



# Audit Guide – Scheme Participants

V2.2 June 2025

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## **Acknowledgment of Country**

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

## **The Independent Pricing and Regulatory Tribunal**

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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## Document control

Version number	Change description	Date published
V1.0	Initial release	January 2021
V1.1	Adjustment of Section 5.3 to reflect the removal of requirement for reporting proportion of electricity used in connection with specified activity for Exempt Loads	March 2021
V1.2	Updated to reflect minor changes to processes following the introduction of The Energy Security Safeguard Application (TESSA)	September 2022
V2.0	Updated to include audits required under the Peak Demand Reduction Scheme and reference audit of the Declaration of Liable Acquisitions rather than the Annual Energy Savings Statement (AESS).	June 2023
V2.1	Updated to reflect outcomes of the March 2024 consultation on operational changes to scheme participant compliance processes.	June 2024
V2.2	Updated to remove reference to an audit of the Declaration of Liable Acquisitions.	June 2025

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# 1 About this guide





The *Audit Guide – Scheme Participants* summarises the key requirements that apply to scheme participant audits under the:

- Energy Savings Scheme (ESS) and
- Peak Demand Reduction Scheme (PDRS).

The purpose of this document is to help scheme participants and auditors understand audit requirements and processes.

You should read this document in conjunction with the relevant legislation, guidance materials and reporting and administrative tools set out in Table 1.

Table 1 Documents relevant to ESS and PDRS scheme participants

Document type	Document
Legislative requirements 	Part 1 and Part 2 of Schedule 4A to the <i>Electricity Supply Act 1995</i> ( <b>Act</b> ) Part 6 and Part 7 of the <i>Electricity Supply (General) Regulation 2014</i> ( <b>Regulation</b> ) <i>Peak Demand Reduction Scheme Compliance Rule of 2022</i> ( <b>PDRS Compliance Rule</b> )
Exemptions legislation 	Energy Savings Scheme (Electricity Load Exemptions) Order ( <b>ESS Exemptions Order</b> ) <sup>a</sup> Peak Demand Reduction Scheme (Electricity Load Exemptions) Order ( <b>PDRS Exemptions Order</b> ) <sup>a</sup> <i>Energy Savings Scheme – Scheme Regulator Exemptions Rule No. 1 of 2016</i> ( <b>ESS Exemptions Rule</b> ). <i>Peak Demand Reduction Scheme – Scheme Regulator Exemptions Rule No. 1 of 2023</i> ( <b>PDRS Exemptions Rule</b> ).
Guidance material 	<i>Compliance Guide – Scheme Participants</i> <i>Audit Guide – Scheme Participants</i> (this document)
Reporting & administrative tools 	Individual Liabe Demand (online form) <sup>b</sup> ESS Annual Statement (online form) <sup>b</sup> PDRS Annual Statement (online form) <sup>b</sup> <i>DSW Submission Form – Scheme Participants</i>

<sup>a</sup> The ESS Exemptions Order and PDRS Exemptions Order are made periodically, generally each year. Refer to our website for current [ESS and PDRS Exemptions Orders](#).

<sup>b</sup> Online forms are available in our online system [TESSA](#).

## 2 Stakeholder requirements

### 2.1 Scheme participant requirements

Scheme participants may need to conduct an audit if their ESS Annual Statement or PDRS Individual Liabile Demand includes:

- non-market acquisitions
- exempt electricity loads

The purpose of the audit is to provide reasonable assurance over liable acquisitions that cannot be verified against data provided by the Market Operator (AEMO). To determine if an audit is required, refer to Section 5 of the [Compliance Guide – Scheme Participants](#).

Scheme participants who are required to conduct an audit should:

- engage an auditor from the [List of Audit Services Panel Members](#) on our website<sup>c</sup>
- have their non-market acquisitions and/or exempt electricity loads audited
- submit their audit report with their ESS Annual Statement and PDRS Individual Liabile Demand submissions in TESSA by the due date on our [scheme participant compliance timeline](#).

