



Notice

8 February 2022

Rottnest Island Authority

2021 performance audit and asset management system review

The Economic Regulation Authority has published the 2021 [performance audit](#) and [asset management system review](#) reports and the [post-audit](#) and [post-review](#) implementation plans for the Rottnest Island Authority's (RIA) electricity integrated regional licence EIRL3.

The RIA operates 45 kilometres of 11 kV distribution line and 3.3 megawatts of generation capacity, comprising a mix of solar, wind and diesel, on Rottnest Island 19 kilometres off the coast of Fremantle.

The RIA services 24 small use business customers.¹ Each business also has residential premises on the island for its staff.

The ERA's decision

The ERA considers that the RIA has achieved an adequate level of compliance with its licence, but its asset management system needs improvement. The ERA has decided to maintain the audit and review period at 24 months.

The next audit and review will cover the period 1 April 2021 to 31 March 2023, with the report due to be provided by 30 June 2023.

The ERA's assessment of the audit and review findings

Audit

The audit found that the RIA improved its compliance with the licence since the last audit. The auditor found 10 non-compliances and three control deficiencies from the 210 licence obligations applicable to the RIA. Out of the 10 non-compliances two were new non-compliances identified in the 2021 audit and the remaining eight non-compliances were carried forward from the 2019 audit.

However, the RIA continues to have non-compliances with the accuracy and design requirements for its metering current transformers specified in the *Electricity Industry (Metering) Code 2012*. This was also a problem in the 2017 and 2019 audits. Between 2017 and 2018, the RIA replaced its meters, but it did not replace the non-compliant transformers. In 2019, the RIA committed to a meter replacement program to replace the non-compliant transformers. This program is due to be completed in December 2024.

Five non-compliances were resolved during the current audit period. The auditor made five recommendations to address the remaining unresolved non-compliances and controls deficiencies

¹ A 'small use customer' is a customer who consumes not more than 160 megawatt hours of electricity per year.

in the 2021 audit. The post-audit implementation plan states the recommendations will be addressed by December 2024.

Review

The ERA is concerned at the deterioration in the effectiveness of the RIA's asset management system since the 2019 review.

In the 2021 review, the auditor rated 12 of the 58 sub-components of RIA's asset management system as deficient, compared to 10 in the 2019 review.

The deterioration in asset planning performance is a concern, considering the aging electrical infrastructure on the island. The auditor's findings point to the need for the RIA to develop detailed life cycle costs for the operation and maintenance of individual assets, capturing actual costs against forecast costs and putting in place effective plans to manage aging assets. The ERA is also concerned that the RIA was not regularly undertaking risk reviews of its assets and that some assets had missing or inappropriate risk ratings.

The RIA is in the process of developing a new asset management system, which is intended to address all the issues identified in the review. The new asset management system is due to be implemented in May 2022.

The auditor made three recommendations to address the asset management deficiencies found in the 2021 review.² The post-review implementation plan states the recommendations will be addressed by May 2022.

Further information

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² The auditor made 10 separate recommendations, however, recommendations 01/2021, 02/2021, 03/2021, 05/2021, 06/2021 and 10/2021 are the same, recommendations 07/2021, 08/2021 and 09/2021 are the same and recommendation 04/2021 is a distinct recommendation.