

Section 32

Electricity Industry Act 2004 (WA)

NOTICE

TO: Karara Power Pty Ltd (ACN: 137 632 001) ("**Karara Power**")
Level 2, London House
216 St Georges Terrace
PERTH WA 6000

TAKE NOTICE that pursuant to section 32(1) of the *Electricity Industry Act 2004 (WA)* (**Act**), that by no later than 7 February 2022, you are hereby required to rectify the contraventions of Electricity Transmission Licence ETL6 set out in "A" – Schedule of Contraventions.

You are hereby notified that if you do not comply with this notice, then in accordance with section 32(2) of the Act the Economic Regulation Authority ("**ERA**") may take one or more of the following actions:

- (a) serve Karara Power with a letter of reprimand;
- (b) subject to section 33 of the Act, order Karara Power to pay a monetary penalty fixed by the ERA but not exceeding \$100,000; and/or
- (c) subject to section 33 of the Act, cause any or all of the contraventions to be rectified to the satisfaction of the ERA at the expense of Karara Power.

The Common Seal of the Economic
Regulation Authority was hereto
duly affixed by the Chairman of the
Economic Regulation Authority on
8 February 2021:





Nicola Cusworth

In the presence of:



Greg Watkinson, Member

Attached: "A" – Schedule of Contraventions

“A”

Schedule of Contraventions

1. Contravention of clause 4.1.1 of Electricity Transmission Licence ETL6 (“ETL6”)

1.1. Clause 4.1.1 of Karara Power’s licence, ETL6, states:

“Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.”

1.2. Section 14 of the *Electricity Industry Act 2004* (WA) states:

“(1) It is a condition of every licence, other than a retail licence, that the licensee must —

(a) provide for an asset management system in respect of the licensee’s assets; and

(b) notify details of the system and any substantial changes to it to the Authority; and

(c) not less than once in every period of 24 months (or any longer period that the Authority allows) calculated from the grant of the licence, provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the system.

(2) An asset management system is to set out measures that are to be taken by the licensee for the proper maintenance of assets used in the supply of electricity and in the operation of, and, where relevant, the construction of, any generating works, transmission system or distribution system.”

1.3. In the ERA’s opinion, Karara Power has contravened clause 4.1.1 of ETL6 as follows:

(a) Clause 4.1.1 of Karara Power’s licence, ETL6, requires the licensee to comply with any applicable legislation.

(b) Karara Power did not provide for an asset management system for its ETL6 assets for the period from 1 July 2016 to 30 June 2020, as required by section 14 of the *Electricity Industry Act 2004* (WA).

(c) In the report prepared by Geographe Environmental Services Pty Ltd titled “2020 Performance Audit & Asset Management System Review – ETL6 – Karara Power Pty Ltd” dated 12 January 2021 (“**Audit and Review Report 2020**”), the auditor stated on pages 7-8 that:

“An Asset Management System has not been defined and strategic asset management plans have not been established.

...

It is the auditors' opinion that the organisation has not established an effective asset management systems and details of the findings are comprehensively defined in Appendix 2."

- (d) Karara Power's failure to provide for an asset management system as set out in 1.3(b) above is further detailed in Appendix 2 of the Audit and Review Report 2020.

2. Contravention of clause 5.1.1 of Electricity Transmission Licence ETL6

2.1. Clause 5.1.1 of Karara Power's licence, ETL6, states:

"The licensee must provide for an asset management system in respect of the licensee's assets.

2.2. In the ERA's opinion, Karara Power has contravened clause 5.1.1 of ETL6 as follows:

- (a) Karara Power did not provide for an asset management system for its ETL6 assets for the period from 1 July 2016 to 30 June 2020.

- (b) In the Audit and Review Report 2020, the auditor stated on pages 7-8 that:

"An Asset Management System has not been defined and strategic asset management plans have not been established.

...

It is the auditors' opinion that the organisation has not established an effective asset management systems and details of the findings are comprehensively defined in Appendix 2."

- (c) Karara Power's failure to provide for an asset management system as set out in 2.2(a) above is further detailed in Appendix 2 of the Audit and Review Report 2020.

3. Rectification of contraventions

3.1. The ERA requires Karara Power to, by 7 February 2022:

- (a) Implement and maintain an asset management system in respect of Karara Power's assets associated with Electricity Transmission Licence ETL6.
- (b) Ensure its asset management system meets the requirements set out in Appendix 5 of the 2019 Audit and Review Guidelines Electricity and Gas Licences dated March 2019 (available on the ERA website at: <https://www.erawa.com.au/electricity/electricity-licensing/regulatory-guidelines>).
- (c) Provide written notification to the ERA of the details of the asset management system.

