



Independent Pricing and Regulatory Tribunal
New South Wales

Electricity Networks Audit Guideline



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ENRAG v3	May 2017	<ul style="list-style-type: none">▼ Updates to Chapter 5 – electricity network safety management system audits and Appendix B.

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1 Purpose of this document

IPART is the safety and reliability regulator for the NSW electricity networks.

Electricity network operators (network operators) continue to have the primary responsibility for safety and reliability in relation to their network, and discharge this responsibility through the implementation of their safety management systems and compliance with reliability standards.

Independent audits of key systems and of compliance with regulatory obligations is an important part of IPART's electricity network compliance framework. These include assessing the performance against obligations (applicable to only some network operators) to comply with critical infrastructure licence provisions and environmental code of practice requirements.

This Audit Guideline (Guideline) is intended to provide lead auditors and their teams with an understanding of IPART's approach to third party audits and the principles that apply when providing an audit service to IPART or to the businesses regulated by IPART. This Guideline also provides information to prospective auditees to assist them in engaging auditors and preparing for audits.

This Guideline is not binding on IPART. IPART may depart from this Guideline where we consider it to be appropriate or necessary to ensure that an auditee complies with the requirements under legislation and licence obligations (if applicable). Auditors and auditees should, however, endeavour to comply with the Guideline or provide reasons why they have not complied.

If this Guideline is unclear, auditors and auditees should seek clarification from IPART. In these cases, we may provide specific advice on the application of the Guideline or appropriate departures from this Guideline where necessary.

1.1 The status of this document

This Guideline is issued by IPART. IPART will review and amend this Guideline or chapters of this Guideline from time to time.

This Guideline is intended to supplement (and not replace) the application of recognised audit standards.

1.2 The structure of this document

Chapters one to four of this Guideline provide general guidance regarding the conduct of audits for IPART or for businesses regulated by IPART.

Chapters five to nine provide detailed information regarding each type of audit that is required for network operators to meet their regulatory audit obligations. These chapters identify the objective of the audit, the scope of the audit, specific expertise that audit teams may be required to have and the audit criteria against which an auditor is expected to test audit evidence to determine compliance with obligations.

- ▼ Chapter 1 – Purpose of this document
- ▼ Chapters 2 - 4 – Audit fundamentals and process
- ▼ Chapter 5 - 9 – Details of particular audits
- ▼ Appendix A – Audit process summary
- ▼ Appendices B - F – Detailed audit criteria for each audit type
- ▼ Appendix G – Data reliability and accuracy grades
- ▼ Appendix H – Auditor nomination procedure
- ▼ Appendix I – Deed
- ▼ Appendix J – Conflict of interest statement
- ▼ Glossary.

2 Audit fundamentals

2.1 Independence

Conflict of interest

Auditors must conduct all audits with sufficient independence and without actual or potential conflicts of interest.

An auditor must not conduct an audit in respect of any of the matters covered by this Guideline if the auditor has a conflict of interest.

Possible conflicts of interest may arise where:

- ▼ an auditor or member of the audit team is engaged in providing other fee-paying services to the auditee during the course of the audit services or is in the process of making an offer to do so
- ▼ the auditor has advised or consulted for the auditee within the last three years
- ▼ a material proportion of the auditor's total annual revenue is derived from fee-paying services provided to the auditee
- ▼ the auditor is not independent of the scoped audit items
- ▼ the auditor is the incumbent internal auditor for the auditee, or
- ▼ the auditor has performed an advisory or technical function for the auditee in relation to the particular project being audited.

An auditor who has been nominated or appointed to conduct an audit must notify IPART as soon as they become aware of an actual or potential conflict of interest. The auditor must provide any information to IPART, on request, concerning any actual or potential conflict of interest. The auditor must have adequate internal procedures to identify and manage potential conflicts of interest before accepting any IPART engagements.

Where a conflict of interest becomes apparent after an auditor has been engaged, they may be required to withdraw from the engagement.

Every audit proposal submitted to IPART must contain a statement that confirms that the auditor does not have a conflict of interest with the proposed auditee or, where appropriate, describes any potential conflict and how this potential conflict will be managed. A template for this is attached at Appendix I.

The 'three in five' rule

The same auditor¹ should not be used for more than three times in every five audits for a particular audit category. The 'three in five audit rule' ensures that each auditee is audited

¹ This refers to the audit firm, not just the lead auditor or audit team.

by different auditors over time. This allows a new perspective and helps to ensure the auditor's independence.

This is our preferred and general approach. We may approve an exemption to this rule if there is a shortage of suitable auditors, and if we are satisfied that a new perspective can be offered (eg, a different audit team), and that the auditor's independence won't be compromised.

If an auditor has previously been utilised by an auditee, the audit proposal should include a table summarising the audit history.

2.2 Expertise

By using external or third party auditors, IPART and the businesses regulated by IPART have the flexibility to access expert auditors and subject matter experts on an as-needs basis. Auditors must ensure that they have a sufficient level of expertise to undertake technically complex audits to a high standard.

Auditor nomination procedure

IPART has developed an auditor nomination procedure where approval of the nominated auditor is required prior to an audit commencing. This procedure ensures that IPART is satisfied that the nominated auditor has the necessary independence, experience and qualifications to carry out the audit. The procedure is detailed in Appendix H.

Audit Services Panels²

It is IPART's intention to form an audit panel of pre-approved auditors to assist network operators in engaging suitable auditors.

Lead auditors

A lead auditor must be nominated for each audit being undertaken for electricity network regulation purposes.

Lead auditors are expected to be highly experienced auditors, operating at a senior level within their organisation.

The lead auditor is responsible for the quality of the audit and for timely delivery against agreed milestones. Lead auditors must use suitably qualified personnel and employ sufficient resources and labour to complete all work as scheduled.

The lead auditor should be involved in all communications with IPART and the auditee and supervise and direct the work of the key personnel that make up the audit team, including responsibility for the work of any subcontractors or experts.

² IPART is reviewing its existing Panel and Panel processes, and proposes to have an IPART 'Audit Services Panel' and a single Panel Agreement.

In particular, the lead auditor must:

- ▼ ensure that the audit proposal is approved by IPART and the audit deed has been executed by IPART before works commence
- ▼ ensure that the audit proposal and audit reports have been reviewed and checked for accuracy and quality assurance purposes
- ▼ communicate significant issues arising from the audit to IPART
- ▼ be present at the audit opening, issues and closing meetings, and
- ▼ ensure that the evidence in the audit report supports all conclusions.

Audit team

It is the lead auditor's responsibility to ensure that the audit team has the required skills and expertise to satisfactorily prepare for and carry out all aspects of an audit. In order to cover the necessary skills and expertise, audit teams may need to be multidisciplinary and may include assurance practitioners, engineers, environmental scientists and financial, legal, corporate, or other technical experts.

In some circumstances, auditors may wish to sub-contract subject matter experts to provide specialist expertise. In this case, the lead auditor retains responsibility for the conduct of the audit and for all audit findings.

Training of audit personnel should cover the specific legislative requirements and required audit procedures for the area being audited.

2.3 Quality

IPART holds auditors undertaking audits for IPART or of businesses regulated by IPART to high professional standards and expects that auditors will conduct audits and prepare reports with rigour.

Application of auditing standards

We expect that audits for electricity network regulation are conducted to one of the following standards:

- ▼ ASAE 3000 - *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, Australian Auditing Standards (AUS 108 and AUS 110)
- ▼ AS/NZS ISO 19011 - *Guidelines for auditing management systems*, Standards Australia, and
- ▼ ISAE 3000 - International Standard on Assurance Engagements.

It is the auditor's responsibility to select an acceptable standard. If an auditor has identified a more suitable standard for a particular audit or type of audit, they must contact IPART before submitting their audit proposal for review.

In the audit proposal and the audit report, auditors must state which standard they used to conduct the audit and that the audit was conducted in accordance with the standard.

Peer review

Peer review is an important quality control process under the IPART audit framework. A peer reviewer:

- ▼ should be equivalent or higher in authority and experience to the audit team leader
- ▼ should not be involved in the conduct of the audit or approval of audit reports, and
- ▼ may be within, or external to the audit firm.

The peer reviewer must have demonstrable professional equality with, or authority over, the lead auditor, particularly for assurance, to objectively evaluate the significant judgements the lead auditor has made and the conclusions they have reached to formulate their opinion. The individual proposed to perform the peer review must be nominated in the audit proposal.

The appointment of a peer reviewer should not limit or preclude the lead auditor from using other expertise from outside the audit team to review or assist with particular technical elements of the engagement.

Quality assurance

A robust system of quality control must be in place for all auditors. Many auditors or their employers will have existing quality control frameworks in place, such as ISO 9001 - *Quality Management*.

While providing a robust framework, these systems may not have been designed with consideration of risks specific to IPART audits. Therefore, as part of the audit planning the lead auditor should check that their quality control framework will be effective in managing any associated audit risk.

Auditor feedback

Where IPART considers that an audit or auditor has failed to apply the level of professionalism or rigour expected by IPART, the auditor will be provided with feedback and asked to take steps to address any inadequacies. This may occur when the draft report is delivered to IPART. In some circumstances, a meeting between IPART and the auditor may be required to discuss the issue and agree on ameliorative action.

Where IPART considers that an auditor is unable to provide audit services to the standard required, IPART may decline to approve future auditor nominations for that auditor, or where applicable, may review the auditor's membership of the IPART Audit Services Panel and terminate the Panel Agreement with that auditor.

3 Audit process

This chapter describes the audit process that must be followed when undertaking an audit in accordance with this Guideline, from audit initiation to the delivery of final report, and outlines IPART's process for obtaining an auditee's response to audit findings.

Network operators must be aware of the additional steps requiring IPART involvement and, when preparing for an audit, allow adequate time before the audit begins and during the audit process for these to be satisfied. Table 3.1 below summarises the additional time allowances.

A summary of the entire audit process is provided in Appendix A including major milestones and indicative dates.

3.1 Audit initiation

IPART or the regulated business may be responsible for initiating an audit. In most cases, where the regulated business is required to undertake an audit to meet a regulatory obligation, they will be required to initiate the audit.

Table 3.1 provides a summary of the timeframes for completion of steps in the audit process involved when undertaking an audit. This is provided to ensure that adequate time is allowed for a comprehensive audit to take place. It is the responsibility of the auditee to manage the audit and allow sufficient time for all steps of the process.

Table 3.1 Summary of timeframes for completion of steps in the audit process

Step	Time to allow
Nominate auditor	When an appropriate pre-approved auditor on the audit panel cannot be engaged, the auditee can nominate a preferred auditor for approval. Allow at least 10 working days for the Tribunal's assessment of an auditor not on the panel. Contingencies should also be factored in to allow for a non-approval of the nominated auditor.
Submit audit proposal	Allow a minimum of 10 working days for IPART to review the audit proposal and any required amendments to be incorporated by other parties.
Deed	Allow adequate time for the Deed to be signed by the necessary parties, and submitted to IPART five working days before the opening meeting of the audit is scheduled.
Audit work	Variable
Issue of draft report	Allow five working days for IPART to review and an additional five working days for the auditor to follow up on any comments by IPART. Allow 10 working days for the auditee to review and provide comment.

3.2 Auditor nomination procedure

Unless the auditor is a member of the Audit Services Panel, the auditee is required to submit an auditor nomination to IPART for approval prior to the audit commencing. IPART's auditor nomination procedure is described in Appendix H of this document.

When assessing an auditor nomination, IPART will consider:

- ▼ the auditor's audit experience and audit qualifications
- ▼ the auditor's expertise and experience in relation to the audit subject matter
- ▼ the auditor's documented quality assurance processes, and
- ▼ any other matters identified in the auditor nomination procedure (see Appendix H).


The auditor nomination procedure will generally be superseded once an Audit Services Panel (the panel) for electricity network regulation has been established. Auditors will be pre-approved for membership on the panel and auditees will be able to select an auditor from this group without seeking IPART's approval.

Auditor nomination may still be required where the panel is unable to satisfy the specific auditor requirements for an audit.

3.3 Audit proposal

An audit proposal is required to be submitted to IPART for approval. Prior to developing a proposal, the specific information provided in this Guideline should be reviewed, and relevant elements will need to be addressed in the proposal. At a minimum, an audit proposal should:

- ▼ Address independence – refer to section 2.1.
- ▼ Include the audit standard to be applied – refer to section 2.3.
- ▼ Address the audit objective – refer to chapters 5 to 9.
- ▼ Include the audit scope – refer to chapters 5 to 9.
- ▼ Address the audit criteria – refer to chapters 5 to 9 and appendices.
- ▼ Include a description of the audit team and the expertise that they will provide, including for their quality and assurance process and peer review – refer to section 2.2.
- ▼ Include a schedule of audit procedures including desktop reviews, site visits and sampling approaches to be carried out in order to address each of the audit criteria. The audit procedures should be developed in line with the auditor's nominated audit standard.
- ▼ Include time and cost allowances.
- ▼ Address details of previous audit outcomes.
- ▼ Include a schedule for audit timing addressing each of the milestones in the audit and expected completion date.



IPART will endeavour to approve an audit proposal addressing each of the points above within 10 working days after submission of the proposal. However, should additional information be required, the 10 working-day period will re-set from the time at which the information is provided.

3.4 Submitting the audit Deed

The audit Deed is a tripartite agreement between IPART, the auditor and the auditee. The signed audit Deed is to be submitted to IPART a minimum of five working days prior to the opening meeting of the audit. The approved (final) version of the audit proposal must be attached.

3.5 Undertaking the audit

3.5.1 Opening and closing meetings

Auditors should schedule an opening meeting between the auditor, the auditee and IPART prior to the commencement of the audit. The meeting may be held by telephone conference or in person.

Opening meetings provide the auditor with an opportunity to outline the proposed audit procedures, discuss any logistical concerns regarding the provision of documents or site visits and for any unresolved issues to be discussed. The auditor may have preliminary questions regarding the business or may wish to discuss the outcomes of previous audits where these are available.

Closing meetings should be arranged by the auditor to discuss audit findings and recommendations and provide the auditee with an opportunity to raise any concerns or discuss issues. Auditors must invite IPART to participate in closing meetings.

