

17 December 2021

Ms Emily Baker
Investigative Reporter
ABC Hobart
1-7 Liverpool Street
Hobart TAS 7000

By Email: Baker.Emily@abc.net.au

Dear Ms Baker,

Right to Information Request - 29 October 2021

I refer to your request pursuant to the *Right to Information Act 2009* ("RTI Act") made on 29 October 2021 and refined by discussion and email on 22 November 2021.

I am authorised to make decisions on behalf of Hydro Tasmania in respect of applications for information under the RTI Act.

1. Your Request

Your request sought the following information:

- 1. All information and communications (including correspondence, such as emails) in relation to internal audit Voltron;*
- 2. Any reports associated with internal audit Voltron;*
- 3. All information and communications (including correspondence, such as emails) in relation to internal audit Wellington;*
- 4. Any reports associated with internal audit Wellington.*

Items 1 and 2 were refined on 22 November 2021 by phone discussion and email to be replaced with:

- 1. The project plan for Voltron;*
- 2. Voltron progress reports, from September 2020 to the current day.*

It will be collectively referred to in the body of this letter as 'the Request'.

It was agreed by email on 13 December 2021 that you did not require the inclusion of the names of non-executive level employees and that these names could be redacted.

Hydro Tasmania refused items 3 and 4 in accordance with section 90 of the *Public Interest Disclosure Act 2002* on 16 November 2021.

2. Determination and Reasons for Determination of Request

I have undertaken a search of the information held by Hydro Tasmania and its subsidiaries to locate any records that may be relevant to the Request and have determined that the information which can be released to you is as follows:

Document	Section of the Request	Released
Project Plan - Voltron	1	Substantially in full, minor redactions by agreement
08.4 Board Update – Project Voltron September 2020	2	Substantially in full, minor redactions by agreement
Finance Performance Report September 2020 EXTRACT	2	Extract of relevant information per s 18(3)
6.7 Quarterly Compliance Management Report RMC September 2020 EXTRACT	2	Extract of relevant information per s 18(3)
05.4.1 Finance Performance Report November 2020 EXTRACT	2	Extract of relevant information per s 18(3)
02 Finance Performance Report January 2021 EXTRACT	2	Extract of relevant information per s 18(3)
05.4.1 Finance Performance Report February 2021 EXTRACT	2	Extract of relevant information per s 18(3)

7.3 Audit Actions Status Report EXTRACT – 23 February 2021	2	Extract of relevant information per s 18(3)
05.4.1 Finance Performance Report March 2021 EXTRACT	2	Extract of relevant information per s 18(3)
05.4.1 Finance Performance Report April 2021 EXTRACT	2	Extract of relevant information per s 18(3)
5.2a Hydro Quarterly Report April 2021 EXTRACT	2	Extract of relevant information per s 18(3)
7.3 Audit Actions Status Report EXTRACT – 27 April 2021	2	Extract of relevant information per s 18(3)
05.4.1 Finance Performance Report May 2021 EXTRACT	2	Extract of relevant information per s 18(3)
7.3 Audit Actions Status Report EXTRACT – 22 June 2021	2	Extract of relevant information per s 18(3)

For clarity of the above, I note that progress reports and other updates for Voltron were on a number of occasions included in broader documents and papers with information not within the scope of the Request. In accordance with section 18(3) of the RTI Act I have extracted the information relevant to the Request and provided those extracts in full, apart from the names of non-executive level employees redacted by agreement.

3. Review of Rights

You are entitled under section 43 of the RTI Act to apply for a review of the decision made under Part 2.

Any request for such a review should be made in writing within twenty (20) working days of receiving this letter and addressed to:

Mr Ian Brooksbank
Acting Chief Executive Officer
Hydro Tasmania

4 Elizabeth Street
Hobart TAS 7000

Should you have any further questions on the information provided please contact the undersigned.

This request is now considered closed.

Yours sincerely,



Laura Harle
Legal Counsel
t 6240 2813
e laura.harle@hydro.com.au

Annexure 1

Right to Information Act 2009 (Tas) – section 18(3)

18. Provision of information

(3) If –

- (a) information requested under this Act is included with other information; and
 - (b) the information requested can be extracted from that other information by the use of a computer or other equipment usually available to the public authority or Minister –
- the information is to be extracted accordingly.

Project Voltron - Dashboard April Board Update																
Project Title:	Project Voltron		Project Sponsor/s		Caroline Wykamp and Ian Brooksbank											
Current State			Interdependencies				Target State									
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.			IT and Systems enhancements to remove manual activities and automation where possible				The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward									
Overall Project Key Milestones and Activities			Target Completion Date of Project				<add date>									
No.	Overall Project Key Milestones and Activities	Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																
1	Provide progress paper for September Board		08.09.20												Complete	100%
2	Review investigation, past audits and reports, collate actions and status		30.09.20												Complete	100%
3	Review findings from recent KPMG audit and feed into project activities		14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions		19.09.20												Complete	100%
5	Determine key systematic issues and themes identified as part of the review		30.08.20												Complete	100%
Stage 2 of Project																
6	Close out short term actions as identified in the recent investigations and audit														Complete	100%
7	Develop project plans for each theme with milestones and implementation timeline														Complete	100%
8	Sponsors to approve and sign off Project Plan/s	Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight														Complete	100%
11	Theme 2: People - team purpose, functions, roles and accountabilities														On Track	24%
12	Theme 3: Process Development/Improvement														On Track	72%
13	Theme 4: Systems and IT														On Track	60%
Project Monitoring and Reporting																
14	Implement regular project status and review meetings		12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting		09.09.20												Complete	100%
Activities Completed this month			Activities Planned for Next Month				Risks/Issues									
All audit actions were closed by the end of March. Some project activities have commenced now Horizon 3 is complete and are expected to be closed out in the next two months.			• Complete capture all critical document, reporting and business models													

Recent Investigation and Audit Action Status							
	KPMG External Audit (August 2020)	Last Month	Trading Strategy Incident (July 2020)	Last Month	Management Review (June 2020)	Last Month	Total
No. Actions	8	N/A	17	N/A	15	N/A	40
Open	8	N/A	16	N/A	15	N/A	39
Overdue	0	N/A	0	N/A	0	N/A	0
Closed	0	N/A	1	N/A	0	N/A	1

Review of Previous Audits and Reviews - Action Status					
# Audits/Reviews	No. Actions	Closed Ref in Audit	Closed Per Internal Audit	Status to be confirmed	Status could not be confirmed
18	180	37	94	0	49
		131	0	49	

Note: excludes recent investigation, KPMG and Wholesale Credit Review actions captured in table 1
09.10.20 Decision - agreed with the sponsor at the SteerCo that further follow up of action closer was not warranted as any outstanding issues/concerns have been covered in the Themes for the project

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	0	0	0	0	54
Last Report					
54	0	0	0	0	54

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	0	0	0	16
2. People, Roles & Accountabilities	17	6	7	0	4
3. Process Improvement	25	11	2	0	18
4. Systems & IT	5	2	0	0	3
Total	63	19	9	0	41
Last Month	63	24	12	0	28

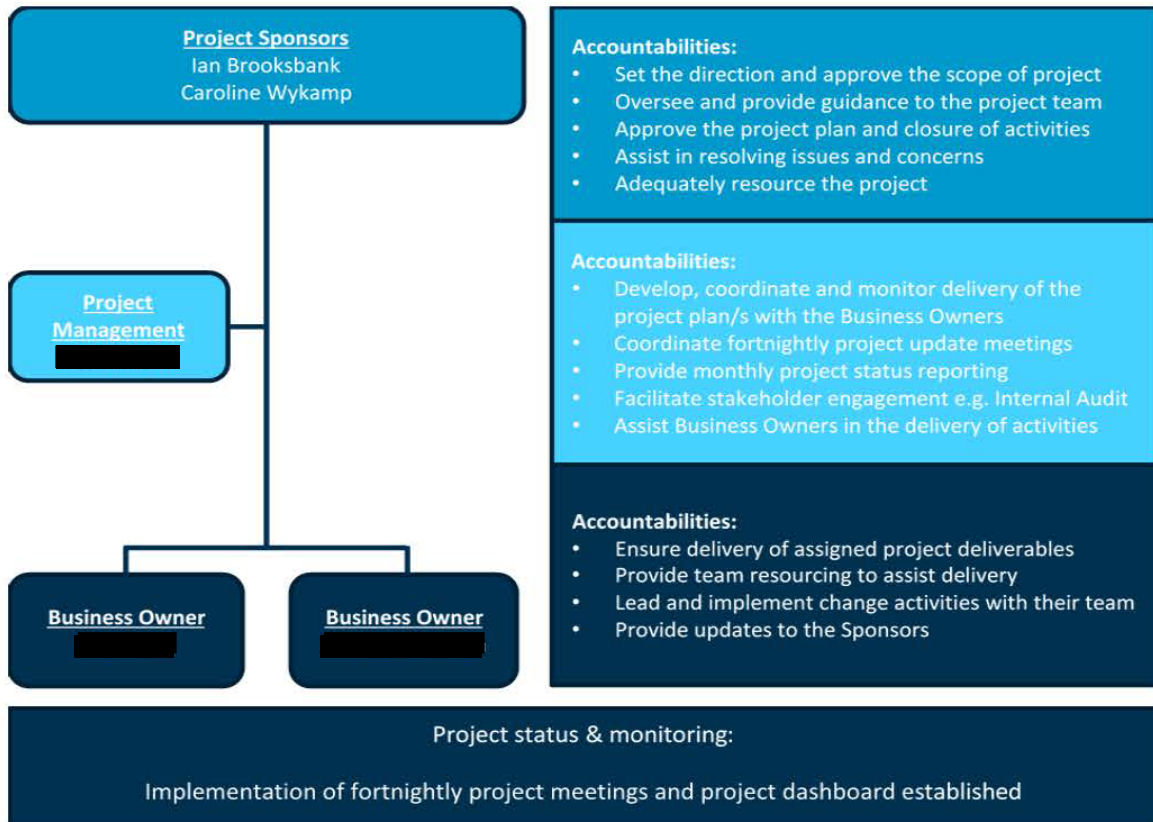
Last updated: 12/05/2021

Finance - Audit/Investigation Actions Status				
No. Actions	On Track	Overdue	Endorsement	Complete
34	33	0	0	1
Last Update				
N/A	N/A	N/A	N/A	N/A

Note: numbers include internal audits, external audits and recent Trading Strategy Investigation findings which are all being coordinated and managed via Project Voltron

Commercial - Audit/Investigation Actions Status				
No. Actions	On Track	Overdue	Endorsement	Complete
10	10	0	0	0
Last Meeting				
N/A	N/A	N/A	N/A	N/A

Note: numbers include internal audits and recent Trading Strategy Investigation findings which are all being coordinated and managed via Project Voltron



Project Title		Report No.		Revision		Date		Page No.	
1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9
2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9
3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9
4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9
5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9
6.0	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.9
7.0	7.1	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9
8.0	8.1	8.2	8.3	8.4	8.5	8.6	8.7	8.8	8.9
9.0	9.1	9.2	9.3	9.4	9.5	9.6	9.7	9.8	9.9
10.0	10.1	10.2	10.3	10.4	10.5	10.6	10.7	10.8	10.9
11.0	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9
12.0	12.1	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9
13.0	13.1	13.2	13.3	13.4	13.5	13.6	13.7	13.8	13.9
14.0	14.1	14.2	14.3	14.4	14.5	14.6	14.7	14.8	14.9
15.0	15.1	15.2	15.3	15.4	15.5	15.6	15.7	15.8	15.9
16.0	16.1	16.2	16.3	16.4	16.5	16.6	16.7	16.8	16.9
17.0	17.1	17.2	17.3	17.4	17.5	17.6	17.7	17.8	17.9
18.0	18.1	18.2	18.3	18.4	18.5	18.6	18.7	18.8	18.9
19.0	19.1	19.2	19.3	19.4	19.5	19.6	19.7	19.8	19.9
20.0	20.1	20.2	20.3	20.4	20.5	20.6	20.7	20.8	20.9
21.0	21.1	21.2	21.3	21.4	21.5	21.6	21.7	21.8	21.9
22.0	22.1	22.2	22.3	22.4	22.5	22.6	22.7	22.8	22.9
23.0	23.1	23.2	23.3	23.4	23.5	23.6	23.7	23.8	23.9
24.0	24.1	24.2	24.3	24.4	24.5	24.6	24.7	24.8	24.9
25.0	25.1	25.2	25.3	25.4	25.5	25.6	25.7	25.8	25.9
26.0	26.1	26.2	26.3	26.4	26.5	26.6	26.7	26.8	26.9
27.0	27.1	27.2	27.3	27.4	27.5	27.6	27.7	27.8	27.9
28.0	28.1	28.2	28.3	28.4	28.5	28.6	28.7	28.8	28.9
29.0	29.1	29.2	29.3	29.4	29.5	29.6	29.7	29.8	29.9
30.0	30.1	30.2	30.3	30.4	30.5	30.6	30.7	30.8	30.9
31.0	31.1	31.2	31.3	31.4	31.5	31.6	31.7	31.8	31.9
32.0	32.1	32.2	32.3	32.4	32.5	32.6	32.7	32.8	32.9
33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.9
34.0	34.1	34.2	34.3	34.4	34.5	34.6	34.7	34.8	34.9
35.0	35.1	35.2	35.3	35.4	35.5	35.6	35.7	35.8	35.9
36.0	36.1	36.2	36.3	36.4	36.5	36.6	36.7	36.8	36.9
37.0	37.1	37.2	37.3	37.4	37.5	37.6	37.7	37.8	37.9
38.0	38.1	38.2	38.3	38.4	38.5	38.6	38.7	38.8	38.9
39.0	39.1	39.2	39.3	39.4	39.5	39.6	39.7	39.8	39.9
40.0	40.1	40.2	40.3	40.4	40.5	40.6	40.7	40.8	40.9
41.0	41.1	41.2	41.3	41.4	41.5	41.6	41.7	41.8	41.9
42.0	42.1	42.2	42.3	42.4	42.5	42.6	42.7	42.8	42.9
43.0	43.1	43.2	43.3	43.4	43.5	43.6	43.7	43.8	43.9
44.0	44.1	44.2	44.3	44.4	44.5	44.6	44.7	44.8	44.9
45.0	45.1	45.2	45.3	45.4	45.5	45.6	45.7	45.8	45.9
46.0	46.1	46.2	46.3	46.4	46.5	46.6	46.7	46.8	46.9
47.0	47.1	47.2	47.3	47.4	47.5	47.6	47.7	47.8	47.9
48.0	48.1	48.2	48.3	48.4	48.5	48.6	48.7	48.8	48.9
49.0	49.1	49.2	49.3	49.4	49.5	49.6	49.7	49.8	49.9
50.0	50.1	50.2	50.3	50.4	50.5	50.6	50.7	50.8	50.9

Project Title: Theme 2 - Governance and Oversight		Project Name		Delivery/Co-lead name(s)		Priority/Status									
Comments:		Active oversight and engagement													
A number of findings continue to be found in audits highlighting misalignment with the Energy Trading Strategy and Policy, along with knowledge and capabilities of the within the group.		Target Completion Date		Lead/owner		Additional Comments									
Reporting and Support Required		Independence/Other Issues													
Report TSR 1.1	1 - Energy Trading Strategy	Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Comments
	1.1	Complete refresh of Trading Strategy to ensure sufficient detail to guide trading metrics and decisions.	Complete												Addressed TSR 1.1
	1.2	Provide early draft key elements to FMC	Complete												06.02.20 (see paper for progress) already given to FMC. Content going to Cooper FMC of further key elements. 1.1.2020 This was completed in October. FMC was held on 18 October 2020 from paper and October and 1.1.2020. Evidence... 1.08.20 This activity is to be confirmed. Whether it will occur, if it does, it will be confirmed in early November. 09.02.20 referred this will occur in early November. 1.1.2020 complete evidence in [redacted] 07.12.20 Complete evidence in [redacted]
	1.3	Obtain external feedback on draft Trading Strategy	Complete												Complete per evidence in [redacted]
	1.4	Provide complete draft strategy for FMC approval	Complete												Complete per evidence in [redacted]
	1.5	Provide revised strategy for FMC and Board approval	Complete												
	1.6	Roll out updated and approved Energy Trading Strategy to all relevant teams	Complete												
TSR 2.3	2 - Energy Trading Policy	Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Comments
	2.1	Update procedure documents to reflect the monitoring and reporting requirements outlined in policy. Ensure that accountability between Front, Middle and Back Office for monitoring and reporting of positions, trades and compliance against approved trading plans are clearly established.	Complete												07.02.21 meeting with [redacted] rolled out to end of Feb to align with 2.3 action to provide draft to FMC
	2.2	Obtain external review of the Trading Policy	Complete												07.02.21 meeting with [redacted] rolled out to end of Feb to align with 2.3 action to provide draft to FMC
	2.3	Provide early draft FMC	Complete												
	2.4	Provide revised policy for FMC and Board approval	Complete												1.08.21 new policy submitted to FMC
TSR 2.4	3 - Governance, Reporting and Oversight from FMC & FMC	Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Comments
	3.1	Develop FMC & FMC reporting to ensure addition of trading activities for the month, alignment to approved strategy and front office assessment of trading performance and compliance monitoring.	Complete												01.11.20 - roll on track for completion 01.12.20 Complete evidence in [redacted]
	3.2	Develop Compliance report to be provided to FMC & FMC via monthly basis.	Complete												04.08.20 in October FMC report.
	3.3	Initiate position and settle for compliance of risk report.	Complete												01.12.20 complete

Complete per evidence in [redacted]

Complete per evidence in [redacted]

Complete per evidence in [redacted]

