

AusNet Transmission Group Pty Ltd

Review of 2015 Reset RIN

22 October 2015

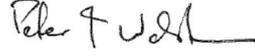
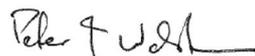


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Author, Reviewer and Approver details

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Independent Assurance Statement

Parsons Brinckerhoff was engaged by AusNet Transmission Group Pty Ltd to review the Regulatory Information Notice (RIN) non-financial information and Basis of Preparation prepared by AusNet Transmission Group Pty Ltd for the 2015 regulatory year.

AusNet Transmission Group Pty Ltd's responsibility

AusNet Transmission Group Pty Ltd's responsibility in relation to the Reset RIN review of non-financial information is to:

- Prepare and report the non-financial information in accordance with the RIN (dated 28 November 2013) and in accordance with its Basis of Preparation
- Prepare the Basis of Preparation in accordance with the RIN.

Parsons Brinckerhoff's responsibility

Our responsibility is to assess whether the non-financial information has been presented fairly in accordance with the requirements of the RIN (dated 28 November 2013) and AusNet Transmission Group Pty Ltd's Basis of Preparation.

Parsons Brinckerhoff meets the requirements of "Class of person to conduct the audit" as outlined in Appendix C, paragraph 2.2 of the RIN. This report has been prepared in accordance with the requirements outlined in Appendix C of the RIN.

The review was undertaken as a limited assurance engagement as required by the RIN and in accordance with ASAE 3000. In conducting this review, the reviewer performed procedures to obtain evidence about the information. The procedures used depended on the reviewer's judgment, including the identification of the risks of material misstatement at the disclosure level, whether due to fraud or error. The reviewer considered internal controls, system controls relating to the preparation and fair presentation of the estimates and disclosures made in the RIN in order to design review procedures that are appropriate in the circumstances. Additional review procedures were used to obtain further evidence where the reviewer believed that the information may be materially misstated.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Independence and ethics

We have complied with the independence and other ethical requirements relating to assurance engagements through adherence to Parsons Brinckerhoff's values and our Code of Conduct.

Conclusion

The reviewer assessed the following:

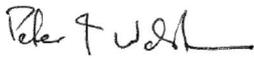
- Table 7.7 Loss of supply event frequency > (x) system minutes for 2014; and Proper operation of equipment (number of events): Failure of protection system for 2010 to 2014
- Table 7.7.4 - Market impact component for 2009 to 2014

Based on the procedures performed and evidence obtained the reviewer concludes that nothing has come to the reviewers' attention that causes it to believe that the historical non-financial information is not, in all material respects, presented fairly and in accordance with the requirements of the RIN and AusNet Transmission Group Pty Ltd's Basis of Preparation, except for the follow:

- 'Proper operation of equipment (number of events): Failure of protection system' – the reviewer is of the view that the exclusion of non-major control systems from the reported values is likely to materially affect the presentation of the information. Hence, as is required by the RIN Appendix C clause 3.4, we find that the information presented in table 7.7.1 for the failure of protection systems has not been, in all material respects, presented fairly in accordance with the requirements of the RIN.

The reviewer notes that the Australian Energy Regulator has advised AusNet Transmission Group Pty Ltd that reporting of major control systems only for the period 2010 to 2014 is acceptable with full reporting required in future years.

Yours sincerely



Peter Walshe
Principal Consultant
Parsons Brinckerhoff Australia Pty Limited

In preparing this report, Parsons Brinckerhoff has relied upon documents, data, reports and other information provided by third parties including, but not exclusively, jurisdictional regulators as referred to in the report. Except as otherwise stated in the report, Parsons Brinckerhoff has not verified the accuracy or completeness of the information. To the extent that the statements, opinions, facts, information, conclusions and/or recommendations in this report are based in whole or part on the information, those conclusions are contingent upon the accuracy and completeness of the information provided. Parsons Brinckerhoff will not be liable in relation to incorrect conclusions should any information be incorrect or have been concealed, withheld, misrepresented or otherwise not fully disclosed to Parsons Brinckerhoff. The assessment and conclusions are indicative of the situation at the time of preparing the report. Within the limitations imposed by the scope of services and the assessment of the data, the preparation of this report has been undertaken and performed in a professional manner, in accordance with generally accepted practices and using a degree of skill and care ordinarily exercised by reputable consultants under similar circumstances. No other warranty, expressed or implied, is made.

