



INFORMATION

RATCH-Australia Kemerton Pty Ltd

2013 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW REPORT

The Economic Regulation Authority has published the 2013 performance audit (**Audit**) and asset management system review (**Review**) report for RATCH-Australia Kemerton Pty Ltd's (**RATCH**) electricity generation licence EGL5:

- [2013 Audit and Review Report](#)

Action by the Authority

The Authority is satisfied with both RATCH's compliance with its licence conditions and with the effectiveness of its asset management system.

With regard to the post-audit implementation plan, the Authority does not agree with the auditor's findings in relation to the four licence obligations that were rated 3 (compliant). The Authority has requested the licensee submit an amended post-audit implementation plan that takes into account the Authority's comments.

The Authority has decided to maintain the Audit and Review period at 36 months. The next Audit and Review will cover the period 1 April 2013 to 31 March 2016, with the report on the Audit and Review to be provided to the Authority by 30 June 2016.

BACKGROUND INFORMATION

Performance Audit

The Authority does not agree with the auditors findings in respect of the four licence obligations that were rated 3 for the reasons set out below.

- **Item L5 (Clause 5):** the description of the audit findings on pages 23 and 24 of the report state there were non-compliances with "applicable legislation" in respect of notifying the Authority of the licensee's name change, and the failure to provide an environmental compliance report to the Minister on time in 2012. However, the requirement to notify the Authority of a change of licensee name is covered by clause 15 of the licence (see below). Also, it is questionable whether the failure to provide the environmental compliance report is a non-compliance with the licence, although there is no doubt that RATCH failed to provide the report to the Minister on time. However, the Authority agrees that it is prudent for RATCH to improve its systems to meet compliance monitoring and reporting obligations, and has left the auditor's rating of 3 in place, along with the action items specified in the post-audit implementation plan.
- **Item 106 (Clause 5.1):** the information on pages 24 and 25 of the report does not directly relate to the licence obligation to minimise the extent or duration of any interruption, suspension or restriction of supply. The description provided by the auditor deals with a range of issues that are better addressed in the asset management system. There is nothing to indicate that RATCH has experienced supply interruptions, nor that there have been interruptions that were longer than they needed to be due to omission or negligence on the part of RATCH. The

Authority has requested this item is removed from the post-audit implementation plan.

- **Item L17 (Clause 15.1):** the description provided by the auditor clearly states that RATCH has not complied with clause 15.1 of the licence when it changed its name to RATCH in 2012. However, the auditor has rated the obligation as 3 (compliant). The Authority is of the opinion that the correct rating is 2 (non-compliant). The recommendation and action in the post-audit implementation plan should remain unchanged.
- **Item 124 (Clause 16.1):** the auditor refers to the non-compliance with clause 15.1 as also being a non-compliance with clause 16.1; this is not correct. The auditor also refers to the content of three annual compliance returns as being cause for a non-compliance with clause 16.1 of the licence. Clause 16.1 requires licensees to provide information to the Authority in the time, manner and form specified. There is nothing in the information disclosed in the Audit report, or the information available to the Authority that indicates the compliance reports did not comply with these requirements.

The Authority has requested RATCH to prepare an amended post-audit implementation plan in accordance with the above.

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