



Notice

18 August 2023

BHP Nickel West Pty Ltd

2023 performance audit and asset management system review

The Economic Regulation Authority has published the 2023 [performance audit](#) and [asset management system review](#) reports and the [post-audit](#) and [post-review](#) implementation plans for BHP Nickel West Pty Ltd's electricity distribution licence EDL2 and electricity retail licence ERL2.

BHP operates two small distribution networks: the northern system in the BHP-controlled mining town of Leinster and the southern system located in Kambalda in the Goldfields region, which supplies five mining customers. The total length of BHP's distribution network is 72 kilometres.

The northern system has less than 300 connections within the Leinster town site. BHP does not charge for the electricity it supplies in Leinster.

The ERA's decision

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

The ERA has decided to maintain the audit and review period at 48 months. The next audit and review will cover the period 1 April 2023 to 31 March 2027, with the report due to be provided by 30 June 2027.

Audit and review findings

Audit

The audit of the 158 licence obligations applicable to BHP found two non-compliances and no controls deficiencies.

The two non-compliances related to the Metering Code, as BHP does not have an ERA-approved metrology procedure and has not published communication rules.^{1,2}

The auditor made one recommendation to address the non-compliances.

Review

The 12 asset management system processes prescribed in the ERA's *2019 Audit and Review Guidelines: Electricity and Gas Licences* are broken down into 58 effectiveness criteria. The auditor

¹ A metrology procedure sets out a network operator's procedures for the provision, installation, maintenance and reading of meters.

² Communication rules define the processes, procedures and methods to communicate between the network operator and network users (generators and retailers).

found one deficiency from the 58 criteria, which was in environmental analysis, due to the lack of awareness of the site emergency response procedures among staff and contractors.

The auditor made one recommendation to address the asset management system deficiency, which BHP resolved in July 2023.

The ERA's assessment of the audit and review findings

Audit

Because BHP has demonstrated a high level of compliance with its licence, the ERA has decided to maintain the audit period at 48 months.

While BHP had two non-compliances with the Metering Code, it supplies electricity to its customers under power purchase agreements that include metering and data management requirements.

The ERA acknowledges that the Metering Code is designed for large networks with many users, such as the South West Interconnected System. There are some parts of the Metering Code that are challenging for small network operators to comply with due to the nature and size of their operations. The ERA is of the view that there is little practical benefit in requiring BHP to develop a metrology procedure or communication rules while the PPAs are in place. There is no evidence that BHP's customers have been disadvantaged by BHP not having a metrology procedure or communication rules.

The post-audit implementation plan states that in December 2023 BHP will review whether it should create a metrology procedure separate to its power purchase agreements. However, it does not need one while the current power purchase agreements with its customers are in place. BHP does not intend to establish communication rules, as it does not need them for its operations.

Review

BHP has a history of good performance in its asset management system reviews and the auditor found only one deficiency from the 58 effectiveness criteria, which BHP has resolved. Accordingly, the ERA has decided to maintain the review period at 48 months.

Further information

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