

# Audit Report

Performance Audit  
and Asset  
Management  
Review

Prepared for Southern Cross  
Energy Partnership  
November 2014



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# Executive Summary

## General

Southern Cross Energy Partnership (SCE) holds an electricity distribution licence (EDL3), an electricity retail licence (ERL7), an electricity generation licence (EGL13) and an electricity transmission licence (ETL4).

SCE owns and operates four gas turbine power stations in Western Australia located at Kambalda, Mt Keith, Leinster and Kalgoorlie. SCE is a fully owned subsidiary of Transalta Energy Australia Pty Ltd (Transalta). Gas is supplied through the Goldfields Gas Transmission pipeline. SCE also owns and operates 11 diesel generators for back-up capacity. Total generation capacity is around 260MW.

SCE is also responsible for around 285km of transmission lines and 187km of distribution lines between its generation sites. Most of SCE's electricity is sold to a single customer.

There have been no changes to these licences or the assets since the last audit.

## Audit and review objectives

This audit has been conducted in order to assess:

1. SCE's level of compliance with the conditions of its electricity licences.
2. The effectiveness of SCE's asset management system.

This report outlines the findings of the audit and review of SCE to fulfil the above objectives, conducted on 2 to 4 September. The audit and review covers the operating period of 1 July 2011 to 30 June 2014.

## Performance Audit - Findings

The previous audit identified the following non-compliances:

1. One item relating to the timeliness of audit return submission. This was rectified prior to the current audit.
2. One item relating to the lack of metrology procedure (metrology requirements are defined in the PPA which pre-dates the Code requirement). It was requested that a metrology procedure should be put in place if the opportunity arises e.g. if the contract is renewed. This has not been rectified.
3. Two items relating to the meters not meeting Code accuracy requirements (meters pre-date Code requirements and have been grandfathered as compliant). It was requested that customers are consulted and meters upgraded if required. However, this audit finds that this requirement is not applicable.

Issues identified during the current audit:

1. One item relating to the lack of metrology procedure (metrology requirements are defined in the PPA which pre-dates the Code requirement). It is requested that a metrology procedure should be put in place if the opportunity arises e.g. if the contract is renewed.

## Performance Audit - Effectiveness of controls

We consider that SCE has adequate controls in place that are appropriate to the nature and scale of its activities.

**Performance Audit - Overall compliance**

The overall compliance of SCE with its licence is summarised in Section 4.2 of this report. Two items were rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

**Performance Audit - Other issues**

A Post Audit Implementation Plan has been prepared by SCE and is included in Appendix C of this report. This Plan does not fall within the scope of the audit and does not represent the auditor's opinion. It is included in this report for completeness.

**Asset Management System Review – Findings**

The previous review identified only one recommendation. It was from the Asset Management System component 'Environmental analysis' and was for scheduling checks of level and alarm sensors on fuel tanks. The recommendation was addressed prior to the completion of the previous audit. A preventative maintenance order was scheduled.

While there were no shortcomings relating to the process and policy definition adequacy rating or the asset performance ratings identified, a commentary and recommendations for further improvement are offered, which SCE may wish to consider.

**Asset Management System Review – Control Environment**

We consider that SCE has adequate controls in place for its asset management functions that are appropriate to the nature and scale of its activities.

**Asset Management System Review - Overall effectiveness**

A summary of our assessment of the effectiveness of SCE's Asset Management System is provided in Section 4.3. All elements were rated "A" for policy and procedures. All elements were rated "1" for performance.

## Table of Contents

	<b>Executive Summary</b>	<b>ii</b>
<b>1</b>	<b>Introduction</b>	<b>6</b>
1.1	Background	6
1.2	Purpose of this report	6
<b>2</b>	<b>Audit/Review Scope</b>	<b>8</b>
2.1	Audit/Review Objectives	8
2.2	Scope of Works	8
2.2.1	Performance Audit	9
2.2.2	Performance Audit Excluded Conditions	10
2.2.3	Asset Management System Review	11
2.3	Methodology and Approach	12
2.4	Time Period Covered by the Audit/Review	20
2.5	Time Period of the Audit/Review Process	20
2.6	Details of the Licensee Representatives Participating in the Audit/Review	20
2.7	Details of Key Documents and Other Information Sources	20
2.8	Details of Auditors Participating in the Audit/Review and Hours Utilised	22
<b>3</b>	<b>Licensee’s Response to Previous Audit Recommendations</b>	<b>23</b>
<b>4</b>	<b>Performance Summary</b>	<b>25</b>
4.1	Assessment Rating Scales	25
4.2	Performance Audit Compliance Summary	27
4.3	Asset Management Review Effectiveness Summary	37
<b>5</b>	<b>Observations and Recommendations</b>	<b>38</b>
5.1	Performance Audit	38
5.2	Asset Management System Review	90
<b>6</b>	<b>Recommendations</b>	<b>99</b>
6.1	Performance Audit	99
6.2	Asset Management Review	100
<b>7</b>	<b>Confirmation of the Audit/Review</b>	<b>102</b>

## Tables

Table 2-1	Licence Performance Audit Areas .....	9
Table 2-2	Excluded conditions .....	10
Table 2-3	Licence Audit Methodology.....	13
Table 2-4	Asset Management Review Methodology .....	15
Table 3-1	Previous Audit Non-compliances and Recommendations .....	23
Table 4-1	Audit Compliance and Controls Rating Scales.....	25
Table 4-2	Asset Management Process and Policy Definition Adequacy Rating 25	
Table 4-3	Asset Management Performance Ratings.....	26
Table 4-4	Audit Obligation Ratings .....	27
Table 4-5	Asset Management Review Effectiveness Summary .....	37
Table 5-1	Performance Audit Observations.....	38
Table 5-2	Asset Management System Review Observations .....	90

Table 6-1 Table of Current Non Audit Compliances and Recommendations 99

## Appendices

**Appendix A Risk Management Framework**

**Appendix B Asset Management Performance Rating Definitions**

**Appendix C Post Audit Implementation Plan**

# 1 Introduction

## 1.1 Background

The Economic Regulation Authority (ERA) is responsible for regulating the licensing schemes for gas, electricity and water services in Western Australia. The primary objective of regulation is to ensure the provision of a competitive and fair environment, particularly where businesses operate as natural monopolies.

Southern Cross Energy Partnership (SCE) is a subsidiary of Transalta Energy Australia Pty Ltd (Transalta). SCE holds an electricity distribution licence (EDL3), an electricity retail licence (ERL7), an electricity generation licence (EGL13) and an electricity transmission licence (ETL4).

SCE owns and operates four gas turbine power stations in Western Australia located at Kambalda, Mt Keith, Leinster and Kalgoorlie. SCE is a fully owned subsidiary of Transalta. Gas is supplied through the Goldfields Gas Transmission pipeline. SCE also owns and operates 11 diesel generators for back-up capacity. Total generation capacity is around 260MW.

SCE is also responsible for around 284km of transmission lines and 187km of distribution lines between its generation sites. Most of SCE's electricity is sold to a single customer.

## 1.2 Purpose of this report

As a condition of the licences, licensees are required to conduct a performance audit and asset management review that assesses the performance of the licensee against its obligations under the licences.

The purpose of the performance audit was to assess the effectiveness of measures taken by the licensee to meet the conditions referred to in the licence including the legislative obligations called up by the licence. The scope of the audit report includes assessing the adequacy and effectiveness of performance against the requirements of the licensee by considering:

- ▶ process compliance;
- ▶ outcome compliance;
- ▶ output compliance;
- ▶ integrity of reporting; and
- ▶ compliance with any individual license conditions.

The asset management system reviews covers:

- ▶ a description of the audit or review objectives and the methodology used to conduct the audit or review;
- ▶ the interval of time covered by the audit or review and the previous audit or review, if applicable;
- ▶ the period over which the audit or review has been performed;
- ▶ details of the licensee's representatives participating in the audit or review;
- ▶ details of key documents and other information sources examined by the auditor during the course of the audit or review;
- ▶ details of the audit or review team members and hours utilised by each member; and
- ▶ any other information the auditor considers relevant to the audit or review scope of work.

The Electricity Industry Act 2004 (WA) obligate the licensee to provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority not less than every 24 months period (or such longer period as the Authority allows) and provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system not less than every 24 month period (or such longer period as the Authority allows).

A Performance Audit of licences EDL3, ERL7, EGL13 and ETL4 was last performed for the period 1 July 2008 to 30 June 2011. An Asset Management review of licences EDL3, EGL13 and ETL4 was last performed for the period 1 July 2008 to 30 June 2011.

Version 3 of each of EDL3, ERL7 and EGL13 were issued on 13 January 2011. Version 5 of ETL4 was issued on 20 March 2012.



## 2 Audit/Review Scope

### 2.1 Audit/Review Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of SCE's compliance with all of the relevant obligations under the licences
2. Provide to the Authority an independent assessment of the effectiveness of SCE's asset management system in relation to EDL3, EGL13 and ETL4.
3. Provide recommendations to address non-compliances, if any.

### 2.2 Scope of Works

The audit encompassed an assessment of the following four key areas using a risk based approach (to ISO 31000:2009):

- ▶ Process compliance: assessment of the effectiveness of systems and procedures
- ▶ Outcome compliance: assessment of actual performance against the prescribed licence standards
- ▶ Output compliance: assessment of records to indicate procedures are followed and controls are maintained
- ▶ Integrity of reporting: assessment of the completeness and accuracy of the compliance and performance reports.

The scope of works of this audit included:

- ▶ Interviews with key staff members from SCE to:
  - Assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
  - Assess performance against licence conditions for EDL3, ERL7, EGL13 and ETL4
  - Assess performance against each asset management process for EDL3, EGL13 and ETL4
- ▶ Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- ▶ Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Electricity and Gas Licences (April 2014).

## 2.2.1 Performance Audit

The audit of the licences covered the entire licences, and contained the following key areas as outlined in Table 2-1 below.

**Table 2-1 Licence Performance Audit Areas**

Clause	Licence Requirements	EDL3	ERL7	EGL13	ETL4
4	Fees	✓	✓	✓	✓
5	Compliance	✓	✓	✓	✓
12	Accounting Records	✓	✓	✓	✓
13	Individual Performance Standards	✓	✓	✓	✓
14	Performance Audit	✓	✓	✓	✓
15	Reporting change in circumstances	✓	✓	✓	✓
16	Provision of information	✓	✓	✓	✓
17	Publishing information	✓	✓	✓	✓
18	Notices	✓	✓	✓	✓
19	Review of the Authority's Decisions	✓	✓	✓	✓
20	Asset Management System	✓	Not Applicable (N/a)	✓	✓
21	Approved Scheme	✓	✓	Not Applicable (N/a)	Not Applicable (N/a)
22	Determination of Default Supplier	✓	Not Applicable (N/a)	Not Applicable (N/a)	Not Applicable (N/a)
23	Marketers	Not Applicable (N/a)	✓	Not Applicable (N/a)	Not Applicable (N/a)
24	Customer Contracts	Not Applicable (N/a)	✓	Not Applicable (N/a)	Not Applicable (N/a)
25	Amending the Standard Form Contract	Not Applicable (N/a)	✓	Not Applicable (N/a)	Not Applicable (N/a)
26	Directions by the Authority	Not Applicable (N/a)	✓	Not Applicable (N/a)	Not Applicable (N/a)
27	Supplier of Last Resort	Not Applicable (N/a)	✓	Not Applicable (N/a)	Not Applicable (N/a)
28	Notification of Default Supply	Not Applicable (N/a)	✓	Not Applicable (N/a)	Not Applicable (N/a)

## 2.2.2 Performance Audit Excluded Conditions

Some of the reporting obligations for distribution and retail have been excluded from the audit because they are not applicable to SCE. In particular, SCE has no small use customers, it is excluded from the electricity industry customer transfer code based on its current customer profile and it is not one of the businesses subject to licence specific conditions.

**Table 2-2 Excluded conditions**

2014 Compliance Manual Reference	Reference	Reason for exclusion
1-71	Electricity Industry Customer Transfer Code	No retail transfers are available; therefore the Customer Transfer Code does not apply.
72-77	Electricity Industry (Obligation to Connect) Code	No small use customers
78-98 and 100	Electricity Industry (Customer Contracts) Regulations 2005	No small use customers
108-109	Electricity Industry Act: Section 54	No small use customers
110	Electricity Industry Act: Section 76	Southern Cross is not a retailer of last resort
111	Electricity Industry Act: Section 101	No small use customers
112	Electricity Industry Act Section 115	Covered networks are not relevant
114-118	Electricity Industry Act: Section 11	No small use customers
120	Electricity Industry Act: Section 11	There are no individual performance standards
127-337	Electricity Industry Act: Code of Conduct	No small use customers
371-374	Electricity Industry Metering Code	As the Licensee's network operator does not operate in the WEM conditions relevant to the market rules are not applicable
375, 416, 417	Electricity Industry Metering Code	No retail transfers are available; therefore the Customer Transfer Code does not apply.
414, 415	Electricity Industry Metering Code	No small use customers
432-434	Electricity Industry Metering Code	Energy data request forms are not required.
488	Electricity Industry (Network Quality and Reliability of Supply) Code 2005	No small use customers
493-497	Electricity Industry (Network Quality and Reliability of Supply) Code 2005	Electricity Corporation condition are not applicable
502-506	Electricity Industry (Network Quality and Reliability of Supply) Code 2005	No small use customers
507-517	Electricity Industry (Licence Conditions) Electricity Industry Act section 61 and 11 Electricity Industry (Customer Contracts) Regulations 2005	Licensee Specific Conditions that don't apply

### 2.2.3 Asset Management System Review

The review of SCE's asset management system for EDL3, EGL13 and ETL4 covered the following asset management elements:

- ▶ Asset planning
- ▶ Asset creation and acquisition
- ▶ Asset disposal
- ▶ Environmental analysis
- ▶ Asset operations
- ▶ Asset maintenance
- ▶ Asset management information system
- ▶ Risk management
- ▶ Contingency planning
- ▶ Financial planning
- ▶ Capital expenditure planning
- ▶ Review of AMS.

## 2.3 Methodology and Approach

The audit was undertaken in accordance with ASAE3000. Our approach to the reporting work was to work closely with the licensee so that comments and challenges could be responded to and addressed before the audit report was finalised. The key areas of our approach included:

- ▶ A start-up discussion (by telephone) with SCE to:
  - Discuss the main issues to be addressed at audit
  - Identify any issues from the previous audit
  - Identify any new issues arising from changes to the Licence or operating environment requirements
  - Discuss the audit plan.
- ▶ Preparation of a draft audit plan for comment by the licensee. The audit plan identified the number and location of audits, the information to be addressed and the auditor responsible.
- ▶ Submission of the draft audit plan to the ERA for approval
- ▶ A start-up meeting on-site at the beginning of our audit work
- ▶ On-site audit work comprising:
  - Face-to-face interviews with business staff responsible for the audit area
  - Demonstration of key systems
  - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
  - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
  - Controls assessment on obligations that are found to be non-compliant
  - Site visit to Kalgoorlie on 4 September 2014 to meet with the contractor responsible for operating and maintaining SCE's infrastructure
- ▶ Preliminary audit feedback at the audit close-out meeting
- ▶ Preparation of a draft report for SCE's review and comment
- ▶ Preparation of a final report for submission to the ERA

Our methodology for completing this audit assignment was based on:

- ▶ A risk assessment that determined the priority of each audit area, using the risk management framework in Appendix A
- ▶ Our understanding of the licensee's business
- ▶ The experience of our audit team in undertaking regulatory audits which has been gained in several jurisdictions in Australia and in the United Kingdom
- ▶ The outcome of the previous audit completed of the licensee

Our audit methodology, including the key documents required to be reviewed and the supporting systems that we requested to see demonstrated, is detailed in Table 2-3 and Table 2-4.