3.5.2 Site visits

Most audits will require that an auditor visit the auditee's administrative office to review documents, data and systems. Site visits to view network assets, vegetation management or other works subject to audit may also be required. These should be conducted in line with the requirements of the auditor's nominated audit standard.

Site visits should be arranged in a timely manner with consideration of the resourcing needs of both parties. IPART must also be notified in a timely manner to enable IPART officers the option to attend. Auditors should seek information regarding any site specific safety requirements or other logistical constraints that may need to be addressed.

3.5.3 Communication with IPART regarding issues of concern

Where an issue arises during the course of an audit, auditors or auditees may contact IPART to seek clarification of IPART requirements or to address issues that are outside the audit scope or a matter of disagreement. IPART may request that the auditor organise an issues

meeting with the auditee to address the issue. This may result in additional clarification being provided to the auditor or to the auditee by IPART, changes to the audit scope (audit variation) to address an unforeseen issue or a matter of disagreement or other action to be decided by IPART.

3.5.4 Audit variation

Where an audit variation has been requested or agreed to by IPART, the auditor must prepare a revision to the audit proposal with a revised quote for services and revised timeframe. The audit variation will be presented to the auditee for agreement and approved by IPART before the audit can continue.

Audit variations must be addressed as a separate section within the audit report so that pre-audit variation findings can be identified and additional audit procedures and findings under the audit variation separately explained.

3.5.5 Interpretation of a licence or instrument

If, during the course of an audit, there is a disagreement between the auditor and the auditee as to the interpretation of a licence or another instrument, the auditor is to refer the disagreement to IPART. IPART may provide the auditor with guidance as to how the licence or instrument is to be interpreted for the purposes of the audit.

The auditor may also request guidance from IPART on the interpretation of a licence or other instrument in the absence of a disagreement.

3.6 Submitting audit reports


Audit reports should be developed in line with the auditor's nominated audit standard. IPART requires that they:

- ▼ are comprehensive – addressing all audit criteria and providing sufficient detail to allow IPART to understand the audit procedures that were carried out to support the audit findings
- ▼ are clear – reports should be written using plain English and should be unambiguous
- ▼ are evidence based – all statements should be substantiated with evidence
- ▼ have outcomes focussed recommendations, and
- ▼ are free of errors.

3.6.1 Draft Report

Unless otherwise specified, a draft audit report should be provided to IPART to review and to the auditee initially for information. After IPART's review, an updated version will be released to the auditee for comment.

IPART will review the draft report for completeness, accuracy and clarity and may seek amendments where the report does not sufficiently address the audit criteria identified in



the audit proposal or where the audit report is unclear or erroneous. This stage in the process is not for IPART to assess findings and recommendations. IPART may refuse to accept receipt of audit reports that are not of a sufficiently quality or that do not comply with auditing standards.

When planning the audit process, a minimum of five working days must be allowed for IPART to conduct its review of the draft report, and a further five working days must be allowed for the auditor to incorporate any changes to the draft, if required. IPART will complete its review in a timely manner and once it is satisfied that the draft audit report has met the requirements, it will request that the auditor release an updated draft report to the auditee.

Auditees will have at least 10 working days to provide a written response to the draft audit findings for the auditor to consider. The auditees' review time may increase depending on the size and scope of the audit and will be confirmed in the audit proposal. In some circumstances, an issues meeting may be required to address an issue of concern (see sections 3.4.3 and 3.4.4 above).

3.6.2 Final Report

Final reports are to be submitted to IPART by the auditor and released to auditees as directed by IPART. Once final reports are issued and any closing meetings have been held, IPART will consider the audit complete.

3.7 Post audit

After delivery of the final report, the auditee will usually be required to provide to IPART a response to the findings of the audit report. This would include, for instance, proposed actions and timeframes to rectify any non-compliances and a response to any opportunities for improvement.

IPART will consider the final audit report, the auditee's responses and any other relevant information. Possible actions depend on the audit type and outcome, and may be in the form of directions or orders for improvement or rectification of the auditee's systems to rectify non-compliances, or imposition of monetary penalties for significant non-compliances.

3.8 Summary

A summary of this audit process is provided in Appendix A.

4 Audit findings

The audits conducted by auditors on behalf of IPART or network operators regulated by IPART vary in nature. They include audits of the adequacy and implementation of systems as well as compliance audits and assurance audits.

The following audit chapters identify the specific requirements with regard to each audit type. However, in general, these audits are driven by regulatory obligations and IPART requires audit findings that identify compliance or non-compliance with the network operators' regulatory obligations. Where non-compliances are identified, IPART expects that auditors will make recommendations in relation to the non-compliance. Recommendations should be clearly stated and outcomes focussed where appropriate.

Opportunities for improvement may also be identified where auditors feel they can add value to an auditee's processes. These will not normally relate to a non-compliance.

4.1 Compliance audits

Compliance audits are conducted to check that the network operator is complying with regulatory obligations. The auditor should conduct this audit in accordance with the proposed standard, and cite evidence for audit findings of compliance or non-compliance against the specific relevant licence conditions and other regulatory obligations. The auditor can also present opportunities for improvement.

Compliance audits are required for regulatory obligations relating to:

- ▼ Electricity Network Safety Management Systems
- ▼ NSW Code of Practice for Authorised Network Operators,
- ▼ Critical Infrastructure, and
- ▼ Employment guarantees.

Compliance grades should be assigned in accordance with IPART's electricity networks grading system as outlined in Table 4.1.

Table 4.1 Compliance Grades

Grades of compliance	Description
Compliant Compliant	Sufficient evidence to confirm that the requirements have been fully met.
Non-compliant (non-material) NC (NM)	Sufficient evidence to confirm that the requirements have generally been met apart from a number of minor shortcomings which do not compromise the ability of the utility to achieve defined objectives or assure controlled processes, products or outcomes.
Non-compliant (material) Non- Compliant	Sufficient evidence has not been provided to confirm that all major requirements are being met and the deficiency adversely impacts the ability of the utility to achieve defined objectives or assure controlled processes, products or outcomes.
No Requirement No Requirement	The requirement to comply with the licence condition or other regulatory obligation does not occur within the audit period or there is no requirement for the network operator to meet this assessment criterion.

4.2 Assurance audits

A limited assurance audit is required to audit the network operator’s performance against the reliability and performance standards. A limited assurance is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement. The audit opinion is expressed in a negative form of assurance. This should be conducted in accordance with ASAE 3000 or equivalent standard.

The auditor’s report should include recommendations based on their findings which indicate actions to be taken to address any non-compliances. Where a finding does not result in a non-compliance but the auditor identifies opportunities for improvement, these should be specified.

4.3 Addressing auditor findings and non-compliances

IPART will rely on the auditor’s findings and recommendations in relation to the identification of material and non-material non-compliances. Auditees will be expected to respond to the findings, non-compliances and opportunities for improvement of an audit. However, IPART determines the significance of any non-compliance in relation to the network operator and their obligations, and the suitability of the auditor’s recommendations or alternatives proposed by the auditee. We will consider opportunities for improvement as distinct from non-compliances.

When addressing a non-compliance, IPART will consider all relevant information, including:

- ▼ the findings and recommendations of relevant audit reports
- ▼ information provided by the network operator in response to the findings and recommendations of the audit reports, and
- ▼ IPART's Energy and water licence compliance policy which is published on the IPART website.³

³ IPART, *Energy and water licence compliance policy*, July 2013.

5 Electricity network safety management system audits

This chapter addresses the general requirements for external audits, undertaken at the direction of IPART, of a Network Operator's Electricity Network Safety Management System (ENSMS) in compliance with the *Electricity Supply (Safety and Network Management) Regulation 2014* (the ESSNM Regulation). All network operators are required to have an ENSMS under the ESSNM Regulation.

These audits assess the adequacy and the implementation of the network operator's ENSMS. Each ENSMS is required, under the ESSNM Regulation, to deal with specific matters and be in accordance with Australian Standard AS 5577⁴. The requirements of the ESSNM Regulation and AS 5577 (the latter being supported by reference to AS/NZS ISO 31000) are the basis of the audit criteria against which an auditor would test the audit evidence to determine whether the ENSMS meets the regulatory requirements.

The audit scopes will be determined by the Tribunal, may be broad or narrowly focused, and may vary between network operators. The scope of an ENSMS audit will dictate whether all or some of the audit criteria identified in this chapter and relevant appendices are applicable to an audit.

Audits may use historical evidence to confirm aspects of the ENSMS implementation where necessary.

5.1 Objective

The ESSNM Regulation requires that 'a network operator must take all reasonable steps to ensure that the design, construction, commissioning, operation and decommissioning of its network (or any part of its network) is safe' (clause 5). The primary objective of an ENSMS is to assist the network operator to comply with the requirement in clause 5 of the ESSNM Regulation and to support:

- ▼ the safety of members of the public
- ▼ the safety of persons working on networks
- ▼ the protection of property (whether or not belonging to a network operator)
- ▼ the management of safety risks arising from the protection of the environment (for example, preventing bush fires that may be ignited by network assets), and
- ▼ the management of safety risks arising from loss of electricity supply.⁵

IPART's role is to hold each network operator to account to the requirements identified in the ESSNM Regulation. The objective of an audit of the ENSMS is to provide IPART, the NSW Government and the people of NSW with a level of independent assurance that the

⁴ ESSNM Regulation, clause 7.

⁵ ESSNM Regulation, clause 6.

network operator's ENSMS, or any part thereof, meets with the primary objective as specified in the ESSNM Regulation.

5.2 Scope

IPART may require an audit to relate to specified aspects of a network operator's ENSMS.⁶ Where IPART chooses to do this, the aspects of the ENSMS to be audited and the audit criteria⁷ to be tested will be specified by IPART in an audit scope. The auditor shall then develop an audit proposal identifying how the audit criteria will be tested against the audit scope.

Focused audit scopes may address specific aspects of the ENSMS such as:

- ▼ bushfire risk management
- ▼ public electricity safety awareness, or
- ▼ safety and reliability of the network.

5.2.1 Specific auditor expertise

Each ENSMS audit may require specific expertise, dependent on the scope, eg, an audit of bushfire risk management will require expertise in asset management and vegetation management in relation to bushfire risk. IPART will identify the particular expertise that nominated auditors will be required to demonstrate in order to undertake an audit of particular scope.

5.3 Timing

The timing and frequency of ENSMS audits is to be determined by IPART and may involve prior discussion with the auditees.

5.4 Audit criteria

The minimum audit criteria to test compliance with each relevant clause within the ESSNM Regulation, and AS 5577 are identified in Appendix A. The audit criteria have been grouped into 'Planning and preparation of the ENSMS', 'Implementation of the ENSMS', 'Measurement and evaluation' and 'Management review and change management'.

Auditors should clearly identify the audit criteria that are to be tested for each proposed audit in the audit proposal. Where auditors seek to deviate from the audit criteria specified by IPART, they should identify this explicitly in the audit proposal and provide reasons. This includes adding additional audit criteria as required.

Under each audit criterion, the tables in Appendix A list the clauses of the ESSNM Regulation and sections of the standards that are relevant and must be complied with.

⁶ Clause 11 (5).

⁷ see Appendix A for general audit criteria

Unless otherwise agreed, auditors must test compliance with each clause or section specified in the audit criteria as they apply to the part of the ENSMS being audited.

Auditors are expected to clearly identify the evidence reviewed to test compliance with the audit criteria. It is recommended that the auditor record this in a table form for each criterion tested and include the table in the audit report. The auditor is to use professional judgement, consistent with the requirements of Australian or International audit standards to determine what is appropriate evidence and whether compliance has been demonstrated.

5.4.1 Assessing the appropriate level of risk control

We rely on the auditors to be well versed in electricity network operations and risk mitigation options. We rely on their expert opinion to assess whether network operators have undertaken risk assessments and established the reasonableness of the risk treatment options implemented.

The ESSNM Regulation requires that all reasonable steps be taken to ensure that the network is safe. This acknowledges that it is neither possible nor desirable to eliminate all risk, however, where it is reasonable, risks should be eliminated and where this is not reasonable, risks should be reduced.

The ESSNM Regulation also requires that all the networks have in place an ENSMS that is in accordance with AS 5577. AS 5577 requires hazards and their associated risks to be eliminated if reasonably practicable to do so, and if not, for controls to be implemented that reduce residual risks of a hazard to 'as low as reasonably practicable'. That is, that network operators consider all options and implement further reasonable practicable risk reduction options even if they have reduced risks to established tolerable criteria.

An assessment of whether control options are reasonably practicable should be documented and take into account what is reasonable in the circumstances to achieve the optimal overall safety outcomes for the network. We consider that in making this assessment, relevant matters must be considered, and this includes:

- ▼ The likelihood of the event occurring.
- ▼ The potential consequences if the event occurs, where more serious consequences may be justification for greater expenditure on a control even if the likelihood is low.
- ▼ All available options for hazard control, including accepted industry practice, relevant codes of practice, guidelines and standards, and any technological advances or innovative practices. The hierarchy of controls⁸ should be applied when assessing which control the network should pursue.
- ▼ Information gathered through consultation with internal and external stakeholders.
- ▼ The interdependencies between hazards and risk controls and the impact a proposed control has on the effectiveness of other controls and operations.
- ▼ An assessment of the cost of implementing the proposed control compared to the safety benefit expected from the control. This includes not just financial costs, but also efficiency gains or losses, opportunity costs and other costs.

⁸ As described in section A4 of AS 5577.

There should be a formal argument as to why particular controls for significant hazards⁹ have been selected, and why the cost of implementing controls higher in the hierarchy of controls were considered to be 'grossly disproportionate' to the benefit expected.

Processes should be established for ongoing review of hazards and controls and for the implementation of changes as they are deemed necessary.

5.5 Additional requirements of audit

When directing a network operator to undertake an ENSMS audit, IPART may have additional criteria to be assessed, or specific procedures that must be undertaken. These requirements will be outlined in the scoping document.

The content of audit reports must also comply with the requirements of clause 11(4) of the ENSMS Regulation.

⁹ IPART considers a significant hazard to persons to be one with kill or maim potential. It is left to the network operator to determine what it considers a significant hazard to property or reputation.

6 Critical infrastructure licence conditions audit

This section of the Audit Guideline relates to particular conditions pertaining to critical infrastructure security that are in the Transmission Operator's Licence issued to the owners of TransGrid¹⁰, and in the distributor's licence issued to the owners of Ausgrid¹¹. The conditions in the two licences vary, but, in general require:

- ▼ That a substantial presence is maintained in Australia including:
 - That the 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.

