. The ERA regulates Western Power with the aim of ensuring that an efficient electricity supply is delivered to consumers at a fair price. This regulatory role includes approving Western Power’s Access Arrangement (“AA”), which is set out in the Electricity Networks Access Code 2004 (“the Code”).

Under the Code, Western Power must develop and adhere to an AA that defines the terms and conditions under which users may access the network. The ERA’s role is to ensure that the AA complies with the Code, and approves revenues and the resulting prices for the regulatory period. The Code is supplemented by the Guidelines to the AA (“Guidelines”).

The Guidelines require Western Power to disaggregate its financial information into business segments and report that information annually in its Regulatory Financial Statements (“RFS”). The reportable business segments are: -

- a) Covered, (i.e. Regulatory) transmission services
- b) Covered (i.e. Regulatory) distribution services
- c) Independent Market Operator (“IMO”) i.e. the “Ring Fenced” System Management (Markets) division, which is established under the Whole Electricity Market (WEM) rules.
- d) Unregulated services, i.e. for services for which there are other suppliers. Charges for these are outside of the ERA’s Allowable Revenue Determination, and are not regulated by the AA.

Western Power is required to ensure that it apportions the costs and revenues of regulatory and non-regulatory activities and reports these in its Regulatory Financial Statements (“RFS”). Western Power has developed and implemented a Cost & Revenue Allocation Methodology (“CRAM”) for this purpose.

The Systems Management (Markets) division is an independent business unit within Western Power. It is the Ring Fenced part of Western Power’s business, and was established in accordance with the ERA’s ‘Allowable Revenue Determination’.

1.2. Requirements

The ERA has engaged BDO to undertake certain Agreed Upon Procedures (“AUP”) with regard to Western Power’s Regulatory Financial Statements, and to gauge whether:

- The regulatory accounts have been prepared in accordance with the Authority’s 6 December 2010 Guidelines.
- The regulatory accounts for financial years ending 2010, 2011 reconcile with Western Power’s statutory and financial accounts, and that the forecast for 2012 is in accordance with applicable regulations. We were subsequently advised on 25 November 2011 by the Assistant Director-Electricity not to proceed with the review of the 2012 forecast until further advised.
- Adjustments to reconcile the Regulatory Financial Statements with the relevant Annual Financial Statements accounts have been completed in accordance with applicable accounting policies and regulations, and have been substantiated by Western Power.
- Western Power has appropriately accounted for expenditure in respect of the IMO’s Ring Fenced Division.

1.3. Scope

In order to execute the AUP, BDO met with and interviewed key personnel from the ERA and Western Power. We undertook a review of relevant supporting documentation concerning systems and processes, and we executed system and process walkthroughs.

Our focus was on the following key areas:

Scope areas	AUP objectives
Regulatory Financial Statements (RFS)	<ul style="list-style-type: none"> • The Regulatory Financial Statements have been prepared in accordance with the Authority’s Guidelines for Access Arrangement Information published on 6 December 2010.
Reconciliation of RFS to Annual Financial Statements (AFS)	<ul style="list-style-type: none"> • The Regulatory Financial Statements reconcile with the statutory accounts for the 2010 and 2011 financial years. Any discrepancies and the reasons for such discrepancies to be identified and explained.
Adjustments to reconcile RFS	<ul style="list-style-type: none"> • Adjustments made to reconcile the Regulatory Financial Statements with the relevant base accounts have been clearly and adequately explained by Western Power and are in accordance with relevant accounting practices and applicable regulations.
Mapping & Allocation	<ul style="list-style-type: none"> • To identify whether Western Power has appropriately accounted for regulatory and non-regulatory activities, and whether the expenditures associated with these activities are correctly allocated and reported in the company’s regulatory and statutory accounts.
Disposal of Fixed Assets	<ul style="list-style-type: none"> • To ensure that the book value and proceeds from sale of assets reconcile to the Asset Register, and are correctly recorded and reported in the RFS and AFS.
Ring Fencing	<ul style="list-style-type: none"> • To identify whether Western Power has appropriately accounted for the Ring Fenced area of activity.

1.4. Approach

The AUP have been undertaken in accordance with the accounting profession’s standard on Related Services “ASRS 4400 - *Agreed Upon Procedures to report factual findings*”.

1.5. Summary of Outcomes

Scope areas	AUP Outcomes
2.1 Regulatory Financial Statements (RFS)	<ul style="list-style-type: none"> The RFS was prepared in accordance with Section 3 of the Guidelines for Access Arrangement information, published on 6 December 2010, with no exceptions noted.
2.2 Reconciliation of RFS to Annual Financial Statements (AFS)	<ul style="list-style-type: none"> We independently reconciled the RFS to Western Power’s statutory accounts for the 2009/10 and 2010/11 financial years. BDO’s reconciliation matched the reconciliation that was prepared by Western Power. No exceptions were noted.
2.3 Adjustments to reconcile RFS	<ul style="list-style-type: none"> Adjustments made to reconcile the 2009/10 and 2010/11 Regulatory Financial accounts with the relevant base accounts have been clearly and adequately explained by Western Power and are in accordance with relevant accounting practices. No exceptions were noted
2.4 Mapping & Allocation	<ul style="list-style-type: none"> Identified that Western Power has accounted for regulatory and non-regulatory functions appropriately, and that the expenditures associated with these functions were correctly allocated and reported in the company’s regulatory and statutory accounts in accordance with applicable policies and regulations. No exceptions were noted.
2.5 Disposal of Fixed Assets	<ul style="list-style-type: none"> No exceptions were noted with the accounting treatment adopted by Western Power for the sale of [REDACTED]. We were unable to verify the correctness or appropriateness of the accounting treatment relating to the disposal of: [REDACTED] [REDACTED], as Western Power did not provide relevant supporting documentation.
2.6 Ring Fencing	<ul style="list-style-type: none"> We identified a lack of segregation of duties in relation to the capture and approval of purchase requisitions and purchase orders in Western Power’s Ellipse accounting system. We identified that management review and approval of invoices and supporting documentation was not consistently being performed.

2. DETAILED PROCEDURES

2.1. Regulatory Financial Statements vs. the Guidelines

Objective	Procedure			
<p>To ensure that the Regulatory Financial Statements (RFS) have been prepared in accordance with the Authority's Guidelines for Access Arrangement Information published on 6 December 2010.</p>	<p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> Obtain the "Guidelines for Access Arrangement Information" published on 6 December 2010, the 2009/10 and 2010/11 RFS, and review each year's RFS to section 3 of the Guidelines. The following table details the review of the 2009/10 RFS against section 3 of the Guidelines for Access Arrangement Information. 			
	Section of Guidelines	Context of the Guidelines	Reference to FY 2009/10 RFS	2009/10 RFS prepared in accordance with the Guidelines
	3.1	Requirement	Contents Page & Sections 1-11	Yes
	3.2	Purpose	RFS year ended 30 June 2010 with reference to the Guidelines and CRAM	Yes
	3.3	Method of preparation	Sections 1,3,5,7,9,10	Yes
	3.4	Regulatory accounting periods	RFS FY 30 June 2010	Yes
	3.5	Cost Allocation	RFS 30 June 2010 with reference to the CRAM	Yes
	3.6	Regulatory adjustments	Section 11	Yes
	3.7	Pro Forma Regulatory Financial Statements	Prepared in accordance with Appendix A of the Guidelines	Yes
	3.8	Requirements for specific RFS: -		
	3.8.1	Capital Expenditure	Section 7 & 8	Yes
	3.8.2	Operating Expenditure	Section 9	Yes
	3.8.3	Revenue	Section 1, 2, 3, & 10.	Yes
	3.8.4	Contributions	Section 10	Yes

- The following table details the review of the 2010/11 RFS against section 3 of the Guidelines for Access Arrangement Information.

Section of Guidelines	Context of the Guidelines	Reference to FY 2010/11 RFS	2010/11 RFS prepared in accordance with the Guidelines
3.1	Requirement	Contents Page & Sections 1-12	Yes
3.2	Purpose	RFS year ended 30 June 2011 with reference to the Guidelines and CRAM	Yes
3.3	Method of preparation	Sections 1,3,5,7,9,11	Yes
3.4	Regulatory accounting periods	RFS FY 30 June 2011	Yes
3.5	Cost Allocation	RFS 30 June 2011 with reference to the CRAM	Yes
3.6	Regulatory adjustments	Section 12	Yes
3.7	Pro Forma Regulatory Financial Statements	Prepared in accordance with Appendix A of the Guidelines	Yes
3.8	Requirements for specific RFS: -		
3.8.1	Capital Expenditure	Sections 7 & 8	Yes
3.8.2	Operating Expenditure	Sections 9 & 10	Yes
3.8.3	Revenue	Sections 1, 2, 3, & 11.	Yes
3.8.4	Contributions	Section 11	Yes

Outcome

FY 2009/10 and FY 2010/11

- The RFS for the 2010 and 2011 financial years have been prepared in accordance with section 3 of the Guidelines for Access Arrangement Information published on 6 December 2010.

