

**SunWater Limited**  
Level 10, 179 Turbot Street  
PO Box 15536 City East  
Brisbane Queensland 4002  
[www.sunwater.com.au](http://www.sunwater.com.au)  
ACN 131 034 985



# 2016 Annual Performance Report

## Callide 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:

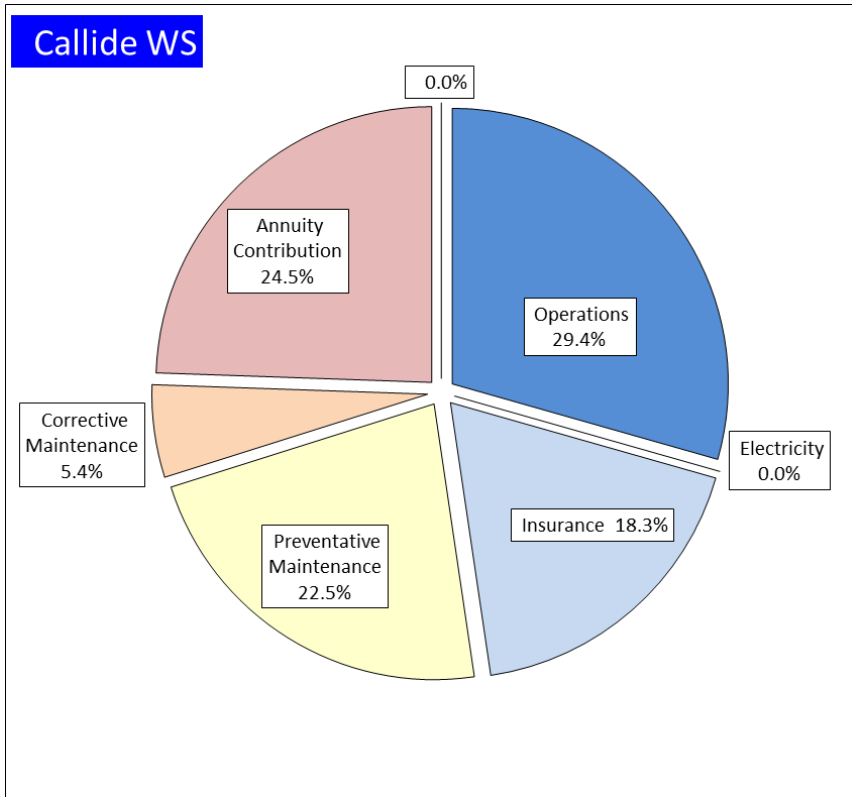
Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

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

**Table 1 – Operating Revenue Less Spend**

Callide WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	1,282	1,169	1,535	2,283	1,282
Less - Routine Expenditure	4 & 7	1,080	1,257	1,008	1,155	1,015
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	530	2,500	1,687	2,056	911
• Non Annuity Funded	5	-	6	4	6	-
Surplus (Deficit)		(329)	(2,594)	(1,164)	(934)	(643)

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		3,772	3,772	100	3,432	91	91
2. Irrigation		13,463	15,576	116	9,873	73	63
3. Urban		2,207	2,207	100	1,137	52	52
5. SunWater		7	7	100	0	0	0
<b>Service Contract Total</b>	<b>149</b>	<b>19,449</b>	<b>21,562</b>	<b>111</b>	<b>14,442</b>	<b>74</b>	<b>67</b>

QCA Assumed Total Water Usage 52.0%

In September 2014 the Department of Natural Resources and Mines completed the amendment to the Fitzroy Basin Resource Operations Plan to include Callide Valley Water Supply Scheme. That process resulted in a reduction in total groundwater allocations from 19,483.9ML down to 14,500ML.

## Revenue

**Table 3 – Revenue**

Callide WS	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Budget
	\$000	\$000	\$000	\$000	\$000
Irrigation	243	361	288	304	289
Industrial	744	522	797	540	683
Urban	236	259	283	316	306
Irrigation CSO	51	21	-	-	-
Revenue Transfers	-	-	-	-	-
Drainage	-	-	-	-	-
Other	7	6	15	9	4
Insurance Proceeds - Flood	-	-	153	1,114	-
<b>Revenue Total</b>	<b>1,282</b>	<b>1,169</b>	<b>1,535</b>	<b>2,283</b>	<b>1,282</b>

\* 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.