Scheme participants and auditors should schedule their work to align with the compliance timeline so that scheme participants can meet their regulatory deadline. Table 2 provides an indicative step-by-step process for undertaking the audit based on the current compliance timeline.

Table 2 Expected timing to meet the ESS and PDRS regulatory deadlines

Stages of compliance process	Expected timing
1. Scheme participant engages auditor (if required)	By August
2. Auditor prepares DSW submission form	
3. Auditor submits DSW to IPART for approval	
4. IPART approves DSW and confirms audit can commence	
5. Scheme participant calculates its liable acquisitions	By October
6. Auditor conducts the audit and provides report to scheme participant	
7. Scheme participant submits ESS Annual Statement and/or PDRS Individual Liabile Demand and audit report in TESSA by regulatory deadline	By mid-November

<sup>c</sup> IPART has established the [Audit Services Panel](#) to ensure audits are carried out by auditors who are suitably qualified and experienced to undertake the audits.

## 2.2 Auditor requirements

The auditor must complete and submit the [Detailed Scope of Works \(DSW\) Submission Form – Scheme Participants](#) for approval by IPART. The DSW must be approved by IPART before the audit can commence.

Auditor independence is fundamental for objective and unbiased audits. For audits to be unbiased and objective, all members of the audit team need to be free of any conflict of interest and maintain independence from the scheme participant being audited.

### Conflict of interest

Before accepting an audit engagement, the Lead Auditor must consider whether there is a potential conflict of interest, i.e. any actual, potential or perceived conflict of interest which may affect the auditor's ability to perform any service under the [Audit Services Panel Agreement](#).<sup>d</sup> The Lead Auditor must declare there is no conflict of interest in the [DSW Submission Form - Scheme Participants](#). If the auditor becomes aware of a conflict of interest after an audit has commenced, they must immediately notify IPART.

### The 'three-audit rule'

After an auditor has performed 3 consecutive audits for a scheme participant, the scheme participant must engage a different auditor for the next audit. After that, it may again engage the original auditor for another 3 consecutive audits.

The aim of the three-audit rule is to encourage the rotation of auditors so that each scheme participant is audited by different Audit Services Panel Members over time. This allows a new perspective and helps to reduce the potential for conflicts of interest by removing any long-term business commitments between scheme participants and auditors.

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<sup>d</sup> For further information on conflict of interest refer to the [Audit Services Panel Agreement](#).

## 3 Audit requirements

### 3.1 What information is required in the DSW?

The *DSW Submission Form – Scheme Participants* defines the parties to the audit, sets out the scope and determines how the audit will be undertaken. Requiring its submission ensures that audits of scheme participants are conducted in a consistent manner.

The *DSW Submission Form – Scheme Participants* is to be populated with the following information:

- details of the scheme participant(s) whose non-market acquisitions and/or exempt electricity loads are being audited
- audit information, including audit team, audit standard, audit plan and fee
- audit scope items
- declaration by the Lead Auditor

### 3.2 Which audit standards can be used?

Auditors must use an audit standard acceptable to IPART such as the Australian Auditing Standards – as published by the Auditing and Assurance Standards Board including:

- ASAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information
- ASAE 3100: Compliance Engagements

Auditors may propose another standard but must contact IPART before commencing the audit.

Auditors must list the audit standard they intend to use in the *DSW Submission Form – Scheme Participants*.

### 3.3 What information is audited?

The audit will cover information the scheme participant intends to include in its ESS Annual Statement or PDRS Individual Liabe Demand that cannot be verified against information provided by the Market Operator (AEMO). This includes:

- non-market acquisitions<sup>e</sup>
- exempt electricity loads

Where relevant, the audit may also cover:

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<sup>e</sup> Non-market acquisitions include non-market purchases and non-market supply of generation by a retailer as described in Sections 4.2 and 4.3 of the *Compliance Guide – Scheme Participants*.