It is expected that Endeavour Energy will also be subject to similar conditions and audit requirements after it is transacted. IPART will publish an updated Guideline as required to address any such changes.

6.1 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 network being audited is being maintained in a manner that assures security of supply, by assessing the licensee's compliance with the specific licence conditions that relate to critical infrastructure security.

6.2 Scope

The audits will assess the network operator's compliance with its critical infrastructure licence conditions over the preceding financial year, taking into account the annual

¹⁰ Issued by the Minister for Industry, Resources and Energy under the *Electricity Supply Act 1995* (NSW), granted to the NSW Electricity Networks Operations Pty Limited (ACN 609 169 959) as trustee for the NSW Electricity Network Operations Trust, dated 7 December 2015.

¹¹ Issued by the Minister for Industry, Resources and Energy under the *Electricity Supply Act 1995* (NSW), granted to the Ausgrid Operator Partnership a partnership carried on under that name by Blue Op Partner Pty Ltd (ACN 615 217 500) as trustee for the Blue Op Partner Trust, ERIC Alpha Operator Corporation 1 Pty Ltd (ACN 612 975 096) as trustee for ERIC Alpha Operator Trust 1, ERIC Alpha Operator Corporation 2 Pty Ltd (ACN 612 975 121) as trustee for ERIC Alpha Operator Trust 2, ERIC Alpha Operator Corporation 3 Pty Ltd (ACN 612 975 185) as trustee for ERIC Alpha Operator Trust 3, and ERIC Alpha Operator Corporation 4 Pty Ltd (ACN 612 975 210) as trustee for ERIC Alpha Operator Trust 4, dated 28 November 2016.

compliance report it submits to IPART. The audit must be comprehensive and meet any requirements specified by IPART.

6.2.1 Specific 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 has otherwise demonstrated the capability to audit compliance with the 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 ISO27001 or an equivalent standard, or other non-auditing experience with the standard
- ▼ 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 auditing compliance with the *Privacy Act 1988* (Cth), and
- ▼ holding negative vetting 1 (NV1) security clearance, (desired but not essential).

6.3 Audit timing

A compliance report must be submitted to IPART by the licence holders by 31 August each year.¹² The compliance report must be audited and an audit report provided to IPART by 30 September of that year.¹³ Table 6.1 provides an indicative timeframe.

¹² Ibid.

¹³ Licence condition 8.2 of the Transmission Operator's Licence requires that the report is to be audited by a date to be specified by IPART.

Table 6.1 Proposed timeline for critical infrastructure audit

Deadline	Indicative Date	Task
By 31 May		Auditor nomination submitted to IPART by electricity network.
	30 June	Auditor proposal submitted to IPART
	31 July	Audit proposal approved by IPART and auditor engaged by the ANO
31 August		Compliance report of critical infrastructure licence conditions delivered to IPART
30 September		Final audit report due to IPART

6.4 Criteria

The auditor will review audit evidence to test against the audit criteria listed in Table C.1 and Table C.2 in Appendix C. 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 this period.

Critical infrastructure audits are independent audits. The evidence reviewed by the auditor should be sufficient for the auditor to form an opinion consistent with Table 4.1. The minimum criteria listed in Appendix C are provided as guidance only. Auditors must rely on their professional experience, the audit scope and the relevant Australian or International standards to determine what appropriate evidence would be for the audit clauses.

7 Reliability audit for electricity distributors

These audit requirements apply to licensed distribution networks only.

The Minister imposed additional licence conditions on electricity distributors relating to reliability and performance (referred to in this Chapter 7 as ‘the conditions’). The conditions were imposed pursuant to item 6(1)(b) of Schedule 2 to the *Electricity Supply Act 1995 NSW* (the ES Act), and are contained in:

- ▼ the *Reliability and Performance Licence Conditions for Electricity Distributors, 1 July 2014* for Endeavour Energy and Essential Energy. There are some separate standards for each of these two network operators contained in schedules 2, 3 and 5 of the conditions,¹⁴ and
- ▼ the *Schedule of Ministerially imposed licence conditions for the operator of a transacted distribution system* for Ausgrid. This licence supersedes references to Ausgrid in the July 2014 document.

7.1 Objective

The objective of this audit is to assess the licence holder’s compliance with the specific licence conditions that relate to reliability and performance, over a given financial year.

7.2 Scope

This audit is to address a distribution network’s compliance with licence standards relating to reliability and performance and to assess the accuracy of data and calculations used to report compliance with the standards.

The audit also covers the quarterly reliability and customer satisfaction data that was reported to IPART over the preceding financial year.

¹⁴ See pp 12, 13 and 15 of the *Reliability and Performance Licence Conditions for Electricity Distributors, 1 July 2014*.

7.3 Audit timing

An independent audit must be conducted after the end of each financial year to audit the licence holder's performance against the performance and reliability standards.¹⁵ The licence holder should nominate an auditor by 1 May each year and must provide a copy of the auditor's report by 30 September to IPART. Endeavour Energy and Essential Energy must also submit a copy to the Minister.¹⁶ Table 7.1 shows the proposed timeline for the audit process.

Table 7.1 Proposed timeline for reliability audits

Deadline	Indicative date	Steps
By 1 May		Auditor nomination received by IPART for approval, if the preferred auditor has not been pre-approved on the audit panel. It is at the ENO's discretion whether it submits the proposal at this stage or waits until the auditor is approved.
By 1 June		The audit nomination and detailed audit proposal is submitted for approval if using a pre-approved auditor.
	Within working 10 days of receipt, unless more information is needed.	IPART approves auditor nomination and proposal (or requests further information, or does not approve).
By 1 July		IPART receives signed deed poll from the approved auditor and licensee. Audit can commence.
	1 September	Auditor's draft report due to IPART.
	15 September	Feedback on the draft audit report provided to auditors.
By 30 September		Final report submitted to the Minister and IPART.

7.4 Criteria

The auditor will review audit evidence to test against the audit criteria listed in Table D.1 or Table D.2 in Appendix D. Where possible, the criteria should be tested as though the audit took place during the specified financial year ending June 30 to determine whether compliance was achieved during this period.

These audits are independent audits. The evidence reviewed by the auditor should be sufficient for the auditor to form an opinion consistent with Table 4.1.

7.4.1 Specific expertise

An approved reliability auditor must have:

- ▼ familiarity with the electricity supply industry in Australia, especially NSW

¹⁵ Condition 18.7 of the *Reliability and Performance Licence Conditions for Electricity Distributors, 1 July 2014*.

¹⁶ Conditions 18.12 of the *Reliability and Performance Licence Conditions for Electricity Distributors, 1 July 2014*.

-
- ▼ familiarity with the IT and performance reporting systems used in the electricity supply industry to record and report information of the type that is the subject of this audit
 - ▼ experience in verifying the integrity of data entry and data processing systems of the type used in the electricity supply industry, and
 - ▼ experience in, and detailed knowledge of operational or compliance auditing of the type required on this assignment.

7.5 Findings

The audit opinion sought by IPART is 'limited assurance' that the licensee has complied with the conditions (see section 4.2 of this Guideline).

7.5.1 Audit grades

The auditor is required to give a two-part grade for the assessment of data reliability and accuracy **in addition** to an overall accuracy grade for each licence condition. The data reliability and accuracy grades are explained and presented in Appendix G.

8 Employment guarantees

IPART is responsible for monitoring and enforcing a network operator's compliance with employment guarantees under Schedule 4 of the *Electricity Network Assets (Authorised Transactions) Act 2015* (the Act).¹⁷ These guarantees provide for minimum employee numbers, changes in office location and other workplace protections and they apply to TransGrid, Ausgrid and Endeavour Energy.

IPART may direct an audit of a network operator's compliance with the employment guarantees.

8.1 Objective

The objective of this audit is to assess the network operator's compliance with their obligations under Schedule 4 of the Act, with reference to additional definitions provided in IPART's Reporting Manual.

8.2 Scope

The audit must be comprehensive in assessing the network operator's compliance with Schedule 4 of the Act and meet any requirements specified by IPART.

8.2.1 Specific expertise

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

- ▼ Expertise in workplace relations operations
- ▼ Extensive experience auditing workplace relations and/or human resources operations, including auditing compliance with, or other experience with the provisions of the *Fair Work Act 2009* (Cth).

8.3 Audit timing

Audit timing will be at the discretion of the Tribunal.

8.4 Criteria

The auditor will review audit evidence to test against the audit criteria listed in Table E.1 in appendix E.

¹⁷ The Act (except schedule 6) commenced on 4 June 2015.



9 Compliance with the NSW Code of Practice for Authorised Network Operators

This audit requirement applies to Authorised Network Operators (ANOs) only.

ANOs are required to comply with Part 5 of the *Environmental Planning and Assessment Act 1979* (NSW) (the EP&A Act). The NSW Code of Practice for Authorised Network Operators (the Code), issued by the Department of Planning and Environment, refers to some, but not all, of the obligations under Part 5 of the EP&A Act. IPART is responsible for monitoring and enforcing compliance with the Code.

The ANOs have been prescribed as “prescribed determining authorities”.¹⁸ An ANO can assess and self-determine activities that are not likely to significantly affect the environment and are conducted by or on behalf of the ANO for the purpose of electricity transmission or distribution.

9.1 Objective

The objective of this audit is to assess an ANO’s compliance with the Code during a given period.

9.2 Scope

An ANO is required to comply with the Code.¹⁹

ANOs are required to report a serious breach²⁰ of the Code to IPART as soon as reasonably practicable after the ANO becomes aware of the breach and must report to IPART, by 30 April each year,²¹ on any breach of the Code which occurred over the preceding calendar year, with an explanation for the breach and a description of measures implemented to avoid a recurrence of the breach. Further, they must report data on any complaints they received about Environmental Impact Assessment (EIA) related matters over the same period.

IPART may audit an ANO’s compliance with the Code. Audits may be conducted periodically or as ‘spot audits’ in response to a particular possible breach of the Code.²²

¹⁸ For the purposes of section 111A of the EP&A Act and the definition of ‘public authority’ under section 4(1) of the EP&A Act. See EP&A Regulation, cl.277(5).

¹⁹ ES Act, sch.2, cl.6A; EP&A Act, s.111A; EP&A Regulation, cls.244J-244L.

²⁰ A serious breach includes a breach which has, or is likely to have, a material adverse impact on the environment.

²¹ Or such other date agreed to in writing by IPART.

²² The Code, section 5.3, p 35. IPART can either conduct an audit itself, or require an ANO to nominate a suitably qualified person to conduct the audit. The nomination must be approved by IPART, and the auditor will conduct the audit and provide a report to IPART at the expense of the ANO.

The auditor will audit the ANO's compliance with the Code and the criteria specified in section 8.4 of this Guideline. See also section 3.4 of this Guideline for information on undertaking the audit. In addition to the auditing standards as discussed in section 2.3 of this document, the auditor must have regard to:

- ▼ the Code
- ▼ section 111 of the EP&A Act, and
- ▼ clause 228 of the *Environmental Planning and Assessment Regulation 2000* (NSW) (the EP&A Regulation).

9.3 Audit timing

Audits will be undertaken at the direction of IPART.

9.4 Criteria

Table F.1 in Appendix E provides the detailed criteria which are to be addressed.

9.4.1 Specific expertise

An approved auditor of compliance with the Code must have:

- ▼ Professional qualifications and experience in the theory and practice of undertaking environmental impact assessments.
- ▼ Extensive knowledge of the application of the EP&A Act, in particular section 111, and of the EP&A Regulation, in particular clause 228.
- ▼ Knowledge of the Code.

9.5 Findings

Audit findings should be reported consistent with a compliance audit as detailed in section 4.1.



Appendices



A Audit process summary

Table A.1 Audit process summary and example timelines

Task	Description and minimum requirements	Timing	Lead responsibility	Other input	IPART involvement
Audit initiation	Where legislation requires the regulated business to undertake an audit, they will be required to initiate the audit. In other cases, IPART may initiate an audit, for instance with regard to the DP&E's Code of Practice for Authorised Network Operators, with a direction to the network operator.	Variable, may be legislated.	Network operator	IPART	IPART will monitor network operators' compliance with their legislative obligations. IPART can also initiate audits as spot audits or on an ad hoc basis.
Auditor nomination	Network Operator can nominate a preferred audit firm for IPART approval. IPART requires information on the audit firm's: <ul style="list-style-type: none"> ▼ auditing expertise and experience ▼ audit area specific expertise ▼ quality assurance or peer review process, and ▼ any other matters identified in Appendix H. (IPART intends to develop an Audit Services Panel of approved auditors by mid-2017 from which the network operators will be able to select an auditor. In most cases this will supersede the audit nomination step.)	Variable. 31 May for critical infrastructure auditors. By 1 May for reliability and performance compliance ^a . Other dates to be advised (at IPART's discretion).	Network operator	IPART may request auditor to provide information to the network operator.	IPART will assess and approve or not approve the auditors based on their capabilities. IPART also has power to nominate an auditor for any of the audits if either the network operator does not nominate an auditor, or the auditor nominated by the network operator is not considered to be appropriate to carry out the audit.
Audit proposal approval	The audit proposals must be submitted to IPART for approval. These should be	30 June for annual audits.	Network operator	Auditors would develop the audit	IPART will assess and either approve or not approve the audit proposal.

