



Notice

1 February 2021

Merredin Energy Pty Ltd

2020 performance audit and asset management system review

The Economic Regulation Authority has published the 2020 [performance audit](#) and [asset management system review](#) reports and the [post-audit and post-review implementation plan](#) for Merredin Energy Pty Ltd's electricity generation licence EGL25.

Merredin Energy operates a power station located at Lot 191 Robartson Road in the Shire of Merredin, approximately 260 kilometres northeast of Perth. The power station operates as a peaking plant on the South West Interconnected System (SWIS) and has a total export capacity of 82 megawatts.

All the power generated by the power station is exported to the SWIS via a single circuit 132 kilovolt overhead transmission line to Western Power's Merredin Terminal, north of the power station.

The ERA's decision

The ERA considers that Merredin Energy has achieved an adequate level of compliance with its licence and has decided to increase the audit period from 36 months to 60 months. The next audit will cover the period 1 July 2020 to 30 June 2025, with the report due by 30 September 2025.

The ERA considers that Merredin Energy has an effective asset management system and has decided to increase the review period from 36 months to 60 months. The next review will cover the period 1 July 2020 to 30 June 2025, with the reports due by 30 September 2025.

Background to the ERA's decision

Audit ratings

The auditor assessed 30 licence obligations applicable to Merredin Energy's licence and found:

- 15 were rated A1 (adequate controls, compliant)
- one was rated A2 (adequate controls, minor non-compliance)
- two were rated B2 (generally adequate controls, minor non-compliance)
- 12 were rated NP/NR (controls and compliance were not assessed).

The audit found three non-compliances.

- Not all standing charge fees were paid by the due date.¹
- The 2018 compliance report and licence standing charge data was not submitted by the due date.
- Updated pro-forma for Notices in Schedule 6 of Merredin Energy's Electricity Transfer Access Contract with Western Power for August 2017 and February 2020 did not provide a facsimile number for the sending and receiving of notices by facsimile. Additionally, during Merredin Energy's transition to the National Broadband Network one of the two landlines was disconnected and this information was not provided to Western Power.²

Audit recommendations

The auditor made three recommendations to address three of the four non-compliances.

The post-audit implementation plan states that Merredin Energy will address the audit recommendations by 30 January 2021.

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:^{3, 4}

- 12 components were rated A1 (documentation adequately defined; performing effectively).

Two asset management effectiveness criteria were rated deficient: Asset Creation/Acquisition (one criterion) and Asset Management Information System (one criterion).⁵

- Commissioning records for the plant were fragmented or not available.
- An adequate level of written documentation on backup strategy and procedures was not found.
- Evidence of successful tests verifying that the backup data can be restored from storage was not available.
- Implementation of cloud storage of for data was still in progress at end of the review period.

Review recommendations

The auditor made four recommendations to address the four asset management deficiencies.

¹ A recommendation was not made for obligation 124 as the auditor was satisfied that the licensee had addressed the cause(s) of the non-compliance.

² The auditor made two separate recommendations for obligation 451, one for lack of facsimile facilities (2/2020) and one for a telephone number that was not available (3/2020).

³ A copy of the guidelines is available on the ERA [website](#).

⁴ As required by the 2019 guidelines, the auditor also provided a rating for each of the 58 asset management effectiveness criteria.

⁵ The auditor found three deficiencies with a the "Data backup procedures appear adequate and backups are tested" asset management effectiveness criterion and made three recommendations to address them.

The post-review implementation plan states that Merredin Energy will be addressed the recommendations between now and 30 June 2021.

The ERA's assessment of the audit and review findings

The audit identified three non-compliances, all of which were relatively minor administrative matters.

The review findings show that Merredin Energy has an effective asset management system. The four asset management deficiencies relate to commissioning documentation and IT system backups. The evidence in the report shows that the performance of the generation plant is as expected, and that Merredin Energy has effective processes to manage the operations and maintenance of the plant.

Further information

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