- the implementation of previous audit recommendations
- additional scope items included at the request of the scheme participant or Scheme Regulator.

We expect the auditor to conduct sufficient audit procedures to enable the auditor to express a reasonable assurance opinion over the matters being audited (refer Section 4.2).

The attachment to the [\*DSW Submission Form – Scheme Participants\*](#) includes non-exhaustive example audit procedures that might be used to assess audit scope items.

### 3.4 Sampling and site visits

Where assessing significant quantities of input data, auditors may choose to test a representative sample of the data population. Auditors should refer to the relevant audit standards for guidance on sampling. Where auditors have tested a representative sample, the audit report should specify what proportion of the input was sampled.

Auditors may need to conduct site visits to verify the systems, procedures and controls in order to assure themselves of the integrity of the inputs. Site visits to a scheme participant's customer may also be required to verify the address and national metering identifier (NMI) where scheme participants are claiming exempt electricity loads.

## 4 Audit report

### 4.1 Contents of the report

The report must be presented as an audit report and a schedule of findings. The template information in Table 3 must be included.

Table 3 Template information

Item	Information
Title	"Independent Audit Report"
Address	Audit reports should be addressed to The Chair, IPART as the Scheme Regulator.
Signature	The final audit report must be signed and dated by the Lead Auditor. Scanned or electronic signatures are acceptable.

The audit report must include:

- A summary of audit outcomes:
  - a statement that the audit was performed in accordance with an auditing standard acceptable to IPART
  - an audit opinion for each of the matters being audited
  - a description of any errors or issues identified
  - a summary of any recommendation made to address issues identified
- An overview of the audit process:
  - a description of the specific matters that were audited (as outlined in the approved DSW)
  - a description of the audit procedures conducted for each scope item including documents viewed, data tested, sampling information, and number of records checked
  - details of any limitations encountered in conducting the audit in accordance with the relevant standard
- A summary of the findings and conclusion for each scope item (schedule of findings):
  - details of any errors or issues identified (regardless of whether they were then corrected by the scheme participant)
  - a description of any calculations that were performed to provide assurance over the non-market acquisitions and/or exempt electricity loads
  - a description of any other relevant information that the auditor identified.

The schedule of findings must provide IPART with sufficient detail to understand the basis for the conclusions made in the audit report.

The audit report must also set out the information in Table 4, where relevant, to allow IPART to confirm the data submitted in the scheme participants ESS Annual Statement or PDRS Individual Liabile Demand.

Table 4 Non-market acquisition and exempt load data

Scope item	Audit report data
Non-market acquisitions	<ul style="list-style-type: none"> <li>• Total non-market purchases, MWh</li> <li>• Total supply of generation by a retailer, MWh</li> <li>• Total non market acquisitions, MWh</li> </ul>
Exempt electricity loads	<p>For each exempt electricity load claimed:</p> <ul style="list-style-type: none"> <li>• the location</li> <li>• specified activity</li> <li>• customer</li> <li>• quantity of electricity supplied, MWh</li> <li>• NMI(s) associated with the electricity supplied</li> <li>• exempt proportion claimed, percentage (%)</li> <li>• the allowance for losses, percentage (%)</li> <li>• calculated exempt electricity load, MWh.</li> </ul>

## 4.2 Audit opinions

The auditor should express a reasonable assurance conclusion in the audit report. The audit report must identify whether, in the opinion of the auditor, the non-market acquisitions and/or exempt electricity loads are:

- fairly presented and free of material misstatement
- calculated in accordance with Divisions 4 and 5 of Part 1 of Schedule 4A to the Act and in accordance with the [Energy Savings Scheme - Scheme Regulator Exemptions Rule No. 1 of 2016](#), and the relevant [ESS Exemptions Order](#)
- calculated in accordance with Divisions 2 and 3 of Part 2 of Schedule 4A to the Act and in accordance with the [Peak Demand Reductions Scheme - Scheme Regulator Exemptions Rule No. 1 of 2023](#), and the relevant [PDRS Exemptions Order](#)
- based on accurate and reliable records and other relevant supporting documentation.

