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2015 Annual Performance Report

Boyne 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	1,101	1,790	3,213	1,597
Less - Routine Expenditure	4 & 7	1,107	159	644	499
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	1,938	1,676	3,425	1,212
• Not Annuity Funded	5	-	-	3	-
Surplus (Deficit)	7	(1,944)	(44)	(859)	(114)

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	166	30,453	30,453		17,695		
Irrigation		9,142	9,142	100%	3,886	43%	43%
Urban		1,825	2,755		1,632		
Other		480	480		147		
SunWater		1,625	1,625		1,239		
Total		43,525	44,455	102%	24,599	57%	55%

QCA Assumed Water Usage for Irrigation 48.9%
 QCA Assumed Water Usage for Total 53.9%

Irrigation water use is consistent with expectations although lower than the QCA assumed figure. Total water use is slightly higher than the QCA assumed figure, but reasonable given the demand trend for industrial (Tarong Pipeline) and urban water.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	359	374	408	245
Industrial	27	13	15	13
Urban	52	53	54	54
Irrigation CSO	-	-	-	-
Revenue Transfers	661	1,351	2,377	1,283
Drainage	-	-	-	-
Other	2	-	4	2
Insurance Proceeds - Flood	-	-	355	-
	1,101	1,790	3,213	1,597

* 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. In this case the revenue transfer are from the Tarong Pipeline.

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	929	214	(715)	434	(77)	224	301	(34)	454	223	(230)	203	187	222	35	84
Operations - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operations - Insurance	136	55	(81)	247	198	56	(142)	354	121	57	(64)	213	145	58	(88)	252
	1,065	269	(796)	396	121	280	159	43	574	280	(294)	205	332	279	(53)	119
Preventative Maintenance	30	94	65	31	38	98	60	39	64	99	34	65	103	98	(6)	106
Corrective Maintenance	12	24	12	51	-	25	25	-	5	26	20	21	64	26	(38)	249
Routine Total	1,107	388	(719)	285	159	404	245	39	644	404	(240)	159	499	403	(97)	124

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 \$294k (105%) over the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$64k higher than target;
- No electricity costs for this service contract in 2015; and
- Legal costs for the Boondooma spillway repair were significant, but the contribution from insurance proceeds is still pending.

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 \$34k (35%) 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; and
- The outlet works control system was still under repair for a portion of this reporting period, resulting in less routine maintenance being needed.

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
 - Response to theft or vandalism associated with scheme assets.

Corrective maintenance was \$20k (79%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- The outlet works were under repair during most of the 2015 year and hence no breakdowns or repairs were required at Boondooma Dam during this period; and
- There was less corrective maintenance undertaken in the scheme than forecast.

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 2014; 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	30	28	(3)	110	171	185	14	92	31	112	81	27	59	9	(50)	664
Corrective Maintenance	1,888	-	(1,888)	-	1,506	-	(1,506)	-	3,395	-	(3,395)	-	1,153	-	(1,153)	-
Other	20	-	(20)	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,938	28	(1,910)	7,013	1,676	185	(1,492)	907	3,425	112	(3,313)	3,060	1,212	9	(1,203)	13,644
Non Annuity Funded	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-

R&E – Annuity Funded

The annuity funded R&E direct spend was \$31k. Projects undertaken included:

- Install New Winch System for Removing Secondary Bulkhead Gate (including redesign): As the old winch had failed a new one needed to be installed. It is required for the installation of the secondary bulkhead gate that allows the main conduit to be dewatered and refilled for maintenance and legislated inspection purposes.
- Update Emergency Action Plan - Boondooma Dam: This is a statutory requirement

Corrective Maintenance

The annuity funded corrective maintenance spend was \$3,395, which was not budgeted for. Projects included:

- FD01 (2011) - Boondooma Dam Spillway Repairs (Geotechnical report 2012, conceptual designs 2013, & preliminary designs 2014): This project was to investigate the damage to the Boondooma Dam Spillway and undertake repairs from flood damage during the January 2011 Flood event. To date the project has produced a Geotechnical Report that is currently in the review process, physical model and report that is with an RPEQ engineer for review. The final design is expected to be completed in early October and presented to the SunWater Board in November 2015.

