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# 2016 Annual Performance Report

## Eton Distribution

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:

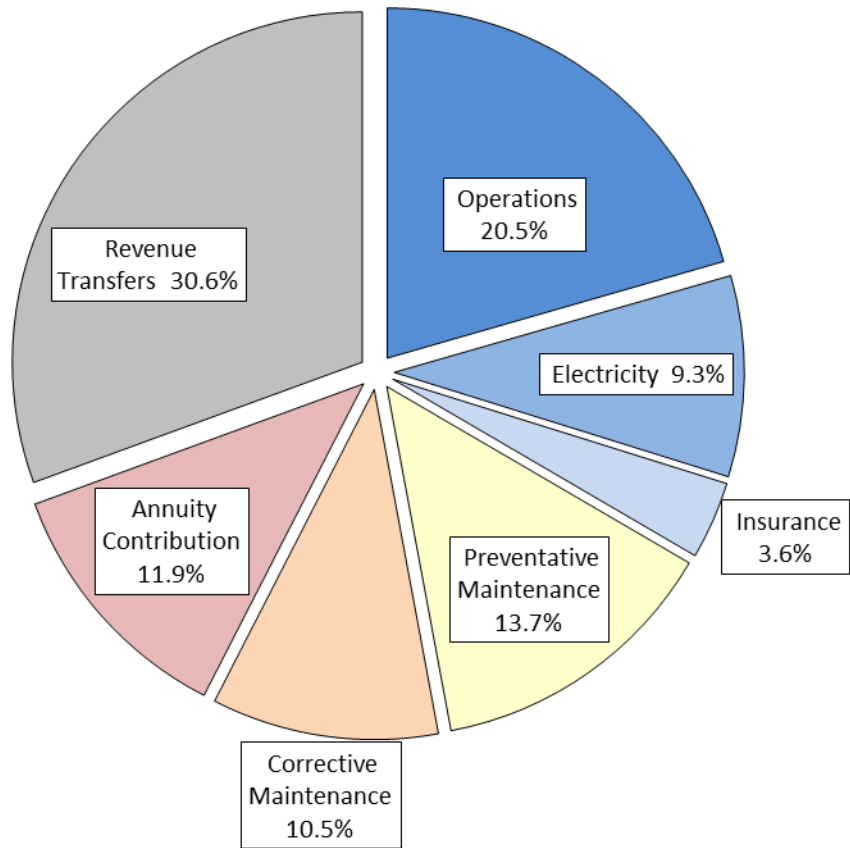
Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

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

**Table 1 – Operating Revenue Less Spend**

Eton IS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	2,923	3,378	3,185	3,500	3,578
Less - Routine Expenditure	4 & 7	1,883	2,407	2,840	2,887	2,865
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	577	259	515	574	684
• Non Annuity Funded	5	26	10	3	13	-
Surplus (Deficit)		437	703	(173)	26	29

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 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		0	0	0	0	0	0
2. Irrigation		51,602	51,592	100	24,888	48	48
3. Urban		175	185	106	59	33	32
4. Other		123	123	100	18	14	14
5. SunWater		9,384	9,384	100	8,574	91	91
<b>Service Contract Total</b>	<b>326</b>	<b>61,284</b>	<b>61,284</b>	<b>100</b>	<b>33,538</b>	<b>55</b>	<b>55</b>

QCA Assumed Total Water Usage 55.1%

Note: Risk allocations have been included in the above table.

**Table 3 – Revenue**

Eton IS		2013	2014	2015	2016	2017
		Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Irrigation		2,802	3,125	3,288	3,723	3,988
Industrial		-	6	7	9	-
Urban		-	9	11	12	-
Irrigation CSO		1,497	1,433	1,357	1,277	1,191
Revenue Transfers		(1,404)	(1,194)	(1,510)	(1,535)	(1,605)
Drainage		-	-	-	-	-
Other		29	-	3	14	4
Insurance Proceeds - Flood		-	-	28	-	-
	Revenue Total	2,923	3,378	3,185	3,500	3,578

