



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.
ENRAG – Critical infrastructure licence conditions	June 2019	Updates to reflect addition of critical infrastructure licence conditions to Essential Energy's operating licence. Minor wording changes to improve clarity.

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1 Critical infrastructure licence conditions audit

This Audit Guideline relates to particular conditions pertaining to critical infrastructure security that are detailed in the licence conditions of TransGrid, Ausgrid, Endeavour Energy and Essential Energy (licence holders).

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

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

All audits must be carried out in accordance with this Audit Guideline and IPART's *Audit Guideline – Audit fundamentals, process and 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 licence holder being audited is maintaining its network 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.

1.2 Scope

Licence holders without transition plan/s

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

Licence holders with transition plan/s

If licence holders have a transition plan (approved plan) that applies to critical infrastructure licence conditions for the reporting period, progress made against the steps outlined in the approved plan must also be audited. If an approved plan applies for the relevant reporting period, the audit report must provide a clear view of the licence holder's compliance grade with each of its critical infrastructure licence conditions in accordance with IPART's electricity networks grading system¹, noting that the licence holder may satisfy particular licence conditions by undertaking steps outlined in the approved plan.²

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 having the necessary experience and expertise in system security or otherwise demonstrated capability to audit compliance with critical infrastructure licence conditions.

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

- ▼ appropriate audit accreditation
- ▼ experience with application of audit standards (such as ASAE 3000 or AS/NZS ISO 19011)
- ▼ experience in auditing against ISO 27001 or an equivalent standard, or other non-auditing experience with the standard
- ▼ experience in operational and management audits
- ▼ experience with maintenance of electricity networks or similar structures, structural/electrical engineering experience or other electrical systems experience
- ▼ experience in auditing compliance with the *Privacy Act 1988* (Cth), and
- ▼ holding negative vetting 1 (NV1) security clearance (desired, but not essential).

1.4 Audit timing

A report must be submitted to IPART by the licence holders by 30 September each year. The report must detail whether the licence holder has complied with its critical infrastructure licence conditions over the preceding financial year to 30 June.

The report must be audited and the audit report must also be provided to IPART by 30 September of that year.³ Table 1.1 provides an indicative timeframe of audit proceedings.

¹ As contained in PART's *Electricity networks audit guideline – Audit fundamentals, process and findings*.

² For further details on which licence conditions a licence holder may satisfy by undertaking the steps outlined in an approved plan, please refer to their licence conditions on IPART's website.

³ Condition 11.2 of the Ausgrid licence; condition 8.2 of the TransGrid licence; condition 11.2 of the Endeavour Energy licence; and condition 11.3 of the Essential Energy licence.

Table 1.1 Indicative timeframe for critical infrastructure audits

Deadline	Indicative Date	Task
31 May		Auditor nomination submitted to IPART by licence holder (unless the auditor is pre-approved on the Electricity Networks Regulation audit panel).
	30 June	Audit proposal submitted to IPART.
	31 July	Audit proposal approved by IPART and auditor engaged by the licence holder.
30 September		Report of critical infrastructure licence conditions compliance due to IPART.
30 September		Final audit report due to IPART.

1.4.1 Timing of Essential Energy's 2018-19 audit

For Essential Energy, IPART has specified that:

- ▼ The final audit report on its compliance during 2018-19 may be submitted with its final audit report on compliance during 2019-20, by 30 September 2020.

1.5 Audit criteria

The auditor will review audit evidence to test against the applicable licence conditions for each licence holder. Where possible, the criteria should be tested against the facts that existed in the financial year to which the audit relates, rather than the facts that exist when the audit takes place, to determine whether compliance was achieved during the relevant financial year. As the licence conditions may be varied from time to time by the Minister, auditors should ensure they are assessing compliance against the correct licence conditions. It is the responsibility of the licence holder 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 licence holder.

1.6 Applicable licence conditions for critical infrastructure audits

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

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

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