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2016 Annual Performance Report

Macintyre Brook 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

Macintyre Brook WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	1,153	1,218	1,152	1,166	1,223
Less - Routine Expenditure	4 & 7	759	866	737	857	799
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	65	354	225	271	694
• Non Annuity Funded	5	-	-	-	-	-
Surplus (Deficit)		330	(1)	191	38	(270)

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.

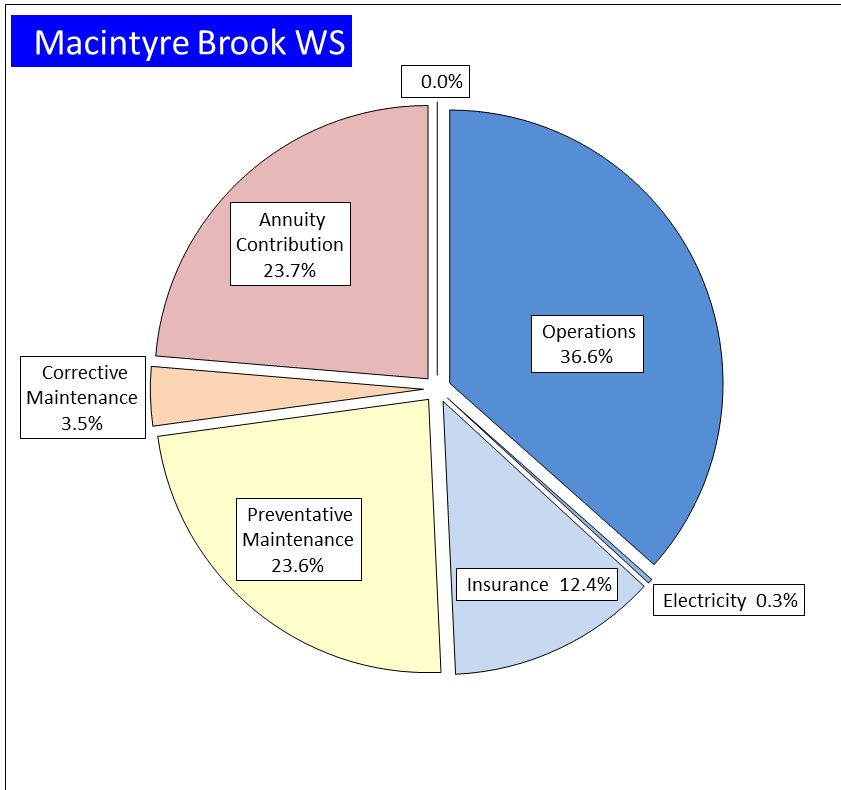


Figure 1: Breakdown of Irrigation Scheme Costs – 2016 Actual

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		217	217	100	0	0	0
2. Irrigation		17,112	13,491	79	7,503	44	56
3. Urban		288	304	106	252	87	83
4. Other		6,400	6,400	100	0	0	0
5. SunWater		980	4,157	424	1,536	157	37
	107	24,997	24,570	98	9,290	37	38

QCA Assumed Total Water Usage 81.1%

Total water use is lower than the QCA target.

Table 3 – Revenue

Macintyre Brook WS	2013	2014	2015	2016	2017
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Irrigation	813	663	662	727	1,091
Industrial	2	258	254	272	12
Urban	107	113	75	79	80
Irrigation CSO	217	173	127	80	29
Revenue Transfers	-	-	-	-	-
Drainage	-	-	-	-	-
Other	15	12	11	9	11
Insurance Proceeds - Flood	-	-	24	-	-
Revenue Total	1,153	1,218	1,152	1,166	1,223

Routine Expenditure

Table 4 – Routine Operating Expenditure

Macintyre Brook 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
Operations	407	648	241	328	676	348	303	674	371	410	669	259	428	672	244	64
Electricity	2	2	(0)	3	2	(1)	4	2	(2)	3	2	(1)	3	2	(1)	151
Insurance	133	71	(62)	241	73	(168)	155	74	(81)	140	75	(65)	173	76	(97)	227
Operations Total	541	720	179	571	750	179	462	750	288	553	746	193	604	750	146	81
Preventative Maintenance	207	190	(17)	243	199	(44)	261	198	(63)	265	196	(68)	160	197	38	81
Corrective Maintenance	10	37	27	51	39	(12)	14	39	25	39	38	(1)	35	39	4	90
Routine Total	759	948	189	866	988	122	737	987	250	857	980	123	799	986	187	81

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 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.

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 \$2k above 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.