\* 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**

Eton IS	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	485	608	123	584	624	39	921	637	(284)	1,031	643	(388)	715	636	(80)	113
Electricity	255	467	212	381	499	119	458	534	76	465	577	112	688	618	(70)	111
Insurance	190	134	(56)	264	137	(127)	200	139	(61)	180	141	(39)	215	144	(72)	150
Operations Total	930	1,209	279	1,229	1,260	31	1,579	1,311	(268)	1,676	1,362	(315)	1,619	1,397	(221)	116
Preventative Maintenance	443	631	188	644	650	5	740	666	(73)	685	676	(9)	720	677	(43)	106
Corrective Maintenance	510	444	(67)	534	457	(76)	521	469	(52)	526	477	(48)	526	479	(47)	110
Routine Total	1,883	2,283	400	2,407	2,367	(40)	2,840	2,446	(393)	2,887	2,515	(372)	2,865	2,553	(312)	112

### 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>:

- 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.

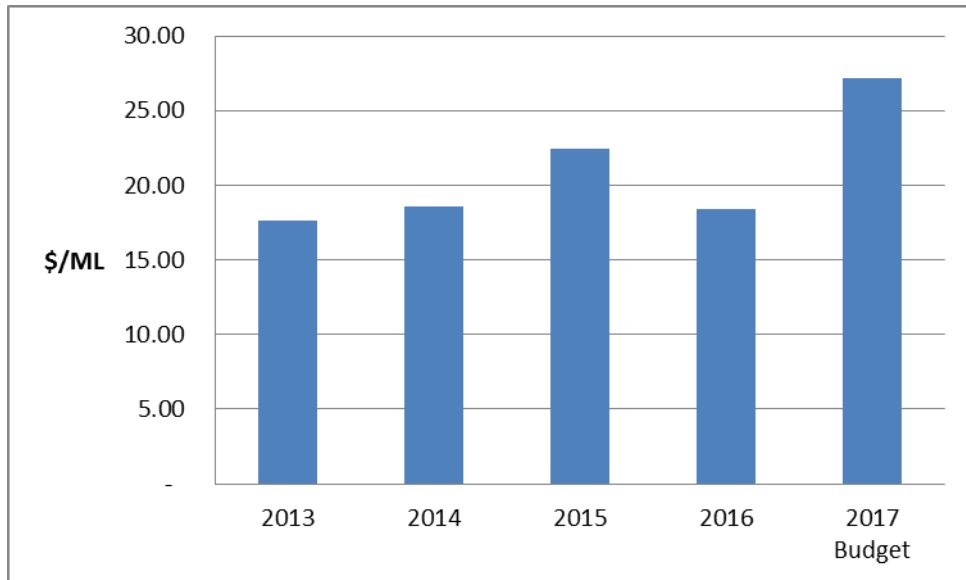
<sup>1</sup> Activities listed will not apply to all service contracts.



The operations expenditure was above the QCA target.

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

The chart below tracks pumping cost per ML delivered across the price path based on actual and forecast data. The chart reflects the escalation of electricity prices, tariff changes and variation in volumes lifted by high cost and low cost pump stations.



### 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.

The Preventive maintenance expenditure was above the QCA 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
    - 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

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<sup>2</sup> Activities listed will not apply to all service contracts.

