



Notice

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Bluewaters Power 1 and Bluewaters Power 2 2022 Performance audits and asset management system reviews

The Economic Regulation Authority has published Bluewaters Power 1 Pty Ltd's and Bluewaters Power 2 Pty Ltd's (Bluewaters) 2022 performance audit and asset management system review reports and the post-audit and post-review implementation plans for electricity generation licences EGL4 and EGL17, respectively.

- Bluewaters Power 1 Pty Ltd – EGL4
 - [Performance audit and asset management system review report.](#)
 - [Post-audit and post review implementation plan.](#)
- Bluewaters Power 2 Pty Ltd – EGL17
 - [Performance audit and asset management system review report.](#)
 - [Post-audit and post review implementation plan.](#)

The two generation units at Bluewaters Power Station have a combined capacity of 434 megawatts and are located 4.5 kilometres from Collie. The electricity generated by Bluewaters supplies three customers:

- Boddington Gold Mine
- Synergy
- Water Corporation.

The ERA's decision

The ERA considers that Bluewaters has, overall, demonstrated an adequate level of compliance with its licences; however, there were repeat non-compliances from the 2017 audits.

While the ERA considers that Bluewaters has an effective asset management system, the system has deteriorated since the last reviews and there is room for improvement.

The ERA has decided to reduce the audit and review periods for EGL4 and EGL17 from 60 to 36 months. The next audit and review period for each licence will cover 1 January 2023 to 31 December 2025, with the reports due by 31 March 2026.

Audit and review findings

Audits

The audit of the 33 licence obligations applicable to Bluewaters found three non-compliances and no controls deficiencies. The following two non-compliances were repeat non-compliances from the 2017 audits:

- Bluewaters relied on the tacit knowledge of staff to substitute for weaknesses in its documented operational governance process to minimise electricity supply disruptions.
- Bluewaters failed to provide information to the ERA in its annual compliance reports and submitted information to the ERA late.

For the remaining non-compliance, Bluewater failed to notify the ERA of a substantial change to its asset management system when it decided to upgrade its system to a digital platform.

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

The post-audit implementation plans state that Bluewaters will address the recommendations by 31 November 2023.

Reviews

The assessment of the 12 asset management system processes prescribed in the ERA's *2019 Audit and Review Guidelines: Electricity and Gas Licences* found that Bluewaters' performance in five processes declined since the last review.

The 12 processes are broken down into 58 effectiveness criteria. The auditor identified 10 deficiencies from the 58 criteria. The previous reviews in 2017 did not identify any deficiencies.

The 2022 reviews found:

- Deficiencies with risk and compliance management, including:
 - Ineffective controls to support risk mitigation and compliance processes.
 - Risk and compliance processes not consistently used.
 - Limited monitoring of risk and compliance processes.
 - Non-specific risk mitigation measures and strategies that are difficult to follow.
 - An ineffective risk management plan to mitigate risk.
- No review process implemented to:
 - Critically assess the asset management system performance.
 - Assess the asset management plan.
 - Ensure contingency plans are consistent with the strategic plan and included in asset area plans on the Asset Management Planning System software platform.
- No established processes for reviewing the asset management system and plans.
- No established independent review of the asset management system.

The auditor made five recommendations to address the deficiencies.

The post-review implementation plan states that Bluewaters will address the recommendations by 31 March 2024.

The ERA's assessment of the audits and reviews findings

Audits

Since the last audits in 2017, Bluewaters has:

- Taken significant measures to ensure its performance meets both its contractual and operational requirements.
- Taken steps to minimise potential disruptions to generator performance. For example, it developed a Coal Conservation Strategy, and Corporate Business Continuity and IT Disaster Recovery Plans. It also has well established accident and emergency response procedures.
- Undertaken contingency planning to maintain its coal supply.

However, Bluewaters' failure to advise the ERA of the substantial change to its asset management system highlights the need for Bluewaters to update its compliance monitoring processes to ensure information in the compliance register is accurate and complete.

During the 2022 audit periods, Bluewaters submitted the 2019 standing data charges late and omitted non-compliances from its 2019 and 2020 annual compliance reports, further demonstrating ineffective compliance monitoring processes.

Bluewaters licence requires it has an approach to minimising the duration of an unplanned supply interruption as and when they occur. The auditor identified issues with Bluewaters written process and the insufficient review of this process and the corrective issues contained within it.

Whilst there is no evidence that a shortcoming in the process has influenced outage durations, having a detailed and robust process is important given two of Bluewaters' three customers, Synergy and the Water Corporation, provide electricity and water services to over one million residential and business customers, including in the Perth metropolitan area.

The ERA is concerned about Bluewaters' repeated failure to implement effective controls and undertake regular reviews of corrective actions to minimise the duration of potential supply interruptions.

The ERA will monitor Bluewaters' progress in completing the actions in the post-audit implementation plans.

Reviews

While the effectiveness ratings improved in some areas of the asset management system they deteriorated overall, with the auditor identifying 10 deficiencies.

The ERA is concerned that Bluewaters' failure to improve its risk and compliance management processes could affect its customers.

The ERA considers that Bluewaters needs to improve its:

- Monitoring and testing of processes, procedures and plans to make sure they remain current.
- Risk management processes to make sure they are tailored specifically to the issues they are intended to address, such as the management of supply interruptions.

The ERA will monitor Bluewaters' progress in completing the actions in its post-review implementation plans.

Due to the seriousness of the non-compliances and asset management system deficiencies, the ERA will ask Bluewaters to propose earlier target completion dates for its actions to address the auditor's recommendations.



Notice

Further information

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