



**To: The Board of Directors of AEMO**

## **Independent assurance report to the Board of Directors of the Australian Energy Market Operator Limited (AEMO) for the Gas Services Information**

### ***Scope***

In accordance with our contract dated 14 January 2022, we were engaged by the Australian Energy Market Operator (AEMO) to perform an independent limited assurance engagement in respect of AEMO's internal control procedures in relation to compliance with the Gas Services Information (GSI) Rules, for the year ended 30 June 2022, in the following areas:

- the compliance of AEMO's internal procedures and business processes with the GSI Rules;
- AEMO's compliance with the Rules and Procedures; and
- AEMO's software systems for the WA Gas Bulletin Board and the calculation of GSI Fees and processes for software management.

### ***AEMO Management's responsibilities***

AEMO Management is responsible for maintaining an effective internal control structure, including control procedures, to ensure compliance with the Gas Services Information Rules (GSI Rules). This responsibility includes establishing and maintaining internal controls relevant to compliance with the GSI Rules and the preparation and fair presentation of information that is free from material misstatement.

### ***Our Independence and Quality control***

We have complied with relevant ethical requirements related to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### ***Our responsibilities***

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the AEMO internal control procedures in relation to the areas listed under the Scope section above, have not been, in all material respects, effectively designed and operated, in order to comply with the relevant criteria outlined in:

- Gas Services Information Rules –Version 1 July 2021 to Version 30 October 2021.

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Where the effectiveness of key controls was used to determine compliance with the criteria above, the identification of key controls was performed with reference to applicable AEMO policy or procedure documentation.

The procedures we performed were based on our professional judgement and included:

- inquiry and observation of staff and management to understand the operation of controls
- review of relevant AEMO policies and procedures
- undertaking procedures to evaluate the design effectiveness of key controls
- performing limited sample testing to validate the operating effectiveness of key controls.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and 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. Accordingly, we do not express a reasonable assurance opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### ***Scope Exclusions***

Our review did not include any assessment of compliance or controls by market participants other than AEMO. For example, our procedures didn't consider application and IT controls over systems that are operated by external organisations, the compliance with Service Level Requirements, or the control procedures in place at those agencies not controlled by AEMO, such as Facility Operators and Gas Shippers.

To support AEMO processes, AEMO relies on market participants operating in compliance with the GSI Rules or other relevant requirements (the 'market participants' compliance'). It is assumed that the data received by AEMO from external organisations is complete, accurate and valid. Our scope was limited to the procedures that AEMO performed over validating the reasonableness of this data. Our procedures did not extend to assessing the market participants' compliance.

It is assumed that fee calculations are consistent with the GSI Rules. Our scope did not include certification of systems such as the WA Gas Bulletin Board, the GSI Fee Calculation Tool, or other market systems.

We accept no responsibility for the adequacy or accuracy of work performed by AEMO or the Independent Certifier in relation to system certification. We accept no liability to AEMO or to any other person for any part of our review report that relies on, or assumes the adequacy of, system certification.

Our work is based primarily on information supplied by management and was carried out on the basis that such information is accurate and complete.

Whilst our engagement may involve the analysis of financial information and accounting records, it does not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements and accordingly no such assurance will be provided in our report or deliverables.



### ***Use of report***

We prepared this report solely for AEMO's use and benefit in accordance with and for the purpose set out in our Master Supplies Agreement (MSA) between PricewaterhouseCoopers and AEMO dated 14 January 2022, and Description of Supplies for Market Audit Services dated 14 January 2022. In doing so, we acted exclusively for AEMO and considered no-one else's interests.

We accept no responsibility, duty or liability:

- to anyone other than AEMO in connection with this report
- to AEMO for the consequences of using or relying on it for a purpose other than that referred to above.

We make no representation concerning the appropriateness of this report for anyone other than AEMO. If anyone other than AEMO chooses to use or rely on it they do so at their own risk.

This disclaimer applies:

- to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
- even if we consent to anyone other than AEMO receiving or using this report.

### ***Inherent limitations***

Because of the inherent limitations of any internal control system, it is possible that fraud, error, or non-compliance may occur and not be detected. Further, the internal compliance and control culture has not been reviewed and no view is expressed as to its effectiveness.

A limited assurance engagement is not designed to detect all instances of non-compliance of the internal compliance and control system, as it is limited primarily to making enquiries, with management and staff, and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.

