



Notice

20 February 2019

Ord Hydro

Performance audit and asset management system review 2018

The Economic Regulation Authority has published the [2018 performance audit](#) and [asset management system review](#) reports for North Western Energy Pty Ltd, Pacific Hydro Group Two Pty Ltd, and Energies Australia Pty Ltd's (trading as Ord Hydro) electricity integrated regional licence EIRL4.

Ord Hydro holds an integrated regional licence to operate, under the management of Pacific Hydro, a 30MW hydroelectric power station located at Lake Argyle in the Kimberley region of Western Australia. The power station supplies two customers, Argyle Diamond Mine and Horizon Power, via transmission lines owned and operated by Ord Hydro.¹ Horizon Power on-sells the power to the township of Kununurra and Lake Argyle Resort.

The ERA's response to the audit and review

The audit and review reports show that Ord Hydro has demonstrated a high level of compliance with the conditions of its licence, and with the exception of contingency planning, has an effective asset management system.

The ERA has decided to maintain the period covered by the next audit and review at 48 months. The next audit and review will cover 1 July 2018 to 30 June 2022, with the report due to be provided by 30 September 2022.

Background to the ERA's decision

Audit ratings

The auditor determined that there were 146 licence obligations applicable to Ord Hydro's licence and found:

- Four were rated A2 (adequate controls, non-compliant)
- Two were rated B2 (generally adequate controls, non-compliant)

¹ Until 1 January 2013, Ord Hydro's licence by default also included electricity distribution. On 1 January 2013, every electricity integrated regional licence was amended by the Authority to only permit those activities that were originally applied for by the licensee. Ord Hydro had not undertaken any electricity distribution activities before the licence amendment.

- One was rated A/NR (adequate controls, not rated)²
- One was rated B/NR (generally adequate controls, not rated)
- 55 were rated NP/1 (not performed, compliant)
- 83 were rated NP/NR (not performed, not rated).

The audit found six non-compliances. Five non-compliances were resolved during the audit period, or prior to the audit report being finalised.

Audit recommendations

The auditor made one recommendation to address the non-compliance with the *Electricity Industry (Metering) Code 2012* caused by Ord Hydro not having an ERA approved model service level agreement, metrology procedure and mandatory link criteria document.

The ERA considers that the Power Purchase Agreements that Ord Hydro has in place with its customers document the metering procedures deemed necessary for their commercial activities.

The post-audit implementation states that the single recommendation is due for completion by June 2019.³

Review ratings

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

- 10 components were rated A1 (documentation adequately defined, performing effectively).
- One component was rated B3 (documentation requires some improvement, performance requires corrective action).
- One component was rated B/NR (document requires some improvement, not rated).

Contingency Planning is the asset management component that was rated deficient (B3). This component was also rated deficient in the 2014 review. The ERA has informed Ord Hydro that it is to complete actions that address this deficiency by the due date, December 2019.

Review recommendations

The auditor made three recommendations in the 2018 review. There were also three recommendations carried forward from the 2014 review.⁴ Two of the three recommendations from the 2018 review are process improvement opportunities, and the third recommendation covers the Contingency Planning deficiency.

The post-review implementation states that the recommendations are due for completion by December 2019.

² Obligations with a rating of 'NR' were not exercised during the audit period.

³ The recommendation states that Ord Hydro will work with the ERA to develop a position on the obligation to have the documents.

⁴ Recommendation 8/2014 was superseded by recommendation 3/2018.

Further information

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