

Nickel West



File Ref: 2016 Performance Audit - PAIP v1

18 August 2016

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Mr Paul Reid
Assistant Director Monitoring
Economic Regulation Authority
PO Box 8469
Perth Business Centre
Western Australia 6849

Dear Mr Reid

Re: Nickel West Energy Performance Audit and Asset Management Review – Post Audit Implementation Plan

Following the Performance Audit carried out by Cardno (QLD) Pty Ltd on the Distribution Licence EDL2 and Retail Licence ERL2 held by Nickel West, we are pleased to provide our Post Audit Implementation Plan (PAIP) for the Authority to review and approve.

The Post Audit Implementation Plan, this document, does not form part of the final audit report, but is included at submission as a separate document.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Karl Stokes', written over a horizontal line.

Karl Stokes
Manager Integrated Operations



The performance audit identified the following non-compliances.

Proposed action, responsibility and due dates for completion are provided for the non-compliance and some of the opportunities for improvement in the tables below.

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
A1/2016	-	<p>B2 <i>Electricity Industry Act section 7.4</i> A person must not sell electricity to customers except under the authority of a retail licence or an integrated regional licence.</p> <p>During the course of the audit process, it was identified that the point of supply to the Agnew Gold Mining Company (AGMC) from NIW's northern system is outside NIW's licenced operating area. As a result, NIW is non-compliant with regard to clause 2.1 of its retail licence, which states that 'The licensee is granted a licence for the licence area to sell electricity to customers in accordance with the terms and conditions of this licence'. NIW's retail licence details are set out in Schedule 1 of its retail licence, with the licence area information provided in section 1.1 of the Schedule.</p>	-	2	We recommend that NIW formally notifies the ERA to explain the current situation and seeks to amend the licence area in accordance with the ERA's processes for amending licences.	<p>The Economic Regulation Authority (ERA) has approved the requested amendment to BHP Billiton Nickel West Pty Ltd (BHP) electricity retail licence ERL2 on 7 July 2016.</p> <p>Responsible: Principal Energy & Production Integration Target Date: Completed</p>
A2/2016	330	<p>B2 <i>Electricity Industry Metering Code clause 3.5(9)</i> If a network operator becomes aware that a metering installation does not comply with the Code, the network operator must advise affected parties of the non-compliance and arrange for the non-compliance to be corrected as soon as practicable.</p> <p>NIW has reported non-compliances against this obligation in both its 2013/14 and 2014/15 Compliance Reports to the ERA. In each case, the metering installation did not comply with the Code after a failure of a component and the affected customer not being appropriately notified they were being under-metered.</p>	4	2	NIW to review its current processes, and revise them if identified as being required, to ensure that customers are notified as soon as practicable.	<p>NIW will update monthly procedure to include the requirement to formally inform customers when metering issues exist</p> <p>Responsible: Principal Energy & Production Integration Target Date: 31 Mar 2017</p>

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
A3/2016	340	<p>B2 <i>Electricity Industry Metering Code clause 3.11A(1)</i> <i>A network operator must ensure that the meters on its network are systematically sampled and tested for accuracy in accordance with AS 1284.13</i></p> <p>NIW has reported a non-compliance against this obligation in both the 2013/14 and 2014/15 Compliance Reports it has submitted to the ERA during the audit period. This is as a result of not testing at light load as required by the Standard.</p> <p>The meters were last tested in November 2015, with light load testing carried out, making NIW compliant for the 2015/16 period.</p>	4	2	NIW to continue to ensure that light load testing is carried out during the annual meter testing	<p>Maintenance Plans for testing scheduled in 1SAP maintenance</p> <p>Responsible: Principal Energy & Production Integration Target Date: Completed as at 16 Aug 2016</p>
A4/2016	412	<p>B2 <i>Electricity Industry Metering Code clause 5.20(2)</i> <i>An Energy Data Verification Request Form must require a Code participant to provide the information prescribed.</i></p> <p>NIW's energy data verification request form contains the required information to be provided in accordance with this obligation.</p> <p>However, although NIW has an Energy Data Verification Request Form it has never been used. Generally any requests for data verification are submitted by email to NIW.</p> <p>Given the requirement that an Energy Data Verification Request Form must require a Code participant to provide the information prescribed, NIW is technically non-compliant against Clause 5.20(2) of the Code (obligation reference 412), even though it has a very small customer based that facilitates any energy data verification requests. It is the distribution licensee's responsibility to ensure that the process outlined in Clause 5.20 of the Code is followed.</p>	4	2	We recommend that NIW ensures that any energy data verification requests are undertaken using the Energy Data Verification Request Form.	<p>NIW will update monthly procedure to include requirement to complete data verification form as per <i>Electricity Industry Metering Code clause 5.20(2) and 5.20(4)</i> whenever a request is received from a customer.</p> <p>Responsible: Principal Energy & Production Integration Target Date: 31 Oct 2016</p>