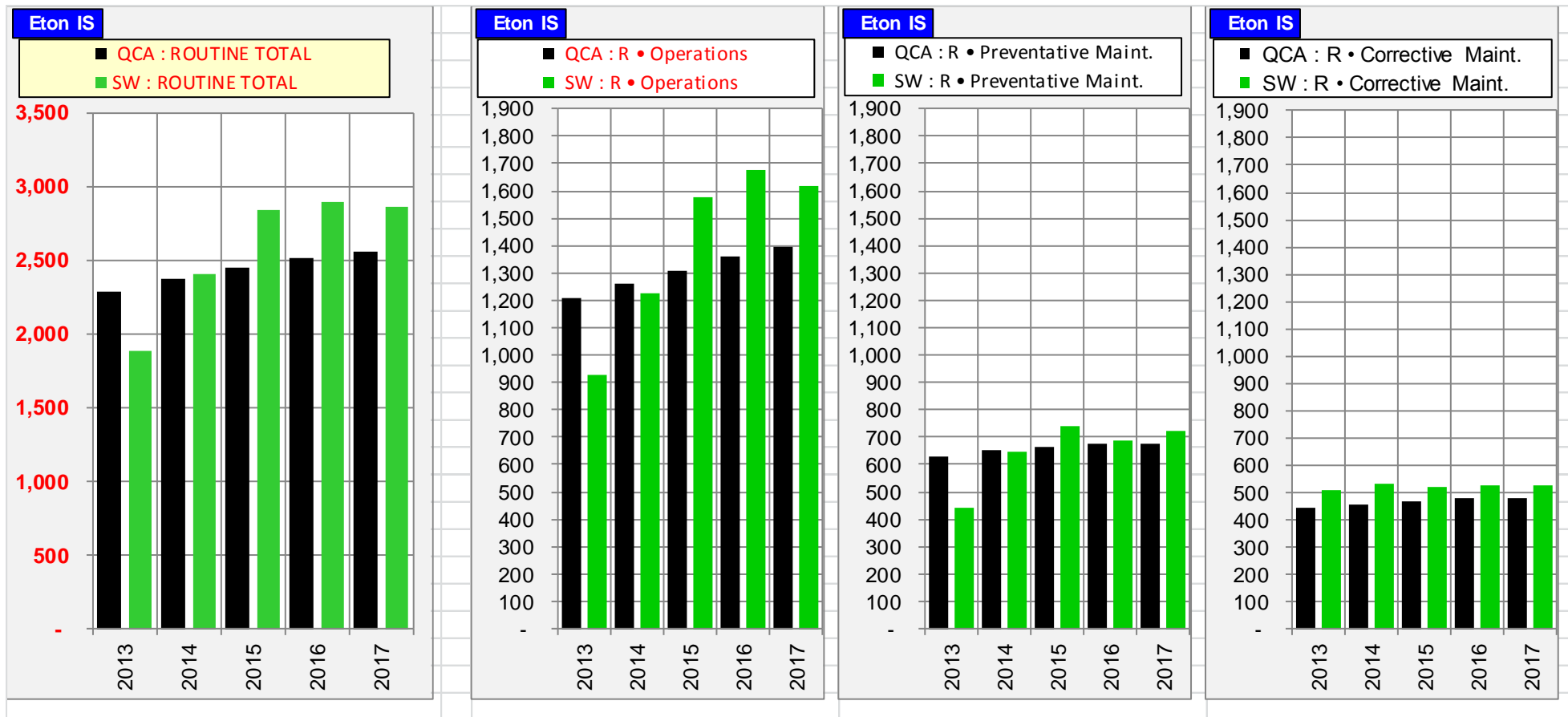
- Pipe breaks;
  - Repair air valves, scour valves, etc.;
  - Erosion control and repair of rock protection works; and
  - Repair concrete structures.
- Scheme Roads
  - Repair pot holes;
  - Grade roads; and
  - Repair, replace and paint guide posts and signs.
- Pump stations
  - Repair pumps and motors;
  - 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 electricity, Acrolein and 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.

SunWater is focusing effort on reviewing renewals profiles so that assets are maintained to the required standard with the minimum spend. This review extends to considering the key asset replacement assumptions so that the profile better reflects likely spend each year and moves away from assuming assets are replaced at end of standard life, based on their replacement costs. This is expected to reduce the renewals profile going forward and will be discussed in more detail with customers prior to the 2017 financial year.