2.2. Reconciliation of the AFS to the RFS

Objective	Procedure
<p>To ensure that the RFS reconcile with AFS for financial years 2009/10 and 2010/11.</p>	<p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> • Obtain copies of the RFS and the AFS, and conduct an independent reconciliation of the 2009/10 and 2010/11 RFS to each related account within the AFS. • Please refer to Section 3 of this report “Account Reconciliation Statements” for details of the reconciliations of the base accounts to the regulatory accounts. Related adjustments effected in the RFS by Western Power are also documented in Section 3 in respect of the following: <ol style="list-style-type: none"> 1) Profit and Loss Account 2) Cash Flow Statement 3) Balance Sheet 4) Operating Expenditure (for FY 2010/11) 5) Capital Expenditure Account • Note: Please refer to section 2.3 of this report for details regarding the work in progress for the related adjustment to the Financial Statements as noted in Section 3 of this report. • As a part of the reconciliation, review the value of Cash Contributions by Regulatory Category, as detailed in the RFS. • Meet with the Financial Statement Accountant (done on 29 November 2011) to examine and review the procedures applied in the Western Power Excel work book and gain an understanding of how the detailed transactions within this work book related to the preparation of the AFS and the RFS. We were accompanied by an Analyst from the ERA, and the meeting was facilitated by the Senior Regulatory Analyst, Access Arrangement.
	<p>Outcome</p>
	<p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> • We independently reconciled the RFS to Western Power’s AFS for the 2010 and 2011 financial years. BDO’s reconciliations matched the reconciliations prepared by Western Power. No exceptions were noted.

2.3. Adjustments to the Financial Statements

Objective	Procedure		
Adjustments made to reconcile the Regulatory Financial Statements with the relevant base accounts have been clearly and adequately explained by Western Power and are in accordance with relevant accounting practices and applicable regulations.	FY 2009/10 and FY 2010/11 <ul style="list-style-type: none"> For each adjustment identified under AUP 2.2, request and examine supporting financial information and other source documentation from Western Power. Supplement this procedure with discussions with relevant staff. Validate the adjustments and rationale provided by Western Power against relevant financial policies and applicable sections in the CRAM. 		
	Outcome		
	Adjustments, Rationale and CRAM reference for FY 2009/10		
	Adjustments	Rationale	CRAM/REF
	11.1 - Contributions	In accordance with the CRAM, revenue is recognised at the time of receipt, rather than when the project is energised as per AASB 118 requirements used in statutory reporting.	CRAM 2010 Section 8.3.1 Developer and Customer Contributions, Page 18
	11.2 - Capitalised Borrowing Costs	The Capitalised Borrowing Costs adjustment 11.2 occurred as borrowing costs incurred during the development of an item of PPE need to be capitalised in the AFS as a requirement of applicable Australian Accounting Standards.	CRAM 2010 Section 8.3.2, Borrowing Costs, Page 18
	11.3 - Taxation	Taxation is calculated on regulatory adjustments at a rate of 30%.	CRAM 2010 Section 8.3.3, Tax Rate, Page 18
11.4 - Fleet & IT Depreciation	The cost of unregulated fleet and regulated information technology depreciation is reported as regulated operating expenditure costs and not as depreciation and amortisation.	CRAM 2010, Appendix A table 6 - other expenditure allocation	
11.5 - Capital Additions	This adjustment is made to gross up capital additions for financial reporting inventory accounting entries.	No reference to CRAM	

2.3.1. Adjustments to (2.) Profit and loss account (RFS) for the year ended 30 June 2010 (Refer to Section 3 - Account Reconciliation Statements)

Covered Transmission	Adjustment (000)	Work Performed
Contributions	\$21,330 (a)	<p>This adjustment has been processed as a result of adjustment 11.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>We have agreed the movement in deferred income directly to the 2010 AFS, note 13 (A) to ensure that all additional contributions recorded during the period were used in the calculation relating to this adjustment. We then agreed that the adjustment has been allocated accurately to covered transmission through our review of the 2010 Revenue Model provided by Western Power.</p>
Borrowing Costs	\$(11,377)(b)	<p>This adjustment has been processed as a result of adjustment 11.2 - Capitalised Borrowing Costs (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>We have agreed the movement in Capitalised Borrowing costs to the 2010 AFS note 4 (D) to ensure that this amount has been reversed as a result of the adjustment.</p>
Taxation	\$2,986 (c)	<p>This adjustment has been processed as a result of adjustment 11.3 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>Taxation is calculated on regulatory adjustments at a rate of 30% The total of adjustments to earnings before taxation is \$9,953.</p>
Operating Expenditure Costs, and Depreciation & Amortisation	\$(5,812) (d) \$5,812 (e)	<p>This adjustment has been processed as a result of adjustment 11.4 - Fleet and IT Depreciation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>We have agreed the full amount of the adjustment to the 2010 Opex workings spreadsheet, which identifies the covered transmission portion of Fleet & IT depreciation. We have agreed that this portion of depreciation has been accurately apportioned to covered transmission based on calculations between the AFS and RFS. Note: This adjustment is a reallocation of expenditure between line items and does not affect the total expenditure for covered transmission.</p>

Covered Distribution	Adjustment (000)	Work Performed
Contributions	\$(13,066) (f)	<p>This adjustment has been processed as a result of adjustment 11.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>We have agreed the movement in deferred income directly to the 2010 AFS, note 13 (A) to ensure that all additional contributions recorded during the period were used in the calculation relating to this adjustment. We then agreed that the adjustment has been allocated accurately to covered distribution through our review of the 2010 Revenue Model provided by Western Power.</p>
Operating Expenditure Costs	\$(9,196) (g)	<p>This adjustment has been processed as a result of adjustment 11.4 - Fleet and IT Depreciation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>We have agreed the full amount of the adjustment to the 2010 Opex workings spreadsheet, which identifies the covered distribution portion of Fleet & IT depreciation. We have agreed that this portion of depreciation has been accurately apportioned to covered distribution based on calculations between the AFS and RFS. Note: This adjustment is a reallocation of expenditure between line items and does not affect the total expenditure for covered distribution.</p>
Depreciation & Amortisation	\$9,196 (h)	<p>This adjustment has been processed as a result of adjustment 11.4 - Fleet and IT Depreciation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>We have agreed the full amount of the adjustment to the 2010 Opex workings spreadsheet, which identifies the covered distribution portion of Fleet & IT depreciation. We have agreed that this portion of depreciation has been accurately apportioned to covered distribution based on calculations between the AFS and RFS. Note: This adjustment is a reallocation of expenditure between line items and does not affect the total expenditure for covered distribution.</p>
Taxation	\$3,920 (i)	<p>This adjustment has been processed as a result of adjustment 11.3 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report). Taxation is calculated on regulatory adjustments at a rate of 30%. The total of adjustments to earnings before taxation is (\$13,066).</p>

2.3.2. Adjustments to (4.) Cash flow statement (RFS) for the year ended 30 June 2010 (Refer to Section 3 - Account Reconciliation Statements)

Covered Transmission	Adjustment (000)	Work Performed
Operating Activities- payments & Investing Activities - Payments	\$11,377 (a)	<p>This adjustment has been processed as a result of adjustment 11.2 - Capitalised Borrowing Costs (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>As Capitalised Borrowing Costs have been expensed, they are no longer considered an investing activity within the Cash Flow Statement in relation to AASB 107 "Statement of Cash Flows"; as a result the amount of Borrowing Costs adjusted for in the Profit & Loss has been reallocated from Investing activities to Operating activities.</p>

2.3.3. Adjustments to (6.) Balance Sheet (RFS) for the year ended 30 June 2010 (Refer to Section 3 - Account Reconciliation Statements)

Covered Transmission	Adjustment (000)	Work Performed
Property Plant and Equipment	\$(44,788) (a)	<p>This adjustment has been processed as a result of adjustment 11.2 - Capitalised Borrowing Costs (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>This relates to all borrowing costs historically capitalised under AASB 123 as at 2010. It is essentially made up of the 2009 borrowing costs carried forward of \$33,411 (agreed to the 2008/2009 RFS) and the net movement of \$11,377 for 2010 which we have agreed to the AFS 2010, note 4 (D).</p>
Trade Creditors	\$(2,986) (b)	<p>This adjustment has been processed as a result of adjustment 11.3 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>This is an increase in the Taxation Payable amount, as a result of the taxation effect of adjustments made to covered transmission expenses and revenues in the profit and loss account.</p>
Current Customer Deposits	\$43,995 (c)	<p>This adjustment has been processed as a result of adjustment 11.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p>

