

SunWater Limited
Level 10, 179 Turbot Street
PO Box 15536 City East
Brisbane Queensland 4002
www.sunwater.com.au
ACN 131 034 985



Annual Network Service Plan

Theodore Distribution

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
Renewals and Enhancements	6
Overview of Renewals and Enhancements 2014-41.....	8
Material Projects 2014-17	9
Replace Siphon Pipe & Supports at Drain Crossing - Theodore Irrigation Distribution	9
Material Projects 2018-22	9
Replace Suction Pipe Pumps - Gibber Gunyah Pump Station	9
Replace Pump Well Building - Theodore Pump Station	9
Material Projects 2023-41	9
Appendix – Operating Expenditure by Expense Type	10

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

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

Past¹ 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	15,941	10,665	10,665

¹ 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 ² (\$'000)
Operations	553	524	571	566
Preventive Maintenance	387	407	398	389
Corrective Maintenance	204	216	210	201
Electricity	157	140	168	180
Total	1,301	1,287	1,347	1,336

Operations

The operations budget in 2014 is in line with 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.

² 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.

Renewals and Enhancements

R&E annuity expenditure is forecast to be below target for 2014 and over the full 5-year price period.

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 ³ (\$'000)
65	264	374	36	880	741

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)
82	(36)	46

³ 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)
Implement recommendations of 2013 fencing audit to comply with PM04 - THEODORE IRRIGATION DISTRIB	Public safety fencing works for residences beside SunWater channels in the Theodore Section	31
Other minor works		5
Total		36

DRAFT

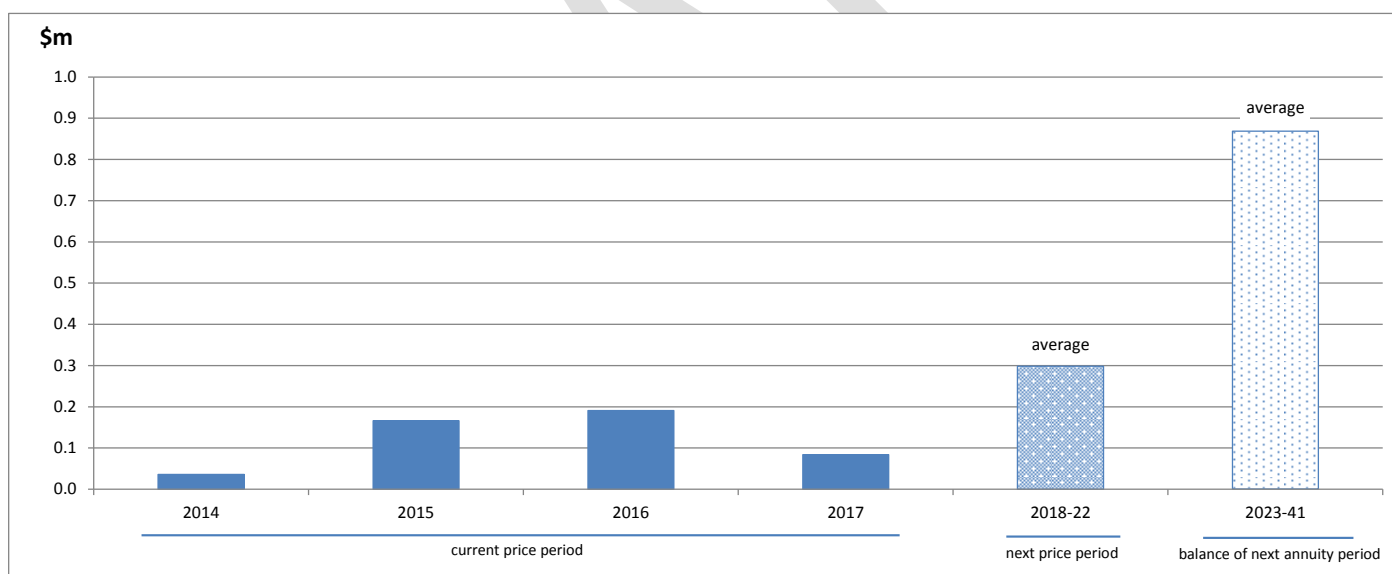
Overview of Renewals and Enhancements 2014-41

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 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

Replace Siphon Pipe & Supports at Drain Crossing - Theodore Irrigation Distribution

Year: 2014-16

Current estimate: \$96k

Options analysis completed: No

Channel D Siphon (SO01) considered for replacement under Theodore Modernisation investigation (SunWater 2009) but not progressed at the time. Recent condition assessment (2012) of asset indicates timber bridge structure in need of replacement. Scope of works includes retention of existing pipes and renewing of support superstructure and straps. Refurbishment works based on condition assessment and risk. Cost and scope to be reviewed as part of the 2014 options study.

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 Suction Pipe Pumps - Gibber Gunyah Pump Station

Year: 2018

Current estimate: \$322k

Options analysis completed: in progress

An options analysis for the Theodore and Gibber Gunyah pump stations (PSTN's) is being completed in 2013 R&E program. The options analysis considers the future arrangements for both the Theodore and Gibber Gunyah PSTN's.

Option 1 - This option will consider leaving the existing PSTN's as is.

Option 2 - This option will consider combining the two PSTN's into a common PSTN in a new location.

Option 3 - This option will consider replacing the individual PSTN's in their existing or adjacent position.

The preferred option will be determined once the options analysis is completed.

Replace Pump Well Building - Theodore Pump Station

Year: 2021

Current estimate: \$165k

Options analysis completed: in progress.

An options analysis for the Theodore and Gibber Gunyah PSTN's is being completed in 2013 R&E program (see above).

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 2014-17 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 other non-routine work funded by the annuity.

Table 7 – Expenditure for Activity by Type⁴

	2013		2014	
	QCA Target (\$'000)	SunWater Budget (\$'000)	QCA Target (\$'000)	SW Draft Budget (\$'000)
Operations				
Labour	191	168	197	190
Materials	2	15	2	1
Contractors	0	0	0	2
Other	27	27	28	47
Non-direct	333	314	344	326
Operations Total	553	524	571	566
Preventive				
Labour	109	109	113	109
Materials	38	38	39	37
Contractors	54	54	55	53
Other	0	0	0	0
Non-direct	186	206	191	190
Preventive Total	387	407	398	389
Corrective				
Labour	64	64	66	62
Materials	29	29	30	29
Contractors	3	3	3	3
Other	0	0	0	0
Non-direct	108	120	111	107
Corrective Total	204	216	210	201
Electricity	157	140	168	180
Total Operating Exp.	1,301	1,287	1,347	1,336
R&E Annuity Funded ⁵	65	264	374	36
Dam Safety and other	0	0	0	0
Grand Total	1,366	1,551	1,721	1,372

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

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