



Notice

20 December 2022

Alcoa of Australia 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](#) reports and [post-review implementation plan](#) for Alcoa of Australia's electricity generation licence EGL14.

Alcoa has three generation plants located within its alumina refining facilities at Kwinana, Pinjarra and Wagerup. The Kwinana generation plant comprises six generators with a total capacity of 66MW, the Pinjarra generation plant comprises four generators with a total capacity of 98.5MW, and the Wagerup generation plant comprises three generators with a total capacity of 61MW. Any shortfall between refinery demand and the generation capacity of the plants is supplied from the South West Interconnected System.

The ERA's decision

The ERA considers that Alcoa has achieved a high level of compliance with its licence. The ERA has decided to maintain the audit period at 60 months. The next audit will cover the period 1 July 2022 to 30 June 2027, with the report due by 30 September 2027.

The ERA considers that while Alcoa has an effective asset management system, it has deteriorated since the last review and there is room for improvement.

The ERA has decided to reduce the review period from 60 to 36 months. The next review will cover the period 1 July 2022 to 30 June 2025, with the report due by 30 September 2025.

Audit and review findings

Audit

The audit of the 36 licence obligations applicable to Alcoa found one minor administrative non-compliance. Alcoa submitted its 2020/21 annual compliance report to the ERA after the due date.

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 three asset management system deficiencies.

These deficiencies were in the areas of environmental analysis, asset operations and asset maintenance. The deficiencies were mainly due to an increase in the backlog of maintenance tasks and overdue work orders for Alcoa's three generation plants.

The auditor made two recommendations to address the asset management system deficiencies. The post-review implementation plan states that Alcoa will address the recommendations by 31 December 2023.

The ERA's assessment of the review findings

While the effectiveness ratings in asset planning, contingency planning and review of asset management system improved, the effectiveness ratings for environmental analysis, asset operations and asset maintenance deteriorated.

There was an increase in the backlog of maintenance tasks and overdue work orders that have not been actioned for all three generation plants. Maintenance plans have not been documented or completed on schedule. This is concerning considering the age of the power plants.¹

Alcoa is establishing processes to address the current backlog of work orders to ensure that maintenance tasks are completed as required. This is due to be completed by 31 December 2023.

Taking the above into account, in particular the importance of ongoing maintenance for aging plant, the ERA has decided to reduce the review period from 60 to 36 months.

Further information

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¹ Five of the six generators at Kwinana were installed between 1962 and 1976, with the sixth installed in 1998, the Pinjarra generation plant was installed between 1971 and 1977, and the Wagerup generation plant was installed between 1981 and 1992.