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NOTICE TO INTERESTED PARTIES
Power and Water Corporation
Technical Breach of Licence Conditions

In accordance with:

- clause 11 PWC's Generation Licence;
- clause 11 PWC's Network Licence;
- clause 11 PWC's Retail Licence; and
- clause 12 PWC's System Control Licence.

Power and Water:

"must undertake an audit of:

(a) *all or part of the operations authorised by the relevant licence in respect of each financial year; and*

(b) *its compliance with the obligations under the relevant licence and the regulatory instruments described in clause 9.1 of the licence in respect of each financial year,*

which must be conducted by an independent auditor."

The Commission notes that certain areas of non-compliance continue to be identified by the audit from year to year, namely:

- the Service Level Agreements (SLAs) between prescribed and related business units are not formally completed;
- not all staff have been provided with training relating to licensing requirements and ring-fencing obligations; and
- documentation of policies and procedures continues to be inadequate.

While Power and Water has again advised that the auditor's recommendations have been accepted and that corrective action is being undertaken, it is a matter of some concern that these issues continue to be identified.

Accordingly, the Commission considers Power and Water to be in technical breach of the relevant licences and will remain so until such time as each of the non-compliance areas are rectified. Should these areas of non-compliance continue to be identified at the next audit, the Commission may take additional action.

Alan Tregilgas
Utilities Commissioner
(for the Utilities Commission)
February 2008