

**SunWater Limited**  
Level 10, 179 Turbot Street  
PO Box 15536 City East  
Brisbane Queensland 4002  
[www.sunwater.com.au](http://www.sunwater.com.au)  
ACN 131 034 985



# Annual Network Service Plan

## Callide Bulk Supply

April 2013

## Table of Contents

Introduction .....	4
Past and Forecast Performance .....	4
Water Usage .....	4
Operating Expenditure .....	5
Operations .....	5
Preventive Maintenance .....	5
Corrective Maintenance .....	5
Electricity .....	5
Flood Damage .....	6
Renewals and Enhancements .....	6
Overview of Renewals and Enhancements 2014-41.....	9
Material Projects 2014-17 .....	10
Replace/Refurbishment Standby Diesel Alternator - Procure, Install, Commissioning - Callide Dam .....	10
Material Projects 2018-22 .....	10
Replace Cables & Cableways - Procure,Install,Commissioning - CALLIDE DAM.....	10
Material Projects 2023-41 .....	10
Appendix – Operating Expenditure by Expense Type .....	11

## Notes

All financial figures in this report are presented in nominal dollars.

Most of the financial figures in the QCA's final report on SunWater's irrigation pricing were presented in real dollars (\$2011). To convert to nominal dollars multiply by the following factors, which are based on the QCA's assumed inflation rate of 2.5% p.a.

**Table 1 – Conversion Factors for Nominal-to-Real Dollars**

Year	2013	2014	2015	2016	2017
Conversion Factor	0.952	0.929	0.906	0.884	0.862

## Disclaimer

This report has been produced by SunWater, to provide information for client use only. The information contained in this report is limited by the scope and the purpose of the study, and should not be regarded as completely exhaustive. Permission to use or quote information from this report in studies external to the Corporation must first be obtained from the Chief Executive, SunWater.

## Introduction

A recommendation from the 2013-17 review of SunWater's irrigation pricing was for SunWater to produce annual Network Service Plans (NSPs) to help keep customers informed throughout the pricing period. These annual NSPs will focus on both operating expenditure (opex) and renewals and enhancements (R&E) expenditure. In particular, the NSPs will cover:

- current year performance for opex and R&E,
- forecast opex and R&E for the approaching year, and
- the long-term outlook for material R&E spend.

This is the first annual NSP that SunWater has produced. Given that it is being published in the first year of the new price path, and the 2013 year is incomplete, there is no actuals data reported in the performance tables. Also, very few options analyses have been completed to date as the annual planning for renewals and enhancements discussed in this NSP was completed just prior to publishing.

SunWater values customer feedback and will publish all submissions and SunWater's responses on our website. Customers can provide their feedback via email or post at the following addresses:

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane Qld 4002

## Past<sup>1</sup> and Forecast Performance

The tables in the following sections show the QCA targets with planned water use and spend for the current year and future years. Budgets for future years are based on the current draft budget at the time of consultation and are therefore subject to change.

### Water Usage

Table 2 - Water Usage

	WAE	2013 QCA Forecast (ML)	2014 QCA Forecast (ML)
Total	18,295	6,604	6,604

<sup>1</sup> As this is the first year of the 5-year price period, this NSP has the current year and following year figures only; future NSPs will also report on the past year performance against target and budget.

Table 3 – Operating Expenditure

	2013		2014	
	QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget <sup>2</sup> (\$'000)
Operations	617	582	638	699
Preventive Maintenance	280	288	291	271
Corrective Maintenance	36	37	37	18
Electricity	7	13	7	9
Total	940	920	973	997

**Operations**

The operations budget in 2014 is \$61k above the QCA target due to insurance premiums rising significantly more than anticipated in the QCA target for insurance.

**Preventive Maintenance**

Preventive maintenance is budgeted in line with the QCA’s target for 2014.

**Corrective Maintenance**

Corrective maintenance is budgeted in line with the QCA’s target for 2014.

**Electricity**

Electricity costs are budgeted higher than the QCA target in 2014 due to announced increases in electricity prices being much higher than the 12.5% and 7% increases allowed by the QCA in 2013 and 2014. This cost over-run is beyond SunWater’s control and is likely to trigger a within-period cost pass-through application to the QCA.

<sup>2</sup> SunWater draft budget figures as at the time of consultation. Budget figures for the following financial year are not locked down until late in the financial year prior.

## Flood Damage

There has been significant flood damage incurred to the assets in this service contract. While the cost of the outstanding repairs is not known accurately, it is estimated that repairs to Callide Dam will cost in the range of \$440k to \$820k, with the repairs to primarily occur in 2014. Repairs to Callide Creek Weir will cost in the range of \$10K to \$40K. A proportion of these costs will be covered by insurance, however the amount to be returned is uncertain and insurance claims of this nature can take years to settle. The difference between the cost of repairs and the insurance returns will be funded from the annuity.

## Renewals and Enhancements

R&E annuity expenditure is forecast to be above target for 2014. However, over the full 5-year price period the estimated expenditure is well under the QCA target.