Task	Description and minimum requirements	Timing	Lead responsibility	Other input	IPART involvement
	comprehensive and cover the audit team's experience, audit standards used, scope and approach to the audit and the time schedule. It should provide the proposed procedures and methods that will be used during the audit to address the objectives, scope and criteria provided in IPART's Audit Guideline.			proposal for the network operator. Auditors should refer to IPART's Audit Guideline when preparing the proposal.	IPART may require additions or amendments to any aspects of the audit proposal to ensure it aligns with and is likely to achieve the objectives, scope and criteria provided in IPART's Audit Guideline. This includes adding additional expertise which may mean adding team members.
Audit deed	The audit Deed must be signed by authorised persons and submitted to IPART.	At least five working days before audit starts	Network operator	Auditor	Submitted to IPART for signature
Opening meetings	A meeting of all stakeholders to ensure clarity and understanding of the expectations in the Audit Guideline. May discuss preliminary concerns including logistics. This may be held as a teleconference.	To be addressed in the schedule of the audit proposal.	Auditor	Network operator to attend.	IPART staff will attend.
Audit	Undertake the audit as per audit proposal. Variations should be agreed by IPART and the auditee. There will likely be site visits and other communications with stakeholders.	To be addressed in the schedule of the audit proposal.	Auditor	Co-operation of the network operator.	IPART staff may attend some audits, or some stages of audits.
Draft report	The draft report should be peer reviewed and should, at a minimum, address preliminary findings and present recommendations against the criteria in the Audit Guideline. It should be comprehensive, clear and unambiguous.	To be addressed in the schedule of the audit proposal.	Auditor	Network operator will receive a copy at the same time and can provide comments on the report after inclusion of updates required by IPART.	IPART will review the draft report for clarity, correctness and completeness against the Audit Guideline, and approve the report (with updates as needed) for the auditees to comment on. IPART may provide comment or request some further investigation. The draft report should not be used to elicit advice from IPART as to the findings an auditor should make.

Task	Description and minimum requirements	Timing	Lead responsibility	Other input	IPART involvement
					IPART may be required to address any issues that have been escalated to IPART, either by the auditor or the auditee, for resolution in the Final Report.
Closing meeting	A meeting with all stakeholders to confirm the audit has been finalised and the requirements in the Audit Guideline has been achieved. May discuss draft audit report and any concerns. This may be held as a teleconference.	To be addressed in the schedule of the audit proposal.	Auditor	Network operator to attend.	IPART staff will attend.
Final report	The final report will present findings and recommendations resulting from the audit, against the criteria in the Audit Guideline. It should address comments received by the network operator and IPART on the Draft Report.	Within one week after the closing meeting, unless otherwise agreed.	Auditor	Network operator will receive a copy of the report.	IPART will receive a copy of the report.
Auditee response to final report	The auditee will usually be required to provide to IPART a response to the findings of the audit report.	To be confirmed in writing from IPART after receipt of the final report. Likely to be around 4 weeks.	Auditee	Potential communication with IPART staff.	Communications with auditee.
Final outcomes	Determination of required actions emerging from the audit.	Ongoing	IPART and the network operator		Audit findings, auditee's responses and any other relevant information will be considered by IPART. IPART may give directions or orders for improvement, or impose monetary penalties for significant non-compliances.

^a Licence condition 18.8, Reliability and Performance Licence Conditions for Electricity Distributors

B Audit criteria for electricity networks safety managements systems audits

Table B.1 Audit criteria for electricity network safety management systems

Minimum criteria ^a	Auditor's comments
<p>1. The network operator can demonstrate that the network's policy and commitment to the ENSMS has been defined and that the network operator has committed to specific outcomes.</p> <p>IPART considers that in order to plan and prepare a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) The ENSMS complies with AS5577 4.2 	
<p>2. The ENSMS supports the objectives and addresses the fundamental requirements of a compliant ENSMS.</p> <p>IPART considers that in order to plan and prepare a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) The ENSMS supports clause 5 and the objectives of an ENSMS as described in clause 6 of the ESSNM Regulation b) The ENSMS deals with the required content of an ENSMS in compliance with clause 7 of the ESSNM Regulation c) The ENSMS meets the general requirements of an ENSMS in compliance with clauses 4.1 and A1 of AS5577, and d) The ENSMS meets the planning requirements in compliance with clause 4.3 of AS5577 and the processes, procedures and methodologies required under clause 4.3.2 are documented. 	
<p>3. The network operator must identify the standards and codes used by it and shall document decisions not to comply with these standards and codes and the reasons for that decision.</p> <p>IPART considers that in order to plan and prepare a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) The requirements of clause 4.3.4 of AS5577 have been complied with and documented in the ENSMS. 	

Minimum criteria ^a	Auditor's comments
<p>4. The context of the ENSMS has been established as it relates to the specified aspects of the audit.</p> <p>IPART considers that in order to establish the context of a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) Internal and external stakeholders have been identified for the relevant stages of the Formal Safety Assessment development in compliance with clause A1(d) of AS 5577 to provide for the necessary consultation, communication and reporting prescribed under clause 4.4.6 of AS5577. b) A description of the network, including or referencing suitable maps showing all network assets and the location of associated facilities has been documented, in compliance with clause 4.1 of AS 5577 and with reference to Appendix C (although Appendix C is informative and not mandatory, IPART considers that network operators should consider the guidance provided as good practice for describing the network). 	
<p>5. The Formal Safety Assessment (FSA) has identified electricity network hazards that could cause an electricity related incident.</p> <p>IPART considers that in order to thoroughly identify all reasonably foreseeable electricity network hazards in a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) The electricity hazards have been identified in compliance with clause A3.1 of AS 5577. b) All stakeholders identified have been involved in the risk identification process in compliance with clause A1(d) of AS 5577. c) The network operator has a process to facilitate an ongoing dialogue with the Australian and international electricity network industry to understand emerging safety issues and themes. (Generative interviews with staff and workers, discussion with regulators and review of issues arising nationally and internationally.) d) The network operator has processes to ensure that emerging risks are identified and addressed through the FSA process in a timely manner. 	
<p>6. The Formal Safety Assessment has analysed risks associated with all identified electricity network hazards that could cause an electricity related incident.</p> <p>IPART considers that to adequately analyse risks in a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) The electricity risks have been analysed in compliance with clause A3.2 of AS 5577 b) All possible reasonably foreseeable consequences of the significant hazards identified have been articulated and assessed at an appropriate level of granularity c) A completeness check has been undertaken, based on the network's particular operational zones, to ensure identification of hazards that may arise at or from specific assets in particular locations. 	

Minimum criteria ^a	Auditor's comments
<ul style="list-style-type: none"> d) A completeness check has been undertaken based on the network's functional units, comparing the interactions of: <ul style="list-style-type: none"> - Identified hazards (including the loss of electricity supply) - Critical exposed groups (eg, members of the public and persons working on networks) - Other critical exposed elements (eg, property and the environment), and - All relevant phases (eg, design, construction, commissioning, operations maintenance and decommissioning), as well as abnormal and emergency situations. e) uncertainty is explicitly addressed in compliance with clause 3(d) of ISO 31000. 	
<p>7. Risk control measures and treatments have been identified and evaluated in accordance with the methodologies developed in the planning phase of the ENSMS.</p> <p>IPART considers that to adequately control, treat and evaluate treatment of risks in a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) The electricity risks have been treated and evaluated in accordance with A4 of AS5577 b) Recognised good practice has been identified and considered in the development of risk treatment options for each hazard regardless of whether the level of risk is considered 'tolerable' or 'ALARP'. c) If recognized good practice treatments are not put in place for a particular hazard, it must be demonstrated that recognised good practice has been tested for reasonableness. d) Where recognised good practice is not considered appropriate, reasoning must be provided, showing how the hazard is to be managed to an equal or better safety outcome by different means. e) Interdependencies of treatment options for other risks has been considered. This means there has been a holistic consideration of the impact that proposed measures may or will have on other proposed or implemented measures. f) The treatment or control approaches have been selected based on the best available information. g) An estimation of residual risks is clearly articulated for each hazard, in compliance with clause A3.2(c) of AS 5577. h) Control measures and treatments are consistent with the primary objective of clause 5 of the ESSNM Regulation. i) Uncertainty is explicitly addressed in compliance with clause 3(d) of ISO 31000. j) The network operator has processes to ensure that emerging technologies or other control options are identified and addressed through the FSA process in a timely manner. 	

Minimum criteria ^a	Auditor's comments
<p>8. Control measures have been incorporated into the appropriate procedures.</p> <p>IPART considers that to finalise the preparation of a compliant ENSMS, evidence should be provided that:</p> <p>a) Control measures have been incorporated into the appropriate procedures in compliance with clause 4.3.2 of AS5577</p>	
<p>9. Planning and preparation for abnormal operations has been demonstrated</p> <p>IPART considers that to demonstrate that abnormal circumstances have been planned and prepared for, evidence should be provided that the ENSMS complies with clause 4.3.3 of AS5577.</p>	

Note: Regulatory requirements are shown by reference to the source document (including the relevant clause number/s in the document), as follows:

The ESSNM Regulation refers to the *Electricity Supply (Safety and Network Management) Regulation 2014*

AS 5577 refers to the Australian Standard AS 5577 – 2013 Electricity Network Safety Management Systems

ISO 31000 refers to the Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines

a The minimum criteria are to provide guidance to an auditor on IPART's expectations of what would demonstrate that the requirements of the standard have been met. The auditor is to use their professional opinion, audit scope and Australian or International standards to determine what is appropriate evidence for the audit clause and where an electricity network operator may use an alternative to, or omit, the minimum criteria. The given criteria will apply unless amendments or additions are approved by IPART.

b The term "hazard" as used in AS 5577 is considered to be equivalent to the term "risk source" in AS/NZS 31000

Table B.2 Implementation of the ENSMS**Minimum criteria^a****1. The ENSMS contains the network operator's arrangements for implementation.**

IPART considers that in order to properly implement the ENSMS, implementation must be addressed within the ENSMS in compliance with clause 4.1 of AS 5577.

2. Resourcing, equipment and material requirements for the network's safe operation have been identified.

IPART considers that in order to identify all resourcing equipment and material requirements required to implement the ENSMS, the network operator must demonstrate that:

- a) The requirements of AS 5577 clause 4.4.2 have been met
- b) The resourcing and management requirements have been identified and documented for normal, abnormal and emergency situations, and
- c) Communication and reporting requirements regarding risk treatments have been identified.

3. A defined management structure has been established and is appropriate to the size and complexity of the network.

IPART considers that in order to properly implement the ENSMS, an appropriate management structure must be established in compliance with clause 4.4.3 of AS 5577.

4. The appropriate responsibilities, accountabilities, and authority levels of personnel has been detailed in the ENSMS.

IPART considers that in order to properly implement the ENSMS, responsibilities, accountabilities and authorities must be established in compliance with clause 4.4.4 of AS 5577.

5. All persons involved in the design, construction, commissioning, operation, maintenance and decommissioning of the networks are suitably competent and adequately trained to carry out their duties.

IPART considers that in order to properly implement the ENSMS, staff must be suitably competent and adequately trained to carry out their duties in compliance with clause 4.4.5 of AS 5577.

Minimum criteria^a

6. The treatment options identified in the Formal Safety Assessment (FSA) must be implemented.

IPART considers that in order to show that the treatment options identified in the FSA have been implemented and to meet the requirements of the ESSNM Regulation clauses 5 and 8, the network operator must demonstrate that:

- a) The FSA has been or is being implemented in compliance with clause 8 of the ESSNM Regulation.
- b) Where a control has not been implemented, the network operator should have a documented implementation plan including a reasonable timeframe, commitment to funding and management approval. The auditor should note where this is the case.
- c) The ENSMS has been brought to the attention of and made readily accessible to the persons involved in its implementation in compliance with clause 8 of the ESSNM Regulation.
- d) Where control treatments weren't implemented as per the FSA, an appropriate reason is provided and a suitable alternative was assessed and appropriately implemented.
- e) Processes are implemented to determine when the operation or activity ceases to be within normal operating parameters (ie, becomes abnormal operation).
- f) All reasonably practicable steps have been undertaken to prepare for abnormal operations, including emergencies.
- g) The network operator has effectively implemented its consultation, notification and accessibility procedures for its ENSMS and this process is ongoing.

Note: Regulatory requirements are shown by reference to the source document (including the relevant clause number/s in the document), as follows:

The ESSNM Regulation refers to the *Electricity Supply (Safety and Network Management) Regulation 2014*

AS 5577 refers to the Australian Standard AS 5577 – 2013 Electricity Network Safety Management Systems

ISO 31000 refers to the Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines

a The minimum criteria are to provide guidance to an auditor on IPART's expectations of what would demonstrate that the requirements of the standard have been met. The auditor is to use their professional opinion, audit scope and Australian or International standards to determine what is appropriate evidence for the audit clause and where an electricity network operator may use an alternative to, or omit, the minimum criteria. The given criteria will apply unless amendments or additions are approved by IPART.

b The term "hazard" as used in AS 5577 is considered to be equivalent to the term "risk source" in AS/NZS 31000

Table B.3 Measurement and evaluation

Minimum criteria ^a
<p>1. Procedures are established for identifying, recording and analysing network operational, maintenance and reliability data to identify trends that may affect the safe operation of the electricity network</p> <p>IPART considers that in order to have adequate data analysis procedures in a compliant ENSMS, the network operator must demonstrate that the requirements of clause 4.5.1 of AS 5577 have been met.</p>
<p>2. Incidents are appropriately reported and investigated, and procedures to determine corrective and preventative action are implemented.</p> <p>IPART considers that in order to have appropriate incident reporting and investigation procedures in a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> a) the requirements of AS5577 4.5.2 have been met, and b) the reporting requirements in IPART’s Electricity Networks Reporting Manual have been met.
<p>3. Monitoring and recording processes have been adopted and implemented</p> <p>IPART considers that in order to have implemented all relevant records management arrangements in a compliant ENSMS, the network operator must demonstrate that:</p> <ul style="list-style-type: none"> c) The requirements of clause 4.5.3 of AS 5577 have been met, and d) all relevant internal and external stakeholders are identified, and procedures implemented for regular consultation and communication with, and reporting to, these stakeholders during the development, implementation and review of the ENSMS, in compliance with clause 4.4.6 of AS 5577.
<p>4. Appropriate procedures have been established for planning and implementing audits to determine compliance with, and the effectiveness of, the ENSMS’s plans and procedures.</p> <p>IPART considers that in order to have implemented adequate auditing arrangements in a compliant ENSMS, the network operator must demonstrate that the requirements of clause 4.5.4 of AS 5577 have been met.</p>
<p>Note: Regulatory requirements are shown by reference to the source document (including the relevant clause number/s in the document), as follows: The ESSNM Regulation refers to the <i>Electricity Supply (Safety and Network Management) Regulation 2014</i> AS 5577 refers to the Australian Standard AS 5577 – 2013 Electricity Network Safety Management Systems ISO 31000 refers to the Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines</p> <p>a The minimum criteria are to provide guidance to an auditor on IPART’s expectations of what would demonstrate that the requirements of the standard have been met. The auditor is to use their professional opinion, audit scope and Australian or International standards to determine what is appropriate evidence for the audit clause and where an electricity network operator may use an alternative to, or omit, the minimum criteria. The given criteria will apply unless amendments or additions are approved by IPART.</p> <p>b The term “hazard” as used in AS 5577 is considered to be equivalent to the term “risk source” in AS/NZS 31000</p>

Table B.4 Management review and change management

Minimum criteria^a

1. Adequate management reviews are undertaken

IPART considers that in order to have appropriate levels of management review in a compliant ENSMS, the network operator must demonstrate that:

- a) the requirements of clause 4.6.1 of AS 5577 have been met.
- b) the outcomes of audits have been reviewed by management in compliance with clause 4.5.4 of AS 5577.
- c) Appropriate thresholds for, and mechanisms to initiate management review are adopted.
- d) In the case of any significant change related to the design, operation or maintenance of the network (including significant incremental change), the operator has reviewed and where necessary, modified its ENSMS, in compliance with Clause 14(1) of the ESSNM Regulation. ('Significant change' is defined in Clause 14(1) of the ESSNM Regulation).
- e) Changes to the ENSMS have been developed in consultation with stakeholders and communicated to stakeholders, including IPART and other regulators, in compliance with clause 4.4.6 of AS 5577.
- f) Any review undertaken has taken into account the primary objective of an ENSMS, in compliance with Clause 14(2) of the ESSNM Regulation.

