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2015 Annual Performance Report

Burdekin Distribution

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	13,658	18,444	19,838	18,106
Less - Routine Expenditure	4 & 7	14,508	15,856	16,902	16,374
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	1,568	1,169	1,138	1,428
• Not Annuity Funded	5	257	144	1	-
Surplus (Deficit)	7	(2,675)	1,275	1,797	304

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		550	1,045		914		
Irrigation		321,374	408,399	127%	340,148	106%	83%
Urban		10,052	10,541		1,088		
Other		8	8		0		
SunWater		316,754	316,754		134,449		
Total	361	648,738	736,747	114%	476,600	73%	65%

QCA Assumed Water Usage for Irrigation 77.6%
 QCA Assumed Water Usage for Total 76.3%

Note: Includes 110,000ML reserve allocation.

A significant volume of water (73,324ML) was carried over from the 2015 water year resulting in the 27% increase in available water. Water usage is minimally below QCA assumed target based on low distribution of SunWater entitlement.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	12,094	15,181	17,306	16,379
Industrial	62	75	112	62
Urban	661	630	708	639
Irrigation CSO	3,645	3,015	2,414	1,790
Revenue Transfers	(3,455)	(1,217)	(1,428)	(1,442)
Drainage	638	660	682	669
Other	13	99	9	9
Insurance Proceeds - Flood	-	-	35	-
	13,658	18,444	19,838	18,106

* 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

	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	3,869	4,011	141	96	3,955	4,116	161	96	4,320	4,200	(119)	103	4,260	4,232	(28)	101
Operations - Electricity	4,299	4,579	280	94	5,809	4,900	(910)	119	5,992	5,243	(749)	114	6,087	5,662	(425)	108
Operations - Insurance	562	387	(174)	145	763	394	(369)	194	585	401	(184)	146	598	408	(190)	147
Preventative Maintenance	8,730	8,977	247	97	10,527	9,410	(1,117)	112	10,896	9,844	(1,053)	111	10,945	10,302	(643)	106
Corrective Maintenance	2,724	3,312	588	82	3,007	3,414	407	88	3,405	3,505	100	97	3,653	3,568	(85)	102
Corrective Maintenance	3,054	1,473	(1,582)	207	2,322	1,517	(805)	153	2,600	1,555	(1,045)	167	1,776	1,577	(200)	113
Routine Total	14,508	13,762	(746)	105	15,856	14,341	(1,515)	111	16,902	14,904	(1,997)	113	16,374	15,447	(928)	106

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 \$1,053k, or 11%, above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$184k above the QCA target;
- Electricity costs were \$749k (14%) above the QCA target in 2015 primarily due to much higher water deliveries in this service contract and also because electricity price increases have been much higher than the increases allowed for by the QCA. All BHWSS scheme deliveries are pumped and electricity will remain directly linked to water demands. Electricity costs will therefore vary from year-to-year and in 2015 represents around 35% of total routine costs (2014=36%). SunWater continues to review tariffs each year to identify the best tariffs for the expected future operations, and
- Other operations costs were \$119k higher than budget due to greater than average irrigation demand, increased surveillance and weed management costs.

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

¹ Activities listed will not apply to all service contracts.

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, scour 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 for 2015 was \$100k (3%) below the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Costs associated with chemical control of aquatic weed a slime was less than initially projected; and
- Some preventative activities (i.e. condition assessments) were not able to be undertaken due to the higher asset utilisation attributed to higher than average water demand year.

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;

² Activities listed will not apply to all service contracts.

- 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 \$1045k (67%) above the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Internal labour costs associated with aquatic weed control over the irrigation period are higher than originally provided to QCA due to the implementation of annual an maintenance plan with three rounds of treatment at 10-12 week rotation through the scheme;
- Continued higher than projected WH&S related corrective repairs from SunWater's focus on hazard identification and rectification; and
- Increased focus on meter maintenance.

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.

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 2016 financial year.

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	1,568	1,223	(345)	128	1,158	769	(389)	151	1,131	493	(637)	229	1,428	1,076	(352)	133
Corrective Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	0	-	(0)	-	11	-	(11)	-	7	27	20	27	-	98	98	-
	<u>1,568</u>	<u>1,223</u>	<u>(345)</u>	<u>128</u>	<u>1,169</u>	<u>769</u>	<u>(400)</u>	<u>152</u>	<u>1,138</u>	<u>520</u>	<u>(618)</u>	<u>219</u>	<u>1,428</u>	<u>1,174</u>	<u>(254)</u>	<u>122</u>
Non Annuity Funded	<u>257</u>				<u>144</u>				<u>1</u>				<u>-</u>			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$1,131k. Projects undertaken included:

