

Appendix C:

Audit scope and method

Scope of this audit

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
Department of Energy, Environment and Climate Action	The lead Victorian Government agency facilitating Victoria's transition to renewable energy. It is responsible for developing policy and a regulatory framework to address market failures, unlock investment and support industry development for the state's long-term energy interests.
SEC Victoria	Its key role in supporting Victoria's energy transition is investing in infrastructure for Victoria's system needs, starting with an additional 4.5 GW of renewable energy capacity by 2035.

Our audit objective

Is Victoria on track to achieve its renewable energy objectives?

What we examined

We examined:

- Victoria's progress against the legislated Victorian renewable energy targets
- the government's plans for meeting future targets, while meeting reliability and system security standards.

Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance.

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
			

Key:

-  Primary focus
-  Secondary focus
-  Not assessed

Conducting this audit

Assessing performance

To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. Is progress towards the government's renewable energy and storage objectives on track?	1.1 Victoria achieved its legislated renewable energy target for 2020 and is on track to achieve its target for 2025.
	1.2 Responsible agencies have implemented their key commitments and are meeting milestones.
2. Is the government's plan designed to achieve its renewable energy and storage objectives, and electricity obligations?	2.1 Agencies can demonstrate that the government's plan facilitates the delivery of different energy sources to meet its renewable energy and storage objectives, and electricity obligations.
	2.2 Agencies can demonstrate that the government's plan factors in risks and uncertainties.

Our methods

To conduct the audit we:

- reviewed strategic and project plans, business cases, Cabinet submissions and other documents to understand the delivery plans, submissions and advice that the department and SEC have developed or relied on to:
 - set targets and objectives
 - report the progress of priority initiatives
 - understand electricity supply, demand
 - plan the infrastructure required to transition
 - the agreements to manage the closure of Yallourn
- reviewed the data and method used by the department to calculate Victorian renewable energy target progress and replicated the method using provided data to verify Victorian renewable energy target reporting
- reviewed historical and forecast electricity generation data to model increases to electricity demand
- analysed generation and asset data to model capacity factors for renewable sources
- modelled asset data to assess the expected capacity and generation from renewable sources across multiple scenarios
- reviewed the department's modelling of electricity supply and demand, and reviewed its asset forecasts, to assess if the department's planning:
 - relies on modelling and forecasting assumptions are that articulated, tested and reasonable
 - can provide enough supply, at the right times, to meet Victoria's needs
- reviewed the department's modelling, forecasting, assumptions and analysis to:
 - assess if the department has explored the potential impacts of risks and uncertainties on demand, supply and asset planning requirements
 - assess if the department has explored the potential impacts of delays delivering key infrastructure on electricity supply
 - assess how the department factors risks and uncertainties into asset planning to ensure enough supply to meet daily demand under different scenarios.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance

We conducted our audit according to the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

We also provided a copy of the report to the Department of Premier and Cabinet.

Cost and time

The full cost of the audit and preparation of this report was \$938,000.

The duration of the audit was 14 months from initiation to tabling.