2. Change management procedures are established to manage changes to the ENSMS and the network

IPART considers that in order to have appropriate change management procedures, the network operator must demonstrate that the requirements of clause 4.6.2 of AS 5577 have been met.

Note: Regulatory requirements are shown by reference to the source document (including the relevant clause number/s in the document), as follows:

The ESSNM Regulation refers to the *Electricity Supply (Safety and Network Management) Regulation 2014*

AS 5577 refers to the Australian Standard AS 5577 – 2013 Electricity Network Safety Management Systems

ISO 31000 refers to the Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines

a The minimum criteria are to provide guidance to an auditor on IPART's expectations of what would demonstrate that the requirements of the standard have been met. The auditor is to use their professional opinion, audit scope and Australian or International standards to determine what is appropriate evidence for the audit clause and where an electricity network operator may use an alternative to, or omit, the minimum criteria. The given criteria will apply unless amendments or additions are approved by IPART.

b The term "hazard" as used in AS 5577 is considered to be equivalent to the term "risk source" in AS/NZS 31000

C Audit criteria for critical infrastructure audits

Table C.1 Audit criteria for critical infrastructure audits against the Transmission Operator's licence

Licence condition	Minimum criteria ^b	Auditor's comments	Audit Grade
Substantial presence in Australia			
6.1 (a)	The licence holder has ensured that the maintenance of the licence holder's transmission system is undertaken solely from within Australia other than where such maintenance is not capable of being undertaken within Australia on reasonable commercial terms and conditions.		
6.1 (b)	The licence holder has ensured that the operation and control of the transmission system is capable of being undertaken only from within Australia.		
6.2 (a)	At least two directors of the licence holder are Australian citizens.		
6.2 (b) 6.3 6.4	The licence holder has senior officers who: <ul style="list-style-type: none"> ▼ are responsible for operational technology and network operations in relation to the transmission system ▼ reside in Australia, and ▼ hold (or possess an ability to hold) appropriate national security clearance of not less than Negative Vetting Level 1 (or equivalent) issued by the NSW Government on advice from the Australian Government Security Vetting Agency (AGSVA). Review these criteria in accordance with licence conditions 6.2(b), 6.3 and 6.4. 		
Data security			
7.1 (a)	The licence holder has ensured that all data as to the quantum of electricity delivered (both historical and current load demand) from or to any one or more sites (or their connection points) relating to or obtained in connection with the operation of the transmission system by a Relevant Person is: <ul style="list-style-type: none"> ▼ held solely within Australia ▼ accessible only by a Relevant Person or a person who has been authorised by 		

Licence condition	Minimum criteria ^b	Auditor's comments	Audit Grade
	<p>the licence holder, and</p> <ul style="list-style-type: none"> ▼ accessible only from within Australia. <p>Review this criterion in accordance with licence condition 7.2.</p>		
7.1 (b)	<p>The licence holder has ensured that all personal information within the meaning of the <i>Privacy Act 1988</i> (Cth) relating to or obtained in connection with the operation of the transmission system by a Relevant Person is:</p> <ul style="list-style-type: none"> ▼ held solely within Australia ▼ accessible only by a Relevant Person or a person who has been authorised by the licence holder, and ▼ accessible only from within Australia. <p>Review this criterion in accordance with licence condition 7.3.</p>		

Table C.2 Audit criteria for critical infrastructure audits against the Ausgrid's licence

Licence condition	Minimum criteria	Auditor's comments	Audit Grade
Substantial presence in Australia			
9.1(a)	<p>The Licence Holder has taken all practical and reasonable steps to ensure the maintenance of its distribution system is undertaken solely from within Australia, except where maintenance requires either physical servicing of components offshore or the acquisition of replacement components from outside Australia.</p> <p>In such an instance, this maintenance has not impacted condition 9.2.</p>		
9.1(b)	<p>Any third party or non-Licence Holder employee, including individuals/entities from outside Australia, undertaking maintenance of the distribution system is subject to the approval of the senior officer responsible for network operations.</p>		
9.2(a) & 9.2(c)	<p>The Licence Holder has used best industry practice for electricity network control systems to ensure;</p> <ul style="list-style-type: none"> ▼ the operation and control of its distribution system, including all associated ICT infrastructure, can be accessed, operated and controlled only from within Australia, and ▼ its distribution system is not connected to any other infrastructure or network 		

Licence condition	Minimum criteria	Auditor's comments	Audit Grade
	<p>which could enable it to be controlled or operated by persons outside Australia.</p> <p>OR</p> <p>The Licence Holder has undertaken the steps that are required to be undertaken in the 12 month period after the date of the licence as set out in an implementation plan approved by the Minister.</p>		
9.2(b)	The Licence Holder has notified the Commonwealth Representative if it entered into a contract under which it outsources the operation and control of its distribution system, including any associated ICT infrastructure.		
9.3(a) & 9.4(a)	<p>The Licence Holder has at least two directors who are Australian citizens.</p> <p>OR</p> <p>If, in the case of a casual vacancy on the board of directors, the vacancy is filled within two months of the casual vacancy first occurring.</p>		
9.3(b) & 9.4(b) & 9.5	<p>The Licence Holder has senior officers responsible for:</p> <p>(i) operational technology; including</p> <ul style="list-style-type: none"> ▼ delivering the Supervisory Control and Data Acquisition (SCADA) capability required to safely and reliably operate the NSW distribution system, ▼ developing and implementing strategies to manager cyber security and other threats affecting the network operational technology environment, and ▼ developing systems for effectively managing assets remotely, including but not limited to network switches, condition monitoring and remote interrogation or operation of protection systems and relays. <p>(ii) network operations; including</p> <ul style="list-style-type: none"> ▼ the day to day operation, monitoring and maintenance of the distribution systems, and ▼ directing the operational planning, management, control and security of the distribution systems. <p>(iii) security operations; including</p> <ul style="list-style-type: none"> ▼ approval for the Licence Holder's personnel or other nominated personnel to access the Licence Holder's information systems or physical access to the Licence Holder's premises and associated infrastructure, ▼ personnel security, and ▼ managing relationships with Commonwealth and state government agencies, 		

Licence condition	Minimum criteria	Auditor's comments	Audit Grade
	<p>in relation to the distribution system, who are persons</p> <ul style="list-style-type: none"> ▼ residing in Australia, and ▼ holding an appropriate national security clearance, being a clearance of net less than Negative Vetting Level 1 (or equivalent) issued by the NSW Government on advice from the Australia Government Security Vetting Agency (AGSVA). <p>OR</p> <p>(i) Following the first issue of the licence to the Licence Holder; or</p> <p>(ii) any position identified in condition 9.3 being vacated or the relevant person ceasing to satisfy the qualifications set out there for any reason, The Licence Holder</p> <p>(iii) procured the appointment of a person to the relevant position that the Licence Holder bona fide believed would be able to obtain the required security clearance; and</p> <p>(iv) procured that the person apply for the required security clearance. and</p> <p>(a) an appointment and application for national security clearance for the person was made within 4 months of (as relevant) the first issue of these conditions or the relevant vacancy or disqualification occurring; and</p> <p>(b) if the application referred to in condition 9.5(a) was made and rejected or withdrawn, the Licence Holder procured a replacement application being made within 4 months of that rejection or withdrawal; and</p> <p>(c) the Licence Holder procured compliance with condition 9.3(b) in any event with respect to any position within 8 months (or such longer period as approved in writing by the Minister) of (as relevant) the first issue of these conditions or the relevant vacancy occurring.</p>		
Data security			
10.1(a) & 10.2	<p>The Licence Holder has ensured that all of its information (being design specifications, operating manuals and the like) as to the operational technology (such as the SCADA system) and associated ICT infrastructure of the operational network is held solely within Australia, and that such information is accessible only by a Relevant Person who has been authorised by the Licence Holder and only from within Australia.</p> <p>EXCEPT IF</p>		

Licence condition	Minimum criteria	Auditor's comments	Audit Grade
	<p>The Licence Holder holds, uses or accesses information or data, or the Licence Holder allows a Relevant Person approved by the senior officer referred to in condition 9.3(b)(i) to disclose, hold, use or access information or data for the purposes of:</p> <p>(a) disclosure to a recognised stock exchange so that such information is made available publicly in compliance with a binding obligation on the part of the Licence Holder or that Associate to do so;</p> <p>(b) complying with any law of the Commonwealth of Australia, or of any of its States and Territories;</p> <p>(c) disclosure to the financial, accounting, insurance, legal, regulatory and other advisers, auditors, insurers, security trustees and financiers (and each of their advisers) of the Licence Holder, any Associate, and any bona fide prospective purchaser of any interest in, or of any interest in the main undertaking of the Licence Holder or any Associate, but in each case only to the extent necessary in order for those persons to provide the advisory or other services bona fide required of them;</p> <p>(d) disclosure to participants, regulators and service providers in the electricity sector, provided it is in the ordinary course and in accordance with good electricity industry practice, and such information is required by those persons to provide the services or to perform the functions bona fide required of them;</p> <p>(e) providing aggregated data which does not permit identification of sites or groups of sites (or their connection points) or their demand characteristics;</p> <p>(f) allowing a service provider or contractor to hold, use or access information where that arrangement is approved by the Tribunal in writing having regard to whether:</p> <p>(i) the service provider or contractor is reputable; and</p> <p>(ii) the service provider or contractor has data security systems in place to ensure information security is maintained;</p> <p>(g) allowing a service provider or contractor who is a provider to the Licence Holder at the date of this Licence to hold, use or access information for the period of 12 months after the date of this Licence provided, after a transition plan is approved by the Tribunal in writing during that period, the Licence Holder undertakes the steps (if any) that are required to be undertaken in that 12 month period as set out in that transition plan; and</p> <p>(h) such other circumstances as approved by the Tribunal in writing.</p>		

Licence condition	Minimum criteria	Auditor's comments	Audit Grade
10.1(b)	<p>The licence holder must show that all:</p> <ul style="list-style-type: none"> (i) data as to the quantum of electricity delivered (both historical and current load demand) from or to any one or more sites (or their connection points); and (ii) personal information within the meaning of the <i>Privacy Act 1988</i> (Cth) relating to or obtained in connection with the operation of the distribution system by a Relevant Person is held solely within Australia and is accessible only by a Relevant Person or a person who has been authorised by the Licence Holder. <p>EXCEPT IF in relation to part (ii) above</p> <p>The Licence Holder holds, uses or accesses information or data, or the Licence Holder allows a Relevant Person approved by the senior officer referred to in condition 9.3(b)(i) to disclose, hold, use or access information or data for the purposes of:</p> <ul style="list-style-type: none"> (a) disclosure to a recognised stock exchange so that such information is made available publicly in compliance with a binding obligation on the part of the Licence Holder or that Associate to do so; (b) complying with any law of the Commonwealth of Australia, or of any of its States and Territories; (c) disclosure to the financial, accounting, insurance, legal, regulatory and other advisers, auditors, insurers, security trustees and financiers (and each of their advisers) of the Licence Holder, any Associate, and any bona fide prospective purchaser of any interest in, or of any interest in the main undertaking of the Licence Holder or any Associate, but in each case only to the extent necessary in order for those persons to provide the advisory or other services bona fide required of them; (d) disclosure to participants, regulators and service providers in the electricity sector, provided it is in the ordinary course and in accordance with good electricity industry practice, and such information is required by those persons to provide the services or to perform the functions bona fide required of them; (e) providing aggregated data which does not permit identification of sites or groups of sites (or their connection points) or their demand characteristics; (f) allowing a service provider or contractor to hold, use or access information where that arrangement is approved by the Tribunal in writing having regard to whether: <ul style="list-style-type: none"> (i) the service provider or contractor is reputable; and (ii) the service provider or contractor has data security systems in place to 		

Licence condition	Minimum criteria	Auditor's comments	Audit Grade
	<p>ensure information security is maintained;</p> <p>(g) allowing a service provider or contractor who is a provider to the Licence Holder at the date of this Licence to hold, use or access information for the period of 12 months after the date of this Licence provided, after a transition plan is approved by the Tribunal in writing during that period, the Licence Holder undertakes the steps (if any) that are required to be undertaken in that 12 month period as set out in that transition plan; and</p> <p>(h) such other circumstances as approved by the Tribunal in writing</p> <p>OR if in relation to (ii) above</p> <p>A Relevant Person or a person authorised to access the information by the Licence Holder discloses, holds, uses or accesses personal information as permitted by the <i>Privacy Act 1988</i> (Cth).</p>		
10.4	<p>The Licence Holder has ensured that third party data or information (including without limitation communications within the meaning of the <i>Telecommunications (Interception and Access) Act 1979</i> (Cth), personal information within the meaning of the <i>Privacy Act 1988</i> (Cth), and closed-circuit television footage) which is indirectly accessed or obtained by the Licence Holder because that third party data or information is transferred by a carrier or other party using the Licence Holder's infrastructure, are held by the Licence Holder solely within Australia, and are accessible only by a Relevant Person or a person who has been authorised by the Licence Holder, and in each case, only from within Australia.</p>		

