



Notice

3 August 2016

Gascoyne Water Cooperative Ltd

DECISION ON THE NEXT ASSET MANAGEMENT SYSTEM REVIEW

The ERA has made a decision on the next asset management review (**Review**) period of Gascoyne Water Cooperative Ltd's (**GWC**) water services licence WL38.

On 28 August 2015, the Economic Regulation Authority (**ERA**) published a notice that it had deferred its decision on the time interval for the next Review of WL38. The notice stated the ERA would make its decision after GWC had provided an updated post-review implementation plan (**PRIP**) detailing the progress GWC had made to address the 17 (out of a total of 18) recommendations¹ in the 2015 Review that relate to deficiencies in its asset management system.

GWC provided the updated PRIP to the ERA on 1 March 2016.

Action by the ERA

The PRIP stated that GWC had fully addressed two of the 18 recommendations in the 2015 Review. The remaining recommendations were only partially completed or had not been actioned.

In response to GWC's lack of progress, the ERA appointed an independent inspector to conduct an inspection of GWC's asset management system, and the condition of the assets used to provide the water service covered by the licence.

On 13 July 2016, the inspector reported that GWC had fully addressed five of the 18 recommendations from the 2015 Review and made reasonable progress on 11 of the remaining 13 recommendations. The inspector also reported that the assets were generally in good condition.

On this basis, the ERA has decided to maintain the interval of time until the next Review of WL38 at 24 months. The next Review will cover the period from 1 May 2015 to 30 April 2017. The report on the Review is due to be provided to the ERA by 31 July 2017.

BACKGROUND

2015 Review and post-review implementation plan

In the 2015 Review, the auditor made 18 recommendations to address asset management system (**AMS**) deficiencies and one improvement opportunity. The 18 recommendations related to nine asset management sub-components covering: Asset Creation/Acquisition, Environmental Analysis, Asset Operations, Risk Management, Contingency Planning, Financial Planning, Capital Expenditure Planning and Review of the AMS. GWC prepared a PRIP that stated all

¹ The PRIP contains 18 recommendations in total; one recommendation relates to a process improvement opportunity.



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18 recommendations from the 2015 Review would be addressed by March 2016. However, the PRIP update received in March 2016 showed GWC had not made sufficient progress, as discussed above.

Inspection of GWC's AMS

The scope of the inspection² was:

1. Assess the actions taken by GWC to address the 17 recommendations from the 2015 Review that addressed asset management deficiencies.
2. Re-assess the effectiveness ratings for the eight asset management sub-components associated with the 17 recommendations from the 2015 Review that addressed asset management deficiencies.
3. Perform a condition assessment of the irrigation assets particularly with relation to the Gascoyne Irrigation Pipeline Project (**GIPP**) assets constructed since May 2011.

Progress with the 2015 Review recommendations

The Inspector reported that six recommendations from the 2015 Review had been fully addressed and 10 recommendations had been partially addressed. Action to address one of the two remaining recommendations is on hold pending the completion of the asset lifecycle costing project, and the other recommendation is on hold until the irrigation area is expanded at some point in the future.

Inspector's Asset Management Effectiveness Ratings

The Inspector's assessment of the nine asset management sub-components covered by PRIP found that the ratings for five sub-components remained unchanged and three sub-components had an improved rating.

The Inspector also reported that the single remaining sub-component, which was rated as a process improvement opportunity in the 2015 Review, was now in need of remedial action to address a deficiency.

GIPP Asset Condition Assessment

The Inspector's findings in relation to the condition of GWC's assets are mostly favourable. While there are some issues regarding some of the assets (in particular, meters and some of the pipes used to connect customers to the distribution system), the overall performance of the reticulation system is quite good.

With regard to meters, the inspector reported some of GWC's meters have had problems with meter blockages caused by debris resulting from pipe repairs and rust associated with the steel cased bores on Southern bore field.

² The Inspector was appointed pursuant to section 210 of the Water Services Act 2012 (**WSA**) to conduct an inspection pursuant to sections 40 and 41 of the WSA.



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The complaints data presented in the Inspection Report indicates that in general, customers are satisfied with the service they are receiving with the only notable exception being the customers affected by water availability issues, stemming from a design issue with the GIPP distribution offtake (customer connection) pipes that has affected the ability of some customers to receive their full allocation of water through the service pipe currently in place. GWC proposes to investigate this issue further and rectify the offtake configuration if it is identified that the pipework is hindering the ability of customers to receive water from the main pipeline.

For further information contact:

General Enquiries

Paul Reid

Phone: 08 6557 7976

Email: records@erawa.com.au

Media Enquiries

Tracy Wealleans

Work: 08 6557 7942

Mobile: 0428 859 826

Email: communications@erawa.com.au