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2016 Annual Performance Report

Barker Barambah Bulk

October 2016

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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. SunWater has decided to also produce annual Performance Reports such as this report to show how SunWater has performed against the QCA targets for the year just completed.

SunWater revised the format for 2015 to incorporate customer feedback and to provide more detail on items such as insurance. The new format includes a summary of the annual expenditure and annual revenue to provide a snapshot of scheme performance across the year.

In line with customer feedback 2017 forecast data is also provided and compared with QCA targets.

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

Table 1 – Operating Revenue Less Spend

Barker Barambah WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	917	1,023	1,217	1,396	1,078
Less - Routine Expenditure	4 & 7	676	861	869	859	836
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	120	615	176	45	263
• Non Annuity Funded	5	-	5	8	-	-
Surplus (Deficit)		121	(459)	164	492	(21)

Table 1 provides an indication of the annual cash performance of the scheme. Note that the table reports total non-routine spend and does not take into account the smoothing impact of the renewals annuity. Further information is provided below in each section of this report.

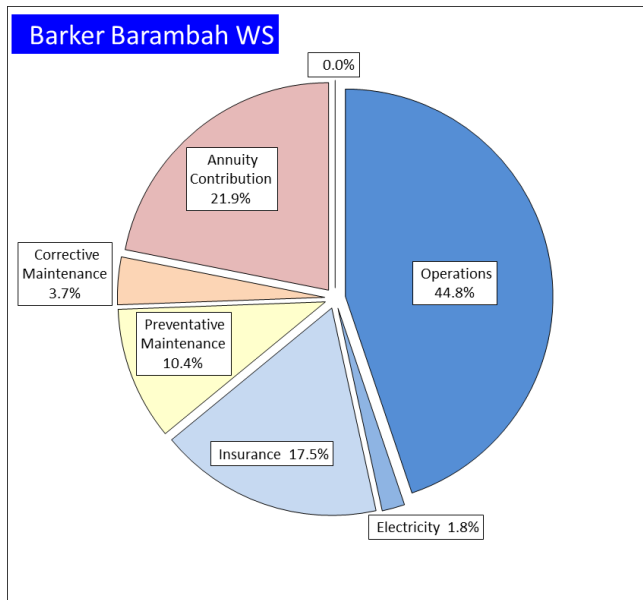


Figure 1: Breakdown of Irrigation Scheme Costs – 2016 Actual

Figure 1 shows a high level summary of scheme costs and provides an indication of where revenue from irrigation water charges is applied. The item “Annuity Contribution” refers to the component of irrigation water charges that is applied toward the renewals annuity each year. The item “Revenue Transfers” refers to the contribution towards the cost of the bulk water scheme.

Water Usage

Table 2 – 2016 Water Usage

Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%) Against Entitlement	Water Deliveries (%) Against Available Water
1. Industrial		60	60	100	0	0	0
2. Irrigation		31,361	35,942	115	14,747	47	41
3. Urban		2,100	2,000	95	440	21	22
5. SunWater		794	254	32	0	0	0
Service Contract Total	179	34,315	38,256	111	15,187	44	40

QCA Assumed Water Usage for Total 55.1%

Total water use is lower than the QCA assumed figure.

Revenue

Table 3 – Revenue

Barker Barambah WS		2013	2014	2015	2016	2017
		Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Irrigation		566	807	799	804	837
Industrial		105	26	27	27	-
Urban		219	164	188	211	216
Irrigation CSO		1	-	-	-	-
Revenue Transfers		-	-	-	-	-
Drainage		-	-	-	-	-
Other		25	25	18	2	26
Insurance Proceeds - Flood		-	-	186	352	-
Revenue Total		917	1,023	1,217	1,396	1,078

Routine Expenditure

Table 4 – Routine Operating Expenditure

Barker Barambah WS	2013			2014			2015			2016			2017			% of target
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Target \$000	Variance \$000	
Operations	446	498	52	476	519	43	521	520	(0)	493	475	(17)	461	478	16	97
Electricity	10	16	6	28	17	(10)	27	18	(8)	19	20	0	22	21	(1)	103
Insurance	152	82	(71)	275	83	(192)	212	84	(128)	192	86	(106)	238	87	(150)	272
Operations Total	608	596	(12)	778	619	(160)	759	623	(136)	704	581	(123)	721	586	(135)	123
Preventative Maintenance	46	111	65	49	116	66	90	116	26	114	115	1	79	115	36	69
Corrective Maintenance	22	51	29	34	53	20	20	53	34	41	53	13	36	54	18	67
Routine Total	676	758	82	861	788	(74)	869	793	(76)	859	750	(109)	836	755	(81)	111

