



Electricity networks audit guideline

Critical infrastructure licence conditions audits

September 2023

Energy >>

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We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Energy Networks Regulation Committee Members

The Committee members for this guideline are:

Carmel Donnelly PSM, Chair
Deborah Cope
Andrew Nicholls PSM

Enquiries regarding this document should be directed to a staff member:

Peter Cole (02) 9019 1934
Martin Riley (02) 9019 1902

The Independent Pricing and Regulatory Tribunal

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Amendment record

Date issued	Amendments made
June 2016 to May 2017	<ul style="list-style-type: none"> See previous issues for related amendments. ENR Audit Guideline first issue up to version 3
October 2017	<ul style="list-style-type: none"> Separate Audit Guidelines published for consultation. Minor wording changes on page 1 to reflect incorporation of Endeavour Energy's new operating licence. Addition of Table A.3 to reflect Endeavour Energy's new operating licence.
April 2018	<ul style="list-style-type: none"> Addition of references to the varied licence conditions to Ausgrid and TransGrid licences. Removing licence conditions in Appendix A and including only the references to licences.
June 2019	<ul style="list-style-type: none"> Updates to reflect addition of critical infrastructure licence conditions to Essential Energy's operating licence. Minor wording changes to improve clarity.
September 2023	<ul style="list-style-type: none"> Replaced the Tribunal members with ENR Committee members. Added requirement to audit exemption agreement(s) (section 1.2). Removed Table 1.1 and added a reference to IPART's <i>Electricity networks audit guideline – Audit fundamentals, process and findings</i>. Removed section referring to timing of Essential Energy's 2018-19 audit.

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1 Critical infrastructure licence conditions audits

This Audit Guideline relates to particular conditions pertaining to critical infrastructure security in the licences issued to network operators under the *Electricity Supply Act 1995*.

The critical infrastructure licence conditions in the four licences vary, but in general require:

- that a substantial presence is maintained in Australia including:
 - that system maintenance is mainly undertaken from within Australia, with exceptions provided in the licence conditions
 - certain limitations around the operation and control of the transmission/distribution system, and
 - citizenship and security clearance requirements for persons in certain positions
- certain data security measures
- annual compliance reporting and auditing.

All audits must be carried out in accordance with this Audit Guideline and IPART's *Audit Guideline – Audit fundamentals, process and findings*.

1.1 Objective

New South Wales electricity networks are a critical component of national infrastructure, which, if destroyed, degraded or rendered unavailable for an extended period, would significantly impact on the security, social or economic wellbeing of the state and other connected States and Territories.

This audit seeks to satisfy the New South Wales Government that the licence holder being audited is maintaining its network in a manner that assures security of supply, by assessing the licence holder's compliance with the specific licence conditions that relate to critical infrastructure security.

1.2 Scope

Licence holders without transition plan/s

The audit assesses each licence holder's compliance with its critical infrastructure licence conditions over the preceding financial year, taking into account the annual compliance report (report) it submits to IPART (the details of which are outlined in the *Electricity networks reporting manual – Critical infrastructure licence conditions*). The audit must be comprehensive and meet any requirements specified by IPART.

Licence holders with transition plan/s

A licence holder may satisfy particular critical infrastructure licence conditions by undertaking steps outlined in a transition plan (Approved Plan).^a If licence holders have an Approved Plan that applies for the whole or any part of the reporting period, progress made against the steps outlined in the Approved Plan must also be audited. If an Approved Plan applies, the audit report must clearly state the licence holder's compliance grade with each of its critical infrastructure licence conditions in accordance with IPART's electricity networks grading system.^b

The audit must be comprehensive and meet any requirements specified by IPART.

Exemption agreements

IPART and the Commonwealth Representative each have the power to approve exemption agreements under critical infrastructure licence conditions for certain licence holder obligations. If any exemption agreements apply for the whole or any part of the reporting period, the auditor must assess the licence holder's compliance for that period with the exemption agreements in accordance with the terms of the agreements.

Protocols

The Commonwealth Representative may agree to a 'Protocol'^c with a licence holder in relation to allowing transmission or distribution system maintenance to be conducted offshore under certain conditions. If a Protocol applies for the whole or any part of the reporting period, the auditor must assess the licence holder's compliance for that period with the Protocol in accordance with the terms of the Protocol.

1.3 Specific auditor expertise

An approved critical infrastructure auditor is described in the licences as a person who has been approved by IPART as meeting certain criteria, including being independent of the licence holder, and having the necessary experience and expertise in system security or otherwise demonstrated capability to audit compliance with critical infrastructure licence conditions.

When assessing the auditor, we will consider their qualifications and experience in the following areas:

- appropriate audit accreditation
- experience with application of audit standards (such as ASAE 3000 or AS/NZS ISO 19011)
- experience in auditing against ISO 27001 or an equivalent standard, or other non-auditing experience with the standard

^a For further details on which licence conditions a licence holder may satisfy by undertaking the steps outlined in an approved plan, please refer to their licence conditions.

^b The grading system is set out in IPART's *Electricity networks audit guideline – Audit fundamentals, process and findings*.

^c Please refer to the network operators' licences for a definition of 'Protocol'.

- experience in operational and management audits
- experience with maintenance of electricity networks or similar structures, structural/electrical engineering experience or other electrical systems experience
- experience in auditing compliance with the *Privacy Act 1988* (Cth)
- hold negative vetting 1 (NV1) security clearance (desired, but not essential).

1.4 Audit timing

Each licence holder must submit a report to IPART by 30 September each year. The report must detail whether the licence holder has complied with its critical infrastructure licence conditions over the preceding financial year to 30 June.

The report must be audited and the audit report must also be provided to IPART by 30 September of that year.^d A summary of timeframes for completion of steps in the audit process is outlined in IPART's *Electricity networks audit guideline – Audit fundamentals, process and findings*.

1.5 Audit criteria

The auditor will review audit evidence to test against the applicable licence conditions for each licence holder. Where possible, the criteria should be tested against the facts that existed in the financial year to which the audit relates, rather than the facts that exist when the audit takes place, to determine whether compliance was achieved during the relevant financial year.

Critical infrastructure audits are independent audits. The evidence reviewed by the auditor should be sufficient for the auditor to form an opinion consistent with the approach outlined in IPART's *Electricity networks audit guideline – Audit fundamentals, process and findings*. Auditors must rely on their professional experience, the audit scope and the relevant Australian or International standards to determine what evidence would be appropriate for each of the critical infrastructure licence conditions applicable to a licence holder.

1.6 Applicable licence conditions for critical infrastructure audits

The individual licences contain the critical infrastructure licence conditions. Auditors should audit against all the critical infrastructure licence conditions in the applicable licence.

As the Minister may vary licences from time to time, the auditor should ensure that the audit is being conducted using the applicable licence conditions for the audit under consideration. This may require applying two sets of licence conditions for a licence holder for a particular audit, where that licence holder's licence conditions were varied during the audit period. It is the responsibility of the licence holder to provide the auditor with the licence conditions applicable at the time of the audit.

The current licence conditions for each licence holder are found on IPART's website.

^d As specified in each licence holder's licence.

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