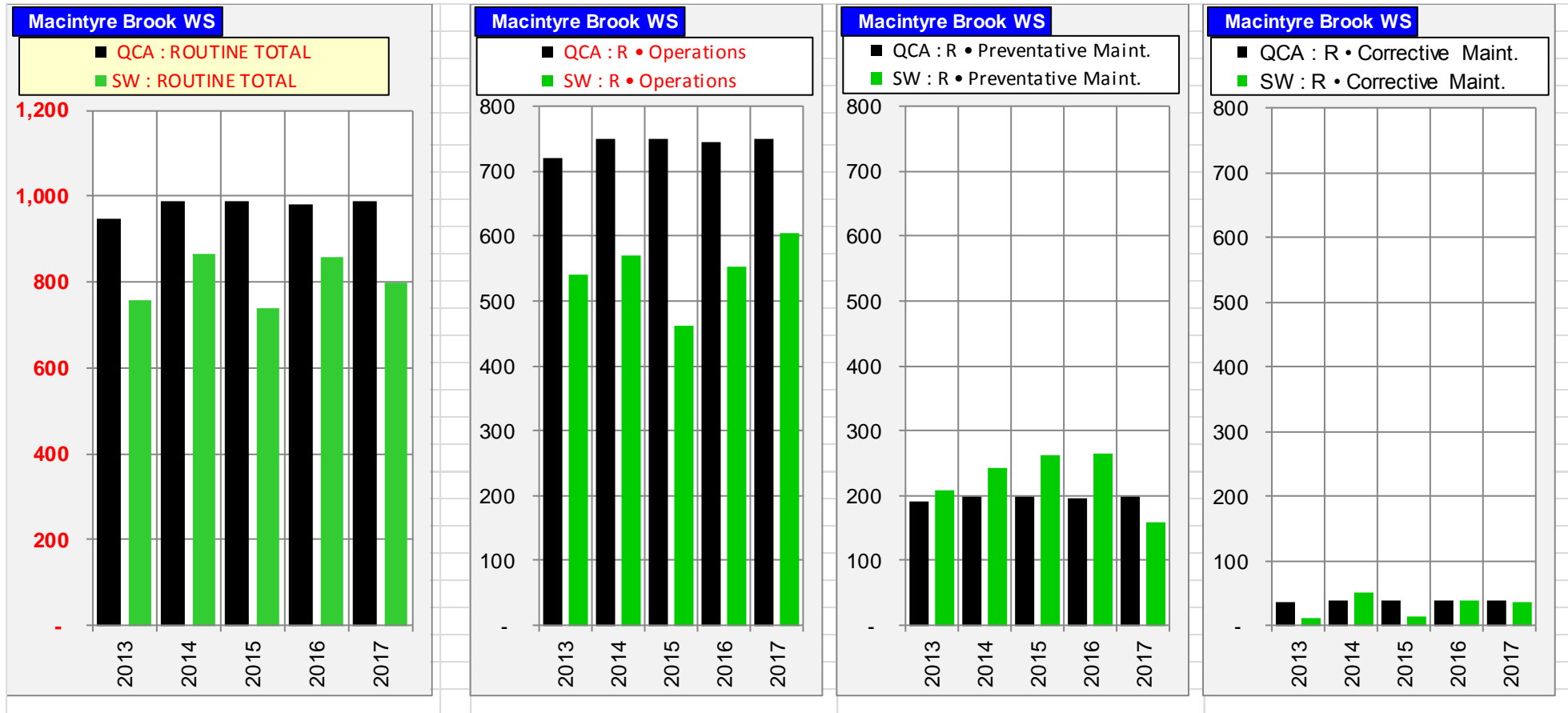
Corrective maintenance met the QCA's target. Activities undertaken were:

• 5180535 Remove fallen tree	\$2,856.00
• 5180538 Terraine Gauging Station–Repairs	\$4,194.75
• 5180539 Barangarook Gauging Station–Repair	\$4,100.25
• 5180582 Installation of staff gauge	\$1,097.25
• 5180583 Installation of staff gauge	\$1,097.25
• 5182753 New Electrical Cabinet for TWS Pump	\$2,274.25

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

Macintyre Brook 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	
Annuity Funded																
Operations	51	29	(22)	17	-	(17)	3	-	(3)	11	-	(11)	17	-	(17)	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&E	14	297	283	337	188	(150)	221	-	(221)	259	183	(76)	677	141	(535)	479
Non-routine Total	65	327	262	354	188	(166)	225	-	(225)	271	183	(88)	694	141	(553)	491
Non Annuity Funded	-			-			-			-			-			

R&E – Annuity Funded

The annuity funded R&E projects included:

PROJECT	SPEND 2016
16MAB01 Coolmunda Dam - 5 Yearly Comprehensive Inspection	120766
16MAB10 Coolmunda Dam - Undertake Opportunistic Refurbishment of Spillway Area	33707
16MAB02 Coolmunda Dam - Undertake refurbishment on Crane	24951
16MAB09 Coolmunda Dam - Refurbish Control Weirs (DS Recommendation)	21200
16MAB04 Coolmunda Dam - Undertake a condition assessment and replacement options analysis - All Electrical Assets	17651
16MAB06 Asset Revaluation - IBT - MacIntyre Brook	11595
16MAB08 Macintyre Brook - Replacement River Meters	11024
15MAB02 Coolmunda Dam - Replace Crest Seal - Spillway Gate 6 - (2010 DS Rec 6.3.13a)	8121
16MAB07 Coolmunda Dam - Assessment of Gate Ropes.	7589
15MAB05 Coolmunda Dam - Update EAP - (Legislative Requirement)	4304

Corrective Maintenance

There was no expenditure categorised as “Annuity Funded Corrective Maintenance”.