**Table 2-3 Licence Audit Methodology**

Audit Area	Priority	Approach	Systems	Key Documents
<b>Licence Audit</b>				
Clause 4 Fees	5	<ul style="list-style-type: none"> <li>Review invoices from Authority and receipts of payment</li> </ul>		<ul style="list-style-type: none"> <li>Invoices and receipts</li> </ul>
Clause 5 Compliance	Various	<ul style="list-style-type: none"> <li>Review legislative requirements and confirm compliance</li> <li>Identify any corrective action applied to correct / prevent breaches of compliance</li> </ul>	<ul style="list-style-type: none"> <li>Work scheduling system</li> </ul>	<ul style="list-style-type: none"> <li>Performance standards</li> <li>Compliance Summary Reports (record of breaches)</li> </ul>
Clause 12 Accounting Records	4	<ul style="list-style-type: none"> <li>Check that 2011/12 and 2012/13 financial statements are signed off as being to appropriate standards</li> </ul>	<ul style="list-style-type: none"> <li>Finance system</li> </ul>	<ul style="list-style-type: none"> <li>2010/11 Financial statement</li> <li>2011/12 Financial statement</li> <li>2012/13 Financial statement</li> </ul>
Clause 13 Individual Performance Standards	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		
Clause 14 Performance Standards	4	<ul style="list-style-type: none"> <li>Review information reported to the Authority</li> <li>Confirm methodology used to determine performance conforms to legislation and procedures.</li> </ul>		<ul style="list-style-type: none"> <li>Performance Audit</li> <li>Annual Performance Reports</li> <li>Procedures / Policy Manual</li> <li>Post Implementation Audit Reports / Status since previous audit</li> <li>Correspondence between Southern Cross Energy and Authority regarding review requirements</li> </ul>
Clause 15 Reporting change in circumstances	5	<ul style="list-style-type: none"> <li>Review any correspondence with the Authority</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>
Clause 16 Provision of Information	4	<ul style="list-style-type: none"> <li>Confirm that the licensee has provided the Authority with data required for performance monitoring purposes as set out in the Compliance Reporting Manual.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Annual compliance reports</li> <li>Correspondence register</li> </ul>
Clause 17 Publishing Information	4	<ul style="list-style-type: none"> <li>Check if any requests have been issued by the Authority to publish any information relating to the performance of the Licensee and correlating response</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Letters of notification / requests from the Authority</li> <li>Response to the Authority</li> </ul>

Audit Area	Priority	Approach	Systems	Key Documents
Clause 18 Notices	4	<ul style="list-style-type: none"> <li>Confirm all notices are issued in writing</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Issued notices</li> </ul>
Clause 19 Review of the Authority's Decisions	4	<ul style="list-style-type: none"> <li>Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response</li> </ul>		<ul style="list-style-type: none"> <li>Requests for review of decision (Correspondence)</li> </ul>
Clause 20 Asset Management System	Various	<ul style="list-style-type: none"> <li>Confirm that the asset management policies and procedures meet legislative requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Asset Management System</li> <li>Computerised Maintenance Management System</li> </ul>	<ul style="list-style-type: none"> <li>Asset Management Policies</li> <li>Asset Management Plans</li> <li>Asset Management Systems and Procedures Manual</li> <li>Asset Register</li> </ul>
Clause 21 Approved Scheme	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		
Clause 23 Marketers	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		
Clause 24 Customer Contracts	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		
Clause 25 Amending the Standard Form Contract	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		
Clause 26 Directions by the Authority	5	<ul style="list-style-type: none"> <li>Confirm that directions from the authority have been complied with.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>
Clause 27 Supplier of Last Resort	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		
Clause 28 Notification of Default Supply	NA	<ul style="list-style-type: none"> <li>Confirm that it is not applicable</li> </ul>		

Table 2-4 Asset Management Review Methodology

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
<b>Asset Management Review</b>				
Asset planning	<ul style="list-style-type: none"> <li>▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</li> <li>▪ Service levels are defined</li> <li>▪ Non-asset options (e.g., demand management) are considered</li> <li>▪ Lifecycle costs of owning and operating assets are assessed</li> <li>▪ Funding options are evaluated</li> <li>▪ Costs are justified and cost drivers identified</li> <li>▪ Likelihood and consequences of asset failure are predicted</li> <li>▪ Plans are regularly reviewed and updated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and assess the adequacy of asset planning processes</li> <li>▪ Review and assess adequacy of asset management plans</li> <li>▪ Assess if asset management plans are up to date</li> <li>▪ Assess implementation of asset management plans (status)</li> <li>▪ Assess whether the asset management plan clearly assigns responsibilities and if these have been applied in practice</li> </ul>	<ul style="list-style-type: none"> <li>▪ GIS</li> <li>▪ Asset database / information system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overview of planning approach</li> <li>▪ Population projections</li> <li>▪ Infrastructure Planning Reports</li> <li>▪ Asset management plans</li> <li>▪ Service level agreements</li> <li>▪ Business Case/project justification</li> </ul>
Asset creation and acquisition	<ul style="list-style-type: none"> <li>▪ Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions</li> <li>▪ Evaluations include all life-cycle costs</li> <li>▪ Projects reflect sound engineering and business decisions</li> <li>▪ Commissioning tests are documented and completed</li> <li>▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset creation and acquisition</li> <li>▪ Review examples of creations / acquisitions to check if policies and procedures were followed and check costs against estimates</li> </ul>		<ul style="list-style-type: none"> <li>▪ Policies and procedures for asset creating and acquisition. Accounting and engineering</li> <li>▪ Overview of planning approach</li> <li>▪ Business Case/project justification</li> <li>▪ Asset management plans</li> <li>▪ Commissioning certificates</li> </ul>



Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset disposal	<ul style="list-style-type: none"> <li>▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process</li> <li>▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken</li> <li>▪ Disposal alternatives are evaluated</li> <li>▪ There is a replacement strategy for assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset disposal, asset replacement, identification of under-performing assets</li> <li>▪ Determine if a review on the usefulness of assets are undertaken</li> <li>▪ Review examples to check that policies and procedures are being followed</li> </ul>		<ul style="list-style-type: none"> <li>▪ Policies and procedures for asset disposal. Accounting and engineering</li> <li>▪ Asset management plans</li> <li>▪ Decommissioning certificates</li> </ul>
Environmental analysis	<ul style="list-style-type: none"> <li>▪ Opportunities and threats in the system environment are assessed</li> <li>▪ Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved</li> <li>▪ Compliance with statutory and regulatory requirements</li> <li>▪ Achievement of customer service levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review performance and service standards over audit period</li> <li>▪ Review performance / identify any breaches and non-compliances and corrective action taken</li> <li>▪ Review adequacy of reporting and monitoring tools</li> </ul>		<ul style="list-style-type: none"> <li>▪ Relevant policies and procedures</li> <li>▪ Planning reports</li> <li>▪ Performance standards</li> <li>▪ Compliance reports</li> <li>▪ Strategic plans (if appropriate)</li> <li>▪ Monthly KPI reports</li> </ul>
Asset operations	<ul style="list-style-type: none"> <li>▪ Operational policies and procedures are documented and linked to service levels required</li> <li>▪ Risk management is applied to prioritise operations tasks</li> <li>▪ Assets are documented in an Asset Register, including asset assessment of assets' physical, structural condition and accounting data</li> <li>▪ Operational costs are measured and monitored</li> <li>▪ Staff receive training commensurate with their responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset operations</li> <li>▪ Review staff skills / training and resources available</li> <li>▪ Check that operations procedures are being followed including testing of the asset register, observation of operational procedures and analysis of costs</li> <li>▪ Identify any operational events and corrective actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset information system</li> <li>▪ SCADA</li> <li>▪ Finance system</li> <li>▪ Works management system</li> <li>▪ HR system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset register</li> <li>▪ Operations procedures</li> <li>▪ Operational costs</li> <li>▪ Daily / weekly / monthly check sheets</li> <li>▪ Staff skills / resourcing structure</li> <li>▪ Asset management plan</li> <li>▪ Incident register</li> </ul>

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset maintenance	<ul style="list-style-type: none"> <li>▪ Maintenance policies and procedures are documented and linked to service levels required</li> <li>▪ Regular inspections are undertaken of asset performance and condition</li> <li>▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule</li> <li>▪ Failures are analysed and operational / maintenance plans adjusted where necessary</li> <li>▪ Risk management is applied to prioritise maintenance tasks</li> <li>▪ Maintenance costs are measured and monitored</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset maintenance / maintenance functions</li> <li>▪ Check that policies and procedures have been followed including testing of maintenance schedules, analysis of costs,</li> <li>▪ Review maintenance schedules / plans</li> <li>▪ Identify any maintenance events and corrective actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset information system</li> <li>▪ Works management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maintenance procedures and schedules</li> <li>▪ Record of maintenance</li> <li>▪ Maintenance costs</li> </ul>
Asset Management Information System	<ul style="list-style-type: none"> <li>▪ Adequate system documentation for users and IT operators</li> <li>▪ Input controls include appropriate verification and validation of data entered into the system</li> <li>▪ Logical security access controls appear adequate, such as passwords and that appropriate system access and functionality is provided to users</li> <li>▪ Physical security access controls appear adequate</li> <li>▪ Data backup procedures appear adequate</li> <li>▪ Key computations related to licensee performance reporting are materially accurate</li> <li>▪ Management reports appear adequate for the licensee to monitor licence obligations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of asset information system:                             <ul style="list-style-type: none"> <li>– Asset coverage</li> <li>– Functionality</li> <li>– Data coverage</li> <li>– Security</li> <li>– User functionality granted is appropriate</li> </ul> </li> <li>▪ Review outputs / reports generated by systems and assess suitability for reporting against performance standards / licence obligations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset Management Information system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset Management Information System manual</li> <li>▪ AMIS data coverage and quality report</li> <li>▪ Asset reports</li> </ul>

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Risk management	<ul style="list-style-type: none"> <li>▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</li> <li>▪ Risks are documented in a risk register and treatment plans are actioned and monitored</li> <li>▪ The probability and consequence of risk failure are regularly assessed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review risk assessment coverage</li> <li>▪ Review sample of risk mitigation to check policies and procedures are followed</li> <li>▪ Assess staff understanding of risk management and adequacy of risk management training for staff</li> </ul>		<ul style="list-style-type: none"> <li>▪ Corporate Risk management framework</li> <li>▪ Risk assessment</li> <li>▪ Risk Register</li> </ul>
Contingency Planning	<ul style="list-style-type: none"> <li>▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy / relevance and currency of contingency plans</li> <li>▪ Review if plans have been tested and report on findings</li> <li>▪ Identify any improvements that have been actioned as a result of testing of the contingency plans</li> </ul>		<ul style="list-style-type: none"> <li>▪ Contingency plans</li> </ul>
Financial Planning	<ul style="list-style-type: none"> <li>▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> <li>▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> <li>▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> <li>▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> <li>▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services</li> <li>▪ Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy and effectiveness of financial planning and reporting processes</li> <li>▪ Review current financial plan and assess whether the process is being followed</li> </ul>		<ul style="list-style-type: none"> <li>▪ Financial Plan</li> </ul>

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> <li>▪ The plan provides reasons for capital expenditure and timing of expenditure</li> <li>▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> <li>▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy and effectiveness of capital planning processes through examination of application of process and example documents</li> </ul>	<ul style="list-style-type: none"> <li>▪ Spreadsheets for capital planning and prioritisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital expenditure planning process outline</li> <li>▪ Value engineering documents</li> <li>▪ Risk management applied to investment planning</li> <li>▪ Program management documents</li> <li>▪ Review of capex estimate v outturn</li> </ul>
Asset management plan	<ul style="list-style-type: none"> <li>▪ A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</li> <li>▪ Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy and currency of Asset Management Plan</li> <li>▪ Assess when the Asset Management Plan was last updated / reviewed</li> <li>▪ Assess outcomes of independent review of AMPs</li> <li>▪ Identify if AMP needs to be updated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset management plans</li> </ul>

## 2.4 Time Period Covered by the Audit/Review

This audit covers the period from 1 July 2011 to 30 June 2014.

## 2.5 Time Period of the Audit/Review Process

The audit/review commenced in August 2014 with preparation of the draft Audit Plan. Interviews with SCE staff were carried out on 2 and 3 September 2014 at SCE's office in Perth, WA and on 4 September 2014 at Parkeston Power Station, Kalgoorlie, WA.

## 2.6 Details of the Licensee Representatives Participating in the Audit/Review

Details of representatives from SCE who participated in the audit and review process are provided in Table 2-12-1 below.

**Table 2-1 Details of Licensee Representatives**

Name	Organisation	Role
Troy Forward	SCE/Transalta	Commercial Manager
Kirsty Gibson	SCE/Transalta	Commercial Analyst
Jamie Crombie	SCE/Transalta	Operations Manager
Brady Smith	SCE/Transalta	Operations and Maintenance Technician
Clayton Fowles	SCE/Transalta	Environmental, Health and Safety Coordinator

## 2.7 Details of Key Documents and Other Information Sources

- ▶ Electricity Distribution Licence Southern Cross Energy Partnership EDL3, Version 4, 13 January 2011
- ▶ Electricity Retail Licence Southern Cross Energy Partnership ERL7, Version 3, 13 January 2011
- ▶ Electricity Generation Licence Southern Cross Energy Partnership EGL13, Version 3, 13 January 2011
- ▶ Electricity Transmission Licence Southern Cross Energy Partnership ETL4, Version 5, 20 March 2012
- ▶ Tax invoice (June 2014) and bank statement (June 2013) showing licence fee payments
- ▶ Power Purchase Agreement between SCE and BHP Billiton Nickel West Pty Ltd
- ▶ Transalta Energy (Australia) Financial Statements, December 2011
- ▶ Letter dated 17 June 2014 from ERA approving Cardno to undertake SCE audit
- ▶ Letter dated 22 August 2014 from ERA approving SCE audit plan
- ▶ 2012, 2013 and 2014 SCE Compliance Reports
- ▶ Monthly Business Planning Forecast for Transalta Australia (August 2014)
- ▶ Australia 2014 (September 2014) Capital and Operating Budget document
- ▶ Lifecycle Planning PowerPoint presentation
- ▶ Example Bid Model and corresponding O&M forecast requirements for new asset document
- ▶ Example of Third Party Due Diligence report
- ▶ Example of Due Diligence Plan
- ▶ Example documents for asset creations and asset disposals
- ▶ Excel dump of SAP asset register
- ▶ Efficiencies and capacities monthly report.
- ▶ Liquidated Damages Calculator
- ▶ Example of weekly production ('heat rate') Excel report

- ▶ Example of monthly management Word report
- ▶ 2006 Operation, Maintenance and Contingency Plan
- ▶ Energy Efficiency Opportunity (EEO) Program report
- ▶ Mining Rehabilitation Fund report
- ▶ Example of weekly production numbers (supply and demand) graphs and summary
- ▶ Example of Maintenance Performance KPI Report per Site
- ▶ Example investigation report
- ▶ ERP Australia Rollout Scope of Services document, July 2013.
- ▶ TA523 Transalta Work Management document
- ▶ Risk Assessment policy/framework
- ▶ CTA form
- ▶ Authorisation and training register
- ▶ Example incident reports
- ▶ Example contingency plans
- ▶ AUS 242 Emergency Response Guide viewed
- ▶ List of drill reports
- ▶ 20130123 drill report
- ▶ Example procedures including Turbine Icing Condition, PPS Gas Turbine Start-Up, AUS 79 Leinster Black Plant trip
- ▶ Example procedures e.g. budgeting procedure.
- ▶ Example Monthly Business Planning Forecast for Transalta Australia, August 2014
- ▶ Australia 2014 Capital and Operating Budget document, September 2014
- ▶ 2013 Long Range Forecast
- ▶ Transalta AFE Standards document
- ▶ Capital List 2013 document
- ▶ Transalta Environment, Health & Safety Management System Audit Report, September 2013
- ▶ Transalta Code of Conduct, December 2013
- ▶ 2014 Meter Verification Tests
- ▶ 2008 EHS Document Management System Review
- ▶ Australian Management System

## 2.8 Details of Auditors Participating in the Audit/Review and Hours Utilised

The audit/review team comprised three staff members from Cardno.

Details of their roles and hours utilised in the audit/review process are provided in the table below.

**Table 2-2 Details of Audit / Review Team Members**

Name	Organisation	Role	Summary of Task	Hours Utilised
Simon Martin	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"> <li>▪ Audit preparation</li> <li>▪ Audit</li> <li>▪ Preparation of Report</li> </ul>	40 hours
Harry Fernandez	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"> <li>▪ Audit preparation</li> <li>▪ Audit</li> <li>▪ Review of Report</li> </ul>	30 hours
Justin Edwards	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"> <li>▪ Audit</li> <li>▪ Review of Report</li> </ul>	20 hours

### 3 Licensee's Response to Previous Audit Recommendations

In the previous operating licence audit and asset management review, a series of actions were recommended or suggested to improve the existing controls.

Details of the actions completed by SCE against each recommendation are presented in Table 3-1 below.

**Table 3-1 Previous Audit Non-compliances and Recommendations**

A. Resolved before end of previous audit period				
Electricity compliance reporting manual 2008 (ref. no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
110/2012	<p><i>Non-compliant - 2</i></p> <p><i>Distribution Licence condition 21.1, Retail Licence Condition 24.1</i></p> <p>Not all reports have been on time.</p>	Implement a procedure to recognise all regulatory obligations and the required response times		No
B. Resolved during current Audit period				
Electricity compliance reporting manual 2008 (ref.no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	Nil			
C. Unresolved at end of current Audit period				
Electricity compliance reporting manual 2008 (ref.no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
432/2012	<p><i>Non-compliant - 2</i></p> <p><i>Electricity Industry Metering Code clause 6.1(1)</i></p> <p>There is no metrology procedure (metrology requirements are defined in the PPA which pre-dates the Code requirement).</p>	A metrology procedure should be put in place if the opportunity arises e.g. if the contract is renewed.		Yes, as the opportunity arises.



C. Unresolved at end of current Audit period				
Electricity compliance reporting manual 2008 (reference no. / year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
319/2012	<i>Compliant 4</i> <i>Electricity Industry Metering Code clause 3.1</i> Meters do not meet Code accuracy requirements (meters pre-date Code requirements and have been grandfathered as compliant).	Consult customers and upgrade meters if customer requires.	N/a	Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to comply with the technical requirements of the Code. This requirement in not applicable.
331/2012	<i>Compliant 4</i> <i>Electricity Industry Metering Code clause 3.9(7)</i> Meters do not meet Code accuracy requirements (meters pre-date Code requirements and have been grandfathered as compliant).	Consult customers and upgrade meters if customer requires.	N/a	Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to comply with the technical requirements of the Code. This requirement in not applicable.

## 4 Performance Summary

The performance audit is summarised in a table with adequacy of control and compliance rating. The table includes all applicable compliance reporting items and are numbered according to the Electricity Compliance Reporting Manual 2014. Description of the rating scale and outcomes of the performance audit is provided in the following sections.

### 4.1 Assessment Rating Scales

In accordance with the Audit Guidelines, an assessment of the performance of SCE was completed using the rating scale in Table 4-1 and asset management system effectiveness using the rating scales in Table 4-2 and Table 4-3.