			In the AFS contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS note 13 - deferred income. The amount of current deferred revenue allocated to covered transmission has been reversed through this adjustment to reflect the difference in accounting policy.
	Non-Current Customer Deposits	\$7,914 (d)	<p>This adjustment has been processed as a result of adjustment 11.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>Under AFS contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS note 13 - deferred income. The amount of non-current deferred revenue allocated to covered transmission has been reversed through this adjustment to reflect the difference in accounting policy.</p>

2.3.4 Adjustments to (6.) Balance Sheet (RFS) for the year ended 30 June 2010
[\(Refer to Section 3 - Account Reconciliation Statements\)](#)

Covered Distribution	Adjustment (000)	Work Performed
Trade Creditors	\$3,920 (a)	<p>This adjustment has been processed as a result of adjustment 11.3 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>This is a decrease in the Taxation Payable amount as a result of the taxation effect of adjustments made to covered distribution expenses and revenues in the profit and loss account.</p>
Current Customer Deposits	\$61,701 (b)	<p>This adjustment has been processed as a result of adjustment 11.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 11 of this report)</p> <p>In the AFS, contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS note 13 - deferred income. The amount of current deferred revenue allocated to covered distribution has been reversed through this adjustment to reflect the difference in accounting policy.</p>

Non-current Customer Deposits	\$47 (c)	<p>This adjustment has been processed as a result of adjustment 11.1 - Contributions (Refer Adjustments, Rationale, and CRAM references table, Page 11 of this report)</p> <p>In the AFS, contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS note 13 - deferred income. The amount of non-current deferred revenue allocated to covered distribution has been reversed through this adjustment to reflect the difference in accounting policy.</p>
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2.3.5. Adjustments to (8.) Capital Expenditure (RFS) for the year ended 30 June 2010 (Refer to Section 3 - Account Reconciliation Statements)

Adjustment 11.2	Adjustment (000)	Work Performed
Total additions - Covered Transmission	\$11,377 (a)	<p>This adjustment has been processed as a result of adjustment 11.2 - Capitalised Borrowing Costs (Refer Adjustments, Rationale, and CRAM references table, Page 11 of this report)</p> <p>This adjustment relates to the reversal of borrowing costs capitalised into items of capital expenditure. BDO has agreed the adjusted amounts to the 2010 CPR Capex Spreadsheet, which identifies the amount of interest capitalised under each category of capital expenditure.</p>
Adjustment 11.5	Adjustment (000)	Work Performed
Total Additions - Covered Transmission	\$21,930 (b)	This adjustment has been processed as a result of adjustment 11.5 - Capital Additions (Refer Adjustments, Rationale, and CRAM references table, Page 11 of this report)
Total Additions - Covered Distribution	\$(1,034) (c)	As this adjustment relates to the allocation of WIP and Strategic Spares to Capital Expenditure, BDO has agreed the adjustment to underlying workings and is satisfied that the allocations appear reasonable. Allocations are direct for WIP, based on the Inventory WIP analysis, and indirect for Strategic Spares, based on proportion of CPR Capex.

Adjustments, Rationale and CRAM references for 2010/11

Adjustments	Rationale	CRAM/REF
12.1 - Contributions	In accordance with the CRAM, revenue is recognised at the time of receipt, rather than when the project is energised as per AASB 118 requirements used in statutory reporting.	CRAM 2011, Section 8.3.1, Accounting Policy Adjustments, Page 17.
12.2 - Capitalised Borrowing Costs	The Capitalised Borrowing Costs adjustment 12.2 arises as borrowing costs incurred during the development of an item of PPE are capitalised in the AFS as required by applicable Australian Accounting Standards.	CRAM 2011, Section 8.3.1, Accounting Policy Adjustments, Page 17.
12.3 - Contributions Cancelled	This adjustment transfers contributions received from customers before year end, but subsequently cancelled after year end. The adjustment has been made on the basis that these are items which are in the nature of operating revenue and not capital contributions. Accordingly they should be moved to the non-reference services revenue line, where the Opex revenue is reported.	CRAM 2011, Section 8.3.3, Regulated Asset Base Adjustments, Page 18.
12.4 - Depreciation	This adjustment is made to reclassify depreciation as operating expenditure to offset the credit (from business unit charge recovery) in Corporate operating expenditure costs.	CRAM 2011, Section 8.3.2, Accounting Disclosure Adjustments, Page 18.
12.5 - Reversal of statutory write-down	To reverse the 2010/11 statutory write-down for cancelled/deferred capital projects if they qualify for recognition in the regulatory asset base (RAB).	CRAM 2011, Section 8.3.3, Regulated Asset Base Adjustments, Page 18.
12.6 - Reversal of gross-up	To reverse the 2009/10 gross-up to capital expenditure in the regulatory financial statement for the year-end statutory inventory adjustments. This is adjustment 11.5 in the RFS 2009/10.	No reference to CRAM. BDO has noted a reference to an e-mail which Kim Lilleyman received from Adam Smith on 29/03/2011. The adjustment is also directly related to adjustment 11.5 in RFS 2009/10.

12.7 - Taxation	Taxation is calculated on regulatory adjustments at a rate of 30%.	CRAM 2011, Section 8.3, Page 16.
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2.3.6. Adjustments to (2.) Profit and loss account (RFS) for the year ended 30 June 2011 (Refer to Section 3 - Accounts Reconciliation Statements)

Covered Transmission	Adjustment (000)	Work Performed
Network Services (non-reference)	\$1,423 (a)	<p>This adjustment has been processed as a result of adjustment 12.3 - Contributions Cancelled (Refer 2011 Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>The adjustment relates to contributions received from cancelled projects, reallocated from contributions to Non-Reference Services. BDO has agreed the value of this adjustment through to the system report from Contributions Recognised in P&L (IN3500) which was provided to us by Western Power.</p>
Contributions	\$(24,630) (b)	<p>This adjustment has been processed as a result of adjustment 12.1 - Contributions and 12.3 Contributions Cancelled (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>We have agreed the movement in deferred income directly to the 2011 AFS, note 14, to ensure that all additional contributions recorded during the period were used in the calculation relating to this adjustment. We then agreed that the adjustment has been allocated accurately to covered transmission through our review of the 2011 Revenue Model provided by Western Power.</p>
Operating Expenditure Costs	\$10,537 (c)	<p>This adjustment is a combination of adjustments 12.4 and 12.5 (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report). For further information and work performed, please refer (10.)/paragraph 2.3.11 below "Adjustments to Operating expenditure" (RFS) below.</p>
Depreciation & Amortisation	\$3,668 (d)	<p>This adjustment has been processed as a result of adjustment 12.4 - Depreciation (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report).</p> <p>We have agreed the full amount of the adjustment to the 2011 Opex workings spreadsheet, which identifies the Covered transmission portion of Fleet & IT</p>

	Depreciation & Amortisation	\$6,068 (i)	<p>This adjustment has been processed as a result of adjustment 12.4 - Depreciation (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>We have agreed the full amount of the adjustment to the 2011 Opex workings spreadsheet, which identifies the covered distribution portion of Fleet & IT depreciation. We have agreed that this portion of depreciation has been accurately apportioned to covered distribution based on calculations between the AFS and RFS.</p> <p>Note: This adjustment is a reallocation of expenditure between line items and does not affect the total expenditure for covered transmission.</p>					
	Taxation	\$222 (j)	<p>This adjustment has been processed as a result of adjustment 12.7 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>Taxation is calculated on regulatory adjustments at a rate of 30%. The total of adjustments to earnings before taxation is \$(740).</p>					
	<p>2.3.7. Adjustments to (4.) Cash flow statement (RFS) for the year ended 30 June 2011 (Refer to Section 3 - Account Reconciliation Statements)</p> <table border="1"> <thead> <tr> <th>Covered Transmission</th> <th>Adjustment (000)</th> <th>Work Performed</th> </tr> </thead> <tbody> <tr> <td>Operating Activities & Investing Activities Payments</td> <td>\$8,757 (a)</td> <td> <p>This adjustment has been processed as a result of adjustment 12.2 - Capitalised Borrowing Costs (Refer Adjustment, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>As Capitalised Borrowing Costs have been expensed, they are no longer considered an investing activity within the Cash Flow Statement in relation to AASB 107 "Statement of Cash Flows "; as a result the amount of Borrowing Costs adjusted for in the Profit & Loss has been reallocated from Investing activities to Operating activities.</p> </td> </tr> </tbody> </table>			Covered Transmission	Adjustment (000)	Work Performed	Operating Activities & Investing Activities Payments	\$8,757 (a)
Covered Transmission	Adjustment (000)	Work Performed						
Operating Activities & Investing Activities Payments	\$8,757 (a)	<p>This adjustment has been processed as a result of adjustment 12.2 - Capitalised Borrowing Costs (Refer Adjustment, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>As Capitalised Borrowing Costs have been expensed, they are no longer considered an investing activity within the Cash Flow Statement in relation to AASB 107 "Statement of Cash Flows "; as a result the amount of Borrowing Costs adjusted for in the Profit & Loss has been reallocated from Investing activities to Operating activities.</p>						

