



# Notice

24 October 2017

## Western Power electricity distribution and transmission licences

### 2017 ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the 2017 asset management system review [report](#), and the post-review implementation [plan](#), for Electricity Networks Corporation's (trading as Western Power) electricity distribution and transmission licences.

#### Action by the ERA

The ERA considers Western Power has an effective asset management system, and has decided the period covered by the next review will remain at 36 months. The next review will cover 1 July 2017 to 30 June 2020, with the report due by 30 September 2020.

#### Background to the ERA's decision

##### Review

The assessment of the 12 asset management components prescribed in the Authority's *Audit and Review Guidelines: Electricity and Gas Licences* found:

- three were rated A1 (documentation and performance fully meet requirements);
- four were rated A2 (performance requires improvement);
- four were rated B1 (documentation requires improvement); and
- one was rated B2 (documentation and performance require improvement).

The auditor made three recommendations in the review, and also identified 17 opportunities for improvement.

The post-review implementation plan prepared by Western Power includes the three recommendations and the 17 opportunities for improvement. The plan states Western Power is due to complete the recommendations by 31 December 2018.<sup>1</sup>

#### ERA's response to the review

The 2017 review is the third consecutive review to find Western Power had improved the effectiveness of its asset management system.

The previous review in 2014 found Western Power had made substantial improvements to its asset management framework, including a revised strategy for dealing with the backlog of distribution wood poles requiring treatment. Western Power was also transitioning its asset maintenance practice to risk-based asset management, based on the recent ISO 55000 standard. Most of the recommendations made in the 2014 review addressed updating processes and documentation to reflect the new practices.

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<sup>1</sup> Two items in the plan (OFI03/2017 and OFI-06/2017) are described as ongoing, and do not have a completion date.

The 2017 review found Western Power had completed all of the 2014 recommendations, and further improved its strategic planning capabilities, including developing enhanced supporting tools to plan and evaluate the effectiveness of its asset management processes. The auditor found the maturity of Western Power's asset management system has substantially improved since the 2014 review, and that it has an effective risk-based asset management framework for asset maintenance and renewal.

Since the 2014 review, Western Power has substantially improved its asset management capabilities, particularly in the areas of strategic planning and risk-based asset maintenance. The 2017 review ratings show it has an effective asset management system that aligns with current industry best practice for risk-based asset management.

The ERA acknowledges the considerable time and resources Western Power has invested in improving its asset management system since the last review in 2014. The tangible results of this investment are in the favourable findings presented in the 2017 review report.

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