



Notice

22 November 2018

TEC Desert Pty Ltd and TEC Desert No. 2 Pty Ltd (trading as Southern Cross Energy Partnership)

2018 performance audits and asset management system review

The Economic Regulation Authority has published the 2018 [performance audit and asset management system review report](#) and [post-audit implementation plan](#) for TEC Desert Pty Ltd & TEC Desert No.2 Pty Ltd's (trading as Southern Cross Energy Partnership) electricity generation licence EGL13, electricity distribution licence EDL3, electricity transmission licence ETL4 and electricity retail licence ERL7.

Southern Cross Energy is a vertically integrated electricity business that supplies electricity to BHP's Nickel West operations in Kambalda, Kalgoorlie, Leinster and Mt Keith through electricity generation, transmission and distribution assets.

There are two transmission and distribution systems, one in the north area near Leinster and Mt Keith, and one in the south area near Kalgoorlie. The northern system is standalone, while the southern system is connected to the South West Interconnected System, which includes Western Power's network.

The ERA's response to the audits and reviews

The ERA considers that Southern Cross Energy has demonstrated a high level of compliance with the conditions of its licences and has an effective asset management system.

The ERA has decided to retain the audit and review period at 48 months. The next audit and review covers 1 July 2018 to 30 June 2022, with the audit and review report due to the ERA by 30 September 2022.

Background to the ERA's decision

Audit ratings

The auditor assessed 187 licence obligations applicable to Southern Cross Energy's licences and found:

- 69 were compliant
- 17 were not applicable

- 93 were not rated (no relevant activity took place during the audit period)
- Eight were non-compliant

The non-compliances identified in the audit are all with the *Electricity Industry (Metering) Code 2012*:

- One obligation that requires a network operator to ensure the accuracy of estimated energy data in accordance with the methods in its Metrology Procedure.¹
- Two obligations that require a network operator to follow the Metering Code's procedures for data validation, estimation and substitution.
- One obligation that requires a network operator to notify any affected code participant within 24 hours if it detects a loss of energy data or incorrect energy data.
- One obligation that requires a network operator to have a metering installation at every network connection point.
- One obligation that requires a network operator to submit its Metrology Procedure, Communications Rules, Mandatory Link Criteria² and Model Service Level Agreement³ to the ERA for approval.
- One obligation that requires a network operator to comply with its Metrology Procedure, Communications Rules, Mandatory Link Criteria and Model Service Level Agreement.
- One obligation that requires a network operator to publish its Communication Rules⁴ within six months of the Metering Code applying to it.

Previous audit non-compliances

Southern Cross Energy's last audit was in 2014. In the 2018 audit, the auditor reviewed the recommendations from the 2014 audit to determine what action, if any, had been taken by Southern Cross Energy to action the recommendations.

The 2014 audit identified two non-compliances.

One of these non-compliances, the failure to provide remote access to meter data, was assessed as compliant in the 2018 audit. This Metering Code obligation requires Southern Cross Energy to provide a network user local and, where a suitable communications link is installed, remote access to its meter data.

BHP Nickel West has not requested remote access and a communications link is not installed on the metering installation. Southern Cross Energy provides BHP Nickel West with local access to meter data under terms of its Power Purchase Agreement (PPA). Therefore, Southern Cross Energy is compliant with the Metering Code.

¹ The Metering Code requires a network operator to have an ERA-approved Metrology Procedure, which must contain information on its metering data validation, substitution and estimation methods and the operation of its metering installations.

² The Metering Code requires a network operator to have an ERA-approved Mandatory Link Criteria that specifies the network operator's requirements for communications links that are part of a metering installation.

³ The Metering Code requires a network operator to have an ERA-approved Model Service Level Agreement that specifies the metering services and service levels that a network operator must provide to its network users.

⁴ The Metering Code requires a network operator to have an ERA-approved Communications Rules, which establish the systems through which the communication of information and data between the network operator and network user (generators and retailers) occur.

The second non-compliance was the lack of an ERA-approved Metrology Procedure. The PPA with BHP Nickel West includes contractual provisions that address the intent of this Metering Code obligation.

Audit recommendations

The auditor did not make any recommendations to address the non-compliances identified in the 2018 audit. The reasons given by the auditor are that, in response to the 2014 audit, the ERA accepted that Southern Cross Energy would not take action to address the lack of a Metrology Procedure unless the current PPA with BHP Nickel West is replaced with a new contract. The PPA has not been replaced since the 2014 audit.

On the non-compliances that were identified in the 2018 audit, but not in the 2014 audit (the failure to submit Communication Rules, Mandatory Link Criteria and a Model Service Level Agreement to the ERA for approval), the auditor has taken the same approach as with the Metrology Procedure non-compliances. That is, no action is required to address these non-compliances unless the PPA with BHP Nickel West is replaced with a new contract.

Review ratings

The auditor rated all 12 asset management system components as highly effective, giving them a rating of A1 (the highest rating). Southern Cross Energy also achieved a similar result in the 2014 review.

Review recommendations

The auditor did not make any recommendations in the review. However, the auditor made some observations about the operation of the asset management system.

The observations identify areas where there is opportunity for Southern Cross Energy to improve its asset management system, but the auditor elected not to make specific recommendations on the observations.

As the auditor did not make any recommendations on the asset management system, the licensee did not submit a post-review implementation plan.

ERA's assessment of the audit and review findings

Audit

The ERA considers that the non-compliances relate to metering processes and procedures, which are addressed in the PPA between Southern Cross Energy and BHP Nickel West. There is no evidence to suggest that BHP Nickel West has been adversely affected by the non-compliances.

Southern Cross Energy submitted a post-audit implementation plan, which states that it does not intend to address the recommendations for the eight non-compliances. Southern Cross Energy's decision not to address the non-compliances is rational in the context of the PPA that is in place with BHP Nickel West. The PPA places similar obligations on Southern Cross Energy as those that would apply under the Metering Code.

The available evidence suggests that requiring Southern Cross Energy to rectify the non-compliances is unlikely to deliver any additional benefits to BHP Nickel West.

Review

The ERA is satisfied that Southern Cross Energy has an effective asset management system.

Further information

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