



Notice

25 March 2015

NewGen Power Kwinana Pty Ltd

2014 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority has published the 2014 performance audit (Audit) and asset management system review (Review) report for NewGen Power Kwinana Pty Ltd's (NPK) electricity generation licence, EGL3.

- [2014 Audit and Review report](#)
- [Post-Audit and Post-Review implementation plan](#)

Action by the Authority

The Authority is satisfied that NPK has demonstrated a high level of compliance with its licence conditions and that NPK has an effective asset management system. However, some improvements are required to the asset management system, particularly to the system documentation.

The Authority has decided to increase the period of time until the next Audit from 36 months to 60 months. The next Audit will cover the period from 1 August 2014 to 31 July 2019, with the report on the Audit to be provided to the Authority by 31 October 2019.

The Authority has not yet determined the period of time to be covered by the next Review. The Authority intends to extend the next Review period from 36 months to 60 months, subject to NPK satisfactorily addressing the recommendations in the post-review implementation plan by 31 December 2015. The Authority will determine whether the Review period will be extended to 60 months once it has received an updated post-review implementation plan in December 2015.

BACKGROUND

Audit

2011 Audit

No recommendations were made in the 2011 Audit.

2014 Audit Findings

The 2014 Audit identified one non-compliance. The licence contravention was caused by the 2014 annual compliance report being provided five days late to the Authority. The Authority considers



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this non-compliance to be of a minor administrative nature and notes that the licensee's post-audit implementation plan states that the recommendation to address the controls failure that led to the non-compliance is due to be completed by August 2015.

Review

2011 Review

No recommendations were made in the 2011 Review.

2014 Review Findings

NPK achieved a rating of A1 (highest rating) for three of the 12 asset management system components, a rating of B1 for four components, B2 for three components, B3 (performance requires corrective action) for one component and C2 (policies require significant improvement) for one component. A detailed summary of the assessment of each of the 12 components can be found on pages 48-85 of Attachment 1.

The auditor has made 33 unique recommendations in relation to the 2014 Review whereas there were no recommendations in the previous 2011 Review. The Authority considers that 13 of these recommendations address process deficiencies, while the remaining 20 recommendations represent process improvement opportunities. The Authority's assessment of the underlying issues that have resulted in the 2014 Review recommendations indicate that they are due to the auditor applying a more rigorous approach to the Review, rather than a decline in performance by the licensee during the intervening three years.

The Review findings indicate NPK are operating their assets in a satisfactory manner: nearly all of the issues disclosed in the Review report relate to documentation of processes and procedures, and the review of asset management documentation. The Authority notes that the post-review implementation plan prepared by NPK states that all of the 33 recommendations arising from the 2014 Review are due to be completed by November 2015.

For further information contact:

General Enquiries

Paul Reid
Economic Regulation Authority
Phone: 08 6557 7900
Email: records@erawa.com.au

Media Enquiries

Richard Taylor
Riley Mathewson Public Relations
Phone: 08 9381 2144
Email: admin@rmpr.com.au