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Abbreviations

DI	Dispatch Interval
MIC	Market Impact Parameter
RAB	Regulated Asset Base
RIN	Regulatory Information Notice
SCS	Standard Control Services
STPIS	Service Target Performance Incentive Scheme
TNSP	Transmission Network Service Provider

1. Introduction

The Australian Energy Regulatory (AER) issued a Regulatory Information Notice (RIN) to AusNet Transmission Group Pty Ltd (AusNet Transmission) on the 1 September 2015 requiring AusNet Transmission to submit information not previously audited as set out in Appendix A of the RIN (Regulatory Information Notice) templates and Appendix G (STPIS MIC Workbook).; and prepare according to the instructions and definitions set out in Appendix E and F of the RIN ("Principles and Requirements" and "Definitions").

The non-financial information submitted by AusNet Transmission is required to be reviewed by an independent party meeting the requirements set out in Appendix C of the RIN. Parsons Brinckerhoff satisfies the requirements of Section 2.2 of Appendix C of the RIN and was engaged by AusNet Transmission to undertake a review of the non-financial information.

1.1 Scope of review

Parsons Brinckerhoff undertook a review of the previously unaudited components of the Service Target Performance Incentive Scheme (STPIS), Market Impact Component (MIC) for the financial years 2009 – 2015, in accordance with Appendix C of the RIN. The review was undertaken as a 'Limited Assurance Audit' as required by the RIN and described in ASAE3000. This included:

1. A review of the Basis of Preparation document required to be prepared under the RIN
2. A review of non-financial information in worksheets titled:
 - a) 7.7.1 Historical performance and proposed caps, collars and targets for the service component of the STPIS
 - Loss of supply event frequency > (x) system minutes for 2014
 - Proper operation of equipment (number of events): Failure of protection system for 2010 to 2014
 - b) 7.7.4 - Market impact component for 2009 to 2014
3. Providing a conclusion as to whether or not anything has come to the Reviewer's attention that causes it to believe that the historical non-financial information is not, in all material respects, presented fairly in accordance with the requirements of the RIN and AusNet Transmission's Basis of Preparation.

1.2 Our approach

The following is a summary of the procedures (desktop and onsite review) performed to complete the scope outlined above. Parsons Brinckerhoff's audit approach and this report were in accordance with the audit and review requirements contained in Appendix C of the RIN and in accordance with ASAE 3000 requirements for a limited assurance audit.

Parsons Brinckerhoff performed procedures to determine if the Basis of Preparation was prepared in accordance with the requirements of the RIN, including:

- assessed whether or not definitions and methodologies for providing non-financial information in the Basis of Preparation aligned to the definitions set out in the RIN
- reviewed whether the sources of information and methodologies for providing the information are adequately explained

- reviewed any changes to the Basis of Preparation from the previous review
- where estimates were made in relation to the information provided, reviewing the explanations of why actual information was not provided and why these are management’s best estimates, to assess consistency with the RIN requirements and whether these are adequately explained.

Parsons Brinckerhoff performed procedures to determine if the non-financial information contained in the worksheets was prepared in a manner that was consistent with the Basis of Preparation and the requirements of the RIN, including:

- high level comparisons with previous year data to identify any inconsistencies or trends, and whether those inconsistencies reflected the methodology set out in the Basis of Preparation
- review of analysis performed by business’ subject matter expert provided for desktop review
- clarification with preparers of Basis of Preparation and non-financial information to verify process and understand areas of manual intervention to identify any potential areas of risk of material misstatement
- clarification with preparers of reasons for any estimates made and basis for estimates
- limited sampling was used to verify that the non-financial information is consistent with information held in systems and consistent with the Basis of Preparation and the RIN requirements where it was believed that information may have been materially misstated.

Information sources and systems

AusNet Transmission used a number of business systems and planning reports as a basis for gathering information and converting it into the format required by the RIN. During the review, Parsons Brinckerhoff identified the following suite of information systems and documentation (refer Tables 1.1 and 1.2) that was relied upon by AusNet Transmission.

