



Notice

22 January 2018

Alinta Cogeneration (Pinjarra) Pty Ltd

2017 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2017 performance [audit](#) and asset management system [review](#) reports for Alinta Cogeneration (Pinjarra) Pty Ltd's (**Alinta Pinjarra**) electricity generation licence EGL6.

Action by the ERA

The ERA is satisfied that Alinta Pinjarra has achieved a high level of compliance with its licence and has an effective asset management system.

The ERA has decided to increase the period covered by the next audit and review from 48 months to 60 months. The next audit and review will cover 1 July 2017 to 30 June 2022, with the report due by 30 September 2022.

Background to the ERA's decision

Audit ratings and recommendations

The auditor's assessment of the 37 licence obligations applicable to Alinta Wagerup's electricity generation licence found:

- one was rated A1 (adequate controls, compliant);
- two were rated A2 (adequate controls, non-compliant - minor impact);¹
- 10 were rated NP1 (controls assessment not performed, compliant); and
- 24 were rated NP/NR (compliance and controls were not assessed).²

The audit found the two non-compliances were resolved during the audit period.³ The auditor did not provide any audit recommendations.

Post-audit implementation plan

There was no requirement for a post-audit implementation plan.

¹ The ERA's *Audit and Review Guidelines: Electricity and Gas Licences* require auditors to perform a controls adequacy assessment for obligations with audit priorities 1, 2 or 3. Auditors are also required to provide a controls rating for all obligations that are rated non-compliant in the audit.

² Because the licence obligations were not exercised during the audit period.

³ The two obligations were: 105 (late payment of licence fees) and 124 (late submission of an annual compliance report).

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*⁴ found:

- eight were rated A1 (documentation adequately defined, performing effectively);
- two were rated A2 (documentation adequately defined, performance requires some improvement); and
- two were rated B2 (documentation and performance requires some improvement).

The auditor also provided ratings for each asset management sub-component⁵ and rated three at B2 (documentation and performance requires improvement), one at B1 (documentation requires improvement) and four at A2 (performance requires improvement).⁶

The auditor made six recommendations in the review. One recommendation was completed in August 2017 (2/2017).

The remaining five recommendations cover seven sub-components that were rated as improvement opportunities.

Post-review implementation plan

The post-review implementation plan states Alinta Wagerup intends to address the recommendations by August 2018.

ERA's response to the audit and review

Audit

The two obligations identified by the auditor as non-compliant were both resolved during the audit period. The ERA considers both items to be minor administrative matters.

Review

The auditor found Alinta Pinjarra has an effective asset management system for its generation assets. The six unresolved recommendations in the post-review implementation plan all address opportunities to improve documentation or processes.

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⁴ The guidelines are available at: <https://www.erawa.com.au/electricity/electricity-licensing/regulatory-guidelines>.

⁵ The ERA's Audit and Review Guidelines: Electricity and Gas Licences provides 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.

⁶ The remaining 45 sub-components were rated A1 (documentation and performance fully meet requirements).