Project Title:		Theme 4 - People and Culture										Owners/s:		<add name/s>		
Current State		Target State										KPIs		Prioritisation		
		Target Completion Date					<add date>									
Resourcing and Support Required		Interdependencies/Other Items										Additional Commentary				
		<ul style="list-style-type: none"> 														
Report	Overall Project Key Milestones and Activities		Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Comments
	1 Function, Role and Accountability Alignment															Addresses TSII 2.2
	1.1	Develop template to capture Group/Team purpose, functions and structure			30.09.20										Complete	23.09.20 Template created to support recording of this and has been added in Voltron Project Files/Templates
	1.2	Define and document functional accountabilities of each group - Front, Middle, Back Office and Management Accounting?													Complete	13.11.20 timeline has been moved to align with Horizon 2 Activities
	1.3	Define and document key activities of each of the functional groups													Complete	13.11.20 timeline has been moved to align with Horizon 2 Activities 12.05.21 FWC have completed
	1.4	Determine teams and roles to support delivery of the groups functions and activities, noting resource numbers required and ensuring appropriate delineation of role activities as required.													On Track	13.11.20 timeline has been moved to align with Horizon 2 Activities
	1.5	Review/Create position descriptions in alignment with functional, activity, role requirements and what success in role looks like													On Track	13.11.20 timeline has been moved to align with Horizon 2 Activities
	1.6	Review outcome of above activities against existing structure to confirm alignment, gaps, and changes if required													On Track	13.11.20 timeline has been moved to align with Horizon 2 Activities
	1.7	Develop implementation plan to support any people changes that may be required accounting for team engagement and consultation requirements.													Not Started	13.11.20 timeline has been moved to align with Horizon 2 Activities
	1.8	Implement changes as required to structure and roles													Not Started	13.11.20 timeline has been moved to align with Horizon 2 Activities
	2 Competency, Development and Training															Addresses TSII 2.2
	2.1	Develop template to capture team member competency and skills requirements			30.09.20										Complete	23.09.20 Template created to support recording of this and has been added in Voltron Project Files/Templates
	2.2	Develop and document a skills, capability and training matrix for each role													On Track	05.02.21 [redacted] as updated, pushed out a month a [redacted] till to complete, agreed to have this done by the end of F
	2.3	Undertake review of personnel against the matrix to determine team/individual gaps													On Track	
	2.4	Feed gaps into team members personnel development													Not Started	
	3 Team and Behavioural Alignment															Addresses TSII 2.1
	3.1	Develop content for team building workshop - Provide clarity of team functions/cross team - Workshop defining what success looks (within and across teams) - Workshop defining what behaviours are required to support success - Workshop effective communication activities for in and across teams													On Track	10.09.20 Need to determine whether this is done with all teams across front, middle, back and management accounting or within functional teams 05.02.21 [redacted] agreed to get this started in Feb and aim for a [redacted] March
	3.2	Run facilitated workshop with the team													Not Started	
	3.3	Document outcomes from the workshop													Not Started	
	3.4	Re-share the outcomes with the workshop with the team to play back and gain agreement of success and behaviours													Not Started	
3.5	Ensure team behaviours are fed into the performance process, team meeting and prominently displayed													Not Started		

Project Title: Theme 3 - Process Improvement		Owners/s: <add name/s>															
Current State		Target State												KPIs		Prioritisation	
														Value		Ease	
		Target Completion Date <add date>												Value		Ease	
Resourcing and Support Required		Interdependencies/Other Items												Additional Commentary			
Report	1 Overall Project Key Milestones and Activities		Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Comments	
	1 Critical Process Review																
	1.1	Create a Process Matrix - Is there a process document, owner of the process, when was it last reviewed, when is it stored etc.	█	30.09.20											Complete	23.09.20 Template created to support recording of this and has been added in Volttron Project Files/Templates.	
	1.2	Determine critical processes for each of the functional groups/across group and overall accountability for the process	█												Complete	14.11.20 timeline has been moved to align with Horizon 2 activities - 07.03.21 meeting with ██████████ both indicated this is on track for completion at the end of Jan	
	1.3	Populate the Process Matrix	█												On Track	13.11.20 ██████████ has completed ██████████ still to finalise. Agreed to have this done by the end of Feb thus timeline moved out a month.	
	1.4	Develop plan to close any gaps identified in the Process Matrix	█												On Track	13.11.20 timeline has been moved to align with Horizon 2 Activities	
	1.5	Roll out refresh/changes to any of the processes to the appropriate teams	█												Not Started	13.11.20 timeline has been moved to align with Horizon 2 Activities	
	2 Reporting Review			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status		
	2.1	Develop a matrix to capture all reporting that is undertaken by all of the functional groups, capturing accountability, who is the audience, frequency, adequacy, opportunity for automation	█	30.09.20											Complete	07.03.21 meeting with ██████████ both indicated this is on track for completion at the end of Jan	
	2.2	Determine critical reports for each of the functional groups/across group and overall accountability for producing	█												Complete	05.02.21 ██████████ has completed ██████████ still to finalise. Agreed to have this done by the end of Feb thus timeline moved out a month.	
	2.3	Populate the Reporting Matrix	█												On Track	07.03.21 meeting with ██████████ both indicated this is on track for completion at the end of Jan	
	2.4	Develop plan to address any gaps or requirements	█												On Track		
	3 Business Modelling Review			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status		
	3.1	Develop a matrix to capture business critical modes, confirming owner, whether detail and assumptions are documented, internal and external review has been undertaken.	█	30.09.20											Complete	06.10.20 - Template created and has been added in Project Volttron Files/Templates folder	
	3.2	Populate Modelling Matrix	█												On Track	07.03.21 meeting with ██████████ both indicated this is on track for completion at the end of Jan	
	3.3	Develop plan to address any gaps in the modelling or requirements	█												Not Started	05.02.21 ██████████ has completed ██████████ still to finalise. Agreed to have this done by the end of Feb thus timeline moved out a month.	
	4 Trading Strategy Review - Process Improvement			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status		
	4.1	Institute quarterly review of Trading Strategy within Wholesale Portfolio team, to review execution against the KPIs and assess any course correction or adjustments required.	█												Complete	08.09.20 ██████████ documented in Front Office procedures; detail on Trading Strategy and Planning by (30 Sep 2020). 1st review in April 2021 of March quarter against approved Trading Strategy.	
	4.2	Documenting requirement in the FO procedure	█												Complete	07.12.20 Complete, evidence sent to ██████████	
	4.3	First review at the end of Q1	█												Complete	12.5.21 Complete	
	5 Trading Plan - Process Improvement			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Addresses TSI 1.2	
	5.1	Institute trading plan, to capture current tactics to execute on approved strategy and establish intended trading activity for the period (approximately monthly).	█	30.09.20											Complete	05.09.20 Trading plan cycle commenced in June 2020. Agreed processes for approval, amendment and review to be documented in Front Office procedures by 30 Sep 2020.	
	5.2	Produce summary of intended trading for tracking and discussion. Wholesale Transactions Manager monitors activity on a daily basis and weekly review of activity against plan with Head of Wholesale Portfolio.	█	30.09.20											Complete	05.10.20 Trading in place in elec cluster, weekly trading planning meeting established for the weekly review including WTM and HDWP.	
	5.3	Documentation for FO procedure to capture trading plan requirements including process for making adjustments within the month and completing an end of month review and look	█												Complete	05.10.20 this is underway and On Track to be completed by the end of October. 07.12.20 Complete evidence sent to ██████████	
	6 Update Position Reporting - Process Improvement			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Addresses TSI 1.3	
	6.1	Front office position report to be updated to show granularity of load forecast between segments and differentiation of expected volume vs fixed price exposure.	█	30.09.20											Complete	09.10.20 This has been completed.	
	6.2	Put in place checks between Front Office report and Middle Office position reporting	█												Complete	07.03.21 ██████████ provide update on progress, but will ensure it is completed by end Jan	
	6.3	Extend Smiles reporting to all future periods	█												Complete	08.09.20 Completed as per ██████████ spreadsheet update 07.09.20	
7 Viability of Trading Position, Strategy and Plans - Process Improvement			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status			
7.1	Commercial Risk added to relevant meetings - Sep 2020.	█	30.09.20											Complete	09.10.20 MD reps now invited to Monthly Market view and Trading Plan meetings, Wednesday contract trading meeting and we have weekly FOMO meeting.		
7.2	Develop summary level Trading Strategy / Plan info format for sharing outside team (i.e. Wed morning meetings, Strategy Alignment & Overview meeting) - Oct 2020	█												Complete	07.12.20 Complete evidence sent to ██████████		
8 Front Office FMC Report Improvements - Process Improvement			Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status			
8.1	Commentary and detail on trading activity (DONE June 2020)	█												Complete	14.09.20 This was completed in June 2020		
8.2	Add performance metrics including Smiles output (Oct 2020)	█												Complete	07.12.20 Complete evidence sent to ██████████		

Complete per evidence to ██████████ 12

Complete per evidence to ██████████ 12

Complete per evidence to ██████████ 12

Project Title:		Theme 5 - Systems & IT							Owners/s:		<add name/s>																
Current State		Target State			KPIs			Prioritisation																			
								<table border="1"> <tr> <td>Value</td> <td>H</td> <td>M</td> <td>L</td> </tr> <tr> <td>1</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td></td> <td></td> </tr> </table>				Value	H	M	L	1				2				3			
Value	H	M	L																								
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Resourcing and Support Required		Target Completion Date		<add date>		Additional Commentary																					
Report		Interdependencies/Other Items																									
Overall Project Key Milestones and Activities		Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Status	Comments												
5.1	Shiny virtual servers to host risk reporting dashboard													Complete	18.01.21 Meeting with [redacted] believes this has been completed and will confirm where we are with testing. 18.01.21 feedback from [redacted]. A security config was fixed last week and it is now with [redacted]. Will need to check in with [redacted] on his return.												
5.2	Lacima upgrade to support MTM, Position and Ear valuations													Complete	Has been prioritised by IS&S to be done in Q&20 18.01.21 There is a program for this with the vendor will send through the program to update high level timeframe in Voltron. Also arrange a meeting with [redacted] to confirm requirements. 18.01.21 [redacted] sent through milestones, on track for completion mid of Feb 17.5.21 Upgrade complete. Finalising testing/calibration												
5.3	Snaffle & Matillon access													On Track	18.01.21 Meeting with [redacted] to confirm status but believe this may be complete												
5.4	PowerBI Pro licenses													Complete	18.01.21 Meeting with [redacted] if licenses have been provided then this will be complete. [redacted] to confirm Licences												
5.5	Badger implementation													On Track	18.01.21 Meeting with [redacted] to follow up with [redacted] to confirm data requirements, if all there then this can be completed												
5.6	Monty production environment													On Track	18.01.21 Meeting with [redacted] to follow												
5.7														Not Started													
5.8														Not Started													
5.9														Not Started													
5.10														Not Started													
5.11														Not Started													
5.12														Not Started													
5.13														Not Started													
5.14														Not Started													
5.15														Not Started													
5.16														Not Started													

Documentation Review - actions, status and relevance							
August 2020 - KPMG Audit							
Reference in Doc	Action/Recommendation	Status of Action (Based on review)	Accountable	Still Relevant Y/N	Theme	Status	Comment/Evidence for Closure
1	Best practice methodology considerations Recommendation 1: Consideration should be given to the inter-regional spread calculations under the Basslink Service Agreement as was undertaken by ACIL Allen for the Wind Farm PPAs.	New	Head of Commercial Risk	N	Risk Management	Open	
2	Best practice methodology considerations Recommendation 2: Consider more advanced risk measures such as Potential Forward Exposure (PFE) for recognising credit risk adjustment the fair values of derivative contracts.	New	Head of Commercial Risk	N	Risk Management	Open	
3	Independent Review - no evidence of independent internal review of derivative and accounting results were evident	New	Head of Commercial Risk	Y	Process Improvement	Open	
4	Ongoing Validation of Credit Risk Data for derivative valuation purposes Recommendation: Hydro should consider finding alternative sources for credit spread data, or actively quantify the financial impact of the 1 month change in credit spreads when the market data is published by the RBA.	New	Head of Commercial Risk	N	Risk Management	Open	
5	Forecast Price Curve (STPB & LTPB) Completion Recommendation: That Hydro implement spot validation checks	New	Head of Commercial Risk	Y	Process Improvement	Open	
6	Conversion Factor for Wind Farm Price Forecasts Recommendation: forward looking data should be incorporated into management's valuation assumptions going forward	New	Head of Commercial Risk	N	Risk Management	Open	
7	Lead Volume Inputs Recommendation: Management had not appropriately assessed the current market and counterparty conditions on the MI and PPA contract valuations. The impact of COVID 19 should continue to be considered by management when assessing valuation assumptions.	New	Head of Commercial Risk	Y	Risk Management	Open	
8	Day 1 Calibration (Norske 2020) Recommendation: address the inconsistent treatment of a contract component in day 1 calculation and year end calculation	New	Head of Commercial Risk	N	Process Improvement	Open	
July 2020 - Trading Strategy Incident Investigation (external)							
Reference in Doc	Action/Recommendation	Status of Action (Based on review)	Accountable	Still Relevant Y/N	Theme	Status	Comment/Evidence for Closure
Recommendation 1.1	Energy Trading Strategy - Capture trading strategy for all meaningful trading activity and periods, ensure that all members of the trading team are fully engaged in this process to build awareness and support the strategy implementation. Capture lower level trading plans/facts as needed to support the implementation of Auditing strategy. Internal Auditors trading plans are being developed which align and roll-up to approved strategies. These documented plans/facts could then be used during daily and weekly trading team discussions and to provide clear rationale for individual (and aggregated) trading activity.	Partially Complete	Head of Wholesale Portfolio	Y	Gov & Oversight	Open	Covered
Recommendation 1.2	Trading Tactics - Implement measures within the trading team to ensure that transactional activity is aligned with approved trading strategy. These could include: • Documentation of Trading Tactics in support of the Trading Strategy this would be expected to be updated real time to reflect the latest thinking and strategic intent. This also expected to cover all tradeable periods and be used for discussion during daily/weekly meetings. • Pre-trade validation or at a minimum, end of day trading activity review from Front Office Management • Ongoing performance reviews against trading plans to ensure trading activity and performance is in line with strategy Undertake expanded communication effort and capability build for key areas of weakness identified (refer 2.1 & 2.2)	Partially Complete	Head of Wholesale Portfolio	Y	Process Improvement	Open	
Recommendation 1.3	Trading Oversight and Communication - Investigate communication protocols within the trading team to ensure transparency over trading activities and sharing of insights between traders and team management becomes commonplace. Ensure new position reporting is available that provides visibility to retail exposures to the necessary granularity and incorporates both a view of volume and price exposure. Improvements include (but not limited to): • Insight by year, state and segments (mass market, C&I / fixed price volumes) to allow for greater understanding of both volume and price exposure. • Coverage of medium and long term periods (not just 12-month view)	Partially Complete	Head of Wholesale Portfolio	Y	Process Improvement	Open	
Recommendation 1.4	Risk Measurement and Reporting - Undertake a review of the Risk Limit Framework in the context of required performance insight and risk measurement and reporting across the portfolio raised in this report. This is also expected to provide assessment on the adequacy of both the "energy" risk in the portfolio (traditionally captured through EaR and/or volumetric limits) and "capacity" risk (traditionally captured by scenario analysis, stress testing and/or volumetric limits). Conducts targeted independent (internal or external) review of the new Earnings at Risk measurement or "smiles" output to validate the soundness of the methodology undertaken and the accuracy of the implementation, implement material uplift to the Commercial Risk reporting to ensure the following components are covered within an independent report (at least each month): • Position report for all periods • Mark to market report for all periods • Commercial Risk commentary on the activity for the period and alignment with trading strategy • Assessment vs. risk limits including commentary where necessary • Incorporation of stress scenarios • Independent measurement of trader performance, utilising the smiles work More frequent reporting of aspects of this risk reporting should be considered on a daily or weekly basis (e.g. position report).	New	Head of Commercial Risk	Y	Risk Management	Open	
Recommendation 1.5	Effectiveness of Risk Oversight - Implement measures within the Commercial Risk team to effect more appropriate oversight of closer involvement and support to trading activity. These could include: • Closer working relationship and support/challenge/debate for the trading team • Driving visibility of trading tactics, plans and linkage to the trading strategy and active participation within weekly trading meetings to levy review and challenge to the front office • Formalised review of trading activity, with validation recorded, vs trading tactics and trading strategy Adopting reporting with risk appetite and monitoring of approved hedging strategies	New	Head of Commercial Risk	Y	Risk Management	Open	
Recommendation 2.1	Communication and Culture - Define target "constructive" culture for the Commercial Teams, including defining cultural levers to be used and actions to be taken to move towards this target state. It is also important that success measures are defined up-front to ensure progress can be tracked and outcomes defined. This requires open dialogue with all team members to ensure views and perspectives on the current culture and aspirational culture are shared in a safe forum where actions are agreed as a collective. It is also recommended that communication is deliberately expanded within the Commercial Teams (including Commercial Risk) as it relates to the trading strategy, trading tactics and current trading position to ensure transparency of activity and facilitate oversight and invite challenge.	New	Head of Wholesale Portfolio / Head of Commercial Risk	Y	People	Open	
Recommendation 2.2	Adequacy of current resourcing and capability alignment - Internal Audit understands restructuring of the Commercial Risk team has now been completed, creating increased capacity in the new structure for core middle office functions, including Risk Analysis and Risk Monitoring and Compliance. Internal Audit supports renewed focus on oversight and challenge, noting there are currently vacancies in the Senior Analyst Contract Management and Compliance, Senior Specialist Risk Models and Development roles. It is also recommended that the Commercial Team undertake an analysis of the resource capability required to achieve the culture defined in 2.1 and support the increased focus on oversight and challenge and trading plan facts development including associated analytical and quantitative skills. This should be compared to the current capability, skill sets and capacity of the team. Any areas of capacity and capability deficit should be identified, and plans put in place to address these gaps, including additional internal training and development where necessary.	Partially Complete	Head of Wholesale Portfolio / Head of Commercial Risk	Y	People	Open	
Recommendation 2.3	Energy Trading and Policy Standard - Review the updated trading policy considering the observations raised within this report and revised uplift work for "smiles" nearing completion. Ensure simplicity is paramount. Prepare or update procedure documents to reflect the monitoring and reporting requirements outlined in policy. Ensure that accountabilities between Front, Middle and Back Office for monitoring and reporting of positions, trades and compliance against approved trading plans are clearly articulated in Policy documents. This includes defining, implementing and monitoring compliance with trading strategy.	New	Head of Commercial Risk	Y	Gov & Oversight	Open	
Recommendation 2.4	Governance Reporting and Oversight from FMC and RMC - Materially uplift the FMC & RMC reporting to ensure the following components are covered within a Front Office / Commercial Report: • Commentary on trading activity for the month • Specific focus on alignment with approved trading strategy • Front Office assessment of trading performance (noting that an independent assessment is expected from the Middle Office). FMC & RMC are also expected to receive a monthly report from Commercial Risk.	Partially Complete	Head of Wholesale Portfolio	Y	Gov & Oversight	Open	
June 2020 - Wholesale Credit Risk Management Review by PwC							
Observation	Findings	Status	Accountable	Still Relevant Y/N	Theme	Status	Comment/Evidence for Closure
Observation 1	There are deficiencies with several key areas of the current Credit Policy and Wholesale Credit Standard where there is a lack of clarity on expected control activities and accountabilities leading to misalignment with current practice. Highlighting key areas for improvement, these included: • Stakeholder roles and accountabilities • Defining risk appetite and risk management principles • Hierarchies for decision making and scheduled monitoring activity • Documentation of credit risk assessments, credit limit decisions, and authorisations of new counterparties • Monitoring of counterparties, limits and exposures • Exceedance of limits and implementing trading halts Management agrees with the findings and will address the deficiencies identified in this review in the updated Credit Risk Policy due at the September 2020 RMC.	New	Head of Commercial Risk	Y	Gov & Oversight	Open	
Observation 2a	We observed a weak control environment including failure to detect issues in a timely manner, provide appropriate oversight of the credit risk exposures or proactive insight to those charged with governance. Recommendation 1: Update the Wholesale Credit Standard and New Counterparty Procedure Manual so that they reflect current approval processes. Ensure that the procedure details the conditions for approval and the approval process.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Recommendation 2: In order to ensure there is robust due diligence and credit risk assessment in place, for each new counterparty assessment a formal document should be completed which captures the onboarding and approval processes that includes corporate due diligence gathered about the counterparty and its directors, subjective factors, KYC scoring and credit risk assessments, the credit limit and tenure proposed and evidence of final approvals / review of process.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Recommendation 3: Due diligence should include subjective information such as whether directors have been involved in businesses that have gone into administration, clarity over an organisation's business model and consideration for whether the business conducts dubious activities.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Recommendation 4: An assessment template should be created for wholesale counterparties similar to the C&I example, showing all calculations leading to a final ratio out of 40 and the subsequent operating credit limit calculation.	New	Head of Commercial Risk	Y	Process Improvement	Open	
Observation 2b	Recommendation 5: Formalise documentation storage procedures to better evidence the credit risk assessment scoring, the calculation of the Maximum Credit Limit and authorisation of the Operational Credit Limit for wholesale counterparties.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Recommendation 6: Management's learnings from Zinc Energy and risk mitigation strategies associated with unrated / non-financial counterparties was to update policy requirements for upfront security. It is recommended that management review its credit risk mitigation and credit support policy clauses and ensure that this aligns with its risk appetite with counterparty risk profiles.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Recommendation 7: In order to mitigate the risk that changes in circumstances following ISDA executions and trades presents, Middle Office needs to put in place processes to check whether there has been any changes to counterparty which would impact on their original assessment or trigger a reassessment.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Weak control environment - lack of formal controls and performance of ongoing monitoring activities Recommendation 1: Formalising key control activities - Ensure that there are formalised detailed requirements and procedures which prescribe what is required (nature, timing and extent) to perform key control activities relating to ongoing monitoring and reporting activities (weekly exposure report review, on-going counterparty monitoring) and managing trading halts and situations where proposed trades would exceed limits (these need to be clear processes in place). These procedures and key control activities need to align with the Credit Policy and Wholesale Credit Standard.	New	Head of Commercial Risk	Y	Process Improvement	Open	
Observation 2b	Recommendation 2: Pre-trade counterparty checks • Procedures should be updated to ensure that prior to trades being approved by the Middle Office there has been a check to ensure that there has been no events or changes to a counterparty's circumstances that could impact the original credit risk assessment and current credit limit. Hydro Tasmania could take a risk-based approach to this i.e. applying this activity to riskier counterparties within their portfolio. • The Wholesale Credit Standard should be more explicit on Front Office seeking approval from Middle Office prior to executing any transaction that would result in counterparty exposure exceeding approved dollar or term limits, or any transaction originating when the current counterparty exposure is within 95% of the approved operating exposure limit.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Recommendation 3: Master list and change management - Hydro Tasmania needs to maintain a change log of the master counterparty worksheet to document dates, detail of the change and approver of changes to key counterparty details. This helps to ensure that there is auditability of changes but also demonstrates effective governance of changes and traceability to decisions being made affecting counterparty risk management.	New	Head of Commercial Risk	Y	Process Improvement	Open	
	Exposure measurement methodology is misaligned with industry standards and exposure monitoring is ineffective. Recommendation 1: Incorporate the use of the Potential Future Exposure metric which would enable exposure measurement to consider the movement of the forward curve, which mark-to-market cannot achieve on its own. The incorporation of this metric would bring Hydro Tasmania in line with its peers in the energy industry.	New	Head of Commercial Risk	Y	Risk Management	Open	

