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# 2016 Annual Performance Report

## St George 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)

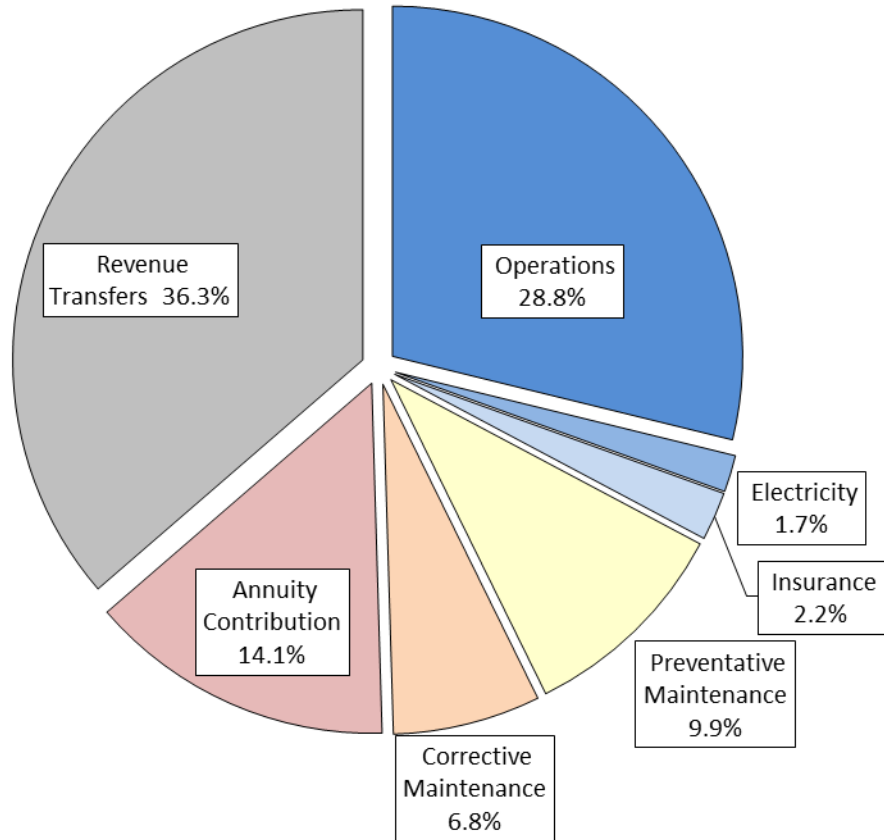
Post: NSP Feedback  
PO Box 15536 City East  
Brisbane QLD 4002

**Table 1 – Operating Revenue Less Spend**

St George IS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Revenue	3	2,336	2,317	2,423	2,295	2,438
Less - Routine Expenditure	4 & 7	1,374	1,226	1,490	1,486	1,581
Less - Non-Routine Expenditure						
• Annuity Funded	5, 6 & 7	311	367	593	516	1,186
• Non Annuity Funded	5	-	-	-	-	-
Surplus (Deficit)		652	724	341	293	(329)

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.

## St George IS



**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
2. Irrigation		50,805	59,227	117	51,141	101	86
5. SunWater		9,701	13,117	135	11,469	118	87
<b>Service Contract Total</b>	<b>62</b>	<b>60,506</b>	<b>72,343</b>	<b>120</b>	<b>62,610</b>	<b>103</b>	<b>87</b>

QCA Assumed Total Water Usage 93.4%

## Revenue

**Table 3 – Revenue**

St George IS		2013	2014	2015	2016	2017
		Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
Irrigation		2,607	2,671	2,891	2,959	3,160
Industrial		18	-	-	-	-
Urban		-	0	-	-	-
Irrigation CSO		497	401	305	203	96
Revenue Transfers		(998)	(966)	(1,005)	(1,091)	(1,051)
Drainage		203	210	217	224	232
Other		8	0	(0)	0	1
Insurance Proceeds - Flood		-	-	15	-	-
Revenue Total		2,336	2,317	2,423	2,295	2,438

\* 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**

St George 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	708	826	119	698	849	151	841	868	27	865	874	9	783	867	84	90
Electricity	73	53	(21)	71	56	(15)	96	60	(36)	51	65	14	70	70	(0)	101
Insurance	73	48	(25)	97	49	(48)	74	50	(24)	67	51	(16)	80	52	(29)	156
Operations Total	854	927	74	866	954	88	1,011	978	(33)	983	990	7	933	988	55	94
Preventative Maintenance	457	344	(113)	279	354	76	263	363	100	298	368	70	370	368	(2)	101
Corrective Maintenance	63	247	184	82	254	172	216	260	44	205	262	57	278	260	(17)	107
Routine Total	1,374	1,518	144	1,226	1,562	336	1,490	1,601	111	1,486	1,620	133	1,581	1,616	35	98

### 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 below the QCA target.

- Insurance costs were above target
- Electricity costs were below 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 below 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>:

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

- 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
    - 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