**Table 4-1 Audit Compliance and Controls Rating Scales**

Adequacy of Controls Rating				Compliance Rating	
Rating	Description		Rating	Description	
A	Adequate needed	controls – no improvement	1	Compliant	
B	Generally adequate improvement needed	controls –	2	Non-compliant – minor impact on customers or third parties	
C	Inadequate improvement required	controls – significant	3	Non-compliant – moderate impact on customers or third parties	
D	No controls evident		4	Non-compliant – major impact on customers or third parties	

**Table 4-2 Asset Management Process and Policy Definition Adequacy Rating**

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> <li>▪ Processes and policies are documented.</li> <li>▪ Processes and policies adequately document the required performance of the assets.</li> <li>▪ Processes and policies are subject to regular reviews, and updated where necessary.</li> <li>▪ The asset management information system(s) are adequate in relation to the assets that are being managed.</li> </ul>
B	Requires some improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation requires improvement.</li> <li>▪ Processes and policies do not adequately document the required performance of the assets.</li> <li>▪ Reviews of processes and policies are not conducted regularly enough.</li> <li>▪ The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).</li> </ul>

Rating	Description	Criteria
C	Requires significant improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation is incomplete or requires significant improvement.</li> <li>▪ Processes and policies do not document the required performance of the assets.</li> <li>▪ Processes and policies are significantly out of date.</li> <li>▪ The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).</li> </ul>
D	Inadequate	<ul style="list-style-type: none"> <li>▪ Processes and policies are not documented.</li> <li>▪ The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

**Table 4-3 Asset Management Performance Ratings**

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> <li>▪ The performance of the process meets or exceeds the required levels of performance.</li> <li>▪ Process effectiveness is regularly assessed, and corrective action taken where necessary.</li> </ul>
2	Opportunity for improvement	<ul style="list-style-type: none"> <li>▪ The performance of the process requires some improvement to meet the required level.</li> <li>▪ Process effectiveness reviews are not performed regularly enough.</li> <li>▪ Process improvement opportunities are not actioned.</li> </ul>
3	Corrective action required	<ul style="list-style-type: none"> <li>▪ The performance of the process requires significant improvement to meet the required level.</li> <li>▪ Process effectiveness reviews are performed irregularly, or not at all.</li> <li>▪ Process improvement opportunities are not actioned.</li> </ul>
4	Serious action required	<ul style="list-style-type: none"> <li>▪ Process is not performed, or the performance is so poor that the process is considered to be ineffective.</li> </ul>

## 4.2 Performance Audit Compliance Summary

Table 4-4 provides a summary of SCE's compliance rating against each licence obligation, and an adequacy of controls rating where the item has been found to be non-compliant.

Na = Not applicable - Determined during the audit that the compliance obligation does not apply to the Licensee's business operations

Nr = Not rated - No relevant activity took place during the audit period, therefore it is not possible to assess compliance.

**Table 4-4 Audit Obligation Ratings**

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
105	Electricity Industry Act section 17(1)	5						✓							
106	Electricity Industry Act section 31(3)	5						✓							
107	Electricity Industry Act section 41(6)	4						✓							
113	Electricity Industry Act section 115(2)	4						✓							
338	Electricity Industry Metering Code clause 2.2(1)(a)	5												✓	
339	Electricity Industry Metering Code clause 2.2(1)(b)	4												✓	
340	Electricity Industry Metering Code clause 3.1	4												✓	
341	Electricity Industry Metering Code clause 3.2(1)	4						✓							
342	Electricity Industry Metering Code clause 3.3(1)	4						✓							
343	Electricity Industry Metering Code clause 3.3(3)	4						✓							
344	Electricity Industry Metering Code clause 3.3A(1)	5						✓							
345	Electricity Industry Metering Code clause 3.3B	5													✓
346	Electricity Industry Metering Code clause 3.3C	5						✓							
347	Electricity Industry Metering Code clause 3.5(1) and (2)	4						✓							
348	Electricity Industry Metering Code clause 3.5(3)	4						✓							
349	Electricity Industry Metering Code clause 3.5(4)	4						✓							

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
350	Electricity Industry Metering Code clause 3.5(6)	4						✓						
351	Electricity Industry Metering Code clause 3.5(9)	4												✓
352	Electricity Industry Metering Code clause 3.7	4						✓						
353	Electricity Industry Metering Code clause 3.8	4						✓						
354	Electricity Industry Metering Code clause 3.9(3)	4												✓
355	Electricity Industry Metering Code clause 3.9(7)	4												✓
356	Electricity Industry Metering Code clause 3.9(9)	4												✓
357	Electricity Industry Metering Code clause 3.10	4												✓
358	Electricity Industry Metering Code clause 3.11(1)	4						✓						
359	Electricity Industry Metering Code clause 3.11(2)	4						✓						
360	Electricity Industry Metering Code clause 3.11(3)	4												✓
361	Electricity Industry Metering Code clause 3.11A(1)	4						✓						
362	Electricity Industry Metering Code clause 3.11A(2)	4												✓
363	Electricity Industry Metering Code clause 3.12(1)	4												✓
364	Electricity Industry Metering Code clause 3.12(2)	4												✓
365	Electricity Industry Metering Code clause 3.12(3)	4												✓
366	Electricity Industry Metering Code clause 3.12(4)	4												✓
367	Electricity Industry Metering Code clause 3.13(1)	4												✓
368	Electricity Industry Metering Code clause 3.13(3)(c)	4												✓
369	Electricity Industry Metering Code clause 3.13(4)	4												✓
370	Electricity Industry Metering Code clause 3.14(3)	4												✓

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
376	Electricity Industry Metering Code clause 3.20(1)	4													✓
377	Electricity Industry Metering Code clause 3.20(3)	4							✓						
378	Electricity Industry Metering Code clause 3.21(1)	4													✓
379	Electricity Industry Metering Code clause 3.21(2)	4							✓						
380	Electricity Industry Metering Code clause 3.22	4													✓
381	Electricity Industry Metering Code clause 3.23(a)	4							✓						
382	Electricity Industry Metering Code clause 3.23(b)	4							✓						
383	Electricity Industry Metering Code clause 3.24A(1)	4													✓
384	Electricity Industry Metering Code clause 3.24B(1)	4													✓
385	Electricity Industry Metering Code clause 3.27	4													✓
386	Electricity Industry Metering Code clause 3.29	4												✓	
387	Electricity Industry Metering Code clause 4.1(1)	4							✓						
388	Electricity Industry Metering Code clause 4.1(2)	4							✓						
389	Electricity Industry Metering Code clause 4.1(3)	4							✓						
390	Electricity Industry Metering Code clause 4.2(1)	4							✓						
391	Electricity Industry Metering Code clause 4.3(1)	4							✓						
392	Electricity Industry Metering Code clause 4.4(1)	5							✓						
393	Electricity Industry Metering Code clause 4.5(1)	4							✓						
394	Electricity Industry Metering Code clause 4.5(2)	5													✓
395	Electricity Industry Metering Code clause 4.6(1)	4													✓
396	Electricity Industry Metering Code clause 4.6(2)	4													✓

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
397	Electricity Industry Metering Code clause 4.7	4													✓
398	Electricity Industry Metering Code clause 4.8(3)	4								✓					
399	Electricity Industry Metering Code clause 4.8(3A)	4		✓							✓				
400	Electricity Industry Metering Code clause 4.8(4)(a)	4								✓					
401	Electricity Industry Metering Code clause 4.8(4)(b)	4								✓					
402	Electricity Industry Metering Code clause 4.8(5)	4								✓					
403	Electricity Industry Metering Code clause 4.9	4								✓					
404	Electricity Industry Metering Code clause 5.1 (1)	5													✓
405	Electricity Industry Metering Code clause 5.1(2)	5													✓
406	Electricity Industry Metering Code clause 5.3	4								✓					
407	Electricity Industry Metering Code clause 5.4(1)	5								✓					
408	Electricity Industry Metering Code clause 5.4(1A)	5								✓					
409	Electricity Industry Metering Code clause 5.4(2)	5								✓					
410	Electricity Industry Metering Code clause 5.5(2)	4								✓					
411	Electricity Industry Metering Code clause 5.5(2A)	4								✓					
412	Electricity Industry Metering Code clause 5.6(1)	4													✓
413	Electricity Industry Metering Code clause 5.7	4													✓
418	Electricity Industry Metering Code clause 5.12(1)	4								✓					
419	Electricity Industry Metering Code clause 5.13	4													✓
420	Electricity Industry Metering Code clause 5.14(3)	4													✓
421	Electricity Industry Metering Code clause 5.15	4								✓					

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
422	Electricity Industry Metering Code clause 5.16	4						✓							
423	Electricity Industry Metering Code clause 5.17(1)	4						✓							
424	Electricity Industry Metering Code clause 5.17A(1)	5						✓							
425	Electricity Industry Metering Code clause 5.17A(3)	5													✓
426	Electricity Industry Metering Code clause 5.18	4													✓
427	Electricity Industry Metering Code clause 5.19(1)	5						✓							
428	Electricity Industry Metering Code clause 5.19(2)	5						✓							
429	Electricity Industry Metering Code clause 5.19(3)	4													✓
430	Electricity Industry Metering Code clause 5.19(5)	4													✓
431	Electricity Industry Metering Code clause 5.19(6)	5						✓							
435	Electricity Industry Metering Code clause 5.21(2)	4													✓
436	Electricity Industry Metering Code clause 5.21(4)	4													✓
437	Electricity Industry Metering Code clause 5.21(5)	4											✓		
438	Electricity Industry Metering Code clause 5.21(6)	4													✓
439	Electricity Industry Metering Code clause 5.21(8)	4						✓							
440	Electricity Industry Metering Code clause 5.21(9)	4						✓							
441	Electricity Industry Metering Code clause 5.21(11)	4						✓							
442	Electricity Industry Metering Code clause 5.21(12)	4						✓							
443	Electricity Industry Metering Code clause 5.22(1)	4												✓	
444	Electricity Industry Metering Code clause 5.22(2)	4						✓							
445	Electricity Industry Metering Code clause 5.22(3)	4						✓							



2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
446	Electricity Industry Metering Code clause 5.22(4)	4						✓							
447	Electricity Industry Metering Code clause 5.22(5)	4						✓							
448	Electricity Industry Metering Code clause 5.22(6)	4						✓							
449	Electricity Industry Metering Code clause 5.23(1)	4													✓
450	Electricity Industry Metering Code clause 5.23(3)	4													✓
451	Electricity Industry Metering Code clause 5.24(1)	4						✓							
452	Electricity Industry Metering Code clause 5.24(2)	4						✓							
453	Electricity Industry Metering Code clause 5.24(3)	4						✓							
454	Electricity Industry Metering Code clause 5.24(4)	4													✓
455	Electricity Industry Metering Code clause 5.25	4						✓							
456	Electricity Industry Metering Code clause 5.27	4												✓	
457	Electricity Industry Metering Code clause 5.29	4													✓
458	Electricity Industry Metering Code clause 5.30(1)	4													✓
459	Electricity Industry Metering Code clause 5.31(1)	4													✓
460	Electricity Industry Metering Code clause 5.31(2)	4													✓
461	Electricity Industry Metering Code clause 5.34(2)	4													✓
462	Electricity Industry Metering Code clause 5.37(1)(a)	4						✓							
463	Electricity Industry Metering Code clause 5.37(1)(b)	4												✓	
464	Electricity Industry Metering Code clause 5.37(1)(b)	4												✓	
465	Electricity Industry Metering Code clause 5.37(2)	4												✓	
466	Electricity Industry Metering Code clause 5.37(3)	4												✓	

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
467	Electricity Industry Metering Code clause 5.38	4												✓	
468	Electricity Industry Metering Code clause 6.1(1)	3		✓						✓					
469	Electricity Industry Metering Code clause 6.1(2)	4							✓						
470	Electricity Industry Metering Code clause 6.20(4)	5													✓
471	Electricity Industry Metering Code clause 6.20(5)	5													✓
472	Electricity Industry Metering Code clause 7.2(1)	4							✓						
473	Electricity Industry Metering Code clause 7.2(2)	4													✓
474	Electricity Industry Metering Code clause 7.2(4)	4												✓	
475	Electricity Industry Metering Code clause 7.2(5)	4												✓	
476	Electricity Industry Metering Code clause 7.5	4							✓						
477	Electricity Industry Metering Code clause 7.6(1)	5													✓
478	Electricity Industry Metering Code clause 8.1(1)	5													✓
479	Electricity Industry Metering Code clause 8.1(2)	5													✓
480	Electricity Industry Metering Code clause 8.1(3)	4													✓
481	Electricity Industry Metering Code clause 8.1(4)	5													✓
482	Electricity Industry Metering Code clause 8.3(2)	4													✓
483	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 5(1)	5							✓						
484	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 8	5													✓
485	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 9	5							✓						

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
486	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 10(1)	5						✓							
487	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 10(2)	5						✓							
489	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 13(2)	5												✓	
490	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 13(3)	4												✓	
491	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 14(8)	4													✓
492	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 15(2)	4						✓							
498	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(1)	5						✓							
499	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(2)	4						✓							
500	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 24(3)	4													✓
501	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 24(4)	4													✓
119	Distribution Licence condition 12.1 Generation Licence condition 12.1 Integrated Regional Licence condition 12.1 or 24.1 Retail Licence condition 12.1 Transmission Licence condition 12.1	4						✓							
101	Electricity Industry Act section 13(1)	4						✓							

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	Nr		
121	Distribution Licence condition 14.2 Generation Licence condition 14.2 Integrated Regional Licence condition 14.2 Retail Licence condition 14.2 Transmission Licence condition 14.2	4						✓							
123	Distribution Licence condition 15.1 Generation Licence condition 15.1 Integrated Regional Licence condition 15.1 Retail Licence condition 15.1 Transmission Licence condition 15.1	4						✓							
124	Distribution Licence condition 16.1 Generation Licence condition 16.1 Integrated Regional Licence condition 16.1 Retail Licence condition 16.1 Transmission Licence condition 16.1	4						✓							
125	Distribution Licence condition 17.1 and 17.2 Generation Licence condition 17.1 and 17.2 Integrated Regional Licence condition 17.1 and 17.2 Retail Licence condition 17.1 and 17.2 Transmission Licence condition 17.1 and 17.2	4													✓
126	Distribution Licence condition 18.1 Generation Licence condition 18.1 Integrated Regional Licence condition 18.1 Retail Licence condition 18.1 Transmission Licence condition 18.1	4						✓							
102	Electricity Industry Act section 14(1)(a)	5						✓							
103	Electricity Industry Act section 14(1)(b)	4													✓
104	Electricity Industry Act section 14(1)(c)	5						✓							

2014 Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
122	Distribution Licence condition 20.5 Generation Licence condition 20.5 Integrated Regional Licence condition 20.5 Transmission Licence condition 20.5	5						✓						
111	Distribution Licence condition 21.1 Retail Licence condition 21.1	5												✓
99	Electricity Industry (Customer Contracts) Regulations 2005 regulation 36	5												✓
114	Integrated Regional Licence condition 23.1 Retail Licence condition 23.1	5												✓
115	Integrated Regional Licence condition 23.2 Retail Licence condition 23.2	5												✓
116	Integrated Regional Licence condition 24.2 Retail Licence condition 24.2	5												✓
117	Integrated Regional Licence condition 24.3 Retail Licence condition 24.3	5												✓
118	Integrated Regional Licence condition 25.1 Retail Licence condition 25.1	5												✓
109	Electricity Industry Act section 54(2)	5												✓
100	Electricity Industry (Customer Contracts) Regulations 2005 regulation 38	5												✓

### 4.3 Asset Management Review Effectiveness Summary

The asset management system review assessed the effectiveness of the asset management system in delivering the services as required under the operating licence.

The review was conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines. A summary of the outcomes of the review is provided in Table 4-5.