### ***Materiality***

We have considered materiality when evaluating the effect of identified control weakness on our conclusion. Materiality is considered in the context of AEMO's objectives relevant to the area of activity being examined. When assessing materiality, we considered qualitative factors as well as quantitative factors, including:

- the purpose of the engagement and specific requirements of the engagement
- the economic, social, political, and environmental impact of control weaknesses
- the importance of an identified control weakness in relation to the area of activities and the entities overall objectives
- the impact of a centralised function on other parts of the entity
- public perception and/or interest in the area of activity
- the cost of alternative controls relative to their likely benefit
- the length of time an identified control weakness was in existence.



### Summary of Findings

The table below summarises new findings reported, and findings from prior periods which remained open as at 30 June 2022. This includes findings reported through our review procedures.

	Critical	High	Medium	Low
Level 1	0	0	5	4
Level 2	0	0	2	2
Level 3	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>6</b>

The items above comprise one market-related non-compliance with the GSI Rules, and 12 IT related observations.

The table below summarises findings from prior periods which have been closed during FY22.

	Critical	High	Medium	Low
Level 1	0	0	0	0
Level 2	0	0	0	0
Level 3	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

All findings in the table above have been agreed with management and formally reported to AEMO's Finance Risk and Audit Committee.

We have categorised control observations noted according to agreed risk and compliance ratings. The risk ratings applied for each finding are consistent with the likelihood and consequence matrix adopted by AEMO's Risk and Audit Committee.

The ratings have been tailored to reflect the potential impact on the market as follows:

Risk Rating	Definition
Critical	Findings which may have a catastrophic impact on the market operations if they are not addressed immediately and require executive action with regular reporting at Board level.
High	Findings which may have a major impact on the market operations if they are not addressed as a matter of priority. These findings require senior management attention with regular monitoring and reporting at executive and Board meetings.
Medium	Findings which may have a moderate impact on the market operations if they are not addressed within a reasonable timeframe. These findings require management attention with regular ongoing monitoring.
Low	Findings which may have a minor impact on market operations if they are not addressed in the future. These findings are the responsibility of management with regular monitoring and reporting at staff meetings.



<b>Compliance Rating</b>	<b>Definition</b>
Level 1 (Non-compliance)	Evidence of non-compliance with review criteria. These should be addressed as a matter of high priority.
Level 2 (Gaps in control design or operating effectiveness)	Issues which could possibly result in non-compliance with review criteria but where no evidence of actual non-compliance was found. However, there is considered to be insufficient formal evidence of controls in place or being actioned in relation to these issues.
Level 3 (Control improvement opportunities)	Housekeeping matters and opportunities for improving internal controls and procedures relating to gas market procedures.

### ***Other information***

The information included in Appendix A is presented by AEMO management to provide risk rating details, root cause, recommendations, management responses and timelines for the observed exceptions. Such information has not been subject to the procedures applied by PwC in the assessment of AEMO's compliance with the criteria and accordingly, we express no opinion on it.

### ***Conclusion***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Australian Energy Market Operator did not maintain, in all material respects, effective control procedures in relation to compliance with Gas Services Information (GSI Rules) for the year ended 30 June 2022, based on the scope referred to above.

PricewaterhouseCoopers

Sian Ashdown  
Partner

Perth  
19 December 2022

# Appendix 1 Summary of Observations & Management Comments

The following table provides a summary of issues against the criteria. It is presented by AEMO's management to the Economic Regulation Authority Western Australia (ERA) but is not included within the scope of this report and has not been subjected to the procedures applied by PwC in the assessment of AEMO's compliance with the criteria.

The detailed findings in relation to the Gas Services Information (GSI) are shown below, split between findings from the current review period (PwC reported and Management reported) and a status update of findings identified during the prior year review.

Findings reported have been discussed and agreed with Management and their comments are included. Target resolution dates for each issue have also been agreed and reported.

