



Notice

06 September 2024

Peel Renewable Energy Pty Ltd 2024 asset management system review

The Economic Regulation Authority has published the [2024 asset management system review report](#) and the [post-review implementation plan](#) for Peel Renewable Energy Pty Ltd's electricity distribution licence EDL7.

Peel Renewable Energy owns and operates a microgrid that supplies electricity to commercial tenants in the Peel Business Park, 70 kilometres south of Perth in the Shire of Murray.

Peel Renewable Energy currently supplies 11 large use commercial customers on the microgrid.¹ It did not supply any small use customers during the review period.

Peel Renewable Energy is owned by Zenith Energy Pty Ltd, which specialises in remote off-grid power generation and urban microgrids. Zenith acquired ownership and operational control of Peel Renewable Energy in September 2022 from Tas Gas Holding Pty Ltd.

Zenith also holds electricity distribution and retail licences for microgrids currently under construction at Eglinton Village and Ocean Reef Marina.

The ERA's decision

The ERA considers that Peel Renewable Energy's asset management system was ineffective during the review period, due to the number and nature of the deficiencies found by the auditor.

The ERA has decided to maintain the review period at 24 months, which is the shortest period allowed under the *Electricity Industry Act 2004*. The next review will cover the period 1 April 2024 to 31 March 2026, with the report due to be provided by 30 June 2026.

Review findings

The assessment of the 58 asset management system effectiveness criteria prescribed in the ERA's *2019 Audit and Review Guidelines: Electricity and Gas Licences* found 17 asset management deficiencies, although the auditor reported that a good level of service was provided to customers.

The deficiencies were:

- **Asset planning** – The asset management plan requires updating, because it contains outdated documents from the previous owner, Tas Gas.

¹ A 'large use customer' is a customer who consumes more than 160 megawatt hours of electricity per year.

- **Asset creation and acquisition** – There was no compliance register showing ongoing legal, environmental or safety obligations of assets, which identified due dates and action owners.
- **Asset disposal** – No replacement strategy was in place or documented within the asset management plan.
- **Environmental analysis** – There was no up-to-date risk framework or register in place. Of the two registers in place, one referenced the previous owner, Tas Gas.
- **Asset operations** – The current operational manual was outdated and contains information not reflective of current operating procedure.
- **Asset maintenance** – The maintenance risk register was not current.
- **Risk management** – There was no up-to-date risk framework or register in place during the review period.
- **Review of asset management system** – The asset management plan requires updating. Historic Tas Gas documents require replacing with current Zenith documentation.

The auditor made 17 recommendations to address the asset management deficiencies. The post-review implementation plan states that six recommendations have already been completed.

The ERA's assessment of the review findings

This was Zenith's first review as the owner of Peel Renewable Energy. While there were 17 deficiencies and the asset management system was found to be ineffective, the auditor did not identify any concerns with the level of service, such as reliability of supply, provided to customers.

Zenith purchased the microgrid during the review period and inherited an asset management system with deficiencies as part of the purchase. Since buying the microgrid, Zenith has been working on addressing the deficiencies.

Seven of the 17 deficiencies relate to asset planning, asset disposal and asset creation. However, these deficiencies are minor considering the small size of the microgrid and that it is only four years old. For example, due to the age of the microgrid, asset disposal and creation processes are unlikely to be needed soon.

While some deficiencies are minor, others are more important and require immediate attention, including the lack of a compliance register and current risk management framework. Zenith has implemented the compliance register since the end of the 2024 review period. The risk management framework is a large piece of work that affects multiple processes and is expected to be completed by the end of September 2024.

Considering that Zenith had only owned the microgrid for 18 months at the time of the review, the size and age of the microgrid and it only supplies a small number of commercial customers, the ERA does not consider it is justified to issue a compliance enforcement notice for the ineffective asset management system.

The ERA will monitor Peel Renewable Energy's progress in completing the action items in its post-review implementation plan.

Further information

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