	<p>Recommendation 2: The exposure report should be updated to automatically call out counterparties that are:</p> <ul style="list-style-type: none"> - Within 20%, 10%, 5% of approved credit limits - Exceeding their operational limits and call out when trading half action is required - Put on 'watch' when approaching thresholds in order to ensure that these counterparties are closely monitored by Front and Middle Offices 	New	Head of Commercial Risk	Y	Risk Management	Open	
Observation 3	<p>Recommendation 3: Counterparty exposures could be aggregated by market segment, giving management a more accurate picture of potentially correlated counterparty exposures. Reporting should also enable portfolio exposure aggregation and assessment to be performed in line with the Credit Policy.</p> <p>Recommendation 4: While it is the commonly held view that Hydro Tasmania's trade volumes are sufficiently small that counterparty exposure can be managed by means of a weekly report, live reporting accessible to traders would undoubtedly decrease the risk of exposure limits being met or exceeded. However, system capabilities as an obvious consideration here and may preclude any improvements from being made.</p> <p>Recommendation 5: Formal meetings with Middle Office and Front Office should continue following the conclusion of the current COVID-19 disruption. Without putting pressure on limited resources, these meetings could include the review of the counterparty exposure report allowing teams to discuss / raise matters regarding potential trades or behaviours observed with counterparties. Actions from these meetings should be documented and tracked.</p>	New	Head of Commercial Risk	Y	Risk Management	Open	
Observation 4	<p>There are no formal processes and procedures to ensure continuous monitoring of counterparties including scheduled counterparty reassessments</p> <p>Recommendation: Hydro Tasmania should determine what ongoing monitoring is required and when (timing, nature and extent) and formalise this in its Policy and by documenting the required procedures.</p>	New	Head of Commercial Risk	Y	Risk Management	Open	
Observation 5	<p>Insufficient reporting provided to committees and those charged with governance:</p> <p>Recommendation: Credit Risk Reporting to the Finance Management Committee and Risk Committee should be enhanced in order to include information that enables the Committees to assess management's compliance with policies and procedures and to also enable proactive governance over credit risk.</p>	New	Head of Commercial Risk	Y	Risk Management	Open	
June 2019 - Audit Electricity Spot Trading by PwC							
Observation 1	<p>Clarity of accountability and overall process for maintaining of the Storage Operating Rules requires enhancement.</p> <p>ACTION 1: Develop a process which:</p> <ol style="list-style-type: none"> Manages review of Storage Operating Rules (SORs) to ensure compliance against the 3 yearly review requirement and ongoing business needs are addressed; Assigns suitable Subject Matter Experts (SMEs) to review; Tracks progress of SORs under review; and Generates a monthly report to FMC (for appropriate governance forum) informing of the status of SORs under review 	Closed - Per Internal Audit Update	Manager Production Strategy			Process Improvement	
Observation 1	<p>Clarity of accountability and overall process for maintaining of the Storage Operating Rules requires enhancement.</p> <p>ACTION 2: Develop a table following discussion with relevant SMEs; which assigns specific SOR update and review responsibilities to relevant Level 2 Managers under each of the SOR sub-headings.</p>	Closed - Per Internal Audit Update	Manager Production Strategy			Process Improvement	
Observation 1	<p>Clarity of accountability and overall process for maintaining of the Storage Operating Rules requires enhancement.</p> <p>ACTION 3: Modify SOR Change Management Document to reflect the above mentioned process and table.</p>	Partially Complete	Manager Production Strategy			Process Improvement	
Observation 2	<p>Increases the visibility and independence of Spot Trading performance measurement.</p> <p>Action: Spot Trading management will change the Daily Report to better highlight the presence of performance management statics and separately inform recipients of its presence and interpretation.</p>	Closed - Per Internal Audit Update	Head of Spot Trading			Gov & Oversight	
Dec 2018 Middle Office Review Report							
Captured in Voltron Project Plan							
G1	<p>Define trading risk appetite aligned to wider enterprise risk appetite - define and assess the adequacy of trading (electricity, gas and environmental products) risk appetite as implied through expected trading activities.</p>	Partially Complete	Head of Commercial Risk	Y	Risk Management		
G2	<p>Note that this will need to be assessed relative to the risk capacity, tolerance and appetite to be defined for all other material risks (e.g. operational, market, liquidity, credit, interest, etc.) within the organisation, which is currently in progress.</p> <p>Develop integrated Wholesale trading risk limit structures aligned to trading risk appetite - Integrated Wholesale trading risk limit structure aligned to trading risk appetite should be developed to provide management with a portfolio view of aggregated risk measure while enabling effective monitoring of individual risk limits, performance reporting and portfolio attribution.</p>	Partially Complete	Head of Commercial Risk	Y	Risk Management		
G3	<p>Develop trading performance measurement framework aligned to risk limit structure - Trading need to be given a 'playing field' to operate within and performance measurement against. To adequately measure performance of trading operations a defined KPI(s) must be formalised and agreed. This is usually driven by the desired strategic outcome of the business can take the form of a benchmark portfolio or trading approach, performance against a historical scenario or performance based on other factors (i.e. desire growth, hedge levels, pricing achieved).</p>	Partially Complete	Head of Commercial Risk	Y	Risk Management		
P1	<p>Define, formalise and assign core MO roles and responsibilities to key individuals - define core MO roles and responsibilities aligned to market practice focusing on exposure quantification against risk limits (inc. policy compliance, escalation and challenge with FO), risk and performance reporting and risk exposure analysis (supported by robust risk and pricing models). This should be formalised through responsibility assignment (RACI matrix and updated position descriptions) across all MO and FO (to the extent that activities involve MO touchpoints) activities. Buy - in from MO and FO managers will be key to establish the correct operating rhythm and enforce single points of accountability.</p>	Partially Complete	Head of Commercial Risk	Y	People		
P2	<p>Segregate core Middle Office responsibilities from non-core activities - Non-core MO activities such as trade support and other technical activities could be retained within MO however should be formally segregated from staff assigned with core MO activity.</p>	Partially Complete	Head of Commercial Risk	Y	People		
P3	<p>Up lift core MO capabilities to assume new responsibilities - Lift existing capability within the team to ensure that there is sufficient energy markets risk knowledge and understanding to effectively carry out core MO tasks by key individuals. This may range from formal cross training to sourcing additional resources (internal or external) with initial focus on quantitative market risk capabilities.</p>	Partially Complete	Head of Commercial Risk	Y	People & Culture		
R1	<p>Develop trading performance reporting aligned to proposed integrated risk limit structures - In combination with ensuring maturity and enabling future growth in the trading scope across electricity, EP and gas.</p>	Partially Complete	Head of Commercial Risk	Y	Gov & Oversight		
R2	<p>Develop new risk reporting framework aligned to proposed integrated risk limit structures - Provide further clarity and commentary around reported risk limits on an individual and aggregate basis. The current reporting format is difficult to interpret in aggregate given the different measurement units and periods. This is expected to improve based on the proposed risk limit structure, which provides an opportunity to redesign the associate risk reporting format and content.</p>	Partially Complete	Head of Commercial Risk	Y	Gov & Oversight		
R3	<p>Enhance management insight through incorporating stress testing and scenario analysis as part of regular risk reporting - Enhance risk measurement and reporting insights by developing and implementing scenario analysis and stress testing incorporating plausible financial and non-financial drivers to portfolio composition.</p>	Partially Complete	Head of Commercial Risk	Y	Gov & Oversight		
S1	<p>Maximise use of existing quantitative infrastructure through enhancing risk analytical capability with MO - Investment is required to enhance the analytical capability within the team to ensure key risk model outputs can be developed, maintained and interpreted by individuals with robust energy risk expertise. This is especially critical as the Business operates within an increasingly complex market and intends to extract the most value from its investment in Lacina.</p>	Partially Complete	Head of Commercial Risk	Y	People		
S2	<p>Streamline material C&I load update process - Opportunity to streamline the process to ensure timely and accurate reflection of material C&I load changes (new and load file provisioning).</p>	Partially Complete	Head of Commercial Risk	Y	Process Improvement		- this had me against it but it is about load data flowing from C&I contract management to back office. Talking to [redacted] she didn't think it was actually that relevant as back office use load data from Kat not from Allegro? may be worth you deciding whether there is an action required here
June 2018 - Audit Gas Trading by PwC							
Captured in Voltron Project Plan							
Observation 1	<p>Limited oversight and understanding of the financial performance of the gas portfolio</p> <p>Action 1: The current financial reports will include specific reports for the gas business and provided to the relevant stakeholders on a monthly basis.</p>	Closed - Per Internal Audit Update	Head of Wholesale Portfolio			Gov & Oversight	[redacted] provided evidence of this action being closed via email 08.10.20 Gas Performance Report - August 2020
Observation 1	<p>Limited oversight and understanding of the financial performance of the gas portfolio</p> <p>Action 2: Financial metrics for the measurement of gas trading strategy to be developed by Middle Office and WES.</p>	Partially Complete	Head of Wholesale Portfolio			Gov & Oversight	[redacted] - I think this is covered by the new portfolio limits / metrics in the monthly FMC reporting.
Observation 1	<p>Limited oversight and understanding of the financial performance of the gas portfolio</p> <p>Action 3: The transfer price setting mechanism will be formalised and approved by the FMC as required.</p>	Partially Complete	Head of Wholesale Portfolio			Gov & Oversight	This is done - the process for the transfer price is that it is proposed by Wholesale Portfolio, reviewed and endorsed by Commercial Risk and then approved by GM Retail, CCO and CFO.
Observation 2	<p>Risk limit framework could be enhanced to facilitate effective governance of the gas portfolio</p> <p>Action 1: Revised short term and long term volumetric limits will be considered provided acceptable portfolio risk exposures are maintained.</p>	Partially Complete	Head of Commercial Risk			Risk Management	[redacted] - I think this is covered by the new portfolio limits / metrics in the monthly FMC reporting.
Observation 2	<p>Risk limit framework could be enhanced to facilitate effective governance of the gas portfolio</p> <p>Action 2: Develop a matrix for stress testing of the portfolio for potential financial exposures and report the same. This measure to be aligned with financial reporting metrics.</p>	Partially Complete	Head of Commercial Risk			Risk Management	
Observation 3	<p>Communication protocols on gas trading strategy and operational procedures need to be enhanced to reflect the additional complexity in the portfolio</p> <p>Action 1: Implement a plan to increase the frequency of face to face interactions between Hobart and Melbourne team with immediate effect to avoid any communication gaps and increase collaboration.</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			People	
Observation 3	<p>Communication protocols on gas trading strategy and operational procedures need to be enhanced to reflect the additional complexity in the portfolio</p> <p>Action 2: A common document storage and information sharing platform will be implemented to have consistent and up to date information available to all members.</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			Systems/IT	
Observation 3	<p>Communication protocols on gas trading strategy and operational procedures need to be enhanced to reflect the additional complexity in the portfolio</p> <p>Action 3: Add appropriate training requirements to the relevant roles to ensure process familiarity.</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			People	
Observation 3	<p>Communication protocols on gas trading strategy and operational procedures need to be enhanced to reflect the additional complexity in the portfolio</p> <p>Action 4: The strategy documentation to be further enhanced by providing additional details and working notes to the strategy development and reviews. Roles and responsibilities of the Gas Analysts should be segregated.</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			Process Improvement	
Observation 4	<p>Action 1: Segregation of duties is a fundamental risk management control measure and with recent staff movements this risk has been eliminated. Gas analysis is now performed within the Wholesale Energy Services group with complete segregation from Middle Office.</p>	Closed - Evidenced Audit	Manager Middle Office			People	
Observation 5	<p>Manual capture of trading operational activity including contract and pipeline nominations and contract constraints such as 'Take or Pay' and other contractual terms heightens operational risk.</p> <p>Action 1: Contract constraints and key economic terms (including optionally) currently captured in the trading knowledge base to be centrally located or access granted for the entire Gas Portfolio Team</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			Systems/IT	
Observation 5	<p>Manual capture of trading operational activity including contract and pipeline nominations and contract constraints such as 'Take or Pay' and other contractual terms heightens operational risk.</p> <p>Action 2: A common document storage and information sharing platform will be used to capture single common version of process documents</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			Systems/IT	
Observation 6	<p>Contract governance process could be improved</p> <p>Action 1: Managements response to recommendations - In the foreseeable future the number of new Gas Supply Agreements is likely to be relatively small as we have master bilateral agreements in place with the majority of counterparties. The communication between the key internal sign off parties - Legal, Middle Office and Gas Portfolio is sufficient for the number of new contracts that are expected to be executed by Hydro Tasmania. An online or paper based system to replace the email approval process is currently unwarranted.</p> <p>However, as part of the internal sign off process, a standard deal capture template will be implemented to maintain consistency of information which can be stored in a shared platform for easy access</p>	Closed - Per Internal Audit Update	GM Gas Portfolio			Process Improvement	
September 2017 - Audit Environmental Products Trading Risk Management by PwC							
Captured in Voltron Project Plan							
Observation 1	<p>Transfer pricing methodology is not clearly articulated in policy and there is currently no agreed process for the development of a mechanism for transfer pricing of environmental products between the wholesale and retail businesses.</p> <p>Recommendation: Review policy and standards to ensure the responsibility for the development and agreement of a transfer pricing mechanism is clearly defined. Typically this will consider the strategic approach to retail opportunities, the mechanism for cost pass-through to customers, key price reference points and the approach around hedging of scheme liabilities.</p> <p>This should also clearly state a timeline for when an agreement should be reached. In the event that agreement is unable to be reached then an independent party with responsibility over the group as a whole should be nominated as having final responsibility.</p>	Closed - Per Internal Audit Update	(Manager Middle Office)			Process Improvement	
Observation 2	<p>The current limit structure and risk monitoring techniques are not able to provide key stakeholders with an indication of financial impact or a comprehensive understanding of risk inherent in the environmental products portfolio.</p> <p>Recommendation 1: Consider the use of portfolio wide financial based limit for the environmental products portfolio. This can be achieved through a simplified earnings based metric to capture potential earnings variability from market price and volume risk and provide a mechanism to contextualise regulatory and reputational risk.</p> <p>Develop scenario analysis, stress testing and sensitivity analysis to understand the impact of changes to regulatory environment, differing hydrological and generation profiles, price movements and to quantify the opportunity cost associated with compliance for reputation.</p>	Closed - Per Internal Audit Update	(Manager Middle Office)			Risk Management	
Observation 3	<p>The performance of the environmental products portfolio is not independently calculated or clearly and consistently reported.</p> <p>Recommendation: Develop and agree an appropriate structure that captures the mark-to-market movements and realised gains/losses of the environmental portfolio period on period against budgeted and contracted pass-through prices that is consistently reported to key stakeholders. This report should be independently prepared by the middle office. Increase the frequency of performance reporting for trading operations to support more informed trading decision making.</p>	Partially Complete	(Manager Middle Office)			Risk Management	