D Audit criteria for reliability audits

Table D.1 Reliability audit criteria – audits against compliance with the *Ministerially imposed licence conditions for distribution network service providers* (DNSP licence conditions, applicable to Endeavour Energy, Essential Energy, and to Ausgrid for the period up to and including 30 November 2016)

Licence condition reference	Minimum criteria ^b	Auditor's comments	Audit Grade
Network overall reliability standards			
15.1	The licence holder has not exceeded the SAIDI ^a average standards that apply to its feeder types in a financial year (when excluded interruptions are disregarded). Review in reference to Schedule 2, Table 1.		
15.2	The licence holder has not exceeded the SAIFI ^b average standards that apply to its feeder types in a financial year (when excluded interruptions are disregarded). Review in reference to Schedule 2, Table 2.		
Individual feeder performance			
16.1	The licence holder has complied with licence conditions 16.2(a) – (g) below in circumstances where one or more of the feeders of a licence holder exceed the relevant individual feeder standards for any 12 month period ending at the end of March, June, September or December (when excluded interruptions are disregarded).		
16.2 (a)	The licence holder has investigated the causes for each feeder exceeding the individual feeder standards.		
16.2 (b)	The licence holder has completed an investigation report identifying the causes and as appropriate, any action required to improve the performance of each feeder to the individual feeder standards by the end of the quarter following the quarter in which the feeder first exceeded the individual feeder standards.		
16.2 (c)	The licence holder has completed any operational actions identified in the investigation report to improve the performance of each feeder to the individual feeder standards by the end of the third quarter following the quarter in which each feeder exceeded the individual		

Licence condition reference	Minimum criteria ^b	Auditor's comments	Audit Grade
	feeder standards.		
16.2 (d)	Where the investigation report identifies actions (other than operational actions) that are required to improve the performance of each feeder to the individual feeder standards, the licence holder has developed a project plan including implementation timetable and commenced its implementation by the end of the second quarter following the quarter in which the feeder first exceeded the individual feeder standards (except as permitted by licence condition 16.2(e)).		
16.2 (e)	The licence holder has considered non-network strategies which provide reliable outcomes for customers, and adopted such strategies where found by the investigation report to be equal or more cost-effective than the lowest cost feasible network option.		
16.2 (f)	The licence holder has ensured that the implementation timetable for the network project plan or alternative non-network solutions are as short as is reasonably practicable.		
16.2. (g)	Where all reasonable steps to improve supply reliability have been taken, the licence holder has subjected the costs of further actions to rectify the non-compliance to a cost-benefit analysis. Where such analysis did not provide a positive benefit, and no further action was undertaken to improve the feeder's performance, the ongoing non-conformance with the individual feeder standards has been reported by the licence holder to the Minister.		
16.3	The investigation report included a documented rectification plan where action was found to be justified in order to improve the performance of a feeder to the individual feeder standards.		
Customer service standards			
17.1	The licence holder has paid \$80 to customers when the licence holder has exceeded the interruption duration standard at a customer's premises and the customer has made a claim to the licence holder within three months of that interruption.		
17.2	The licence holder has paid \$80 to customers when the licence holder has exceeded the interruption frequency standard at a customer's premises in a financial year and the customer has made a claim to the licence holder within three months of the end of the financial year to which the interruptions relate.		
17.6	The licence holder has paid no more than \$320 under condition 17 to a customer per premises in the financial year.		
Performance monitoring and reporting			
18.2, 18.3	The licence holder has submitted a quarterly network overall reliability standards report within one month of the end of each quarter to the Minister, which includes:		

Licence condition reference	Minimum criteria ^b	Auditor's comments	Audit Grade
	<ul style="list-style-type: none"> ▼ an accurate statement of performance against SAIDI average standards and SAIFI average standards by feeder type for the previous 12 months, disregarding excluded interruptions, ▼ adequate reasons for any non-compliance by the licence holder with the network overall reliability standards in the previous 12 months and plans to improve performance, and ▼ any other matter formally notified by the Minister in the previous 12 months. 		
18.4	<p>The licence holder has submitted a quarterly individual feeder standards report to the Minister, which includes:</p> <ul style="list-style-type: none"> ▼ the date at which the feeder first exceeded the relevant individual feeder standard, together with the actual SAIDI and SAIFI performance of the feeder for the 12 month period ▼ details of the remedial action that the licence holder intends taking, or has taken, to improve the performance of those feeders, and <ul style="list-style-type: none"> – either: the date of completion, or the date of planned completion, of the remedial action plan, or – details of the investigation and action proposed or undertaken leading to the decision to advise the Minister that is not economically justifiable to bring the feeder performance into compliance with the individual feeder standards. 		
18.5	<p>The licence holder has submitted a quarterly customer service standards report to the Minister which includes:</p> <ul style="list-style-type: none"> ▼ the number of payments given under licence condition 17 to customers by each type of area and by type of standard as listed in Table 1 of Schedule 5 to the licence conditions, and ▼ the number of claims not paid (whether in part or full) under licence condition 17 to customers by each type of area and by type of standard as listed in Table 1 in Schedule 5 to the conditions. <p>Review this criterion by reference to Table 1 of Schedule 5.</p>		
18.6	<p>The licence holder has reported to the Minister:</p> <ul style="list-style-type: none"> ▼ within 24 hours, any major network incident involving significant injury to persons, loss of property or widespread supply interruptions, and ▼ immediately, any high level severity network incidents. 		

^a SAIDI is the 'system average interruption duration index'.

^b SAIFI means the 'system average interruption frequency index'.

Table D.2 Reliability audit criteria – audits against compliance with the *Ministerially imposed licence conditions for the operator of a transacted distribution system* (Applicable to Ausgrid only from 1 December 2016 on going)

Licence condition reference	Minimum criteria ^{a,b}	Auditor's comments	Audit Grade
Network overall reliability standards			
4.1	The licence holder has not exceeded the SAIDI ^a average standards that apply to its feeder types in a financial year (when excluded interruptions are disregarded). Review in reference to Schedule 2, Table 1.		
4.2	The licence holder has not exceeded the SAIFI ^b average standards that apply to its feeder types in a financial year (when excluded interruptions are disregarded). Review in reference to Schedule 2, Table 2.		
Individual feeder performance			
5.1	The licence holder has complied with licence conditions 5.2(a) – (g) below in circumstances where one or more of the feeders of a licence holder exceed the relevant individual feeder standards for any 12 month period ending at the end of March, June, September or December (when excluded interruptions are disregarded).		
5.2 (a)	The licence holder has investigated the causes for each feeder exceeding the individual feeder standards.		
5.2 (b)	The licence holder has completed an investigation report identifying the causes and as appropriate, any action required to improve the performance of each feeder to the individual feeder standards, and such report was completed by the end of the quarter following the quarter in which the feeder first exceeded the individual feeder standards.		
5.2 (c)	The licence holder has completed any operational actions identified in the investigation report to improve the performance of each feeder to the individual feeder standards by the end of the third quarter following the quarter in which each feeder exceeded the individual feeder standards.		
5.2 (d)	Where the investigation report identifies actions (other than operational actions) that are required to improve the performance of each feeder to the individual feeder standards, the licence holder has developed a project plan including implementation timetable and commenced its implementation by the end of the second quarter following the quarter in which the feeder first exceeded the individual feeder standards (except as permitted by licence condition 5.2(e)).		

Licence condition reference	Minimum criteria ^b	Auditor's comments	Audit Grade
5.2 (e)	The licence holder has considered non-network strategies which provide reliable outcomes for customers, and adopted such strategies where found by the investigation report to be equal or more cost-effective than the lowest cost feasible network option.		
5.2 (f)	The licence holder has ensured that the implementation timetable for the network project plan or alternative non-network solutions are as short as is reasonably practicable.		
5.2. (g)	Where all reasonable steps to improve supply reliability have been taken, the licence holder has subjected the costs of further actions to rectify the non-compliance to a cost-benefit analysis. Where such analysis did not provide a positive benefit, and no further action was undertaken to improve the feeder's performance, the ongoing non-conformance with the individual feeder standards has been reported by the licence holder to the Minister.		
5.3	The investigation report included a documented rectification plan where action was found to be justified in order to improve the performance of a feeder to the individual feeder standards.		
Customer service standards			
6.1	The licence holder has paid \$80 to customers on each occasion when the licence holder has exceeded the interruption duration standard at a customer's premises and the customer has made a claim to the licence holder within three months of that interruption ceasing.		
6.2	The licence holder has paid \$80 to customers when the licence holder has exceeded the interruption frequency standard at a customer's premises in a financial year and the customer has made a claim to the licence holder within three months of the end of the financial year to which the interruptions relate.		
6.3	Claims made under condition 6 were determined within 1 month of receipt, and the notice of determination included either: <ul style="list-style-type: none"> ▼ the amount to be paid, and manner and timing of payment, or ▼ reasons for the decision if the claim is not paid or only partially paid. 		
6.4	The licence holder has taken reasonable steps to make customers aware of the availability of payments on the terms set out in condition 6.		
6.6	The licence holder has paid no more than \$320 under condition 6 to a customer per premises in the financial year.		
Performance monitoring and reporting			
7.1, 7.2	The licence holder has submitted a quarterly network overall reliability standards report within one month of the end of each quarter to the Tribunal, which includes: <ul style="list-style-type: none"> ▼ an accurate statement of performance against SAIDI average standards and SAIFI average 		

Licence condition reference	Minimum criteria ^b	Auditor's comments	Audit Grade
	<p>standards by feeder type for the previous 12 months, disregarding excluded interruptions,</p> <ul style="list-style-type: none"> ▼ adequate reasons for any non-compliance by the licence holder with the network overall reliability standards in the previous 12 months and plans to improve performance, and ▼ any other matter formally notified by the Tribunal in writing. 		
7.3	<p>The licence holder has submitted a quarterly individual feeder standards report on feeders that exceeded the relevant standard, within one month of the end of each quarter, to the Tribunal, which includes:</p> <ul style="list-style-type: none"> ▼ the date at which any feeder first exceeded the relevant individual feeder standard, together with the actual SAIDI and SAIFI performance of the feeder for the previous 12 month period ▼ details of the remedial action that the licence holder intends taking, or has taken, to improve the performance of those feeders, and ▼ either: <ul style="list-style-type: none"> – the date of completion, or the date of planned completion, of the remedial action plan, or – details of the investigation and action proposed or undertaken leading to the decision to advise the Tribunal that is not economically justifiable to bring the feeder performance into compliance with the individual feeder standards. 		
7.4	<p>The licence holder has submitted a quarterly customer service standards report to the Tribunal which includes:</p> <ul style="list-style-type: none"> ▼ the number of payments given under licence condition 6 to customers by each type of area and by type of standard as listed in Table 1 of Schedule 5 to the licence conditions ▼ the number of claims not paid (whether in part or full) under licence condition 6 to customers by each type of area and by type of standard as listed in Table 1 in Schedule 5 to the conditions, and ▼ Any other matters notified by the Tribunal in writing. <p>Review this criterion by reference to Table 1 of Schedule 5.</p>		
7.5	<p>The licence holder has reported to the Tribunal on any incident in accordance with the most up-to-date Reporting Manual issued by the Tribunal.</p>		

E Audit criteria for employment guarantees audits

Table E.1 Minimum audit criteria for audits of compliance with employment guarantees

Reference – Schedule 4 of ENAAT Act	Minimum audit criteria	Auditor’s comments	Audit Grade
Clause 2	There was no variation in a continuing employee’s salary under an enterprise agreement except in accordance with the <i>Fair Work Act 2009</i> of the Commonwealth.		
Clause 3	The reported numbers of full time equivalent employees are accurate.		
Clause 20	Employees have been correctly classified of an ‘employee of the network operator’. Have regard to definitions in cls 16, 17, 18, and 20 of the Act, and IPART’s guidance on application of certain terms, as provided in Chapter 6 of IPART’s <i>Electricity Networks Reporting Manual</i> .		
Clause 21	The methodology used to calculate the average number of full time employees is correct.		
Clause 21	The calculation of average number of hours worked by full time employees, with regard to definitions in cls 20, 21 and IPART’s <i>Electricity Networks Reporting Manual</i> is accurate.		
Clause 21	Part time employees are correctly classified.		
Clause 21	The total number of hours worked by part time employees has been correctly calculated.		
Clause 4	The terms and conditions applied to any voluntary redundancies offered are in accordance with Clause 4.		
Clause 5	Forced redundancies of continuing employees were either by agreement between the affected employee or a person authorised to act on their behalf or on behalf of a majority of them, or in accordance with the <i>Fair Work Act 2009</i> of the Commonwealth.		
Clause 6	Annual leave, extended or long service leave or sick leave accrued or accruing immediately before the transaction was transferred appropriately and no employee has lost any of their entitlements.		
Clause 7	The employment of a continuing employee is taken not to have been broken by a transfer of		

	employment under this Act, and service is appropriately recognised by the new employer.		
Clause 9	An administrative centre has been maintained within the vicinity of an administrative centre existing before the transaction, except as reported to IPART. The information reported to IPART is accurate. This should be assessed with regard to IPART's definitions provided in the Reporting Manual.		
Clause 10	Any amendments made to the relocation policy existing at the commencement of the employment guarantee period that was applicable to the continuing employees were made either by agreement with the affected employees ^a or in accordance with the <i>Fair Work Act 2009</i> .		
Clause 11	Any variation to an enterprise agreement in its application to a continuing employee during the employment guarantee period, was in accordance with the Fair Work Act 2009 of the Commonwealth.		
Clause 12	There has been no impact on a continuing employee's entitlement to continue as a contributor, member or employee for the purposes of any superannuation scheme in respect of which he or she was a contributor, member or employee as an employee of an electricity network SOC on the commencement of this Act, except by agreement or in accordance with any applicable law, and the employer has not accessed any funds deposited in a superannuation account of the employee except as permitted by a law of the State or the Commonwealth.		
Clause 14	Existing apprentices have been employed in accordance with the requirements that: they have been offered suitable (relevant to the apprenticeship) employment once training is completed (if reasonable business hiring standards of the employer are met), and the employment has not been terminated for 2 years (except in the case of serious misconduct, or pursuant to reasonable disciplinary procedures, or by agreement with the employee).		
Clause 15	The network has taken on the appropriate number of apprentices in the financial year, in accordance with Clause 15(2), if the number of FTEs fell below 110% of the appropriate staffing level in the 4th quarter of the preceding financial year.		