The scope of the limited assurance audit did not include reviewing the systems and procedures, so accordingly Parsons Brinckerhoff undertook the review on the assumption that the information contained in these systems was fit for purpose and the review concentrated on the use of correct definitions and the assumptions and estimates used to close information gaps. Our reviewers also sought to ascertain, where possible within the constraints of the review process, whether the source information was the most appropriate information to use to derive the information to populate the RIN tables.

Where it was believed that the information may be materially misstated, limited sampling was used to verify that the non-financial information is consistent with information held in systems and consistent with the Basis of Preparation and the RIN requirements. The specific procedures performed and systems reviewed in these cases are described in the Findings section in relation to the particular template.

Table 1.1 Information systems relevant to this audit

Information system	Function
Global Roam	A real-time information system database showing outages and constraints across the network. Used for reporting of Market Impact Component data.
Maximo	Asset management system in use during the 2015 Regulatory Year.
NEO	Intelligence Energy System used for extracting data regarding outages and constraints, and cross-referencing AEMO’s Market System data with Global Roam

Information provided and reviewed

Initial and revised information was provided by AusNet Transmission as shown in Table 1.2. Initial review findings were based on an assessment of the initial information. AusNet Transmission subsequently revised the information and the final review findings were based on the revised information.

Table 1.2 Information provided and reviewed

RIN Template	Document filename and description	Date
Initial information		
7.7	'7.7 STPIS BoP.docx'	7/10/2015
7.7.1	'AER Loss of supply events 2014.pdf'	7/10/2015
7.7	'Reset RIN - STPIS tables.xlsx'	7/10/2015
7.7.4	SPN MIP 2006 - 2010.xlsx	7/10/2015
7.7.4	SPN MIP 2011 - 2012.xlsx	7/10/2015
7.7.4	SPN MIP 2013.xlsx	7/10/2015
7.7.4	SPN MIP 2014.xlsx	7/10/2015
7.7.4	SPN MIP 2006 – 2014 Summary.xlsx	7/10/2015
Additional supporting information		
7.7.4	Final decision for the early application of the MIP for SP AusNet - 1 Ju.pdf	9/10/2015
7.7.4	MIC RIN Target Calculation 2009 and 2010.docx	9/10/2015
7.7.1	Whiteboard1.JPG	9/10/2015
7.7.4	Whiteboard2.JPG	9/10/2015
7.7.4	FW SP AusNet 2012 service standards annual review- MICcomponentDLMFor-Official-Use-Only2013032060710.msg	12/10/2015
7.7.4	20120318 AER Adjustment Proposal.docx	12/10/2015
7.7.4	AER-CORR.PDF	12/10/2015
7.7.4	APD constraints SEC UNCLASSIFIED .msg	12/10/2015
7.7.4	FW Meeting to discuss MIP of the STPIS SEC UNCLASSIFIED .msg	12/10/2015
7.7.4	FW SP AusNet 2012 service standards annual review - MIC component DLM For-Official-Use-Only .msg	12/10/2015
7.7.4	Fwd Meeting to discuss MIP of the STPIS SEC UNCLASSIFIED .msg	12/10/2015
7.7.4	RE APD constraints SEC UNCLASSIFIED .msg	12/10/2015
7.7.4	RE APD constraints SEC UNCLASSIFIED 20130322.msg	12/10/2015
7.7.4	RE SP AusNet 2012 service standards annual review - MIC component DLM For-Official-Use-Only .msg	12/10/2015
7.7.4	RE SP AusNet 2012 service standards annual review.msg	12/10/2015
7.7.4	Response to AER 20130319.docx	12/10/2015
7.7.4	STPIS annual review SEC UNCLASSIFIED .msg	12/10/2015

RIN Template	Document filename and description	Date
7.7.4	AER 2011 2012 letter confirming MIC target and performance under v4 STPIS for 2013.PDF	
7.7.4	AER 2014 usNet signed letter of confirmation - 2014 REVISED 130315.pdf	
7.7.4	MIC Data August 2013 extracted from Ez2view.xlsx	
Revised information		
7.7	Reset RIN - STPIS tables_PB audit v2.xlsx	12/10/2015
7.7.4	SPN MIP 2006-2010.xlsx	12/10/2015
7.7.4	SPN MIP 2011 - 2012.xlsx	12/10/2015
7.7.4	SPN MIP 2013.xlsx	12/10/2015
7.7.4	SPN MIP 2014.xlsx	12/10/2015
7.7.4	SPN RIN 2006-2014 Summary V1.xlsx	12/10/2015
7.7	Transmission – Basis of Preparation – STPID 7.7.docx	13/10/2015
7.7	Transmission – Basis of Preparation – STPID 7.7.docx version 3	15/10/2015
7.7	Reset RIN - STPIS tables_PB audit v3.xlsx	15/10/2015
7.7	Reset RIN - STPIS tables_PB audit v4.xlsx	20/10/2015
7.7.4	SPN RIN 2006-2014 Summary V2.xlsx	20/10/2015

