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2016 Annual Performance Report

Burdekin 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

Burdekin WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	6,185	4,075	4,405	4,525	5,048
Less - Routine Expenditure	4 & 7	2,705	3,149	2,515	2,408	3,215
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	605	397	696	423	728
• Non Annuity Funded	5	525	4	-	7	7,325
Surplus (Deficit)		2,350	525	1,194	1,688	(6,219)

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.

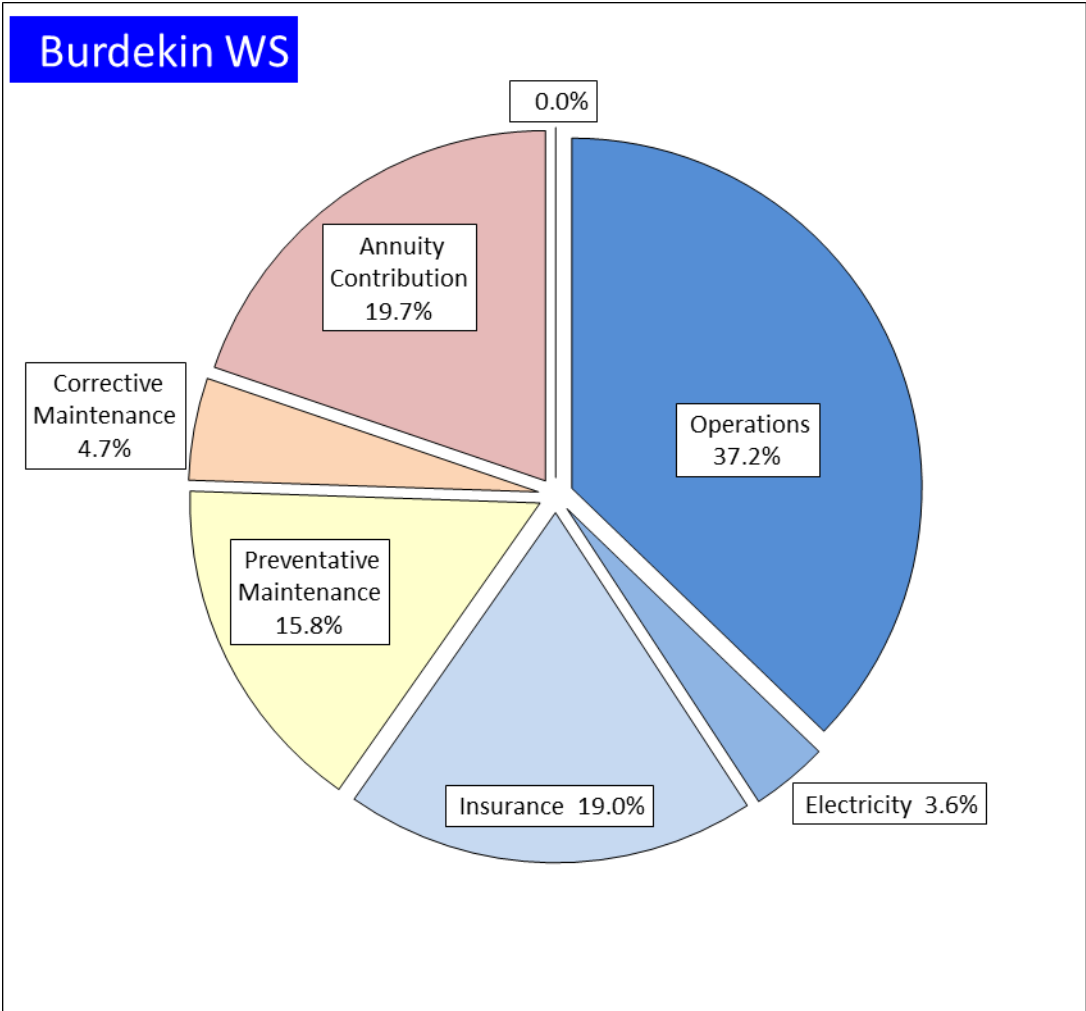


Figure 1: Breakdown of Irrigation Scheme Costs – 2016 Actual

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 Entitlements	Water Deliveries (%) Against Available
1. Industrial		20,820	21,211	102	1,316	6	6
2. Irrigation		635,212	731,107	115	574,474	90	79
3. Urban		10,539	10,553	100	1,454	14	14
4. Other		6	55	917	49	817	89
5. SunWater		413,017	360,359	87	103,287	25	29
	436	1,079,593	1,123,282	104	680,578	63	61

