



Notice

29 March 2018

South32 Worsley Alumina Pty Ltd

2017 PERFORMANCE AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2017 performance audit and asset management system review [report](#) for South32 Worsley Alumina Pty Ltd's (**South32**)¹ electricity generation licence EGL12.

Action by the ERA

The ERA is satisfied that South32 has achieved a high level of compliance with its licence and has an effective asset management system.

The ERA has decided to increase the period covered by the next audit and review from 48 months to 60 months. The next audit and review will cover 1 July 2017 to 30 June 2022, with the report due by 30 September 2022.

Background to the ERA's decision

Overview of the South32's operations

South32's Worsley Alumina Refinery is located 140 km south of Perth, north east of Collie.

The Facility 110 Powerhouse (Powerhouse) generates steam for the Worsley Alumina plant, with electricity produced as a by-product and used to power the alumina refinery. The Powerhouse also has the ability to export surplus electricity to the South West Interconnected System.

Audit ratings and recommendations

The auditor's assessment of the 44 licence obligations applicable to South32's electricity generation licence found:

- 16 obligations were rated A1 (adequate controls, compliant);
- two obligations were rated A2 (adequate controls, non-compliant with minor impact);
- one obligation was rated A/NR (adequate controls, not rated); and
- 25 obligations were rated NP/NR (not performed, not rated).²

The audit found the two non-compliances were resolved during the audit period.³

¹ On 10 July 2015, BHP Billiton Worsley Alumina Pty Ltd requested that the business name for electricity generation licence EGL12 be changed to South32 Worsley Alumina Pty Ltd.

² Because the licence obligations were not exercised during the audit period.

³ The non-compliant obligations were: 103 (ERA not notified of substantial changes to the asset management system) and 124 (late submission of an annual compliance report).

Review ratings and recommendations

A detailed assessment of the 12 asset management components prescribed in the ERA's [Audit and Review Guidelines: Electricity and Gas Licences](#) found:

- 11 components were rated A1 (documentation adequately defined, performing effectively); and
- one component was rated B1 (documentation requires some improvement, performing effectively).

The auditor also provided ratings for each asset management sub-component.⁴ Two sub-components: Risk Management (sub-component 8.1) and Contingency Planning (sub-component 9.1), were rated B1.⁵

South32 did not provide a post-review implementation plan.⁶

ERA's response to the audit and review

Audit

The ERA considers South32 has achieved a high level of compliance with its licence conditions during the audit period. Both non-compliances were considered to be minor administrative matters.

Review

The auditor found South32 has maintained an effective asset management system for its generation assets. The two review recommendations both address improvement opportunities.

The slight deterioration in the rating for contingency planning is a result of the auditor identifying an opportunity to mitigate an area of potential risk over time concerning asset degradation and safety.

There has been a marked improvement in the rating for the Review of the Asset Management System (component 12.2), with South32 engaging an external auditor to undertake an independent review of parts of the asset management system.

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⁴ The ERA's *Audit and Review Guidelines: Electricity and Gas Licences* provides compulsory effectiveness criteria (referred to as sub-components) for each of the 12 asset management components. The auditor must rate both the components and sub-components.

⁵ The remaining 54 sub-components were rated A1 (documentation and performance meet requirements).

⁶ It is not mandatory for South32 to provide a post-review implementation plan for sub-components that are rated A, B, 1 or 2.