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
A5/2016	413	<p>B2 <i>Electricity Industry Metering Code clause 5.20(4) If a Code participant requests verification of energy data under subclause 5.20(3), the network operator must, in accordance with the metrology procedure, subject to subclause 5.20(5), use reasonable endeavours to verify energy data and inform the requesting Code participant of the result of the verification and provide the verified energy data within the timeframes prescribed.</i></p> <p>NiW has received requests for energy data verification during the audit period but no requests have been made using the Energy Data Verification Request Form process. Generally any requests for data verification are submitted by email to NiW. NiW is able to manage the process easily as it has such a small number of customers.</p> <p>Given the requirement for Code participants to provide the information in accordance with Clause 5.20(2) of the Code, NiW is also technically non-compliant against clause 5.20(4) of the Code (obligation reference 413). Although NiW has not received any requests under this section of the Code, it is NiW's responsibility to ensure that the process is followed</p>	4	2	<p>As above, we recommend that NiW ensures that any energy data verification requests are undertaken using the Energy Data Verification Request Form and the verification is completed using the process set-out in Clause 5.20 of the Code.</p>	<p>NiW will update monthly procedure to include requirement to complete data verification form as per <i>Electricity Industry Metering Code clause 5.20(2) and 5.20(4)</i> whenever a request is received from a customer.</p> <p>Responsible: Principal Energy & Production Integration Target Date: 31 Oct 2016</p>

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
A6/2016	462	<p>A1 <i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005 clause 5(1)</i> <i>A distributor or transmitter must, as far as reasonably practicable, ensure that electricity supply to a customer's electrical installations complies with prescribed standards.</i></p> <p>NIW has as far as is reasonably practicable, ensured that the electricity supply to its customers' electrical installations has complied with the prescribed standards during the audit period. The power quality survey completed during the audit period show compliance with the voltage fluctuation and harmonic requirements included in Clauses 6 and 7 of the Code.</p> <p>As was observed in the previous audit report, standards are agreed with NIW's retail customers in the PPAs and these specify the relevant standard that was in place at the time, AS 2279). However, although the most recent versions of the PPAs are dated 2014, they still refer to the now-replaced AS. The old Australian standard (AS2279) uses a different method for voltage flicker and less detail for harmonics. The old Australian standard also has a more demanding total harmonic level than the Code.</p> <p>The 2013 survey was completed to the current AS 61000 standard and we note that this recommendation relates to an administration issue rather than an actual non-compliance.</p>	4	1	We recommend that NIW reviews and updates the references to AS 2279 when the PPAs are next updated.	<p>NIW acknowledges the recommendation and will update PPAs with references to AS 2779 during next contract renewal cycle.</p> <p>Responsible: Principal Energy & Production Integration Target Date: Ongoing</p>

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
A7/2016	124	<p>C3 <i>Electricity Industry Act Section 11 - Distribution Licence condition 16.1, Retail Licence condition 16.1. The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.</i></p> <p>NIW considers that it has provided the required information to the Authority. NIW completes the Compliance Report submitted to ERA annually. Previously the approach used by NIW was to complete quarterly reviews, however this was changed in order to not dictate a timeframe for this. Any issues/ concerns with compliance are noted and pencilled in on the compliance report during the year. The final report is then submitted to the ERA. Therefore, does not have a formal Breach Register, as such, and instead uses more informal working documents.</p> <p>Under section 9.3.2.3 of the Audit and Review Guidelines, the ERA expects NIW to maintain a compliance (or breach) register. As NIW has not developed such a register, this obligation has been rated with a C3 grading.</p>	4	3	<p>We recommend that NIW develops a breach register so that it can comply with the requirement and ensure that its compliance reports are prepared in accordance with the register.</p>	<p>NIW to develop breach register to be used during annual compliance reviews</p> <p>Responsible: Principal Energy & Production Integration Target Date: 31 Mar 2017</p>
A8/2016	319	<p>A2 <i>Electricity Industry Metering Code clause 3.1</i> <i>A network operator must ensure that its meters meet the requirements specified in the applicable metrology procedure and also comply with any applicable specifications or guidelines (including any transitional arrangements) specified by the National Measurement Institute under the National Measurement Act.</i></p>	4	2	<p>NIW may wish to consider submitting a metrology procedure to the ERA for approval but it is accepted that in practice the information included in the PPAs adequately covers the metering of NIW's customers' usage. As noted, there is no mandatory recommendation for this obligation although NIW will continue to be technically non-compliant against the requirements of these obligations</p>	<p>The Power Purchase Agreements (PPAs) cover meter installation and accuracy and, as such, form NIW's metrology procedures. NIW acknowledges opportunities for improvements and will consider further at the next opportunity to review when PPA's are renegotiated.</p> <p>Responsible: Principal Energy & Production Integration Target Date: Completed</p>