**Table 5 – Non-Routine Expenditure**

Eton IS	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	
<b>Annuity Funded</b>																
Operations	-	-	-	-	-	-	40	-	(40)	-	-	-	-	-	-	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&E	577	568	(9)	259	272	13	475	335	(140)	574	706	132	684	646	(38)	106
Non-routine Total	577	568	(9)	259	272	13	515	335	(180)	574	706	132	684	646	(38)	106
<b>Non Annuity Funded</b>	26			10			3			13			-			

## R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

PROJECT	SPEND 2016
16ETO14 Refurbish Regulating Gates RG01 & 05 - Oakenden Main Channel (17.1 and 20.6km)	75224
16ETO07 Refurbish PUN2 Pump & Motor at Oakendon Relift PSTN	57509
16ETO16 Replace 3 sections of Boundary Fence - Oakenden Main Channel (23.68 to 32.3km)	37328
16ETO06 Refurbish PUN2 Pump at Victoria Plains PSTN	34326
16ETO03 Replace Safety Screens - Oakenden Main Channel	31788
16ETO11 Replace Level Signal Cable - Abingdon PSTN to Balancing Storage	31773
16ETO17 Replace 3 Failed Meters - Marwood Channels 24/1 and 24/1/1	27227
16ETO22 Install Safety Fencing - Oakenden Main Channel E004	25259
16ETO38 Repair erosion & remove vegetation Bell Creek crossing Lateral 25/2	21115
16ETO10 Refurbish Break Pressure Valve - Mt Alice BPST	19851
16ETO40 Overhaul Submersible Pump Abingdon PSTN PUN2	19724
16ETO44 Install New Security Fences including Signage & Buoy Lines at RG1A & RG1B on OMC	19462
16ETO02 Screw Jack Trial - Float Regs Oakenden System	16242
16ETO41 Replace Isolating Valve on OMC Ch20_9 Channel Offtake	15669
16ETO29 Refurbish Electric Motor - Victoria Plains PSTN Pump Unit 1	14255
16ETO12 Replace Batescrew Gate - Abingdon MC at BSTR Outlet	13780
16ETO13 Refurbish Break Pressure Valve - Brightley BPST VL02	11649
16ETO42 Replace Cattle Grid on OMC at 29170m -Trueman's	11137
16ETO33 Install Handrails - Abingdon Balancing Storage 1 & PSTN	10892

PROJECT	SPEND 2016
16ETO39 Refurbish Gate Seals, Lift Mech & Paint - Victoria Plains BS1 Outlet	9383
16ETO23 Install Safety Fencing - Oakenden Main Channel E027	8834
16ETO36 Install Handrails at Mt Alice BS Inlet & Outlet	8231
16ETO35 Install Handrails at Oakendon BS Inlet	7633
14ETO07 Refurbish Main Switchboard & Control - Mt Alice Pump Station (Options Study)	7044
16ETO28 Replace Scour Valve at Victoria Plains Pump Station	6864
16ETO21 Options Analysis - Replace Control Equipment Victoria Plains PSTN	6759
16ETO46 Replace Scour Valve at SO10 on Victoria Plains DC	5392
16ETO05 Refurbish Discharge Reflux Valve Brightley PSTN1 PU2	4938
16ETO45 Replace Air Conditioner Operators Room - Abingdon PSTN	4069
16ETO18 Options Analysis Leaking Pipeline Lateral 21/4 Victoria Plains Eton	3969
16ETO34 Install Handrails at Brightely 1 BS Outlet	3801
16ETO04 Inspection of Hoists, 2 Yearly 3rd Party - Abingdon PSTN Hoists 1 & 2	1920
16ETO47 Replace Isolation Valve on CH25_2 MO285	1660
16ETO08 Options Analysis - Mt Alice BPS Eton Bypass Pipe	1212
15ETO03 Repair Solar Panel Mounts on OMC	102

### Corrective Maintenance

There was no expenditure categorised as "Corrective Maintenance" in 2015.

### Other

There was no expenditure categorised as "Annuity Funded Other".

### R&E – Non Annuity

The Non-annuity funded R&E Projects included:

PROJECT
16ETO43 Repositioning of MO285 Munburra CH25_2
16ETO31 Retire Meter Outlet 384 Mt Alice MC

## Annuity Balance

The 2016 annuity balance is shown below.