QCA Assumed Total Water Usage 55.8%

Table 3 – Revenue

Burdekin WS		2013	2014	2015	2016	2017
		Actual	Actual	Actual	Actual	Budget
		\$000	\$000	\$000	\$000	\$000
Irrigation		1,459	1,315	1,507	1,398	1,453
Industrial		3	6	6	18	6
Urban		19	77	-	-	-
Irrigation CSO		-	-	-	-	-
Revenue Transfers		4,592	2,548	2,799	3,030	3,492
Drainage		-	-	-	-	-
Other		111	130	79	79	97
Insurance Proceeds - Flood		-	-	14	-	-
	Revenue Total	6,185	4,075	4,405	4,525	5,048

* Following feedback from customers, SunWater has unbundled bulk water charges from distribution system charges. This means that revenue figures in past performance reports and NSPs will not match those above.

Revenue Transfers represent the cost of bulk water supplies delivered through the distribution system(s). The revenue accrues to the distribution system before it is transferred to the Bulk Water Supply Scheme as a contribution to the cost of the bulk water service. The QCA established the transfer cost for irrigation supplies at the cost reflective bulk water tariff. The above table also includes revenue transfers from the Burdekin Moranbah Pipeline.

Routine Expenditure

Table 4 – Routine Operating Expenditure

Burdekin 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	1,443	2,285	841	1,473	2,385	912	1,010	2,382	1,372	1,116	2,357	1,241	1,641	2,377	737	69
Electricity	89	96	6	100	102	2	122	109	(12)	107	118	11	129	127	(2)	102
Insurance	592	295	(297)	1,005	300	(705)	677	305	(372)	569	310	(259)	757	315	(442)	240
Operations Total	2,125	2,675	550	2,578	2,787	209	1,809	2,796	987	1,792	2,785	993	2,527	2,819	292	90
Preventative Maintenance	242	357	114	245	373	128	505	373	(132)	474	371	(103)	485	373	(112)	130
Corrective Maintenance	338	223	(115)	326	232	(94)	201	234	32	142	234	92	203	236	33	86
Routine Total	2,705	3,254	549	3,149	3,392	243	2,515	3,403	888	2,408	3,389	982	3,215	3,429	214	94

Operations

Operation 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 river flows and monitoring of customer deliveries;
- Responses to 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.

¹ Activities listed will not apply to all service contracts.

The operations expenditure was below the QCA target.

- Insurance costs were higher than target;
- Electricity costs were below the QCA target;

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 its 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 was above 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:

² Activities listed will not apply to all service contracts.