Other

The “Annuity-funded Other” encompassed the following projects:

PROJECT	SPEND 2016
10MAB03 Coolmunda Dam - Handover of Recreation Facilities	9467
16MAB13 Create Material & Asset Hierarchy Standard & Task Lists - IBT	1996

R&E – Non Annuity

There was no expenditure categorised as “Non Annuity”.

Annuity Balance

The 2016 annuity balance is shown below.

Table 6 – Annuity Balance

Macintyre Brook WS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Annuity						
Opening Balance		(1,915)	(1,870)	(2,110)	(2,182)	(2,350)
Net Spend	See below	(65)	(354)	(171)	(271)	(694)
Annuity Contribution		253	254	258	266	269
Interest		(143)	(140)	(158)	(163)	(176)
SunWater - Closing Balance		(1,870)	(2,110)	(2,182)	(2,350)	(2,951)
QCA - Closing Balance		(1,722)	(1,785)	(1,661)	(1,703)	(1,703)
Difference		(148)	(325)	(521)	(647)	(1,249)
Net Spend Analysis						
Spend	5 & 7	(65)	(354)	(225)	(271)	(694)
Insurance Proceeds Receipts						
• Prior Year		-	-	29	-	-
• Current Year		-	-	24	-	-
Net Spend		(65)	(354)	(171)	(271)	(694)

* 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)**

Macintyre Brook 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	1,153			1,218			1,152			1,166			1,223		
Routine Spend															
Operations															
Labour	122	190	68	98	196	98	83	203	120	113	209	96	121	216	95
Contractors	10	17	7	7	17	10	27	18	(10)	18	18	1	30	18	(11)
Materials	2	6	4	2	6	5	1	7	6	3	7	4	3	7	4
Electricity	2	2	(0)	3	2	(1)	4	2	(2)	3	2	(1)	3	2	(1)
Insurance	133	71	(62)	241	73	(168)	155	74	(81)	140	75	(65)	173	76	(97)
Other	10	17	7	14	18	4	12	18	6	12	18	6	20	19	(1)
Non-directs	263	417	155	207	438	231	180	429	249	265	416	152	254	412	157
	541	720	179	571	750	179	462	750	288	553	746	193	604	750	146
Preventative Maintenance															
Labour	71	59	(12)	80	61	(18)	82	63	(19)	77	65	(12)	48	67	20
Contractors	2	2	(0)	8	2	(7)	14	2	(12)	15	2	(13)	20	2	(18)
Materials	4	3	(1)	12	3	(9)	5	3	(2)	7	3	(4)	4	3	(1)
Other	0	1	1	2	1	(1)	8	1	(7)	9	1	(8)	4	1	(3)
Non-directs	130	125	(5)	141	132	(9)	152	129	(23)	157	125	(32)	84	124	39
	207	190	(17)	243	199	(44)	261	198	(63)	265	196	(68)	160	197	38
Corrective Maintenance															
Labour	3	11	8	4	12	7	2	12	10	3	12	10	12	13	1
Contractors	-	-	-	36	-	(36)	7	-	(7)	30	-	(30)	-	-	-
Materials	1	2	2	1	2	1	2	2	0	0	2	2	2	2	0
Other	-	-	-	-	-	-	-	-	-	0	-	(0)	-	-	-
Non-directs	6	24	17	9	25	16	3	25	21	6	24	18	21	24	3
	10	37	27	51	39	(12)	14	39	25	39	38	(1)	35	39	4
Routine - total	759	948	189	866	988	122	737	987	250	857	980	123	799	986	187
Non-Routine Spend															
Labour	20	33	12	56	22	(34)	37	-	(37)	66	36	(30)	61	24	(37)
Contractors	-	160	160	185	79	(106)	94	-	(94)	29	23	(6)	469	25	(443)
Materials	9	32	23	2	26	24	18	-	(18)	11	28	17	29	25	(4)
Other	2	11	9	3	2	(1)	1	-	(1)	8	13	4	4	14	10
Non-directs	34	90	56	109	59	(50)	74	-	(74)	156	83	(73)	131	53	(78)
Non-Routine - Total	65	327	262	354	188	(166)	225	-	(225)	271	183	(88)	694	141	(553)
Total Regulated Spend	824	1,274	451	1,220	1,175	(45)	962	987	25	1,128	1,163	36	1,493	1,128	(365)
Non Annuity Funded Spend	-			-			-			-			-		
Surplus (Deficit)	330			(1)			191			38			(270)		

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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