F Audit criteria for compliance with the NSW Code of Practice for Authorised Network Operators

Table F.1 Audit criteria for Compliance with the NSW Code of Practice for Authorised Network Operators

Code of Practice reference	Minimum criteria ^b	Auditor's comments	Audit Grade
Section 2.2	The ANO has correctly classified Activities into one of Classes 1 to 6 provided in the Code.		
Section 2.3.2	<p>The ANO's final EIA documentation produced during Stage 3:</p> <ul style="list-style-type: none"> ▼ contains a plain English description of the activity including: <ul style="list-style-type: none"> - its geographic location - its relation to the site environment, and - a description of current land uses ▼ explains the need for the activity and its justification including an assessment of any alternative options considered ▼ documents the ANO's consideration of whether early community consultation is required, and ▼ assesses the resources required for Stage 2 of the EIA process under the Code. 		
Section 2.3.2	The ANO has complied with the objectives of the scoping and legislative review phase undertaken for the EIA documents (described in detail in section 2.3.2 of the Code).		
Section 2.3.3	The ANO's assessments have been informed by appropriate documentation, resources and expertise.		

Section 2.3.4	<p>The ANO's final EIA documentation produced during stage 3:</p> <ul style="list-style-type: none"> ▼ confirms the appropriate assessment and approvals process ▼ confirms if another licence or approval is required or if the Activity is regulated by other State or Commonwealth legislation ▼ ensures, for an Activity where the ANO is acting as a Nominated Determining Authority (NDA) that the environmental assessment information for the Activity addresses all factors agencies will need to consider to determine whether a separate licence or approval can be issued ▼ records, for an Activity where the ANO is acting as an NDA, that the ANO consulted with agencies to clarify any specific information that should be covered by the assessment documentation ▼ contains adequate information to identify the extent and nature of the individual impacts associated with the Activity (including identifying any potential community impacts) ▼ provides evidence that the EIA documentation has been prepared by persons appropriately trained to consider and assess the impacts of the Activity, and ▼ records the steps taken by the ANO to address the outcomes required to be achieved under the Code (including information collected about potential impacts, and assessment and consideration of these impacts). 		
Section 2.3.7	<p>The ANO's final EIA documentation produced during Stage 3 shows evidence that:</p> <ul style="list-style-type: none"> ▼ the ANO has used all reasonable endeavours to determine the applicable General Law Consultation Requirements are ▼ the ANO has satisfied the applicable General Law Consultation Requirements, and ▼ either: <ul style="list-style-type: none"> – the ANO has complied with the relevant aspects of a Consultation Protocol which is in force under the Code and applies to the Activity in question, or – if no such Consultation Protocol applies, the ANO has complied with the interim Additional Consultation Requirements which are applicable to the Activity under the Code 		
Section 2.3.7	<p>The ANO keeps written records of all consultation undertaken pursuant to the Code and these records are:</p> <ul style="list-style-type: none"> ▼ kept for five years after the communication to which they relate took place ▼ capable of being produced to a third party within a reasonable time frame (no longer than 20 business days), and ▼ kept to a standard where a reasonable person inspecting the records could understand the essential nature of the communications that took place without reference to any material extrinsic to the records. 		

Section 2.4.1	The ANO has documented the EIA process for Class 3, 4 and 5 Activities using the Summary Environmental Report (SER) and Review of Environmental Factors (REF) as a model.		
Section 2.4.2	<p>Where a proposal for an Activity falls within Class 3, a SER has been used to document the outcomes of the Part 5 assessment.</p> <p>The SER:</p> <ul style="list-style-type: none"> ▼ contains a clear description of the Activity proposed and any mitigation measures to be implemented ▼ identifies the proponent and all determining authorities and required approvals for the Activity ▼ contains adequate description of the environment of the site and the surrounding area to demonstrate the relationship between the Activity and its environment ▼ identifies any environmental impacts the Activity may have, including the outcomes of any investigation, description of potential environmental impacts and explanation of why the environmental risk from potential impacts is low (including a summary of the data sets and sources an ANO consulted when preparing the SER), and ▼ contains details of consultation undertaken for the purposes of preparing the SER in accordance with section 2.3.7 of the Code. 		

Section 2.4.3	<p>A REF has been prepared where necessary, which:</p> <ul style="list-style-type: none"> ▼ describes the Activity proposed, including: <ul style="list-style-type: none"> – the nature and purpose of the Activity – the sites where the Activity is to take place, and – viable alternatives and any mitigation measures to be implemented ▼ contains the following statement signed and dated by the person with principal responsibility for preparing the REF (being an employee or agent of the ANO): “I certify that I have prepared the contents of this REF and, to the best of my knowledge, it is in accordance with the Code approved under clause 244K of the <i>Environmental Planning and Assessment Regulation 2000</i>, and the information it contains is neither false nor misleading.” ▼ identifies the proponent and all determining authorities and required approvals for the Activity ▼ contains a description of the environment of the site and the surrounding area with a focus on aspects of the environment that are: <ul style="list-style-type: none"> – of particularly high value – sensitive to impacts of the type the Activity will have, or – of importance to the community, ▼ identifies and describes Threatened Species, Populations and Ecological Communities that are likely to occur in the area affected by the Activity ▼ documents the likely environmental impacts for all phases of the Activity and describe their extent, size, scope, intensity and duration. As a minimum, the REF should: <ul style="list-style-type: none"> – document each of the factors listed in clause 228(2) of the EP&A Regulation – document consideration of each of the factors listed in section 5A of the EP&A Act in relation to Threatened Species, Populations and Ecological Communities (including fish and marine vegetation) and their Habitats, and – detail the sources and data the ANO relied on when preparing the REF. ▼ contains documentation of mitigating measures that will apply to the Activity ▼ contains a summary of the individual impacts of the Activity with an overarching view of the impact of the Activity on the environment ▼ contains details of consultation undertaken for the purposes of preparing the SER in accordance with section 2.3.7 of the Code, and ▼ concludes with a description of supporting reasons whether the Activity is likely to significantly affect the environment (in which case an EIS is required) and whether the Activity is likely to significantly affect Threatened Species, Populations, Ecological Communities or their Habitats (in which case an SIS is required). 		
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Section 2.5	<p>The ANO has sufficient processes to ensure that in all cases where necessary, an authorised person, on behalf of the ANO, has:</p> <ul style="list-style-type: none"> ▼ discharged the ANO’s duty as a determining authority under section 111 of the EP&A Act by considering a Class 3, 4 or 5 proposed based on the EIA documentation prepared during Stage 3, and ▼ produced a Decision Statement. <p>The ANO has achieved the following outcomes:</p> <ul style="list-style-type: none"> ▼ a determination has been made by an appropriately authorised person who is not the same person who conducted the assessment ▼ the determination is documented in a written statement signed by the authorised person on behalf of the ANO (Decision Statement) ▼ the Decision Statement satisfies the following basic requirements: <ul style="list-style-type: none"> – it states the decision – it states whether or not the decision is a conditional decision, and – it records, if a conditional decision is made, the conditions of the decision and the reasons why these conditions are required. 		
Section 2.6 Section 2.6.1	<p>The ANOs process for a Class 3, 4 or 5 Activity is consistent with stage 5 principles outlined below. Implementation does not commence until:</p> <ul style="list-style-type: none"> ▼ a determination has been made which allows the Activity to proceed without further EIA, and ▼ where a conditional decision is made, those conditions have been observed. 		
Section 2.6.2	The ANO has documented its implementation of an Activity which is subject to the Code in accordance with section 2.6.2.		
Section 2.6.3	Where an Activity is to be implemented by the ANO or by a third party on its behalf, the ANO has adequately documented how the Activity will be implemented in accordance with section 2.6.3.		
Section 3	The ANO’s process for modifications demonstrates consistency with the requirements outlined in section 3.		
Section 4.3	<p>The ANO demonstrates that its documentation retention retains:</p> <ul style="list-style-type: none"> ▼ final EIA documentation for at least five years from the date upon which a Decision Statement relating to the Activity the subject of the document was issued ▼ a Decision Statement issued under the Code for at least give years from the date the Decision Statement was issued ▼ Consultation Documentation for at least five years from the date the communication 		



	<p>recorded in the document in question was made</p> <ul style="list-style-type: none"> ▼ Implementation Documentation, for at least five years from the date the implementation of the Activity to which the document in question relates was completed, and ▼ the most current draft of a SER or REF until the earlier of: <ul style="list-style-type: none"> - the time when it ceases to be the most current draft because it was replaced as such, or - five years from its creation. 		
Section 4.4	The ANO publishes on its website and makes available for download without costs copies of all documents outlined in section 4.4.		
Section 4.5 Section 4.6	The ANO has complied with all requirements for provision of documentation outlined in sections 4.5 and 4.6.		



G Data reliability and accuracy of grades

The compliance grades used to assess regulatory information in relation to a licence obligation focus on the reliability of the procedures for generating the information and the accuracy of the data. Data accuracy should be determined by the measurement systems used to generate the data and the methods used, if any, to extrapolate or estimate it.

A two-part grade (for example: B2, CX, etc) should be assigned for each separate licence condition using Table G.1 and Table G.2.

Table G.1 Data reliability

Grade	Reliability Assessment
A	All data is based on sound information systems and records and on documented policies, practices and procedures which are followed by the licensee. (Note: Procedures may not always be explicitly stated, they can for instance, be implicit in an IT system. However, it is important that processes and procedures are followed by the licence holder staff.)
B	Most data conforms to the requirements of grade A. Data which does not has a minor impact on overall data integrity. For example, a minority of data may be based on minor variations from documented procedures or reliance on unconfirmed reports.
C	In many cases but not all, data does not conform with grade A or B.
D	None of the requirements of A, B or C are met.

Table G.2 Data accuracy

Grade	Assessed level of accuracy
1	± 1%
2	± 5%
3	± 10%
4	± 25%
5	± 50%
6	± 100%
X	For small samples where an accuracy cannot be calculated or percentage error would be more than 100%

Note: In relation to the network overall reliability and Individual feeder standards, auditors should assign individual grades for each reported figure where a licence holder reports more than one figure for the standard. At the same time, auditors should provide an overall accuracy grade for the standard based on a 'weighted average'. For example, a licence holder may report up to 8 figures for SAIDI and SAIFI for various feeder types. Here, an overall accuracy grade should be weighted for customer numbers in each feeder type. In addition, individual grades should be given for each of the 8 reported figures.

H Auditor nomination process

H.1 Auditor nomination

Network operators are required to undertake a range of audits to meet their regulatory obligations. Audits undertaken to satisfy obligations regulated by IPART must be undertaken by an auditor approved by IPART. For electricity network operators, this includes:

- ▼ audits of electricity network safety management systems
- ▼ audits of compliance with reliability and performance licence conditions
- ▼ audits of compliance with critical infrastructure licence conditions, and
- ▼ audits of compliance with the NSW Code of Practice for Authorised Network Operators (published by the Department of Planning and Environment) (the Code).

Chapters 5 to 9 of this Audit Guideline provide the legislative background, objectives, criteria and deliverables for each type of audit.

We intend to develop panels of approved auditors for the various types of audits by mid-2017. This means that network operators will be able to select from a pre-approved panel of auditors, eliminating the need for this step, other than in circumstances where expertise is required outside of that present on the Audit Services Panel. Until the Audit Services Panel is finalised, network operators must nominate an auditor for IPART approval prior to an audit commencing. If the Network Operator does not nominate a suitable auditor, IPART will assign them one.

H.2 Nominating an auditor

Once a network operator provides an auditor nomination to IPART, IPART will make an assessment of the auditor's capacity and suitability to undertake the audit based on qualifications, experience and expertise.

An auditor nomination should be in the form of a letter identifying the audit to be undertaken and nominating an audit firm and lead auditor. An auditor information form should be attached to provide IPART with sufficient information to make a decision about the suitability of the auditor. This will include attachments providing evidence that the auditor:

- ▼ has adequate and suitable experience in auditing

- ▼ has staff with professional qualifications and adequate and suitable experience in the field of the particular audit
- ▼ has staff with suitable audit experience, including 'lead auditor' with extensive experience
- ▼ the expertise specific to each audit, as are detailed in chapters 5 to 9 of this Audit Guideline, and
- ▼ a peer review and quality assurance processes.

IPART must also be provided with:

- ▼ a statement signed by the auditor of the independence of the auditor from the network operator, and
- ▼ a signed statement that there are no conflict of interests with the auditor and the proposed audit (where there is doubt, the nomination can include details of potential or perceived conflicts of interests for IPART's assessment).

IPART may either approve a nominated auditor, defer approval and recommend that the auditor engage further expertise, or refuse the nomination if, for instance a conflict of interest arises or if IPART considers that the auditor has inadequate qualifications experience or expertise. IPART will consider the nominations in a timely manner.

How to apply

This application form is for network operators to nominate individuals and organisations for approval by IPART to undertake an audit as part of the legislative obligations.

To apply:

- ▼ Submit this completed form, and
- ▼ Attach the CV of at least one lead auditor from the organisation. This should demonstrate the lead auditor's qualifications, experience and capacity to undertake the audit by meeting the elements of expertise outlined in IPART's Audit Guideline (see chapters 5 to 9)
- ▼ Attach a CV for each member of the audit team being identified as holding specific expertise to address the audit requirements

The audit proposal will also have to be approved by IPART. The network operator can choose to submit the proposal at this stage, but this can also be finalised after the auditor has been approved.

For further information, see IPART's Audit Guideline, available to download from our website.

Please mail the complete application form with any supporting information to:

Director, Energy Licensing and Compliance

Independent Pricing & Regulatory Tribunal of NSW
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Please also send an electronic copy of the application form to energy@ipart.nsw.gov.au.

Nomination information

Which network operator is submitting this nomination form?

What type of audit does this nomination apply to? (delete all that are not relevant.)

