

D Horizon Power’s response to the audit findings

This appendix provides Horizon Power's response to the audit findings and its agreed remediation actions.

D.1 Non-compliances

Table D.1 sets out Horizon Power’s response and its agreed remediation actions to each of the 7 non-compliances identified during the ringfencing audit.

Table D.1 Horizon Power’s response to the non-compliances identified

Audit requirement	Horizon Power response	Agreed remediation actions
Responsibilities and compliance		
Have any breaches of the ringfencing rules been reported to the Manager, Network Regulation and Open Access (NROA)?	<p>Horizon Power staff are individually responsible to ensure they comply with the rules and report to the Manager, NROA if breaches have occurred, or they are aware of breaches.</p> <p>Despite ringfencing rules training for all relevant Horizon Power staff, no breaches were reported to the Manager, NROA until receipt of the draft audit report.</p>	<p>Amend ringfencing rules to add General Counsel and Company Secretary as an alternative to Manager, NROA:</p> <ul style="list-style-type: none"> – for staff to report breaches to, and – to report breaches to the ERA. <p>Any staff working or dealing with the provision or receipt of covered network services (including members of the NROA, Business Development and Technical Services teams) will:</p> <ul style="list-style-type: none"> – be reminded of their obligation to report any breaches (including potential or suspected breaches) to the Manager NROA and/or General Counsel and Company Secretary with an emphasis placed on a reporting culture – make an annual attestation confirming compliance with the rules (including reporting any suspected breaches) – undertake ringfencing training every three years – undertake more frequent ringfencing training should it become clear that there is a lack of understanding on the part of a staff member of any aspect of the ringfencing rules.
Have any breaches of the ringfencing rules been reported to the Economic Regulation Authority (ERA)?	This report is the only notification the Manager, NROA has received confirming potential breaches of Horizon Powers Ringfencing Rules.	Refer remediation actions above.

Audit requirement	Horizon Power response	Agreed remediation actions
Competition Protection Measures		
<p>Is there any evidence that staff in the Horizon Power Pilbara Network Business are treating that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region as if they were part of the same legal entity?</p>	<p>Management accepts that there are examples of staff in the Horizon Power Pilbara Network Business treating the part of the Horizon Power business that markets contestable generation or retail electricity services in the Pilbara region (Other Business) as if they are part of the same legal entity. Similarly, management also accepts that there are examples of staff in the Other Business treating the Horizon Power Pilbara Network Business as if they are part of the same legal entity.</p> <p>It is noted that external customers have also been contacting the technical services team directly.</p>	<p>Refer remediation actions above.</p> <p>In addition, if the technical services team receives a work order number or meetings invite for Pilbara network related work from a source other than from the NROA Team, it will consider whether work is related to the provision of covered network service.</p> <p>Further, the BD Team will:</p> <ul style="list-style-type: none"> – not provide a work order to NROA until its customer makes payment for the invoice under its Consultancy Agreement – work with the NROA team to align their process to ensure compliance with the ringfencing rules – direct all queries to NROA in the first instance with response times to be agreed by all parties. <p>Consideration will be given to updating the User Access Guide to confirm that external customers and the BD Team should not go direct to technical teams without going through NROA in the first instance.</p>
<p>Is there any evidence that staff in the Horizon Power Pilbara Network Business are not providing substantially the same quality, reliability and timeliness of service to that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power?</p>	<p>Management accepts that there are examples of staff not providing substantially the same (and potentially better) timeliness of service to that part of the Horizon Power business that provides and markets contestable generation or retail electricity services in the Pilbara region and a competitor (or potential competitor) of Horizon Power.</p>	<p>Refer remediation actions above.</p>