## Routine Expenditure

**Table 4 – Routine Operating Expenditure**

Callide 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	499	477	(22)	503	496	(7)	413	498	85	450	494	44	436	498	62	88
Electricity	9	7	(2)	12	7	(4)	5	8	3	-	8	8	10	9	(1)	114
Insurance	262	140	(122)	475	143	(332)	307	145	(162)	279	148	(131)	344	150	(194)	229
Operations Total	770	624	(146)	989	646	(344)	725	651	(74)	729	650	(79)	791	657	(133)	120
Preventative Maintenance	264	279	15	216	292	76	256	291	35	343	288	(55)	172	290	118	59
Corrective Maintenance	46	36	(10)	52	38	(14)	27	38	10	83	37	(46)	52	38	(14)	138
Routine Total	1,080	939	(141)	1,257	975	(282)	1,008	980	(28)	1,155	975	(180)	1,015	985	(29)	103

### 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 of<sup>1</sup>:

- Schedule and deliver water including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency response 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
- Manage public relations associated with the scheme.

<sup>1</sup> Activities listed will not apply to all service contracts.



The operations expenditure was above the QCA target.

- Insurance costs were higher than 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 includes<sup>1</sup>:

- 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 emergency<sup>2</sup>:

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

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<sup>2</sup> 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.

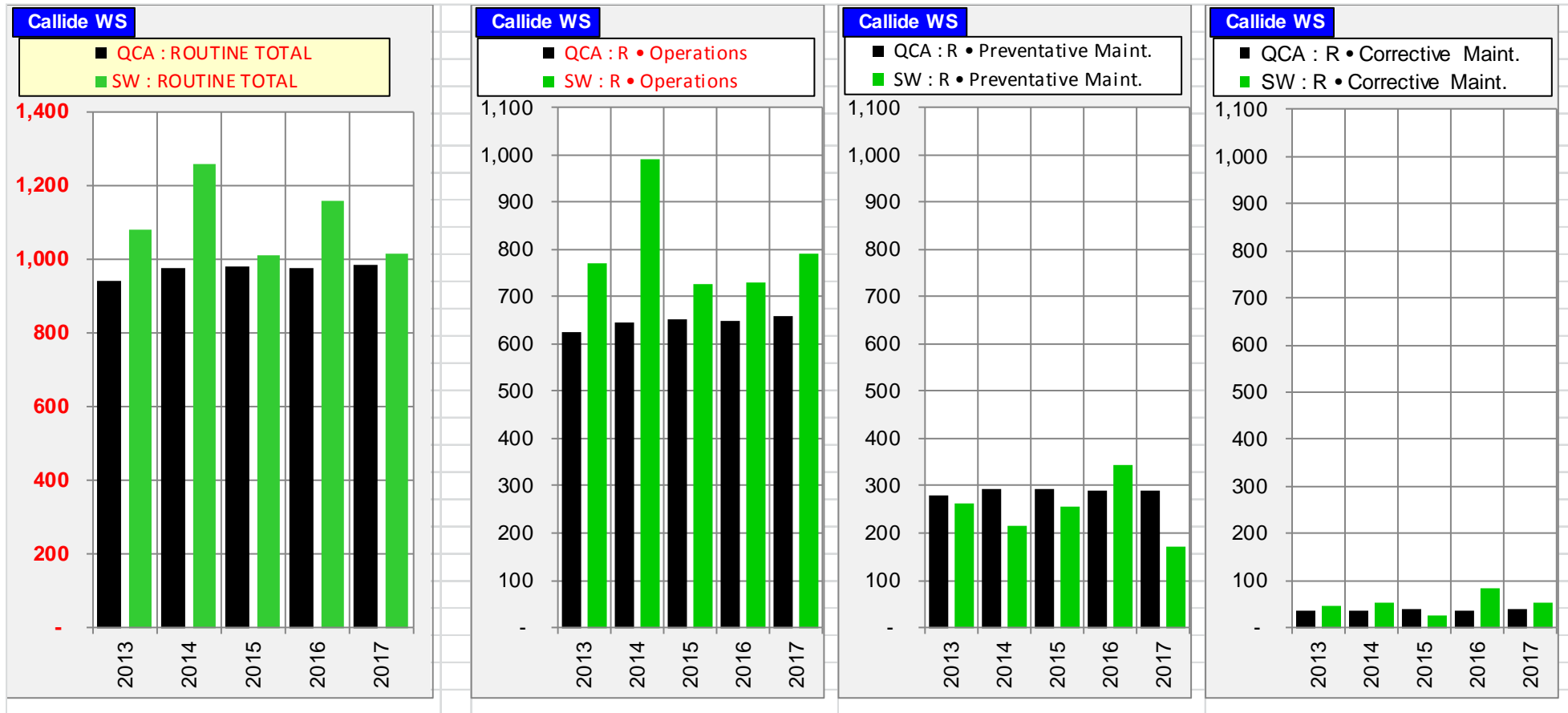
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
  - Repair or correction of pump station faults;
  - Repair or correction of channel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

