



# Notice

11 January 2021

## Western Power

### 2020 performance audit and asset management system review

The Economic Regulation Authority has published the 2020 [performance audit](#) and [asset management system review](#) reports and the [post-audit](#) and [post-review](#) implementation plans for Electricity Networks Corporation's (trading as Western Power) electricity distribution licence EDL1 and electricity transmission licence ETL2.

Western Power operates the electricity distribution and transmission networks in the South West Interconnected System. As at 30 June 2020, the distribution and transmission networks had approximately 825,000 power poles and 103,257 kilometres of lines covering a geographic area of 255,064 square kilometres.

#### *The ERA's decision*

The ERA considers that Western Power has achieved an adequate level of compliance with its licences and has decided to maintain the audit period at 36 months. The next audit will cover the period 1 July 2020 to 30 June 2023, with the report due by 30 September 2023.

The ERA considers that Western Power has an effective asset management system and has decided to increase the review period from 36 months to 48 months. The next review will cover the period 1 July 2020 to 30 June 2024, with the report due by 30 September 2024.

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

#### *Audit ratings*

The auditor assessed 277 licence obligations applicable to Western Power's licences and found:

- four were rated A1 (adequate controls, compliant)
- one was rated B1 (generally adequate controls, compliant)
- 190 were rated N/P 1 (controls assessment not performed, compliant)
- 15 were rated A2 (adequate controls, minor non-compliance)
- 13 were rated B2 (generally adequate controls, minor non-compliance)
- one was rated C2 (inadequate controls, minor non-compliance)
- two were rated A N/R (adequate controls, not rated for compliance)

- 51 were rated N/P N/R (controls and compliance were not assessed).

The audit found 29 non-compliances. Eighteen of these non-compliances concern obligations which Western Power had difficulty complying with all the time, such as:

- Obligations involving high volumes of transactions - customer transfers, meter readings and metering data validations.
- Meeting the reliability standards in the Electricity Industry (Network Quality and Reliability of Supply) Code 2005, which do not allow the effects of severe storms and other factors beyond the reasonable control of Western Power to be excluded from the calculation of reliability performance.
- Performing meter tests and audits on time. Completing these activities can be complicated by difficulties accessing customer premises.

The remaining 11 non-compliances concerned a range of relatively minor administrative matters.

### ***Audit recommendations***

The auditor made two recommendations to address two non-compliances. The auditor did not make recommendations for the remaining 27 non-compliances.

The post-audit implementation plan states that Western Power will address the audit recommendations between now and December 2021.

### ***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>

- Six components were rated A1 (documentation adequately defined; performing effectively).
- Three components were rated A2 (documentation adequately defined; performance requires some improvement).
- Three components were rated B2 (documentation and performance require some improvement).

As required by the guidelines, the auditor assessed the 58 effectiveness criteria associated with the asset management components and found five deficiencies in the areas of asset planning (two deficiencies), asset creation and acquisition (two deficiencies) and review of the asset management system (one deficiency).

### ***Review recommendations***

The auditor made three recommendations to address the five deficiencies found in the review.

The post-review implementation plan states that Western Power will address the review recommendations between now and October 2021.

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

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

### ***Audit***

Eighteen of the non-compliances in the 2020 audit concern obligations with which Western Power has difficulty complying with all the time. However, the audit found Western Power had achieved very high levels of compliance with these obligations. Taking into consideration the high volumes of transactions to which the obligations apply, the ERA does not have any concerns about the levels of compliance achieved.

The ERA considers the remaining 11 non-compliances to be minor administrative matters. By the time the audit was concluded, Western Power had, where needed, already implemented controls improvements for the administrative procedures found to be non-compliant.

### ***Review***

The five effectiveness criteria rated as deficient in the 2020 review concern improvements to some elements of Western Power's asset planning, asset creation and asset management system review processes. The auditor's comments for these effectiveness criteria are mostly framed in terms of improving the related processes, rather than rectifying serious deficiencies.

Western Power has continued to maintain an effective asset management system for the operation and maintenance of its assets, including risk management and contingency planning, for the past six years.

### **Further information**

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