**Table 4 – R&E Expenditure (excl. dam safety & other)**

2013		2014		5 year price period (2013-17)	
QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget (\$'000)	QCA Target (\$'000)	SunWater Estimate <sup>3</sup> (\$'000)
291	20	89	357	2,678	1,576

The renewals annuity income has been set by the QCA until the end of the current price path in 2017. SunWater will aim to limit the R&E expenditure to the QCA's targets over the current price path in order to manage the annuity balance to reasonable levels. The impact of the draft budget R&E spend on the annuity balance for 2014 is shown in the following table.

**Table 5 – Annuity Balance 2014**

2014 Annuity Income (\$'000)	2014 Draft Budget Annuity Spend (\$'000)	Estimated Impact on Annuity Balance (\$'000)
370	(357)	13

Note: the figures in Table 5 do not include any allowance for any flood damage repairs that may be funded from the annuity, as discussed in the flood damage section above. The details for the major projects planned for 2014 are provided below.

<sup>3</sup> Actual figures will replace budget figures in the forecast as each year of the price period is completed. R&E forecasts and estimates are subject to change as planning is refined throughout the price period.

The details for the major projects planned for 2014 are provided below:

**Table 6 – R&E Projects 2014**

Project Title	Project Scope	2014 Draft Budget (\$'000)
Replace Switchboard - Dist Board Valve House - CALLIDE DAM	To purchase a new distribution board with the same specification as the one at the Callide dam Valve House. Then, decommission the current switchboard. Install and commission the new one.	86
Detail inspection of the left and right hand conduit to determine how to address 2010 DS Rec 6.4.8a and b - CALLIDE DAM	The previous Callide Dam comprehensive inspection found that the mortar liner at the left conduit had failed on some places. However, the right conduit could not be inspected as the snorkel could not seal the right conduit properly. This job is to do close observation to both conduits, so that a proper scope to repair the mortar line can be developed. But before the close observation can be done, the leakage problem at the right conduit must have been resolved.	59
Reinstate erosion protection on channel banks downstream of spillway (2011 DS Rec 2.10.1) - KROOMBIT DAM	To put more rocks (no less than 500 mm) on the erosion protection on channel banks downstream of Kroombit Dam spillway	41
Refurbish spillway floor and walls - remove spalled concrete. 2010 DS Rec 6.2.2a - CALLIDE DAM	The evidence of spalling was observed in several areas (e.g. spillway wall and floor) during the previous comprehensive inspection. Furthermore, the previous annual inspection found that the condition of these areas was getting worse. Therefore, this job is to	40

	concrete patch the areas to smooth the water flow.	
Replace Flow Meter, 900DIA PA D/S with ATS4747 Compliant Meter - CVA PO01 - CALLIDE DIVERSION CHANNEL	This is required to relace old inoperable meter to measure flow release to Callide Diversion Channel for ROP compliance.	35
Other minor works		97
Total		357

DRAFT



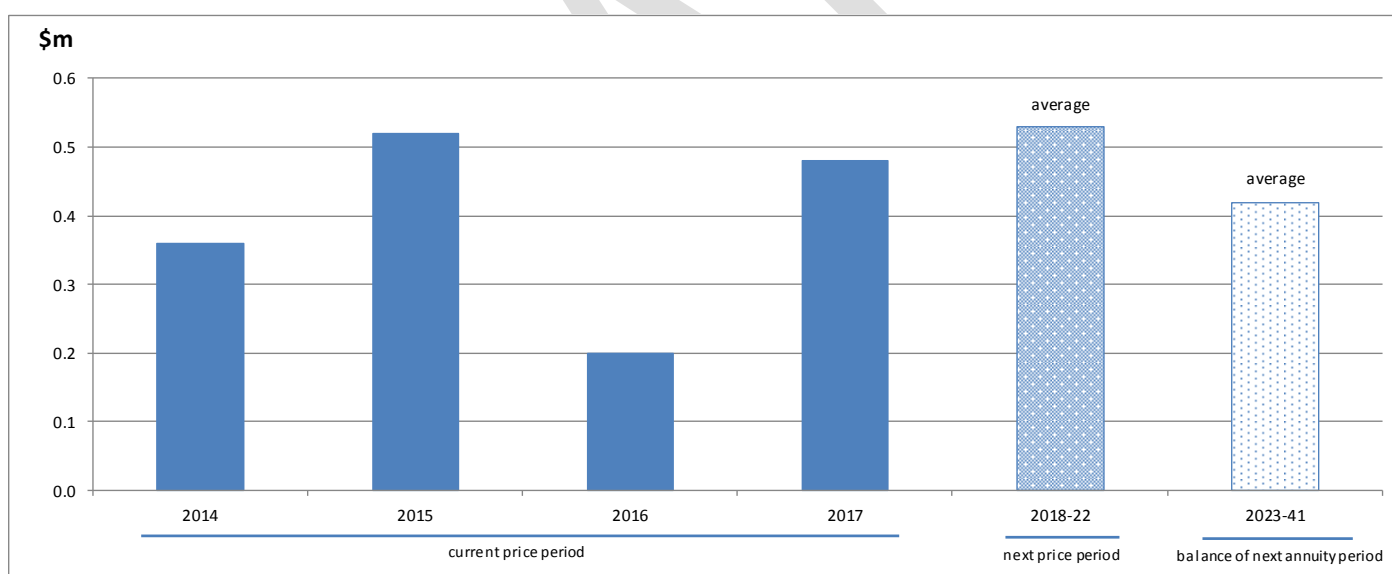
## Overview of Renewals and Enhancements 2014-41

