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# 2015 Annual Performance Report

## Burdekin 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's internal structure, 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](mailto: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	6,124	4,009	4,405	4,387
Less - Routine Expenditure	4 & 7	2,705	3,149	2,515	3,814
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	605	397	696	643
• Not Annuity Funded	5	525	4	-	-
Surplus (Deficit)	7	2,290	459	1,194	(70)

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 smoothing impact of 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		20,220	20,722		954		
Irrigation		635,610	763,277	120%	665,359	105%	87%
Urban		10,533	10,541		1,088		
Other		8	67		59		
SunWater		413,220	377,310		134,449		
Total	425	1,079,592	1,171,917	109%	801,910	74%	68%

QCA Assumed Water Usage for Irrigation 80.6%  
 QCA Assumed Water Usage for Total 55.8%

Due to drier than expected weather conditions, irrigation usage was above QCA target.

**Table 3 – Revenue**

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	1,459	1,315	1,507	1,401
Industrial	3	6	6	6
Urban	19	77	-	84
Irrigation CSO	-	-	-	-
Revenue Transfers	4,592	2,548	2,799	2,845
Drainage	-	-	-	-
Other	51	65	79	51
Insurance Proceeds - Flood	-	-	14	-
	<b>6,124</b>	<b>4,009</b>	<b>4,405</b>	<b>4,387</b>

\* 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. The above table also includes revenue transfers from the Burdekin Moranbah 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	1,443	2,285	841	63	1,473	2,385	912	62	1,010	2,382	1,372	42	2,102	2,357	255	89
Operations - Electricity	89	96	6	93	100	102	2	98	122	109	(12)	111	129	118	(11)	109
Operations - Insurance	592	295	(297)	201	1,005	300	(705)	335	677	305	(372)	222	692	310	(381)	223
	2,125	2,675	550	79	2,578	2,787	209	93	1,809	2,796	987	65	2,922	2,785	(137)	105
Preventative Maintenance	242	357	114	68	245	373	128	66	505	373	(132)	135	575	371	(204)	155
Corrective Maintenance	338	223	(115)	152	326	232	(94)	140	201	234	32	86	317	234	(84)	136
Routine Total	2,705	3,254	549	83	3,149	3,392	243	93	2,515	3,403	888	74	3,814	3,389	(425)	113

### 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.

The operations expenditure in 2015 was \$987k (35%), below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$372k higher than target;
- Electricity costs were \$12k (11%) above the QCA target in 2015;
- Labour utilised in corrective maintenance activities; and
- Flood operations were minimal during the wet season.

### 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

<sup>1</sup> 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 \$132k (35%) above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Due to minimal flood events ongoing preventative maintenance was able to be continued.

## 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>:

- 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.

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<sup>2</sup> 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 \$32k (14%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Higher preventative maintenance reduced 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. In addition, there have been unexpected events, such as floods, that were not allowed for in the QCA's annuity funding allowance. Notwithstanding these points, 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
<b>Annuity Funded</b>																
R&E	582	421	(161)	138	387	234	(152)	165	696	218	(479)	320	643	290	(353)	222
Corrective Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	23	-	(23)	-	11	-	(11)	-	-	29	29	-	-	-	-	-
	<u>605</u>	<u>421</u>	<u>(184)</u>	<u>144</u>	<u>397</u>	<u>234</u>	<u>(163)</u>	<u>170</u>	<u>696</u>	<u>247</u>	<u>(449)</u>	<u>282</u>	<u>643</u>	<u>290</u>	<u>(353)</u>	<u>222</u>
<b>Non Annuity Funded</b>	<u>525</u>				<u>4</u>				<u>-</u>				<u>-</u>			

### R&E – Annuity Funded

The annuity funded R&E direct spend was \$696k. Projects undertaken included:

- Clare weir - Refurbish Hydraulic System and associated equipment and CCTV Installation: \$284k was spent in 2015 to install and commission remote weir monitoring CCTV cameras and associated equipment. It was anticipated that seven hydraulic cylinders would be replaced during the annual two week shutdown period, however four new hydraulic cylinders were manufactured and three were refurbished.
- Burdekin Falls Dam - Repair and Replace Utility Poles: A full below-ground pole inspection of the Burdekin Falls Dam power poles was conducted in November 2014 by Judge Bros Electrical Contractors, which prepared a pole inspection report for high voltage feeder lines to Burdekin Falls Dam. \$124k was spent to proceed with all urgent and essential works to save tender and site mobilisation costs. Deteriorated poles and cross arms were replaced and other repair works performed as per the scoping document.
- Replace control equipment including test and design, PLC and SCADA system, Clare Weir: \$27.5k was spent in 2015 to visit the site, assess the condition of the equipment, develop options to remove existing non-replicable and non-serviceable telemetry, and replace them with modern equipment and SCADA for remote monitoring.