Corrective maintenance was above 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**

Callide 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
<b>Annuity Funded</b>																
Operations	-	-	-	168	45	(123)	990	-	(990)	724	-	(724)	58	-	(58)	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	437	-	(437)	1,669	-	(1,669)	124	-	(124)	627	-	(627)	-	-	-	-
R&E	93	291	198	662	89	(573)	573	386	(188)	705	231	(474)	853	1,681	828	51
Non-routine Total	530	291	(239)	2,500	134	(2,365)	1,687	386	(1,302)	2,056	231	(1,825)	911	1,681	770	54
<b>Non Annuity Funded</b>																
	-			6			4			6			-			

## R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

PROJECT	SPEND 2016
14CVA09 Investigate the integrity of the under drainage and several anchors in the slabs which most extremely spalled (D/S rec)	114525
16CVA03 Review Comprehensive Risk Assessment - Callide Dam	102179
16CVA02 Refurbish Piezometer Instrumentation Panel - Callide Dam	95328
16CVA31 Installation Radial Gate Remote Sensing	82557
16CVA06 Replace Siphon Safety Screens 13-18 with Pivoting Finger Screens - DIVC Callide	76142
15CVA09 Callide Dam Replace Hoists and Clean Conduit	36337
16CVA36 Callide Creek at 96km # Install staff gauges and PTZ camera	34020
16CVA05 Asset Revaluation - LBC - Callide	30467
15CVA17 Camera Installation for surveillance purposes Kroombit Dam	27077
15CVA18 Camera Installation for surveillance purposes Callide Dam	25849
16CVA04 Study, Review and Assess the Fencing Replacement Strategy - Callide Diversion Channel	22246
14CVA06 Inspection (5 Yearly) - Callide Dam (Scoping 2014, Inspect 2015)	15725
12CVA02 Install Vibrating Wire Piezometers and Stability Analysis - Callide Dam	12193
14CVA08 Inspection (5 Yearly) - Kroombit Dam (Scope 2014, Inspect 2015)	7797
14CVA13 Improve Stairway from Downstream Toe to the Embankment Crest at Callide Dam	6272
16CVA12 Inspection (5 Yearly) - Callide Creek Weir	5251
15CVA04 Update EAP - Callide Dam (Statutory Requirement)	4292
15CVA06 Update EAP - Kroombit Dam (Statutory Requirement)	4292
15CVA10 Kroombit Dam Replace Hoist	1472
14CVA11 Update EAP Kroombit Dam Legal Requirement	817

### Corrective Maintenance

The annuity funded corrective maintenance projects undertaken included:

PROJECT	SPEND 2016
16CVA01 FD01 (2015) Flood Damage - Callide Dam	220416
15CVA13 FD01 (2015) Flood Damage - Kroombit Dam	159051
16CVA33 FD01 (2015) Callide Diversion Channel Fl	108212
16CVA09 FD01 (2015) Flood Damage Repair - Callide Weir	94766
16CVA10 FD01 (2015) Flood Damage Repair - Stepanoff Gauging Station	62687
15CVA15 FD01 (2015) Flood Damage - 96km Callide Creek Gauging Station	19396

### Other

The annuity-funded Other projects undertaken included:

PROJECT	SPEND 2016
15CVA16 Callide Flood Review	702539
16CVA32 Callide Dam Feb2016 Flood Operation	41825
15CVA07 FD01 (2013) Callide Floods response to potential claim	29917
16CVA35 Create Material & Asset Hierarchy Standard & Task Lists - LBC	7236

### R&E – Non Annuity

The Non-annuity funded R&E Projects undertaken included:

PROJECT
16CVA28 Install new meter to serve lot 46 RN357
16CVA29 Install new meter to serve lot 19 RN348

## Annuity Balance

The 2016 annuity balance is shown below.