**Table 4-5 Asset Management Review Effectiveness Summary**

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Asset planning	A	1
Asset creation/acquisition	A	1
Asset disposal	A	1
Environmental analysis	A	1
Asset operations	A	1
Asset maintenance	A	1
Asset management information system	A	1
Risk management	A	1
Contingency planning	A	1
Financial planning	A	1
Capital expenditure planning	A	1
Review of AMS	A	1

## 5 Observations and Recommendations

### 5.1 Performance Audit

Table 5-1 Performance Audit Observations

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
105	Distribution Licence condition 4.1 Generation Licence condition 4.1 Integrated Regional Licence condition 4.1 Retail Licence condition 4.1 Transmission Licence condition 4.1	Electricity Industry Act section 17(1)	A licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	<ul style="list-style-type: none"> <li>▪ Licence fees have been paid regularly, and within the required timeframes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson.</li> <li>▪ Tax invoice for June 2014 viewed.</li> <li>▪ Bank statement for June 2013 viewed.</li> </ul>	1
-		5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.			1
106	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Act section 31(3)	A licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.	<ul style="list-style-type: none"> <li>▪ SCE have taken reasonable steps to minimize the extent or duration of any unavoidable interruption, suspension or restriction of electricity.</li> <li>▪ There are strong financial disincentives for any interruptions to supply.</li> </ul>	<ul style="list-style-type: none"> <li>▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
107	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Act section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	<ul style="list-style-type: none"> <li>SCE has met all costs of taking an interest in land or easements over land.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
113	Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Act section 115(2)	A licensee that has, or is an associate of a person that has, access to services under an access agreement must not engage in conduct for the purpose of hindering or prohibiting access.	<ul style="list-style-type: none"> <li>There have been no formal requests for access by new customers within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
338	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 2.2(1)(a)	A network operator must treat all Code participants that are its associates on an arms-length basis.	<ul style="list-style-type: none"> <li>SCE only has one associate. The retailer and distributor are the same organisation and there is no alternative retailer on the network. As there are no alternate associates, there is no commercial reason for the network operator to treat the retailer on an arms-length basis and the requirement is assessed as not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
339	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 2.2(1)(b)	A network operator must ensure that no Code participant that is its associate receives a benefit in respect of the Code unless the benefit is attributable to an arm's length application of the Code or is also made available to all other Code participants on the same terms and conditions.	<ul style="list-style-type: none"> <li>SCE only has one associated retailer on its network. The retailer and distributor are the same organisation and there is no alternative retailer on the network. As there are no alternate associates, there is no commercial reason for the network operator to treat the retailer on an arms-length basis and the requirement is assessed as not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
340	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.1	A network operator must ensure that its meters meet the requirements specified in the applicable metrology procedure and also comply with any applicable specifications or guidelines (including any transitional arrangements) specified by the National Measurement Institute under the National Measurement Act.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code.</li> <li>SCE has a well documented metrology procedure in the PPA with its customers.</li> <li>The procedure covers most of the requirements of this clause.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	Na
341	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.2(1)	An accumulation meter must at least conform to the requirements specified in the applicable metrology procedure and display, or permit access to a display of the measurements specified in subclauses 3.2(1)(a)(b) using dials, a cyclometer, an illuminated display panel or some other visual means.	<ul style="list-style-type: none"> <li>SCE has accumulation meters with display panels.</li> </ul>	<ul style="list-style-type: none"> <li>2014 SCE Compliance Report viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
342	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.3(1)	An interval meter must at least have an interface to allow the interval energy data to be downloaded in the manner prescribed using an interface compatible with the requirements specified in the applicable metrology procedure.	<ul style="list-style-type: none"> <li>SCE does not employ interval meters.</li> </ul>	<ul style="list-style-type: none"> <li>2014 SCE Compliance Report viewed.</li> </ul>	1
343	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.3(3)	If a metering installation is required to include a communications link, the link must (where necessary), include a modem and isolation device approved under the relevant telecommunications regulations, to allow the interval energy data to be downloaded in the manner prescribed.	<ul style="list-style-type: none"> <li>SCE's retailer and customers have no requirement for a communication link to download interval energy data.</li> </ul>	<ul style="list-style-type: none"> <li>2014 SCE Compliance Report viewed.</li> </ul>	1
344	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.3A(1)	A network operator must ensure that bidirectional electricity flows do not occur at a metering point unless the metering installation for the metering point is capable of separately measuring and recording electricity flows in each direction.	<ul style="list-style-type: none"> <li>SCE's meters are capable of measuring bi-directional flow at locations where bidirectional flow may exist.</li> </ul>	<ul style="list-style-type: none"> <li>2014 SCE Compliance Report viewed.</li> </ul>	1
345	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.3B	A user who is aware of bi-directional flows at a metering point which was not previously subject to a bi-directional electricity flows or any changes in a customer's or user's circumstances in a metering point which will result in bi-directional electricity flows must notify the network operator within 2 business days.	<ul style="list-style-type: none"> <li>There have been no circumstances of metering points which were previously not capable of bi-directional flow becoming capable of bi-directional flow within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>2014 SCE Compliance Report viewed.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
346	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.3C	An accumulation meter or an interval meter that separately measures and records bi-directional electricity flows at the metering point must record the net electricity production transferred into the network that exceeds electricity consumption and the net electricity consumption transferred out of the network that exceeds electricity production.	<ul style="list-style-type: none"> <li>All bi-directional metering points have the capability to record the net electricity production transferred into the network that exceeds electricity consumption and the net electricity consumption transferred out of the network that exceeds production.</li> </ul>	<ul style="list-style-type: none"> <li>2014 SCE Compliance report viewed.</li> </ul>	1
347	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.5(1) and (2)	A network operator must ensure that there is a metering installation at every connection point on its network which is not a Type 7 connection point. Unless it is a Type 7 metering installation, the metering installation must meet the functionality requirements prescribed.	<ul style="list-style-type: none"> <li>SCE South has meters installed at all connection points including at its gas turbines and the Western Power (Boulder) connection points and at various points of the supply required by the PPA.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1
348	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.5(3)	A network operator must, unless otherwise agreed, for each metering installation on its network, on and from the time of its connection to the network, provide, install, operate and, subject to sub clause 3.7(5), maintain the metering installation in the manner prescribed.	<ul style="list-style-type: none"> <li>There were no new meters installed throughout the audit period.</li> <li>SCE has in place PPAs which specify requirements for maintaining meter installations, testing metering accuracy, remedying any faults, etc. which are more onerous than the requirements of this clause.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
349	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.5(4)	A network operator must ensure that, except for a Type 7 metering installation, the metering point for a revenue metering installation is located as close as practicable to the connection point in accordance with good electricity industry practice.	<ul style="list-style-type: none"> <li>SCE's revenue meters are installed at the points of connections of the loads on SCE's network. This is as close as practicable and satisfies the requirements of this clause.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
350	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.5(6)	A network operator may only impose a charge for providing, installing, operating or maintaining a metering installation in accordance with the applicable service level agreement between it and the user.	<ul style="list-style-type: none"> <li>As per the PPA, there is no charge for metering installations.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd.</li> </ul>	1
351	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.5(9)	If a network operator becomes aware that a metering installation does not comply with the Code, the network operator must advise affected parties of the non-compliance and arrange for the non-compliance to be corrected as soon as practicable.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to comply with the technical requirements of the Code.</li> <li>As per the PPA, the meters are regularly inspected and tested for accuracy every 2 years. There are no meters outside of the accuracy requirements in the PPA.</li> </ul>	<ul style="list-style-type: none"> <li>2014 Meter Verification Tests viewed.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
352	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.7	All devices that may be connected to a telecommunications network must be compatible with the telecommunications network and comply with all applicable State and Commonwealth enactments.	<ul style="list-style-type: none"> <li>SCE has radio licences which comply with all applicable enactments.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
353	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.8	Subject to clause 3.27, a network operator must, for each metering installation on its network, ensure that the metering installation is secured by means of devices or methods which, to the standard of good electricity industry practice, hinder unauthorized access and enable unauthorized access to be detected.	<ul style="list-style-type: none"> <li>SCE maintains its meter installations securely.</li> <li>Unauthorized access is prevented and restricted through control of metering installations.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
354	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.9(3)	Subject to sub clauses 3.9(4), 3.9(5) and 3.9(7), each metering installation must meet at least the requirements for that type of metering installation specified in Table 3 in Appendix 1 of the Code.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the standards set in the Code.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
355	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.9(7)	For a metering installation used to supply a customer with requirements above 1000 volts that require a VT and whose annual consumption is below 750MWh, the metering installation must meet the relevant accuracy requirements of a Type 3 metering installation for active energy only.	<ul style="list-style-type: none"> <li>Not applicable. SCE's customers annual consumption is &gt;750MWh.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
356	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.9(9)	If compensation is carried out within the meter then the resultant metering system error must be as close as practicable to zero.	<ul style="list-style-type: none"> <li>Not applicable. Compensation is not carried out as it is not required.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
357	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.10	A network operator must ensure that any programmable settings within any of its metering installations, data loggers or peripheral devices, that may affect the resolution of displayed or stored data, meet the relevant requirements specified in the applicable metrology procedure and comply with any applicable specifications or guidelines specified by the National Measurement Institute under the National Measurement Act.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to standards set in the Code.</li> <li>SCE has a well-documented metrology procedure in the PPA with its customers.</li> <li>SCE has measures in place concerning programmable settings in regards to how it affects data resolution and accuracy.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	Na
358	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.11(1)	A network operator must ensure that a metering installation on its network is operating consistently with good electricity industry practice to measure and record data, and to permit collection of data within the time specified in the applicable service level agreement, for at least the percentages of the year specified.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
359	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.11(2)	If an outage or malfunction occurs to a metering installation, the network operator must make repairs to the metering installation in accordance with the applicable service level agreement.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
360	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.11(3)	A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.	<ul style="list-style-type: none"> <li>SCE has not had any metering outages or malfunctions in the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
361	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.11A(1)	A network operator must ensure that the meters on its network are systematically sampled and tested for accuracy in accordance with AS 1284.13.	<ul style="list-style-type: none"> <li>The requirement for accuracy of meters is covered by the PPA.</li> <li>The periodicity of testing is more frequent than that prescribed in AS 1284 and covers all revenue meters, not just a sample set.</li> </ul>	<ul style="list-style-type: none"> <li>2014 Meter Verification Tests viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
362	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.11A(2)	Subject to clause 3.11A(3), if a "population" of meters is deemed to have failed under AS 1284.13, the network operator must ensure that all the meters that make up the population are removed and replaced with new meters within 3 years of the testing of the population.	<ul style="list-style-type: none"> <li>There has been no failure of a population of meters.</li> <li>The PPA stipulates that all meters are tested every 24 months.</li> <li>The PPA stipulates that if any tests deem a meter to be inaccurate then that meter will be repaired.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	Nr
363	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.12(1)	A network operator must ensure that each metering installation complies with at least the prescribed design requirements.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to standards set in the Code.</li> </ul>	<ul style="list-style-type: none"> <li>2014 Compliance Report viewed.</li> </ul>	Na
364	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.12(2)	A network operator must ensure that instrument transformers in its metering installations comply with the relevant requirements of any applicable specifications or guidelines (including any transitional arrangements) specified by the National Measurement Institute under the National Measurement Act and any requirements specified in the applicable metrology procedure.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the standards defined in the Code.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
365	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.12(3)	A network operator must provide isolation facilities, to the standard of good electricity industry practice, to facilitate testing and calibration of the metering installation.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the standards defined in the Code.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>2014 Compliance Report viewed.</li> </ul>	Na
366	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.12(4)	A network operator must maintain drawings and supporting information, to the standard of good electricity industry practice, detailing the metering installation for maintenance and auditing purposes.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Australian Management System viewed.</li> </ul>	1
367	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.13(1)	A network operator must procure the user or the user's customer to install (or arrange for the installation of) a full check metering installation or partial check metering installation in accordance with the prescribed requirements.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the Code.</li> <li>SCE do not have full check meters installed.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
368	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.13(3)(c)	A partial check metering installation must be physically arranged in a manner determined by the network operator, acting in accordance with good electricity industry practice.	<ul style="list-style-type: none"> <li>▪ Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the Code.</li> <li>▪ SCE complies with partial check requirements in that SCE uses SCADA data. Monthly readings of the meters are also undertaken.</li> <li>▪ The PPAs do not require partial check metering.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> <li>▪ 2014 Compliance Report viewed.</li> </ul>	Na
369	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.13(4)	A check metering installation for a metering point must comply with the prescribed requirements.	<ul style="list-style-type: none"> <li>▪ Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the Code.</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ 2014 Compliance Report viewed.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
370	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.14(3)	If, under clause 3.14(2), a metering installation uses metering class CTs and VTs that do not comply with the Table 3 in Appendix 1, then the network operator must either or both install meters of a higher class accuracy and apply accuracy calibration factors within the meter to compensate for CT and VT errors, in order to achieve the accuracy requirements in Table 3 in Appendix 1.	<ul style="list-style-type: none"> <li>Installation of metering pre-dates the requirements of the Code - therefore under clause 3.14 metering installations are not required to be upgraded to the standards required by the Code.</li> <li>SCE's meters were installed prior to this Code requirement coming into effect.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
376	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.20(1)	A network operator must, if reasonably requested by a Code participant, provide enhanced technology features in a metering installation.	<ul style="list-style-type: none"> <li>SCE has not received a request to provide enhanced technology features within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
377	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.20(3)	A network operator may only impose a charge for the provision of metering installations with enhanced technology features in accordance with the applicable service level agreement between it and the user.	<ul style="list-style-type: none"> <li>SCE has not imposed a charge for the provision of a metering installation.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
378	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.21(1)	Meters containing an internal real time clock must maintain time accuracy as prescribed. Time drift must be measured over a period of 1 month.	<ul style="list-style-type: none"> <li>SCE's meters do not contain internal real time clocks.</li> </ul>	<ul style="list-style-type: none"> <li>2014 Compliance Report viewed.</li> </ul>	Nr

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379	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.21(2)	If a metering installation includes measurement elements and an internal data logger at the same site, it must include facilities on site for storing the interval energy data for the periods prescribed.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
380	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.22	A network operator providing one or more metering installations with enhanced technology features must be licensed to use and access the metering software applicable to all devices being installed and be able to program the devices and set parameters.	<ul style="list-style-type: none"> <li>SCE does not provide meters with enhanced technology features</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
381	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.23(a)	Where signals are provided from the meter for the user or the user's customer use, a network operator must ensure that signals are isolated by relays or electronic buffers to prevent accidental or malicious damage to the meter.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
382	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.23(b)	Where signals are provided from the meter for the user or the user's customer use, a network operator must provide the user or the user's customer with sufficient details of the signal specification to enable compliance with clause 3.23(c) of the Code.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
383	Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 3.24A(1)	If a retailer requests a network operator to install a pre-payment meter at a connection point, then the pre-payment meter must be sufficient to enable the retailer to comply with the retailer's obligations under the Code of Conduct.	<ul style="list-style-type: none"> <li>SCE has not received a request to install a pre-payment meter within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
384	Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 3.24B(1)	If a retailer requests a network operator to replace a pre- payment meter at a connection point with a meter that is not a pre-payment meter then the network operator must do so in accordance with this Code and the Code of Conduct.	<ul style="list-style-type: none"> <li>SCE has not received a request to replace a pre-payment meter within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
385	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 3.27	A person must not install a metering installation on a network unless the person is the network operator or a registered metering installation provider for the network operator doing the type of work authorised by its registration.	<ul style="list-style-type: none"> <li>SCE has not installed any metering installations within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
386	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.29	A network operator must publish a list of registered metering installation providers, including the prescribed details, and at least annually, update the list.	<ul style="list-style-type: none"> <li>SCE has not registered any metering installation providers and it is not obliged to.</li> <li>Because SCE has no registered metering installation providers, this clause is not applicable as there is no list to publish.</li> <li>SCE's customer contracts set out the process to be followed to add new connection points.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence between SCE and ERA viewed.</li> </ul>	Na
387	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.1(1)	A network operator must establish, maintain and administer a metering database containing, for each metering point on its network, standing data and energy data.	<ul style="list-style-type: none"> <li>SCE stores meter data on commercial databases.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

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388	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.1(2)	A network operator must ensure that its metering database and associated links, circuits, information storage and processing systems are secured by means of devices or methods which, to the standard of good electricity industry practice, hinder unauthorized access and enable unauthorized access to be detected.	<ul style="list-style-type: none"> <li>There is an IT policy in place to protect access to the database.</li> </ul>	<ul style="list-style-type: none"> <li>IT Policy viewed.</li> </ul>	1
389	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.1(3)	A network operator must prepare, and if applicable, must implement a disaster recovery plan to ensure that it is able, within 2 business days after the day of any disaster, to rebuild the metering database and provide energy data to Code participants.	<ul style="list-style-type: none"> <li>SCE has a data disaster recovery plan.</li> <li>Data is backed on a daily basis in Australia.</li> <li>In the event of a disaster, all data is able to be recovered expediently as part of SCE's disaster recovery and business continuity plan.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
390	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.2(1)	A network operator must ensure that its registry complies with the Code and the prescribed clause of the market rules.	<ul style="list-style-type: none"> <li>The registry that holds the standing data for SCE's metering points is maintained by Western Power</li> <li>SCE's network does not form part of the Wholesale Electricity Market therefore the market rules do not apply</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
391	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.3(1)	The standing data for a metering point must comprise at least the items specified.	<ul style="list-style-type: none"> <li>SCE has provided a complete print out of the registry information which contains the standing data required.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

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392	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.4(1)	If there is a discrepancy between energy data held in a metering installation and data held in the metering database, the affected Code participants and the network operator must liaise together to determine the most appropriate way to resolve a discrepancy.	<ul style="list-style-type: none"> <li>Instance of incorrect energy data due to loss of communications. Identified and rectified with SCE customers before invoicing, without issue.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
393	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.5(1)	A Code participant must not knowingly permit the registry to be materially inaccurate.	<ul style="list-style-type: none"> <li>SCE have not knowingly permitted the registry to be materially inaccurate.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
394	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 4.5(2)	Subject to sub clause 5.19(6), if a Code participant, other than a network operator, becomes aware of a change to, or an inaccuracy in, an item of standing data in the registry, then it must notify the network operator and provide details of the change or inaccuracy within the timeframes prescribed.	<ul style="list-style-type: none"> <li>No such event has occurred within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