SW has developed a whole of life strategy around the replacement and maintenance of its asset portfolio which is based on the concept of optimised life. The key drivers in this approach are the risk and condition of each asset. The current condition of an asset drives an estimate of the future work required to ensure an asset continues to be able to provide the required level of service into the future. SunWater maintains a program of asset inspections and condition assessments which continually updates our knowledge of asset condition. This information feeds into the annual review of the R&E program, the most recent of which was completed in February 2013. Items requiring immediate maintenance or replacement will be included in the budget for the following year, which was covered in the previous section.

While the immediate program for the next year's budget is well defined; the further into the planning timeline, the more uncertain the estimates become. Consequently, the program of works is not a specific forecast of when individual projects are expected to be executed but rather it is portfolio level estimate of works based on the best-available risk and condition information for the service contract as a whole. This information feeds into calculation of the annuity to fund R&E. Having an annuity funding arrangement acknowledges that a long-term view of R&E spend is required to ensure adequate funding and to address issues such as inter-generational equity.

The annuity that is calculated over a 20-year planning period; given that the next pricing period ends in 2022, the estimated R&E spend out until 2041 will affect the next pricing review. The estimated R&E expenditure out to 2041 is shown in the chart following.

**Figure 1 –R&E Annuity Expenditure 2014-41**



All material R&E items out until 2041 are discussed in the sections following. Materiality is defined as >10% of the present value of the period in question. SunWater is developing options analyses for all material items in the annuity calculation planning period. These reports will be tailored to suit project complexity and budget, with more detailed options analyses being completed for the 5-year pricing periods than for the 20-year period beyond the next price path. The materiality tests will be applied each year as part of annual planning process. Given that there will be project churn, some items will no longer require options analysis in future years and new items may join the list.

## Material Projects 2014-17

### **Replace/Refurbishment Standby Diesel Alternator - Procure, Install, Commissioning - Callide Dam**

Year: 2017

Current estimate: \$206k

Options analysis completed: No

An option analysis will be carried out prior to the replacement of the standby diesel alternator on time based replacement/renewal strategy. The condition of the standby diesel alternator will be updated before carrying out the option analysis.

## Material Projects 2018-22

Projects in the R&E plan for 2018-22 should be viewed as indicative at this stage and will be refined as the next pricing review draws closer.

### **Replace Cables & Cableways - Procure, Install, Commissioning - CALLIDE DAM**

Year: 2019

Current estimate: \$953k

Options analysis completed: No

Condition assess cables through an ongoing program of electrical testing to monitor ageing and deterioration to better determine replacement timelines. An option analysis will be carried out prior to the replacement of cables and cableways based on time based replacement/renewal strategy. The condition of the cables and cableways will be updated before carrying out the option analysis. Options are limited to maintaining assets in service for as long as possible and then replacing on a like for life basis or using alternative distribution methods such as overhead if this is possible or practical.

## Material Projects 2023-41

The evenness in the spread of estimated project costs means there are no projects which exceed the materiality threshold for this service contract for the 2023-41 period.

## Appendix – Operating Expenditure by Expense Type

Table 7 below shows the operating expenditure for the service contract categorised by expenditure type. Operating expenditure below includes estimated flood damage and any other non-routine work funded by the annuity.

**Table 7 – Expenditure for Activity by Type<sup>4</sup>**

	2013		2014	
	QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget (\$'000)
<b>Operations</b>				
Labour	124	110	142	138
Materials	2	11	2	3
Contractors	6	6	6	23
Other	197	197	201	255
Non-direct	288	258	332	280
Operations Total	617	582	683	699
<b>Preventive</b>				
Labour	83	83	85	85
Materials	9	9	9	7
Contractors	7	7	7	10
Other	2	2	2	3
Non-direct	179	187	188	166
Preventive Total	280	288	291	271
<b>Corrective</b>				
Labour	10	10	10	41
Materials	3	3	3	318
Contractors	1	1	1	180
Other	1	1	1	1
Non-direct	21	22	22	104
Corrective Total	36	37	37	644
Electricity	7	13	7	9
<b>Total Operating Exp.</b>	<b>940</b>	<b>920</b>	<b>1,018</b>	<b>1,623</b>
R&E Annuity Funded <sup>5</sup>	291	20	89	357
Dam Safety and other	0	0	0	0
<b>Grand Total</b>	<b>1,231</b>	<b>940</b>	<b>1,107</b>	<b>1,980</b>

<sup>4</sup> Nominal dollar figures can be converted to real dollars (\$2011) by dividing by the conversion factors in Table 1.

<sup>5</sup> R&E and Dam Safety are built up from the same expenditure types shown for opex, including non-directs.