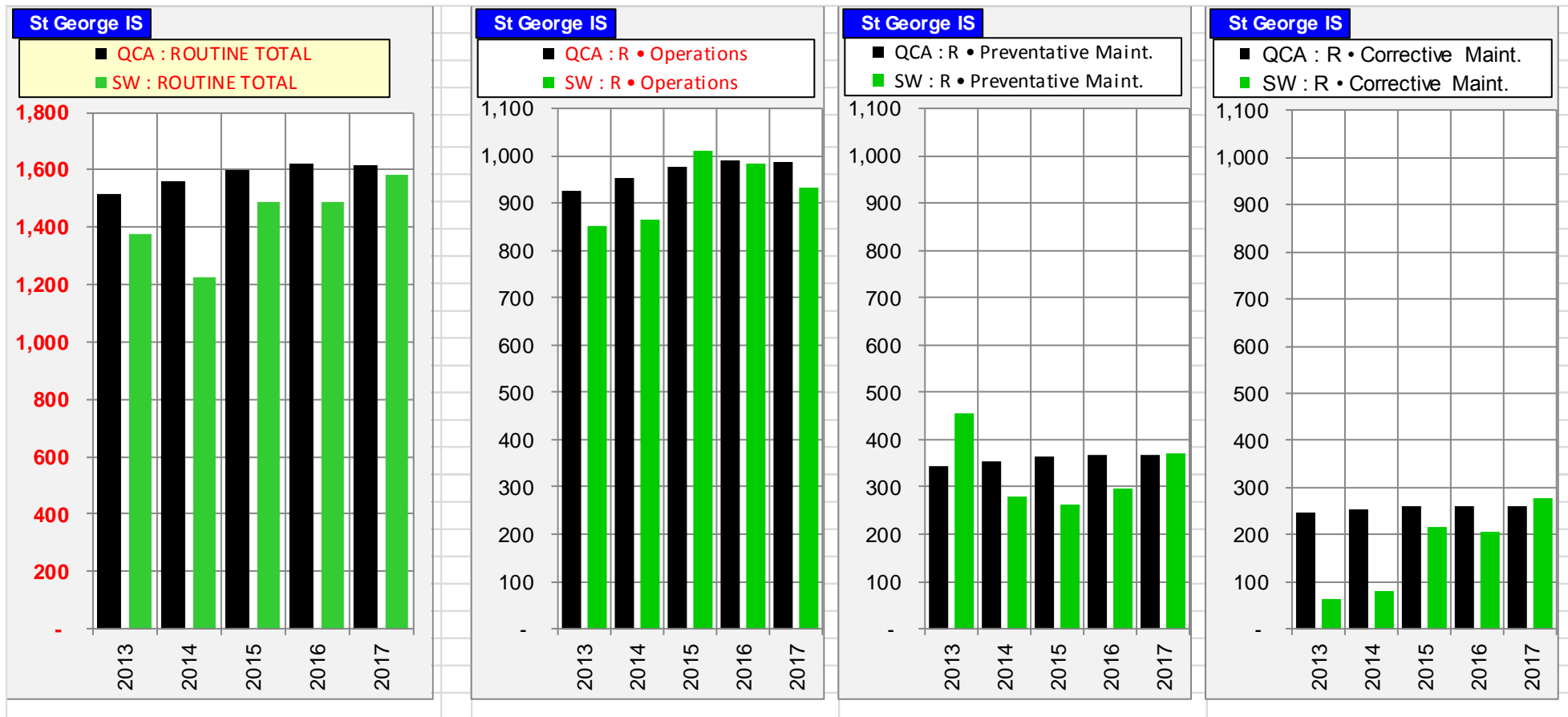
- Repair bulk water meters; and
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
  - Repair or correction 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 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**

St George 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	-	-	-	16	-	(16)	-	-	-	-	-	-	-	-	-	-
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	6	-	(6)	192	-	(192)	190	-	(190)	-	-	-	-	-	-	-
R&E	305	2,005	1,701	160	35	(125)	403	92	(311)	516	214	(302)	1,186	294	(892)	404
<b>Non-routine Total</b>	<b>311</b>	<b>2,005</b>	<b>1,695</b>	<b>367</b>	<b>35</b>	<b>(333)</b>	<b>593</b>	<b>92</b>	<b>(501)</b>	<b>516</b>	<b>214</b>	<b>(302)</b>	<b>1,186</b>	<b>294</b>	<b>(892)</b>	<b>404</b>
<b>Non Annuity Funded</b>	<b>-</b>			<b>-</b>			<b>-</b>			<b>-</b>			<b>-</b>			

### R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

PROJECT	SPEND 2016
16SGA02 Replace Metered Outlets - St George Irrigation Area	158571
16SGA04 Design, Install Transportable SWBD & Controls c/w Generator Tank - Buckinbah PSTN	135077
15SGA13 Replace Access Crossing on TDC at Ch 25063	119864
16SGA01 Construct Safety Fencing - St George Irrigation Area	83163
15SGA09 Install signage & handover bridge (Wippell)	14793
15SGA11 Install transit time flow meter for BBMC	2824
15SGA12 Replace gate controls BBMC AC01	1236

### Corrective Maintenance

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

### Other

There was no expenditure categorised as “Annuity Funded Other”.

