

SunWater Limited
Level 10, 179 Turbot Street
PO Box 15536 City East
Brisbane Queensland 4002
www.sunwater.com.au
ACN 131 034 985



2015 Annual Performance Report

Bowen Broken Bulk

October 2015

Table of Contents

Introduction	3
Financial Summary	4
Water Usage	4
Revenue	5
Routine Expenditure	6
Operations	6
Preventive Maintenance	6
Corrective Maintenance	7
Non-Routine Expenditure	9
R&E – Annuity Funded	9
Corrective Maintenance	10
Other	10
R&E – Non Annuity	10
Annuity Balance	10
Appendix – Total Expenditure by Expense Type	11
Notes.....	12

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	5,085	5,464	5,805	7,308
Less - Routine Expenditure	4 & 7	1,258	1,179	1,093	1,208
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	106	184	355	200
• Not Annuity Funded	5	(0)	155	449	1,387
Surplus (Deficit)	7	3,722	3,946	3,907	4,513

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		30,299	30,299		14,183		
Irrigation		5,676	5,651	100%	1,366	24%	24%
Urban		1,785	1,785		869		
Other		290	400		271		
SunWater		879	794		204		
Total	51	38,929	38,929	100%	16,894	43%	43%

QCA Assumed Water Usage for Irrigation 11.7%

QCA Assumed Water Usage for Total 43.1%

Due to drier than expected conditions in 2015, irrigation usage was above the QCA estimate.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	65	67	72	80
Industrial	4,874	4,910	5,172	5,040
Urban	-	-	-	-
Irrigation CSO	-	-	-	-
Revenue Transfers	148	472	478	789
Drainage	-	-	-	-
Other	(1)	16	9	1,399
Insurance Proceeds - Flood	-	-	74	-
	5,085	5,464	5,805	7,308

* 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) – i.e. the Collinsville pipeline. 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.

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	733	460	(273)	159	634	479	(155)	132	580	482	(98)	120	621	479	(142)	130
Operations - Electricity	136	116	(19)	117	109	125	16	87	177	133	(43)	133	80	144	64	56
Operations - Insurance	95	48	(47)	199	173	49	(125)	357	119	49	(70)	242	119	50	(69)	237
Preventative Maintenance	964	625	(339)	154	916	652	(264)	141	876	665	(212)	132	820	674	(147)	122
Corrective Maintenance	103	196	93	53	140	204	63	69	165	205	40	80	239	205	(34)	117
	191	214	23	89	123	222	99	55	52	226	174	23	148	228	80	65
Routine Total	1,258	1,034	(224)	122	1,179	1,077	(101)	109	1,093	1,096	2	100	1,208	1,107	(101)	109

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.

The operations expenditure in 2015 was \$916k (41%) above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$125k higher than target;
- Electricity costs were \$43k (33%) above the QCA target in 2015. Electricity usage in Bowen Broken varies from year-to-year depending heavily on the amount of pumping to Gattonvale off-stream storage; and
- Surveillance and water delivery activities utilised labour, which was forecasted for corrective maintenance.

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

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 \$63k (31%) below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Labour utilised for R&E work through scheme negated some Preventative costs.

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;
 - De-silt intake structures;
 - Repair concrete structure; and
 - Repair control building.

² Activities listed will not apply to all service contracts.

- 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 \$174k (77%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Non-Routine work removed the need for some corrective tasks leading to a lower than budgeted spend in this area; and
- Higher focus on Operational surveillance to ensure public safety and asset integrity lowered corrective costs.

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.

However, SunWater expects that the 2013-17 spend for non-routine can be controlled to meet the five-year QCA target within the framework of SunWater's Reliability Centred Maintenance (RCM) approach and risk based prioritisation.

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	107	155	48	69	184	170	(14)	108	355	250	(105)	142	200	227	27	88
Corrective Maintenance	(1)	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	16	16	-	-	-	-	-
	<u>106</u>	<u>155</u>	<u>49</u>	<u>68</u>	<u>184</u>	<u>170</u>	<u>(14)</u>	<u>108</u>	<u>355</u>	<u>266</u>	<u>(89)</u>	<u>133</u>	<u>200</u>	<u>227</u>	<u>27</u>	<u>88</u>
Non Annuity Funded	<u>(0)</u>				<u>155</u>				<u>449</u>				<u>1,387</u>			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$300k, which was \$105k over QCA's target. Projects undertaken included:

- 5-Yearly Dam Safety Inspection, Eungella Dam: This is a statutory requirement. The five-yearly inspection includes full function testing of gates and valves, internal inspection of conduits, involving confined space entry and dam components, and an Emergency Action Plan exercise.
- Carry out option analysis for sediment removal - Gattonvale Pump Station: The GOSS pump station fills up with sediment during flooding and removal of sediment by conventional means is a major job after each flood event. This project addresses to carry out options study to explore various alternatives.
- Refurbish Eungella Dam Tailwater Gauging Station Access: The access road to Eungella Dam had potholes causing WH&S concerns and the project was implemented to repair them.
- Replace Electrical Components - Eungella Dam: As the cables and electrical components had deteriorated and not to AS standard, this project addressed electrical safety issues.
- Refurbish L&R Penstock Gates, Frames & Actuators - Bowen River Weir Bypass: As penstocks were jammed with debris, and gates were not operating smoothly, this project was implemented in order to meet downstream release requirements.
- Inspection (5 Yearly) Comprehensive, Gattonvale Offstream Storage and BRW: The five-yearly downstream inspection includ-

ed diving inspections of inlets, embankments, and emergency overflow structure.

