



Notice

9 December 2019

Hamersley Iron Pty Ltd

2019 operational audit and asset management system review

The Economic Regulation Authority has published the 2019 [operational audit and asset management system review report](#) and the [post-audit implementation plan](#) for Hamersley Iron Pty Ltd's water services licence WL33.

Hamersley Iron, a subsidiary of Rio Tinto Ltd, supplies potable water and sewerage services to the Pilbara towns of Dampier, Paraburdoo, Tom Price and Bungaroo Creek.

The ERA's decision

The ERA considers that Hamersley Iron has achieved a high level of compliance with its licence and has an effective asset management system.

The ERA has decided to increase the audit and review period from 36 months to 48 months. The next audit and review will cover the period 1 July 2019 to 30 June 2023, with the report due by 30 September 2023.

Background to the ERA's decision

Audit ratings

The audit of the 198 obligations applicable to Hamersley Iron's licence found:¹

- 77 were rated A1 (adequate controls, compliant).
- Four were rated A2 (adequate controls, non-compliant – minor effect on customers).
- Two were rated A3 (adequate controls, non-compliant – moderate effect on customers).
- 105 were rated A/NR (adequate controls, not rated for compliance due to lack of relevant activity).
- One was rated A/NA (adequate controls, not applicable during the audit period).
- Two were rated B2 (generally adequate controls, non-compliant – minor effect on customers).

¹ Six obligations were determined as not applicable during the audit period, and therefore not assessed for compliance.

- Six were rated B/NR (generally adequate controls, not rated for compliance due to lack of relevant activity).
- One was rated NA/1 (controls not applicable during the audit period, compliant).

The audit identified eight non-compliances.

Most of the non-compliances relate to bills not specifying information to which the customer is entitled. The ERA considered that four non-compliances were material:

- Some bills did not advise a customer that interest or fees may be charged for late payment of bills and the amount of arrears or credit standing to the customer's name.
- Bills did not disclose the day on which the tariff for water supplied to the customer will revert to the lowest tariff (that is, the day on which the customer's next consumption year starts).
- Between 1 July 2017 and 1 November 2017, payment by telephone was not available to customers.
- Bills did not inform customers that a customer may request a meter reading and revised bill if the customer disputes an estimate on which a bill is based, the fees that apply to meter testing and when the fees may be reimbursed.

Audit recommendations

The auditor made one recommendation to address the non-compliance with the obligation to disclose the day on which the tariff for water supplied to the customer will revert to the lowest tariff.

The auditor did not make a recommendation for the other non-compliances because they were resolved during the audit period.

The post-audit implementation plan states that Hamersley Iron will address the single recommendation between now and February 2020.

Review ratings

The 12 asset management components prescribed in the ERA's *2019 Audit and Review Guidelines: Water Licences*² were all rated A1 (adequately defined, performed effectively).

Review recommendations

The auditor did not make any recommendations following the 2019 review.

As the auditor did not make any recommendations, Hamersley Iron did not provide a post-review implementation plan.³

The ERA's assessment of the audit findings

Some of the non-compliances found in the audit directly affected customer's ability to access important information to which they are entitled. For example, failure to disclose the day on which the tariff for water supplied to the customer will revert to the lowest tariff (that is, the day on which the customer's next consumption year starts) could have resulted in negative

² A copy of the guidelines is available on the ERA [website](#).

³ As per section 5.1.8 of the [2019 Audit and Review Guidelines: Water Licences](#), the licensee is only required to provide a post-review implementation plan for asset management process deficiencies rated 3, 4, C or D.

consequences to customers. Hamersley Iron has committed to resolving this non-compliance by February 2020.

The other non-compliances were resolved during the audit period.

Hamersley Iron's overall compliance with its licence has improved since the previous audit. Hamersley Iron had fewer non-compliances in the 2019 audit and has resolved all recommendations from the previous audit in 2016.

Further information

General enquiries

Paul Reid

Ph: 08 6557 7976

licensing@erawa.com.au

Media enquiries

Natalie Warnock

Ph: 08 6557 7933 | Mob: 0428 859 826

media@erawa.com.au