Audit requirement	Horizon Power response	Agreed remediation actions
<p>Is there any evidence that business development activities associated with the covered Pilbara network are being done by the Commercial and Business Development Division rather than the Network Regulation and Open Access team?</p>	<p>The current regulatory framework is understood by the PGL team which is evidenced by setting up the independent structure.</p> <p>The Ring Fencing Rules require that ‘... business development activities associated with the covered Pilbara network sit with the Network Regulation and Open Access team and not within the Commercial and Business Development Division.’</p> <p>The proposed PGL transmission assets, and feasibility study, currently do not form part of the Pilbara Network Business, or covered services.</p> <p>The newly created PGL team sits outside of the Business Development Team to undertake business development activities associated with the Pilbara Green Link. It has been established to manage potential and perceived conflicts, and thereby meet the ringfencing objectives.</p> <p>If it is subsequently concluded that the PGL is undertaking Pilbara Network Business (which is covered) or another network (which subsequently becomes covered), the current separation Horizon Power has in place will meet the ringfencing objectives and the Ringfencing Rules on the basis of the Ringfencing Rules being amended as set out in the right handed adjacent column entitled “Agreed remediation actions”.</p>	<p>Refer remediation actions above.</p> <p>In addition:</p> <ul style="list-style-type: none"> – the ringfencing rules need to be amended to incorporate that the newly created PGL Team (rather than NROA) is undertaking business development activities associated with the Pilbara Green Link (noting that the revised ringfencing rules would need to be resubmitted to the ERA for approval) – the members of the Pilbara Green Link team should not be involved with any discussions representing Horizon Power’s interest as a potential user of the link (as a retailer, generator or competitive provider of firming capacity) – the members of the Pilbara Green Link Team should provide an undertaking to not provide or market contestable generation or retail electricity services in the Pilbara region for a period of time after working on the Pilbara Green Link project to provide assurance to its competitors (and potential competitors) that any sensitive information obtained cannot be used to Horizon Power’s advantage.

Audit requirement	Horizon Power response	Agreed remediation actions
<p>Is the metering team maintaining the metering systems and processes?</p>	<p>Ultimate responsibility for the metering system MData21 has been transferred to the Technology and Digital Transformation Division. This is a separate division within Horizon Power to the Customer and Community Division (which contains customer service). However, a small and specific customer service team works on fixing breakages in the connection between MData 21 and Horizon Power’s billing system known as Velocity, if and when those breakages occur.</p> <p>On this basis, management accepts the metering team (which is part of Technology and Digital Transformation Division) is not fully responsible for maintaining the metering systems and processes (as required under the Ringfencing Rules).</p>	<p>The remediation actions are either:</p> <ul style="list-style-type: none"> – the Ringfencing Rules will be amended to account for the specific customer service team being responsible for fixing breakages in the connection between MData 21 and Velocity – additional security (small system change) will be added into the system to stop non authorised employees (retail) accessing data for contestable customers (less than 80). This would allow the Customer Service team to continue to support breakages of the system as and when they occur. A new process will be introduced should a break/fix be required on one of the secured contestable customer accounts e.g. providing temporary access (via signed NDA) for the team leader in retail, to investigate &/or resolve the problem; or – that specific customer service team will no longer have that responsibility and that responsibility will fall fully on the metering team (comprising part of Technology and Digital Transformation Division) – a resource will be transferred to the Technology and Digital Transformation Division to support the metering application.
<p>To what extent are staff located in the Karratha and Port Hedland offices that provide or market contestable generation or retail electricity services in the Pilbara region located in different parts of the building to those that provide or market covered network services in the Pilbara region?</p>	<p>The relocation of the staff in the Karratha Office was due to the introduction of a position that had previously operated out of Port Hedland. That position had been co-located in the Port Hedland Office within the same operating environment as the network team.</p> <p>When that position was relocated to Karratha, additional office space was required, along with the introduction of an EGM and EA role.</p> <p>The Key Account Manager role had relocated to Bentley during this time.</p>	<p>Staff providing generation or retail electricity services will be relocated to the same area of the building as the Executive General Manager Customer and Community.</p>

Source: ACIL Allen

D.2 Minor non-compliances

Table D.2 sets out Horizon Power’s response and agreed remediation actions to the one minor non-compliances identified during the ringfencing audit.

