

Section 39
Water Services Licensing Act 1995
NOTICE

TO: Shire of Yilgarn
PO Box 86
SOUTHERN CROSS WA 6426

TAKE NOTICE that pursuant to section 39(1) of the *Water Services Licensing Act 1995* ("the Act"), that by no later than 28 February 2013, you are hereby required to rectify the contraventions of Operating Licence Number 30 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 Yilgarn with a letter of reprimand;
- b. subject to section 39 of the Act, order the Shire of Yilgarn 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 Yilgarn.

The Common Seal of the Economic Regulation Authority was hereto duly affixed by the Chairman of the Economic Regulation Authority on 30 July 2012:

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Member: _____

Member: _____

Attachment: Schedule of Contraventions

"A"

Schedule of Contraventions

1. Contravention of clause 17 of Operating Licence Number 30

Clause 17.1 of Operating Licence Number 30 ("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 Yilgarn ("the Shire") has contravened clause 17.1 of Operating Licence Number 30 because the Audit Report Shire of Yilgarn Operational Audit and Asset Management System Review ("the Report") dated April 2012 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 asset management report are such that the Authority considers that the Shire's asset management system does not have in place measures for the proper maintenance and operation of the water services works, in particular:

- 1.1 The Asset Management Plan ("the AMP") does not cover the Marvel Loch assets. Marvel Loch operating area and plant schematic drawings are not included in the AMP.
- 1.2 Service level performance targets and measurements are not currently shown in the AMP.
- 1.3 A risk register which assesses the likelihood and consequence of asset failure and mitigation procedures for this scheme has not been documented.
- 1.4 The AMP was last issued in January 2007; action plan dates are now historical, five year financial plans in the AMP end in 2012 and are now not serving a useful purpose.
- 1.5 The Shire does not document or have records of commissioning tests.
- 1.6 The AMP does not yet include the target levels of service as well as measurement of the service levels.
- 1.7 Compliance monitoring does not include monitoring of parameters such as water quality at entry and exit of wastewater treatment plant.
- 1.8 There are no operational procedures on how to operate plant or machinery.
- 1.9 Marvel Loch facilities are not documented in an Asset Register or as-constructed plans.

- 1.10 Documented evidence such as copies of the staff / contractors accreditations were not available or sighted.
- 1.11 The procedure for planned maintenance and inspections does not define the required maintenance and inspection process sufficiently. No record of maintenance activities are kept.
- 1.12 There was no documented evidence that the assets are being maintained and inspected satisfactorily. The following items were noted upon inspection of the assets:
- a. The fencing around the Southern Cross treatment works is not maintained as the fencing is overgrown with trees and bushes.
 - b. Fencing around the Marvel Loch Chlorination Plant had been removed in September 2011 and has not yet been reinstated. This presents a health and safety risk.
 - c. An intermediate pump station at Marvel Loch did not have any power and the sewage was overflowing into the environment - the placement of stepping stones suggest that this has been occurring for some time.
 - d. The modular treatment units at Southern Cross has a cover missing. We could not confirm whether the air pumps were operational.
 - e. Central pond at Marvel Loch (pond 2) was empty, however ponds on either side were full, suggesting that the plant is not operating as planned.
 - f. Slight leak, possibly from a leaking valve, into an emergency overflow pit at an intermediate pump station in Southern Cross, near the oval.
 - g. A secondary gate was left open at Southern Cross main Wastewater Treatment Plant.
- 1.13 Routine and Planned maintenance records are not documented - therefore there is no record documenting whether the process is completed on schedule.
- 1.14 No risk analysis is performed at present. Risk register has not been prepared.
- 1.15 Contingency plans were not sighted. The Shire has a "Local Emergency Management Arrangements (January 2012)" (LEMA) document. Water and wastewater related risks and contingency plans are however not included in the LEMA. The asset management system should have contingency plans clear enough for responsible parties to successfully action the plan.
- 1.16 Contingency plans have not been tested.
- 1.17 The AMP forecasts will need to be updated within the current review of the AMP.
- 1.18 At the moment there is no prediction / forecast of future revenue from sewerage rates. On this basis there is no evidence to show whether the revenue collected via sewerage rates will be sufficient:
- a. to fund the O&M cost of the scheme and

- b. to provide for an adequate amount to be transferred to reserves to fund future refurbishment and replacement of assets.

The Authority requires the Shire to, by 28 February 2013, take appropriate measures to rectify the asset management system deficiencies (identified as items 1.1 to 1.18) detailed in this Notice.