Operations

Operational activities include the day-to-day costs of the administration and management of the scheme, water delivery, and meeting compliance obligations. Specific activities include the direct and non-direct cost of¹:

- Scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency responses for channel overflows and other emergency events;
- Meter reading;
- Administration of water accounts, billing and receipting payments;
- Customer management, including enquiries, complaints and maintaining the customer service help desk;
- Scheme management, including licences and permits, rates, land management, planning and reporting;
- Insurance;
- Monitoring the security of infrastructure and unauthorised access and trespass; and
- Managing public relations associated with the scheme.

The operations expenditure was above the QCA target.

¹ Activities listed will not apply to all service contracts.

- Insurance costs were higher than target;
- Electricity costs met the QCA target. Barker Barambah electricity costs can vary significantly from year-to-year.

Preventive Maintenance

Preventive maintenance is maintaining the ongoing operational performance and service capacity of physical assets to designed standard. Preventive maintenance is cyclical in nature with a typical interval of 12 months or less. Preventive maintenance activities are based on the updated work instructions developed for operating the scheme and include an estimate of the resources required to implement that scope of work. Preventive maintenance includes¹:

- Condition monitoring – the inspection, testing or measurement of physical assets to report and record their condition and performance for determination of maintenance requirements. Condition monitoring is carried out on electrical, mechanical and civil assets including pump stations (pumps, electrical motors, valves, switchboards and associated equipment), channels (regulator gates, civil works, signs, structures, etc.), drains (civil works, structures etc.), pipelines (valves, air valves, scours easements etc.), and other infrastructure;
- Servicing – planned maintenance activities normally expected to be carried out routinely on physical assets including valves, cranes, sump pumps and associated equipment; and
- Weed control – which includes the following activities:
 - Slashing channels and drains;
 - Acrolein treatment of channels;
 - Copper Sulphate treatment; and
 - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves and balancing storages.

Preventive maintenance met the QCA's target.

Corrective Maintenance

Corrective maintenance includes activities to correct unexpected failures or to return an asset to an acceptable level of performance or condition. While these are difficult to forecast with accuracy, history has shown that such events can be expected and need to be factored into expenditure forecasts. Forecasts include provision for labour, materials and plant hire.

The corrective maintenance forecast does not include any costs of damage arising from major unexpected events, such as floods. These costs are categorised as non-routine corrective maintenance which is discussed in the following section.

There are two types of corrective maintenance – scheduled and emergency²:

- Scheduled corrective maintenance is maintenance that can be planned and scheduled, and includes:
 - Channels

² Activities listed will not apply to all service contracts.

- De-silting channels and catch drains;
- Erosion control and repair of rock protection works;
- Repair fencing;
- Repair concrete structures; and
- Repair regulator gates, control valves, etc.
- Drains
 - De-silting drains;
 - Erosion control and repair of rock protection works;
 - Repair fencing; and
 - Repair concrete structures.
- Pipelines
 - Pipe breaks
 - Repair air valves, scour valves, etc.;
 - Erosion control and repair of rock protection works; and
 - Repair concrete structures.
- Scheme Roads
 - Repair pot holes;
 - Grade roads; and
 - Repair, replace and paint guide posts and signs.
- Pump stations
 - Repair pumps and motors;
 - De-silt intake structures;
 - Repair concrete structure; and
 - Repair control building.
- Storages (balancing storages and reservoirs)
 - Repair control gates and valves;
 - Repair walls, embankments and spillways; and
 - Repair concrete structures.
- Meters
 - Repair bulk water meters; and
 - Repair customer meters.