## Appendix 1.1 – Gas Services Information – Findings reported by PwC – 1 July 2021 to 30 June 2022

No.	Issue type & Obligation	Finding and implication	Compliance & risk rating	Recommendation	Management Comments/ Implementation Status												
<b style="color: #E85C33;">22</b> <b style="color: #E85C33;">GSI 1</b>	<b>Issue Type</b> Non-compliance identified by PwC  <b>Obligation</b> GSI Rule 119(1)(a)	<p><b>Adjustments for GSI Fees have not been recalculated within the required ten business days of period end</b></p> <p>In accordance with GSI Rule 117(1), AEMO is required to issue a GSI invoice to each Registered Shipper within 30 business days of the end of each period. The GSI Invoice Period is defined as the three month period starting on 1 January, 1 April, 1 July, and 1 October each year. The GSI invoice comprises of:</p> <ul style="list-style-type: none"> <li>Initial GSI Fees, which are to be recalculated within 30 Business Days of the end of that period (GSI Rule 117(1)(a))</li> <li>Adjustment GSI Fees, which are to be recalculated for a GSI Invoice period within 10 Business Days after the end of period p+4 (i.e 1 year later) (GSI Rule 119(1)(a)).</li> </ul> <p>Sample testing for the GSI invoice period starting 1 January 2022 (Q1 2022) identified that the Adjustment Fees for (Q1 2021) were calculated 16 business days late in line with GSI Rule 119(1)(a):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #cccccc;">GSI Fee recalculation required</th> <th style="background-color: #cccccc;">End period date</th> <th style="background-color: #cccccc;">Due Date</th> <th style="background-color: #cccccc;">Date calculation was performed</th> </tr> </thead> <tbody> <tr> <td>Initial GSI Fees</td> <td>31 March 2022</td> <td>17 May 2022</td> <td>11 May 2022 (no exception noted)</td> </tr> <tr> <td>Adjustment GSI Fees</td> <td>31 March 2021</td> <td>14 April 2022</td> <td>11 May 2022 (exception noted)</td> </tr> </tbody> </table> <p>Management noted that the GSI Fee Calculation Model, which calculates both the Initial and Adjustment GSI Fees, was run only once for the Q1 2022 Invoices, and that management's process operates such that GSI Fee Calculation Model calculates the Initial and Adjustment GSI Fees simultaneously for each GSI Invoice Period. Further, invoices outlining both initial and adjustment GSI fees were subsequently issued in line with the GSI Rules. Notwithstanding, the delayed calculation of the Adjustment GSI Fees that are included in the invoice represents a technical non-compliance with the GSI Rule 119(1)(a).</p> <p><b>Implication</b></p> <p>Management confirmed that no complaint or feedback has been received by any Register Shippers in relation to this matter. This issue represents a minor non-compliance with the GSI Rules and did not impact any Registered Shippers or have an operational impact on the Gas Bulletin Board (GBB).</p>	GSI Fee recalculation required	End period date	Due Date	Date calculation was performed	Initial GSI Fees	31 March 2022	17 May 2022	11 May 2022 (no exception noted)	Adjustment GSI Fees	31 March 2021	14 April 2022	11 May 2022 (exception noted)	<p><b>Compliance Rating:</b></p> <p>Level 1</p> <p><b>Risk Rating:</b></p> <p>Low</p> <p>(Likelihood: Unlikely)</p> <p>Consequence: Immaterial)</p>	<p>Management should raise a 'management-identified non-compliance', noting the reasoning for the intentional non-compliance.</p>	<p><b>Management Response</b></p> <p>AEMO accepts finding and recommendations.</p> <p><b>Implementation Date</b></p> <p>31 December 2022</p>
GSI Fee recalculation required	End period date	Due Date	Date calculation was performed														
Initial GSI Fees	31 March 2022	17 May 2022	11 May 2022 (no exception noted)														
Adjustment GSI Fees	31 March 2021	14 April 2022	11 May 2022 (exception noted)														

## Appendix 1.2 – Gas Services Information – Findings reported by Management – 1 July 2021 to 30 June 2022

AEMO's Audit & Compliance team is responsible for verifying the status of non-compliances reported by Management to ensure that remediation actions have been implemented and closed. All Management identified non-compliances are reported by Audit & Compliance to the FRAC on a quarterly basis.

There were no non-compliances identified by Management for Gas Services Information.

## Appendix 1.3 – Gas Services Information – Summary of prior year findings reported by RBP

There were no open prior period findings reported by RBP for Gas Services Information.

## Appendix 1.4 – Gas Services Information – Summary of prior period findings reported by Management

There were no open prior period findings reported by Management for Gas Services Information.



## Appendix 2 Information Technology

There were 7 Medium and 5 Low rated Information Technology findings identified by Management and PwC in FY22. These findings have the potential to impact a range of markets and systems across AEMO, including the WEM and GSI.

These findings related to logical access (4 Medium, 2 Low), physical access (1 Medium), and IT operations (2 Medium, 3 Low). No findings were identified regarding change management or program development.