

Your Ref:

Our Ref: D/08/10873

12 November 2008

Mr Paolo Amaranti
Chief Executive Officer
Rottnest Island Authority
PO Box 693
FREMANTLE WA 6959

Dear Mr Amaranti

SECTION 32 ELECTRICITY INDUSTRY ACT 2004 – NOTICE OF AUTHORITY'S OPINION OF CONTRAVENTION OF LICENCE

Reference is made to the Performance Audit and Asset Management System Review Report (Report) for the Rottnest Island Authority (RIA) submitted to the Authority on 19 September 2008.

The Authority has considered the Report and has formed the opinion that, based on the Report, RIA has contravened its Integrated Regional Licence (EIRL3).

The Authority sets out the contraventions below. Each contravention is referenced to the Item Number in section 1.3 (pages 5 to 25 inclusive) of the *Post Audit Implementation Plan – Rottnest Island Electricity Licence Operational/Performance Audit and Asset Management Review* prepared by Qualeng (Post Audit Implementation Plan), a copy of which is enclosed with this letter.

Contravention of Integrated Regional Licence

Contravention of clause 24 of RIA's Integrated Regional Licence

Clause 24.1 of RIA's Integrated Regional Licence states:

The licensee must provide for, and notify the Authority of, an asset management system in relation to the generating works and, distribution systems within 2 business days from the commencement date or from the completion of construction of the generating works or, distribution systems, whichever is later.

Item 82 of the Post Audit Implementation Plan documents a breach of this clause, specifically the asset management system is still in development and will require completion.

In the Authority's opinion, RIA has contravened clause 24.1 of its Integrated Regional Licence.

Contravention of clause 5 of RIA's Integrated Regional Licence.

Clause 5 of RIA's Integrated Regional Licence states:

Subject to any modifications or exemptions granted pursuant to the *Act*, the *licensee* must comply with any *applicable legislation* including, but not limited to, the *Electricity Industry Customer Transfer Code 2004*, the *Reliability and Quality of Supply Code 2005*, the *Electricity Industry Metering Code* and the *Code of Conduct for the Supply of Electricity to Small Use Customers 2004*.

The Post Audit Implementation Plan identified a number of areas where RIA has not complied with "applicable legislation" as defined in the Integrated Regional Licence. Specifically, items 181, 183, 206, 233, 234, 236, 242, 266, 272, 274, 278, 281, 283, 289, 293, 294, 324, 338, 347, 391, 392, 394, 395, 396, 398, 404, 406, 409, 410 and 463 of the Post Audit Implementation Plan disclosed contraventions of applicable Codes applying to RIA.

In the Authority's opinion, RIA has contravened clause 5.1 of its Integrated Regional Licence.

Notice to rectify

In accordance with section 32(1) of the *Electricity Industry Act 2004*, the Authority is serving notice to RIA requiring RIA to rectify its contravention of its Integrated Regional Licence. Specifically, the Authority requires the RIA to rectify the non-compliances identified above and more particularly described in the Post Audit Implementation Plan enclosed with this letter.

The Authority requires RIA to rectify these contraventions by no later than **31 March 2009**.

Please note that if RIA does not comply with this notice, the Authority may, in accordance with section 32(2) of the *Electricity Industry Act 2004* do one or more of the following:

- 1) serve a letter of reprimand on RIA;
- 2) subject to section 33 of the *Electricity Industry Act 2004*, order RIA to pay a monetary penalty fixed by the Authority but not exceeding \$100,000;
- 3) subject to section 33 of the *Electricity Industry Act 2004*, cause the contravention to be rectified to the satisfaction of the Authority (at the expense of RIA).

The Authority requests RIA notify the Authority of the corrective actions it proposes to take and the time that it intends to implement them. The Authority will consider any such information provided before forming a view and taking any action under section 32(2) of the *Electricity Industry Act 2004*.

Should you have any further questions on this matter you may contact Mr Paul Kelly Executive Director, Licensing Monitoring and Customer Protection on 9213 1900.

Yours sincerely

LYNDON ROWE
CHAIRMAN