



# Notice

18 December 2014

## **TEC DESERT PTY LTD & TEC DESERT No. 2 PTY LTD (t/a Southern Cross Energy Partnership)**

### **2014 PERFORMANCE AUDITS AND ASSET MANAGEMENT SYSTEM REVIEWS**

The Economic Regulation Authority has published the 2014 performance audit (Audit) and asset management system review (Review) report for Southern Cross Energy Partnership's (SCEP) electricity distribution licence EDL3, electricity transmission licence ETL4, electricity retail licence ERL7 and electricity generation licence EGL13. The report includes the post-audit implementation plan prepared by SCEP.

- [2014 Audit and Review report](#)

#### **Action by the Authority**

The Authority is satisfied that SCEP has demonstrated a high level of compliance with its licence conditions, and has an effective asset management system.

The Authority has decided to increase the period of time until the next Audit and Review from 36 months to 48 months. The next Audit and Review will cover the period from 1 July 2014 to 30 June 2018, with the reports on the Audit and Review to be provided to the Authority by 30 September 2018.

#### **BACKGROUND**

##### **Audit**

##### **2011 Audit**

The 2011 Audit identified four non-compliances.

By the time of the 2014 Audit, SCEP had completed the recommendation to address one of the four non-compliances. Two of the three remaining recommendations, relating to the accuracy of SCEP's meters, have been re-assessed as being not applicable due to the transitional provisions in the *Electricity Industry (Metering) Code 2012 (2012 Metering Code)*.<sup>1</sup>

The remaining recommendation, requiring SCEP to develop a metrology procedure remains outstanding. This recommendation has been carried forward into the 2014 Audit

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<sup>1</sup> These transitional provisions exempt meters installed prior to the commencement of the *Electricity Industry (Metering) Code 2005* from the majority of design and accuracy requirements specified in Part 3 of the 2012 Metering Code.



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recommendations.

## 2014 Audit Findings

The 2014 Audit identified two non-compliances:

- SCEP does not have a metrology procedure that is compliant with the 2012 Metering Code (carried forward from 2011 Audit ); and
- remote, 'read only' access to the data held in SCEP's metering database has not been provided to its principal customer, Nickel West, which on sells electricity to other parties.

The auditor made two recommendations to address the non-compliances. The post-audit implementation plan prepared by SCEP does not include any management actions to address these non-compliances. The reason given by SCEP is that the Power Purchase Agreements (**PPA**) that are in place with their customers include contractual provisions that address the intent of the two 2012 Metering Code obligations. The evidence presented in the Audit report suggests that requiring SCEP to rectify the non-compliances while the existing PPAs are in place is unlikely to deliver any additional protections to SCEP's customers. However, the Authority does expect compliance with the 2012 Metering Code to be addressed when the PPAs expire, if they are replaced by a new contract.

## Review

### 2011 Review

The 2011 Review made one recommendation, which addressed an opportunity for improvement relating to the Environmental Analysis component of the Asset Management System. This recommendation was completed before the 2011 Review report was finalised.

### 2014 Review Findings

SCEP achieved a rating of A1 (highest rating) for all twelve asset management system components.

There were no recommendations made by the auditor. However, the auditor did make some observations about the operation of the AMS (these can be found on pages 99 - 100 of the report). The observations identify areas where there is opportunity for SCEP to improve its AMS, but the auditor has elected not to make any specific recommendations in respect of the observations.



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