



Notice

6 June 2023

Ord Hydro

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-audit and post-review implementation plans](#) for North Western Energy Pty Ltd, Pacific Hydro Group Two Pty Ltd & Energis Australia Pty Ltd's (trading as Ord Hydro) electricity integrated regional licence EIRL4.

Ord Hydro holds an electricity integrated regional licence that authorises it to operate generating works, a transmission system and supply electricity to large use customers in the Kimberley.¹ Ord Hydro's power station supplies electricity through its transmission system to Argyle Diamond Mine and Horizon Power, who on-sells the electricity to the towns of Kununurra, Wyndham and Lake Argyle Tourist Village.

The ERA's decision

The ERA considers that Ord Hydro has achieved a satisfactory level of compliance with its licence. The ERA has decided to maintain the audit period at 48 months. The next audit will cover the period 1 July 2022 to 30 June 2026, with the report due by 30 September 2026.

While the ERA considers that Ord Hydro 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 48 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 142 licence obligations applicable to Ord Hydro found nine non-compliances and no controls deficiencies. Seven of the non-compliances were with the *Electricity Industry (Metering) Code 2012*, as Ord Hydro did not:

- Have a code-compliant and ERA-approved metrology procedure, model service level agreement or mandatory link criteria during the audit period (six non-compliances).²
- Correctly calibrate its check meters (one non-compliance).

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

² The Metering Code requires network operators to have ERA-approved documents that cover matters like the technical specifications of metering equipment, remote communication devices and the provision of metering services to network users.

The remaining two non-compliances were due to paying its standing charges late and not providing annual compliance reports and standing charge data to the ERA when required.

The auditor made six recommendations to address the non-compliances. The post-audit implementation plan states that Ord Hydro will address all the recommendations by 1 September 2023.

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 performance in six asset management system processes have declined since the last review period.

Improvements are required in asset planning, environmental analysis, asset operations, asset maintenance, risk management and review of asset management systems. In addition, and for the third consecutive review, the auditor found Ord Hydro's contingency planning processes were deficient.

The auditor made three recommendations to address the asset management deficiencies. The post-review implementation plan states that Ord Hydro will address the recommendations by 1 September 2023.

The ERA's assessment of the audit and review findings

Audit

Ord Hydro continues to be non-compliant with the Metering Code, as the non-compliances were also identified in its 2018 audit. It uses power purchase agreements with its two customers, which include similar obligations and controls as those in the Metering Code, in addition to the contractual obligation between the parties.

The Metering Code is designed for large networks with many users, like the South West Interconnected System. Some parts of the Metering Code are challenging for small network operators to comply with and not always necessary for the nature and size of their operations. Ord Hydro only has 11 meters for its two customers.

The auditor found that Ord Hydro's two customers were satisfied with Ord Hydro's performance and were not affected by the non-compliances. Ord Hydro has shown that it has appropriate metering installations in place and contractual arrangements with its two customers that are meeting the intent of the Metering Code.

Review

Six of the 12 asset management system processes have deteriorated since the previous review. This is in addition to contingency planning continuing to be deficient in this review and unresolved over three review periods.

Ord Hydro needs strong asset management system processes to ensure it can provide a reliable supply of electricity to its customers, particularly as one of its customers, Horizon Power, uses the electricity to supply residential and business customers in the towns of Kununurra and Wyndham.

Given the potential supply risk to customers and the decline in Ord Hydro's asset management system, the ERA decided to reduce the review period to 36 months.

Ord Hydro has committed in its post-review implementation plan to resolving the asset management system deficiencies by 1 September 2023. The ERA will actively monitor Ord Hydro's progress in completing the action items to ensure it resolves the deficiencies.

Further information

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