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# Annual Network Service Plan

## Dawson Bulk Supply

April 2013

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## 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.

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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	52,386	31,432	31,432

<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	650	638	675	651
Preventive Maintenance	197	211	205	210
Corrective Maintenance	91	97	95	84
Electricity	34	36	36	40
Total	972	982	1,011	985

**Operations**

The operations budget in 2014 is below the QCA’s target.

**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 will cost in the range of \$80k to \$150k, with repairs to primarily occur in 2014. 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 \$103k 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)
144	98	190	293	1,169	993

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)
(45)	(293)	(338)

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

<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)
Upgrade computer of SCADA network for Neville Hewitt Weir (Option analysis: scope, design, procure) - NEVILLE HEWITT WEIR	The control computer at Neville Hewitt Weir is already obsolete and sourcing spare parts will be a problem in future. The scope of this project is to do option analysis to come up with the most suitable upgrading option, produce a scope of work, prepare the design and start the procurement process.	39
Address the r/bank protection works issues together with removal of trees growing either on or too close to the works (2012 DS 2.6 rec) - GLEBE WEIR	<p>This project is recommended in 2012 Glebe Weir Safety Inspection. The scope is:</p> <ul style="list-style-type: none"> <li>• to install steel pickets to tie the loose wires, as loose mattress wires were noticed.</li> <li>• to add more rocks into the broken mattresses and then repair the broken wires.</li> <li>• to repair undermining underneath the mattresses by adding concreted rock pitching.</li> </ul>	20
Redesign amended gate opening mechanism (all four gates) - MOURA WEIR	Currently, fish ladder at Moura Weir is not operational due to gates jamming. This project was created to address any issues with the gates (re-design if necessary) so that fish ladder can be operational.	24
Other minor works		210
Total		293

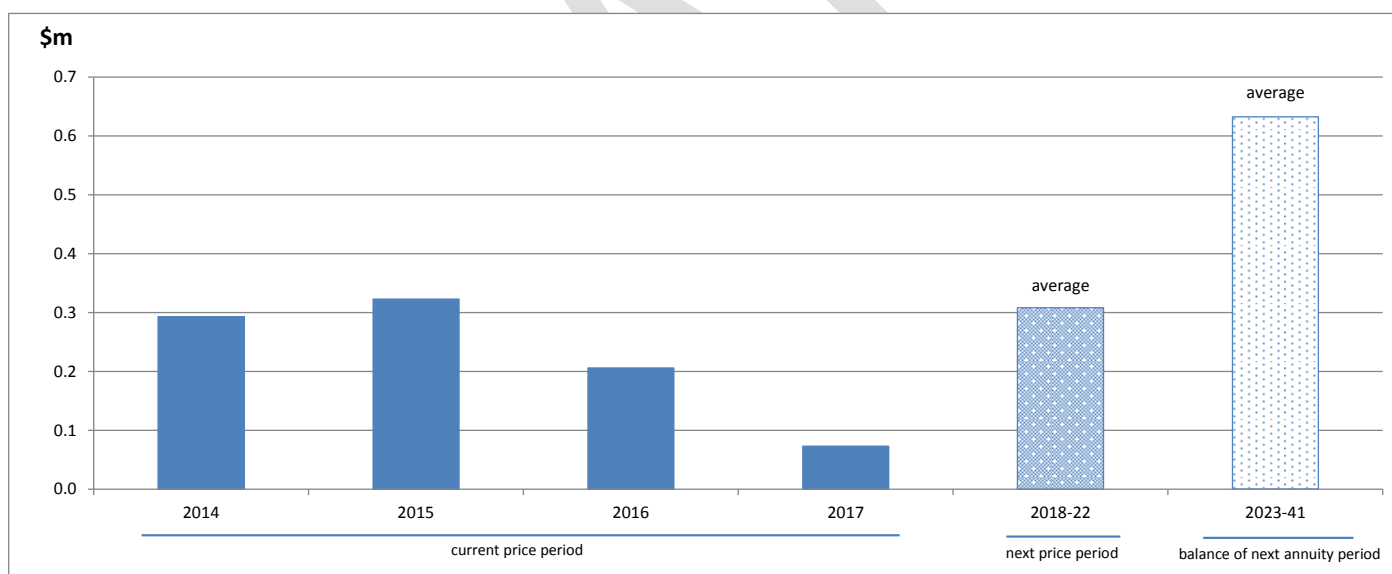
## Overview of Renewals and Enhancements 2014-41

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 will develop 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

### Upgrade computer of SCADA network - Neville Hewitt Weir

Year: 2015

Current estimate: \$109k

Options analysis completed: No

Upgrade computer of SCADA network at Neville Hewitt Weir as it is already obsolete and no further support will be provided from the vendor.

Option 1 – Replace the computer of SCADA network

Option 2 – run it until any of the parts fail

Option 3 – Cancel the project

The preferred option is option 1 because under option 2 the system has to be run manually by operator for 24/7 while organising system replacement. This will incur significant costs as spare parts and supports from vendor will not be available, it will take sometime to design, procure and install a new system.

### Supply, Install, Commission for PLC and SCADA system - Moss Pump Station

Year: 2016

Current estimate: \$138k

Options analysis completed: No

Upgrade computer of SCADA network at Moura Offstream Storage as it is already obsolete and no further support will be provided from the vendor.

Option 1 – Replace the computer of SCADA network

Option 2 – run it until any of the parts fail

Option 3 – Cancel the project

The preferred option is option 1 because under option 2 the system has to be run manually by operator for 24/7 while organising system replacement. This will incur significant costs as spare parts and supports from vendor will not be available, it will take sometime to design, procure and install a new system.

## **Material Projects 2018-22**

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 2018-22 period.

## **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.

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## 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 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	184	167	190	178
Materials	6	16	6	6
Contractors	5	5	5	11
Other	70	70	71	107
Non-direct	385	380	403	349
Operations Total	650	638	675	651
<b>Preventive</b>				
Labour	59	59	61	67
Materials	8	8	8	4
Contractors	4	4	4	3
Other	6	6	6	6
Non-direct	120	134	126	130
Preventive Total	197	211	205	210
<b>Corrective</b>				
Labour	26	28	27	27
Materials	10	48	10	70
Contractors	2	7	2	39
Other	0	0	0	0
Non-direct	53	65	56	58
Corrective Total	91	148	95	194
Electricity	34	36	36	40
<b>Total Operating Exp.</b>	<b>972</b>	<b>1,033</b>	<b>1,011</b>	<b>1,095</b>
R&E Annuity Funded <sup>5</sup>	144	98	190	293
Dam Safety and other	0	0	0	0
<b>Grand Total</b>	<b>1,116</b>	<b>1,131</b>	<b>1,201</b>	<b>1,388</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.