**Table 6 – Annuity Balance**

Eton IS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
<b>Annuity</b>						
Opening Balance		(223)	(300)	(42)	71	98
Net Spend	See below	(577)	(259)	(469)	(574)	(684)
Annuity Contribution		517	539	585	596	618
Interest		(17)	(22)	(3)	5	7
SunWater - Closing Balance		(300)	(42)	71	98	40
QCA - Closing Balance		(10)	256	525	454	461
Difference		(289)	(298)	(454)	(356)	(421)
<b>Net Spend Analysis</b>						
Spend	5 & 7	(577)	(259)	(515)	(574)	(684)
Insurance Proceeds Receipts						
• Prior Year		-	-	18	-	-
• Current Year		-	-	28	-	-
Net Spend		(577)	(259)	(469)	(574)	(684)

\* 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)**

Eton IS	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	2,923			3,378			3,185			3,500			3,578		
Routine Spend															
Operations															
Labour	173	224	51	209	231	22	332	238	(93)	374	246	(128)	264	254	(10)
Contractors	1	4	3	2	4	2	2	4	2	1	4	3	1	4	3
Materials	4	2	(2)	4	2	(2)	3	2	(1)	1	2	2	1	2	1
Electricity	255	467	212	381	499	119	458	534	76	465	577	112	688	618	(70)
Insurance	190	134	(56)	264	137	(127)	200	139	(61)	180	141	(39)	215	144	(72)
Other	13	3	(9)	16	3	(12)	15	4	(12)	18	4	(15)	14	4	(11)
Non-directs	295	375	80	353	383	30	570	389	(180)	637	387	(250)	435	372	(63)
	930	1,209	279	1,229	1,260	31	1,579	1,311	(268)	1,676	1,362	(315)	1,619	1,397	(221)
Preventative Maintenance															
Labour	103	153	50	137	158	20	149	163	14	132	168	36	154	173	19
Contractors	67	97	31	93	101	8	116	104	(12)	108	107	(1)	104	109	5
Materials	89	130	41	176	134	(42)	189	138	(51)	199	143	(56)	185	145	(40)
Other	0	2	1	2	2	(0)	18	2	(16)	9	2	(7)	15	2	(13)
Non-directs	184	249	65	237	256	19	268	260	(8)	237	257	20	262	248	(15)
	443	631	188	644	650	5	740	666	(73)	685	676	(9)	720	677	(43)
Corrective Maintenance															
Labour	108	92	(16)	116	95	(20)	104	98	(5)	112	101	(10)	113	105	(8)
Contractors	68	92	24	54	95	41	83	98	16	78	101	23	65	103	38
Materials	145	92	(53)	164	95	(68)	63	98	35	73	101	28	65	103	38
Other	1	13	12	2	14	11	86	14	(72)	65	14	(50)	91	15	(76)
Non-directs	187	153	(34)	198	158	(40)	186	160	(25)	198	159	(39)	192	153	(39)
	510	444	(67)	534	457	(76)	521	469	(52)	526	477	(48)	526	479	(47)
Routine - total	1,883	2,283	400	2,407	2,367	(40)	2,840	2,446	(393)	2,887	2,515	(372)	2,865	2,553	(312)
Non-Routine Spend															
Labour	13	78	65	43	47	5	59	58	(0)	91	126	35	57	119	62
Contractors	496	199	(297)	87	52	(36)	226	65	(160)	205	137	(68)	448	129	(320)
Materials	19	82	63	44	52	7	72	64	(9)	83	137	54	55	126	71
Other	1	48	47	11	28	17	43	35	(8)	23	75	51	6	69	63
Non-directs	49	161	113	74	93	20	116	113	(3)	171	231	60	117	203	86
Non-Routine - Total	577	568	(9)	259	272	13	515	335	(180)	574	706	132	684	646	(38)
Total Regulated Spend	2,460	2,851	391	2,666	2,639	(27)	3,355	2,781	(574)	3,461	3,221	(240)	3,549	3,199	(350)
Non Annuity Funded Spend	26			10			3			13			-		
Surplus (Deficit)	437			703			(173)			26			29		

## **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

### Disclaimer

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