



# Notice

6 January 2015

## MERREDIN ENERGY PTY LTD

### 2014 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority has published the 2014 performance audit and asset management system review report for the electricity generation licence (EGL25) of Merredin Energy Pty Ltd.

- [2014 Audit and Review Report](#)
- [2014 Post-Audit and Post-Review Implementation Plan](#)

#### Action by the Authority

The Authority is satisfied that Merredin has demonstrated an adequate level of compliance with its licence conditions, and has, with the exception of contingency planning, an effective asset management system.

The Authority has decided to increase the interval of time until the next Audit and Review from 24 months to 36 months, with the increase in the Review interval being subject to Merredin addressing the auditor's recommendation in relation to contingency planning by 31 March 2015.

The next Audit and Review will cover the period from 1 July 2014 to 30 June 2017, with the reports on the Audit and Review to be provided to the Authority by 30 September 2017.

#### BACKGROUND

##### Audit

Of the 60 licence obligations that were assessed, nine obligations were rated NA (obligation does not apply to the licensee's business operations), 29 were rated NR (no relevant activity took place during the audit period), 20 obligations achieved a rating of A1 (highest rating), and two obligations were rated B2 (non-compliant – minor impact on third parties).

The post-audit implementation plan contains the two recommendations the auditor made to address the obligations rated B2. The two obligations are also discussed below.

With regard to obligation 103, the non-compliance occurred because Merredin did not notify the Authority of its asset management system when it commenced operating. The auditor's recommendation addresses the related obligation that Merredin notify the Authority of any future changes to the asset management system, if and when they occur. Accordingly, the recommendation is considered to be an opportunity for improvement.



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With regard to obligation 106, the Authority is of the view that Merredin did not contravene section 31(3) of the *Electricity Industry Act 2004 (Act)*, as the generator failure to start/synchronise events do not constitute an interruption of supply i.e. a non-compliance. Consequently, the auditor's recommendation is considered to be an opportunity for improvement regarding the availability of the generators, rather than addressing an interruption of supply when the generators are running.

## Review

Of the 12 asset management components that were assessed in the Review, Merredin has achieved a rating of A1 (highest rating) for seven of the asset management components, a rating of B1 (improvement opportunity) for four components and a rating of B3 (ineffective) for one component (Contingency Planning).

The auditor made 13 recommendations in relation to the Review. The Authority's assessment is that three recommendations (4/2014, 6/2014, 12/2014)<sup>1</sup> address process deficiencies, while the remaining 10 recommendations represent process improvement opportunities.

The issues that have been identified in the Review generally reflect the additional work that Merredin needs to do to adapt and develop the generic asset management system provided by the supplier of the generators to reflect the in-service environment of the generators, and to include the other on site non-generation plant. The customisation of the asset management system has largely been completed, with the remaining items due to be completed by March 2015.

The recommendation in relation to Contingency Planning involves customising the existing contingency plans to reflect the on-site plant configuration and implementing a testing regime. The Authority notes that there are strong incentives for Merredin to promptly address this recommendation in order to meet the plant availability benchmarks that attract capacity credit payments.

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<sup>1</sup> In summary, 4/2014: complete compiling the asset register; 6/2014: create a formal procedure to prioritise maintenance work based on risk assessment; and 12/2014: tailor generic contingency plans to better fit the power station operation.