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395	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.6(1)	If the network operator is notified of a change to, or inaccuracy in, an item of standing data by a Code participant which is the designated source for the item of standing data under Table 2 in clause 4.3(1), then the network operator must update the registry to reflect the change to, or correct the inaccuracy in, the standing data..	<ul style="list-style-type: none"> <li>SCE has not received any notices within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
396	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.6(2)	If a network operator is notified of a change to, or inaccuracy in, an item of standing data by a Code participant which is not the designated source for the item of standing data, or otherwise becomes aware of a change to or inaccuracy in an item of standing data, then the network operator must undertake investigations to the standard of good electricity industry practice to determine whether the registry should be updated, and update the registry as required.	<ul style="list-style-type: none"> <li>SCE has not received any notices within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
397	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.7	If standing data for a metering point is updated in the registry, the network operator must, within 2 business days after the update (or such other time as is specified in the applicable service level agreement) notify the update to the current user and each previous user, if the updated standing data relates to a period or periods when the previous user was the current user.	<ul style="list-style-type: none"> <li>No updates have been made to standing data within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
398	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.8(3)	A network operator must allow a user who is a retailer or a generator to have local and (where a suitable communications link is installed) remote access to the energy data for metering points at its associated connection points, using a password provided by the network operator which provides 'read only' access.	<ul style="list-style-type: none"> <li>Nickel West is technically a retailer to third party users.</li> <li>Nickel West has local access to the metering installations and local data. Provision of this data is covered by the PPA.</li> <li>There have been no requests for remote access to the energy data for the metering points and therefore a suitable communication link for remote data provision is not installed.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1
399	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.8(3A)	A network operator must allow a user who is a retailer or a generator to have access to data held in its metering database for metering points at its associated connection points, by means of a website (or otherwise by remote access to a "data storage device" as that expression is defined in the Electronic Transactions Act 2003), using a password provided by the network operator which provides 'read only' access.	<ul style="list-style-type: none"> <li>Nickel West is technically a retailer to third party users.</li> <li>SCE does not provide remote, 'read only' access to the data held in its metering database to Nickel West</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>PPA between BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	2
400	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.8(4)(a)	A network operator must have devices and methods in place that ensure that energy data held in its metering installation is secured from unauthorised local or remote access using the methods prescribed	<ul style="list-style-type: none"> <li>SCE has security devices, controls and passwords in place in accordance with its IT policy.</li> </ul>	<ul style="list-style-type: none"> <li>Systems with password protection viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
401	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.8(4)(b)	A network operator must have devices and methods in place that ensure that the data held in its metering database is secured from unauthorised local or remote access using the methods prescribed.	<ul style="list-style-type: none"> <li>SCE has security devices, controls and passwords in place in accordance with its IT policy.</li> </ul>	<ul style="list-style-type: none"> <li>Systems with password protection viewed.</li> </ul>	1
402	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.8(5)	Without limiting subclause 4.8(4), a network operator must ensure that electronic passwords and other electronic security controls are only issued to the specified authorised personnel and otherwise keep its records of electronic passwords and other electronic security controls secure from unauthorised access.	<ul style="list-style-type: none"> <li>SCE has security devices, controls and passwords in place in accordance with its IT policy.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
403	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.9	A network operator must retain energy data in its metering database for each metering point on its network (including any energy data that has been replaced under subclause 5.24) for at least the periods, and with the level of accessibility, prescribed.	<ul style="list-style-type: none"> <li>SCE's commercial database has data from 1996 onwards stored.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
404	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.1 (1)	A network operator must use all reasonable endeavours to accommodate another Code participant's requirement to obtain a metering service and requirements in connection with the negotiation of a service level agreement.	<ul style="list-style-type: none"> <li>There have been no such requirements within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

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405	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.1(2)	Without limiting subclause 5.1(1), a network operator must expeditiously and diligently process all requests for a service level agreement and negotiate its terms in good faith, and, to the extent reasonably practicable in accordance with good electricity industry practice, permit a Code participant to acquire a metering service containing only those elements of the metering service which the Code participant wishes to acquire.	<ul style="list-style-type: none"> <li>There have been no such requirements within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
406	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.3	A network operator must, for each metering point on its network, obtain energy data from the metering installation and transfer the energy data into its metering database by no later than 2 business days after the date for the scheduled meter reading for the metering point (or such other time as is specified in the applicable service level agreement).	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
407	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.4(1)	A network operator must, for each meter on its network, at least once in every 12 month period undertake a meter reading that provides an actual value that passes the validation processes in Appendix 2.	<ul style="list-style-type: none"> <li>SCE takes manual meter readings on a daily and monthly basis.</li> <li>Meter readings are verified by cross checking and separation of duties.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
408	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.4(1A)	The meter reading referred to in clause 5.4(1) must not be undertaken by the customer associated with the meter, and must be undertaken by a person who is employed or appointed by the network operator and who is suitably skilled in accordance with good electricity industry practice to carry out meter readings.	<ul style="list-style-type: none"> <li>Meter readings are not undertaken by the customer as SCE employs qualified and trained high voltage technicians to take manual readings of customer associated meters on a monthly basis.</li> <li>Meter readings are also verified by cross checking and separation of duties.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
409	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.4(2)	A user must, when reasonably requested by a network operator, assist the network operator to comply with the network operator's obligation under subclause 5.4(1).	<ul style="list-style-type: none"> <li>SCE has assisted the network operator when requested.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
410	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.5(2)	Subject to subclause 5.5(2A)(b), a network operator may impose a charge for the provision of data, but only if a user has requested the energy data to the extent permitted by, and in accordance with the applicable service level agreement between it and the user, and if a customer has given a direction under subclause 5.17A(1), in accordance with the prescribed conditions.	<ul style="list-style-type: none"> <li>No charges have been imposed for the provision of data between network operator and retailer.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
411	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.5(2A)	A network operator must not impose a charge for the provision of standing data and for the provision of energy data if another enactment prohibits it doing so.	<ul style="list-style-type: none"> <li>SCE has not imposed a charge for the provision of standing data.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
412	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.6(1)	Subject to subclause 5.6(2), a network operator must provide validated, and where necessary, substituted or estimated energy data for a metering point to the user for the metering point and the IMO within the timeframes prescribed in subclause 5.6(1)(2).	<ul style="list-style-type: none"> <li>Western Power is the network operator at the Kambalda Town point where substituted or estimated energy data is required. Therefore WP is responsible for notifying the IMO of changes within the prescribed time.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
413	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.7	If a replacement energy data value is inserted in a metering database for a metering point, the network operator must provide replacement energy data to the user for the metering point and the IMO within the timeframes prescribed.	<ul style="list-style-type: none"> <li>Western Power is the network operator at the Kambalda Town point where substituted or estimated energy data is required. Therefore WP is responsible for notifying the IMO of changes within the prescribed time.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
418	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.12(1)	If a user gives a network operator an energy data request for a metering point in accordance with the communication rules, and the energy data request relates only to a time or times for which the user was the current user at the metering point, then the network operator must provide a user with a complete set of energy data for the metering point within the timeframes prescribed.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
419	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.13	If the current user for a metering point gives the network operator a standing data request for the metering point in accordance with the communication rules then the network operator must provide the current user with a complete current set of standing data for a metering point and advise whether there is a communications link for the metering point, within the timeframes prescribed.	<ul style="list-style-type: none"> <li>No request for standing data has been received within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
420	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.14(3)	If a user makes a bulk standing data request, the network operator must in accordance with the communication rules, acknowledge receipt of the request and provide the requested standing data within the timeframes prescribed.	<ul style="list-style-type: none"> <li>No request for standing data has been received within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
421	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.15	If a network operator provides energy data to a user or the IMO it must also provide the date of the meter reading in accordance with the requirements specified.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
422	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.16	If a user collects or receives energy data from a metering installation then the user must provide the network operator with the energy data (in accordance with the communication rules) within the timeframes prescribed.	<ul style="list-style-type: none"> <li>SCE is both network operator and retailer. SCE as a user has not collected any data required to be provided to network operator Western Power.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
423	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.17(1)	A user must provide standing data and validated, and where necessary substituted or estimated, energy data to the user's customer to which that information relates where the user is required by an enactment or an agreement to do so for billing purposes or for the purpose of providing metering services to the customer.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
424	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.17A(1)	A network operator must provide data for a metering point from its metering database to a person if (and to the extent that) the customer associated with the metering point gives the network operator a direction to do so that complies with subclause 5.17A(2).	<ul style="list-style-type: none"> <li>Covered under the PPA.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1
425	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.17A(3)	A network operator must comply with a direction under subclause 5.17A(1) within the timeframes prescribed.	<ul style="list-style-type: none"> <li>No request for information has been received within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
426	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.18	If a user collects or receives information regarding a change in the energisation status of a metering point then the user must provide the network operator with the prescribed information, including the stated attributes, within the timeframes prescribed.	<ul style="list-style-type: none"> <li>SCE is a network operator, generator and retailer. Information is shared between them.</li> <li>SCE as a user has not collected or received information regarding a change in the energisation status of a metering point.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
427	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(1)	A user must, when requested by the network operator acting in accordance with good electricity industry practice, use reasonable endeavours to collect information from customers, if any, that assists the network operator in meeting its obligations described in the Code and elsewhere, and provide that information to the network operator.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
428	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(2)	A user must, to the extent that it is able, collect and maintain a record of the prescribed information in relation to the site of each connection point with which the user is associated.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
429	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(3)	Subject to subclauses 5.19(3A) and 5.19(6), the user must, within 1 business day after becoming aware of any change in an attribute described in subclause 5.19(2), notify the network operator of the change.	<ul style="list-style-type: none"> <li>SCE as a retailer and generator has not become aware of any change in attribute.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
430	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.19(5)	A network operator must give notice to a user, or (if there is a different current user) the current user, acknowledging receipt of any customer, site or address attributes from the user within the timeframes prescribed.	<ul style="list-style-type: none"> <li>SCE as a network operator has not received any customer, site or address attributes.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
431	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(6)	The user must use reasonable endeavours to ensure that it does not notify the network operator of a change in an attribute described in subclause 5.19(2) that results from the provision of standing data by the network operator to the user.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
435	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.21(2)	A network operator must comply with any reasonable request under subclause 5.21(1).	<ul style="list-style-type: none"> <li>SCE has not received any requests for meter testing within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
436	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.21(4)	A test or audit under subclause 5.21(1) is to be conducted in accordance with the metrology procedure and the applicable service level agreement.	<ul style="list-style-type: none"> <li>SCE has not received any requests for meter testing.</li> <li>The applicable service level agreement is included in the PPA.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
437	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.21(5)	A Code participant must not request a test or audit under subclause 5.21(1) unless the Code participant is a user and the test or audit relates to a time or times at which the user was the current user or the Code participant is the IMO.	<ul style="list-style-type: none"> <li>Where SCE is a user it is also the network operator and therefore any requests would be to itself and therefore this sub-clause does not apply.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	Na



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
438	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.21(6)	A Code participant must not make a request under subclause 5.21(1) that is inconsistent with any access arrangement or agreement.	<ul style="list-style-type: none"> <li>No request to test or audit has been made within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
439	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.21(8)	A network operator may only impose a charge for the testing of the metering installations, or auditing of information from the meters associated with the metering installations, or both, in accordance with the applicable service level agreement between it and the user.	<ul style="list-style-type: none"> <li>SCE has not imposed a charge for the testing of metering installations or the auditing of information from meters associated with the metering installation.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1
440	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.21(9)	Any written service level agreement entered into under subclause 5.21(7) must include a provision that no charge is to be imposed if the test or audit reveals a non-compliance with this Code.	<ul style="list-style-type: none"> <li>As per the PPA, the cost of testing and auditing lies with SCE.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1
441	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.21(11)	If a test or audit shows that the accuracy of the metering installation or information from the meter associated with the metering installation does not comply with the requirements under this Code, the network operator must advise the affected parties as soon as practicable of errors detected under a test or audit, the possible duration of the errors, and must restore the accuracy of the metering installation in accordance with the applicable service level agreement.	<ul style="list-style-type: none"> <li>No errors have been identified that require the affected party to be notified.</li> <li>This requirement is covered by the PPA.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1

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442	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.21(12)	The original stored error correction data in a meter must not be altered except during accuracy testing and calibration of a metering installation.	<ul style="list-style-type: none"> <li>No data has been altered</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Brady Smith, later Jamie Crombie.</li> </ul>	1
443	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.22(1)	A network operator must validate energy data in accordance with this Code applying, as a minimum, the prescribed rules and procedures set out in Appendix 2 and must, where necessary, substitute and estimate energy data under this Code applying, as a minimum, the prescribed rules and procedures set out in Appendix 3.	<ul style="list-style-type: none"> <li>SCE's meters pre-date the requirements of the Code and therefore validation using the rules and procedures is not undertaken.</li> <li>However, data validation is covered under the PPA and SCE has process for estimating and updating data.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	Na
444	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.22(2)	The network operator must use check metering data, where available, to validate energy data provided that the check metering data has been appropriately adjusted for differences in metering installation accuracy in accordance with subclause 3.13.	<ul style="list-style-type: none"> <li>SCE does not employ check meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
445	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.22(3)	If a check meter is not available or energy data cannot be recovered from the metering installation within the time required under this Code, then the network operator must prepare substitute values using a method contained in Appendix 3 and agreed where necessary with the relevant Code participants.	<ul style="list-style-type: none"> <li>Substitute values are estimated by SCE where necessary.</li> <li>Covered under the PPA.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1

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446	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.22(4)	If a network operator detects a loss of energy data or incorrect energy data from a metering installation, it must notify each affected Code participant of the loss or error within 24 hours after detection.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
447	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.22(5)	Substitution or estimation of energy data is required when energy data is missing, unavailable or corrupted, including in the circumstances described in this subclause.	<ul style="list-style-type: none"> <li>The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs.</li> <li>Validation checks and error corrections are made to data using an automated routine when importing data into the database.</li> </ul>	<ul style="list-style-type: none"> <li>2014 Meter Verification Tests viewed.</li> </ul>	1
448	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.22(6)	A network operator must review all validation failures before undertaking any substitution.	<ul style="list-style-type: none"> <li>The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs.</li> <li>Validation checks and error corrections are made to data using an automated routine when importing data into the database.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
449	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.23(1)	If a network operator determines that there is no possibility of determining an actual value for a metering point, then the network operator must designate an estimated or substituted value for the metering point to be a deemed actual value for the metering point.	<ul style="list-style-type: none"> <li>No instances have occurred within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

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450	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.23(3)	If a network operator has designated a deemed actual value for a metering point then the network operator must repair or replace the meter or one or more of components of metering equipment (as appropriate) at the metering point and subclauses 5.24(3(c) and 5.24(4) apply in respect of the estimated or substituted value which was designated to be the deemed actual value.	<ul style="list-style-type: none"> <li>The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs.</li> <li>No such event has occurred that has required replacement or repair of any meters within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
451	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.24(1)	If a network operator uses an actual value (first value) for energy data for a metering point, and a better quality actual or deemed actual value is available (second value), the network operator must replace the first value with the second value if doing so would be consistent with good electricity industry practice.	<ul style="list-style-type: none"> <li>The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs.</li> <li>Validation checks and error corrections are made to data using an automated routine when importing data into the database.</li> <li>Based on the validation checks and error corrections performed, SCE complies with the requirements of this clause.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
452	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.24(2)	If a network operator uses a deemed actual value (first value) for energy data for a metering point, and a better quality deemed actual value is available (second value), then the network operator must replace the first value with the second value if doing so would be consistent with good electricity industry practice.	<ul style="list-style-type: none"> <li>The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs.</li> <li>Validation checks and error corrections are made to data using an automated routine when importing data into the database.</li> <li>Based on the validation checks and error corrections performed, SCE complies with the requirements of this clause.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
453	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.24(3)	If a network operator uses an estimated or substituted value (first value) for energy data for a metering point, and a better quality actual, deemed, estimated or substituted value is available (second value), then the network operator must replace the first value with the second value if doing so would be consistent with good electricity industry practice or the user and its customer jointly request it to do so.	<ul style="list-style-type: none"> <li>The meter accuracies are regularly tested (every 2 years) in accordance with the requirements in SCE's PPAs.</li> <li>Validation checks and error corrections are made to data using an automated routine when importing data into the database.</li> <li>Based on the validation checks and error corrections performed, SCE complies with the requirements of this clause.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

