

Section 39  
Water Services Licensing Act 1995  
**NOTICE**

TO: Shire of MOORA  
PO Box 211  
MOORA WA 6510

**TAKE NOTICE** that pursuant to section 39(1) of the *Water Services Licensing Act 1995* ("the Act"), that by no later than 31 December 2013, you are hereby required to rectify the contraventions of Operating Licence Number 23 set out in the Schedule attached to this Notice and marked with the letter "A".

You are hereby notified that if you do not comply with this Notice, then in accordance with section 39(2) of the Act the Economic Regulation Authority ("the Authority") may take one or more of the following actions:

- a. serve the Shire of Moora with a letter of reprimand;
- b. subject to section 39 of the Act, order the Shire of Moora to pay a monetary penalty fixed by the Authority but not exceeding \$100,000; and/or
- c. subject to section 39 of the Act, cause any or all of the contraventions to be rectified to the satisfaction of the Authority at the expense of the Shire of Moora.

The Common Seal of the Economic Regulation Authority was hereto duly affixed by the Chairman of the Economic Regulation Authority on 10 September 2013:

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Member: \_\_\_\_\_

Member: \_\_\_\_\_

Attachment: Schedule of Contraventions

## "A"

### Schedule of Contraventions

#### 1. Contravention of clause 17 of Operating Licence Number 23

Clause 17.1 of Operating Licence Number 23 ("Operating Licence") states:

"The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within two business days from the commencement date unless otherwise notified in writing by the Authority."

Section 36(2) of the Act states:

"An asset management system is to set out the measures to be taken by the licensee for the proper maintenance of assets used in the provision of water services and for the undertaking, maintenance and operation of water services works."

In the Economic Regulation Authority's ("the Authority") opinion, the Shire of Moora ("the Shire") has contravened clause 17.1 of Operating Licence Number 23 because the *Shire of Moora Report – 2013 Asset Management Review of Moora Sewerage & Non-Potable Water Supply Services* ("the Report") dated 7 August 2013 discloses that there are a number of deficiencies with the Shire's asset management system. In the Authority's opinion, the deficiencies disclosed in the Report, identified in Table 1 below, are such that the Authority considers that the Shire's asset management system does not set out measures for the proper maintenance and operation of the water services works.

**Table 1: 2013 Asset Management System Deficiencies**

| Reference                     | Asset Management Deficiency   |
|-------------------------------|---|
| <b>Asset Planning</b>         | A forecast of future demand should be prepared and- in conjunction with an assessment of asset condition, used to program ongoing works and relevant financial plans.   |
| <b>Asset Creation</b>         | Review and document the necessity for and the proposed method of de-sludging Pond No.1 at the WWTP.   |
| <b>Asset Creation</b>         | The Shire's documented acquisition procedure should be followed for all intended acquisitions, including assessing the need for de-sludging, the treatment lagoons.   |
| <b>Environmental Analysis</b> | Ensure that the SWOT and Risk Analysis are reviewed and upgraded and that the requirement to report to ERA is included.   |
| <b>Asset Operations</b>       | The Shire should develop detailed operation plans for the collection, treatment chlorination and effluent disposal systems. These plans should be included in its proposed new Asset Management Plan, together with a formal training program for its future operators. |
| <b>Asset Operations</b>       | It is noted that work on these documents has commenced. Draft documentation was inspected by the reviewer. The documentation should be completed as soon as possible in anticipation its inclusion in the proposed new Asset Management Plan.                           |

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| <b>Asset Maintenance</b>                          | The Shire should continue to develop the maintenance procedures, schedule and supplier information with a view to completing the proposed new AMP prior to Water Corporations expected withdrawal of its services.   |
| <b>Asset Management Information System (AMIS)</b> | The Shire should develop a computer based asset management information system from the software it has acquired. In view of the necessity for the Shire to assume the operation and maintenance of the sewerage system after December 2013, it is essential that this proceed promptly.  |
| <b>Contingency Planning</b>                       | Review and re-write the emergency plans as Contingency Plans to: <ul style="list-style-type: none"> <li>• Expand the list of contingencies likely to occur.</li> <li>• Provide more detail of the actions to be undertaken and the procedural details for their implementation</li> <li>• Expand the list of authority and contractor contacts together with their role and contact details</li> <li>• Include a requirement for the contingency plans to be periodically tested and provision for recording those involved in such tests, the date, outcome of the tests, amendments made and any action taken.</li> </ul>  |
| <b>Financial Planning</b>                         | Update the Income / Expenditure plans to: <ul style="list-style-type: none"> <li>• Reflect the current year and ten years hence.</li> <li>• Include the result of a review of the useful life expectancy of the assets and the 2013/14 replacement value of the assets - with a view to setting a more appropriate annual value of funds held in the sewerage reserve and the annual contributions.</li> <li>• Include annual contributions to the sewerage reserve fund and review the reasons why some years have no allowance for contributions to the fund.</li> <li>• Clarify the discrepancy between the allowances for transfer to sewerage reserve between the ten year plan in the AMP and the 2013/14 budget.</li> <li>• Amend the annual transfer to reserve amounts if deemed necessary following the useful life review in the second dot point above.</li> </ul> |
| <b>Capital Expenditure Planning</b>               | Re-visit the proposed plans and allowances to replace VC pipes in conjunction with further consideration of the useful life of assets as discussed in item 11 – Financial Planning.  |
| <b>Capital Expenditure Planning</b>               | Update the expenditure plan in terms of time and content.  |
| <b>Capital Expenditure Planning</b>               | Determine whether or not the No.1 pond at the WWTP requires de-sludging.   |
| <b>Capital Expenditure Planning</b>               | Consult Health Department on the possibility of by-passing Pond No.1 to allow de-sludging if proved necessary.   |

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| <b>Capital Expenditure Planning</b>    | Conduct an assessment of the condition of the VC collection system and manholes. Consider a total or staged partial CCTV program                              |
| <b>Capital Expenditure Planning</b>    | Provide a detailed breakdown of the expenditure proposed to allow the \$200,000 allowances for replacement of VC pipes to be verified or amended              |
| <b>Review of Asset Management Plan</b> | The Shire should make every effort to complete the new AMP prior to Water Corporation's withdrawal of its operations and maintenance services after December. |

The Authority requires the Shire to, by 31 December 2013, take appropriate measures to rectify the asset management system deficiencies detailed in Table 1 of this Notice.