



# Notice

24 January 2020

## Western Energy 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 report](#) and the [post-audit implementation plan](#) for Western Energy Pty Ltd's electricity generation licence EGL19.

Western Energy supplies power through the Kwinana Swift Power Station, which is a 120MW dual fuel, open cycle gas turbine power plant in Kwinana, south of Perth. Western Energy is part of the Perth Energy Group and the power plant delivers energy to Perth Energy to help meet peak demand. The Perth Energy Group was acquired by AGL on 2 September 2019.

#### *The ERA's decision*

The ERA considers Western Energy has achieved an adequate level of compliance with the licence and has an effective asset management system.

The ERA has decided to maintain the audit and review period at 60 months. The next audit and review will cover the period 1 October 2019 to 30 September 2024, with the report due to be provided by 31 December 2024.

#### *Background to the ERA's decision*

##### **Audit ratings**

The auditor assessed 36 licence obligations applicable to Western Energy's licence and found:

- 12 were rated A1 (adequate controls, compliant).
- Four were rated AN/R (adequate controls, not rated because no relevant activity took place during the audit period).
- Two were rated B2 (generally adequate controls, minor non-compliance).
- 18 were rated NP/NR (adequacy of controls not performed, not rated because no relevant activity took place during the audit period).

The audit found two non-compliances:

- Western Energy did not pay the prescribed licence fees to the ERA on time.

- Western Energy did not report non-compliances in reference to late payment of the licence fee for three reporting years. Also, the 2019 compliance report noted the late submission of data to the ERA for the standing data charges.

### ***Audit recommendations***

The auditor made two recommendations to address the non-compliances.

The post-audit implementation plan states that Western Energy will address the audit recommendations by 31 January 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* found:<sup>1</sup>

- Five components were rated A1 (documentation adequately defined, performing effectively).
- Seven components were rated A2 (documentation adequately defined, performance requires some improvement).

### ***Review recommendations***

The auditor did not make any recommendations.

Western Energy did not provide a post-review implementation plan.<sup>2</sup>

## ***The ERA's assessment of the audit and review findings***

### ***Audit***

The ERA considers the two non-compliances, concerning paying prescribed license fees on time and non-compliances not being captured in the compliance reports, are minor administrative issues.

### ***Review***

Since the last review, Western Energy has substantially improved the effectiveness of its contingency planning.

There has been deterioration of the performance rating in seven of the 12 asset management system components. The ERA's assessment of the auditor's observations for these components is that the lower ratings are the result of the auditor performing a more rigorous assessment of the effectiveness criteria. Despite the lower ratings, the auditor's observations have not identified any material performance issues that require remedial action.

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<sup>1</sup> A copy of the guidelines is available on the ERA [website](#).

<sup>2</sup> 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 asset management process deficiencies rated 3, 4, C or D.

### ***Further information***

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