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# Annual Network Service Plan

## Upper Burnett 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	26,870	14,993	14,993

<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	552	541	575	558
Preventive Maintenance	140	150	145	126
Corrective Maintenance	34	36	36	22
Electricity	7	16	8	9
Total	733	743	764	715

### 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.

<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 \$0.7m to \$1.3m, 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 \$21k above target for 2014 and over the full 5-year price period the estimated expenditure is \$48k over 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)
206	69	250	271	1,116	1,164

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)
173	(271)	(98)

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**

<b>Project Title</b>	<b>Project Scope</b>	<b>2014 Draft Budget (\$'000)</b>
Refurbish crump weir abutment erosion - UPPER BURNETT	The wing walls on crump weir at Wuruma Dam have been damaged and need to be reinstated. The weir is required for ROP reporting and compliance.	49
Inspect conduit internals (confined space entry) - CLAUDE WHARTON WEIR	This is a civil and mechanical inspection of the conduits at Claude Wharton Weir. It is required to ascertain the condition of the conduits and gates to allow future non-routine maintenance planning.	40
Manufacture and supply lifting frame to 2008 design. - WURUMA DAM	The Wuruma Dam bulkhead gate and trash screens do not have a lifting frame, attachable to a mobile crane, to allow them to be removed/installed without the use of divers.	35
12UBP05 - Repaint the steel angle at the base of the spillway flip. - WURUMA DAM	The angle iron is needed to prevent scour of spillway flip edge. If this doesn't happen the flip will slowly deteriorate.	27
Develop discharge rating curve for Wuruma Dam outlet pipework - WURUMA DAM	An accurate discharge curve is needed for the outlet works for ROP compliance. Operators do not have the level of accuracy required.	25
Other minor works		95
<b>Total</b>		<b>271</b>

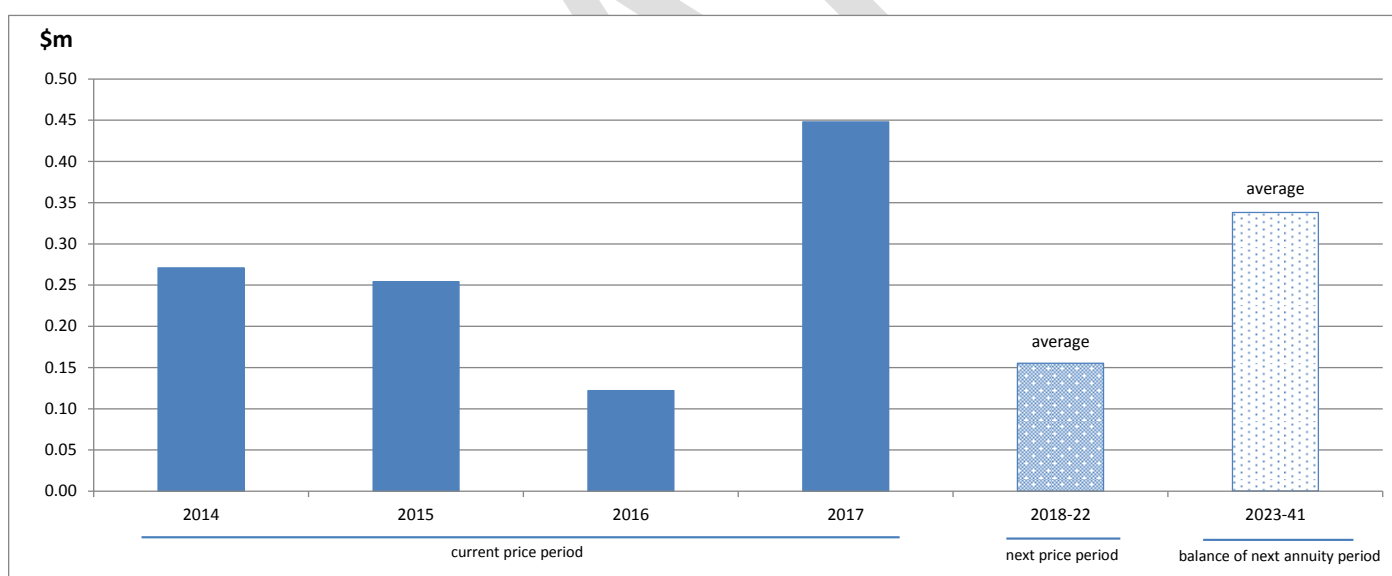
## Overview of Renewals and Enhancements 2014-41

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

### 5yr Dam Comprehensive Inspection - Wuruma Dam

Year: 2017

Current estimate: \$145k

Options analysis completed: No

This is a full operational, civil, mechanical and electrical engineering condition assessment of the dam and is a requirement of owning the dam under the current dam safety condition schedules (Condition schedule 11); therefore no options analysis is required.

## 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.

### 20yr Dam Safety Review - Wuruma Dam

Year: 2021

Current estimate: \$217k

Options analysis completed: No

This is a full review of the dam's:

- Hazard Assessment,
- Emergency Preparedness and Documentation,
- Paths to failure,
- Dam Safety Criteria,
- Instrumentation and Monitoring, and
- Construction methods.

This is a requirement under dam safety condition schedule 12, therefore no options analysis is required.

### 5yr Dam Comprehensive Inspection - Wuruma Dam

Year: 2022

Current estimate: \$156k

Options analysis completed: No

This is a full operational, civil, mechanical and electrical engineering condition assessment of the dam and is a requirement of owning the dam under the current dam safety condition schedules (Condition schedule 11), therefore no options analysis is required.

## 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	141	128	146	129
Materials	3	12	3	4
Contractors	9	7	10	15
Other	101	101	103	153
Non-direct	298	293	313	257
Operations Total	552	541	575	558
<b>Preventive</b>				
Labour	44	44	45	40
Materials	5	5	5	4
Contractors	3	3	3	4
Other	0	0	0	0
Non-direct	88	98	92	78
Preventive Total	140	150	145	126
<b>Corrective</b>				
Labour	9	19	10	66
Materials	4	21	4	751
Contractors	2	13	2	5
Other	0	0	0	15
Non-direct	19	45	20	166
Corrective Total	34	98	36	1,003
Electricity	7	16	8	9
<b>Total Operating Exp.</b>	<b>733</b>	<b>805</b>	<b>764</b>	<b>1,696</b>
R&E Annuity Funded <sup>5</sup>	206	69	250	271
Dam Safety and other	0	0	0	0
<b>Grand Total</b>	<b>939</b>	<b>874</b>	<b>1,014</b>	<b>1,967</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.