- Install Bulkhead Gate - GOSS Pump Station Inlet Structure (Design & Fabricate 2010): As there were obstructions to installing the bulkhead gate, the guides & structure were redesigned to fit, and the pump station sump was also cleaned.

Corrective Maintenance

There was no annuity funded Corrective Maintenance spend in 2015.

Other

There was no annuity funded Operations spend in 2015, despite a 16k QCA target.

R&E – Non Annuity

The Non-annuity funded R&E direct spend was \$449k. Projects undertaken included:

- Eungella Dam Safety Upgrade: The Regulator (DEWS) issued the Guidelines on Acceptable Flood Capacity for Water Dams in January 2013. Under the schedule for dam safety upgrades, Eungella Dam falls into the Tranche 1 category which is given the highest priority for upgrade. A Tranche 1 dam requires a minimum flood discharge capacity of 25% of Acceptable Flood Capacity (AFC) or with a least 1:2000 AEP for erodible dam embankments (whichever is the biggest) by 1 October 2015. To address the urgency associated with the Eungella Dam safety upgrade and the limited time until the regulatory deadline, it was proposed that the initial preliminary investigation and design commence and be undertaken concurrently with the drafting of the business case which has been completed. The proposed upgrade should involve the following:
 - (1) Construction of a reinforced concrete wall 1.86 m high on the dam embankment crest;
 - (2) Raising of the spillway walls and spillway bridge piers; and
 - (3) Installations of passive anchors in the spillway crest structure.

Annuity Balance

The 2015 annuity balance is shown below.

Table 6 – Annuity Balance

	Table reference	2013	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Annuity					
Opening Balance	See below	(2,722)	(2,708)	(2,770)	(2,870)
Net Spend		(106)	(184)	(229)	(200)
Annuity Income		324	326	337	436
Interest		(204)	(203)	(207)	(215)
SunWater - Closing Balance		(2,708)	(2,770)	(2,870)	(2,848)
QCA - Closing Balance		(1,962)	(1,953)	(2,029)	(1,972)
Difference		(747)	(816)	(840)	(876)
Net Spend Analysis:-					
Spend	5 & 7	(106)	(184)	(355)	(200)
Insurance Proceeds Receipts					
• Prior Year		-	-	52	-
• Current Year		-	-	74	-
Net Spend		(106)	(184)	(229)	(200)

* 2016 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)**

	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	5,085			5,464			5,805			7,308		
Routine Spend												
Operations												
Labour	218	122	(96)	147	126	(21)	134	130	(4)	130	135	5
Contractors	65	30	(35)	109	31	(78)	116	32	(84)	72	33	(39)
Materials	17	6	(11)	57	6	(51)	13	7	(7)	10	7	(3)
Electricity	136	116	(19)	109	125	16	177	133	(43)	80	144	64
Insurance	95	48	(47)	173	49	(125)	119	49	(70)	119	50	(69)
Other	21	41	20	42	42	1	53	43	(11)	80	44	(36)
Non-directs	412	261	(152)	279	273	(6)	263	271	7	329	262	(68)
	964	625	(339)	916	652	(264)	876	665	(212)	820	674	(147)
Preventative Maintenance												
Labour	29	51	23	33	53	20	33	55	22	48	56	8
Contractors	16	31	15	37	32	(6)	64	33	(31)	60	34	(26)
Materials	4	6	2	7	6	(1)	1	6	5	3	6	3
Other	0	3	3	0	3	3	4	3	(0)	8	3	(5)
Non-directs	54	105	51	62	110	48	64	108	44	120	105	(15)
	103	196	93	140	204	63	165	205	40	239	205	(34)
Corrective Maintenance												
Labour	37	34	(3)	25	35	10	4	36	32	8	37	29
Contractors	55	84	29	18	87	69	34	90	55	85	92	7
Materials	26	17	(8)	27	18	(9)	3	19	16	12	19	7
Other	1	5	5	3	5	2	2	5	4	18	6	(12)
Non-directs	72	74	1	49	77	28	10	76	67	25	74	49
	191	214	23	123	222	99	52	226	174	148	228	80
Routine - total	1,258	1,034	(224)	1,179	1,077	(101)	1,093	1,096	2	1,208	1,107	(101)
Non-Routine Spend												
Labour	6	26	21	57	29	(28)	80	60	(20)	23	38	15
Contractors	28	29	1	30	32	2	112	33	(79)	103	41	(62)
Materials	17	29	12	-	32	32	-	33	33	4	41	37
Other	39	16	(24)	2	17	15	7	18	11	9	22	13
Non-directs	16	54	38	96	61	(35)	156	122	(34)	61	85	24
Non-Routine - Total	106	155	49	184	170	(14)	355	266	(89)	200	227	27
Total Regulated Spend	1,364	1,189	(175)	1,363	1,248	(115)	1,449	1,362	(87)	1,408	1,334	(74)
Non Annuity Funded Spend	(0)			155			449			1,387		
Surplus (Deficit)	3,722			3,946			3,907			4,513		

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

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.