



Notice

10 January 2018

Regional Power Corporation's electricity integrated regional licence

2017 ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2017 asset management system review [report](#), for Regional Power Corporation's (trading as Horizon Power) electricity integrated regional licence, EIRL2. The post-review implementation plan is included in the report.¹

Action by the ERA

The ERA considers that Horizon Power has an effective asset management system.

The ERA has decided to maintain the period covered by the next review 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 ratings and recommendations

A detailed assessment of the 12 asset management components prescribed in the ERA's *Audit and Review Guidelines: Electricity and Gas Licences*² (**guidelines**) found:

- eleven were rated A1 (documentation and performance fully meet requirements); and
- one was rated B1 (documentation requires improvement).

The auditor rated Contingency Planning documentation as requiring improvement. The auditor also provided ratings for each asset management sub-component³ and rated five at B1 (documentation requires improvement), one at A2 (performance requires improvement) and one at B2 (documentation and performance requires improvement).⁴

The auditor made six recommendations in the review, covering the seven sub-components⁵ rated as requiring improvement.

Post-review implementation plan

The post-review implementation plan states Horizon Power intends to address the recommendations by June 2018.

¹ Refer to Appendix C of the report.

² The guidelines are available at: <https://www.era.gov.au/electricity/electricity-licensing/regulatory-guidelines>

³ The guidelines provide compulsory effectiveness criteria (referred to as sub-components) for each of the 12 asset management components. The auditor must rate both the components and sub-components.

⁴ The remaining 49 sub-components were rated A1 (documentation and performance fully meet requirements).

⁵ One recommendation covered three sub-components, two recommendations covered one sub-component, and three recommendations each covered a single sub-component.

ERA's response to the review

Outstanding maintenance orders

Horizon Power had a large number of high-priority and normal-priority maintenance work orders overdue at 30 June 2017.⁶ The auditor reported each of the overdue high-priority work orders covered non-urgent work with no significant immediate impact on network asset operations. The auditor recommended that Horizon Power enhance its prioritisation of work orders⁷ and ensure outstanding work orders requiring immediate action are reported to regional managers. The ERA considers the recommendation is an appropriate response to this issue.

Asset safety risk

Horizon Power states in the post-review implementation plan⁸ that from August 2017 its Electricity Network Safety Management System (**ENSMS**) identifies asset safety risk.

The establishment of the ENSMS is a requirement of the *Electricity (Network Safety) Regulations 2015*, which are regulated by EnergySafety⁹. Under the ENSMS, Horizon Power must identify and mitigate asset safety risks so that any residual asset safety risks are as low as practicably possible.¹⁰

The ERA understands that Horizon Power's ENSMS has identified low-level safety risks only, and EnergySafety currently has no safety concerns with Horizon Power's assets.

Regional contingency plans

Horizon Power has regional contingency plans in place to manage the risk of asset failure. The regional contingency plans are reliant on the knowledge of certain key individuals, which means there is a risk if a key person(s) is unavailable during unplanned network outages.

The auditor has recommended Horizon Power improve its regional contingency plans by adding the key tactical steps to be followed by its staff during a contingency situation. The ERA expects this enhancement will reduce the key person risk in the regional contingency plans.

2017 review

The 2017 review findings are that Horizon Power has an effective asset management system. The ERA considers the six recommendations made by the auditor adequately address the seven asset management sub-components requiring improvement.

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⁶ Sixty-eight high-priority and 605 normal-priority maintenance work orders were overdue.

⁷ To take account of risk, and the age of the work order.

⁸ In response to Recommendation 05/2017, which requires Horizon Power to confirm coverage of asset failure risks in its risk management system CURA, and update its risk registers to include extreme or high asset failure risks.

⁹ EnergySafety is a division of the Department of Mines, Industry Regulation and Safety.

¹⁰ The *Electricity (Network Safety) Regulations 2015* require that network operators comply with Australian Standard (AS) 5577-2013 (Electricity Network Safety Management Systems), which requires network operators to mitigate asset safety risk.