2.3.8. Adjustments to (6.) Balance Sheet (RFS) for the year ended 30 June 2011 ([Refer to Section 3 - Account Reconciliation Statements](#))

Covered Transmission	Adjustment (000)	Work Performed
Property Plant and Equipment	\$(39,340)(a)	<p>This adjustment has been processed as a result of adjustment 12.2 - Capitalised Borrowing Costs (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report) in combination with adjustment 12.5 - Reversal of statutory write-down.</p> <p>This relates to all borrowing costs historically capitalised under AASB 123 as at 2011. It is essentially made up of the 2010 borrowing costs carried forward of \$44,788 (agreed to the 2009/2010 RFS) and the net movement of \$8,757 for 2011 which we have agreed to the AFS 2011, note 5 (E).</p> <p>For further information and work performed regarding Adjustment 12.5, please refer (10.)/paragraph 2.3.11 below “Adjustments to Operating expenditure (RFS)”.</p>
Trade Creditors	\$5,328 (b)	<p>This adjustment has been processed as a result of adjustment 12.7 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>This is a direct decrease in the amount of Taxation Payable as a result of the taxation effect of adjustments made to covered transmission expenses and revenues in the profit and loss account.</p>
Current Deferred Income	\$8,896 (c)	<p>This adjustment has been processed as a result of adjustment 12.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>In the AFS contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS 2011 note 14 - deferred income. The amount of current deferred revenue allocated to covered transmission has been reversed through this adjustment to reflect the difference in accounting policy.</p>
Non-Current Deferred Income	\$18,997 (d)	<p>This adjustment has been processed as a result of adjustment 12.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p>

Under AFS contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS 2011 note 14 - deferred income. The amount of non-current deferred revenue allocated to covered transmission has been reversed through this adjustment to reflect the difference in accounting policy.

2.3.9 Adjustments to (6.) Balance Sheet (RFS) for the year ended 30 June 2011
(Refer to Section 3 - Account Reconciliation Statements)

Covered Distribution	Adjustment (000)	Work Performed
Non-Current Property Plant & Equipment	\$338 (a)	<p>This adjustment has been processed as a result of adjustment 12.5 - Reversal of statutory write-down (Refer Adjustment, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>For further information and work performed regarding Adjustment 12.5, please refer (10.) paragraph 2.3.11 below “Adjustments to Operating expenditure (RFS)”.</p>
Trade Creditors	\$222 (b)	<p>This adjustment has been processed as a result of adjustment 12.7 - Taxation (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>This is a direct decrease in the amount of Taxation Payable as a result of the taxation effect of adjustments made to covered distribution expenses and revenues in the profit and loss account.</p>
Current Deferred Income	\$59,613 (c)	<p>This adjustment has been processed as a result of adjustment 12.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>In the AFS contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS 2011 note 14 - deferred income. The amount of current deferred revenue allocated to covered distribution has been reversed through this adjustment to reflect the difference in accounting policy.</p>
Non-current Deferred Income	\$76 (d)	<p>This adjustment has been processed as a result of adjustment 12.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p>

In the AFS contributions are treated as deferred revenue, in accordance with the requirements of applicable Australian Accounting Standards. We have verified the full amount of deferred revenue to the AFS 2011 note 14 - deferred income. The amount of non-current deferred revenue allocated to covered distribution has been reversed through this adjustment to reflect the difference in accounting policy.

2.3.10. Adjustments to (8.) Capital Expenditure (RFS) for the year ended 30 June 2011 ([Refer to Section 3 - Account Reconciliation Statements](#))

Adjustment 12.2	Adjustment (000)	Work Performed
Total Additions - Covered Transmission	\$ (8,757) (a)	<p>This adjustment has been processed as a result of adjustment 12.2 - Capitalised Borrowing Costs (Refer Adjustment Rationale Table, Page 17 of this report)</p> <p>This adjustment relates to the reversal of borrowing costs capitalised into items of capital expenditure. BDO has agreed the adjusted amounts to the 2011 CPR Capex Spreadsheet, which identifies the amount of interest capitalised under each category of capital expenditure.</p>

Adjustment 12.5	Adjustment (000)	Work Performed
Total Additions - Covered Transmission	\$14,205 (b)	<p>This adjustment has been processed as a result of adjustment 12.5 - Reversal of Statutory write-down (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>This adjustment relates to the reversal of statutory write-downs for cancelled/deferred projects. BDO has obtained the workings for these write downs which are made up of a listing of various capital projects written off during the period. We agreed the amounts and calculations to the adjustments posted, paying particular attention to the allocation to various reporting categories (capacity expansion, customer driven, etc) based on Regulatory Category allocations.</p>
Total Additions - Covered Distribution	\$338 (c)	

Adjustment 12.6	Adjustment (000)	Work Performed
Total Additions - Covered Transmission	\$ (21,930) (d)	<p>This adjustment has been processed as a result of adjustment 12.6 - Reversal of gross-up (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>This adjustment relates to the reversal of the gross-up performed in the 2010 RFS. BDO has agreed that the adjustment amount negates the effects of adjustment 11.5 from the 2010 RFS workings and that therefore no additional adjustments are required in respect of this reversal.</p>
Total Additions - Covered Distribution	\$ 1,034 (e)	

2.3.11. Adjustments to (10.) Operating Expenditure (RFS) for the year ended 30 June 2011 [\(Refer to Section 3 - Account Reconciliation Statements\)](#)

Adjustment 12.4	Adjustment (000)	Work Performed
Total additions - Covered Transmission	\$ (3,668) (a)	<p>This adjustment has been processed as a result of adjustment 12.4 - Depreciation (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>We have agreed the full amount of the adjustment to the 2011 Opex workings spreadsheet, which identifies the covered distribution portion of Fleet & IT depreciation. We have agreed that this portion of depreciation has been accurately apportioned across the segments of covered transmission and covered distribution, in this case entirely to the business support segment.</p>
Total Additions - Covered Distribution	\$ (6,068) (b)	
Adjustment 12.5	Adjustment (000)	Work Performed
Total Additions - Covered Transmission	\$ 14,205 (c)	<p>This adjustment has been processed as a result of adjustment 12.5 - Reversal of Statutory write-down (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>This adjustment relates to the reversal of statutory write-downs for cancelled/deferred projects. BDO has obtained the workings for these write downs as well as the 2011 Opex workings, which allocate the amounts between the various categories.</p>
Total Additions - Covered Distribution	\$ 338 (d)	

**2.3.12. Adjustments to (11.) Contributions for the year ended 30 June 2011
(Refer to Section 3 - Account Reconciliation Statements)**

Adjustment 12.1	Adjustment (000)	Work Performed
Total Contributions - Covered Transmission	\$(23,207) <u>(a)</u>	This adjustment has been processed as a result of adjustment 12.1 - Contributions (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)
Total Contributions - Covered Distribution	\$(1,078) <u>(b)</u>	We have agreed the movement in deferred income directly to the 2011 AFS, note 14 to ensure that all additional contributions recorded during the period were used in the calculation relating to this adjustment. We then agreed that the adjustment has been allocated accurately to the various categories of covered transmission and covered distribution through our review of the 2011 Revenue Model and the 2011 Contribution workings provided by Western Power.
Adjustment 12.3	Adjustment (000)	Work Performed
Total Contributions - Covered Transmission	\$(1,423) <u>(c)</u>	<p>This adjustment has been processed as a result of adjustment 12.3 - Contributions Cancelled (Refer Adjustments, Rationale, and CRAM reference table, Page 17 of this report)</p> <p>The adjustment relates to contributions received from cancelled projects, reallocated from contributions to Non-Reference Services. BDO has agreed the value of this adjustment through to the system report from Contributions Recognised in P&L (IN3500) which was provided to us by Western Power.</p> <p>The allocation to “customer driven” is appropriate given the nature of the contributions.</p>