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454	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.24(4)	A network operator (acting in accordance with good electricity industry practice) must consider any reasonable request from a Code participant for an estimated or substituted value to be replaced under subclause 5.24.	<ul style="list-style-type: none"> <li>No such event has occurred within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
455	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.25	A network operator must ensure the accuracy of estimated energy data in accordance with the methods in its metrology procedure and ensure that any transformation or processing of data preserves its accuracy in accordance with the metrology procedure.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
456	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.27	Upon request from a network operator, the current user for a connection point must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the timeframes prescribed.	<ul style="list-style-type: none"> <li>SCE is the retailer and network operator and therefore this sub-clause does not apply</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
457	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.29	If a network operator makes an election under subclause 5.28 in respect of a network, then, (unless the election is terminated under the meter data agency agreement)the parties must undertake the activities prescribed, as applicable.	<ul style="list-style-type: none"> <li>SCE and Western Power have not entered into a metering data agency agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
458	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.30(1)	If a network operator makes an election under subclause 5.28 in relation to the network, then the parties must enter into an agreement in relation to the network, which must deal with at least the matters prescribed.	<ul style="list-style-type: none"> <li>SCE and Western Power have not entered into a metering data agency agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
459	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.31(1)	If a network operator makes an election under subclause 5.28 in relation to a network, the electricity networks corporation must assess the compliance of each metering installation in the network with this Code and notify the electing network operator of each non-compliant metering installation.	<ul style="list-style-type: none"> <li>SCE and Western Power have not entered into a metering data agency agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
460	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.31(2)	For each non-compliant metering installation notified under subclause 5.31(1)(b), the electing network operator may, by notice to the electricity networks corporation, require the electricity networks corporation to upgrade a non-compliant metering installation, in which case the electricity networks corporation must undertake the upgrade in accordance with the metering data agency agreement and good electricity industry practice.	<ul style="list-style-type: none"> <li>SCE and Western Power have not entered into a metering data agency agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
461	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.34(2)	Except to the extent that the metering data agency agreement provides otherwise, the costs which may be recovered by the electricity networks corporation under subclause 5.34(1) must not exceed the amounts prescribed.	<ul style="list-style-type: none"> <li>SCE and Western Power have not entered into a metering data agency agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
462	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.37(1)(a)	A network operator must for the year ending on each 30 June, prepare a report setting out the information listed in subclause 5.37(2) for each metering service it was requested during the year to provide or scheduled during the year to carry out.	<ul style="list-style-type: none"> <li>Metering information and consumption reports are provided monthly and annually by SCE as a network operator to its retailer and customer.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
463	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.37(1)(b)	A network operator must provide a copy of the report described in subclause 5.37(1)(a) to the Minister and the Authority not less than 5 business days before it is published under subclause 5.37(3).	<ul style="list-style-type: none"> <li>SCE has no small use customers, therefore is not required to submit such report to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
464	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.37(1)(b)	A network operator must publish the report described in subclause 5.37(1) within 3 months after the year ends.	<ul style="list-style-type: none"> <li>SCE has no small use customers, therefore is not required to submit such report to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
465	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.37(2)	The report prepared by the network operator must include the information prescribed.	<ul style="list-style-type: none"> <li>SCE has no small use customers, therefore is not required to submit such report to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
466	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.37(3)	For each relevant metering service, the information in subclause 5.37(2) must be reported separately for the specified classes of connection point.	<ul style="list-style-type: none"> <li>SCE has no small use customers, therefore is not required to submit such report to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
467	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 5.38	A network operator must keep such records of information as are required for the purposes of subclause 5.37, and must retain the information (in a format that is accessible within a reasonable period of time) for at least 7 years after the day on which a report containing the information is published under subclause 5.37(1)(c)	<ul style="list-style-type: none"> <li>SCE has no small use customers, therefore is not required to submit such report to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
468	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 6.1(1)	A network operator must, in relation to its network, comply with the agreements, rules, procedures, criteria and processes prescribed.	<ul style="list-style-type: none"> <li>The Code requirement pre-dates the PPA (1996).</li> <li>SCE has a well documented metrology procedure in the PPA with its customers.</li> <li>The procedure covers most of the requirements of the Code.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	2
469	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 6.1(2)	A user must, in relation to a network on which it has an access contract, comply with the rules, procedures, agreements and criteria prescribed.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
470	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 6.20(4)	A network operator must amend any document in accordance with the Authority's final findings.	<ul style="list-style-type: none"> <li>SCE has not received any request by the Authority to amend any documents within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
471	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 6.20(5)	The network operator must publish any document that has been amended under subclause 6.20(4).	<ul style="list-style-type: none"> <li>SCE has had no such document amended.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
472	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(1)	Code participants must use reasonable endeavours to ensure that they can send and receive a notice by post, facsimile and electronic communication and must notify the network operator of a telephone number for voice communication in connection with the Code.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
473	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(2)	A network operator must notify each Code participant of its initial contact details and of any change to its contact details at least 3 business days before the change takes effect.	<ul style="list-style-type: none"> <li>SCE has not changed its contact details within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
474	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(4)	If requested by a network operator with whom it has entered into an access contract, the Code participant must notify its contact details to a network operator within 3 business days after the request.	<ul style="list-style-type: none"> <li>SCE has received no such request.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
475	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(5)	A Code participant must notify any affected network operator of any change to the contact details it notified to the network operator under subclause 7.2(4) at least 3 business days before the change takes effect.	<ul style="list-style-type: none"> <li>SCE has not changed its contact details within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
476	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.5	A Code participant must subject to subclauses 5.17A and 7.6 not disclose, or permit the disclosure of, confidential information provided to it under or in connection with the Code and may only use or reproduce confidential information for the purpose for which it was disclosed or another purpose contemplated by the Code.	<ul style="list-style-type: none"> <li>SCE has not disclosed or permitted the disclosure of confidential information provided to it under or in connection with the Code.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
477	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.6(1)	A Code participant must disclose or permit the disclosure of confidential information that is required to be disclosed by the Code.	<ul style="list-style-type: none"> <li>There have been no requirements to disclose any confidential information within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
478	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(1)	If any dispute arises between any Code participants then (subject to subclause 8.2(3)) representatives of disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and attempt to resolve the dispute by negotiations in good faith.	<ul style="list-style-type: none"> <li>There have been no such disputes within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
479	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(2)	If a dispute is not resolved within 10 business days after the dispute is referred to representative negotiations, the disputing parties must refer the dispute to a senior management officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.	<ul style="list-style-type: none"> <li>There have been no such disputes within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
480	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(3)	If the dispute is not resolved within 10 business days after the dispute is referred to senior management negotiations, the disputing parties must refer the dispute to the senior executive officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.	<ul style="list-style-type: none"> <li>There have been no such disputes within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
481	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(4)	If the dispute is resolved by representative negotiations, senior management negotiations or CEO negotiations, the disputing parties must prepare a written and signed record of the resolution and adhere to the resolution.	<ul style="list-style-type: none"> <li>There have been no such disputes within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
482	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.3(2)	The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the objective in subclause 8.3(1).	<ul style="list-style-type: none"> <li>There have been no such disputes within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
483	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 5(1)	A distributor or transmitter must, as far as reasonably practicable, ensure that electricity supply to a customer's electrical installations complies with prescribed standards.	<ul style="list-style-type: none"> <li>Electricity supply to SCE's customer's electrical installations complies with prescribed standards.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
484	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 8	A distributor or transmitter must, so far as reasonably practicable, disconnect the supply of electricity to installations or property in specified circumstances, unless it is in the interest of the customer to maintain the supply.	<ul style="list-style-type: none"> <li>There have been no such requests to disconnect the supply within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
485	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 9	A distributor or transmitter must, as far as reasonably practicable, ensure that the supply of electricity is maintained and the occurrence and duration of interruptions is kept to a minimum.	<ul style="list-style-type: none"> <li>SCE have ensured that the supply of electricity has been maintained and the occurrence and duration of interruptions has been kept to a minimum.</li> <li>There are heavy PPA financial penalties imposed for any interruptions to supply.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
486	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 10(1)	A distributor or transmitter must, so far as reasonably practicable, reduce the effect of any interruption on a customer.	<ul style="list-style-type: none"> <li>SCE have reduced the effect of any interruption on the customer.</li> <li>There are heavy PPA financial penalties imposed for any interruptions to supply.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
487	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 10(2)	A distributor or transmitter must consider whether, in specified circumstances, it should supply electricity by alternative means to a customer who will be affected by a proposed interruption.	<ul style="list-style-type: none"> <li>There are strong financial disincentives for any interruptions to supply.</li> <li>SCE has back-up arrangements to minimize the interruption of supply to its customers including contract arrangements with Western Power, generation of electricity using higher cost fuel sources, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
489	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 13(2)	A distributor or transmitter must, so far as reasonably practicable, ensure that customers in specified areas do not have average total lengths of interruptions of supply greater than specified durations.	<ul style="list-style-type: none"> <li>SCE has entered into agreements with its customers that have reliability standards different to that in the Code. Therefore under clause 15(1) of the Code, this obligation does not apply. We note that the reliability standards in SCE's agreements are more strict than that in the Code and also carry significant financial penalties</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
490	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 13(3)	The average total length of interruptions of supply is to be calculated using the specified method.	<ul style="list-style-type: none"> <li>SCE has entered into agreements with its customers that have reliability standards different to that in the Code. Therefore under clause 15(1) of the Code, this obligation does not apply. We note that the reliability standards in SCE's agreements are more strict than that in the Code and also carry significant financial penalties</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
491	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 14(8)	A distributor or transmitter must, on request, provide to an affected customer a free copy of an instrument issued by the Minister and of any notice given under section 14(7) of the Electricity Industry (Network Quality and Reliability of Supply) Code 2005.	<ul style="list-style-type: none"> <li>SCE has not received any such request within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
492	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 15(2)	A distributor or transmitter that agrees with a customer to exclude or modify certain provisions must set out the advantages and disadvantages to the customer of doing so in their agreement.	<ul style="list-style-type: none"> <li>The PPA specifies network quality and reliability of supply.</li> <li>Limits on power frequency and voltage limits on SCE's northern network (islanded) are in fact more onerous than on the wider SWIS network.</li> </ul>	<ul style="list-style-type: none"> <li>PPA between SCE and BHP Billiton Nickel West Pty Ltd viewed.</li> </ul>	1



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
498	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(1)	A distributor or transmitter must take all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with specified requirements.	<ul style="list-style-type: none"> <li>SCE runs a Regional Control Centre (RCC) which is manned 24/7/365.</li> <li>SCE have taken all such steps as are reasonably necessary to monitor the operation of its network to ensure compliance with the specified requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Site visit to Parkeston Power Station.</li> </ul>	1
499	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 23(2)	A distributor or transmitter must keep records of information regarding its compliance with specific requirements for the period specified.	<ul style="list-style-type: none"> <li>SCE have an internal system for record keeping</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
500	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 24(3)	A distributor or transmitter must complete a quality investigation requested by a customer in accordance with specified requirements.	<ul style="list-style-type: none"> <li>No such requests have been received within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>Interview with Jamie Crombie.</li> </ul>	Nr
501	Distribution Licence condition 5.1 Integrated Regional Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 24(4)	A distributor or transmitter must report the results of an investigation to the customer concerned.	<ul style="list-style-type: none"> <li>No such requests have been received within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>Interview with Jamie Crombie.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
119		12.1	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>Transalta Energy (Australia) Financial Statements December 2011 viewed and were confirmed by Ernst &amp; Young as complying with the Australian Accounting Standards.</li> </ul>	1
-	13.2		The Authority may prescribe individual performance standards applying to the licensee in respect of the licensee's obligations under this licence or the applicable legislation.	<ul style="list-style-type: none"> <li>Not applicable. The Authority has not any prescribed individual standards.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
101	Distribution Licence condition 14.1 Generation Licence condition 14.1 Integrated Regional Licence condition 14.1 Retail Licence condition 14.1 Transmission Licence condition 14.1	Electricity Industry Act section 13(1)	A licensee must, not less than once every 24 months, provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority.	<ul style="list-style-type: none"> <li>March 2012 Performance Audit Report viewed. Current audit being undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence from ERA viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
121	Electricity Industry Act section 11	Distribution Licence condition 14.2 Generation Licence condition 14.2 Integrated Regional Licence condition 14.2 Retail Licence condition 14.2 Transmission Licence condition 14.2	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit.	<ul style="list-style-type: none"> <li>▪ SCE has previously complied with, and continues to comply with the Authority's standard audit guidelines dealing with the performance audit.</li> <li>▪ The previous performance audit was reported on in March 2012 and the subsequent audit is currently being undertaken (this audit).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson.</li> <li>▪ Letter dated 17 June 2014 from ERA approving Cardno to undertake SCE audit viewed.</li> <li>▪ Letter dated 22 August 2014 from ERA approving SCE audit plan viewed.</li> </ul>	1
123	Electricity Industry Act section 11	Distribution Licence condition 15.1 Generation Licence condition 15.1 Integrated Regional Licence condition 15.1 Retail Licence condition 15.1 Transmission Licence condition 15.1	<p>The licensee must report to the Authority:</p> <p>(a) if the licensee is under external administration, as defined by the Corporations Act 2001 (Cwlth), within 2 business days of such external administration occurring; or</p> <p>(b) if the licensee:</p> <p>(i) experiences a change in the licensee's corporate, financial or technical circumstances upon which this licence was granted; and</p> <p>(ii) the change may materially affect the licensee's ability to perform its obligations under this licence, within 10 business days of the change occurring; or</p> <p>(c) if the:</p> <p>(i) licensee's name;</p> <p>(ii) licensee's ABN; or</p> <p>(iii) licensee's address,</p> <p>change, within 10 business days of the change occurring.</p>	<ul style="list-style-type: none"> <li>▪ SCE has not reported a change in their circumstances.</li> <li>▪ SCE has not been under external administration.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Correspondence with ERA viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
124	Electricity Industry Act section 11	Distribution Licence condition 16.1 Generation Licence condition 16.1 Integrated Regional Licence condition 16.1 Retail Licence condition 16.1 Transmission Licence condition 16.1	The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	<ul style="list-style-type: none"> <li>SCE has complied with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson.</li> <li>2012, 2013 and 2014 SCE Compliance Reports viewed.</li> <li>SCE hardcopy correspondence file with the ERA viewed which confirmed that SCE had provided the ERA with information as requested.</li> </ul>	1
125	Electricity Industry Act section 11	Distribution Licence condition 17.1 and 17.2 Generation Licence condition 17.1 and 17.2 Integrated Regional Licence condition 17.1 and 17.2 Retail Licence condition 17.1 and 17.2 Transmission Licence condition 17.1 and 17.2	The Authority may direct the licensee to publish, within a specified timeframe, any information it considers relevant in connection with the licensee or the performance by the licensee of its obligations under this licence.	<ul style="list-style-type: none"> <li>SCE has not been directed to publish any such information.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
125	Electricity Industry Act section 11	Distribution Licence condition 17.1 and 17.2 Generation Licence condition 17.1 and 17.2 Integrated Regional Licence condition 17.1 and 17.2 Retail Licence condition 17.1 and 17.2 Transmission Licence condition 17.1 and 17.2	Subject to clause 17.3, the licensee must publish the information referred to in clause 17.1.	<ul style="list-style-type: none"> <li>SCE has not been directed to publish any such information.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
126	Electricity Industry Act section 11	18.1	<p>Unless otherwise specified, all notices must be in writing.</p> <p>A notice will be regarded as having been sent and received:</p> <ul style="list-style-type: none"> <li>(a) when delivered in person to the addressee; or</li> <li>(b) 3 business days after the date of posting if the notice is posted in Western Australia; or</li> <li>(c) business days after the date of posting if the notice is posted outside Western Australia; or</li> <li>(d) if sent by facsimile when, according to the sender's transmission report, the notice has been successfully received by the addressee; or</li> </ul> <p>if sent by electronic means when, according to the sender's electronic record, the notice has been successfully sent to the addressee.</p>	<ul style="list-style-type: none"> <li>SCE has provided the ERA with information as requested.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>SCE hardcopy correspondence file with the ERA viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
-		19.1	<p>The licensee may seek a review of a reviewable decision by the Authority pursuant to this licence in accordance with the following procedure:</p> <ul style="list-style-type: none"> <li>(a) the licensee shall make a submission on the subject of the reviewable decision within 10 business days (or other period as approved by the Authority) of the decision; and</li> <li>(b) the Authority will consider the submission and provide the licensee with a written response within 20 business days.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There have been no such reviewable decisions made by the Authority within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr
102	Distribution Licence condition 20.1 Generation Licence condition 20.1 Integrated Regional Licence condition 20.1	Electricity Industry Act section 14(1)(a)	The licensee must provide for an asset management system in respect of the licensee's assets.	<ul style="list-style-type: none"> <li>▪ SCE have provided for an effective asset management system to support their physical assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1
103	Distribution Licence condition 20.2 and 20.3 Generation Licence condition 20.2 and 20.3 Integrated Regional Licence condition 20.2 and 20.3 Transmission Licence condition 20.2 and 20.3	Electricity Industry Act section 14(1)(b)	<p>The licensee must notify the Authority of the details of the asset management system within 5 business days from the later of:</p> <ul style="list-style-type: none"> <li>(a) the commencement date; and</li> <li>(b) the completion of construction of the distribution system.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The asset management system was provided to the ERA as part of the licence application. The obligation cannot be rated for the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Nr

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
103	Distribution Licence condition 20.2 and 20.3 Generation Licence condition 20.2 and 20.3 Integrated Regional Licence condition 20.2 and 20.3 Transmission Licence condition 20.2 and 20.3	Electricity Industry Act section 14(1)(b)	The licensee must notify the Authority of any substantial change to the asset management system within 10 business days of such change.	<ul style="list-style-type: none"> <li>The asset management system was provided to the ERA as part of the Licence application.</li> <li>There have been no such substantial changes to the AMS within the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> <li>Interview with Brady Smith, later Jamie Crombie.</li> </ul>	Nr
104	Distribution Licence condition 20.4 Generation Licence condition 20.4 Integrated Regional Licence condition 20.4 Transmission Licence condition 20.4	Electricity Industry Act section 14(1)(c)	The licensee must provide the Authority with a report by an independent expert, acceptable to the Authority, as to the effectiveness of the asset management system not less than once in every period of 24 months calculated from the commencement date (or any longer period that the Authority allows by notice in writing).	<ul style="list-style-type: none"> <li>A written report as to the effectiveness of SCE's asset management system is being provided regularly to the Authority, and within the required timescales.</li> <li>The previous asset management system review was reported on in March 2012 and the subsequent audit is currently being undertaken (this audit).</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
122	Electricity Industry Act section 11	Distribution Licence condition 20.5 Generation Licence condition 20.5 Integrated Regional Licence condition 20.5 Transmission Licence condition 20.5	The licensee must comply, and must require the licensee's expert to comply, with the Authority's standard audit guidelines.	<ul style="list-style-type: none"> <li>SCE is complying with the relevant aspects of the Authority's standard guidelines by undertaking the asset management system review.</li> <li>The previous asset management system review was reported on in March 2012 and the subsequent audit is currently being undertaken (this audit).</li> </ul>	Interview with Kirsty Gibson and Troy Forward.	1
111		Distribution Licence condition 21.1 Retail Licence condition 21.121.1	<p>The licensee must not supply electricity to small use customers unless the licensee is:</p> <p>(a) a member of an approved scheme; and (b) bound by, and compliant with, any decision or direction of the electricity ombudsman under the approved scheme.</p>	<ul style="list-style-type: none"> <li>Not applicable. SCE has no small use customers.</li> </ul>	Interview with Kirsty Gibson and Troy Forward.	Na
99	Integrated Regional Licence condition 22.1 Distribution Licence condition 22.1	Electricity Industry (Customer Contracts) Regulations 2005 regulation 36	The licensee must determine, from time to time, the default supplier for each connection point that connects to a distribution system operated by the licensee.	<ul style="list-style-type: none"> <li>SCE does not supply to any customers who consume less than 160MWh per annum</li> </ul>	Interview with Kirsty Gibson and Troy Forward.	Na
114	Electricity Industry Act section 11	Integrated Regional Licence condition 23.1 Retail Licence condition 23.1	The licensee must ensure that an electricity marketing agent of the licensee complies with the Code of Conduct for the Supply of Electricity to Small Use Customers.	<ul style="list-style-type: none"> <li>Not applicable. SCE as a retailer does not have an electricity marketing agent.</li> </ul>	Interview with Kirsty Gibson and Troy Forward.	Na
115	Electricity Industry Act section 11	Integrated Regional Licence condition 23.2 Retail Licence condition 23.2	The licensee must report a breach by the electricity marketing agent of the applicable conditions of the Code of Conduct for the Supply of Electricity to Small Use Customers to the Authority within 3 business days of becoming aware of the breach.	<ul style="list-style-type: none"> <li>Not applicable. SCE does not employ an electricity marketing agent</li> </ul>	Interview with Kirsty Gibson and Troy Forward.	Na