Observation 4	There is no formalised process or defined accountability for capturing retail customer environmental product obligation exemptions in the certificate forecasting. Recommendation: Develop a process for the capture of information for retail customers exempt from environmental product obligations including NMI reconciliation of exempt sites for forecasting purposes. Clearly articulate the roles and responsibilities associated with this process in relevant policy documents.	Partially Complete	(Manager Middle Office)	Process Improvement	
April 2017 - Audit Energy Trading Risk Management by PwC					
Captured in Voltron Project Plan					
Finding 1	The current articulation of risk appetite in combination with the risk measurement metrics, limits and performance reporting does not provide a transparent and cohesive risk framework to effectively govern trading activities. Recommendation 1: Seek structured dialogue between the Director and Management on the required enhancements to the energy trading governance framework (including articulation of risk appetite, existing limit structure and trading strategy) and conceptual alignment on how performance will be measured and reported to the Board and the delegated committees.	Partially Complete	Kate Gillies a/ CFO Director WES	Gov & Oversight	
Finding 1	The current articulation of risk appetite in combination with the risk measurement metrics, limits and performance reporting does not provide a transparent and cohesive risk framework to effectively govern trading activities. Recommendation 1: Develop a practical, action focussed roadmap to transition from current state to deliver the agreed outcomes from action 1 above. It is expected that existing exposure measurement methodologies will be heavily utilised with the effort focussed on quantitative refinement and scenario analysis / stress testing to provide the necessary transparency in the risk limits and clear linkage to risk appetite. Example outcomes include: • clear linkage between risk appetite, financial performance and risk limits ensuring alignment with the Treasurer's Instructions; • revised limit framework to address interstate basis risk, recalibrated ABT limits and simplified EAR limit definition; • a suite of portfolio scenario analysis utilised to calibrate and supplement defined metrics; and • defined approach to performance measurement including mechanism to set and assess trading strategy.	Partially Complete	Kate Gillies a/ CFO Director WES	Gov & Oversight	
Finding 2	Middle Office are Limited in their capacity to provide effective oversight and challenge to trading operations. Recommendation 1: In conjunction with IT, develop a roadmap to enable increasing frequency and reliability of risk reporting. This roadmap should consider the range of prioritised reporting requirements and articulate incremental actions and timing to move from reporting of critical information to a reporting environment that is capable of supporting strategic decisions. This must be considered in line with the recommendations from finding 1.	Partially Complete	Kate Gillies	Systems/IT	
Finding 2	Middle Office are Limited in their capacity to provide effective oversight and challenge to trading operations. Recommendation 2: Develop a plan for cross - training Middle Office team members that increases redundancy in Middle Office operations. This should include rotation of duties among staff and team training initiatives	Partially Complete	Kate Gillies	People	
Finding 2	Middle Office are Limited in their capacity to provide effective oversight and challenge to trading operations. Recommendation 3: Implement a formalised Middle Office review process for weekly risk reporting and the publishing of retail forecasts	Partially Complete	Kate Gillies	Gov & Oversight	
Finding 3	Current IT Infrastructure and applications do not support reliable and effective risk and performance reporting Recommendation 1: Define and implement reporting elements from daily position reporting from both a Front and Middle Office perspective.	Partially Complete		Systems/IT	
Finding 3	Current IT Infrastructure and applications do not support reliable and effective risk and performance reporting Recommendation 2: Continue to explore options for refining the calculation methodology and reducing elapsed time for the overnight position process in both Allegro and the Datamart.	Partially Complete		Systems/IT	
Finding 3	Current IT Infrastructure and applications do not support reliable and effective risk and performance reporting Recommendation 3: Consider redesign of the process to produce the existing position report to provide a more reliable robust run-time process. This could involve a parallel valuation run to only focus on volumetric analysis.	Partially Complete		Systems/IT	
Finding 3	Current IT Infrastructure and applications do not support reliable and effective risk and performance reporting Recommendation 4: Consider the use of data provisioning tools to allow the Front Office and Middle Office to take responsibility for aspects of the internal reporting process, allowing for more targeted deployment of existing IT resources on critical tasks.	Closed - Per Internal Audit Update		Systems/IT	
Finding 3	Current IT Infrastructure and applications do not support reliable and effective risk and performance reporting Recommendation 5: Enhance Front Office and Middle Office controls to ensure the accuracy of data provisioning tools and ensure data integrity.	Closed - Evidenced in Audit		Systems/IT	
Finding 4	There are a number of opportunities for trading and risk management processes to be made more reliable and provide greater control over trading operations Recommendation 1: Address the identified control deficiency to ensure all trades are accurately entered in Allegro and have the correct status by end of day.	Closed - Per Internal Audit Update	WES Manager	Risk Management	
Finding 4	There are a number of opportunities for trading and risk management processes to be made more reliable and provide greater control over trading operations Recommendation 2: Clearly define accountability for trade capture accuracy and associated control activities within Front and Middle Office. Verification against third party confirmation or broker statements performed by Middle Office is a key control activity, however the initial review of Allegro vs. Front Office email is not a critical review control and should be considered if resource allocation is justified for this activity.	Partially Complete	WES Manager	Process Improvement	
Finding 4	There are a number of opportunities for trading and risk management processes to be made more reliable and provide greater control over trading operations Recommendation 3: Enhance current processes to ensure that Finance have visibility over completion of the two person invoice check in Middle Office or are granted access to validate this independently in Allegro.	Closed - Per Internal Audit Update		Process Improvement	
Finding 5	There is no formalised model governance framework over critical models Recommendation 1: Develop and implement a formal governance framework over the EAR model defining roles and responsibilities, process for changes to and reporting of modelling methodology and assumptions, approvals, requirements for back testing and stress testing, timeframes for review and updates to specification documentation. The model governance framework should be clearly referenced in model specification, back testing results and related process documentation.	Partially Complete		Gov & Oversight	
February 2017 - Audit Water Management by PwC					
Captured in Voltron Project Plan					
Finding 1	TimeStudio has a number of structural and control shortcomings Recommendation: Development of a plan to ensure the functionality contained within TimeStudio is provided into the future with a focus on reducing critical systems risk to the business.	Partially Complete		Systems/IT	
Finding 2	Quantification of risk exposures and interrelationships between water management and broader wholesale management portfolio activities are not attributed to a common metric or subject to regular scenario analysis. Recommendation 1: Assess the feasibility of modelling solutions to facilitate the holistic measurement of risk to earnings that captures the relationships between water, gas and market operations and brings greater transparency and understanding of the wholesale portfolio to a wider audience. These should be viewed primarily through a risk and value (cost / benefit) lens. The audit team acknowledge that achieving a holistic measurement of key risks across the portfolio has been attempted before and approach/feasibility should be re-assessed	Open		Risk Management	
Finding 2	Quantification of risk exposures and interrelationships between water management and broader wholesale management portfolio activities are not attributed to a common metric or subject to regular scenario analysis. Recommendation 2: Develop a standard set of scenarios that can be run across all metrics in a single iteration to provide a holistic view of risk.	Closed - Per Internal Audit Update		Risk Management	
Finding 3	Hydrological modelling processes and documentation should be consolidated and formalised to create a more robust control environment Recommendation 1: Formalise the regular review and update process so that this may be evidenced	Closed - Per Internal Audit Update		Gov & Oversight	
Finding 3	Hydrological modelling processes and documentation should be consolidated and formalised to create a more robust control environment Recommendation 2: Formalise the attestation of the review of TimeStudio alerts so that this may be evidenced	Closed - Per Internal Audit Update		Gov & Oversight	
Finding 3	Hydrological modelling processes and documentation should be consolidated and formalised to create a more robust control environment Recommendation 3: Develop comprehensive documentation of the Tensim model defining the key areas noted including frequency of review and update	Closed - Per Internal Audit Update		Gov & Oversight	
Finding 3	Hydrological modelling processes and documentation should be consolidated and formalised to create a more robust control environment Recommendation 4: Develop and agree a comprehensive back-testing schedule linked to the Tensim model documentation defining the frequency and nature of back testing to be performed	Closed - Per Internal Audit Update		Gov & Oversight	
Finding 4	Water management activities relies on Line 1 functions to manage risk with limited Line 2 independent oversight Recommendation 1: Assign an independent area of the business responsibility for the execution and administration of second line risk management activities over water management processes and activities	Closed - Per Internal Audit Update		Risk Management	
Finding 4	Water management activities relies on Line 1 functions to manage risk with limited Line 2 independent oversight Recommendation 2: Second line activities should include modelling methodology review, challenge of model design, review of control design, operational control effectiveness testing and fit-for-purpose assessments	Closed - Per Internal Audit Update		Risk Management	
Finding 5	Our review of water management policy and framework identified a number of water management activities that are not comprehensively captured by the current documentation and opportunities to enhance the documentation structure and water risk management reporting. Recommendation 1: Develop an overarching Board approved Wholesale Portfolio Management Policy that clearly defines the purpose of the Guidelines, Storage Operating Rules and Storage Policy	Partially Complete		Gov & Oversight	
Finding 5	Our review of water management policy and framework identified a number of water management activities that are not comprehensively captured by the current documentation and opportunities to enhance the documentation structure and water risk management reporting. Recommendation 2: The policy should include governance processes during normal operations, roles and responsibilities, delegations of authority, review protocols, approval and reporting requirements, metrics and objectives	Partially Complete		Gov & Oversight	
Finding 5	Our review of water management policy and framework identified a number of water management activities that are not comprehensively captured by the current documentation and opportunities to enhance the documentation structure and water risk management reporting. Recommendation 3: The guidelines should include water management - specific crisis management	Partially Complete		Gov & Oversight	
Finding 5	Our review of water management policy and framework identified a number of water management activities that are not comprehensively captured by the current documentation and opportunities to enhance the documentation structure and water risk management reporting. Recommendation 4: Clearly define the processes for strategy setting, strategy review and approval, timing of any review and reference to the documentation of formal strategy	Partially Complete		Process Improvement	
Finding 5	Our review of water management policy and framework identified a number of water management activities that are not comprehensively captured by the current documentation and opportunities to enhance the documentation structure and water risk management reporting. Recommendation 5: Guidelines should be refined to include operational material relevant to overall portfolio level with storage operating rules containing individual operating requirements	Partially Complete		Process Improvement	
Finding 5	Our review of water management policy and framework identified a number of water management activities that are not comprehensively captured by the current documentation and opportunities to enhance the documentation structure and water risk management reporting. Recommendation 6: Reporting requirements should be enhanced to include relevant commentary on changes to inflows, forecast TEs, water management strategy and other key activities. Reporting requirements should be defined in the Wholesale Portfolio Management Policy or other relevant document as required	Partially Complete		Gov & Oversight	
May 2016 - Energy Trading Risk Management by EY					
Captured in Voltron Project Plan					
Finding 1	New and modified user access is appropriately established Recommendation: Introduce a new and modified user process, including for access to be reinstated, which requires dual approval for both access to the: • Allegro Retail Module • Individual Profile within the Allegro Retail Module	Closed - Evidenced in Audit	Business Managers, IT	Systems/IT	
Finding 2	Periodic user access reviews Recommendation: Perform and formally record user access reviews, every six months by: • Recording evidence of review, that is, record the marking of each user's access as appropriate by a tick or otherwise indicating how the access should be modified or revoked. • Recording evidence of actioning any of the Reviewer's revocations or modifications, within a timely manner, ought also to be obtained (generally a refreshed user listing with the changes suffices).	Closed - Per Internal Audit Update	Business Managers, IT	Systems/IT	
Finding 3	Failure to report non-performance of a key control as an incident Recommendation 1: Clarify what constitutes a reportable incident, and ensure the incident reporting process outlined in the Energy Trading Policy and Standards aligns to Management's expectations.	Closed - Per Internal Audit Update	Manager Middle Office	Gov & Oversight	
Finding 3	Failure to report non-performance of a key control as an incident Recommendation 2: Ensure that incidents are reported and escalated in a timely manner, and captured in the SAP breach register accordingly.	Closed - Per Internal Audit Update	Manager Middle Office	Gov & Oversight	
Finding 4	Breach materiality rating and reporting process Recommendation: Integrate the SAP risk assessment into the current FMC Incident Report, so that the risk rating of a potential breach is confirmed by the FMC, ensuring it is then reflected in SAP by the Incident Owner	Closed - Per Internal Audit Update	Manager Middle Office	Risk Management	
Finding 5	New and modified user access process Recommendation: Introduce a modified user process which requires dual approval for both access to: • Allegro Retail Module. • Individual Profile within the Allegro Retail Module.	Closed - Evidenced in Audit	Business Managers, IT	Gov & Oversight	
Finding 6	Privileged access is restricted to appropriate individuals Recommendation 1: Undertake a formal post-implementation user access review of the Allegro Retail Module.	Closed - Per Internal Audit Update	Business Managers, IT	Systems/IT	
Finding 6	Privileged access is restricted to appropriate individuals Recommendation 2: Remove the privileged access for all non-IT Support personnel (post-implementation).	Closed - Evidenced in Audit	Business Managers, IT	Systems/IT	
Finding 7	Segregation of duties in the manage change environment Recommendation 1: Undertake a formal post-implementation user access review of the Allegro Retail Module.	Closed - Per Internal Audit Update	Business Managers, IT	Gov & Oversight	
Finding 7	Segregation of duties in the manage change environment Recommendation 2: Remove the privileged access for all non-IT Support personnel (post-implementation).	Closed - Evidenced in Audit	Business Managers, IT	Gov & Oversight	
Finding 8	Policies do not prescribe that terminated user access be deactivated in a timely basis Recommendation: Design and document appropriate time frames in which a user's access should be revoked following a user's termination, and ensure that the termination timeframes are adhered to	Closed - Per Internal Audit Update	IT Risk Manager & IT Manager	Process Improvement	
Finding 9	Periodic user access review policy Recommendation: Ensure that the frequency of user access review of Allegro Retail Module is consistent with Hydro Tasmania ICT Security Standard.	Closed - Per Internal Audit Update	IT Risk Manager	Process Improvement	
Finding 10	Updates to Policy to reflect current practice Recommendation 1: Update wording to the Energy Trading Standard - Wholesale to reflect that the Energy Risk Report is to be produced weekly, while other reporting may still be produced on a daily basis as required, e.g. position reporting from Datamart	Closed - Per Internal Audit Update	Manager Middle Office	Gov & Oversight	
Finding 10	Updates to Policy to reflect current practice Recommendation 2: Update the wording in the Energy Trading Policy and Standard (Wholesale) to reflect that the FMC only require EAR stress testing results to be reported at their request	Closed - Per Internal Audit Update	Manager Middle Office	Gov & Oversight	