2.4. Mapping and Allocation

Objective	Procedure										
<p>To identify whether Western Power has appropriately accounted for regulatory and non-regulatory functions, and whether the expenditures associated with these functions are appropriately allocated and reflected in the company's regulatory and statutory accounts.</p>	<p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> • Confirm that the classification of figures into the regulatory and the non-regulatory segments of the business has been performed according to the CRAM • Determine whether or not the allocations were reflected correctly within the Regulatory Financial Statements and the Statutory Accounts. • Obtain a copy of the CRAM and check that it has been consistently applied to the process whereby figures entered or reported in the trial balance were accepted or adjusted in order to prepare the RFS. • Review the account code listing and check for appropriate segregation between regulatory and non-regulatory functions. • Review the methodology whereby complementary resources are classified as regulatory or non-regulatory. 										
	Outcome										
	<p>2.4.1 (1).Profit and Loss account (disaggregated) for the year ended 30 June 2010</p>										
<table border="1"> <thead> <tr> <th data-bbox="422 896 646 981">Line Item</th> <th data-bbox="649 896 837 981">Value (000)</th> <th data-bbox="841 896 1401 981">Work Performed</th> </tr> </thead> <tbody> <tr> <td data-bbox="422 981 646 1848">Total Revenue Allocation</td> <td data-bbox="649 981 837 1848">\$1,117,588</td> <td data-bbox="841 981 1401 1848"> <p>Revenue has been allocated across the business segments using the 2010 Revenue Workings as well as the 2010 Revenue Model, as provided by Western Power. BDO has agreed the allocations on the face of the Profit and Loss account at (1.) to the workings.</p> <p>We have agreed the revenue workings. These reconcile the Trial Balance with the revenue model, which in turn allocates revenue types to the various business segments and categories based on account codes.</p> <p>BDO has agreed that revenue has been allocated according to the CRAM 2010, Section 7: <i>Revenue Allocation</i>. This provides that revenue is to be allocated directly where possible through the use of the account codes created for the purpose in Western Power's systems. Where direct allocation is not possible then "a method that most appropriately reflects the causal correlation of the underlying transaction" is to be used, such as through the proportions of PPE and L&B that are relevant to the segments.</p> </td> </tr> <tr> <td data-bbox="422 1848 646 2024">Total Expense Allocation</td> <td data-bbox="649 1848 837 2024">(\$1,002,112)</td> <td data-bbox="841 1848 1401 2024"> <p>Expenses have been allocated across the business segments using the 2010 Opex Workings and other calculations as provided by Western Power. These allocate direct expenses directly and indirect expenses causally. BDO has agreed the allocations on</p> </td> </tr> </tbody> </table>	Line Item	Value (000)	Work Performed	Total Revenue Allocation	\$1,117,588	<p>Revenue has been allocated across the business segments using the 2010 Revenue Workings as well as the 2010 Revenue Model, as provided by Western Power. BDO has agreed the allocations on the face of the Profit and Loss account at (1.) to the workings.</p> <p>We have agreed the revenue workings. These reconcile the Trial Balance with the revenue model, which in turn allocates revenue types to the various business segments and categories based on account codes.</p> <p>BDO has agreed that revenue has been allocated according to the CRAM 2010, Section 7: <i>Revenue Allocation</i>. This provides that revenue is to be allocated directly where possible through the use of the account codes created for the purpose in Western Power's systems. Where direct allocation is not possible then "a method that most appropriately reflects the causal correlation of the underlying transaction" is to be used, such as through the proportions of PPE and L&B that are relevant to the segments.</p>	Total Expense Allocation	(\$1,002,112)	<p>Expenses have been allocated across the business segments using the 2010 Opex Workings and other calculations as provided by Western Power. These allocate direct expenses directly and indirect expenses causally. BDO has agreed the allocations on</p>		
Line Item	Value (000)	Work Performed									
Total Revenue Allocation	\$1,117,588	<p>Revenue has been allocated across the business segments using the 2010 Revenue Workings as well as the 2010 Revenue Model, as provided by Western Power. BDO has agreed the allocations on the face of the Profit and Loss account at (1.) to the workings.</p> <p>We have agreed the revenue workings. These reconcile the Trial Balance with the revenue model, which in turn allocates revenue types to the various business segments and categories based on account codes.</p> <p>BDO has agreed that revenue has been allocated according to the CRAM 2010, Section 7: <i>Revenue Allocation</i>. This provides that revenue is to be allocated directly where possible through the use of the account codes created for the purpose in Western Power's systems. Where direct allocation is not possible then "a method that most appropriately reflects the causal correlation of the underlying transaction" is to be used, such as through the proportions of PPE and L&B that are relevant to the segments.</p>									
Total Expense Allocation	(\$1,002,112)	<p>Expenses have been allocated across the business segments using the 2010 Opex Workings and other calculations as provided by Western Power. These allocate direct expenses directly and indirect expenses causally. BDO has agreed the allocations on</p>									

the face of the Profit and Loss account at (1.) to the workings provided.

We have agreed the 2010 Opex Workings. These allocate Operational Expenditure to the various business segments and categories based on the account codes attached to the accounting data. We have also agreed other workings in the 2010 RFS workbook that were used to allocate expenses causally to underlying balance sheet and profit & loss information. These latter workings were also based on the CRAM. .

BDO has agreed that expenses have been allocated according to the CRAM 2010, Section 6: *Cost Allocation*, and Appendix A, Tables 1 to 6 which provide guidance for the allocation of expenses. In summary, expenses are to be allocated directly where possible through the use of account codes set up in Western Power’s systems for the purpose. Where direct allocation is not possible then allocation should be made by the method that most appropriately reflects the causal correlation of the underlying transaction, such as through the proportions of PPE and L&B that are relevant to the segments.

2.4.2 (3). Cash flow statement (disaggregated) for the year ended 30 June 2010

Line Item	Value (000)	Work Performed
Operating Activity Allocation	\$126,923	<p>These receipts and payments have been allocated on a proportional basis, based on the proportions of revenue and expenses allocated to the various business segments.</p> <p>BDO has agreed that the assumptions used to allocate receipts and payments here (i.e. the proportional revenues and expenses) have been sourced correctly and are consistent with the allocations made in the Profit & Loss statement.</p> <p>We have also agreed the allocation methodology to the CRAM 2010, Appendix B, Table 11, Page 26.</p>
Investing Activity Allocation	(\$785,281)	<p>Receipts have been allocated based on disposals per the profit & loss. Payments have been allocated based on actual capital cash PPE additions recorded per business segment.</p>

		<p>BDO has examined the principles and assumptions used to allocate receipts and payments (i.e. capital additions and proceeds from disposal). We confirm that the receipts and payments have been treated and recorded correctly, and that the representation of these is consistent with the allocations made in the Profit & Loss, Balance Sheet and Capital Expenditure worksheets from which the RFS were prepared.</p> <p>We have also agreed the allocation methodology to the CRAM 2010, Appendix B, Table 11, Page 26.</p>
Financing Activity Allocation	\$754,672	<p>Receipts from Financing Activities have been allocated in the Cash Flow Statement based on their respective proportions of total borrowings held in each segment's balance sheet. Payments have been allocated on the same basis.</p> <p>BDO agrees that the correct assumptions were used to allocate receipts and payments (i.e. as a proportion of borrowings held in each segment). We confirm that these receipts and payments have been processed correctly and the resultant amounts are consistent with the allocations made in the Balance Sheet and associated workings.</p> <p>We have also agreed the allocation methodology to the CRAM 2010, Appendix B, Table 11, Page 26.</p>

2.4.3 (5). Balance Sheet (disaggregated) as at 30 June 2010

Line Item	Value (000)	Work Performed
Total Current Asset Allocation	\$403,490	<p>Current Assets have been allocated using the allocation methodology in the CRAM 2010, Appendix B, Table 7, Page 24.</p> <p>BDO has agreed that the Current Asset workings on the face of the RFS 2010, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings relating to Current Assets to the financial analysis package and the balance sheet reconciliations workbook.</p>

	Total Non Current Asset Allocation	\$5,761,675	<p>Non Current Assets have been allocated using the allocation methodology in the CRAM 2010, Appendix B, Table 8, Page 25.</p> <p>BDO has agreed that the Non Current Asset workings on the face of the RFS 2010, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings relating Non Current Assets to the fixed asset reconciliation and balance sheet reconciliation workbooks, as provided by Western Power.</p>
	Total Current Liability Allocation	\$(330,363)	<p>Current Liabilities have been allocated using the allocation methodology in the CRAM 2010, Appendix B, Table 9, Page 25.</p> <p>BDO has agreed that the Current Liabilities workings on the face of the RFS 2010, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings relating Current Liabilities to the financial analysis and balance sheet reconciliation workbooks, as provided by Western Power. FTE's (Full Time Equivalents) have been agreed to workings provided by Western Power and are applied to allocate employees to the various business segments on a reasonable basis.</p>
	Total Non Current Liability Allocation	\$(4,775,763)	<p>Non Current Liabilities have been allocated using the allocation methodology in the CRAM 2010, Appendix B, Table 10, Page 26. BDO has agreed that the Non Current Liabilities workings on the face of the RFS 2010, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings relating Non Current Liabilities to the financial analysis and balance sheet reconciliation workbooks, as provided by Western Power. FTEs (Full Time Equivalents) have been agreed to workings provided by Western Power and are applied to allocate employees to the various business segments on a reasonable basis.</p>

2.4.4 (7). Capital expenditure (disaggregated) for the year ended 30 June 2010

Line Item	Value (000)	Work Performed
Allocation of Total Additions	\$847,238	<p>Capital expenditure additions are allocated according to the Account Codes of the capital projects that underlie transactions. The Account Code identifies the business segment and service type, per CRAM 2010, Appendix C, Page 27.</p> <p>The allocation of capital expenditure between activities and business segments is determined in the RFS 2010 through the Capex workings, which uses various information sources to allocate Capital expenditure correctly and in accordance with the CRAM.</p> <p>BDO has agreed the Capex workings to the RFS 2010. We have also assessed the workings to determine whether they allocate expenditure correctly by activity and business segment. The workings are referenced to the 2010 CPR Capex workbook, which we have agreed, as well as the inventory, to the inventory worksheet.</p>