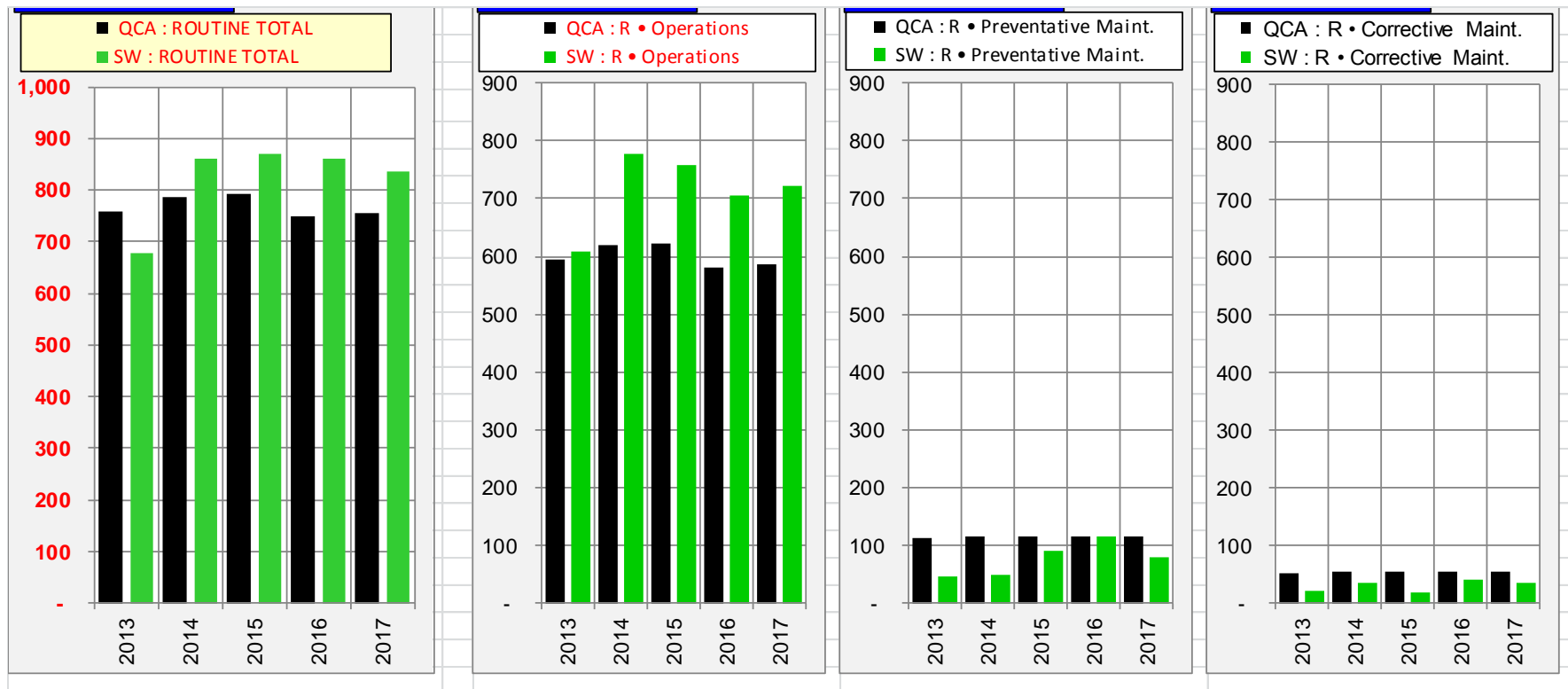
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
 - Repair or correction of pump station faults;
 - Repair or correction of channel faults;
 - Repair or correction of pipeline faults; and
 - Responses to theft or vandalism associated with scheme assets.

Corrective maintenance was below the QCA's target.

Routine Cost – Summary and Charts

The information in Table 4 above is re-presented in the charts below to graphically show SunWater’s performance against the QCA targets. In summary the key challenges in managing routine cost lie with reigning in input cost like insurance. Emergency Event Management costs are also an impact on the scheme, but have not been distributed at the scheme level.

Figure 2: Routine Expenditure by Activity compared to QCA Target (\$'000)



Non-Routine Expenditure

SunWater 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 renewals program, the most recent of which was completed in February 2015; items requiring immediate maintenance or replacement are included in the budget for the following year.

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 renewals. Having an annuity funding arrangement acknowledges that a long-term view of renewals spend is required to ensure adequate funding and to address issues such as inter-generational equity.