Finding 10	Updates to Policy to reflect current practice Recommendation 3: Review the approved instruments and approved product table in section 4.1 of the Energy Trading Standard – Wholesale to provide additional clarity. Consider having a separate table for Energy, EP and Weather derivatives. This will allow additional granularity under each product type.	Closed - Per Internal Audit Update	Manager Middle Office		Process Improvement	
May 2015 - Energy Trading Risk Management by EY						
Finding 1	Segregation of duties FO users able to change SFE futures to expired Recommendation 1: Amend Allegro so FO cannot modify deals in the MO Validated status.	Closed - Evidenced in Audit	Wholesale Transactions Manager		Risk Management	Captured in Voltron Project Plan
Finding 1	Segregation of duties FO users able to change SFE futures to expired Recommendation 2: Review Allegro configuration to ensure other system enforced Segregation of Duties controls have been implemented correctly.	Closed - Evidenced in Audit	Wholesale Transactions Manager		Gov & Oversight	
Finding 2	MO review of OTC curves Recommendation: Middle office implements a formalised and documented review of the OTC curves against a secondary source, incorporating progress/review sign-off, acceptable tolerances and store the relevant documentation.	Closed - Per Internal Audit	Manager Middle Office		Gov & Oversight	
Finding 3	Daily Risk Reporting Recommendation 1: Produce the Energy Risk Report and EP Risk Report on a daily basis.	Closed - Evidenced in Audit	Manager Middle Office		Risk Management	
Finding 3	Daily Risk Reporting Recommendation 2: Continue to develop Allegro energy and environmental product reporting capabilities.	Closed - Evidenced in Audit	Manager Middle Office		Risk Management	
Finding 3	Daily Risk Reporting Recommendation 3: Prioritise system stability issues that are currently preventing these reports being run using Allegro data.	Closed - Evidenced in Audit	Manager Middle Office		Risk Management	
Finding 4	Daily Broker Reconciliations Recommendation 1: Ensure the requirement that the broker reconciliations are performed daily.	Closed - Per Internal Audit	Manager Middle Office		Process Improvement	
Finding 4	Daily Broker Reconciliations Recommendation 2: Design and implement this reconciliation for Allegro, prior to turning off NEMPower.	Closed - Per Internal Audit	Manager Middle Office		Process Improvement	
Finding 5	Static data Recommendation 1: Implement preparer and reviewer controls on static data in Allegro.	Closed - Per Internal Audit	Manager Middle Office		Risk Management	
Finding 5	Static data Recommendation 2: In addition, periodic review of static data can detect changes to parameters (e.g. trader limits and counterparty credit risk limits) that were not implemented in the system.	Closed - Per Internal Audit	Manager Middle Office		Risk Management	
Finding 6	Deal validation process Recommendation 1: Modify the deal entry process, such that deals entered require a second staff to validate, and do not require MO validation.	Closed - Evidenced in Audit	Wholesale Transactions Manager		Process Improvement	
Finding 6	Deal validation process Recommendation 1: Following implementation of the recommendation above, the email from FO to the new trades inbox becomes redundant. Management should consider removing the email requirement from the trade entry/validation process.	Closed - Per Internal Audit	Wholesale Transactions Manager		Process Improvement	
Finding 7	New user process and logical access policy Recommendation: Design and document a new user process, and ensure the new user process is adhered to.	Closed - Per Internal Audit	Manager Middle Office		Process Improvement	
Finding 8	Allegro deal entry user interface Recommendation: Enhance the Allegro user interface to include more data consistency checks and minimise number of inputs required. For example: • Electricity futures should select "Exchange Swap", and the only product types available are SFE futures. • Load following swaps should have the metered box automatically ticked, while shaped swaps have the metered box automatically unticked.	Closed - Per Internal Audit	Wholesale Transactions Manager / Digital and Mobility Manager		Systems/IT	
Finding 9	Settlement matching process Recommendation 1: Formalise this control, such that documented evidence is maintained showing that the comparison between Allegro and counterparty calculations has occurred with associated preparer/reviewer controls and materiality thresholds applied.	Closed - Per Internal Audit	Manager Middle Office		Process Improvement	
Finding 9	Settlement matching process Recommendation 2: Consider the cost/benefit of further automating this process by enhancing Allegro or using spreadsheets to mitigate human errors and reduce number of manual steps. While the entering of counterparty settlement amounts would still be manual, the extraction of Allegro settlement amounts, calculation of differences and entry of required adjustments for invoicing into Allegro could be more automated.	Closed - Per Internal Audit	Manager Middle Office		Systems/IT	
April 2015 - Wholesale Regulated Pricing by EY						
Finding 1	Lack of independent checks for the regulated wholesale pricing weekly offer process Recommendation 1: Front office, as an independent department who performs the risk role over front office, should assign a staff member to perform a weekly review of the Wholesale regulated pricing model. This review can either be in the form of reperforming the process (model inputs) parallel to front office or performing a stage gate validation check of the model.	Closed - Per Internal Audit	Manager Middle Office		Gov & Oversight	
Finding 1	Lack of independent checks for the regulated wholesale pricing weekly offer process Recommendation 2: A standards and procedures document should formally document detailed instructions, delegations for the independent checks.	Closed - Per Internal Audit	Manager Middle Office		Gov & Oversight	
Finding 2	Guideline breach clause 3.4.2.2 - Standard pricing template not used by retailers for 50% of regulated trades in FY 2015 to date Recommendation 1: Educate traders, front office and middle office staff on the need to only accept nominations from retailers when the Hydro Tasmania standard pricing template is used. If the retailer requests a trade on email or verbally via telephone, the retailer must be advised to utilise the template in order to confirm the nomination.	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale		People	
Finding 2	Guideline breach clause 3.4.2.2 - Standard pricing template not used by retailers for 50% of regulated trades in FY 2015 to date Recommendation 2: In order to improve retailer's knowledge and access to the template, the Hydro Tasmania website should clearly state that the standard pricing template must be used to submit a nomination.	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale		People	
Finding 3	Lack of independent review and reliance on manual processes for quarterly Management Reporting on the performance of the wholesale pricing process Recommendation 1: To maintain independence, assign the quarterly management reporting task to Middle Office. If this is not feasible, assign an independent reviewer of the management reporting prepared by the Trading Analyst before this is sent to Hydro Tasmania's Regulatory Manager.	Closed - Per Internal Audit	Finance Risk & Forecasting Analyst		Gov & Oversight	
Finding 3	Lack of independent review and reliance on manual processes for quarterly Management Reporting on the performance of the wholesale pricing process Recommendation 2: Consider exploring opportunities for Allegro to automate the management reporting process, whereby the report can be extracted directly through the system by all authorised users (such as the Regulatory Manager)	Closed - Per Internal Audit	Finance Risk & Forecasting Analyst		Systems/IT	
Finding 4	Quarterly Net System Load Profile (NSLP) is manual and presents risk of error Recommendation: Consider opportunities to automate and shift the NSLP data load process to Data Mart. If the NSLP data can be available in Data Mart (through AEMO) on a weekly basis, a report can be generated for access to authorised users, such as the Trading Analyst, who can feed this directly onto the quarterly model for reporting.	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale		Systems/IT	
Finding 5	Lack of readiness of contingency staff for acting duties in absence of Trading Analyst Recommendation: Responsibilities should be assigned and formal training provided to a staff member other than the Trading Analyst to perform the regulated wholesale pricing process. The responsibilities should be actively monitored through assignment of position description KPIs	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale		People	
Finding 6	No evidence (audit trace or commentary) on variances for 3/10 of weekly volume samples tested Recommendation 1: Investigate the variances noted to ensure sufficient commentary and supporting documentation is available for validation	Closed - Per Internal Audit	Forecasting Manager & Principle Risk Analyst		Gov & Oversight	
Finding 6	No evidence (audit trace or commentary) on variances for 3/10 of weekly volume samples tested Recommendation 2: Consider preparing a detailed contingency guideline to provide some guidance to both Front Office and Middle Office as to what level of detail is required in the commentary that is entered into Allegro regarding each deal	Closed - Per Internal Audit	Forecasting Manager & Principle Risk Analyst		Gov & Oversight	
Finding 6	No evidence (audit trace or commentary) on variances for 3/10 of weekly volume samples tested Recommendation 3: Ensure a rapid transition from NEMPower to Allegro, with the aim of a future state when NEMPower is phased out and data is only inputted and extracted from Allegro	Closed - Per Internal Audit	Forecasting Manager & Principle Risk Analyst		Systems/IT	
Finding 7	Approval and formal roll-out of the Regulated Pricing input procedures document & Process Overview document Recommendation: A standards document should be created which outlines objectives and responsibilities of the wholesale pricing process. This should incorporate overview of the process from the process overview document currently in place. Once completed, this should be attached to the Procedures (Instructions) document currently in place and approved by the Manager Front Office and Middle Office.	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale		Process Improvement	
Finding 8	Access control and File labelling deficiencies Recommendation 1: Develop a User Access procedure document for Enterprise Connect which includes: • Defined user group profiles and responsibilities • User access review frequency	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale Transactions		Process Improvement	
Finding 8	Access control and File labelling deficiencies Recommendation 2: Ideally an independent function, such as Hydro Tasmania IT department should be responsible for access control on Enterprise connect.	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale Transactions		Systems/IT	
Finding 8	Access control and File labelling deficiencies Recommendation 3: Management to communicate expectations to Front Office and Middle Office staff on file labelling and records management expectations. In addition to putting dates on the names of the different versions of a file, files should also be clearly labelled to reflect which version it is, e.g. a dryrun version, final version, draft version etc.	Closed - Per Internal Audit	Trading Analyst & Manager Wholesale Transactions		People	
May 2014 - Wholesale Pricing by HT						
Finding 1	Manual input update processing procedures Recommendation 1: Review weekly and quarterly input data processing and seek to automate data transformation where possible.	Closed - Per Internal Audit	Director Wholesale Energy Services		Systems/IT	Captured in Voltron Project Plan
Finding 1	Manual input update processing procedures Recommendation 2: Review evidence maintained of processing undertaken to demonstrate the audit trail of data sourced for input to the pricing model.	Closed - Per Internal Audit	Trading Analyst		Gov & Oversight	
Finding 1	Manual input update processing procedures Recommendation 3: Review procedural documentation to ensure sufficient for alternative staff to complete required weekly and quarterly update to model inputs.	Closed - Per Internal Audit	Trading Analyst		Process Improvement	
Finding 2	Documentation of weekly offer process Recommendation 1: Review the documentation retained for each weekly offer process, in addition to the pricing models, such as evidence of source data, pre-processing of input data, published weekly offer outputs, evidence of reviews performed and other data required to demonstrate compliance.	Closed - Per Internal Audit	Manager Wholesale Transactions		Gov & Oversight	
Finding 2	Documentation of weekly offer process Recommendation 2: Consider the longer term requirements for appropriate storage and maintenance of documentation retained by utilising SharePoint or other enterprise content management tools.	Closed - Per Internal Audit	Manager Wholesale Transactions		Systems/IT	
Finding 3	Controls over the wholesale pricing models Recommendation 1: Utilise password controls to enforce sheet protection	Closed - Per Internal Audit	Trading Analyst		Risk Management	
Finding 4	Controls over the wholesale pricing models Recommendation 2: Lock Regulator v instrument parameters within the spreadsheet model	Closed - Per Internal Audit	Trading Analyst		Risk Management	
Finding 4	Controls over the wholesale pricing models Recommendation 3: Restrict access to the pricing models via fileshare restrictions and / or spreadsheet passwords.	Closed - Per Internal Audit	Trading Analyst		Risk Management	
Finding 4	Controls over the wholesale pricing models Recommendation 4: Review the level of audit logging, backup and disaster recovery provided by the Wholesale Energy Services fileshare environment.	Closed - Per Internal Audit	Trading Analyst		Risk Management	
Finding 4	Controls over the wholesale pricing models Recommendation 5: Consider the longer term requirements for version control over the pricing models utilising SharePoint or other enterprise content management tools.	Closed - Per Internal Audit	Trading Analyst		Systems/IT	
April 2014 - Energy Trading Risk Management by EY						
Finding 1	Segregation of duties and alignment of responsibilities with advanced industry practice Recommendation 1: Consider moving deal confirmation procedures from middle office back office.	Closed - Per Internal Audit	CFO		People	Captured in Voltron Project Plan
Finding 1	Segregation of duties and alignment of responsibilities with advanced industry practice Recommendation 2: Consider moving authorisation of settlements procedures to back office.	Closed - Per Internal Audit	CFO		People	
Finding 1	Segregation of duties and alignment of responsibilities with advanced industry practice Recommendation 3: Consider moving deal forecasting procedures to front office.	Closed - Per Internal Audit	CFO/DWM		People	
Finding 1	Segregation of duties and alignment of responsibilities with advanced industry practice Recommendation 4: Consider moving deal entry for non-standard deals to front office.	Closed - Per Internal Audit	CFO/DWM		People	
Finding 1	Segregation of duties and alignment of responsibilities with advanced industry practice Recommendation 5: Transfer of the responsibility of valuing options for purposes of trading performance reporting to middle office.	Closed - Per Internal Audit	CFO/DWM		People	
Finding 2	System limitations and manual procedures - acknowledged that ETRM will address most of the system limitations and manual processes. Recommendation 2: Implement independent review of position reports prior to release	Closed - Per Internal Audit	Manager Middle Office		Systems/IT	
Finding 2	System limitations and manual procedures - acknowledged that ETRM will address most of the system limitations and manual processes. Recommendation 2: Reconciliation of trading performance P&L to the financial statements.	Closed - Per Internal Audit	Manager Middle Office		Systems/IT	
Finding 2	System limitations and manual procedures - acknowledged that ETRM will address most of the system limitations and manual processes. Recommendation 3: Formalise and standardise the control environment for any products / functions that may not be able to be captured within Allegro.	Closed - Per Internal Audit	Manager Middle Office		Systems/IT	
Finding 3	Insufficient capacity in middle office Recommendation 2: Increase support for middle office especially during the duration of the ETRM project, such as hiring temporary staff members to perform routine procedures.	Closed - Per Internal Audit	CFO/DWM		People	
Finding 3	Insufficient capacity in middle office Recommendation 1: Transfer of procedures that are not related to risk measurement and monitoring from middle office to front or back office.	Closed - Per Internal Audit	CFO/DWM		People	
Finding 4	Retail load data quality Recommendation 1: Consider using AEMO data or sales estimates alternatively for load forecasting purposes as part of the ETRM project.	Closed - Per Internal Audit	CFO		Process Improvement	
Finding 4	Retail load data quality Recommendation 2: Consult with Momentum to improve accuracy, timeliness and completeness of retail load.	Closed - Evidenced in Audit	CFO		Process Improvement	
Finding 5	Risk monitoring and reporting framework Recommendation 1: Review trading cash limit and consider establishing a new limit based on outcomes of stress scenarios.	Closed - Evidenced in Audit	Manager Middle Office		Risk Management	
Finding 5	Risk monitoring and reporting framework Recommendation 2: Review risk reporting to determine if weather derivatives can be included. We acknowledge that this is part of the ETRM scope.	Closed - Evidenced in Audit	Manager Middle Office		Risk Management	
Finding 5	Risk monitoring and reporting framework - ETRM will address 31.12.2014 Recommendation 3: Update the credit limits in the Energy Risk Report to be consistent with the Credit Standard.	Closed - Evidenced in Audit	Manager Middle Office		Gov & Oversight	
Finding 5	Risk monitoring and reporting framework - ETRM will address 31.12.2014 Recommendation 4: Consider moving deal entry on operational risk metrics.	Closed - Evidenced in Audit	Manager Middle Office		Risk Management	
Finding 6	Policy and documentation improvements Recommendation 1: Ensure Trading Strategy is developed to comply with the Energy Trading Policy.	Closed - Evidenced in Audit	CFO/DWM		Gov & Oversight	

Finding 6	Policy and documentation improvements Recommendation 2: Update the Energy Trading Policy to include reporting requirements and frequency of provision of Energy Trading Mandate to counterparties.	Closed - Evidenced in Audit	CFO/DWM	Gov & Oversight	
Finding 6	Policy and documentation improvements - ETRM process will define 31.12.2014 Recommendation 3: Develop procedural requirements for the performance reporting process.	Closed - Evidenced in Audit	CFO/DWM	Process Improvement	
Finding 6	Policy and documentation improvements Recommendation 4: Develop procedural requirements for load forecasting procedures.	Closed - Evidenced in Audit	CFO/DWM	Process Improvement	
Finding 7	Incident and breach reporting compliance framework Recommendation 1: A review should be performed of the incidents recorded in the incident register to ensure all relevant incidents are captured.	Closed - Evidenced in Audit	Corporation Compliance Officer	Gov & Oversight	
Finding 7	Incident and breach reporting compliance framework Recommendation 2: Review and update the incident register to address any incomplete entries.	Closed - Evidenced in Audit	Corporation Compliance Officer	Gov & Oversight	
Finding 7	Incident and breach reporting compliance framework Recommendation 3: Determine formal materiality thresholds and guidelines on escalation to the Board for significant incidents.	Closed - Evidenced in Audit	General Counsel	Gov & Oversight	
Finding 8	Weather derivative process improvements Recommendation 1: Review the non-standard contract register to ensure all deal details are captured.	Closed - Evidenced in Audit	Manager Middle Office	Process Improvement	
Finding 8	Weather derivative process improvements Recommendation 2: Implement independent review of weather derivatives entry by a second staff member.	Closed - Evidenced in Audit	Manager Middle Office	Process Improvement	
Finding 8	Weather derivative process improvements Recommendation 3: Maintain evidence of signed weather derivative confirmations in a centralised location.	Closed - Evidenced in Audit	Manager Middle Office	Process Improvement	
April 2013 - Review of Trading Strategy 2012/13 and Retail Pricing Model by Crowe Horwath					
Captured in Voltron Project Plan					
2.4 (1)	Optimising Revenue from Carbon legislation Recommendation 1: Increased monitoring of water levels, carbon prices and inflow expectations.	Closed - Evidenced in Audit	Manager Portfolio Strategy	Gov & Oversight	
2.4 (2)	To support the growth of MOM as a retailer Recommendation 1: Develop targeted potential longer terms deals and seek out alternative deals	Closed - Per Internal Audit	Manager Portfolio Strategy	Process Improvement	
2.4 (2)	To support the growth of MOM as a retailer Recommendation 2: Assist in any NSW asset purchase including planning for managing the long position of being successful	Closed - Evidenced in Audit	Manager Portfolio Strategy	Process Improvement	
2.4 (2)	To support the growth of MOM as a retailer Recommendation 3: Engaging directly with MOM to evaluate their interaction with Hydro so as to seek improvements or efficiency savings.	Closed - Per Internal Audit	Manager Portfolio Strategy	Process Improvement	
3.5 (1)	Data integrity - Review focused around the accuracy of data inputs in the process of both manual (user) and automatic (Macro based) exchanges Recommendation: Enhance authentication, cross checking, peer review, and validation mechanisms to ensure integrity of data exchange around following process: • Origin of MOM email; • MOM's collection of customer load data • Manual 'copy & paste' of historical customer load data, custom price shape; • Macro enable data exchange between database, forward market prices, and pricing tool; • Activity log in Remedy (Incident Management System) for irregular database activity or access breach	Closed - Per Internal Audit	Manager Wholesale Customer Pricing	Risk Management	
3.5 (2)	Documentation and model assumptions Recommendation: High level of dependence on the experience and knowledge of traders and analysts, out-dated user manual and not all relevant documentation stored in SharePoint. • Update user manual for the pricing tool and MATLAB script including guidelines around the interpretation of qualitative factors and a checklist ensuring a minimum coverage of common formulation of the final quote • Increase level of peer review for 'Custom' price curves created by Senior Energy Trader • Safely secure all relevant documents in the appropriate database.	Closed - Per Internal Audit	Manager Contract Trading	Process Improvement	
3.5 (3)	Operation of the pricing tool Recommendation: Issues identified around no regular cross checking mechanism for accuracy of MATLAB modelling logic and policy and guidelines around the reason, methodology, and approval of a re-price or price overwrite. • Implement regular checks of MATLAB script ensuring validity of modelling logic • Create policy and guidelines for recording of a re-price and over-write	Closed - Per Internal Audit	Manager Contract Trading	Process Improvement	
3.5 (4)	Change Control Procedures Recommendation: Issues identified regarding lack of formal change control procedures for the pricing tool and MATLAB script and information systems access policy and organisational changes. • A formal change control procedure for the pricing tool and MATLAB script ensuring all users are aware of any changes on an operational and technical (change of modelling logic) level • Explore ISG access policy and enforce alignment by CTG	Closed - Per Internal Audit	Manager Contract Trading	Process Improvement	
February 2013 - Review of Environmental Energy Products by MT					
Captured in Voltron Project Plan					
2.1	Breach of IT Security and IT Network Standards Recommendation: A Graduate Analyst is using the Senior Environmental Energy Trader (Commercial) network logon and password. This was arranged in order for the Graduate analyst to have access to Reuters and emails from counterparties. A breach report is required to be completed. Appropriate access should be arranged to systems required and logon details must not be shared.	Closed - Evidenced in Audit	Manager Contract Trading	Gov & Oversight	
2.2	Completion of deal files Recommendation: Two deal tickets were completed in pencil. As the EEPs system cannot produce electronic deal tickets, they are required to be completed manually. Deal tickets must be completed in ink to ensure that they are not altered.	Closed - Evidenced in Audit	Manager Contract Trading	Risk Management	
2.3	Authorisation of trades Recommendation: When deals were undertaken by traders outside their authority, approval to undertake the trade was not always provided. The deal slip should be signed by the person authorising the trade or documentation approving the deal (email) should be attached. This is detailed in the Front Office EEP Procedures that the authorisation must be in writing. Middle Office should request written authorisation from the trader where deals are undertaken outside limits.	Closed - Per Internal Audit	Financial Risk & Forecasting	Gov & Oversight	
2.4	Policy Framework Recommendation: The Policy Framework did not have current versions of procedures for EEP. There is an internal site which is used by Trading for documents relevant to Front Office. The Policy Framework should contain the current authorised versions of the Standards and Procedures. The Energy Trading Policy Framework is reviewed to ensure all documents are the correct version.	Closed - Per Internal Audit	Manager Financial Risk & Forecasting	Gov & Oversight	
2.5	Settlement Procedures Recommendation: There is no current Settlement Procedures available to guide users what tasks are required to be undertaken in the settlement of EEPs. An old version was provided but requires updating to current procedures. Settlement procedures be documented and placed on the Policy Framework.	Closed - Per Internal Audit	Manager Financial Risk & Forecasting	Gov & Oversight	
August 2012 - Earnings-at-Risk Internal Audit by EY					
Captured in Voltron Project Plan					
Section 2 EaR Element (1)	Historical Spot Price Recommendation: We recommend Hydro Tasmania document this historical spot price parameterisation process to ensure a consistent approach is applied going forward. This documentation should also alleviate concerns regarding key person risk.	Closed - Evidenced in Audit	██████████	Process Improvement	
Section 2 EaR Element (2)	Historical Mainland Demand ("Retail Demand") Recommendation: We recommend that Hydro Tasmania update documentation to clearly indicate how often calibration should be checked/re-performed. We recommend that Hydro Tasmania over time perform analysis on correlation between demands of various regions to reach a conclusion on whether it should be factored into rA.	Closed - Evidenced in Audit	██████████	Gov & Oversight	
Section 2 EaR Element (3)	Historical TAS Demand Recommendation: We recommend that Hydro Tasmania document the Tasmanian demand parameterisation process to ensure a consistent approach is applied going forward. This should also help to alleviate key person risk.	Closed - Evidenced in Audit	██████████	Process Improvement	
Section 2 EaR Element (4)	Other Contracts (SRA, Retail, etc) Recommendation: We recommend that Hydro Tasmania look into the feasibility of capturing and reporting the environmental products exposure from a risk perspective. We recommend that Hydro Tasmania assess the materiality of the main elements of the Baslink services agreement and the feasibility of capturing it within rA.	██████████	██████████	Risk Management	
Section 2 EaR Element (5)	Generation (Hydro, TVPS, Wind) Recommendation: We recommend that Hydro Tasmania incorporate the impact of wind generation as part of the EaR framework for completeness. This reflects our observations of current market practice regarding risk reporting of semi-scheduled and non-scheduled generation.	██████████	██████████	Risk Management	
Section 2 EaR Element (6)	Baslink Flow and Interregional Revenue Recommendation: We recommend Hydro Tasmania pursue the improvement of the current methodology used for modelling the Baslink component within rA. The validity and accuracy of the Baslink component within rA is essential for obtaining comfort over rA's EaR output. The possible improvements relate to: 1) Relationship between Baslink flows and Victoria-Tasmania price spreads; and 2) Baslink outages. As noted, we are aware Hydro Tasmania is currently working with Lacima to develop additional functionality for modelling the Baslink component within rA. More specifically, incorporation of a Baslink outage model using the existing Lacima outage modelling capability is being investigated. This functionality would be useful to assess the impact of Baslink outages on the EaR results. We have discussed this issue with Hydro Tasmania staff who intend to pursue this avenue in order to determine whether including this risk is consistent with the purpose of the EaR model (discussed further in the EaR output section). If it is determined that the purpose of the EaR framework is not to capture the exposure associated with Baslink outages, then we recommend as a minimum that a stress testing approach be implemented for specific Baslink events. Reporting stressed EaR should also be part of the EaR framework once it is established. We recommend that Hydro Tasmania document the current process of modelling Baslink flows within rA to ensure a consistent approach is applied going forward in order to alleviate key person risk.	██████████	██████████	Risk Management	
Section 2 EaR Element (7)	Forward Curves (Including TAS) Recommendation: We recommend that Hydro Tasmania document the following: • Process of removing the impact of caps from the forward curve prior to importing to rA. • How caps are priced within rA. This will ensure a consistent approach is applied going forward and will also alleviate key person risk. We recommend that Hydro Tasmania ensure documentation around the utilised EaR approach is kept up to date.	Closed - Evidenced in Audit	██████████	Risk Management	
Section 2 EaR Element (8)	Forecast Mainland Demand ("Retail Demand") Recommendation: We recommend that Hydro Tasmania update their documentation ("Process Mapping for rA calibration.doc") to clearly indicate: • How often calibration should be checked/re-performed. • How new sales, changes in retail load retention and customer roll-offs are factored into the process. This will ensure a consistent approach is applied going forward and will also alleviate key person risk.	Closed - Evidenced in Audit	██████████	Process Improvement	
Section 2 EaR Element (9)	Forecast TAS Demand Recommendation: We recommend that Hydro Tasmania document the TAS demand calibration process to ensure a consistent approach is applied going forward and also to alleviate key person risk.	Closed - Evidenced in Audit	██████████	Process Improvement	
Section 2 EaR Element (10)	EaR (Simulation output includes Half Hourly Forward Curve & Spot Price, Demand, Generation and Baslink Flow) Recommendation: To a large extent the calibration process outlined to us by Hydro Tasmania staff should incorporate the likely impact of carbon in the EaR framework. Additionally, Hydro Tasmania have commissioned a carbon module to allow for both carbon inclusive and exclusive outcomes. We recommend Hydro Tasmania staff investigate the impact of correlation between price and demand for mainland states and Tasmania. Additionally, we recommend that Hydro Tasmania staff address the issues we have already raised in this report with regards to the key inputs to the EaR approach to ensure that the reported EaR captures the key drivers appropriately.	██████████	██████████	Process Improvement	
June 2012 - Energy Trading Financial Instruments by MT					
Captured in Voltron Project Plan					
	Review of deal captures entered in NEMPower revealed compliance with the Energy Trading Policy and Standard, based on the sample tested. Testing also verified deal supporting documentation was available.	Closed - Per Internal Audit			
	As there were no significant findings in this audit, no recommendations have been made.				
April 2013 - Review of the Daily Position Report by Protiviti					
Captured in Voltron Project Plan					
Finding 1	System and Data Recommendation: From our discussion with the trading team it is apparent that a new ETRM is in progress. This is required to address the manual processing that is currently in place regarding the position aggregation, reporting and to capture all derivative contract types. Prior to this new system being implemented there are several ways in which errors can be detected more readily within the business. These are addressed within the Finding on Processes, People and Organisation.	Closed - Per Internal Audit		Systems/IT	
Finding 2	Business Policies and Methodologies (Including Procedures and Assumptions) Recommendation: The policy and procedural documentation for the position aggregation process is developed, for example, within the Front Office Procedures it would be appropriate to include details on broadly what the process is for position aggregation, i.e. what systems are used and for what products, how different products are treated (SBAs, caps, weather derivatives), the process for reconciliation and who has responsibility over this function. The Delta Methodology document is updated and reflects current business practices and methodological approaches.	Closed - Per Internal Audit	██████████	Process Improvement	
Finding 3	Processes (Internal Verification) People and Organisation Recommendation: There are several ways in which an internal verification process can be internally implemented whilst the ETRM is in the early stages of implementation. These are: • Implement the reconciliation tool currently being developed by Lou Galloway within IT and use it as part of an internal verification/reconciliation process that is completed regularly. • Ensure that all manual aggregated positions reported on a daily basis are double checked prior to release. • Assign these processes to an appropriate Middle Office staff member for which they have accountability and link it to their Key Performance Indicators. • Documenting the new processes. Management should also consider the inclusion of an automatic derivative position reconciliation tool under the new ETRM once it is implemented.	Closed - Per Internal Audit	Manager Middle Office	Process Improvement	
Finding 4	Management Reports Recommendation: When a manual reconciliation process is utilised, the ability to report on a contract by contract basis under the daily position aggregation should be developed so that reconciliation is easier.	Closed - Per Internal Audit	Manager Middle Office	Process Improvement	
January 2011 - Middle Office Internal Audit by EY					
Captured in Voltron Project Plan					