2.4.5 (9). Operating expenditure (disaggregated) for the year ended 30 June 2010

Line Item	Value (000)	Work Performed
Allocation of Total Directly Attributed Costs and causally allocated costs	\$(81,000)	<p>Operating Expenditure is required to be allocated, within each business segment, to the main categories of operating expenditure services based on CRAM 2010, Appendix A, Tables 1 to 6, Pages 20-23.</p> <p>The operating expenditure workings have been agreed to comprehensive Opex workings, as provided by Western Power in the 2010 Opex Model.</p> <p>This model allocates operating segment information from various source reports run by Western Power to the various business segments and expenditure types as dictated by the CRAM 2010.</p> <p>BDO has reviewed this Opex model and agreed that the model reconciles with the RFS. Western Power staff provided assistance with our understanding of the model at the time of our meetings at WP head office.</p>

2.4.6 (10). Contributions for the year ended 30 June 2010

Line Item	Value (000)	Work Performed
Allocation of Contributions	\$187,366	<p>Capital contributions are allocated based on CRAM 2010, section 7.1, Page 17. This provides that contributions should be allocated directly to each business segment and activity type based on the account code ascribed to the underlying transaction. Contributions in the 2010 RFS have been allocated via the Contributions workings; these are contained within the RFS 2010 document itself. These workings allocate movements in customers' deposits based on the allocation of the underlying balances attributable to individual projects which are, obtained from external Western Power reports.</p> <p>BDO has agreed that the workings allocate contributions directly between covered transmission and covered distribution. This is in accordance with the guidelines of the CRAM 2010.</p>

2.4.7 (1). Profit and loss account (disaggregated) for the year ended 30 June 2011

Line Item	Value (000)	Work Performed
Total Revenue Allocation	\$1,380,373	<p>Revenue has been allocated across the business segments using the 2011 Revenue Workings as well as the 2011 Revenue Model, as provided by Western Power. BDO has agreed the allocations on the face of the Profit and Loss account at (1.) to the workings.</p> <p>We have agreed the revenue workings, which reconcile the Trial Balance with the revenue model and allocate revenue types to the various business segments and categories based on account codes.</p> <p>BDO has agreed that revenue has been allocated according to the CRAM 2011, Section 7: <i>Revenue Allocation</i>, which provides that revenue is to be allocated directly where possible through the use of account codes set up in Western Power's systems. Where direct allocation is not possible, then a method of allocation that most appropriately reflects the causal correlation of the underlying transaction is to be applied, such as through the proportions of PPE and L&B that are relevant to the segments.</p>

	<p>Total Expense Allocation</p>	<p>(\$1,197,444)</p>	<p>Expenses have been allocated across the business segments using the 2011 Opex Workings as well as other calculations which allocate indirect expenses causally, as provided by Western Power. BDO has agreed the allocations on the face of the Profit and loss account at (1.) to the workings provided.</p> <p>We have agreed the 2011 Opex Workings, which allocate Operational Expenditure to the various business segments and categories based on account codes attached to the accounting data. We have also agreed other workings in the 2011 RFS workbook to the underlying balance sheet and profit & loss information which is used to allocate expenses causally based on the CRAM.</p> <p>BDO has agreed that expenses have been allocated according to the CRAM 2011, Section 6: <i>Cost Allocation</i>, and Appendix A, Tables 1 to 6. These provide guidance for allocating expenses. In summary, expenses are to be allocated directly where possible, through the use of account codes set up for the purpose in Western Power’s systems. Where direct allocation is not possible, a method that most appropriately reflects the causal correlation of the underlying transaction is used, such as through the proportions of PPE and L&B that are relevant to the segments.</p>
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2.4.8 (3). Cash flow statement (disaggregated) for the year ended 30 June 2011

Line Item	Value (000)	Work Performed
<p>Operating Activity Allocation</p>	<p>\$652,965</p>	<p>These receipts and payments have been allocated on a proportional basis, based on the proportions of revenue and expenses allocated to the various business segments.</p> <p>BDO has agreed that the assumptions used to allocate receipts and payments here (i.e. the proportional revenues and expenses) have been sourced correctly and are consistent with the allocations made in the profit & loss.</p> <p>We have also agreed the allocation methodology to the CRAM 2011, Appendix B, Table 11, Page 27.</p>
<p>Investing Activity Allocation</p>	<p>(\$704,708)</p>	<p>Receipts recorded here have been allocated based on disposals per the profit & loss. Payments have been allocated based on actual capital cash PPE additions recorded</p>

		<p>per business segment.</p> <p>BDO has agreed that the assumptions used to allocate receipts and payments here (i.e. capital additions and proceeds from disposal) have been sourced correctly and are consistent with the allocations made in the profit & loss, balance sheet and capital expenditure worksheets.</p> <p>We have also agreed the allocation methodology to the CRAM 2011, Appendix B, Table 11, Page 27.</p>
Financing Activity Allocation	(\$45,058)	<p>Receipts recorded here have been allocated based on a proportion of borrowings held in each segment, per the balance sheet. Payments have also been allocated on the same basis.</p> <p>BDO has agreed that the assumptions used to allocate receipts and payments here (i.e. proportion of borrowings held in each segment) have been sourced correctly and are consistent with the allocations made in the balance sheet and associated workings.</p> <p>We have also agreed the allocation methodology to the CRAM 2011, Appendix B, Table 11, Page 27.</p>

2.4.9 (5). Balance sheet (disaggregated) as at 30 June 2011

Line Item	Value (000)	Work Performed
Total Current Asset Allocation	\$298,710	<p>Current Assets have been allocated using the allocation methodology in the CRAM 2011, Appendix B, Table 7, Page 25.</p> <p>BDO has agreed that the Current Asset workings on the face of the RFS 2011, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings concerning Current Assets to the financial analysis package and the balance sheet reconciliations workbook.</p>
Total Non Current Asset Allocation	\$6,312,154	<p>Non Current Assets have been allocated using the allocation methodology in the CRAM 2011, Appendix B, Table 8, Page 26.</p> <p>BDO has agreed that the Non Current Asset workings on the face of the RFS 2011, as well as the underlying Balance Sheet Workings, have been based on the correct</p>

			<p>assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings concerning Non Current Assets to the fixed asset reconciliation and balance sheet reconciliation workbooks, as provided by Western Power.</p>
	Total Current Liability Allocation	(\$303,332)	<p>Current Liabilities have been allocated using the allocation methodology in the CRAM 2011, Appendix B, Table 9, Page 26.</p> <p>BDO has agreed that the Current Liabilities workings on the face of the RFS 2011, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings concerning Current Liabilities to the financial analysis and balance sheet reconciliation workbooks, as provided by Western Power. FTEs (Full Time Equivalents) have been agreed to workings provided by Western Power and allocate employees to the various business segments on a reasonable basis.</p>
	Total Non Current Liability Allocation	(\$5,179,588)	<p>Non Current Liabilities have been allocated using the allocation methodology in the CRAM 2011, Appendix B, Table 10, Page 27.</p> <p>BDO has agreed that the Non Current Liabilities workings on the face of the RFS 2011, as well as the underlying Balance Sheet Workings, have been based on the correct assumptions, as dictated by the CRAM.</p> <p>BDO has also agreed the Balance Sheet workings concerning Non Current Liabilities to the financial analysis and balance sheet reconciliation workbooks, as provided by Western Power. FTE's (Full Time Equivalents) have been agreed to workings provided by Western Power and allocate employees to the various business segments on a reasonable basis.</p>
<p>2.4.10 (7). Capital expenditure (disaggregated) for the year ended 30 June 2011</p>			
	Line Item	Value (000)	Work Performed
	Allocation of Total Additions	\$779,701	Capital expenditure additions are allocated according to the account codes of the capital projects that underlie transactions. This identifies the business segment and associated service type, per CRAM 2011,

Appendix C, Page 28.

The allocation of capital expenditure between activities and business segments is determined in the RFS 2011 via the Capex workings, which uses various information sources to allocate capital expenditure correctly in accordance with the CRAM.

BDO has agreed the Capex workings to the face of the RFS 2011. We have also assessed the workings to determine whether they allocate expenditure correctly by activity and business segment. The workings refer to the 2011 CPR Capex workbook, which we have agreed, as well as the inventory, to the inventory worksheet.