2. Our findings

This section sets out each table/template and the information required by the RIN. Any issues that were found and whether or not Parsons Brinckerhoff considers them to be material are detailed here. Where known, Parsons Brinckerhoff also describes how AusNet Transmission rectified the issue.

The audit procedures performed to assess the Basis of Preparation and non-financial information are described in Section 1.2 and any additional audit procedures performed in relation to a specific template are described here.

2.1 Template 7.7 Service Target Performance Incentive Scheme (STPIS)

Table 7.7.1 - Historical performance and proposed caps, collars and targets for the service component of the STPIS

Variable Code	Table 7.7.1 - Historical performance and proposed caps, collars and targets for the service component of the STPIS	Unit
Table 7.7.1 - Historical performance and proposed caps, collars and targets for the service component of the STPIS		
2014	Loss of supply event frequency (minutes): > (x) system minutes	Minutes
2010	Proper operation of equipment (number of events): Failure of protection system	No. of events
2011	Proper operation of equipment (number of events): Failure of protection system	No. of events
2012	Proper operation of equipment (number of events): Failure of protection system	No. of events
2013	Proper operation of equipment (number of events): Failure of protection system	No. of events
2014	Proper operation of equipment (number of events): Failure of protection system	No. of events

Key RIN requirements for this table:

1. Report loss of supply event frequency > (x) system minutes in accordance with the definition, inclusions and exclusions (Appendix A of the STPIS Version 5, page 28-29).
2. Report failure of protection system in accordance with the definition, inclusions and exclusions (Appendix A of the STPIS Version 5, page 32-33).

Initial review findings:

1. For Table 7.7.1 'Loss of supply event frequency, > (x) system minutes', AusNet Transmission previously reported for 2014 a value of one (1) in accordance with STPIS version 3. In the Reset RIN, AusNet Transmission is required to report against version 5 of the STPIS, which contains a revised list of inclusions. Hence, this number has been amended to three (3) and resubmitted for audit. The reviewer confirmed this number from supporting documents.
2. The reviewer has not reviewed Loss of Supply data for 2010 to 2013, but notes that the Basis of Preparation states that the change in STPIS version does not affect the previously reported values.
3. For Table 7.7.1 'Proper operation of equipment (number of events): Failure of protection system', the reviewer found that the reported number of events (32) does not include failures of control systems. The

reviewer is of the view that the exclusion of control systems from the reported values is likely to materially affect the presentation of the information.

4. For Table 7.7.1 ‘Proper operation of equipment (number of events): Failure of protection system’, the reviewer noted that the Basis of Preparation does not adequately document AusNet Transmission’s interpretation and the methodology used in relation to the AER definition and STPIS.

Final review findings:

1. AusNet Transmission sought advice from AER about the ‘Proper operation of equipment (number of events): Failure of protection system’, who stated that reporting of key systems would be acceptable for this year, with full reporting required next year. AusNet Transmission subsequently updated the data for 2010 to 2014 to include the failure of key (major) control systems. The reviewer is of the view that the exclusion of non-major control equipment from the reported values is likely to materially affect the presentation of the information. Hence, as is required by the RIN Appendix C clause 3.4, we find that the information presented in table 7.7.1 for the failure of protection systems has not been, in all material respects, presented fairly in accordance with the requirements of the RIN.
2. The reviewer did not find reason to believe that the information in RIN Table 7.7.1 for ‘Loss of supply event frequency’ has not been presented fairly in all material respects in accordance with the requirements of the RIN and the Basis of Preparation.