2.1.1	<p>Recommendation: Development of Business Requirements While it is accepted that no available system will provide a total level of automation without oversight, there does exist the potential to automate some processes. This will free up middle office staff to pursue their delegated tasks of strategic risk management and contribute to the overall performance of the energy and environmental trading function at Hydro Tasmania. It will also aim to reduce the occurrence of operational errors associated with manual processing and checking of deals.</p> <p>The first step toward improving the current state of the deal-life cycle infrastructure at Hydro Tasmania is a comprehensive set of business requirements for the infrastructure systems to deliver against. This detailed set of requirements will enable Hydro Tasmania to:</p> <ul style="list-style-type: none"> • Increase its understanding of critical processes which it may seek to improve; • Plan for growth, particularly as it relates to retailing activities; • Provide an initial framework for updates to ETRM processes for upcoming years and budgets; • Prepare itself for potential procurement of an ETRM should this be required. <p>The initial step will involve representatives from Hydro Tasmania's trading operations and from the IT function in conjunction with middle office. Our consultations at Hydro Tasmania suggest there is a prioritisation process for IT projects that has improved over the years. However there is the view that it can be improved upon further such that IT projects for front and middle office are delivered in a timely manner. This is certainly the case for the proposed improvements to the deal flow infrastructure which requires close involvement of IT from a business analyst perspective.</p> <p>We recommend Hydro Tasmania commit an internal and/or independent external business analyst to map and document the deal flow processes into a set of business requirements for the future state infrastructure systems to deliver against.</p>				Systems/IT			
2.1.2	<p>Recommendation: Hydro Tasmania's risk management framework for environmental products is outlined in the EP Limit Setting Methodology document. At present the document addresses the specified trading limits for Renewable Energy Certificates (RECs) and New South Wales Greenhouse Abatement Certificates (NGACS). Hydro Tasmania is in a unique position in that it has a natural producer of RECs. REC production is very sensitive to the assumptions surrounding hydrology including the impact of Hydro baselines.</p> <p>The natural 'long' REC position is offset to some extent by Momentum Energy's requirement to surrender RECs for compliance purposes. The risk management of the long REC position should integrate all exposures into a single risk measure. This should include both position and risk reporting of REC. The current system does not have the capability to fully capture the position.</p> <p>Finally, an EaR framework will aid Hydro Tasmania in vastly improving its risk measurement capabilities across middle office by enabling decision making within the trading function according to its incremental impact on EaR. An incremental EaR framework will seek to provide a consistent 'risk of return' benchmark from which trading activity can be fine-tuned. To support this framework requires a suitable and available ETRM system and separation of trading, hedge and retail books by region.</p> <p>We recommend Hydro Tasmania implement an appropriate at-risk measure to capture exposures. In the first instance this</p>				Risk Management			
2.1.3	<p>Position and Risk Reporting of Environmental Products</p> <p>Recommendation: We recommend Hydro Tasmania integrate the current EP Limit Setting Methodology into an integrated risk management framework across the portfolio. This is consistent with the recommendations regarding the development of at-risk measures outlined above.</p>				Risk Management			
2.1.4	<p>Momentum Energy Data</p> <p>Recommendation: Both the Internal Transfer Price (related processes and framework) and the Gross Margin are to a large extent determined by market factors and competition in the MM and C&I markets.</p> <p>However both methodologies are not clearly articulated and documented within the relevant policies and should be. This will ensure consistency between the pricing of exposures and risk measurement in the hedge book to enable a portfolio-wide performance metric to be reported. This would also rely on the implementation of separate hedge and trading books as outlined above.</p> <p>We recommend that Hydro Tasmania, in collaboration with Momentum Energy, determine an appropriate Internal Pricing and Gross Margin setting methodology for MM and C&I exposures. These methodologies should be consistently documented across the energy risk management policies of Momentum Energy.</p>							
2.1.5	<p>Recommendation: Improvements to data management systems and reporting at Momentum Energy are being pursued at present. However there is the view at Hydro Tasmania that more clarity and transparency is required around the criteria for extracting and transferring relevant customer data (i.e. estimated vs. actual usage data and its relationship with load forecasting) from the existing retail data systems at Momentum Energy (Orion, Sage and Clarify).</p> <p>We recommend Hydro Tasmania, in collaboration with key Momentum Energy personnel, develop a concise and standardised set of criteria for the extraction, management and reporting of customer information. This will then be used to define the specific set of data to be transferred to Hydro Tasmania's front office from the back-to-back hedging of C&I and MM sales activities; ensuring a move to a single source and single data ownership for reporting to Hydro Tasmania</p>				Process Improvement			
2.2.1	<p>Organisational Structure and Skilling Up of Risk Personnel</p> <p>Recommendations: There is also a consensus that staff would benefit from technical skilling up in terms of analytics and risk measurement (programming and risk measurement tools expertise).</p> <p>We recommend Hydro Tasmania document the reporting and delegation lines, roles and responsibilities for middle office personnel across Momentum Energy and Hydro Tasmania. This will coordinate the skill bases across risk and forecasting in a concise manner as outlined in this section.</p>				People			
2.2.2	<p>Separate Reporting of Hedge Book Activities across Regions</p> <p>Recommendations: We recommend Hydro Tasmania look into the feasibility of reporting hedging activity separately across the regions. Consideration should also be made regarding the associated implementation of a defined transfer pricing methodology. This should be informed by the input of front office to capture the cost and complexity considerations that are unique to Hydro Tasmania's hedging activities. We also recommend reporting of exposures be undertaken at both a portfolio and regional level of granularity.</p>				Process Improvement			
2.2.3	<p>Refinement of Risk Reporting Dash board</p> <p>Recommendation: This refinement would need to be communicated to and documented for the specific risk committees and Board to be across what the key metrics in the revised and refined dashboard mean and their implications.</p> <p>We recommend Hydro Tasmania look into refining the current risk reporting into a concise dash board, centred on the chosen risk metric (EaR), and expanded to include relevant physical limits. This should involve informing of the reasons and benefits underpinning the changes.</p>				Risk Management			
2.2.4	<p>Credit Risk Policy</p> <p>Recommendation: Forward looking measures of credit risk could be implemented as an add-on to the at-risk recommendations outlined in section 2. There appears to be general consensus across the stakeholder consultations for such an enhancement. We have not audited or make comment on the approach to credit risk at Momentum Energy.</p> <p>We recommend Hydro Tasmania extend the at-risk measures proposed above to include forward looking assessments of credit-risk that are generally accepted and used across the industry.</p>				Risk Management			

Incident report

			Why/Root Cause	Outcome
Governance	Energy Trading Strategy	Misalignment between annual Board approved trading strategy and trading operations	lack of clarity and accountability for strategy execution and ongoing monitoring.	<ul style="list-style-type: none"> Stakeholders are able to adequately assess risk and performance from trading operations Alignment to trading strategy Trading operations alignment to the organisations current risk appetite
	Energy Trading Policy & Standard	Non-compliance with trading policy observed for EaR reporting, with limited performance measurement or monitoring of compliance with trading strategy.	risk limit framework does not require ongoing oversight and analysis of the longer term risk positions or clear link to risk appetite.	
	Oversight from FMC and RMC	Inadequate information flow to FMC (Management committee) or RMC (Board committee) in relation to trading performance against the trading strategy or other meaningful measurement or insight on trading activity.	no information within key reports that provided a clear view on the electricity position (across all regions and periods), no mark to market position of the electricity portfolio(s) quantified and no financial performance metrics were utilised.	Consistent, simple and insightful reporting on trading activity and current positions that inform the Board and Senior Management to enable responsibilities of oversight, including monitoring trading performance and alignment with defined trading strategy
Trading	Trading Tactics	Day to day trading activities and philosophies followed are not visible, widely understood or validated outside of the immediate execution team	breakdown between trading activity and the trading strategy	clearly articulated and visible trading plans/tactics ensuring alignment to trading strategy, whilst also having effective oversight from management
	Trading oversight and communication	Lack of transparency and challenge on trading positions associated with weaknesses in monitoring controls, position report configuration and breakdowns in communication within the Front Office team.	weaknesses observed in relation to communication, oversight and monitoring of trading activities	improve process and openness, transparency and communication within the trading team enabling open dialogue and exchanging of experienced perspectives, with active debate and challenge.
Risk Management	Effectiveness of Risk Oversight	Lack of effective oversight and challenge from Middle Office (now Commercial Risk)	Is this being caught up in the busy, not clear of accountabilities etc. ??? I don't believe the why was addressed in the investigation	Middle Office oversight and challenge of trading activity and positions against the approved strategy.
	Risk Measurement and Reporting	Inadequate risk management and performance reporting	<ul style="list-style-type: none"> Risk management over trading activities and performance has not included monitoring of Earnings at Risk or any other comprehensive price or volume based exposure quantification for longer term trading positions since June 2018. There is no comprehensive reporting of the positions or mark to market across all regions and periods which contributed to not identifying the misalignment between actual trading activity and trading strategy. There is currently no defined measure for performance or the effectiveness of trading operations against the approved trading strategies committees does not convey a clear and understandable message around performance or risk of the portfolio. 	A comprehensive risk management limit framework, associated reporting and performance management to ensure effective risk management oversight of trading activities.
People and Culture	Communication and culture	ineffective communication and unique cultural markers impacting effective trading risk management activities	misalignment between teams, ineffective communication and impacting ability to perform effective oversight and challenge activity.	
	Resourcing	Structural and resource challenges experienced	organisational structure, resourcing challenges and several movements in key positions across the organisation during the trading period under review (February 2019 to December 2019). The number of changes in key positions and instability of the Front Office and Middle Office functions compound the weaknesses identified in monitoring, reporting and lack of defined medium to long term trading strategy.	

1	Purpose of the Teams		
2	Team Functions	Team Functions	Team Functions
3	Activities that run across teams and within teams ensuring alignment to team purpose of the team and functions		
4	Structure, capability, roles and appropriate resourcing (Undertake RACSI)		
Behaviours that support and enable success			

Status List

- On Track
- Action Required
- Off Track
- Sponsor Endorsement
- Complete
- Not Started

Status - Audit/Reviews

- Open
- Complete
- No Longer Applicable

List

Y

N

Themes

- Gov & Oversight
- Trading
- Risk Management
- People
- Systems/IT
- Process Improvement

Status

- New
- Closed - Evidence
- Closed - No Evidence
- Closed - Evidenced in Audit
- Closed - Per Internal Audit Update
- Partially Complete
- Open

Status Dashboard

- On Track
- Overdue
- Complete
- Not Started

Accountable



Hydro-Electric Corporation Board paper

Meeting date: Wednesday, 23 September 2020

STRICTLY CONFIDENTIAL

Agenda item: 8.4

Subject:	Project Voltron – Response to the Energy Trading Incident and previous reviews/audits
Sponsor:	Ian Brooksbank, Chief Financial Officer Caroline Wykamp, Chief Commercial Officer
Category:	For noting
Draft resolution:	The Board <u>notes</u> the progress made.

EXECUTIVE SUMMARY

In response to the recent Energy Trading Incident and audit findings “Project Voltron” has been established, with two key objectives:

1. Immediate Action Plan – coordinate, monitor and ensure effective implementation and delivery of the recent investigation and audit actions; and
2. Sustained Improvement – delivering sustained improvement across the Front, Middle and Back Office functions.

In order to ensure the project is adequately governed, resourced and supported the following activities have occurred since the last update to the Board in June:

- Project Manager has been assigned to coordinate, monitor and work with the Business Owners to ensure delivery of project objectives;
- Governance structure with regular project meetings for monitoring and resolving any issues has been established;
- Project plan developed to address all recent investigation and audit findings; and
- Status and dashboard reporting established to monitor delivery of the project against key milestones.

In supporting the second objective of the project and to ensure systemic issues are identified and resolved, the project team are in the process of consolidating all previous internal audits and reviews going back to 2012. In doing so the project is confirming:

- Action current status – confirmation of the status of recommendations and actions with each being categorised as closed, in progress or open;
- Relevance to today – whether any of the historical findings are still relevant today and should be considered in future project activities;
- Themed Activities of Work – determining activities of work that need to be undertaken to effectively support sustained improvement across the three offices.

The five areas of work identified are:

- Theme 1 – Governance and Oversight
- Theme 2 – Risk Management
- Theme 3 – People, Roles and Accountabilities
- Theme 4 – Process Improvement
- Theme 5 – Systems and IT

In order to keep the Board informed of the project's progress a dashboard has been developed and will be provided as part of the monthly Finance Performance Report. An example of this dashboard is attached in **Appendix 1**.