- Replace Dall Tube at Millaroo Pump Station B: \$5.1k spent 2015. Design work for the replacement of obsolete Dall Tube flowmeter on the Millaroo Pump Station B Rising Main.
- Haughton Main Channel De-silting Project 0 - 31.2 km: \$3.6k spent in 2015. Backwater analysis confirmed no requirement to undertake de-silting activities to maintain channel design capacity. No further actions required.
- Replace Safety Screens HMCH: \$96.7k spent in 2015 for the replacement of safety screens within the HMCH due their poor condition. Ongoing project.
- Replace Fire Alarm System at Haughton PSTN1: \$36.4k spent in 2015 for the replacement of the fire alarm system at Haughton PSTN1 as Wormald technicians highlighted several safety issues.
- Construct Public Safety Fencing - Burdekin Millaroo: \$48.8k spent in 2015 for the installation of public fencing beside Millaroo channels as required by PM.04, site audits and risk assessment.

- Construct Public Safety Fencing -Burdekin – Dalbeg: \$44.8k spent in 2015 for the installation of public fencing beside Dalbeg channels as required by PM.04, site audits and risk assessment.
- Install Suction Baskets & Signage: \$42.9k spent in 2015 for installation of new intake elbows with suction baskets attached. Signage as required by WHS18 also installed.
- Refurbish Mechanical Weed Screen - HMC SI14: \$24.5k spent in 2015 to remove and refurbish rotating weed screen at Haughton Balancing Storage.
- Construct Public Safety Fencing – Clare: \$30k spent in 2015 for the installation of public fencing beside Clare channels as required by PM.04, site audits and risk assessment.
- Inspect/Refurbish Mitchell Bearing Pads - Tom Fenwick Pump Unit 2: \$21k spent in 2015 for manufacturer inspection & servicing of pump bearings on Tom Fenwick pump # 2. Bearings re-scraped to maximise service life.
- Survey Sounding - Haughton Pump Station Sediment Basin to Reg 6 HMC: \$17k spent in 2015 for sounder survey work which carried over into July & backwater computations completed by contract engineer.
- Refurbish Building - Dalbeg Pump Station B: \$15k spent in 2015 on Dalbeg B control room for replacement of gutter down pipes & prep /painting of all bearers, window frames, doors & door frames.
- Replace Actuator Reg 49 - Elliot System: \$15.3k spent in 2015 on replacement of failed limitorque actuator.
- Inspection (5 Yearly) Comprehensive - Giru Weir: \$7.8k was spent in 2015 to perform a scheduled inspection of this minor weir, in accordance with the Queensland Dam Safety Management Guidelines (Feb 2002). The general condition of the weir was found to be satisfactory except for some areas of the rock filled mattresses that were found to be in fair condition and in need of refurbishment. Overall, however, there are no concerns for the structural integrity of the embankment.
- Replace RTU's at RG13-15 & 90 on HMC & 93 on H15 - Haughton: \$109.6K was spent in 2015 in a continuing programme of regulator gate, radio and RTU replacements as they are at the end of their serviceable lives. The new equipment will upgrade regulator gate SCADA communications to ensure forward compatibility with recently installed repeaters, manufacturer support of the hardware, and improved channel regulation and reliability.
- Repair Right Mattress & Crest - Burdekin - Giru Weir: \$75K was spent in 2015 to repair damaged protection works at Giru Weir identified during the 2012 inspection.
- Upgrade controls Reg 105-108 - Millaroo: \$72.7K was spent in 2015 in a continuing programme of regulator gate, radio and RTU replacements as they are at the end of their serviceable lives. The new equipment will upgrade regulator gate SCADA communications to ensure forward compatibility with recently installed repeaters, manufacturer support of the hardware, and improved channel regulation and reliability.
- Replace Waling on Right Piling Row 3 - Giru Weir: \$68.2K was spent in 2015 for the replacement of damaged walings on the sheet piles at Giru Weir identified in the 2012 weir inspection.
- Reinstate Protection Works Downstream - Burdekin - Val Bird Weir): \$56.4K was spent in 2015 to reinstate damaged protection works at Val Bird Weir identified during the 2010 weir inspection.
- Replace Safety Screens & Guides - Haughton Section (Design 2012, construct 2013/2014): \$55.9K was spent in 2015 in a continuing project to replace safety screens along Haughton Main Channel, including finalising the installation of the screens designed in 2012 and fabricated in 2013.
- Replace RTU at Reg 33 & 34: \$41.8K was spent in 2015 in a continuing programme of regulator gate, radio and RTU replacements, as they are at the end of their serviceable lives. The new equipment will upgrade regulator gate SCADA communications to ensure forward compatibility with recently installed repeaters, manufacturer support of the hardware, and improved channel regulation and reliability.
- Replace radios 5 sites Barratta: \$20K was spent in 2015. Continuing programme of regulator gate, radio and RTU replacements, as they are at the end of their serviceable lives. The new equipment will upgrade regulator gate SCADA communications to ensure forward compatibility with recently installed repeaters, manufacturer support of the hardware, and improved channel regulation and reliability.
- Energy Saving Project Tom Fenwick Pump Station - TRP Business Case Review: \$18.4K was spent in 2015. Technical review of the Ergon Energy proposal to install variable speed drives at Tom Fenwick pump station.