Table 7.7.4 - Market impact component

Variable Code		Table 7.7.4 - Market impact component		Unit
Table 7.7.4 - Market impact component				
2009	January	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	February	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	March	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	April	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	May	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	June	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	July	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	August	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)

2009	September	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	October	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	November	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)
2009	December	Market impact parameter count (DI) without exclusions	Market impact parameter count (with exclusions)	Count of Dispatch Internal (DI)

*The above table is duplicated for all years 2009 – 2014.

Key RIN requirements for this table:

1. Report Market Impact Component (MIC) without exclusions in accordance with the definition (Appendix A of the STPIS Version 5, page 36) for the most recent six calendar years: 2009 to 2014.
2. Report Market Impact Component (MIC) with exclusions in accordance with the definition (Appendix A of the STPIS Version 5, page 36) for the most recent six calendar years: 2009 to 2014.
3. Provide details of any exclusions rejected by the AER.

Initial review findings:

1. The reviewer found that AusNet Transmission has submitted MIC reported numbers to the AER on a number of occasions for verification and approval. In this process, AusNet Transmission sends data/report to the AER to check and validate. The AER then notifies AusNet Transmission if any DI's have been missed and any adjustments are agreed with the AER and are represented by the numbers reported in the RIN table. These submissions for the AER also include a summary sheet of all exclusions for the AER to validate and approve. The history of these submissions are:
 - ▶ June 2011 to verify 2006 – 2010 information (STPIS v2/3)
 - ▶ 10 June 2014 to verify 2011 – 2013 information (STPIS v4)
 - ▶ 13 March 2015 to verify 2014 information (STPIS v4)
2. AusNet Transmission verified that the exclusion numbering in the Excel worksheets align with the list of exclusions in the STPIS, with the exception of 99 which is considered a non-inclusion. As a sample:
 - a) AusNet Transmission reported that the AER agreed the 6 DI's relating to data categorised as "Incorrect decision by the AER". The reviewer reviewed these in the file 'SPN MIP 2014.xlsx' rows 887-890.
 - b) The categorisation "APD Planned outage" – has been reviewed and only categorised as such if agreed by the AER. The reviewer reviewed these in the file 'SPN MIP 2014.xlsx' rows 120-127.
 - c) The categorisation "The AER wishes Basslink to be allocated a non-prescribed service exclusion" – has been reviewed and only categorised as such if agreed by the AER. The reviewer reviewed these in the file 'SPN MIP 2014.xlsx' rows 429-443, 912, 1240, 1242, 1255, 1257, 1271, 1272, 1289-1297.
3. From a sampling of information in the 2011 file 'SPN MIP 2011 2012.xlsx', the reviewer queried the total number of outages reported as 8,254 as this was significantly higher than any other year. We found that 1191 'System Normal' outages had not been correctly categorised in August 2011 and 455 outages that had not been correctly categorised in October 2011, with other unusually high numbers in Dec (1531) also. The reported information was subsequently corrected.

4. For the RIN table 7.7.4 the reviewer noted that the reported total (without exclusions) for 2011 and 2012 of 8,254 and 3,094 respectively did not reconcile with the values in worksheet 'SPN MIP 2011 - 2012.xlsx' in tab 'Data' cells T4 and T5 listed as "AER determination" of 3,322 and 2,608 respectively. The reported information was subsequently corrected.
5. For the file 'SPN RIN 2006-2014 Summary.xlsx', the reviewer noted that the summary values for 2009 and 2010 noted for RIN STPIS V5 rules of 1,417 and 2,134 respectively, did not reconcile with the values of 1,280 and 1,606 (with exclusions) reported in the RIN table. AusNet Transmission advised that the reported values were incorrect due to the incorrect application of the ratio (as described in the Basis of Preparation). AusNet Transmission subsequently resubmit corrected data.
6. The reviewer found that the values reported in the RIN tables for 2011 – 2014 (with exclusions) do not reconcile with the respective year's worksheets and the file 'SPN RIN 2006-2014 Summary.xlsx'. The reported information was subsequently corrected.
7. The Basis of Preparation was found to be prepared in accordance with the RIN.

Final review findings:

1. All issues found in the initial review were addressed.
2. The reviewer did not find reason to believe that the Basis of Preparation for RIN Table 7.7.4 is not consistent with the requirements of the RIN.
3. The reviewer did not find reason to believe that the information in RIN Table 7.7.4 for years 2009 to 2014 has not been presented fairly in all material respects in accordance with the requirements of the RIN, STPIS and the Basis of Preparation.