### 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**

St George IS		2013	2014	2015	2016	2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000
<b>Annuity</b>						
Opening Balance		(1,506)	(1,528)	(1,605)	(1,881)	(2,113)
Net Spend	See below	(311)	(367)	(562)	(516)	(1,186)
Annuity Contribution		402	405	407	424	422
Interest		(113)	(114)	(120)	(141)	(158)
SunWater - Closing Balance		(1,528)	(1,605)	(1,881)	(2,113)	(3,036)
QCA - Closing Balance		(3,461)	(3,351)	(3,287)	(3,323)	(3,443)
Difference		1,933	1,745	1,406	1,209	407
<b>Net Spend Analysis</b>						
Spend	5 & 7	(311)	(367)	(593)	(516)	(1,186)
Insurance Proceeds Receipts						
• Prior Year		-	-	15	-	-
• Current Year		-	-	15	-	-
Net Spend		(311)	(367)	(562)	(516)	(1,186)

\* 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)**

St George 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	2,336			2,317			2,423			2,295			2,438		
<b>Routine Spend</b>															
<b>Operations</b>															
Labour	228	290	61	201	299	98	304	309	5	300	319	19	268	329	61
Contractors	2	4	2	32	4	(28)	5	4	(1)	6	5	(1)	8	5	(3)
Materials	92	19	(72)	104	20	(84)	3	21	18	12	21	10	50	22	(28)
Electricity	73	53	(21)	71	56	(15)	96	60	(36)	51	65	14	70	70	(0)
Insurance	73	48	(25)	97	49	(48)	74	50	(24)	67	51	(16)	80	52	(29)
Other	4	39	35	19	41	22	19	42	23	40	43	3	19	44	25
Non-directs	382	474	92	341	485	144	510	492	(18)	508	487	(22)	438	468	30
	854	927	74	866	954	88	1,011	978	(33)	983	990	7	933	988	55
<b>Preventative Maintenance</b>															
Labour	136	91	(45)	82	94	12	59	97	38	79	100	22	105	104	(1)
Contractors	65	89	24	25	92	67	63	95	32	46	98	52	59	100	41
Materials	26	6	(20)	31	6	(24)	15	7	(8)	19	7	(13)	15	7	(8)
Other	0	10	10	4	11	6	21	11	(10)	20	11	(8)	18	11	(7)
Non-directs	230	147	(83)	136	151	15	105	153	48	135	151	17	173	146	(27)
	457	344	(113)	279	354	76	263	363	100	298	368	70	370	368	(2)
<b>Corrective Maintenance</b>															
Labour	20	84	64	23	87	64	40	90	50	49	92	44	74	95	21
Contractors	1	13	12	6	14	8	74	14	(60)	32	15	(17)	75	15	(60)
Materials	9	7	(1)	15	7	(8)	13	8	(5)	3	8	5	3	8	5
Other	0	10	10	0	11	11	18	11	(7)	36	11	(24)	3	11	8
Non-directs	33	132	99	38	136	98	72	138	66	86	136	50	123	130	8
	63	247	184	82	254	172	216	260	44	205	262	57	278	260	(17)
<b>Routine - total</b>	<b>1,374</b>	<b>1,518</b>	<b>144</b>	<b>1,226</b>	<b>1,562</b>	<b>336</b>	<b>1,490</b>	<b>1,601</b>	<b>111</b>	<b>1,486</b>	<b>1,620</b>	<b>133</b>	<b>1,581</b>	<b>1,616</b>	<b>35</b>
<b>Non-Routine Spend</b>															
Labour	35	258	223	39	6	(33)	57	12	(45)	44	38	(6)	31	41	10
Contractors	157	846	688	217	7	(210)	390	12	(377)	263	41	(222)	159	44	(115)
Materials	9	768	759	3	7	4	36	36	(0)	61	41	(20)	780	94	(686)
Other	39	37	(2)	37	4	(34)	(7)	7	14	54	23	(31)	113	40	(73)
Non-directs	70	96	26	72	12	(60)	117	25	(92)	93	70	(23)	103	74	(28)
<b>Non-Routine - Total</b>	<b>311</b>	<b>2,005</b>	<b>1,695</b>	<b>367</b>	<b>35</b>	<b>(333)</b>	<b>593</b>	<b>92</b>	<b>(501)</b>	<b>516</b>	<b>214</b>	<b>(302)</b>	<b>1,186</b>	<b>294</b>	<b>(892)</b>
<b>Total Regulated Spend</b>	<b>1,685</b>	<b>3,523</b>	<b>1,839</b>	<b>1,593</b>	<b>1,597</b>	<b>4</b>	<b>2,083</b>	<b>1,693</b>	<b>(390)</b>	<b>2,002</b>	<b>1,833</b>	<b>(169)</b>	<b>2,767</b>	<b>1,910</b>	<b>(857)</b>
<b>Non Annuity Funded Spend</b>	-			-			-			-			-		
<b>Surplus (Deficit)</b>	<b>652</b>			<b>724</b>			<b>341</b>			<b>293</b>			<b>(329)</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 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

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.