Corrective Maintenance

There was no expenditure categorised as “Corrective Maintenance” in 2015.

Other

The “Annuity-funded Other” spend in 2015 totalled \$7k.

R&E – Non Annuity

The “Non-annuity funded R&E” direct spend in 2015 totalled just \$1k.

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		(5,918)	(5,440)	(4,285)	(2,803)
Net Spend	See below	(1,568)	(1,169)	(1,025)	(1,428)
Annuity Income		2,489	2,731	2,829	2,960
Interest		(443)	(407)	(321)	(210)
SunWater - Closing Balance		(5,440)	(4,285)	(2,803)	(1,481)
QCA - Closing Balance		(3,682)	(1,996)	164	1,962
Difference		(1,758)	(2,290)	(2,967)	(3,443)
Net Spend Analysis:-					
Spend	5 & 7	(1,568)	(1,169)	(1,138)	(1,428)
Insurance Proceeds Receipts					
• Prior Year		-	-	77	-
• Current Year		-	-	35	-
Net Spend		(1,568)	(1,169)	(1,025)	(1,428)

* 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	13,658			18,444			19,838			18,106		
Routine Spend												
Operations												
Labour	1,192	1,269	77	1,173	1,310	137	1,262	1,352	90	1,339	1,395	56
Contractors	0	22	21	1	22	21	42	23	(19)	13	24	11
Materials	52	22	(31)	167	22	(145)	38	23	(15)	30	24	(6)
Electricity	4,299	4,579	280	5,809	4,900	(910)	5,992	5,243	(749)	6,087	5,662	(425)
Insurance	562	387	(174)	763	394	(369)	585	401	(184)	598	408	(190)
Other	612	585	(27)	637	596	(41)	775	607	(169)	675	618	(57)
Non-directs	2,014	2,113	99	1,977	2,166	189	2,203	2,196	(7)	2,203	2,172	(31)
	8,730	8,977	247	10,527	9,410	(1,117)	10,896	9,844	(1,053)	10,945	10,302	(643)
Preventative Maintenance												
Labour	513	664	151	511	686	175	558	708	150	715	730	15
Contractors	612	944	332	829	975	145	837	1,006	169	837	1,038	201
Materials	694	447	(247)	756	461	(295)	928	476	(452)	859	491	(368)
Other	2	146	144	4	150	146	50	155	105	15	160	145
Non-directs	903	1,111	208	906	1,142	236	1,032	1,161	129	1,227	1,148	(79)
	2,724	3,312	588	3,007	3,414	407	3,405	3,505	100	3,653	3,568	(85)
Corrective Maintenance												
Labour	565	374	(191)	544	386	(158)	588	399	(189)	476	411	(65)
Contractors	713	74	(639)	394	76	(318)	561	79	(482)	200	81	(119)
Materials	762	215	(547)	452	222	(230)	305	229	(76)	212	237	25
Other	11	203	192	12	209	197	109	216	107	103	223	120
Non-directs	1,004	606	(397)	920	623	(297)	1,037	632	(405)	785	625	(161)
	3,054	1,473	(1,582)	2,322	1,517	(805)	2,600	1,555	(1,045)	1,776	1,577	(200)
Routine - total	14,508	13,762	(746)	15,856	14,341	(1,515)	16,902	14,904	(1,997)	16,374	15,447	(928)
Non-Routine Spend												
Labour	183	210	27	208	133	(74)	114	90	(24)	134	197	64
Contractors	816	209	(606)	459	146	(313)	660	124	(536)	702	295	(407)
Materials	196	264	68	135	146	11	108	83	(25)	270	203	(67)
Other	23	117	95	5	80	74	21	49	28	57	107	50
Non-directs	351	422	71	363	264	(98)	235	174	(61)	265	371	106
Non-Routine - Total	1,568	1,223	(345)	1,169	769	(400)	1,138	520	(618)	1,428	1,174	(254)
Total Regulated Spend	16,076	14,984	(1,092)	17,025	15,110	(1,915)	18,039	15,424	(2,615)	17,802	16,620	(1,182)
Non Annuity Funded Spend	257			144			1			-		
Surplus (Deficit)	(2,675)			1,275			1,797			304		

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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