



Notice

2 May 2017

RATCH-Australia Kemerton Pty Ltd

2016 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the [2016 performance audit \(audit\) and asset management review \(review\) report](#) for RATCH-Australia Kemerton Pty Ltd's (RATCH) electricity generation licence EGL5.

Action by the ERA

The ERA considers that RATCH has achieved a high level of compliance with its licence and has an effective asset management system.

The ERA has decided to increase the audit and review period from 43 to 60 months. The next audit and review will cover 1 November 2016 to 31 October 2021, with the report due by 31 January 2022.

Background

RATCH supplies electricity in to the South West Interconnected System under the electricity generation licence EGL5 (**licence**), granted by the ERA on 20 March 2006.

The Kemerton Power Station site is located 25 km north-east of Bunbury in Western Australia and consists of two dual fuel open cycle gas turbines with a total generating capacity of 310MW. The plant is 100 per cent wholly owned by RATCH-Australia, with Transfield Worley Power Services Pty Ltd contracted to provide the operation and maintenance services for the facility.

RATCH has a network connection agreement with Western Power and a 25-year Power Purchase Agreement with Synergy, which commenced on 1 November 2005.

Audit

The audit assessed 43 licence obligations. The auditor did not provide a rating for 29 of the obligations, because there was no relevant activity during the audit period.

Of the remaining 14 obligations, 13 received the highest rating of A1 (adequate controls, compliant), and one obligation was rated A2 (adequate controls, minor non-compliance).

The auditor made one recommendation which was resolved before the conclusion of the audit.

Review

The review assessed 12 asset management components:¹ seven components were rated A1 (fully effective), with the remaining five components rated as B1 (opportunity for improvement).

¹ The components are described in the ERA's *Audit and Review Guidelines: Electricity and Gas Licences*.

The audit identified that the processes in place for the five components presenting improvement opportunities were either over complex, or need to be reviewed for currency. The audit also identified the need for a review of procedures for the asset management information system.

The auditor did not identify any material concerns with RATCH's asset management system.

ERA's response to the audit and review

Audit

The ERA considers RATCH has achieved a high level of compliance with its licence conditions.

The ERA considers the single non-compliance covers a relatively minor administrative matter and is satisfied with the action undertaken by RATCH to address the recommendation.

Review

The ERA is of the view that RATCH is managing its generation assets effectively.

The asset management system has improved across all areas with a noted improvement in areas of risk management and contingency planning.

Post-review implementation plan

The auditor made five recommendations in the 2016 review which identified opportunities for improvement. A post-review implementation plan was not required.

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