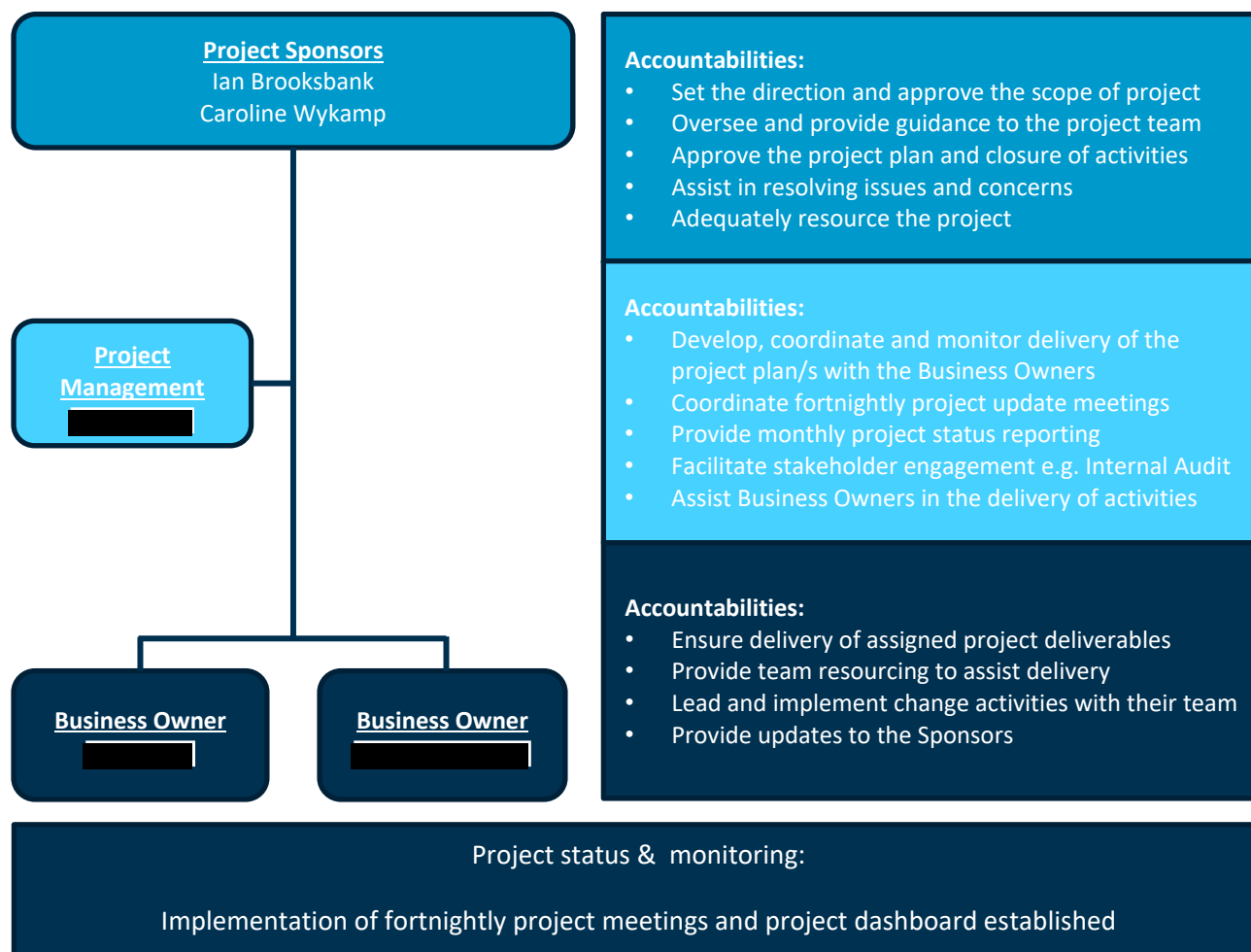
BACKGROUND

At the May 2020 Hydro Corporation Board Meeting the FY2021/22 hedge position was discussed, highlighting that the Corporation has entered into a bought position in excess of the contracted retail sales position and that the forward price curve had dropped resulting in a Mark to Market [**MtM**] loss. Preliminary analysis suggests that this trading incident is likely to impact earnings forecasts by approximately \$15m to \$20m across the four-year planning period. The bulk of the negative impact is forecast to occur in FY2021/22, based on assumptions made of when retail load sold for that year and the years either side should have been hedged in the market.

The Board has actively monitored the investigation by Internal Audit and PwC, and requested that Management take some immediate actions. These immediate actions were reported to the Board in papers dated 9 June 2020 and 24 June 2020. Since receiving the final audit report Management have been working on a more comprehensive program of improvements to address the findings. This paper outlines action that has been taken since the last update with the establishment of Project Voltron. Project Voltron has two key objectives, firstly, deal to the recent findings of the Energy Trading Incident Investigation and current audit findings. Secondly, to ensure sustained improvement is actioned across the Front, Middle and Back Office functions.

WORK COMPLETED TO DATE

Establishment of the Project Team and Governance Framework



Recent Investigation and Audit Finding – Project Plan

In order to ensure the current investigation and audits (internal and external) findings are adequately managed and actioned, a project plan has been developed outlining all activities to address findings, accountability for delivery and timeframe for closure. The project plan deliverables will be reviewed for progress at fortnightly Steering Committee meetings. As part of the Project Voltron governance process, all completed actions will require Sponsor signoff before the action can be closed.

Table 1 below is a project status update on the actions identified in the recent investigation and internal/external audits.

RESTRICTED DOCUMENT

Recent Investigation and Audit – Action Status						
	KPMG External Audit (August 2020)	Last Month	Energy Trading Strategy Incident (July 2020)	Last Month	Wholesale Credit Risk Management Review (June 2020)	Last Month
No. Actions	8	N/A	17	N/A	15	N/A
Open	8	N/A	15	N/A	15	N/A
Overdue	0	N/A	0	N/A	0	N/A
Closed	0	N/A	2	N/A	0	N/A

Table 1. Recent Investigation and Audit – Action Status

Collation of Previous Audits and Reviews

In order to support the second objective of sustained improvement the team have commenced collation and review of all previous reviews and internal audits dating back to 2012.

To date the following has commenced with Table 2 showing current status:

- Collation of all internal audit and review recommendations;
- Current reviewed status of these recommendations e.g. could we find evidence of closure; and
- Relevance going forward, determining whether the finding/recommendation is still relevant today and whether it should be considered in future project activities.

Review of Previous Audits and Reviews - Action Status					
No. Audits/Reviews	No. Actions	Closed Ref in Audit	Closed Per Internal Audit	Status to be confirmed	Status couldn't be confirmed
18	180	37	94	49	TBD
		131		49	0
Note: Excludes recent investigation, KPMG and Wholesale Credit Review actions captured in Table 1					

Table 2. Review of Previous Audits and Reviews

As part of this review five key themes have been identified to inform the second objective of Project Voltron, ensure sustained improvement across the Front, Middle and Back Office functions. Each one of these themes will have their own project plan and are:

- Theme 1 – Governance and Oversight
- Theme 2 – Risk Management
- Theme 3 – People, Roles and Accountabilities
- Theme 4 – Process Improvement
- Theme 5 – Systems and IT

The following table summarises the progress on each theme since the last report:

<p>Theme 1 – Governance and Oversight</p>	<p>Commenced a refresh of the Energy Trading Strategy to ensure sufficient detail to guide trading tactics and decisions, and inclusion of key actions for tracking over the year.</p> <p>Expanded content of front office Financial Management Committee (FMC) report to include summarised trading activity for the month.</p>
<p>Theme 2 – Risk Management</p>	<p>The position report has been enhanced to show the variance since the last report. The MTM is now included with the position report in the appendix of the financial performance report.</p>
<p>Theme 3 – People, Roles and Accountabilities</p>	<p>Implementing a middle office review process for the energy trading strategy implementation. Have begun reviewing resource gaps in Commercial Risk.</p>
<p>Theme 4 – Process Improvement</p>	<p>Embedding monthly trading plan process which commenced in June 2020. Trading plans are prepared by front office to outline the tactics to execute on approved strategy and establish clear view of intended trading activity for the period.</p> <p>Instituted monthly Market View meeting with input from front and middle office, and portfolio analysis, to feed into trading plans and decisions, to create a key forum for discussion and debate.</p> <p>Changes implemented to front office position report (daily position management tool) to show granularity of load forecast between segments and differentiate expected volume vs fixed price exposure.</p>
<p>Theme 5 – Systems and IT</p>	<p>Have commenced upgrading the Lacima risk valuation system to perform MTM of the retail position.</p> <p>Progressing implementation of ‘end state’ Smiles balancing book tool to replace excel prototypes.</p>

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Project Voltron – Project Status and Dashboard

In order to keep the Board informed of the projects progress a dashboard has also been developed and will be provided as part of the monthly Finance Performance Report. A sample of this dashboard is located in **Appendix 1**.

RECOMMENDATION

The Board notes the establishment of Project Voltron and activity that has occurred to date.

Submitted by: Ian Brooksbank – Chief Financial Officer
Caroline Wykamp – Chief Commercial Officer

Prepared by: [REDACTED] – Head of Program Management Office (MIH)
[REDACTED] – Head of Commercial Risk
[REDACTED] – Head of Wholesale Portfolio

Appendix 1 – Draft Dashboard for Project Voltron

Project Voltron - Dashboard September Board Update																		
Project Title:		Project Voltron				Project Sponsor/s				Caroline Wykamp and Ian Brooksbank								
Current State				Interdependencies				Target State										
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible				The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward										
				Target Completion Date of Project				<add date>										
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board					08.09.20											Complete	100%
2	Review investigation, past audits and reports, collate actions and status					30.09.20											On Track	70%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions					19.09.20											On Track	60%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	
7	Develop project plans for each theme with milestones and implementation timeline																On Track	5%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													On Track	
9	Theme 1: Governance and Oversight						Work has commenced, timeline for all activities currently under development										On Track	
10	Theme 2: Risk Management						Work has commenced, timeline for all activities currently under development										On Track	
11	Theme 3: People - team purpose, functions, roles and accountabilities						Work has commenced, timeline for all activities currently under development										On Track	
12	Theme 4: Process Development/Improvement						Work has commenced, timeline for all activities currently under development										On Track	
13	Theme 5: Systems and IT						Work has commenced, timeline for all activities currently under development										On Track	
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings				12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting				09.09.20												On Track	90%
Activities Completed this month				Activities Planned for Next Month				Risks/Issues										
<ul style="list-style-type: none"> Board Paper - Management response to investigation provided to Board Collation and review of previous investigation audit reports to confirm status Systemic issues and key themes identified with project plans currently under development 				<ul style="list-style-type: none"> Finalise project plan to address current investigation and audit findings Finalise collation and status of previous audits Commence development of project plans for each of the themes 				<ul style="list-style-type: none"> 										

RESTRICTED DOCUMENT

Recent Investigation and Audit Action Status							
	KPMG External Audit (August 2020)	Last Month	Trading Strategy Incident (July 2020)	Last Month	Wholesale Credit Risk Management Review (June 2020)	Last Month	Total
No. Actions	8	N/A	17	N/A	15	N/A	40
Open	8	N/A	15	N/A	15	N/A	38
Overdue	0	N/A	0	N/A	0	N/A	0
Closed	0	N/A	2	N/A	0	N/A	2

Review of Previous Audits and Reviews - Action Status					
# Audits/Reviews	No. Actions	Closed Ref in Audit	Closed Per Internal Audit	Status to be confirmed	Status could not be confirmed
18	180	37	94	49	TBD
		131		49	0
Note: excludes recent investigation, KPMG and Wholesale Credit Review actions captured in table 1					

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FINANCE

Performance Report

REPORTING PERIOD
September 2020

PREPARED BY
IAN BROOKSBANK,
Chief Financial Officer



APPENDIX 2 – Project Voltron Update

For the month of September, the Project Voltron team have finalised the project plan, ensuring it addresses current investigations and audit findings, and have collated the statuses of previous audits and other information to inform themes.

Project Plans for each theme have now been developed. Systems and IT key focus areas have been identified and added to the project plans.

For the month of October, the team will be adding the Load Forecasting internal audit to the project plan, once this has been finalised and will engage with IS&S to add detailed milestones and timeframes to Theme 4.

A draft of the Trading Strategy will go to the October FMC meeting and the project sponsors will review and approve the finalised Project Plan for Voltron.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
40	22	14	0	3	1
Last Meeting					
40	23	16	0	1	0

Table 2

Project Activities - Status					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	5	10	0	1
2. People, Roles & Accountabilities	17	5	10	0	2
3. Process Improvement	25	11	4	0	10
4. Systems & IT	5	4	1	0	0
This Month	63	25	25	0	13
Last Meeting	55	17	35	0	3

Image 1

Project Voltron - Dashboard October Board Update																		
Project Title:		Project Voltron		Project Sponsor/s				Caroline Wykamp and Ian Brooksbank										
Current State				Interdependencies				Target State										
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible				The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward										
				Target Completion Date of Project				<add date>										
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board				08.09.20												Complete	100%
2	Review investigation, past audits and reports, collate actions and status				30.09.20												Complete	100%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions				19.09.20												Complete	100%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	10%
7	Develop project plans for each theme with milestones and implementation timeline																On Track	95%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													On Track	50%
9	Theme 1: Governance and Oversight																On Track	5%
11	Theme 2: People - team purpose, functions, roles and accountabilities																On Track	10%
12	Theme 3: Process Development/Improvement																On Track	40%
13	Theme 4: Systems and IT																On Track	0%
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings				12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting				09.09.20												Complete	100%
Activities Completed this month				Activities Planned for Next Month							Risks/Issues							
<ul style="list-style-type: none"> Finalise project plan to address current investigations and audit findings Finalise collation and status of previous audits and information used to inform Themes Completed Project Plans for each of the key themes Systems and IT key focus areas identified and added to the project plan 				<ul style="list-style-type: none"> Add Load Forecasting internal audit to the project plan once finalised Engage with IS&S to add detailed milestones and timeframes to Theme 4 Draft of Trading Strategy to FMC October meeting Sponsors to approve the finalised Project Plan 							<ul style="list-style-type: none"> 							

Hydro-Electric Corporation Risk Management Committee paper

Meeting date: Tuesday, 22 September 2020

STRICTLY CONFIDENTIAL

Agenda item: 6.7

Subject:	QUARTERLY COMPLIANCE MANAGEMENT REPORT
Sponsor:	Kate McKenzie, Chief Governance Officer
Category:	For noting
Draft resolution:	The Committee notes the quarterly compliance management report.

EXECUTIVE SUMMARY

This report provides a summary of the statistics and trends of incidents and breaches across the Hydro Tasmania Group (HTG) for the four month period ending on 31 August 2020.

During the reporting period, 68 new compliance incidents were logged in SAP of which 19 were classified as breaches. Ten of these have a potential risk rating of moderate or above.

A further 13 incidents were classified as breaches after the completion of investigations of incidents reported in previous periods. Five of these breaches have a potential risk rating of moderate or above. Tables 1 to 3 have details of these incidents and breaches.

Compliance incident reporting within Hydro Tasmania is at a 12 month rolling average just above 23 per month, down from 30 per month reported in the last report. See Figure 1 for details and trends of incidents and breaches reported in the last 12 months.

There are four open breaches which were previously reported to the Risk Management Committee. Appendix 1 – Table 11 lists these breaches in detail along with the status of the corrective and preventative actions.

Performance against the balanced scorecard target for the current financial year is sitting at 58% YTD as at 2 September 2020. (Target is: *>80% of incidents to be investigated with corrective and preventative actions assigned and recorded in SAP within 22 business days.*) Section 3.1 has further detail.

BACKGROUND

This report has been compiled using data extracted from the Environment, Health and Safety (EHS), and the Governance, Risk and Compliance (GRC) SAP modules. Health, safety,

environmental and vehicle incidents are excluded from this report unless the incident has also been classified as a compliance breach. The compliance activities and statistics covered in this report are for the period 1 May 2020 to 31 August 2020.

1. Statistics

1.1. Incidents and breaches

Table 1 summarises all incidents logged during the reporting period by business area and incident type. Momentum (28% down from 52% last reporting period) and Operations (35%) have reported the majority of the compliance incidents. This is due to the operational focus and high level of regulation of these business areas. The highest percentage of incidents were classified as retail (29% down from 52% last reporting period).

Table 1: Incidents logged

Incident Group	Business Unit										Hydro Total	
	AMI	CGT	COMM	Entura	FIN	IS&S	MOM	OPS	P&CS	STRAT		
Retail		2					18					20
Other Internal Procedures	1	1	1			2		5	1			11
Asset Event								5	1			6
Station Operations								6				6
Business Finance					5			1				6
Information Security			1	1		2	1					5
Wholesale Trading			2		2							4
Spot Market & Operations			1					3				4
Asset Compliance	1							2				3
Quality	1							2				3
% of total incidents logged	4%	4%	7%	1%	10%	6%	28%	35%	3%	0%		100%
TOTAL	3	3	5	1	7	4	19	24	2			68

Table 2 shows all incidents classified as breaches during the reporting period by incident group and the month the initial incident was raised. Seven of these breaches are historical incidents where the breach was identified as part of the Compliance Team's annual review. Appendix 2 – Table 12 lists all new breaches in detail along with the status of corrective and preventative actions.

Table 2: New breaches reported by incident group

Incident group	Month incident was raised										Hydro Total	
	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20		
Business Finance							2	1				3
Commercial & Ind. Retail					2							2
Asset Compliance						1						1
Wholesale Trading							3					3
Other Internal Procedures						1		1	1			3
Retail	1	2	2	1	1	2	2	5	3	1		20
TOTAL	1	2	2	1	3	4	7	7	4	1		32

Table 3 shows that 13 breaches were classified as having a potential risk rating of moderate mainly due to the high likelihood of regulatory involvement. Consistent with previous reporting periods, the majority of breaches occurred at Momentum. The two breaches rated high (#9288 and #9315) together with the recent trading strategy breach (#9293)

revealed significant risks in the energy trading space. Those risks are being addressed by way of Project Voltron to be managed through jointly through Finance and Commercial to address audit findings and investigation recommendations in this space. See Appendix 2 - Table 12 for further details about these breaches. A Board paper has been submitted by Caroline Wykamp and Ian Brooksbank with further details about Project Voltron.

Table 3: Breaches reported by potential risk rating and business unit

Potential risk rating	Business Unit										Hydro Total
	AMI	CGT	COMM	Entura	FIN	IS&S	MOM	OPS	P&CS	STRAT	
Low		2	2				12				16
Moderate		1	1		3	1	6	2	1		14
High					2						2
Extreme											
TOTAL		3	3		5		18	2	1		32

DRAFT

EXTRACT

APPENDIX 2 –Breaches identified during reporting period

All newly identified breaches are reported to the Hydro Tasmania Board each month. Table 11 lists all breaches identified within the reporting period.