Appendix A

Interviewees

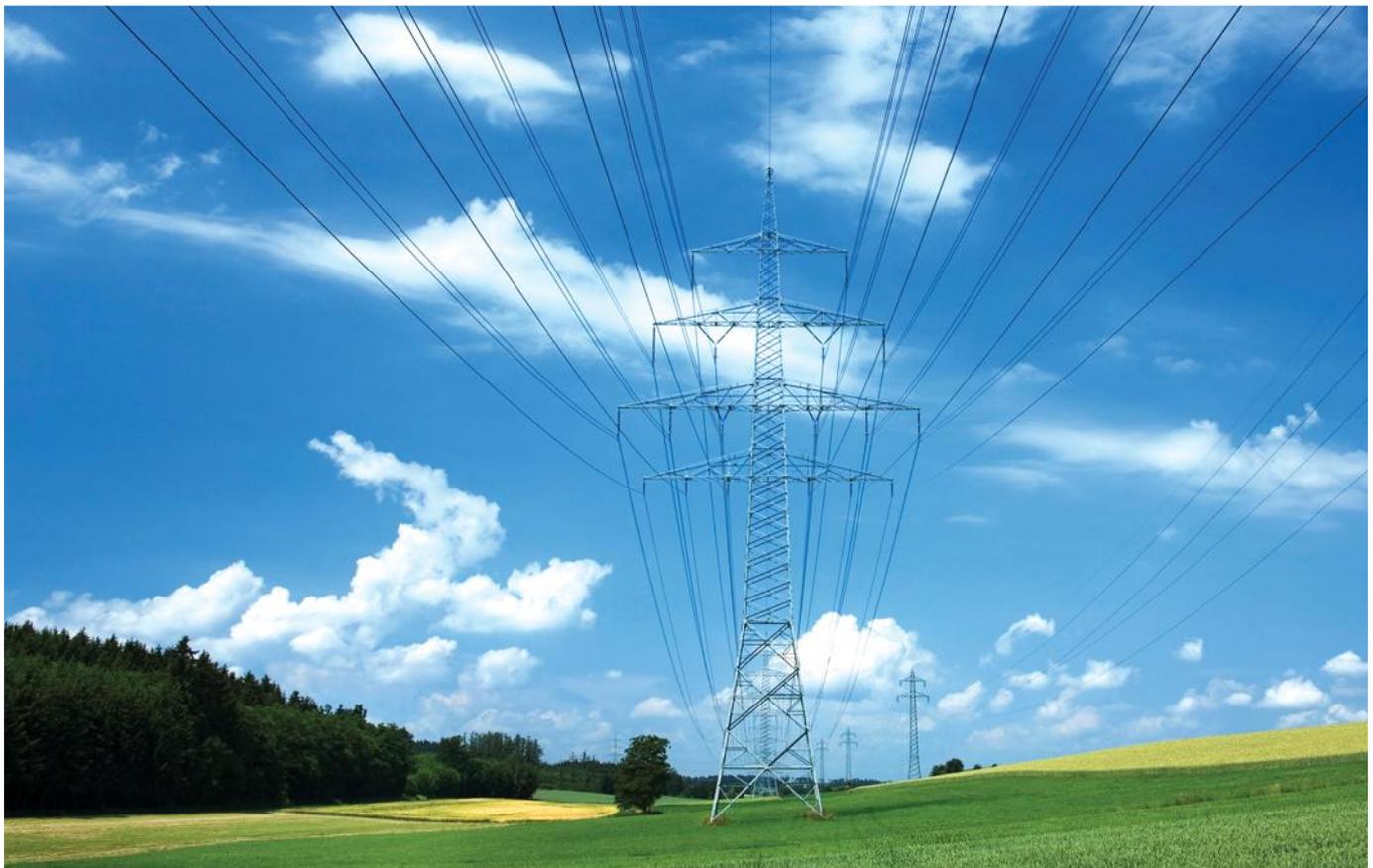


Table A-1: AusNet Transmission's interviewees

Date	Name	Category	RIN Template
9/10/15	Robert Ball	Regulatory Economist	7.7
9/10/15	Nilima Bapat	Network Performance	7.7.1
9/10/15	Andrew Maticka	Transmission Planning & Performance	7.7.4