- ▼ Safety management systems
- ▼ Bushfire risk management
- ▼ Reliability and performance (compliance with licence conditions)
- ▼ Critical infrastructure (compliance with licence conditions)
- ▼ The Department of Planning and Environment's NSW Code of Practice for Authorised Network Operators.

Auditor general information

Nominated organisation name

Primary contact person (name)

Contact number

Email address

Postal address

Secondary contact person (name)

Contact number

Email address

Postal address

Type of business:

Sole Trader Company Partnership

Other (please describe) _____

Australian Company Number (ACN) _____

Australian Business Number (ABN) _____

Auditor experience, expertise and resourcing capacity

Provide a brief summary for each of the items listed below, on the auditor's resourcing capacity, and audit and industry experience, and their ability to provide specialist advice specific to the type of audit this nomination is for. Attach documents to this form as deemed necessary.

- ▼ Internal quality management processes and accreditation/certification [if available, attach a copy of the relevant certification (eg, accreditation to ISO 9000)]

[Click here to enter text.](#)

- ▼ Audit standards and/or frameworks previously applied in audits

[Click here to enter text.](#)

- ▼ Auditing expertise that will be made available to undertake this audit

[Click here to enter text.](#)

- ▼ Specific subject matter expertise that will be made available to undertake this audit

[Click here to enter text.](#)

- ▼ Audit report peer review and sign-off protocols

[Click here to enter text.](#)

I Audit Deed



Audit Deed

Between

**Independent Pricing and Regulatory Tribunal
of New South Wales**

And

"[Insert Name of Auditee]"

And

"[Insert Name of Auditor]"

This Deed is made on

201x

Between: The Independent Pricing and Regulatory Tribunal of New South Wales, a body corporate established under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) ("**Tribunal**"); and

The person specified in item 1 of Annexure A ("**Auditee**"); and

The person specified in item 2 of Annexure A ("**Auditor**").

Background

- A. The Auditee is required to nominate a person to conduct the Audit. The Audit may only be conducted by a person approved by the Tribunal.
- B. The Auditee nominates the Auditor to conduct the Audit and will engage the Auditor under a separate Audit Contract for that purpose. Upon signing this Deed, the Tribunal approves the Auditor to conduct the Audit, subject to the terms and conditions of this Deed.

1. Definitions

In this Deed, the following expressions have the following meanings unless the context requires otherwise:

"**Act**" means the *Electricity Supply Act 1995* (NSW).

"**Audit**" means the audit undertaken pursuant to the Audit Requirement, to be conducted by the Auditor, that covers:

- a) the matters set out in the Audit Proposal; and
- b) the period specified in Item 3 of Annexure A.

"**Audit Contract**" means an agreement between the Auditee and the Auditor under which the Auditee engages the Auditor to conduct the Audit.

"**Audit Proposal**" means the detailed audit proposal for the Audit as approved by IPART, a copy of which is attached in Annexure B to this Deed.

"**Audit Report**" means the Auditor's written report on the results of the Audit.

"**Audit Requirement**" means the requirement to undertake an audit, or ensure that an audit is undertaken, that is imposed on the Auditee by or under:

- a) the conditions of a Licence;
- b) the legislative provisions; or
- c) the instrument or code made under legislation,

specified in Item 4 of Annexure A.

"**Deed**" means this deed including the Annexures to it.

"**IPART Audit Guidelines**" means any guidelines issued by the Tribunal from time to time that apply to the Audit.

"**Licence**" means any distributor's licence or transmission operator's licence granted under the Act and held by the Auditee.

"**Loss**" means any cost, expense, loss, liability or damage (however incurred, whether directly or indirectly, and whether or not foreseeable) including loss of profit, loss of revenue, loss of opportunity, loss of use, loss of goodwill, increased cost of working or any business interruption costs.

"**Minister**" means the Minister administering the Act.

2. Interpretation

In this Deed, unless the context otherwise requires:

- a) headings are for convenience only and do not affect the interpretation of this Deed;
- b) a reference to a statute, code or other law includes regulations and other instruments made under it and any consolidations, amendments, re-enactments or replacements of any of them;
- c) words importing the singular include the plural and vice versa;
- d) where a word is defined in this Deed, other grammatical forms of that word have corresponding meanings;
- e) a reference to a natural person includes a reference to a corporation, association, governmental agency, department or body corporate;
- f) a reference to a clause or Annexure is a reference to a clause or Annexure of this Deed;
- g) a reference to a party is a reference to a party to this Deed; and
- h) a reference to a person or a party includes a reference to that person's or that party's executors, administrators, successors, substitutes and permitted assigns.

3. Nomination of Auditor

3.1 The Auditee nominates the Auditor to conduct the Audit.

3.2 Subject to the terms and conditions of this Deed, the Tribunal:

- a) confirms that the nomination by the Auditee of the Auditor to conduct the Audit is acceptable to the Tribunal; and
- b) approves the Auditor to conduct the Audit.

4. Auditee's warranty and acknowledgments

4.1 The Auditee warrants that the Auditor is independent of the Auditee.

4.2 The Auditee acknowledges that:

- a) the Auditee is responsible for retaining the Auditor to conduct the Audit pursuant to the Audit Contract for the benefit of the Auditee and the Tribunal; and
- b) the Auditee will be responsible for payment of the Auditor's fees, costs and expenses relating to the provision of the Audit.

5. Auditor's duty of care, warranties and acknowledgements

5.1 The Auditor warrants that it is independent of the Auditee and competent to exercise the functions of an auditor in respect of the Audit.

5.2 The Auditor warrants that when it conducts the Audit and prepares the Audit Report, it will:

- a) exercise the utmost good faith in the interests of the Tribunal and undertake the Audit in an ethical manner;
- b) do so honestly, fairly, professionally, independently and objectively; and
- c) use the standard of skill, care and diligence that would be reasonably expected of a person with the requisite skills and expertise in the provision of services of the same or a similar nature to those to be provided by the Auditor in undertaking the Audit, in particular being a person who:
 - (i) is skilled and has substantiated experience in the areas identified in the IPART Audit Guidelines as areas in which an auditor must have experience; and
 - (ii) has detailed knowledge of the matters which are identified in the IPART Audit Guidelines as matters of which an auditor must have detailed knowledge.

5.3 The Auditor acknowledges that:

- a) the Tribunal is relying on the Auditor's warranties in this clause 5 when entering into this Deed;
- b) the Tribunal is relying on the Auditor conducting any Audit it conducts (or purports to conduct) in accordance with this Deed; and
- c) a failure to conduct the Audit in accordance with this Deed may cause Loss to the Tribunal including as a result of the Tribunal:
 - (i) improperly exercising or failing to exercise any right or remedy against the Auditee; or
 - (ii) publishing any report or other material (including any comparative report), in reliance on the Audit Report prepared by the Auditor.

6. Conduct of the Audit

The Auditor must ensure that the Audit:

- a) is conducted in accordance with any principles set out in the IPART Audit Guidelines; and
- b) covers the matters described in the Audit Proposal.

7. Audit Report

The Auditor must prepare:

- a) in relation to the Audit, an Audit Report which contains, as a minimum, all of the information described in the Audit Proposal; and
- b) if requested to do so by the Tribunal, a separate report setting out the Auditor's view on the appropriateness and timing of remedial actions that the Auditee intends to take to remedy any identified instances of non-compliance with a legislative obligation or condition of a Licence.

8. Liability and indemnity

The Auditee and the Auditor each undertakes to the Tribunal that it will not make any claim against the Tribunal, and each indemnifies the Tribunal against:

- a) any claims by the Auditor for the payment of any fees, costs or expenses charged by the Auditor in relation to the Audit; and
- b) any claim or Loss the Tribunal pays, incurs or is liable for as a result of the performance of the Audit by the Auditor, including (without limitation) where that claim or Loss arises due to:
 - (i) any breach of the Audit Contract by the Auditee or the Auditor in connection with the performance of the Audit; or
 - (ii) any negligent or deliberate act or omission by the Auditee or the Auditor.

9. Inconsistency

9.1 In the event of any inconsistency between this Deed and the Audit Contract, this Deed will prevail to the extent of the inconsistency.

9.2 Nothing in this Deed requires the Auditee or the Auditor to act in a way which is in breach of:

- a) any law binding on the Auditee or the Auditor; or
- b) a condition of any Licence.

10. Applicable law

10.1 This Deed is governed by the laws of New South Wales and the parties irrevocably submit to the exclusive jurisdiction of the courts of New South Wales.

ANNEXURE A

Item 1 Auditee

"[Insert Name of Auditee]"
"[Insert Address of Auditee]"
"[Insert Address of Auditee]"
"[Insert Contact Representative]"
"[Insert ABN of Auditee]"

Item 2 Auditor

"[Insert Name of Auditor]"
"[Insert Address of Auditor]"
"[Insert Address of Auditor]"
"[Insert Contact Representative]"
"[Insert ABN of Auditor]"

Item 3 Audit Period

"[Specify the period to which the Audit relates]"

Item 4 Audit Requirement

"[Specify the legislative provision(s) or Licence condition(s) that are the source of the requirement for the audit, i.e. select from the following:

[For audits of Electricity Network Safety Management Systems: Clause 11 of the Electricity Supply (Safety and Network Management) Regulation 2014 (NSW).]

[For audits of annual reports on compliance with the critical infrastructure licence conditions: Condition 8.2 of the transmission operator's licence held by the Auditee under the Electricity Supply Act 1995 (NSW).]

[For audits of performance against the reliability and performance licence conditions: Condition 18.7 of the distributor's licence held by the Auditee under the Electricity Supply Act 1995 (NSW).]

[For audits of compliance with the NSW Code of Practice for Authorised Network Operators: Clause 5.3 of the NSW Code of Practice for Authorised Network Operators, being the approved Code under clause 244K of the Environmental Planning and Assessment Regulation 2000 (NSW).]

ANNEXURE B – Audit Proposal

EXECUTED as a Deed.

Executed for and on behalf of)
the **Tribunal** by a duly authorised)
person in the presence of a witness:)

Signature of witness

Signed

Name of witness
(Print Name)

Name of Authorised Representative
(Print Name)

Executed by "[Auditee, ABN]" in)
accordance with section 127(1) of the)
Corporations Act 2001 (Cth):)

Director

Director/Company Secretary

"*[Print Name here]*"

"*[Print Name here]*"

Name of Director
(Print Name)

Name of Director/Company Secretary
(Print Name)

OR

Executed by "[Auditee, ABN]" by its
Authorised Representative:

Witness

Authorised Representative

"*[Print Name here]*"

"*[Print Name here]*"

Name of witness
(Print Name)

Name of Authorised Representative
(Print Name)

A copy of the signatory's authority must be attached.

Independent Pricing and Regulatory Tribunal

Executed by "[Auditor, ABN]" in accordance)
with section 127(1) of the *Corporations Act*)
2001 (Cth):)

Director

Director/Company Secretary

"[Print Name here]"

"[Print Name here]"

Name of Director
(Print Name)

Name of Director/Company Secretary
(Print Name)

OR

Executed by "[Auditor, ABN]" by its
Authorised Representative:

Witness

Authorised Representative

"[Print Name here]"

"[Print Name here]"

Name of witness
(Print Name)

Name of Authorised Representative
(Print Name)

A copy of the signatory's authority must be attached.

J Conflict of interest statement

I, [full name] declare that I am authorised to provide this declaration and that the attached information describes all the conflicts of interest, real or potential, or perceived conflicts of interest, to the best of my knowledge, with regard to the engagement of:

Of [auditor name].....

by [auditee name].....

For the [audit name/type]

which will take place from[date] to[date]

[Attach a separate document providing an explanation of all the conflicts of interest, and the proposed process to manage them. Submit this with the audit proposal.]

DATE

Signed

Name:

Designation:

Glossary

ANO	Authorised Network Operator and is an entity that controls or operates a transacted distribution or transacted transmission system (a transacted system is one that has been transferred to the private sector), as defined in the <i>Electricity Network Assets (Authorised Transactions) Act 2015</i> (NSW).
Code	The NSW Code of Practice for Authorised Network Operators.
Distributor	A person who owns, controls or operates a distribution system, as defined in the <i>Electricity Supply Act 1995</i> (NSW).
DP&E	Department of Planning and Environment
EIA	Environmental Impact Assessment and is an environmental assessment process followed to demonstrate compliance with section 111 of the EP&A Act in respect of a Part 5 Activity, as defined in the Code.
ENSMS	Electricity Network Safety Management System
EP&A Regulation	<i>Environmental Planning & Assessment Regulation 2000</i> (NSW)
ES Act	<i>Electricity Supply Act 1995</i>
ESSNM Regulation	<i>Electricity Supply (Safety and Network Management) Regulation 2014</i>
IPART	Independent Pricing and Regulatory Tribunal
Network Operator	A Transmission Operator or Distributor, as defined in the <i>Electricity Supply Act 1995</i> (NSW).
Quarter	A period of three months commencing 1 January, 1 April, 1 July and 1 October and concluding on the following 31 March, 30 June, 30 September and 31 December dates respectively, as the case may be; as defined in the Reliability and Performance Licence Conditions for Electricity Distributors.
REF	Review of Environmental Factors and, depending on the context, can refer to a type of documentation of an EIA process, or the process itself, as defined in the Code.

SAIDI	System Average Interruption Duration Index, and is the average derived from the sum of the durations of each sustained customer interruption (measured in minutes), divided by the total number of customers (averaged over the financial year) of the licence holder, as defined in the Reliability and Performance Licence Conditions for Electricity Distributors.
SAIFI	System Average Interruption Frequency Index, and is the average derived from the total number of sustained customer interruptions divided by the total number of customers (averaged over the financial year) of the licence holder, as defined in the Reliability and Performance Licence Conditions for Electricity Distributors.
SER	Summary Environmental Report and, depending on the context, can refer to a type of documentation of an EIA process, or the process itself, as defined in the Code.
SIS	A Species Impact Statement and, as defined in the <i>Threatened Species Conservation Act 1995</i> (NSW), is a statement referred to in Division 2 of Part 6 of that Act, and includes an environmental impact statement, prepared under the EP&A Act, that contains a species impact statement.
Transmission Operator	A person who owns, controls or operates a transmission network; as defined in the <i>Electricity Supply Act 1995</i> (NSW).
Working day	Refers to the days Monday to Friday, and excluding any public holidays.