2.4.11 (9). Operating expenditure (disaggregated) for the year ended 30 June 2011

Line Item	Value (000)	Work Performed
Allocation of Total Directly Attributed Costs and causally allocated costs	(\$110,679)	<p>Operating Expenditure is to be allocated within each business segment to the main categories of operating expenditure services based on CRAM 2011, Appendix A, Tables 1 to 6, Pages 20-24.</p> <p>The operating expenditure workings have been agreed to comprehensive Opex workings as provided by Western Power in the 2011 Opex Model.</p> <p>This model allocates operating segment information from various source reports run by Western Power to the various business segments and expenditure types as dictated by the CRAM 2011.</p> <p>BDO has reviewed this Opex model and agreed that the model reconciles with the RFS. Western Power staff provided assistance with our understanding of the model at the time of our meetings at WP head office.</p>

2.4.12 (11). Contributions for the year ended 30 June 2011

Line Item	Value (000)	Work Performed
Allocation of Contributions	\$189,797	Capital contributions are allocated based on CRAM 2011, section 7.1, Page 14, which provides that contributions are allocated directly to each business segment and activity type based on the account code of the underlying transaction.

			<p>Contributions in the 2011 RFS have been allocated via the Contributions workings, contained within the RFS 2011 document itself. These workings allocate movements in customers' deposits based on the allocation of the individual projects underlying the balances, obtained from external Western Power reports.</p> <p>BDO has agreed that the workings appear to allocate contributions directly between covered transmission and covered distribution, which is in line with the guidelines of the CRAM 2011.</p>
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2.5. Disposal of Fixed Assets

Objective	Procedure
<p>To ensure that the book value and proceeds from sale of assets reconcile to Asset Register, RFS, and AFS.</p>	<p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> • Conduct a process walkthrough with the Fixed Assets Team Leader (done on 29 November 2011) to gain an understanding of the procedures in place regarding the sale and reconciliation of assets. We were accompanied by an Analyst from the ERA, and the meeting was facilitated by the Senior Regulatory Analyst, Access Arrangement. • Meet with the Business Analyst, Business Planning and Analysis, to gain an understanding of how the sale of assets is recorded in Western Power’s financial system and the level of supporting work papers/documentation maintained. • Obtain and agree a sample of fixed asset disposals to supporting Western Power reconciliation spreadsheets and financial workings.
	<p>Outcome</p> <p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> • We have agreed the sale of [REDACTED] to the disposal listing within Western Power’s 2011 fixed asset reconciliation. We then, agreed this fixed asset reconciliation to the Capex workings within the 2010/11 RFS workings spreadsheet, which we used when verifying the reconciliation of the RFS to the AFS. We also identified that Western Power recognised a gain on sale of this asset amount to \$999, which was accurately recorded in the accounting system as being “regulatory” in nature, thus forming part of the category of “covered distribution”, wherein it was allocated to “distribution - land”. • Our review of supporting information for fixed asset disposals identified that management authorisation was provided for all of the four fixed asset disposals that we reviewed. • [REDACTED] ■ [REDACTED] ■ [REDACTED] ■ [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

2.6. Ring Fenced Division

Objective	Procedure
<p>To identify whether Western Power has appropriately accounted for regulatory and non-regulatory functions, and whether the expenditures associated with these functions are appropriately allocated and reflected in the company's regulatory financial and annual financial statements.</p>	<p>FY 2009/10 and FY 2010/11</p> <ul style="list-style-type: none"> • Meet with the following Western Power personnel (done on 13 December 2011) to obtain an understanding of the nature, purpose, and operations of Western Power's Ring Fenced division: <ol style="list-style-type: none"> 1) Senior Regulatory Analyst, Access Arrangement 2) Finance Markets Development Manager, Systems Management/Markets 3) Senior Business Analyst, Systems Management/Markets 4) Financial Statement Accountant, Corporate Accounting and Tax 5) Business Analyst, Systems Management/Markets 6) Business Analyst, Business Planning and Analysis 7) Branch Manager, Business Planning & Analysis • Conduct a walkthrough of Western Power's Ring Fenced division. BDO was accompanied by an Analyst and Senior Project Officer from the ERA. During this exercise it became evident that BDO needed to conduct a further walkthrough to test controls for expenditure management associated with the Ring Fenced System Management (Markets) division at 8 Joel Street, East Perth. • At the second meeting and walkthrough with representatives of the System Management (Markets) division, BDO met with the following personnel: <ol style="list-style-type: none"> 1) Senior Regulatory Analyst, Access Arrangement; 2) Senior Business Analyst, Systems Management/Markets; 3) Admin Officer, Systems Management/Markets; and 4) Admin Assistant, Systems Management/Markets. • In this exercise we were accompanied by an Analyst and Senior Project Officer from the ERA. We conducted a discussion and system walkthrough to gain an understanding of how the processes involved in expenditure management under the current Access Arrangement operate. We did this by reviewing the audit sample supplied to us by the System Management (Markets) Division. • BDO requested a copy of Western Power's formal ring-fencing policy but were advised that the policy was in a working draft stage. Western Power provided a copy of the working draft version. • Based on the audit sample provided to us on 13 December 2011, we carried out a detailed review to test the controls identified during the process walkthrough by reviewing the following source documents: <ol style="list-style-type: none"> 1) Purchase requisitions (PR); 2) Documented request and approvals, in the form of emails; 3) Purchase orders (PO); 4) Supplier invoices, with management approval/sign off; and 5) Screen shots of PR and PO data entry screens for inputting into Ellipse. • On 9 January 2012, BDO received the requested expenditure listing for the 2010 and 2011 financial years, and selected the following for further testing.

3. ACCOUNT RECONCILIATION STATEMENTS

1. Profit & Loss Account

Description	Year Ended 30 June 2010 ("000)			Year Ended 30 June 2011 ("000)		
	Base Account	Adjustment	Regulatory Account	Base Account	Adjustment	Regulatory Account
Covered Transmission						
Total Revenue	\$296,540	\$21,330 (2.3.1.a)	\$317,870	\$396,597	-\$23,207 (2.3.6.a & b)	\$373,390
Total expenses	-\$250,809	-\$11,377 (2.3.1.b, d & e)	-\$262,186	-\$289,896	\$5,448 (2.3.6.c, d & e)	-\$284,448
Earnings before taxation	\$45,731	\$9,953	\$55,684	\$106,701	-\$17,759	\$88,942
Taxation	-\$7,203	-\$2,986 (2.3.1c)	-\$10,189	-\$31,091	\$5,328 (2.3.6.f)	-\$25,763
Profit/Loss after taxation	\$38,528	\$6,967	\$45,495	\$75,610	-\$12,431	\$63,179
Covered Distribution						
Total Revenue	\$713,813	-\$13,066 (2.3.1.f)	\$700,747	\$881,599	-\$1,078 (2.3.6.g)	\$880,521
Total expenses	-\$649,795	\$0 (2.3.1 g & h)	-\$649,795	-\$810,911	\$338 (2.3.6.h & i)	-\$810,573
Earnings before taxation	\$64,018	-\$13,066	\$50,952	\$70,688	-\$740	\$69,948
Taxation	-\$10,083	\$3,920 (2.3.1.i)	-\$6,163	-\$20,597	\$222 (2.3.6.i)	-\$20,375
Profit/Loss after taxation	\$53,935	-\$9,146	\$44,789	\$50,091	-\$518	\$49,573

2. Cash flow statement

Description	Year Ended 30 June 2010 ("000)			Year Ended 30 June 2011 ("000)		
	Base Account	Adjustment	Regulatory Account	Base Account	Adjustment	Regulatory Account
Covered Transmission						
Net operating cash flow	\$48,057	-\$11,377	\$36,680	\$222,477	-\$8,757	\$213,720
Net investing cash flow	-\$245,136	\$11,377 (2.3.2.a)	-\$233,759	-\$176,831	\$8,757 (2.3.7.a)	-\$168,074
Net financing cash flow	\$286,076	\$0	\$286,076	-\$16,557	\$0	-\$16,557
Net increase in cash held	\$88,997	\$0	\$88,997	\$29,089	\$0	\$29,089
Covered Distribution						
Net operating cash flow	\$71,788	\$0	\$71,788	\$387,308	\$0	\$387,308
Net investing cash flow	-\$513,316	\$0	-\$513,316	-\$509,259	\$0	-\$509,259
Net financing cash flow	\$456,136	\$0	\$456,136	-\$27,841	\$0	-\$27,841
Net increase in cash held	\$14,608	\$0	\$14,608	-\$149,792	\$0	-\$149,792