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
116	Electricity Industry Act section 11	Integrated Regional Licence condition 24.2 Retail Licence condition 24.2	The licensee must, if directed by the Authority, review the standard form contract and submit to the Authority the results of that review within the time specified by the Authority.	<ul style="list-style-type: none"> <li>No such direction to review the standard form contract has been issued.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
117	Electricity Industry Act section 11	Integrated Regional Licence condition 24.3 Retail Licence condition 24.3	The licensee must comply with any direction given by the Authority in relation to the scope, process or methodology of the review referred to in clause 24.2.	<ul style="list-style-type: none"> <li>No such direction to review the standard form contract has been issued.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
118	Electricity Industry Act section 11	Integrated Regional Licence condition 25.1 Retail Licence condition 25.1	The licensee may only amend the standard form contract with the Authority's approval.	<ul style="list-style-type: none"> <li>Not applicable. SCE has not amended the standard form contract.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
109	Integrated Regional Licence condition 25.4 Retail Licence condition 25.4	Electricity Industry Act section 54(2)	<p>The Authority may, at any time, by notice in writing, direct the licensee to amend the standard form contract by specifying:</p> <ul style="list-style-type: none"> <li>(a) the amendments to be made to the standard form contract; and</li> <li>(b) the latest date at which the amendments will come into force.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable. SCE has received no such direction by the Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
-		26.1	The licensee must comply with any direction given by the Authority pursuant to section 53 of the Act.		<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na
100	Retail Licence condition 28.1 Integrated Regional Licence condition 28.1	Electricity Industry (Customer Contracts) Regulations 2005 regulation 38	<p>Where the licensee becomes aware of a customer taking a supply of electricity that is deemed to be supplied under the licensee's standard form contract in accordance with the Electricity Industry (Customer Contracts) Regulations 2005, the licensee must, within 5 days after becoming aware, notify the customer in writing:</p> <ul style="list-style-type: none"> <li>(a) that the licensee is the default supplier for that connection point; and</li> <li>(b) the effect of regulation 37 of the Electricity Industry (Customer Contracts) Regulations 2005.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable. SCE has no small use customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Kirsty Gibson and Troy Forward.</li> </ul>	Na



## 5.2 Asset Management System Review

The following table provides detailed commentary based on the findings observed during the audit process.

**Table 5-2 Asset Management System Review Observations**

Description	Observations	Evidence (Include Contact)
Asset planning	<ul style="list-style-type: none"> <li>▪ SCE have a 10 year long range forecast plan /process as well as shorter operational/maintenance forecasts for its entire asset base. The first 5 years of the 10 year forecast are in more detail. The document is reviewed and revised annually.</li> <li>▪ The asset's life cycle costs are developed, documented and reviewed throughout the asset's life.</li> <li>▪ Investments for new assets are critically reviewed in accordance with Transalta's asset investment / asset creation criteria, including financial considerations, technology choices, technical alternatives, operations and maintenance considerations, etc.</li> <li>▪ Performance of existing assets are regularly monitored and checked against expected performance – underperforming assets are flagged for critical review for remedial actions and/or ultimately for disposal if justified.</li> <li>▪ Capex spend is analysed on a global basis across all of Transalta's operations, including those in Australia. The assets are compared on an asset by asset basis, using normalized ranking methods. Costs, risks, timing and other considerations are factored.</li> <li>▪ Capital funds are sourced from Transalta in Canada.</li> <li>▪ Maintenance plans are developed from the 'ground-up' with zero-based budgeting. Asset maintenance requirements are documented, programmed, scheduled, executed, checked and reviewed on a continuous cycle basis, and plans corrected to ensure optimum maintenance strategies are implemented.</li> <li>▪ Monthly forecast tracks what work has been done against scheduled plans.</li> <li>▪ Maintenance requirements of assets are managed using GP MaTe e.g. scheduled maintenance tasks, spares holdings, records of completion of maintenance activities, costs, resources allocated, creation and logging of corrective actions, maintenance system KPIs, etc.</li> <li>▪ Asset replacements are based on asset performance, in many instances utilising hours run. This is monitored regularly.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Procedure (AFE) for new major capital asset investments viewed. Example of capital investment documentation viewed. Includes sections on business case, accounting returns, alternatives, forecast spend, review and approval.</li> <li>▪ Monthly Business Planning Forecast for Transalta Australia (August 2014) viewed.</li> <li>▪ Australia 2014 (September 2014) Capital and Operating Budget document viewed.</li> <li>▪ Lifecycle Planning PowerPoint presentation viewed.</li> <li>▪ Example Bid Model viewed (contains evidence of tendering for work) and corresponding O&amp;M forecast requirements for new asset document viewed.</li> <li>▪ Example of options analysis viewed.</li> <li>▪ TA-523 (Asset Management Policy) was viewed – asset management planning requirements and asset life-cycle considerations are well documented and implemented.</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>Justification for asset retirement is strictly considered and takes into account not only financial factors, but technological, environmental, commercial / legal and relative benefit, comparing continuation of operating and maintaining the underperforming asset versus replacing it.</p> <ul style="list-style-type: none"> <li>▪ Designs for plant augmentation and remedials are typically done in-house (using Transalta's corporate engineering and technical resources) but are also commonly outsourced to engineering companies who specialise in the various services and/or directly to competitive OEM's for new / significant asset modifications or additions.</li> <li>▪ External independent consultants are used to prepare and/or confirm financial models, performance analysis, comparisons between different technical solutions, preparation of tender documents, vetting of options analysis etc.</li> <li>▪ PPAs prescribe the need to have a well-documented asset maintenance (and operations) plan, as well as contingency and risk management plans, quality plans, etc.</li> <li>▪ Transalta corporate has well-developed and documented asset management criteria, procedures and planning requirements which are applied across all of Transalta's assets, including SCE's.</li> </ul>	
Asset creation/acquisition	<ul style="list-style-type: none"> <li>▪ Owner Engineer involved during bid development as well as construction.</li> <li>▪ Licensee aware of emissions legislation and this is covered under commercial arrangements.</li> <li>▪ Assets created in previous 3 years include hot section replacements – these go through asset creation processes.</li> <li>▪ Funding options evaluated in Bid Model (business case).</li> <li>▪ Investments for new assets are critically reviewed in accordance with Transalta's asset investment / asset creation criteria, which includes financial considerations, technology choices, technical alternatives, operations and maintenance considerations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Example of Third Party Due Diligence report of an acquisition viewed, including OH&amp;S, native title, environmental etc.</li> <li>▪ Example of Due Diligence Plan viewed, including financial, legal, engineering, project management, valuation, insurance, HR, treasury etc.</li> <li>▪ Example documents for asset creations viewed.</li> <li>▪ Example Bid Model viewed (contains evidence of tendering for work) and corresponding O&amp;M forecast requirements for new asset document viewed.</li> <li>▪ Commissioning documentation exhibited which demonstrates a thorough approach to asset testing and commissioning against asset performance criteria prior to acceptance and operation.</li> </ul>
Asset disposal	<ul style="list-style-type: none"> <li>▪ Performance of existing assets are regularly monitored and checked against expected performance – underperforming assets are flagged for critical review for remedial actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Example documents for asset disposals viewed.</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>and/or ultimately for disposal if justified.</p> <ul style="list-style-type: none"> <li>▪ Hot section replacements are examples of scheduled and monitored major maintenance activities for SCE's gas turbines.</li> <li>▪ Condition based performance monitoring and testing – results of which are considerations for any asset remedial and/or disposal decisions.</li> <li>▪ There have been numerous disposals of assets during the audit period, ranging from minor (non-production related assets) to retirement of more significant assets by virtue of either underperformance or timing considerations.</li> <li>▪ SCE's capital budgets for the last 3 years were exhibited, demonstrating significant capital spends in the asset maintenance of its Australian generation and transmission assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Excel dump of SAP asset register viewed.</li> <li>▪ Capital budgets for last 3 years viewed.</li> <li>▪ Asset register showing existence of all assets, newly created assets and major asset maintenance plans were viewed.</li> <li>▪ 5 and 10 year asset major maintenance budget and NTA budgets were exhibited.</li> </ul>
Environmental analysis	<ul style="list-style-type: none"> <li>▪ NGER (Federal requirement for emissions) reporting process undertaken annually. Includes office electricity, lube oils, SF6.</li> <li>▪ Third party company 'Greenbase' check the NGER report for SCE.</li> <li>▪ Emission limits are defined in Works Approvals and compliance is regularly reported.</li> <li>▪ Asset performance is regularly monitored - incentives and penalties are in place in the PPA for fuel conversion efficiencies, plant availability and reliability, impact on production, unplanned outages, etc.</li> <li>▪ Penalties for unplanned outages are substantial. Strong commitment to root cause analysis for all incidents, particularly those causing loss of production and/or non-compliances with any statutory or PPA requirements.</li> <li>▪ Utilisation of fuel and maintenance are cost drivers.</li> <li>▪ Voltages and frequency tolerances are covered by the PPA and tighter than on the SWIS for the SCE Northern System (islanded operation).</li> <li>▪ No other compliance items e.g. to EPA, are knowingly reported, save possibly dangerous goods.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Efficiencies and capacities monthly report viewed.</li> <li>▪ Liquidated Damages Calculator viewed which shows costs related to outages etc.</li> <li>▪ Weekly production ('heat rate') Excel report viewed.</li> <li>▪ Monthly management Word report viewed – discusses planned and unplanned outages, fuel usage, availability, liquidated damages etc.</li> <li>▪ 2006 Operation, Maintenance and Contingency Plan viewed.</li> <li>▪ Energy Efficiency Opportunity (EEO) Program report viewed.</li> <li>▪ Mining Rehabilitation Fund report viewed.</li> </ul>
Asset operations	<ul style="list-style-type: none"> <li>▪ SCE (through TECO) runs a Regional Control Centre (RCC) which is manned 24/7/365, based in Kalgoorlie WA. The RCC is used to remotely operate all of SCE's assets both in the Northern System as well as in the Southern System.</li> <li>▪ Asset performance data is logged, trended and alarmed for</li> </ul>	<ul style="list-style-type: none"> <li>▪ Perth: Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Weekly production numbers (supply and demand) graphs and summary viewed.</li> <li>▪ Maintenance Performance KPI Report per Site viewed.</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>any departures from limits.</p> <ul style="list-style-type: none"> <li>▪ Operator intervention is executed on a real-time basis for any deviations (e.g. sudden departure from limits) or assets are removed from production and investigations carried out to remedy any non-performance issue (e.g. transducers, rotor-earth faults, LinkNet failures).</li> <li>▪ Longer trending unfavourable performance is flagged for further investigation while assets still remain in operation, and maintenance schedules adjusted to ensure degraded performance is addressed proactively, in preference to reactively.</li> <li>▪ Heat rate shown daily on production graphs but can be displayed half-hourly. Shows snapshot of operational (fuel) costs for week (or month if required). Shows trends to be able to determine if any issues with generators etc.</li> <li>▪ SCADA system is used to provide all real-time monitoring information, data trending, alarming and reporting, which is backed up on a Plant Historian system.</li> <li>▪ Straight line depreciation employed for whole assets.</li> <li>▪ Renewal date exists in SAP but not used for long term planning as such.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Excel asset register dump from SAP viewed.</li> <li>▪ Assets created and disposed in last 3 years viewed within Excel asset register.</li> <li>▪ Kalgoorlie: Interview with Brady Smith, later Jamie Crombie and Clayton Fowles.</li> <li>▪ Authorisation and training register viewed.</li> <li>▪ Example Contractor EHS Induction viewed.</li> <li>▪ Example Employee EHS Induction viewed.</li> </ul>
Asset maintenance	<ul style="list-style-type: none"> <li>▪ Post-incident investigation reports used.</li> <li>▪ Periodicity of all maintenance tasks are defined in GP-Mate, corrective maintenance as well as preventive maintenance activities.</li> <li>▪ GP MaTe used to schedule all maintenance activities.</li> <li>▪ GP MaTe used by OMT's to monitor task schedules, completed work orders, reporting on issues found, remedials, costs, resources and consumables used, re-ordering of spare parts, etc.</li> <li>▪ GP MaTe is the essential tool which is used to ensure all PPA commitments (w.r.t. Asset Maintenance), statutory compliance and scheduled activities are planned and their execution monitored and reported as a KPI.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Perth: Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Example investigation report viewed – lightning strike where equipment was damaged.</li> <li>▪ Kalgoorlie: Interview with Brady Smith, later Jamie Crombie and Clayton Fowles.</li> </ul>
Asset management information system	<ul style="list-style-type: none"> <li>▪ Data back-ups managed at Transalta's St George's Terrace office.</li> <li>▪ System automatically backs up on tape and stored at third party premises.</li> <li>▪ New cloud system will also satisfy back-up requirements. No</li> </ul>	<ul style="list-style-type: none"> <li>▪ Perth: Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ ERP Australia Rollout Scope of Services document viewed July 2013.</li> <li>▪ Kalgoorlie: Interview with Brady Smith, later Jamie Crombie</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>local (i.e. site) data storage.</p> <ul style="list-style-type: none"> <li>▪ Cloud-based business continuity site scheduled to go live 8 September 2014. Employees will have the ability to access and share critical information in the event of an emergency.</li> <li>▪ IT passwords required to be changed routinely (less frequent than monthly).</li> <li>▪ Some readings are manual so checks and balances occur in invoicing process e.g. decimal point placement incorrect in HV reading. Readings checked by separation of duties.</li> <li>▪ Calculations are checked using financial settlement data and raw data. For the audit period, SCE have transitioned from utilising the centralized Australian Management System (AMS) platform and moved across to GP MaTe as the essential tool for managing the assets. Hence, routine reminders for certain contractual commitments e.g. meter testing, appear in the AMS system as being raised but not yet completed. However, in reality the meter maintenance activity is entered into and scheduled from GP MaTe, and its completion logged (demonstrating full compliance with PPA requirements), but with no closed loop back to the legacy based AMS system. This has created some inconsistencies due to the two systems not being fully integrated together.</li> <li>▪ SCE are transitioning into a new ERP based system which will have a more fully integrated system covering Asset Management, HR Management, Financial Management and Commercial / Contractual Management and Inventory Management.</li> <li>▪ Transalta Corporate Work Management standard (TA 523) currently being rolled out. However, this standard was developed from SCE's Australian Operations which became the corporate standard, so in reality all of the standard's requirements are already in place for the Australian operations.</li> <li>▪ Some minor modifications being implemented in GP MaTe to ensure that the maintenance work activities are able to also be linked to the hazard analysis work-sheets which naturally accompany the work orders. New KPIs have also been developed to monitor work order completion against work orders scheduled, ratio of PMs to CMs, maintenance cost activities, scheduling effectiveness, etc.</li> <li>▪ Weekly report of scheduled vs completed work orders, high priority planned maintenance tasks and extra work orders</li> </ul>	<ul style="list-style-type: none"> <li>▪ 'Kalgoorlie NS' site interrogated on GP MaTe CMMS.</li> <li>▪ TA523 Transalta Work Management document viewed.</li> <li>▪ Invoice from MaTe PCS for contract support dated 1/9/2014 shown as paid.</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>generated each Tuesday afternoon, along with forthcoming week's work, for discussion at Wednesday maintenance meeting.</p> <ul style="list-style-type: none"> <li>▪ Maintenance meeting attended by all whole maintenance team, with minutes held on Microsoft Access.</li> <li>▪ Maintenance culture is very effective – essentially, maintenance teams are self-scheduling, and able to review, propose and execute the maintenance activities from the plan to prevent back-log, yet ensure the asset maintenance needs are met. This takes into account priorities, risks to operations, production, compliance, safety and financially.</li> <li>▪ Most work orders are PMs (preventive maintenance).</li> <li>▪ PMs can be time based, run hours or condition based. (Hours run entered manually.)</li> <li>▪ GP MaTe not subject to any routine updates. Tends to evolve continuously.</li> <li>▪ Asset numbers under Kalgoorlie NS site appear to be consistent with the physical grouping of components.</li> <li>▪ 'Work performed' is completed by worker on completion of work order and can include photos and spreadsheets.</li> <li>▪ 'Timecard' function is used to enter hours worked and 'Issue' function is used to assign parts and consumables used.</li> <li>▪ Different access levels exist on GP MaTe and PMs are controlled by having revision numbers, by whom and the date.</li> </ul>	
Risk management	<ul style="list-style-type: none"> <li>▪ Risk assessments and risk quantification is endemic throughout Transalta's business – in pre-job planning, asset maintenance, justification for expenditure, asset creation / disposal, incident investigation and asset management.</li> <li>▪ A consistent approach towards assessing and quantifying the risks based on well-defined risk assessment procedures – considering likelihood and consequence. Risk rankings are consistent with Australian Risk Standards.</li> <li>▪ ESWMS (Electrical Safe Work Method Statements) and ArcFlash initiatives have been rolled out.</li> <li>▪ Safe-Start training initiative has been rolled out and successfully implemented (for more than 5 years now). This looks at behavioural management to avoid incidents and recurrences. Underpinning this success is the belief that everyone in Transalta holds - that all accidents are</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Risk Assessment policy/framework viewed.</li> <li>▪ Risk assessment process viewed in Lifecycle Planning PowerPoint.</li>   <li>▪ Interview with Brady Smith, later Jamie Crombie and Clayton Fowles.</li> <li>▪ CTA form viewed.</li> <li>▪ Authorisation and training register viewed.</li> <li>▪ Incident reports viewed.</li> <li>▪ Transalta Environment, Health &amp; Safety Management System Audit Report, September 2013 viewed.</li> <li>▪ EHS Management System Documentation Review.</li> </ul>



