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2015 Annual Performance Report

Barker Barambah Bulk

October 2015

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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 has 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 2016 forecast data is also provided and compared with QCA targets. The forecast numbers reflect a minor realignment of SunWater, which occurred after the 2016 budget was finalised, and vary from the Final 2016 NSPs published in June 2015. The variations are attributed to non-direct cost allocations.

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

Financial Summary

Table 1 – Operating Revenue Less Spend

	Table reference	2013	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Operating Revenue	3	900	1,005	1,208	999
Less - Routine Expenditure	4 & 7	676	861	869	925
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	120	615	176	160
• Not Annuity Funded	5	-	5	8	-
Surplus (Deficit)		103	(477)	155	(86)

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.

Water Usage

Table 2 – 2015 Water Usage

	No. of Customers	Water Entitlements	Available Water	Available Water	Water Deliveries	Water Deliveries	Water Deliveries
		ML	ML	%	ML	% of Entitlement	% of Available
Industrial		60	60		0		
Irrigation		31,361	33,461	107%	16,881	54%	50%
Urban		2,100	2,000		553		
SunWater		794	259		0		
Total	175	34,315	35,780	104%	17,435	51%	49%

QCA Assumed Water Usage for Irrigation 37.9%
 QCA Assumed Water Usage for Total 55.1%

Irrigation water usage is higher than the QCA assumed figure, but reflective of the generally drier conditions in the scheme for the water year. Total water use is lower than the QCA assumed figure but this is reasonable given the low urban use for the year.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	566	807	799	822
Industrial	105	26	27	-
Urban	219	164	188	169
Irrigation CSO	1	-	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	8	8	9	8
Insurance Proceeds - Flood	-	-	186	-
	900	1,005	1,208	999

Routine Expenditure

Table 4 – Routine Operating Expenditure

	2013				2014				2015				2016			
	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Forecast \$000	QCA Target \$000	Variance \$000	% of target
Operations - Other	446	498	52	90	476	519	43	92	521	520	(0)	100	539	475	(63)	113
Operations - Electricity	10	16	6	62	28	17	(10)	159	27	18	(8)	144	13	20	7	63
Operations - Insurance	152	82	(71)	187	275	83	(192)	332	212	84	(128)	251	217	86	(131)	253
	608	596	(12)	102	778	619	(160)	126	759	623	(136)	122	768	581	(187)	132
Preventative Maintenance	46	111	65	41	49	116	66	43	90	116	26	78	104	115	11	90
Corrective Maintenance	22	51	29	43	34	53	20	63	20	53	34	37	53	53	1	99
Routine Total	676	758	82	89	861	788	(74)	109	869	793	(76)	110	925	750	(176)	123

Operations

Operations 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.

The operations expenditure in 2015 was \$136k (22%) above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$128k higher than target;
- Electricity costs were \$8k above the QCA target in 2015 which is due to electricity price increases being higher than the increases allowed for by the QCA, also, Barker Barambah electricity costs can vary significantly from year-to-year.

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 their 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

¹ Activities listed will not apply to all service contracts.

- 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 for 2015 was \$26k (22%) below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- The maintenance plan for this scheme was under review in 2014/15 and a number of maintenance activities were rescheduled resulting in an under-spend in this year’s budget.
- The outlet works at Bjelke Petersen was still under repair for a part of this year and no maintenance was undertaken during this period.

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:
 - 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;

² Activities listed will not apply to all service contracts.

- 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
 - Responses to theft or vandalism associated with scheme assets.

Corrective maintenance was \$34k (63%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- No breakdowns occurred on the outlet works equipment at Bjelke Petersen during the period it was under repair; and
- Less breakdowns than forecast occurred across the scheme in general this year.

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.

Overall, the 2013-17 non-routine spend will exceed the five-year QCA target. There has been significant corrective works in this service contract to repair flood damage; corrective works are unplanned and were not allowed for in the QCA's targets.

Table 5 – Non-Routine Expenditure

	2013				2014				2015				2016			
	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Actual \$000	QCA Target \$000	Variance \$000	% of target	SW Forecast \$000	QCA Target \$000	Variance \$000	% of target
Annuity Funded																
R&E	41	38	(2)	106	131	169	37	78	51	6	(45)	865	53	27	(26)	196
Corrective Maintenance	64	-	(64)	-	482	-	(482)	-	121	-	(121)	-	-	-	-	-
Other	15	-	(15)	-	2	-	(2)	-	5	-	(5)	-	107	-	(107)	-
	120	38	(82)	313	615	169	(447)	365	176	6	(170)	3,016	160	27	(133)	588
Non Annuity Funded	-				5				8				-			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$51k, which was \$45k over QCA's target. Projects undertaken included:

- Reform Access Road to Valve House - Bjelke Petersen Dam (2008 Dam Safety Rec 8.2a): This project was to reform the access road to the valve house at Bjelke-Petersen Dam. Over the years, the road had deteriorated and road surface was lost in places with potholes and ruts forming. This was considered a moderate risk due to the inability to access the outlet works. Works were undertaken to repair the road surface where required and clean out the table drains and culverts adjacent to the road. The road furniture (corner posts and reflectors) was also replaced where required as part of the project.
- Update Emergency Action Plan - Bjelke-Petersen Dam: This is a statutory requirement.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$121k, which was not budgeted for. Projects undertaken included:

- FD01 (2013) Flood Damage Spillway Approach Channel Bjelke Petersen Dam: This project was for the Post Flood repairs at Bjelke-Petersen Dam. Scour of the right training wall base, adjacent to the concrete footings and also below the crest on the right side were found. This zone is where velocities are highest as found during the modelling of the new right training wall.