Table D.2 Horizon Power’s response to the minor non-compliance identified

Audit requirement	Horizon Power response	Agreed remediation actions
Prevention of cross subsidies		
Is the Cost Allocation Methodology (CAM) being maintained?	The finding is noted.	The CAM is in the process of being updated. Also, a process will be put in place whereby any changes in structure and actual allocation model will be documented in a timely manner.

Source: ACIL Allen

D.3 Other issues identified

Table D.3 sets out Horizon Power’s response and agreed remediation actions to each of the 6 other issues identified during the ringfencing audit.

Table D.3 Horizon Power’s response to the other issues identified

Audit requirement	Horizon Power response	Agreed remediation actions
Responsibilities and compliance		
Have all Horizon Power staff been trained on Horizon Power’s ringfencing requirements under the Code and the ringfencing rules?	This issue is noted. The NROA team is aware that a technical glitch is the reason for the records indicating that one person has not completed the training and is investigating, noting that the person has signed the Ringfencing Declaration and claims to have done the training.	<ul style="list-style-type: none"> – Ensure that the one person who the records indicate has not completed the training has actually completed the training, and update the records accordingly. – Create a process for following up new starters and others required to do the ringfencing training to ensure it is completed within a reasonable period of time.
Competition Protection Measures		
Is there any evidence that the HPCC has dispatched Horizon Power’s generators in a way that is not in accordance with procedures?	Although this may be the expectation of some staff in the contestable part of the business, ¹¹ in practice the HPCC has many examples of dispatching generation to maintain system security in place of efficiency. Actions taken by HPCC to maintain the system in a	It will be reiterated to the contestable part of the business that the HPCC’s primary objective is to maintain the security of the NWIS, as documented in the Service Agreement. This reiteration of the HPCC’s primary objective is to mitigate any ill-conceived expectation on the part of the

¹¹ There appears to be an **expectation** in the contestable part of the business that the HPCC will dispatch Horizon Power’s generators to maximise returns rather than comply with the procedures. There is no evidence that the PCC is not complying with the procedures.

Audit requirement	Horizon Power response	Agreed remediation actions
Is there any evidence that the HPCC has interfered with any generator dispatch other than when required to do so in accordance with the ISO's direction?	secure state are driven by obligations in the Pilbara Network Rules, which are in turn contemplated in the Service Agreement.	contestable part of the business regarding dispatch instructions.
Is the information and data shown on monitors in that separate room visible to anyone within the business other than the HPCC?	Given that frosting covers the entire glass surface surrounding the HPCC with the exception of a small section of the doors (up to 650mm from the ground) located in a main thoroughfare, it is unlikely that someone would lay on the ground in front of this area to gather data displayed on the HPCC screens approximately 4m away from the area without being detected.	The small section of HPCC doors not currently frosted will be frosted.
To what extent are staff located in the Bentley office that provide or market contestable generation or retail electricity services in the Pilbara region located in a different building to those that provide or market covered network services in the Pilbara region?	As outlined in the report, Customer and Network Regulation staff are located in different buildings as outlined in the ringfencing rules. The rules do not provide that access to those buildings is to be restricted via access passes, this is because staff may need to access meeting rooms in other parts of the building. Management does not see access to information or visibility of monitors as a significant risk, but will take the remediation actions in the next column.	The relevant staff will be reminded to be vigilant in terms of: <ul style="list-style-type: none"> – information that is visible on their monitors – information that is left on their desks (emphasising the need to maintain a clean desk) – conversations that are held in and around the office. An investigation will be made into the use of privacy screens for the monitors of staff providing services for the Pilbara Network Business.
What were the outcomes of audits to ensure that commercially sensitive information is only accessed when authorised to do so?	Management agrees that any relevant audit findings can be used to trigger refresher ringfencing rules training.	The identification of issues during audits will be used as a trigger for conducting refresher ringfencing training where relevant.

Source: ACIL Allen

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