



Notice

19 December 2019

Alinta DEWAP Pty Ltd

2019 performance audit and asset management system review

The Economic Regulation Authority has published the 2019 [performance audit](#) and [asset management system review](#) reports and the [post-audit and post-review implementation plan](#) for Alinta DEWAP Pty Ltd's electricity integrated regional licence EIRL7.

Alinta holds an electricity integrated regional licence for generation, transmission and retail activities in Port Hedland. Alinta accesses Horizon Power's North West Interconnected System to supply electricity to two large use customers.¹

Alinta's power station consists of five gas turbines on two sites (three units in Port Hedland and two units in Boodarie). Alinta also owns and operates several 66 kilovolt transmission lines, which connect the Boodarie and Port Hedland facilities with two Horizon Power substations in Port Hedland.

The ERA's decision

The ERA considers that Alinta DEWAP has achieved an adequate level of compliance with its licence and has an effective asset management system.

The ERA has decided to maintain the audit and review period at 36 months. The next audit and review will cover the period 1 July 2019 to 30 June 2022 with the report due by 30 September 2022.

Background to the ERA's decision

Audit ratings

The auditor assessment of the 161 licence obligations applicable to Alinta's licence found:

- One was rated A1 (adequate controls, compliant).
- Six were rated A2 (adequate controls, minor non-compliance).
- 16 were rated B2 (generally adequate controls, minor non-compliance).
- 40 were rated NP/1 (controls assessment not performed, compliant).
- 98 were rated NP/NR (controls assessment not performed, not rated because no relevant activity took place during the audit period).

¹ A large use customer consumes more than 160 MW hours of electricity per year.

The audit identified 22 non-compliances, seven of which were addressed during the audit period.²

The ERA does not agree that obligation 422 should be rated as non-compliant. The auditor confirmed that Alinta has validated energy data in accordance with Appendix 2 of the *Electricity Industry (Metering) Code 2012* and there was no evidence that Alinta had been required to estimate or substitute energy data in accordance with clause 5.22(1)(b)/Appendix 3 of the Metering Code.

Audit recommendations

The auditor made two recommendations addressing 14 non-compliances with the Metering Code.³

Alinta's post-audit implementation plan states that it will address the audit recommendations between now and 30 June 2020.

Review ratings

The assessment of the 12 asset management components prescribed in the ERA's *2019 Audit and Review Guidelines: Electricity and Gas Licences*⁴ found:

- Eight components were rated A1 (documentation adequately defined, performing effectively).
- Four components were rated B2 (documentation requires some improvement, opportunity to improve performance).

The auditor's assessment of the 56 effectiveness criteria under the asset management components found a single process deficiency under Asset Planning. The auditor recommended Alinta's asset management plan be expanded and restructured to incorporate, in one document, the contingency arrangements for Alinta's assets, future demand forecasts and procedures for reviewing and updating the plan.

Review recommendations

The auditor made six recommendations. One recommendation addressed the asset management deficiency and the other five recommendations are process improvements.⁵

The post-review implementation plan states that Alinta will address the single review recommendation that addresses an asset management deficiency between now and 30 June 2020.

² Obligations 103, 105, 333, 345, 366, 369 and 411.

³ As per section 5.1.8 of the [2019 Audit and Review Guidelines: Electricity and Gas Licences](#), the licensee is only required to provide a post-audit implementation plan for licence obligations have been rated 2, 3, 4, C or D or asset management process deficiencies rated 3, 4, C or D.

⁴ A copy of the guidelines is available on the ERA [website](#).

⁵ As per section 5.1.8 of the [2019 Audit and Review Guidelines: Electricity and Gas Licences](#), the licensee is only required to provide a post-review implementation plan for licence obligations have been rated 2, 3, 4, C or D or asset management process deficiencies rated 3, 4, C or D. Accordingly, the ERA will only consider the single recommendation that addresses an asset management deficiency.

The ERA's assessment of the audit findings

Most of the non-compliances in the audit are due to Alinta not having metering documentation that complies with the Metering Code. However, Alinta's Power Purchase Agreements with its customers do address the same topics as the Metering Code.

There is no evidence to indicate Alinta's customers have been affected by the absence of metering documentation that complies with the Metering Code.

Alinta expects to complete its metering management plan and incorporate the technical requirements of clause 6.2 of the Metering Code as part of the North West Interconnected System access project, which will include developing a Model Service Level Agreement and Metrology Procedure.

Further information

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