Other

There was no expenditure categorised as “Annuity-funded Other” in 2015.

R&E – Non Annuity

The Non-Annuity funded R&E spend for in 2015 was \$3k. This included the following project:

- Install new customer meter @ Lot 3/SP158581 - Boyne River: 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		(170)	(2,108)	(3,929)	(6,924)
Net Spend	See below	(1,938)	(1,676)	(2,717)	(1,212)
Annuity Income		13	13	17	17
Interest		(13)	(158)	(294)	(519)
SunWater - Closing Balance		(2,108)	(3,929)	(6,924)	(8,637)
QCA - Closing Balance		1,140	1,053	1,037	1,123
Difference		(3,248)	(4,983)	(7,961)	(9,760)
Net Spend Analysis:-					
Spend	5 & 7	(1,938)	(1,676)	(3,425)	(1,212)
Insurance Proceeds Receipts					
• Prior Year		-	-	353	-
• Current Year		-	-	355	-
Net Spend		(1,938)	(1,676)	(2,717)	(1,212)

* 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	1,101			1,790			3,213			1,597		
Routine Spend												
Operations												
Labour	118	62	(56)	77	64	(13)	82	66	(16)	41	68	27
Contractors	3	3	(0)	211	3	(208)	(83)	3	87	22	3	(18)
Materials	3	2	(1)	3	2	(1)	2	2	1	-	2	2
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	136	55	(81)	198	56	(142)	121	57	(64)	145	58	(88)
Other	557	11	(546)	(504)	11	515	286	11	(274)	15	12	(3)
Non-directs	249	136	(112)	135	144	8	168	141	(27)	109	136	27
	1,065	269	(796)	121	280	159	574	280	(294)	332	279	(53)
Preventative Maintenance												
Labour	10	29	18	13	29	16	22	30	9	17	31	15
Contractors	-	1	1	-	1	1	2	1	(1)	43	1	(42)
Materials	1	3	2	0	3	3	0	3	3	1	3	3
Other	0	2	2	1	2	1	0	2	2	-	3	3
Non-directs	18	60	42	23	62	40	40	62	21	43	59	17
	30	94	65	38	98	60	64	99	34	103	98	(6)
Corrective Maintenance												
Labour	3	5	2	-	6	6	1	6	5	18	6	(12)
Contractors	2	1	(1)	-	1	1	1	1	0	3	1	(2)
Materials	1	5	4	-	5	5	-	5	5	-	5	5
Other	-	1	1	-	1	1	2	1	(1)	-	1	1
Non-directs	6	12	5	-	12	12	2	12	11	43	12	(31)
	12	24	12	-	25	25	5	26	20	64	26	(38)
Routine - total	1,107	388	(719)	159	404	245	644	404	(240)	499	403	(97)
Non-Routine Spend												
Labour	466	5	(461)	328	27	(301)	704	3	(701)	46	1	(45)
Contractors	315	-	(315)	437	34	(403)	952	-	(952)	1,003	2	(1,002)
Materials	30	9	(21)	104	28	(76)	12	94	82	-	2	2
Other	161	1	(160)	192	26	(166)	386	2	(385)	-	1	1
Non-directs	966	13	(953)	616	70	(546)	1,370	13	(1,356)	162	3	(159)
Non-Routine - Total	1,938	28	(1,910)	1,676	185	(1,492)	3,425	112	(3,313)	1,212	9	(1,203)
Total Regulated Spend	3,045	416	(2,629)	1,835	588	(1,247)	4,069	516	(3,553)	1,711	411	(1,300)
Non Annuity Funded Spend	-			-			3			-		
Surplus (Deficit)	(1,944)			(44)			(859)			(114)		

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

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