



# Notice

3 February 2020

## **Alinta Energy Transmission (Roy Hill) Pty Ltd** 2019 performance audit and asset management system review

The Economic Regulation Authority has published the 2019 [performance audit](#) and [asset management system review](#) reports and the [post-audit and post-review implementation plan](#) for Alinta Energy Transmission (Roy Hill) Pty Ltd's electricity integrated regional licence EIRL6.

Alinta holds an electricity integrated regional licence for generation, transmission, distribution and retail activities for its Newman power station located in the Pilbara region of Western Australia supplying electricity to the Roy Hill iron ore mine.<sup>1</sup>

### ***The ERA's decision***

The ERA considers that Alinta has achieved an adequate 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 36 months. The next audit and review will cover the period 1 October 2019 to 30 September 2022, with the report due by 31 December 2022.

### ***Background to the ERA's decision***

#### ***Audit ratings***

The auditor's assessment of the 163 licence obligations applicable to Alinta's licence found:

- Two were rated A1 (adequate controls, compliant).
- Six were rated A2 (adequate controls, non-compliant – minor impact on customers or third parties).
- 16 were rated B2 (generally adequate controls, minor non-compliance).
- 36 were rated NP/1 (controls assessment not performed, compliant).
- 103 were rated NP/NR (controls assessment not performed, not rated – no activity took place during the audit period).

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<sup>1</sup> Roy Hill is a large use customer consuming more than 160 megawatt-hours of electricity per year.

The audit identified 22 non-compliances, 10 of which were addressed during the audit period.<sup>2</sup> Most of the non-compliances related to the *Electricity Industry (Metering) Code 2012*.

The ERA does not agree that obligation 422 should be rated as non-compliant. The auditor confirmed that Alinta has validated energy data in accordance with Appendix 2 of the Metering Code and there was no evidence that Alinta had been required to estimate or substitute energy data in accordance with clause 5.22(1)(b)/Appendix 3 of the Metering Code. Taking this into consideration, the ERA considers obligation 422 should be rated compliant.

### **Audit recommendations**

The auditor made two recommendations addressing 12 non-compliances with the Metering Code.<sup>3, 4</sup>

Alinta's post-audit implementation plan states that it will address the audit recommendations between now and 30 June 2020.

### **Review ratings**

The assessment of the 12 asset management components prescribed in the ERA's *2019 Audit and Review Guidelines: Electricity and Gas Licences* found:<sup>5</sup>

- Eight components were rated A1 (documentation adequately defined, performing effectively).
- Four components were rated B2 (documentation requires some improvement, opportunity to improve performance).

The auditor also assessed the 58 effectiveness criteria related to the 12 asset management components and found a single process deficiency under asset planning. The auditor recommended Alinta's asset management plan be expanded and restructured to incorporate, in one document, the contingency arrangements for Alinta's assets, future demand forecasts and procedures for reviewing and updating the plan.

### **Review recommendations**

The auditor made one recommendation addressing a single process deficiency.<sup>6</sup>

The post-review implementation plan states that Alinta will address the single review recommendation between now and 30 June 2020.

### **The ERA's assessment of the audit and review findings**

Most of the non-compliances in the audit are due to Alinta not having metering documentation that complies with the Metering Code. However, Alinta's Power Purchase Agreement with its customer addresses the same topics as the Metering Code.

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<sup>2</sup> Obligations 103, 331, 332, 333, 341, 345, 366, 369, 411 and 434.

<sup>3</sup> Reduced to 11 non-compliances after the adjustment for obligation 422 is applied.

<sup>4</sup> As per section 5.1.8 of the [2019 Audit and Review Guidelines: Electricity and Gas Licences](#), the licensee is only required to provide a post-audit implementation plan for licence obligations have been rated 2, 3, 4, C or D.

<sup>5</sup> A copy of the guidelines is available on the ERA [website](#).

<sup>6</sup> As per section 5.1.8 of the [2019 Audit and Review Guidelines: Electricity and Gas Licences](#), the licensee is only required to provide a post-review implementation plan for asset management process deficiencies rated 3, 4, C or D.

There is no evidence to indicate Alinta's customer has been affected by the absence of metering documentation that complies with the Metering Code.

Alinta expects to complete its metering management plan and incorporate the technical requirements of clause 6.2 of the Metering Code as part of the North West Interconnected System access project, which will include developing a Model Service Level Agreement and Metrology Procedure.

Alinta's asset management plan needs to be updated to incorporate the missing elements, and to consolidate the sections covering risk and contingency planning.

### ***Further information***

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