**Table 6 – Annuity Balance**

Callide WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
<b>Annuity</b>						
Opening Balance		(658)	(867)	(3,061)	(4,455)	(5,356)
Net Spend	See below	(530)	(2,500)	(1,534)	(942)	(911)
Annuity Contribution		371	370	370	374	380
Interest		(49)	(65)	(229)	(334)	(401)
SunWater - Closing Balance		(867)	(3,061)	(4,455)	(5,356)	(6,288)
QCA - Closing Balance		(221)	(2)	(17)	125	(1,167)
Difference		(646)	(3,060)	(4,438)	(5,481)	(5,121)
<b>Net Spend Analysis</b>						
Spend	5 & 7	(530)	(2,500)	(1,687)	(2,056)	(911)
Insurance Proceeds Receipts						
• Prior Year		-	-	-	-	-
• Current Year		-	-	153	1,114	-
Net Spend		(530)	(2,500)	(1,534)	(942)	(911)

\* 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)**

Callide 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
<b>Revenue</b>	1,282			1,169			1,535			2,283			1,282		
<b>Routine Spend</b>															
<b>Operations</b>															
Labour	159	124	(35)	162	128	(34)	122	132	11	122	137	15	118	141	23
Contractors	15	6	(9)	8	6	(1)	29	7	(23)	11	7	(4)	39	7	(32)
Materials	9	2	(7)	1	2	0	1	2	0	3	2	(1)	1	2	0
Electricity	9	7	(2)	12	7	(4)	5	8	3	-	8	8	10	9	(1)
Insurance	262	140	(122)	475	143	(332)	307	145	(162)	279	148	(131)	344	150	(194)
Other	12	57	45	17	58	41	17	59	42	15	60	45	21	61	40
Non-directs	304	288	(17)	314	301	(13)	244	298	55	300	289	(11)	257	288	31
	770	624	(146)	989	646	(344)	725	651	(74)	729	650	(79)	791	657	(133)
<b>Preventative Maintenance</b>															
Labour	85	83	(2)	73	85	13	82	88	6	106	91	(15)	46	94	47
Contractors	6	7	1	6	7	2	8	8	(0)	13	8	(5)	31	8	(23)
Materials	12	7	(5)	7	7	0	5	8	2	2	8	6	1	8	7
Other	(0)	3	4	2	4	1	8	4	(4)	11	4	(7)	10	4	(7)
Non-directs	162	179	17	127	188	61	153	184	32	212	178	(34)	83	177	94
	264	279	15	216	292	76	256	291	35	343	288	(55)	172	290	118
<b>Corrective Maintenance</b>															
Labour	3	10	7	6	10	4	4	10	7	19	11	(9)	16	11	(5)
Contractors	30	1	(29)	17	1	(16)	14	1	(13)	5	1	(4)	3	1	(2)
Materials	6	2	(4)	15	2	(12)	0	2	2	12	2	(10)	5	2	(3)
Other	0	2	2	2	2	0	2	2	(0)	7	2	(5)	0	2	2
Non-directs	6	21	15	13	22	10	7	22	15	39	21	(17)	28	21	(7)
	46	36	(10)	52	38	(14)	27	38	10	83	37	(46)	52	38	(14)
<b>Routine - total</b>	<b>1,080</b>	<b>939</b>	<b>(141)</b>	<b>1,257</b>	<b>975</b>	<b>(282)</b>	<b>1,008</b>	<b>980</b>	<b>(28)</b>	<b>1,155</b>	<b>975</b>	<b>(180)</b>	<b>1,015</b>	<b>985</b>	<b>(29)</b>
<b>Non-Routine Spend</b>															
Labour	135	44	(91)	286	25	(261)	335	63	(272)	337	20	(316)	87	127	40
Contractors	94	71	(23)	1,227	32	(1,195)	224	39	(186)	878	19	(859)	560	1,060	500
Materials	33	42	9	30	15	(15)	18	88	70	87	19	(68)	74	128	54
Other	43	21	(22)	345	1	(344)	463	12	(451)	3	11	8	7	68	61
Non-directs	227	114	(112)	612	61	(551)	648	185	(463)	751	161	(590)	183	299	115
<b>Non-Routine - Total</b>	<b>530</b>	<b>291</b>	<b>(239)</b>	<b>2,500</b>	<b>134</b>	<b>(2,365)</b>	<b>1,687</b>	<b>386</b>	<b>(1,302)</b>	<b>2,056</b>	<b>231</b>	<b>(1,825)</b>	<b>911</b>	<b>1,681</b>	<b>770</b>
<b>Total Regulated Spend</b>	<b>1,610</b>	<b>1,230</b>	<b>(380)</b>	<b>3,756</b>	<b>1,109</b>	<b>(2,647)</b>	<b>2,695</b>	<b>1,366</b>	<b>(1,330)</b>	<b>3,211</b>	<b>1,206</b>	<b>(2,004)</b>	<b>1,925</b>	<b>2,666</b>	<b>741</b>
<b>Non Annuity Funded Spend</b>	-			6			4			6			-		
<b>Surplus (Deficit)</b>	<b>(329)</b>			<b>(2,594)</b>			<b>(1,164)</b>			<b>(934)</b>			<b>(643)</b>		

## **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

### 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.