Description	Observations	Evidence (Include Contact)
	<p>preventable.</p> <ul style="list-style-type: none"> <li>▪ Canadian insurers perform risk audits periodically.</li> <li>▪ PMs are prioritized P1 to P4 inclusive.</li> <li>▪ Work orders can only be undertaken when RCC hand over equipment to maintenance team.</li> <li>▪ All work orders have to undergo a Critical Task Analysis, very similar to a JSEA. Failure to comply can lead to employee dismissal.</li> <li>▪ CTA criticality score based on severity, frequency of exposure to hazard and probability.</li> <li>▪ CTA form has links to other procedures e.g. lock out tag out.</li> <li>▪ Permits and training require for hot work, working at heights and confined space entry.</li> <li>▪ Lock out tag out procedures in place.</li> <li>▪ Training completed very comprehensive.</li> <li>▪ Incident reports completed. High risk incidents are escalated to corporate level.</li> <li>▪ RCC operator training package 6-8 months for south operations, 8-10 months for north operations.</li> </ul>	
Contingency planning	<ul style="list-style-type: none"> <li>▪ Detailed Contingency and Risk Assessment Plans have been developed for SCE's assets in the North System and South System separately, covering various operational scenarios and emergency situations.</li> <li>▪ Contingency procedures covering various aspects of asset operation and maintenance have been developed and are contained in the AMS.</li> <li>▪ Emergency response drills are carried out twice a year, for each of SCE's sites.</li> <li>▪ Contingency plans for business continuity is well-developed and includes back-up and off-site data storage and restoration of business.</li> <li>▪ Cloud-based business continuity site scheduled to go live 8 September 2014. Employees will have the ability to access and share critical information in the event of an emergency. Contingency spares are held at strategic stores locations and catalogued in GP MaTe. Max and min levels are defined in GP MaTe and replenishment is based on MTBF, criticality and lead time.</li> <li>▪ Contingency Plans and Procedures documents are stored on</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Number of contingency plans viewed.</li> <li>▪ Interview with Brady Smith, later Jamie Crombie and Clayton Fowles.</li> <li>▪ AUS 79 Leinster Black Plant trip document viewed.</li> <li>▪ AUS 242 Emergency Response Guide viewed. Copy in Regional Control Centre also viewed</li> <li>▪ List of drill reports viewed.</li> <li>▪ 20130123 drill report viewed.</li> <li>▪ Emergency response procedures on wall of RCC viewed e.g. Turbine Icing Condition, PPS Gas Turbine Start-Up.</li> <li>▪ PHA-Pro 8 training document viewed.</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>SCE's Lotus Notes AMS system.</p> <ul style="list-style-type: none"> <li>▪ Operations and Maintenance teams are well aware of contingency documents and procedures.</li> <li>▪ Procedures are reviewed on a regular basis and updated to suit outcomes of review process.</li> <li>▪ Incident reports highlight whether or not procedures have been followed, including use of CTA's prior to activity being undertaken.</li> <li>▪ Internal (corporate) audit performed Sept 2013. 23 actions including training and health and safety.</li> <li>▪ Currently in process of implementing PHA-Pro, database system for reviewing risks and hazards related to individuals' roles and daily tasks.</li> </ul>	
Financial planning	<ul style="list-style-type: none"> <li>▪ Transalta's Asset Life Cycle Planning process was exhibited and reviewed.</li> <li>▪ Process covered asset maintenance planning and criteria to be met, risk assessments, financial justification, forecasting, allocation of budgets, monitoring of maintenance spends, justification for additional / emergency funds, allocation of funds across the fleet and normalisation of priorities across the asset fleet.</li> <li>▪ Annual budgets are prepared and justification for expenditure are strictly controlled. All business cases have the required criteria well-defined in the justification template, including risks, financial returns, impact on commercial / contractual, options, legal, legislative, maintenance, operations, personnel, timing, etc.</li> <li>▪ Transalta utilises a financial modelling process which is based on a long term asset expenditure plan (which is created at the formation / creation of the new asset, or acquisition) then followed by annual submissions of capital and operating budgets with any variations against original plans clearly explained and justified.</li> <li>▪ Plans are submitted for both short term (1 year) and medium term (5 year) forecasts, as well as longer term periods (10 years). All plans are reviewed annually.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Procedures viewed e.g. budgeting procedure.</li> <li>▪ Monthly Business Planning Forecast for Transalta Australia (August 2014) viewed.</li> <li>▪ Australia 2014 (September 2014) Capital and Operating Budget document viewed.</li> <li>▪ 2013 LRF (Long Range Forecast) presentation viewed.</li> <li>▪ Transalta's AFE Standards document viewed.</li> </ul>
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ Transalta's Authorisation For Expenditure (AFE) procedure was exhibited along with many examples.</li> <li>▪ AFE process covers risk assessments of not going ahead with expenditure, alternatives considered (incl. technology or asset</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ Capital List 2013 document viewed.</li> </ul>

Description	Observations	Evidence (Include Contact)
	<p>variations), financial justifications, etc.</p> <ul style="list-style-type: none"> <li>▪ Technical and financial models (including plant engineering performance models, risk assessments, priorities, etc.) are typically used as supporting material to justify expenditure requests.</li> </ul>	
AMS Review	<ul style="list-style-type: none"> <li>▪ Routine review of asset management systems is being undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Kirsty Gibson and Troy Forward.</li> <li>▪ 2012, 2013 and 2014 SCE Compliance Reports viewed</li> </ul>

## 6 Recommendations

### 6.1 Performance Audit

Table 6-1 Table of Current Non Audit Compliances and Recommendations

A. Resolved during current audit period				
Electricity compliance reporting manual 2014 (ref. no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable

Nil

B. Unresolved at end of current Audit period				
Electricity compliance reporting manual 2014 (ref. no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
399/2014	<p><i>Non-compliant - 2</i></p> <p><i>Electricity Industry Metering Code clause 4.8(3A)</i></p> <p>SCE does not provide remote, 'read only' access to the data held in its metering database to Nickel West</p>	<p>SCE should consider providing access to the data held in its metering database to Nickel West where it is cost effective and feasible to do so</p>		
468/2014	<p><i>Non-compliant - 2</i></p> <p><i>Electricity Industry Metering Code clause 6.1(1)</i></p> <p>There is no metrology procedure (metrology requirements are defined in the PPA which pre-dates the Code requirement).</p>	<p>A metrology procedure should be put in place if the opportunity arises e.g. if the contract is renewed.</p>		

## 6.2 Asset Management Review

While there were no shortcomings relating to the process and policy definition adequacy rating or the asset performance ratings, the following commentary and observation of improvements opportunities are offered, which SCE may wish to consider:

1. Overall review conclusion is that the Asset Management System used by SCE is performing effectively.
2. The system evidenced showed strong compliance with Transalta's Asset Management plans and policies e.g.
  - a. Effective maintenance task planning, scheduling and execution
  - b. Monitoring of effectiveness of maintenance execution (in reporting of KPIs)
  - c. Financial planning, expenditure justification, budgeting and approvals process
  - d. Incident reporting and prevention of re-occurrences
  - e. Competent asset operation and plant-performance monitoring
  - f. Risk and contingency management
  - g. Continuous review of the effectiveness of the asset management plans.
3. The system relies largely on a combination of :
  - a. Legacy based tools e.g. Lotus Notes databases for the Policy & Procedures, Incident Reporting, Contracts & PPA Obligations, Compliance & Statutory reporting obligations
  - b. Stand-alone systems e.g. GP MaTe for maintenance scheduling and stock ordering, SAP for financial control and monitoring)
  - c. SCADA / Citect / Historian systems (for plant operations, plant performance and data reporting).
  - d. Series of manually updated spreadsheets and reporting templates e.g. meter readings, calculation of LD's, etc.
4. The individual systems are not seamlessly integrated. Data exchange between systems is not automated and partially compatible. Consolidated reports rely on manual extraction of data from individual systems.
5. There is no central or effective Document Management System in place. The location of key information is dependent on an operator's or person's familiarity with the system and number of years of service in their respective positions. This includes the manual filing system.
6. The overall effectiveness of the system is suited to the current scale of asset base that is owned and operated by Transalta for the Western Australian operations, which has evolved and improved, but remained largely unchanged for the past 15+ years.
7. Notwithstanding point 6 above, the effectiveness of the Asset Management System could be compromised moving forwards, for the following conditions :
  - a. If the asset base / scale grows significantly (which is imminent, as Transalta continues to invest in acquisition or construction of new assets in WA)
  - b. If there are any changes in the current workforce or organisation structure e.g. new employees or changes to individuals in current key positions with significant history and familiarity in current systems.
8. There may be benefit to Transalta in investing in a more fully-integrated ERP based system which seamlessly integrates all of the modular systems mentioned, and will assist in managing an increased asset or resource base.
9. There may be benefit to Transalta in retirement and archival of any superseded legacy systems to prevent confusion.

10. Documentation, procedures and/or plans requiring regular updates, have not been flagged as being updated e.g. PPA obligations with respect production of O&M plans, QA plans, contingency and risk plans, despite evidence showing the plans in place reflect these being updated.
11. New staff on-boarding processes could be improved to ensure that there is little doubt that new employees are fully aware of all relevant procedures and policies which form part of the person's job.
12. Staff training records can be improved to show upkeep of current competencies and completed training modules, as well as demonstrating full awareness of the existence of, and understanding of all policies and procedures.

## 7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at SCE on 2-4 September 2014 and recorded in this report is an accurate presentation of our findings and opinions.

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30 September 2014

Performance Audit and  
Asset Management  
Review

**APPENDIX A**  
RISK  
MANAGEMENT  
FRAMEWORK





## Types of Compliance Risk

Type of Risk	Examples
Supply quality and reliability	Delays in new connections, excessive supply interruptions, supply quality standards not met.
Consumer protection	Customer service levels not met, incorrect bills, disconnection and reconnection standards not met, customers unable to access financial hardship assistance.
Legislation/licence	Breach of industry Acts, regulations and codes, contravention of licence conditions.

## Risk Assessment Rating Scales

The consequence, likelihood, inherent risk and adequacy of internal controls are assessed using a 3-point rating scale as described below. The rating scale is as per the Audit and Review Guidelines: Electricity and Gas Licences, (Economic Regulation Authority), April 2014.

### Consequence Rating

The consequence rating scale is outlined below.

Rating	Supply Quality and Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1 Minor	<p>Breaches of supply quality or reliability standards – affecting small number of customers.</p> <p>Delays in providing a small proportion of new connections.</p>	<p>Customer complaints procedures not followed in a few instances.</p> <p>Small percentage of disconnections or reconnections not completed on time.</p> <p>Small percentage of bills not issued on time.</p>	<p>Legislative obligations or licence conditions not fully complied with, minor impact on customers or third parties.</p> <p>Compliance framework generally fit for purpose and operating effectively.</p>
2 Moderate	<p>Supply quality breach events that significantly impact customers; large number of customers affected and/or extended duration and/or damage to customer equipment.</p> <p>Supply interruptions affecting significant proportion of customers on the network for up to one day.</p> <p>Significant number of customers experiencing excessive number of interruptions per annum.</p> <p>Significant percentage of new connections not provided on time/ some customers experiencing extended delays.</p>	<p>Significant percentage of complaints not being correctly handled.</p> <p>Customers not receiving correct advice regarding financial hardship.</p> <p>Significant percentage of bills not issued on time.</p> <p>Ongoing instances of disconnections and reconnections not completed on time, remedial actions not being taken or proving ineffective.</p> <p>Instances of wrongful disconnection.</p>	<p>More widespread breaches of legislative obligations or licence conditions over time.</p> <p>Compliance framework requires improvement to meet minimum standards.</p>
3 Major	<p>Supply interruptions affecting significant proportion of customers on the network for more than one day.</p> <p>Majority of new connections not completed on time/ large number of customers experiencing extended delays.</p>	<p>Significant failure of one or more customer protection processes leading to ongoing breaches of standards.</p> <p>Ongoing instances of wrongful disconnection.</p>	<p>Wilful breach of legislative obligation or licence condition.</p> <p>Widespread and/or ongoing breaches of legislative obligations or licence conditions.</p> <p>Compliance framework not fit for purpose,</p>

Rating	Supply Quality and Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
			requires significant improvement.

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### Likelihood Ratings

The likelihood rating scale is described below.

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

### Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

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

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

### Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Controls that mitigate the identified risks to an appropriate level
Moderate	Controls that only cover significant risks; improvement required
Weak	Controls are weak or non-existent and have minimal impact on the risks

### Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

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

Performance Audit and  
Asset Management  
Review

**APPENDIX B**  
ASSET  
MANAGEMENT  
PERFORMANCE  
RATING  
DEFINITIONS



## Compliance Assessment Rating Scale

In accordance with the Audit Guidelines – Electricity, Gas and Water Licences (ERA, April 2014), a 7-point rating scale has been adopted to assess the licensee’s compliance against each licence condition. The rating scale and description of compliance is outlined below.

Compliance Status	Rating	Description of Compliance
Compliant	5	Compliant with no further action required to maintain compliance
Compliant	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
Compliant	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
Non-Compliant	2	Does not meet minimum requirements
Significantly Non-Compliant	1	Significant weaknesses and/or serious action required
Not Applicable	N/A	Determined that the compliance obligation does not apply to the licensee’s business operations.
Not Rated	N/R	No relevant activity took place during the audit period therefore it is not possible to assess compliance.

## Asset Management Review Rating Scales

The asset management review utilises a combination of asset management adequacy ratings and asset management performance ratings, which are outlined below. These are based on the Audit Guidelines – Electricity, Gas and Water Licenses (ERA, April 2014).

### Asset Management Adequacy Ratings

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> <li>▪ Processes and policies are documented.</li> <li>▪ Processes and policies adequately document the required performance of the assets.</li> <li>▪ Processes and policies are subject to regular reviews, and updated where necessary.</li> <li>▪ The asset management information system(s) are adequate in relation to the assets that are being managed</li> </ul>
B	Requires some improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation requires improvement.</li> <li>▪ Processes and policies do not adequately document the required performance of the assets.</li> <li>▪ Reviews of processes and policies are not conducted regularly enough.</li> <li>▪ The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed)</li> </ul>
C	Requires significant improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation is incomplete or requires significant improvement</li> <li>▪ Processes and policies do not document the required performance of the assets</li> <li>▪ Processes and policies are significantly out of date</li> <li>▪ The asset management improvement system(s) require significant improvements (taking into consideration the assets that are being managed).</li> </ul>
D	Inadequate	<ul style="list-style-type: none"> <li>▪ Processes and policies are not documented.</li> <li>▪ The asset management information system is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

## Asset Management Performance Ratings

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"><li>▪ The performance of the process meets or exceeds the required levels of performance</li><li>▪ Process effectiveness is regularly assessed and corrective action taken when necessary</li></ul>
2	Opportunity for improvement	<ul style="list-style-type: none"><li>▪ The performance of the process requires some improvement to meet the required level</li><li>▪ Process effectiveness reviews are not performed regularly enough</li><li>▪ Process improvement opportunities are not actioned</li></ul>
3	Corrective action required	<ul style="list-style-type: none"><li>▪ The performance of the process requires significant improvement to meet the required level</li><li>▪ Process effectiveness reviews are performed irregularly or not at all</li><li>▪ Process improvement opportunities are not actioned</li></ul>
4	Serious action required	<ul style="list-style-type: none"><li>▪ Process is not performed or the performance is so poor that the process is considered to be ineffective.</li></ul>

Performance Audit and  
Asset Management  
Review

**APPENDIX C**  
POST AUDIT  
IMPLEMENTATION  
PLAN



The below Post-Audit Implementation Plan was developed by SCE in response to the audit findings. It does not form part of the audit findings or represent the auditor's opinion. It has been included in this report for completeness.

Electricity compliance reporting manual 2014 (reference no./ year)	Recommendation	Proposed action	Responsibility	Date for completion
468/2014	A metrology procedure should be put in place if the opportunity arises e.g. if the contract is renewed	<p>Metrology requirements are defined contractually in the PPA with each customer and similar arrangements would be negotiated with any new customers, were they to connect to SCE's network.</p> <p>The PPA contains a well-documented metrology procedure and it covers most of the requirements of the Code.</p> <p>There is no adverse impact to any participant nor is there any business case which could justify the costs of developing and maintaining this document when the substantive requirements are already agreed contractually between the parties concerned.</p>	N/A	N/A
399/2014	SCE should consider providing access to the data held in its metering database to Nickel West where it is cost effective and feasible to do so	<p>The provision of the data between Southern Cross Energy Partnership and its customers is well defined under the PPA and understood and has been agreed upon by both parties.</p> <p>There is no adverse impact to any participant nor is there any business case which could justify the costs of developing and maintaining a website or data storage device when the substantive requirements are already agreed contractually between the parties concerned.</p>	N/A	N/A