



Notice

25 November 2022

TEC Hedland Pty Ltd

2022 performance audit and asset management system review

The Economic Regulation Authority has published the 2022 [performance audit and asset management system review report](#) and the [post-review implementation plan](#) for TEC Hedland Pty Ltd's electricity integrated regional licence EIRL9.

TEC Hedland owns and operates a 150MW power station at South Hedland Power Station in the Pilbara. The power station is dual fuel (diesel and natural gas) and supplies two large use customers, Horizon Power and the Pilbara Infrastructure Pty Ltd (a subsidiary of Fortescue Metals Group).¹ The power station supplies electricity through Horizon Power's transmission and distribution network.

The ERA's decision

The ERA considers that TEC Hedland has achieved a high level of compliance with its licence and has an effective asset management system.

The ERA has decided to increase the audit and review period from 44 months to 48 months. The next audit and review will cover the period 1 July 2022 to 30 June 2026, with the report due to be provided by 30 September 2026.

Audit and review findings

Audit

The audit of the 171 licence obligations applicable to TEC Hedland found one minor administrative non-compliance, which was the late payment of ERA licence fee invoices, and no controls deficiencies.

Review

The assessment of the 12 asset management system processes prescribed in the ERA's *2019 Audit and Review Guidelines: Electricity and Gas Licences* found one asset management system deficiency. The 12 processes are broken down into 58 effectiveness criteria and the auditor found two deficiencies from the 58 criteria, which was in contingency planning and asset maintenance.

The auditor found that TEC Hedland's contingency plans require further development, with staff training needed on the emergency preparedness and response procedures.

¹ A 'large use customer' is a customer who consumes more than 160 MWh of electricity per year.

The auditor found that TEC Hedland had overdue preventative maintenance tasks because of inadequate maintenance plans or plans not completed on schedule. However, the auditor noted that the power station performed to a high standard during the review period and TEC Hedland received an A1 rating for asset operations. TEC Hedland has also advised that some of the tasks have been completed, but not closed out in its works management system.

The auditor made two recommendations to address the asset management system deficiencies. The post-review implementation plan states TEC Hedland will address the recommendations by 31 January 2023.

The ERA's assessment of the audit and review findings

Audit

The ERA considers that TEC Hedland achieved a high level of compliance with its licence during the audit period and has effective controls to manage compliance with its licence obligations.

Review

While the ERA considers that TEC Hedland had an effective asset management system during the review period, there is room for improvement. The ERA is concerned by the number of outstanding preventative maintenance tasks, but the power station is performing reliably, and TEC Hedland has committed to reviewing its staffing levels and clearing the back log of tasks.

The ERA will monitor TEC Hedland's progress in completing the action items in its post-review implementation plan.

Further information

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