3. Balance Sheet

Description	Year Ended 30 June 2010 ("000)			Year Ended 30 June 2011 ("000)		
	Base Account	Adjustment	Regulatory Account	Base Account	Adjustment	Regulatory Account
Covered Transmission						
Total current assets	\$137,813	\$0	\$137,813	\$98,539	\$0	\$98,539
Total non-current assets	\$2,195,696	-\$44,788 (2.3.3.a)	\$2,150,908	\$2,310,909	-\$39,340 (2.3.8.a)	\$2,271,569
Total assets	\$2,333,509	-\$44,788	\$2,288,721	\$2,409,448	-\$39,340	\$2,370,108
Total current liabilities	-\$120,875	\$41,009 (2.3.3.b & c)	-\$79,866	-\$83,428	\$14,224 (2.3.8.b & c)	-\$69,204
Total non-current liabilities	-\$1,811,902	\$7,914 (2.3.3.d)	-\$1,803,988	-\$1,912,548	\$18,997 (2.3.8.d)	-\$1,893,551
Total Liabilities	-\$1,932,777	\$48,923	-\$1,883,854	-\$1,995,976	\$33,221	-\$1,962,755
Net assets	\$400,732	\$4,135	\$404,867	\$413,472	-\$6,119	\$407,353
Covered Distribution						
Total current assets	\$241,294	\$0	\$241,294	\$179,973	\$0	\$179,973
Total non-current assets	\$3,490,810	\$0	\$3,490,810	\$3,922,737	\$338 (2.3.9.a)	\$3,923,075
Total assets	\$3,732,104	\$0	\$3,732,104	\$4,102,710	\$338	\$4,103,048
Total current liabilities	-\$206,707	\$65,621 (2.3.4.a & b)	-\$141,086	-\$214,188	\$59,835 (2.3.9.b & c)	-\$154,353
Total non-current liabilities	-\$2,886,447	\$47 (2.3.4.c)	-\$2,886,400	-\$3,193,287	\$76 (2.3.9.d)	-\$3,193,211
Total Liabilities	-\$3,093,154	\$65,668	-\$3,027,486	-\$3,407,475	\$59,911	-\$3,347,564
Net assets	\$638,950	\$65,668	\$704,618	\$695,235	\$60,249	\$755,484

4. Operating Expenditure For Year Ended 30 June 2011 (ONLY)

Description	Year Ended 30 June 2011 ("000)			
	Base Account	Adjustment (Ref 12.4)	Adjustment (Ref 12.5)	Regulatory Account
Covered Transmission				
Operations	-\$23,486	\$0	\$1,523	-\$21,963
Maintenance	-\$39,671	\$0	\$0	-\$39,671
Corporate	-\$42,475	-\$3,668	\$10,162	-\$35,981
<i>Non-recurring expenditure</i>	-\$5,047	\$0	\$2,520	-\$2,527
Total operating expenditure	-\$110,679	-\$3,668 (2.3.11.a)	\$14,205 (2.3.11.c)	-\$,100,142
Covered Distribution				
Operations	-\$36,633	\$0	\$0	-\$36,633
Maintenance	-\$181,999	\$0	\$0	-\$181,999
Corporate	-\$24,917	\$0	\$0	-\$24,917
Customer service and billing	-\$68,298	-\$6,068	\$338	-\$74,028
<i>Non-recurring expenditure</i>	-\$183,332	\$0	\$0	-\$183,332
Total operating expenditure	-\$495,179	-\$6,068 (2.3.11.b)	\$338 (2.3.11.d)	-\$500,909



5. Capital Expenditure

Description	Year Ended 30 June 2010 ("000)				Year Ended 30 June 2011 ("000)				
	Base Account	Adjustment (Ref11.2)	Adjustment (Ref11.5)	Regulatory Account	Base Account	Adjustment (Ref12.2)	Adjustment (Ref12.5)	Adjustment (Ref12.6)	Regulatory Account
Covered Transmission									
Growth	\$191,942	-\$10,881	\$11,544	\$192,605	\$98,145	\$0	\$14,205	\$-11,544	\$100,806
Asset replacement	\$5,529	-\$221	\$10,976	\$16,284	\$31,569	\$0	\$0	\$-10,976	\$20,593
Improvement in service	\$11,028	-\$4	-\$222	\$10,802	\$6,968	\$0	\$0	\$222	\$7,190
Regulatory (safety, environmental, statutory)	\$11,256	-\$271	-\$368	\$10,617	\$11,146	\$0	\$0	\$368	\$11,514
Corporate	\$17,473	\$0	\$0	\$17,473	\$27,266	\$0	\$0	\$0	\$27,266
Capitalised Interest	\$0	\$0	\$0	\$0	\$8,757	\$-8,757	\$0	\$0	\$0
Total additions	\$237,228	-\$11,377 (2.3.5.a)	\$21,930 (2.3.5.b)	\$247,781	\$183,851	\$-8,757 (2.3.10.a)	\$14,205 (2.3.10.b)	\$-21,930 (2.3.10.d)	\$167,369
Covered Distribution									
Growth	\$350,082	\$0	-\$593	\$349,489	\$321,535	\$0	\$338	\$593	\$322,466
Asset replacement and renewal	\$112,351	\$0	-\$252	\$112,099	\$132,768	\$0	\$0	\$252	\$133,020
Improvement in service	\$20,779	\$0	-\$46	\$20,733	\$11,152	\$0	\$0	\$46	\$11,198
Regulatory (safety, environmental, statutory)	\$63,674	\$0	-\$143	\$63,531	\$61,078	\$0	\$0	\$143	\$61,221
Corporate	\$27,648	\$0	\$0	\$27,648	\$46,007	\$0	\$0	\$0	\$46,007
Total additions	\$574,534	\$0	-\$1,034 (2.3.5.c)	\$573,500	\$572,540	\$0	\$338 (2.3.10.c)	\$1,034 (2.3.10.e)	\$573,912
Ring fenced independent market operator									
Information Technology and market reform					\$795	\$0	\$0	\$0	\$795



6. Contributions for year ended 30 June 2011 (ONLY)

Description	Year Ended 30 June 2011 ("000)			
	Base Account	Adjustment (Ref 12.1)	Adjustment (Ref 12.3)	Regulatory Account
Covered Transmission				
Customer driven	\$43,844	-\$28,168	-\$1,423	\$14,253
Generation driven	\$1,938	\$4,961	\$0	\$6,899
Capacity expansion	\$51	\$0	\$0	\$51
Asset replacement	\$17	\$0	\$0	\$17
SCADA/communications	\$1	\$0	\$0	\$1
Total contribution	\$45,851	-\$23,207 (2.3.12.a)	-\$1,423 (2.3.12.c)	\$21,221
Covered Distribution				
Customer driven	\$83,322	-\$1,600	\$0	\$81,722
Gifted assets	\$53,951	\$0	\$0	\$53,951
State Underground Power Project (SUPP)	\$6,556	\$522	\$0	\$7,078
Metering	\$73	\$0	\$0	\$73
Asset replacement	\$26	\$0	\$0	\$26
Regulatory compliance	\$18	\$0	\$0	\$18
Total contribution	\$143,946	-\$1078 (2.3.12.b)	\$0	\$142,868

4. ENGAGEMENT PARTICIPANTS

Name	Designation
Jeeva Maistry	Director (BDO)
Chris Potter	Associate Director (BDO)
Laura McNama	Manager (BDO)
Neil Naidu	Senior Advisor (BDO)
Jacek Szymenderski	Senior Advisor (BDO)
Elizabeth Walters	Assistant Director, Electricity (ERA)
Tyson Self	Manager Projects, Access (ERA)
Wayne Blakiston	Analyst (ERA)
Lincoln Flindell	Senior Project Officer (ERA)
Gene Barker	Senior Regulatory Analyst, Access Arrangement (WP)
Michael Harris	Communications Manager, Access Arrangement (WP)
Craig Fowler	Program Coordinator, Access Arrangement (WP)
Daniel Kennedy	Branch Manager, Business Planning and Analysis (WP)
Gavin Hobbs	Branch Manager, Corporate Accounting and Tax (WP)
Chris Olds	Group Accountant, Corporate Accounting and Tax (WP)
Kym Lilleyman	Financial Statements Accountant, Corporate Accounting & Tax (WP)
Amanda Brennan	Senior Business Analyst (Planning & Reporting), Business Planning & Analysis (WP)
Nelly Simon	Finance Manager (Capital), Corporate Accounting & Tax (WP)
Peta Taylor	Business Analyst (Networks), Business Planning & Analysis (WP)
Jennifer Gaskill	Finance Markets Development Senior Finance Manager (Networks), Business Planning & Analysis (WP)
Frank O' Brien	Senior Business Analyst (Networks), Business Planning & Analysis (WP)
Debra Hutson	Admin Officer, Systems Management (WP)
Avril Norwood	Admin Assistant, Systems Management (WP)

5. LIMITATIONS & USE BY THIRD PARTIES

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are subject to the agreed upon procedures operate, is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. Agreed upon procedures are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period, and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures into future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this agreed upon procedures report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the internal report has been issued in final form unless specifically agreed with client.

The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Economic Regulation Authority. The procedures that were performed did not constitute an audit in accordance with Australian Auditing Standards or a review made in accordance with Australian Auditing Standards applicable to review engagements and, consequently, no assurance is expressed.

Use by third parties

This report is intended solely for the use of management, the external auditors, regulatory agencies or the Company's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's written consent.