This project was to refurbish the scoured zones, where they were shaped and concrete filled to prevent further future scouring. Repairs consisted of some 175m³ of concrete placed in 6 meter sections.

Other

The annuity funded Operations spend in 2015 was \$5k, which was not budgeted for.

R&E – Non Annuity

The Non-annuity funded R&E direct spend was \$8k. Projects undertaken included:

- Install New Meter @ Lot15 FY1996: This is a customer-funded new metered river offtake. The project includes design and supply of a new AS4747 compliant meter which is installed by the customer. Upon completion of the installation by the customer, certification by an approved certifier is provided to SunWater.
- Install New Meter @ Lot 83 FY1775 BBA: This is a customer-funded new metered river offtake. The project includes design and supply of a new AS4747 compliant meter which is installed by the customer. Upon completion of the installation by the customer, certification by an approved certifier is provided to SunWater.

Annuity Balance

The 2015 annuity balance is shown below.

Table 6 – Annuity Balance

		2013	2014	2015	2016
	Table reference	Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Annuity					
Opening Balance		(1,270)	(1,254)	(1,734)	(1,528)
Net Spend	See below	(120)	(615)	98	(160)
Annuity Income		231	230	238	240
Interest		(95)	(94)	(130)	(114)
SunWater - Closing Balance		(1,254)	(1,734)	(1,528)	(1,562)
QCA - Closing Balance		(1,069)	(1,088)	(937)	(794)
Difference		(185)	(646)	(591)	(768)
Net Spend Analysis:-					
Spend	5 & 7	(120)	(615)	(176)	(160)
Insurance Proceeds Receipts					
• Prior Year		-	-	88	-
• Current Year		-	-	186	-
Net Spend		(120)	(615)	98	(160)

* 2016 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)

	2013			2014			2015			2016		
	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 Forecast \$000	QCA Target \$000	Variance \$000
Operating Revenue	900			1,005			1,208			999		
Routine Spend												
Operations												
Labour	128	133	5	138	137	(1)	145	142	(4)	133	146	13
Contractors	18	42	24	13	43	30	33	45	12	14	6	(8)
Materials	1	3	2	3	3	1	1	3	3	6	3	(3)
Electricity	10	16	6	28	17	(10)	27	18	(8)	13	20	7
Insurance	152	82	(71)	275	83	(192)	212	84	(128)	217	86	(131)
Other	48	38	(10)	61	39	(22)	59	39	(19)	50	40	(10)
Non-directs	251	282	31	261	296	35	283	291	8	337	280	(56)
	608	596	(12)	778	619	(160)	759	623	(136)	768	581	(187)
Preventative Maintenance												
Labour	16	34	18	16	35	19	30	36	6	26	38	12
Contractors	0	2	2	1	2	1	2	2	0	15	2	(13)
Materials	1	4	3	1	4	3	1	4	3	-	5	5
Other	0	2	2	3	2	(1)	1	2	0	1	2	1
Non-directs	29	69	40	28	72	44	56	71	16	63	69	6
	46	111	65	49	116	66	90	116	26	104	115	11
Corrective Maintenance												
Labour	6	14	7	9	14	5	4	14	10	13	15	2
Contractors	1	3	2	-	3	3	1	3	2	2	3	1
Materials	2	5	3	8	5	(3)	5	5	0	5	6	1
Other	-	2	2	0	2	2	1	2	1	2	2	0
Non-directs	13	28	15	16	29	13	8	29	20	31	28	(4)
	22	51	29	34	53	20	20	53	34	53	53	1
Routine - total	676	758	82	861	788	(74)	869	793	(76)	925	750	(176)
Non-Routine Spend												
Labour	28	6	(22)	41	22	(19)	64	1	(63)	20	5	(15)
Contractors	21	7	(15)	467	53	(414)	(17)	1	18	67	5	(62)
Materials	18	7	(12)	0	24	23	0	1	1	20	5	(15)
Other	1	4	3	6	11	5	12	1	(12)	-	3	3
Non-directs	51	15	(36)	100	59	(42)	116	2	(114)	53	10	(43)
Non-Routine - Total	120	38	(82)	615	169	(447)	176	6	(170)	160	27	(133)
Total Regulated Spend	796	797	0	1,476	956	(520)	1,045	798	(247)	1,085	777	(309)
Non Annuity Funded Spend	-			5			8			-		
Surplus (Deficit)	103			(477)			155			(86)		

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	1.0510	1.0770	1.1040	1.1310	1.1600
Accumulative March Quarter CPI	1.0494	1.0714	1.1050	1.1208	-

Disclaimer

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