- Refurbish Hydraulic Cylinder (1-30) - Clare Weir: \$67k was spent in 2015 to prepare the existing equipment used during the replacement of the hydraulic cylinders. In order to undertake the replacement, the existing Clare Weir Gantry Crane was inspected and refurbished. A new Track Cleaning Pump was purchased and installed with some extra modification to the crane (new beam installed and crane certified). In addition, due to blockages in the Hydraulic system, two hydraulic cylinders were taken for stripping, condition reporting and repair. Oil samples were tested as well.
- Investigate Relief Bores under Spillway - Burdekin Falls Dam: \$55k was spent in 2015 to investigate 29 lateral drains. Only seven were accessible and a further ten, where the sumps were clear but the drain was blocked. The remaining twelve drains were completely inaccessible. Hydro-vacuum excavation techniques were applied to clean drains, and by the end of the project most of the drains were cleaned and inspected. The spillway pressure relief system has an acceptable level of performance.

### Corrective Maintenance

There was no annuity funded corrective maintenance spend in 2015.

### Other

There was no annuity funded Other spend in 2015.

### R&E – Non Annuity

There was no Non-annuity funded R&E direct spend in 2015.

### Annuity Balance

The 2014 annuity balance is shown below.

**Table 6 – Annuity Balance**

		2013	2014	2015	2016
	Table reference	Actual \$000	Actual \$000	Actual \$000	Forecast \$000
<b>Annuity</b>					
Opening Balance		4,805	5,108	5,652	5,975
Net Spend	See below	(605)	(397)	(667)	(643)
Annuity Income		548	558	567	592
Interest		360	383	423	448
SunWater - Closing Balance		5,108	5,652	5,975	6,372
QCA - Closing Balance		5,185	5,897	6,659	7,460
Difference		(77)	(245)	(684)	(1,088)
<b>Net Spend Analysis:-</b>					
Spend	5 & 7	(605)	(397)	(696)	(643)
Insurance Proceeds Receipts					
• Prior Year		-	-	16	-
• Current Year		-	-	14	-
Net Spend		(605)	(397)	(667)	(643)

\* 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
<b>Operating Revenue</b>	6,124			4,009			4,405			4,387		
<b>Routine Spend</b>												
<b>Operations</b>												
Labour	435	680	245	432	701	270	258	724	466	275	747	472
Contractors	12	17	6	34	18	(16)	97	19	(79)	877	19	(858)
Materials	13	22	8	64	22	(41)	12	23	11	15	24	9
Electricity	89	96	6	100	102	2	122	109	(12)	129	118	(11)
Insurance	592	295	(297)	1,005	300	(705)	677	305	(372)	692	310	(381)
Other	93	82	(11)	99	83	(16)	104	85	(19)	150	87	(63)
Non-directs	891	1,484	594	845	1,560	715	538	1,531	993	784	1,480	695
	2,125	2,675	550	2,578	2,787	209	1,809	2,796	987	2,922	2,785	(137)
<b>Preventative Maintenance</b>												
Labour	45	98	54	53	102	49	107	105	(2)	65	108	43
Contractors	49	34	(15)	88	35	(53)	179	36	(143)	290	37	(253)
Materials	20	7	(12)	2	8	6	7	8	1	20	8	(12)
Other	37	7	(30)	7	7	1	6	8	2	25	8	(17)
Non-directs	91	210	118	95	221	125	206	216	10	175	209	34
	242	357	114	245	373	128	505	373	(132)	575	371	(204)
<b>Corrective Maintenance</b>												
Labour	65	51	(14)	67	52	(15)	9	54	45	16	56	40
Contractors	77	11	(67)	66	11	(55)	163	11	(152)	205	12	(193)
Materials	56	31	(25)	63	32	(31)	2	33	30	35	34	(1)
Other	6	21	14	2	21	19	1	22	21	10	23	13
Non-directs	134	110	(24)	128	116	(12)	26	114	88	51	110	59
	338	223	(115)	326	232	(94)	201	234	32	317	234	(84)
<b>Routine - total</b>	<b>2,705</b>	<b>3,254</b>	<b>549</b>	<b>3,149</b>	<b>3,392</b>	<b>243</b>	<b>2,515</b>	<b>3,403</b>	<b>888</b>	<b>3,814</b>	<b>3,389</b>	<b>(425)</b>
<b>Non-Routine Spend</b>												
Labour	81	65	(16)	70	36	(35)	110	38	(72)	62	48	(14)
Contractors	308	72	(236)	192	46	(147)	345	69	(276)	241	76	(165)
Materials	22	72	49	(0)	37	37	12	28	17	156	41	(115)
Other	8	39	31	7	20	13	8	16	8	14	22	8
Non-directs	185	174	(11)	128	96	(32)	221	95	(126)	170	103	(67)
<b>Non-Routine - Total</b>	<b>605</b>	<b>421</b>	<b>(184)</b>	<b>397</b>	<b>234</b>	<b>(163)</b>	<b>696</b>	<b>247</b>	<b>(449)</b>	<b>643</b>	<b>290</b>	<b>(353)</b>
<b>Total Regulated Spend</b>	<b>3,310</b>	<b>3,675</b>	<b>365</b>	<b>3,546</b>	<b>3,626</b>	<b>80</b>	<b>3,211</b>	<b>3,650</b>	<b>438</b>	<b>4,457</b>	<b>3,679</b>	<b>(778)</b>
<b>Non Annuity Funded Spend</b>	525			4			-			-		
<b>Surplus (Deficit)</b>	2,290			459			1,194			(70)		

## 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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