Table 12: Summary of new breaches identified in this reporting period (32)

Business Unit	Potential Risk Rating	Policy, Standard or Legislation Breached	Breach (Violation)	Corrective/Preventative Actions Assigned	Action Due Date	Tracking Indicator	Date Initially Recorded	Status at 1 September	mySAP No
FIN	H	Hydro Tasmania, <i>Credit Policy</i> , April 2018, s 4.5	Hydro Tasmania omitted to actively monitor the credit worthiness of a counterparty and to effectively apply changes to counterparty limits.	This incident was identified by Internal Audit and that audit identified actions to improve wholesale credit risk management. Those actions are being progressed and managed by Internal Audit, rather than Compliance.	N/A	N/A	12 May 20	Closed	9288
FIN	H	Hydro Tasmania, <i>Credit Policy</i> , April 2018, s 4.6	Hydro Tasmania failed to set Portfolio Limits in accordance with the Earnings at Risk (EaR) methodologies and report against Portfolio Limits daily from July 2018 to March 2020.	This breach is related to the Energy Trading Strategy incident (mySAP no 9293.) There is a project underway to address the actions for both breaches.	N/A	N/A	22 May 20	Closed	9315

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FINANCE

Performance Report

REPORTING PERIOD
November 2020

PREPARED BY
TIM PETERS,
Deputy Chief Financial Officer

APPENDIX 2 – Project Voltron Update

For the month of November, six project and six audit activities were closed as per the project timeline.

The observations from the finalised Load Forecasting audit have been added to the project plan adding an additional 11 actions to the project plan, thus the increase in the overall No. Actions in table 1.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	36	6	0	0	12
Last Report					
43	20	14	0	3	6

Table 2

Project Activities						
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete	
1. Governance & Oversight	16	5	3	0	8	
2. People, Roles & Accountabilities	17	5	10	0	2	
3. Process Improvement	25	9	3	0	13	
4. Systems & IT	5	4	1	0	0	
	Total	63	23	17	0	23
	Last Meeting	63	28	25	0	17

Image 1

Project Voltron - Dashboard November Board Update																		
Project Title:		Project Voltron			Project Sponsor/s			Caroline Wykamp and Ian Brooksbank										
Current State				Interdependencies				Target State										
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible				The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward										
				Target Completion Date of Project			<add date>											
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board					08.09.20											Complete	100%
2	Review investigation, past audits and reports, collate actions and status					30.09.20											Complete	100%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions					19.09.20											Complete	100%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	22%
7	Develop project plans for each theme with milestones and implementation timeline																Complete	100%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight																On Track	50%
11	Theme 2: People - team purpose, functions, roles and accountabilities																On Track	11%
12	Theme 3: Process Development/Improvement																On Track	50%
13	Theme 4: Systems and IT																On Track	0%
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings					12.08.20											Complete	100%
15	Develop monthly dashboard on project status and Board reporting					09.09.20											Complete	100%
Activities Completed this month				Activities Planned for Next Month							Risks/Issues							
<ul style="list-style-type: none"> Load Forecasting internal audit recommendations added 11 additional actions Initial Engage with IS&S re timeframes to Theme 4 further work to be done Audit Actions – 6 audit actions closed for the month pending sponsor endorsement 6 project activities closed for the month Some project activities timelines shifted to align with Horizon 2 and 3 scope of work 				The team have 19 audit actions to be closed by the end of December, these are all currently all on track for delivery							<ul style="list-style-type: none"> 							

FINANCE

Performance Report

REPORTING PERIOD
December 2020

PREPARED BY
TIM PETERS,
Deputy Chief Financial Officer

APPENDIX 4 – Project Voltron Update

For the month of December, three project and fourteen audit activities were closed as per the project timeline. Some project activity timelines were adjusted to align with Horizon 2 and 3 timelines to prevent the need for any rework as the organisational design progresses.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	25	3	0	0	26
Last Report					
54	36	6	0	0	12

Table 2

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	4	3	0	9
2. People, Roles & Accountabilities	17	5	10	0	3
3. Process Improvement	25	8	3	0	14
4. Systems & IT	5	4	1	0	0
Total	63	21	17	0	26
Last Meeting	63	23	17	0	23

Project Voltron - Dashboard December Board Update																	
Project Title:		Project Voltron		Project Sponsor/s				Caroline Wykamp and Ian Brooksbank									
Current State			Interdependencies					Target State									
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.			IT and Systems enhancements to remove manual activities and automation where possible					The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward									
			Target Completion Date of Project		<add date>												
No.	Overall Project Key Milestones and Activities		Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																	
1	Provide progress paper for September Board			08.09.20												Complete	100%
2	Review investigation, past audits and reports, collate actions and status			30.09.20												Complete	100%
3	Review findings from recent KPMG audit and feed into project activities			14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions			19.09.20												Complete	100%
5	Determine key systematic issues and themes identified as part of the review			30.08.20												Complete	100%
Stage 2 of Project																	
6	Close out short term actions as identified in the recent investigations and audit															On Track	48%
7	Develop project plans for each theme with milestones and implementation timeline															Complete	100%
8	Sponsors to approve and sign off Project Plan/s		Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight															On Track	56%
11	Theme 2: People - team purpose, functions, roles and accountabilities															On Track	18%
12	Theme 3: Process Development/Improvement															On Track	56%
13	Theme 4: Systems and IT															On Track	0%
Project Monitoring and Reporting																	
14	Implement regular project status and review meetings			12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting			09.09.20												Complete	100%
Activities Completed this month			Activities Planned for Next Month					Risks/Issues									
<ul style="list-style-type: none"> Trading strategy approved by RMC and Board Good effort by the team to close out all actions due in Dec (14 closed) Load Forecasting working group established Ⓜ 			<ul style="list-style-type: none"> Roll out the approved Trading Strategy to all relevant personnel Capture all critical document, reporting and business models to assess any gaps Meeting to establish IT and System Enhancement timelines 					<ul style="list-style-type: none"> 									

FINANCE

Performance Report

REPORTING PERIOD

January 2021

PREPARED BY

TIM PETERS,

Deputy Chief Financial Officer

APPENDIX 4 – Project Voltron Update

For the month of January, two project and two audit activities were closed out as per the project timeline.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	26	0	0	2	26
Last Report					
54	25	3	0	0	26

Table 2

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	3	3	0	10
2. People, Roles & Accountabilities	17	5	10	0	2
3. Process Improvement	25	8	2	0	15
4. Systems & IT	5	5	0	0	1
Total	63	21	15	0	28
Last Month	63	21	17	0	26

Project Voltron - Dashboard February Board Update																		
Project Title:		Project Voltron				Project Sponsor/s				Caroline Wykamp and Ian Brooksbank								
Current State				Interdependencies				Target State										
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible				The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward										
				Target Completion Date of Project				<add date>										
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board				08.09.20												Complete	100%
2	Review investigation, past audits and reports, collate actions and status				30.09.20												Complete	100%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions				19.09.20												Complete	100%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	52%
7	Develop project plans for each theme with milestones and implementation timeline																Complete	100%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight																On Track	63%
11	Theme 2: People - team purpose, functions, roles and accountabilities																On Track	12%
12	Theme 3: Process Development/Improvement																On Track	56%
13	Theme 4: Systems and IT																On Track	20%
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings				12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting				09.09.20												Complete	100%
Activities Completed this month				Activities Planned for Next Month				Risks/Issues										
<ul style="list-style-type: none"> Roll out the approved Trading Strategy to all relevant personnel Capture all critical document, reporting and business models (50% done) Meeting to establish IT and System Enhancement timelines many well progressed 				<ul style="list-style-type: none"> Complete capture all critical document, reporting and business models Closure expected of another four audit actions and three project activities 														

Hydro-Electric Corporation Audit Committee paper

Meeting date: Tuesday, 23 February 2021

STRICTLY CONFIDENTIAL

Agenda item: 7.3

Subject:	AUDIT ACTIONS STATUS REPORT
Sponsor:	██████████, Head of Internal Audit
Category:	Internal Audit
Draft resolution:	The Audit Committee <u>notes</u> the status of audit actions

Project Voltron audit action monitoring

The Project Voltron team has assessed all previous internal audits and reviews going back to 2012 to confirm the status of previous recommendations, incorporating relevant historic actions and current actions from recent internal audit reports into themed activities of work.

The following dashboard summarises the status of previous and recent audit actions being managed by Voltron:

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	26	0	0	0	28
Last Report					
54	25	3	0	0	26

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	3	3	0	10
2. People, Roles & Accountabilities	17	5	10	0	2
3. Process Improvement	25	8	2	0	15
4. Systems & IT	5	5	0	0	1
Total	63	21	15	0	28
Last Month	63	21	17	0	26

Internal Audit is engaged with Project Voltron to ensure that monitoring activities are not duplicated and that actions being addressed through the project are appropriately closed out once endorsed by the Steering Committee.

RECOMMENDATION

The status of audit actions is provided to the Audit Committee for noting.

FINANCE

Performance Report

REPORTING PERIOD

February 2021

PREPARED BY

TIM PETERS

Deputy Chief Financial Officer

APPENDIX 4 – Project Voltron Update

For the month of February five audit activities were closed out as per the project timeline.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	21	0	0	5	28
Last Report					
54	26	0	0	0	28

Table 2

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	3	3	0	10
2. People, Roles & Accountabilities	17	8	7	0	2
3. Process Improvement	25	8	2	0	15
4. Systems & IT	5	5	0	0	1
Total	63	24	12	0	28
Last Month	63	21	15	0	28

Project Voltron - Dashboard March Board Update																		
Project Title:		Project Voltron		Project Sponsor/s					Caroline Wykamp and Ian Brooksbank									
Current State				Interdependencies					Target State									
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible					The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward									
				Target Completion Date of Project					<add date>									
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board					08.09.20											Complete	100%
2	Review investigation, past audits and reports, collate actions and status					30.09.20											Complete	100%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions					19.09.20											Complete	100%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	61%
7	Develop project plans for each theme with milestones and implementation timeline																Complete	100%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight																On Track	63%
11	Theme 2: People - team purpose, functions, roles and accountabilities																On Track	12%
12	Theme 3: Process Development/Improvement																On Track	60%
13	Theme 4: Systems and IT																On Track	20%
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings				12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting				09.09.20												Complete	100%
Activities Completed this month				Activities Planned for Next Month					Risks/Issues									
Five audit actions closed for the month, due to timing this are currently waiting sponsor endorsement at the Steering Committee meeting scheduled for 15th March Some project activities have been move to align with Horizon 3 activities to prevent rework and are expected to be closed out in the next two months.				<ul style="list-style-type: none"> Complete capture all critical document, reporting and business models There are another eighteen audit actions due to be closed by the end of March 														

FINANCE

Performance Report

REPORTING PERIOD

March 2021

PREPARED BY

TIM PETERS

Deputy Chief Financial Officer

APPENDIX 4 – Project Voltron Update

For the month of March, the 22 remaining audit activities were closed out.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	0	0	0	0	54
Last Report					
54	21	0	0	5	28

Table 2

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	0	0	0	16
2. People, Roles & Accountabilities	17	8	7	0	2
3. Process Improvement	25	8	2	0	15
4. Systems & IT	5	3	0	0	2
Total	63	19	9	0	35
Last Month	63	24	12	0	28

Project Voltron - Dashboard March Board Update																		
Project Title:		Project Voltron			Project Sponsor/s				Caroline Wykamp and Ian Brooksbank									
Current State				Interdependencies					Target State									
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible					The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward									
Target Completion Date of Project				<add date>														
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board				08.09.20												Complete	100%
2	Review investigation, past audits and reports, collate actions and status				30.09.20												Complete	100%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions				19.09.20												Complete	100%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	61%
7	Develop project plans for each theme with milestones and implementation timeline																Complete	100%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight																Complete	100%
11	Theme 2: People - team purpose, functions, roles and accountabilities																On Track	12%
12	Theme 3: Process Development/Improvement																On Track	60%
13	Theme 4: Systems and IT																On Track	40%
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings				12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting				09.09.20												Complete	100%
Activities Completed this month				Activities Planned for Next Month					Risks/Issues									
All 22 remaining audit actions were closed this month. Some project activities have been move to align with Horizon 3 activities to prevent rework and are expected to be closed out in the next two months.				<ul style="list-style-type: none"> Complete capture all critical document, reporting and business models 														

FINANCE

Performance Report

REPORTING PERIOD
March 2021

PREPARED BY
TIM PETERS
Deputy Chief Financial Officer



APPENDIX 4 – Project Voltron Update

For the month of March, the 22 remaining audit activities were closed out.

No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	0	0	0	0	54
Last Report					
54	21	0	0	5	28

Table 2

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	0	0	0	16
2. People, Roles & Accountabilities	17	8	7	0	2
3. Process Improvement	25	8	2	0	15
4. Systems & IT	5	3	0	0	2
Total	63	19	9	0	35
Last Month	63	24	12	0	28

Project Voltron - Dashboard March Board Update																		
Project Title:		Project Voltron			Project Sponsor/s				Caroline Wykamp and Ian Brooksbank									
Current State				Interdependencies					Target State									
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.				IT and Systems enhancements to remove manual activities and automation where possible					The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward									
				Target Completion Date of Project					<add date>									
No.	Overall Project Key Milestones and Activities			Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																		
1	Provide progress paper for September Board				08.09.20												Complete	100%
2	Review investigation, past audits and reports, collate actions and status				30.09.20												Complete	100%
3	Review findings from recent KPMG audit and feed into project activities				14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions				19.09.20												Complete	100%
5	Determine key systematic issues and themes identified as part of the review				30.08.20												Complete	100%
Stage 2 of Project																		
6	Close out short term actions as identified in the recent investigations and audit																On Track	61%
7	Develop project plans for each theme with milestones and implementation timeline																Complete	100%
8	Sponsors to approve and sign off Project Plan/s			Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight																Complete	100%
11	Theme 2: People - team purpose, functions, roles and accountabilities																On Track	12%
12	Theme 3: Process Development/Improvement																On Track	60%
13	Theme 4: Systems and IT																On Track	40%
Project Monitoring and Reporting																		
14	Implement regular project status and review meetings				12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting				09.09.20												Complete	100%
Activities Completed this month				Activities Planned for Next Month					Risks/Issues									
All 22 remaining audit actions were closed this month. Some project activities have been move to align with Horizon 3 activities to prevent rework and are expected to be closed out in the next two months.				• Complete capture all critical document, reporting and business models														

EXTRACT

Hydro-Electric Corporation Audit Committee paper

Meeting date: Tuesday, 27 April 2021

STRICTLY CONFIDENTIAL

Agenda item: 7.3

Subject:	AUDIT ACTIONS STATUS REPORT
Sponsor:	██████████ Head of Internal Audit
Category:	Internal Audit
Draft resolution:	The Audit Committee <u>notes</u> the status of audit actions

Project Voltron audit action monitoring

The following dashboard summarises the status of previous and recent audit actions being managed by Voltron:

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	0	0	0	0	54
Last Report					
54	21	0	0	5	28

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	0	0	0	16
2. People, Roles & Accountabilities	17	8	7	0	2
3. Process Improvement	25	8	2	0	15
4. Systems & IT	5	3	0	0	2
Total	63	19	9	0	35
Last Month	63	24	12	0	28

The remaining audit actions being monitored by Project Voltron were finalised following completion of the Load Forecasting and Wholesale Credit audit actions.

RECOMMENDATION

The status of audit actions is provided to the Audit Committee for **noting**.

FINANCE

Performance Report

REPORTING PERIOD

April 2021

PREPARED BY

Ian Brooksbank

EGM Finance & Strategy

APPENDIX 4 – Project Voltron Update

Some project activities have commenced for the month of April now that Horizon 3 is complete and are expected to be closed out in the next three months.

All audit actions were closed by the end of March. No risks or issues have been identified at this stage of the project.

Table 1

Recent Audit/Investigation Actions					
No. Actions	On Track	Not Yet Started	Overdue	Endorsement	Complete
54	0	0	0	0	54
Last Report					
54	0	0	0	0	54

Table 2

Project Activities					
Theme	No. Activities	On Track	Not Yet Started	Overdue	Complete
1. Governance & Oversight	16	0	0	0	16
2. People, Roles & Accountabilities	17	6	7	0	4
3. Process Improvement	25	11	2	0	18
4. Systems & IT	5	2	0	0	3
Total	63	19	9	0	41
Last Month	63	24	12	0	28

Last updated: 12/05/2021

Project Voltron - Dashboard May Board Update																
Project Title:	Project Voltron		Project Sponsor/s					Caroline Wykamp and Ian Brooksbank								
Current State		Interdependencies					Target State									
There have been multiple audits, reviews and investigations that have highlighted a number of gaps and concerns across Front, Middle and Back Office.		IT and Systems enhancements to remove manual activities and automation where possible					The aim of Project Voltron is twofold: - Address current issues and concerns of recent audits, reviews and investigation - develop and implement an holistic plan that rectifies any identified systemic issue and resolve these going forward									
		Target Completion Date of Project			<add date>											
No.	Overall Project Key Milestones and Activities	Accountable	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Status	% Comp.
Stage 1 of Project																
1	Provide progress paper for September Board			08.09.20											Complete	100%
2	Review investigation, past audits and reports, collate actions and status			30.09.20											Complete	100%
3	Review findings from recent KPMG audit and feed into project activities		14.08.20												Complete	100%
4	Develop short term action plan to close open investigation and audit actions			19.09.20											Complete	100%
5	Determine key systematic issues and themes identified as part of the review		30.08.20												Complete	100%
Stage 2 of Project																
6	Close out short term actions as identified in the recent investigations and audit														Complete	100%
7	Develop project plans for each theme with milestones and implementation timeline														Complete	100%
8	Sponsors to approve and sign off Project Plan/s	Caroline/Ian													Complete	100%
9	Theme 1: Governance and Oversight														Complete	100%
11	Theme 2: People - team purpose, functions, roles and accountabilities														On Track	24%
12	Theme 3: Process Development/Improvement														On Track	72%
13	Theme 4: Systems and IT														On Track	60%
Project Monitoring and Reporting																
14	Implement regular project status and review meetings		12.08.20												Complete	100%
15	Develop monthly dashboard on project status and Board reporting		09.09.20												Complete	100%
Activities Completed this month		Activities Planned for Next Month					Risks/Issues									
All audit actions were closed by the end of March. Some project activities have commenced now Horizon 3 is complete and are expected to be closed out in the next two months.		<ul style="list-style-type: none"> Complete capture all critical document, reporting and business models 														

Hydro-Electric Corporation Audit Committee paper

Meeting date: Tuesday, 22 June 2021

STRICTLY CONFIDENTIAL

Agenda item: 7.3

SUBJECT:	AUDIT ACTIONS STATUS REPORT
SPONSOR:	██████████ Head of Internal Audit
CATEGORY:	Internal Audit
DRAFT RESOLUTION:	The Audit Committee <u>notes</u> the status of audit actions.

Project Voltron audit action monitoring

Following the completion of all the audit/investigation actions being coordinated under Project Voltron, reporting under this project has been discontinued.

RECOMMENDATION

The status of audit actions is provided to the Audit Committee for **noting**.