## 4.3 How should auditors deal with errors and inconsistencies?

Where the auditor identifies errors (misstatements) or inconsistencies during the audit, they should communicate these to the scheme participant who has commissioned the audit. The scheme participant may choose to amend their liable acquisitions accordingly before the audit is finalised. However, auditors must identify the original error and provide reasonable assurance over the amended input/calculation in the audit report.

## 5 Key terms and acronyms

Acronym and key terms	Definition
<b>Activity</b>	The Specified Activity listed in Schedule 1 Table of Exemptions in the ESS Exemptions Order or PDRS Exemptions Order
<b>AEST</b>	Australian Eastern Standard Time
<b>Audit Services Panel</b>	A list of auditors approved by IPART to conduct ESS and PDRS audits
<b>Audit Services Panel Agreement</b>	An agreement between IPART and the Audit Services Panel Member
<b>Compliance Guide – Scheme Participants</b>	A document to help scheme participants meet their obligations under the ESS and PDRS
<b>Compliance period (ESS)</b>	The period from 1 January to 31 December. E.g., the 2025 compliance year is 1 January 2025 to 31 December 2025.
<b>Compliance period (PDRS)</b>	The period from 1 November through to 31 March of the following year. E.g., the 2024-2025 compliance period is the period from 1 November 2024 to 31 March 2025.
<b>DSW</b>	Detailed Scope of Works
<b>DSW Submission Form – Scheme Participants</b>	The form which the auditor completes and submits to IPART for approval prior to commencing a scheme participant audit
<b>ESS</b>	The NSW Energy Savings Scheme
<b>Exempt electricity loads</b>	An electricity load used in connection with an Activity that is specified as fully or partially exempt from the ESS or PDRS under the ESS Exemptions Order or PDRS Exemptions Order
<b>Exemptions Order (ESS)</b>	The order made under clause 22 of Schedule 4A to the Act as applicable to the relevant ESS compliance period.
<b>Exemptions Order (PDRS)</b>	The order made under clause 93 of Schedule 4A to the Act as applicable to the relevant PDRS compliance period
<b>Four peak days</b>	The 4 days during the PDRS compliance period (1 November to 31 March) with the highest maximum demand of electricity at any point during each day
<b>IPART</b>	The Independent Pricing and Regulatory Tribunal of NSW
<b>Lead Auditor</b>	The team leader who is responsible for the direction and supervision of an ESS audit. A lead auditor must be suitably qualified and appointed on the Panel Agreement.
<b>Location</b>	The location that corresponds to an exempt electricity load used in connection with an Activity as specified in the ESS Exemptions Order or PDRS Exemptions Order.
<b>Market Operator</b>	Has the meaning defined in clause 2 of Schedule 4A to the Act. The Market Operator is currently the Australian Energy Market Operator (AEMO).
<b>NEM</b>	National Electricity Market
<b>NMI</b>	National Metering Identifier
<b>Non-market acquisitions</b>	The sum of a scheme participant's non-market purchases and non-market supply of generation
<b>Non-market purchases</b>	Purchases of electricity by a scheme participant from any person other than the Market Operator, where the electricity is purchased for consumption by, or onsale to, end users in NSW or for use in NSW. Non-market purchases do not include electricity purchases later supplied to the Market Operator through the NEM (e.g. the purchase of electricity by a retailer from a customer's rooftop solar that is onsold to the Market Operator).
<b>Non-market supply of generation</b>	A supply of electricity generated by a retailer and supplied by the retailer for consumption by, or onsale to, end users in NSW or for use in NSW. Supply of generation does not include electricity generation that is supplied to the Market Operator through the NEM.
<b>PDRS</b>	The NSW Peak Demand Reduction Scheme
<b>Scheme participant</b>	Has the meaning given in clauses 2 and 81 of Schedule 4A to the Act.

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