A8/2016	320	<p>A2 Electricity Industry Metering Code clause 3.2(1) An accumulation meter must at least conform to the requirements specified in the applicable metrology procedure and display, or permit access to a display of the measurements specified in subclauses 3.2(1)(a)(b) using dials, a cyclometer, an illuminated display panel or some other visual means.</p>	4	2		
321	A2	<p>Electricity Industry Metering Code clause 3.3(1) An interval meter must at least have an interface to allow the interval energy data to be downloaded in the manner prescribed using an interface compatible with the requirements specified in the applicable metrology procedure</p>	4	2		
336	A2	<p>Electricity Industry Metering Code clause 3.10 A network operator must ensure that any programmable settings within any of its metering installations, data loggers or peripheral devices, that may affect the resolution of displayed or stored data, meet the relevant requirements specified in the applicable metrology procedure and comply with any applicable specifications or guidelines specified by the National Measurement Institute under the National Measurement Act.</p>	4	2		
343	A2	<p>Electricity Industry Metering Code clause 3.12(2) A network operator must ensure that instrument transformers in its metering installations comply with the relevant requirements of any applicable specifications or guidelines (including any transitional arrangements) specified by the National Measurement Institute under the National Measurement Act and any requirements specified in the applicable metrology procedure.</p>	4	2		
413	B2	<p>Electricity Industry Metering Code clause 5.20(4) If a Code participant requests verification of energy data under subclause 5.20(3), the network operator must, in accordance with the metrology procedure, subject to subclause 5.20(5), use reasonable endeavours to verify energy data and inform the requesting Code participant of the result of the verification and provide the verified energy data within the timeframes prescribed.</p>	4	2		
415	A2	<p>Electricity Industry Metering Code clause 5.21(4) A test or audit under subclause 5.21(1) is to be conducted in accordance with the metrology procedure and the applicable service level agreement.</p>	4	2		

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
	434	<p>A2 <i>Electricity Industry Metering Code clause 5.25</i> <i>A network operator must ensure the accuracy of estimated energy data in accordance with the methods in its metrology procedure and ensure that any transformation or processing of data preserves its accuracy in accordance with the metrology procedure.</i></p> <p>NIW does not have a dedicated, overall metrology procedure. However, each of the individual Power Purchase Agreements (PPAs) cover meter installation and accuracy and, as such, form NIW's metrology procedures. However, under Clauses 1.3 and 6.2 of the Metering Code, a metrology procedure must be submitted to and approved by the ERA. As NIW has not completed the actions required by the Code, and it does not have an approved procedure, it is not compliant with any of the obligations listed above that refer to a metrology procedure.</p>	4	2		
			4	2		

Asset Management System Review

The following recommendations and process improvement opportunities were identified:

Reference Item	Compliance Manual Ref #	Requirement	Audit Priority	Compliance Rating	Auditor Recommendation	Proposed Action
R1/2016	Objective 1	<p><i>Asset Planning - Plans are regularly reviewed and updated</i></p> <p>NIW's Asset Management Plan covers the period 2010-2016 (although the financial predictions finished in 2014/15). As such, the document ends at the end of the current financial year (with some information already being out-of-date). We also note that a number of items (e.g. the capital planning) were completed earlier than planned but the Plan not updated to take account of the changes.</p>		2	Complete a new AMP for the licenced assets for the next 5 year period or develop a higher document that provides links/references to the NIW documentation that covers the asset management requirements.	<p>NIW to prepare new AMP</p> <p>Responsible: Principal Energy & Production Integration</p> <p>Target Date: 31 Mar 2017</p>
R2/2016		<p>A2</p> <p><i>Operational policies and procedures are documented and linked to service levels required</i></p> <p>During the course of the review we observed that although NIW has well-established policy and procedural documentation, a number of documents that were scheduled to be reviewed during the review period had not been reviewed/updated. This include the Asset Management Plan and the High Voltage Isolation and Access Procedure.</p>		2	<p>Ensure that policy and procedural documentation is reviewed when due.</p> <p>NIW should create a schedule for a formal review in 1SAP on an annual basis.</p> <p>NIW could also implement a reminder system in Outlook or so that automated notifications are issued when documentation is required to be reviewed in accordance with NIW's quality management requirements.</p> <p>NIW should maintain records/update document control information to confirm that the review has taken place and to summarise any changes.</p>	<p>NIW to prepare new AMP and update relevant procedures.</p> <p>Responsible: Principal Energy & Production Integration</p> <p>Target Date: 31 Mar 2017</p>
R3/2016	Objective 12	<p><i>Review of AMS - Independent reviews (e.g., internal audit) are performed of the asset management system</i></p> <p>NIW has a requirement to review its Asset Management System every year as part of its planned activities, with the document being updated where deemed necessary as a part of the review. However, although this action is scheduled in SAP, NIW were unable to provide any evidence that the AMP had been reviewed during the audit period.</p>		2	<p>NIW should create a schedule in 1SAP for a formal annual review of its asset management system.</p> <p>NIW could also implement a reminder system in Outlook or so that automated notifications are issued when documentation is required to be reviewed in accordance with NIW's quality management requirements.</p> <p>NIW should maintain records/update document control information to confirm that the review has taken place and to summarise any changes.</p>	<p>AMS reviews scheduled in LandAssist</p> <p>Responsible: Principal Energy & Production Integration</p> <p>Target Date: Completed as at 18 Aug 2016</p> <p>NIW will complete annual reviews of AMS.</p> <p>Responsible: Principal Energy & Production Integration</p> <p>Target Date: 31 Aug 2017</p>