The QCA targets were set against an estimated program of works from the 2010-11 year. While this was the best estimate of expected work at the time, there has been significant project churn in the three years since this estimate was made. This can mean that, in some cases, the QCA's funding allowance for renewals work does not cover the total expenditure required to maintain asset condition to the required standard. In addition, there have been unexpected events, such as floods, that were not allowed for in the QCA's annuity funding allowance.

Table 5 – Non-Routine Expenditure

Barker Barambah WS	2013			2014			2015			2016			2017			
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Target \$000	Variance \$000	% of target
Annuity Funded																
Operations	15	-	(15)	2	-	(2)	5	-	(5)	8	-	(8)	20	-	(20)	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	64	-	(64)	482	-	(482)	121	-	(121)	(0)	-	0	-	-	-	-
R&E	41	38	(2)	131	169	37	51	6	(45)	37	27	(10)	243	105	(138)	232
Non-routine Total	120	38	(82)	615	169	(447)	176	6	(170)	45	27	(18)	263	105	(158)	251
Non Annuity Funded	-			5			8			-			-			

R&E – Annuity Funded

The annuity funded R&E direct spend was over QCA's target. Projects undertaken included:

PROJECT	SPEND 2016
16BBA02 Refurbish: Winch to make compliant - Upper Redgate Pump Station	16059
16BBA03 Asset Revaluation - BBR - Barker Baramba	10887
15BBA01 Update EAP - Bjelke-Petersen Dam (Statutory Requirement)	4292
16BBA05 Replace Meter - 47387 Barker Barambah	3590
16BBA07 Replace Pump - Upper Redgate Pumpstation	1827
15BBA07 INSPECTION - 2Y WINCH - UPPER REDGATE	679

Other

The annuity funded Operations which was not budgeted for but included the following projects:

PROJECT	SPEND 2016
16BBA06 Create Material & Asset Hierarchy Standard & Task Lists - BBR	2389
Bjelke Petersen Dam Rec Facility Hndover	4860
16BBA01 Handover Recreational Facilities - Bjelke Petersen Dam	770

R&E – Non Annuity

There were no Non-annuity funded R&E projects undertaken this year.

Annuity Balance

The 2016 annuity balance is shown below.

Table 6 – Annuity Balance

Barker Barambah WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Annuity						
Opening Balance		(1,270)	(1,254)	(1,734)	(1,528)	(1,095)
Net Spend	See below	(120)	(615)	98	307	(263)
Annuity Contribution		231	230	238	240	246
Interest		(95)	(94)	(130)	(114)	(82)
SunWater - Closing Balance		(1,254)	(1,734)	(1,528)	(1,095)	(1,194)
QCA - Closing Balance		(1,069)	(1,088)	(937)	(794)	(712)
Difference		(185)	(646)	(591)	(301)	(482)
Net Spend Analysis						
Spend	5 & 7	(120)	(615)	(176)	(45)	(263)
Insurance Proceeds Receipts						
• Prior Year		-	-	88	-	-
• Current Year		-	-	186	352	-
Net Spend		(120)	(615)	98	307	(263)

* 2017 figures are subject to change once actual spend is known.

Insurance claims on repairs to scheme infrastructure as a result of floods are still pending.

Appendix – Total Expenditure by Expense Type

Table 7 – Detailed Financial Summary
(Including Expenditure for Activity by Type)

