



# Notice

1 April 2016

## Water Corporation

### 2015 ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2015 asset management system review (**Review**) report, and the post-review implementation plan, for the Water Corporation's (**Corporation**) water services licence WL32.

- [2015 Review report](#)
- [2015 Post-Review Implementation Plan](#)

#### Action by the ERA

The ERA is satisfied the Corporation has significantly improved its asset management system and has an effective asset management system. However, the Corporation's Contingency Planning requires some improvement in order to meet the required standard.

The ERA has decided to maintain the period of time until the next Review at 36 months. The next Review will cover the period from 1 July 2015 to 30 June 2018, with the report on the Review to be provided to the ERA by 30 September 2018.

#### BACKGROUND

The auditor rated 10 of the 12 Asset Management System components assessed in the review as A1 (highest rating). Of the two remaining components, one achieved an overall rating of A2 (opportunity for process improvement) and one was rated B3 (opportunity for policy improvement, performance requires corrective action).

The review disclosed some issues in relation to contingency planning and asset maintenance data which require further action by the Corporation.

#### Contingency Planning

The Corporation practices two levels of Contingency Planning:

- Incident Planning, covering major or serious incidents.
- Operational Contingency Planning, covering minor short-term disruptions.

In summary, the auditor identified five issues with Operational Contingency Plans (**OCPs**), including:



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- The highest operational risks may not have been adequately addressed by the OCPs.
- OCPs are formulated inconsistently across the organisation by different local staff.
- There is no central register of OCPs, which hinders the Corporation's ability to determine whether contingencies have been adequately scoped and the risks have been addressed. It also hinders the Corporation's ability to determine how the need to address the risk was determined.
- Testing of OCPs is not mandatory and there is doubt whether current testing is adequate.
- The process by which improvements are made to OCPs over time needs to be established and implemented.

The ERA notes that higher risks may not be adequately addressed by the OCPs, and the OCPs are not necessarily tested. Given the scale of the Corporation's assets, the ERA considers any credible event resulting in disruption to the operations of critical water infrastructure such as water or sewerage treatment plants requires adequate contingency plans. Minor disruptions to operations can, if they are not resolved promptly, escalate to become more serious incidents.

The ERA notes that the Corporation has identified this as an area for improvement and that the Corporation intends to review its practices during 2016.

As the auditor's recommendation does not specifically mention the testing of OCPs or the process of updating OCPs for improvements, the ERA has requested that the Corporation adds an action to test and update OCPs to the post-review implementation plan.

## **Asset Maintenance Data**

The review found that, while data requirements for the maintenance process have been defined and embedded into the Corporation's IT (SAP) system and Mobile Computing Systems, data quality issues are being encountered by the Corporation when the entered data is subsequently analysed.

The Corporation has advised it will review this recommendation as part of a commitment to ongoing continuous improvement of its Asset Management System. The ERA considers that the progress the Corporation is making in improving its data capture should be tracked through its post-review implementation plan. Accordingly, the ERA has requested the Corporation to add those recommendations that address this issue into its post-review implementation plan.

For further information contact:

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