



Independent Pricing and Regulatory Tribunal  
New South Wales

# Electricity networks audit guideline – critical infrastructure licence conditions audits

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## Amendment record

Issue	Date issued	Amendments made
ENRAG first issue up to version 3	June 2016 to May 2017	See previous issues for related amendments.
ENRAG – Critical infrastructure licence conditions	October 2017	Separate Audit Guidelines published for consultation. Minor wording changes on page 1 to reflect incorporation of Endeavour Energy’s new operating licence. Addition of Table A.3 to reflect Endeavour Energy’s new operating licence.
ENRAG – Critical infrastructure licence conditions	April 2018	Addition of references to the varied licence conditions to Ausgrid and TransGrid licences. Removing licence conditions in Appendix A and including only the references to licences.

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# 1 Critical infrastructure licence conditions audit

This section of the Audit Guideline relates to particular conditions pertaining to critical infrastructure security that are detailed in the distributor's licence issued to the owners of Ausgrid<sup>1</sup>, the distributor's licence issued to the owners of Endeavour Energy<sup>2</sup> and the Transmission Operator's Licence issued to the owners of TransGrid<sup>3</sup>. The conditions in the three 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, and
- ▼ annual compliance reporting and auditing.

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

## 1.1 Objective

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

This audit seeks to satisfy the New South Wales Government that the 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.

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<sup>1</sup> Issued by the Minister for Industry, Resources and Energy under the *Electricity Supply Act 1995* (NSW), granted to the Ausgrid Operator Partnership, dated 28 November 2016 (Ausgrid licence). The Minister varied this licence on 4 December 2017, the main changes were to the critical infrastructure licence conditions.

<sup>2</sup> Issued by the Minister for Resources, Energy and Utilities under the *Electricity Supply Act 1995* (NSW), granted to the Endeavour Energy Network Operator Partnership, dated 7 June 2017 (Endeavour Energy licence).

<sup>3</sup> 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 (TransGrid licence). The Minister varied this licence on 29 November 2017, the main changes were to the critical infrastructure licence conditions.

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

## 1.3 Specific auditor expertise

An Approved Critical Infrastructure Auditor is described in the licences as a person who has been approved by IPART as meeting certain criteria, including being independent of the licence holder, and has 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).

## 1.4 Audit timing

A compliance report must be submitted to IPART by the licence holders by 30 September each year, or another date specified by the Tribunal.<sup>4</sup> The compliance report must be audited and the audit report also provided to IPART by 30 September of that year.<sup>5</sup> Table 1.1 provides an indicative timeframe.

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<sup>4</sup> Condition 11.1 Ausgrid licence; Condition 8.1 TransGrid licence; Condition 11.1 Endeavour Energy licence.

<sup>5</sup> Condition 11.2 Ausgrid licence; Condition 8.2 TransGrid licence; Condition 11.2 Endeavour Energy licence.

**Table 1.1 Indicative timeframe for critical infrastructure audits**

Deadline	Indicative Date	Task
By 31 May		Auditor nomination submitted to IPART by electricity network unless the auditor is pre-approved on the Electricity Networks Regulation audit panel.
	30 June	Auditor proposal submitted to IPART.
	31 July	Audit proposal approved by IPART and auditor engaged by the Authorised Network Operator.
30 September		Compliance report of critical infrastructure licence conditions delivered to IPART
30 September		Final audit report due to IPART.

For Endeavour Energy, IPART has specified that:

- ▼ The final audit report on its compliance during 2016-17 may be submitted along with its final audit report on compliance during 2017-18, which is due 30 September 2018.

## 1.5 Audit criteria

The auditor will review audit evidence to test against the applicable licence conditions for each network. 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. As the licence conditions may be varied from time to time by the Minister, the auditors should ensure they are checking compliance against the correct licence conditions. It is the responsibility of the network to provide the auditor with the licence conditions applicable at the time of the audit.

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



## Appendices



## A Applicable licences for critical infrastructure audits

The individual licences for TransGrid, Ausgrid and Endeavour Energy list out the critical infrastructure licence conditions. Auditors should audit against all the critical infrastructure licence conditions in the applicable licence.

As the Minister may vary the licence from time to time, the auditor should ensure that the audit is being conducted using the applicable licence conditions for the audit under consideration. This may also require applying two sets of licence conditions for a network for a particular audit, if that network's licence conditions were varied during the audit period.

The critical infrastructure licence conditions applicable for each network are included in the following licences for the networks.

### ▼ TransGrid

- Up to 28 November 2017 - the first licence issued to TransGrid on 16 December 2015
- From 29 November 2017 – the current licence that includes the variations made through the *Instrument of Variation of condition of transmission operator's licence* signed by the Minister on 29 November 2017. These licence conditions apply to TransGrid until revoked or amended.

### ▼ Ausgrid

- Up to 3 December 2017 - the first licence issued to Ausgrid on 1 December 2016
- From 4 December 2017 – the current licence that includes the variations made through the *Instrument of Variation of condition of distributor's licence* signed by the Minister on 4 December 2017. These licence conditions apply to TransGrid until revoked or amended.

### ▼ Endeavour Energy

- The current licence applicable from 14 June 2017 until revoked or amended.