- Channels
 - 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

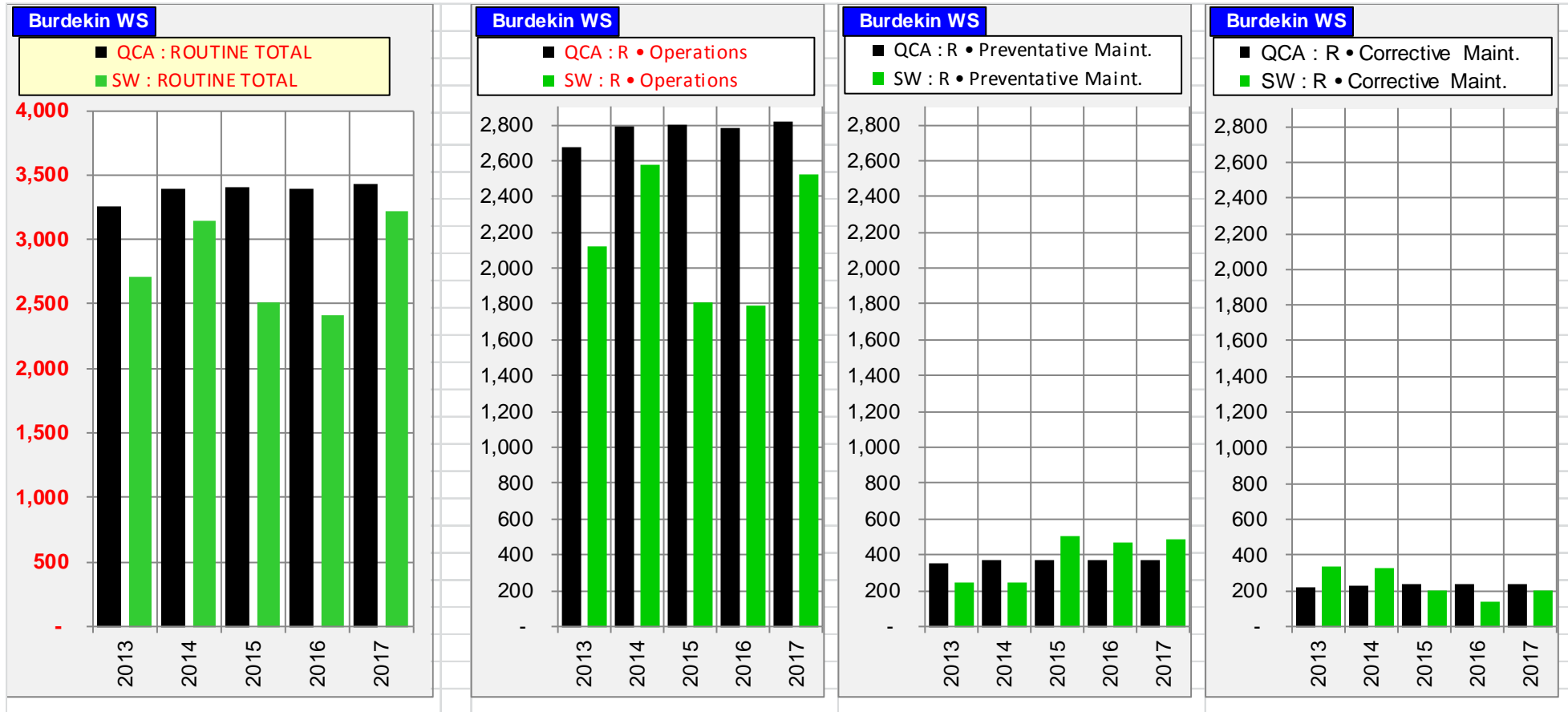
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
 - Repair or correction of pump station faults;
 - Repair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

Burdekin 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	23	-	(23)	11	-	(11)	-	29	29	3	-	(3)	40	-	(40)	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&E	582	421	(161)	387	234	(152)	696	218	(479)	420	290	(130)	687	1,395	708	49
Non-routine Total	605	421	(184)	397	234	(163)	696	247	(449)	423	290	(133)	728	1,395	668	52
Non Annuity Funded	525			4			-			7			7,325			

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

PROJECT	SPEND 2016
16BDK02 Study: Dam Break Revision - BFD	83579
13BRI03 Refurbish Hydraulic Cylinder (1-30) - Clare Weir	71953
16BDK05 Refurbish Lower Galley and External Pipework, Refurbish Reflux Valves - Burdekin TWS	63410
16BDK07 Repair Bulkhead Gate 2 guides BFD	51737
14BRI47 Study - Full electrical CA and oil tests and refurbishment of TX11 &TX12	32379
14BRI31 Burdekin Falls Dam Repair/replace gate 3 seal	25883
16BDK08 Refurbish Control Panel and upgrade telemetry equipment for Flap Gates	25289
16BDK13 Relocate GS at BFD to top of wall.	17663
16BDK04 Asset Revaluation - ABB - Burdekin	16496
16BDK03 Desktop Comprehensive Risk Assessment - Burdekin Falls Dam	15492
15BDK48 Replace Storage Water Tanks 2&3	6286
15BDK03 Update EAP - Burdekin Falls Dam (Statutory Requirement)	4856
15BDK50 Replace Meter - C Aspinall - BFD	2792
15BDK49 Replace control equipment incl. test and design - PLC and SCADA system - Clare Weir	1727
09BRI16 Refurbish Radial Gate Hydraulic System - Burdekin Falls Dam	318
14BRI46 Provide training to supervisory staffs and WTP operators covering natural disasters and terrorism aspects	23

Corrective Maintenance

There was no annuity funded corrective maintenance.

Other

There was one annuity funded Other project.

PROJECT	SPEND 2016
16BDK15 Create Material & Asset Hierarchy Standard & Task Lists - ABB	3134

R&E – Non Annuity

There was one Non-annuity funded R&E project.