Barker Barambah WS	2013			2014			2015			2016			2017		
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Budget \$000	QCA Target \$000	Variance \$000
Revenue	917			1,023			1,217			1,396			1,078		
Routine Spend															
Operations															
Labour	128	133	5	138	137	(1)	145	142	(4)	134	146	12	140	151	11
Contractors	18	42	24	13	43	30	33	45	12	30	6	(24)	10	6	(4)
Materials	1	3	2	3	3	1	1	3	3	0	3	3	5	3	(2)
Electricity	10	16	6	28	17	(10)	27	18	(8)	19	20	0	22	21	(1)
Insurance	152	82	(71)	275	83	(192)	212	84	(128)	192	86	(106)	238	87	(150)
Other	48	38	(10)	61	39	(22)	59	39	(19)	22	40	18	50	41	(9)
Non-directs	251	282	31	261	296	35	283	291	8	307	280	(26)	257	277	20
	608	596	(12)	778	619	(160)	759	623	(136)	704	581	(123)	721	586	(135)
Preventative Maintenance															
Labour	16	34	18	16	35	19	30	36	6	34	38	3	25	39	14
Contractors	0	2	2	1	2	1	2	2	0	6	2	(3)	10	2	(8)
Materials	1	4	3	1	4	3	1	4	3	2	5	3	-	5	5
Other	0	2	2	3	2	(1)	1	2	0	3	2	(2)	1	2	1
Non-directs	29	69	40	28	72	44	56	71	16	69	69	(1)	44	68	24
	46	111	65	49	116	66	90	116	26	114	115	1	79	115	36
Corrective Maintenance															
Labour	6	14	7	9	14	5	4	14	10	7	15	8	10	15	6
Contractors	1	3	2	-	3	3	1	3	2	11	3	(8)	2	3	1
Materials	2	5	3	8	5	(3)	5	5	0	6	6	(1)	5	6	1
Other	-	2	2	0	2	2	1	2	1	0	2	1	2	2	0
Non-directs	13	28	15	16	29	13	8	29	20	15	28	12	18	27	10
	22	51	29	34	53	20	20	53	34	41	53	13	36	54	18
Routine - total	676	758	82	861	788	(74)	869	793	(76)	859	750	(109)	836	755	(81)
Non-Routine Spend															
Labour	28	6	(22)	41	22	(19)	64	1	(63)	7	5	(2)	35	18	(17)
Contractors	21	7	(15)	467	53	(414)	(17)	1	18	12	5	(7)	153	19	(134)
Materials	18	7	(12)	0	24	23	0	1	1	1	5	4	2	19	17
Other	1	4	3	6	11	5	12	1	(12)	11	3	(8)	3	10	7
Non-directs	51	15	(36)	100	59	(42)	116	2	(114)	16	10	(6)	69	38	(31)
Non-Routine - Total	120	38	(82)	615	169	(447)	176	6	(170)	45	27	(18)	263	105	(158)
Total Regulated Spend	796	797	0	1,476	956	(520)	1,045	798	(247)	904	777	(127)	1,100	860	(239)
Non Annuity Funded Spend	-			5			8			-			-		
Surplus (Deficit)	121			(459)			164			492			(21)		

Non-Direct Costs Explained

Non-direct costs reflect SunWater's methodology for distributing indirect costs, local overheads and corporate overheads to each service contract. Wherever practicable labour and other costs are booked direct to service contracts, however, where this is not possible the costs accumulate in either indirect or overhead accounting cost pools and are then distributed to service contracts.

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation, asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations including the IGEM emergency management program, water planning, hydrographic services, environmental support costs and GM Operations. These indirect costs are shared between SunWater's lines of business ie Bulk Water, Irrigation Distribution Systems, Industrial Pipeline and Facilities Management where appropriate. For example service contracts without a dam are not apportioned dam safety costs.

Local overheads are spread across service contracts managed in each locality. They include regional accommodation costs, vehicle costs, local admin support and other local labour not directly booked to activities within service contracts.

Corporate overhead costs are more generic than indirect cost and local overheads and are spread across all service contracts based on direct labour. They include the cost of HR and payroll, ICT, communications, legal and property, finance, internal audit, plus the costs of the CEO, GM Corporate and the SunWater Board of Directors, where these costs are not directly charged to activities within service contracts.

SunWater's methodology was reviewed and accepted by the QCA during the 2012 pricing review.

Notes

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

Although the QCA set cost targets based on assumed inflation of 2.5%, most of the financial figures in the QCA's final report on SunWater's irrigation pricing were presented in real dollars (\$2011). To convert the QCA reported real dollars to nominal dollars, multiply by the below factors; these are based on the QCA's assumed inflation rate of 2.5% p.a. For comparison, the QCA conversion factors based on assumed inflation of 2.5% are compared with conversion factors based on actual inflation as measured by the Brisbane All Groups Consumer Price Index taken in March each year.

Table 8 – Conversion Factors for real \$2011 to Nominal Dollars

	2013	2014	2015	2016	2017
QCA Conversion Factor	1.051	1.077	1.104	1.131	1.16
Accumulative March Quarter CPI	1.0494	1.0714	1.105	1.1208	1.1397

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