PROJECT	SPEND 2016
10BRI07 Burdekin Falls Dam Foundation Drainage Improvement Project	7116

Annuity Balance

The 2016 annuity balance is shown below.

Table 6 – Annuity Balance

Burdekin WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Annuity						
Opening Balance		4,805	5,108	5,652	5,975	6,592
Net Spend	See below	(605)	(397)	(667)	(423)	(728)
Annuity Contribution		548	558	567	592	596
Interest		360	383	423	448	494
SunWater - Closing Balance		5,108	5,652	5,975	6,592	6,955
QCA - Closing Balance		5,185	5,897	6,659	7,460	7,220
Difference		(77)	(245)	(684)	(868)	(265)
Net Spend Analysis						
Spend	5 & 7	(605)	(397)	(696)	(423)	(728)
Insurance Proceeds Receipts						
• Prior Year		-	-	16	-	-
• Current Year		-	-	14	-	-
Net Spend		(605)	(397)	(667)	(423)	(728)

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

Appendix – Total Expenditure by Expense Type

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

Burdekin 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	6,185			4,075			4,405			4,525			5,048		
Routine Spend															
Operations															
Labour	435	680	245	432	701	270	258	724	466	251	747	496	261	771	510
Contractors	12	17	6	34	18	(16)	97	19	(79)	49	19	(30)	580	19	(561)
Materials	13	22	8	64	22	(41)	12	23	11	17	24	6	22	24	2
Electricity	89	96	6	100	102	2	122	109	(12)	107	118	11	129	127	(2)
Insurance	592	295	(297)	1,005	300	(705)	677	305	(372)	569	310	(259)	757	315	(442)
Other	93	82	(11)	99	83	(16)	104	85	(19)	210	87	(123)	215	89	(126)
Non-directs	891	1,484	594	845	1,560	715	538	1,531	993	588	1,480	891	563	1,474	911
	2,125	2,675	550	2,578	2,787	209	1,809	2,796	987	1,792	2,785	993	2,527	2,819	292
Preventative Maintenance															
Labour	45	98	54	53	102	49	107	105	(2)	103	108	5	73	112	39
Contractors	49	34	(15)	88	35	(53)	179	36	(143)	140	37	(103)	230	38	(192)
Materials	20	7	(12)	2	8	6	7	8	1	4	8	4	20	8	(12)
Other	37	7	(30)	7	7	1	6	8	2	8	8	(0)	23	8	(15)
Non-directs	91	210	118	95	221	125	206	216	10	218	209	(9)	139	207	68
	242	357	114	245	373	128	505	373	(132)	474	371	(103)	485	373	(112)
Corrective Maintenance															
Labour	65	51	(14)	67	52	(15)	9	54	45	19	56	37	8	58	49
Contractors	77	11	(67)	66	11	(55)	163	11	(152)	81	12	(70)	135	12	(123)
Materials	56	31	(25)	63	32	(31)	2	33	30	2	34	31	24	34	10
Other	6	21	14	2	21	19	1	22	21	2	23	20	12	23	11
Non-directs	134	110	(24)	128	116	(12)	26	114	88	37	110	73	23	109	86
	338	223	(115)	326	232	(94)	201	234	32	142	234	92	203	236	33
Routine - total	2,705	3,254	549	3,149	3,392	243	2,515	3,403	888	2,408	3,389	982	3,215	3,429	214
Non-Routine Spend															
Labour	81	65	(16)	70	36	(35)	110	38	(72)	81	48	(33)	159	225	67
Contractors	308	72	(236)	192	46	(147)	345	69	(276)	153	76	(77)	255	255	(0)
Materials	22	72	49	(0)	37	37	12	28	17	13	41	27	5	245	240
Other	8	39	31	7	20	13	8	16	8	10	22	12	19	126	107
Non-directs	185	174	(11)	128	96	(32)	221	95	(126)	165	103	(62)	289	543	254
Non-Routine - Total	605	421	(184)	397	234	(163)	696	247	(449)	423	290	(133)	728	1,395	668
Total Regulated Spend	3,310	3,675	365	3,546	3,626	80	3,211	3,650	438	2,830	3,679	849	3,942	4,824	882
Non Annuity Funded Spend	525			4			-			7			7,325		
Surplus (Deficit)	2,350			525			1,194			1,688			(6,219)		

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 following 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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