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2015 Annual Performance Report

Callide 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

Post: NSP Feedback
PO Box 15536 City East
Brisbane QLD 4002

Financial Summary

Table 1 – Operating Revenue Less Spend

	Table reference	2013 Actual $000	2014 Actual $000	2015 Actual $000	2016 Forecast $000
Operating Revenue	3	1,276	1,163	1,535	1,297
Less - Routine Expenditure	4 & 7	1,080	1,257	1,008	1,170
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	530	2,500	1,687	1,897
• Not Annuity Funded	5	-	6	4	-
Surplus (Deficit)	7	(334)	(2,599)	(1,164)	(1,769)

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 ML	Available Water ML	Available Water %	Water Deliveries ML	Water Deliveries % of Entitlement	Water Deliveries % of Available
Industrial		3,777	3,708		3,555		
Irrigation		13,334	16,940	127%	6,082	46%	36%
Urban		2,207	2,108		1,175		
SunWater		7	2		0		
Total	143	19,325	22,759	118%	10,812	56%	48%

QCA Assumed Water Usage for Irrigation	36.1%
QCA Assumed Water Usage for Total	52.0%

In September 2014 the Department of Natural Resources and Mines completed the amendment to the Fitzroy Basin Resource Operations Plan to include Callide Valley Water Supply Scheme. That process resulted in a reduction in total groundwater allocations from 19,483.9ML down to 14,500ML.

Irrigation water use was higher than the QCA assumed usage figure. Total use was slightly higher than the QCA assumed total usage, mostly from the influence of the irrigation use for the year.

Revenue

Table 3 – Revenue

	2013 Actual $000	2014 Actual $000	2015 Actual $000	2016 Forecast $000
Irrigation	243	361	288	358
Industrial	744	522	797	667
Urban	236	259	283	269
Irrigation CSO	51	21	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	1	0	14	4
Insurance Proceeds - Flood	-	-	153	-
	1,276	1,163	1,535	1,297

* 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	499	477	(22)	105	503	496	(7)	101	413	498	85	83	587	494	(93)	119
Operations - Electricity	9	7	(2)	132	12	7	(4)	162	5	8	3	65	10	8	(2)	123
Operations - Insurance	262	140	(122)	187	475	143	(332)	333	307	145	(162)	211	315	148	(167)	213
	770	624	(146)	123	989	646	(344)	153	725	651	(74)	111	912	650	(262)	140
Preventative Maintenance	264	279	15	95	216	292	76	74	256	291	35	88	217	288	72	75
Corrective Maintenance	46	36	(10)	127	52	38	(14)	138	27	38	10	72	42	37	(4)	111
Routine Total	1,080	939	(141)	115	1,257	975	(282)	129	1,008	980	(28)	103	1,170	975	(195)	120

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[1]:

- Schedule and deliver water including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency response 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
- Manage public relations associated with the scheme.

The operations expenditure in 2015 was 74k (11%) above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs $162k higher than target; and
- Electricity costs were $3k (35%) below the QCA target in 2015.

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[1]:

- 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
- Weed control – which includes the following activities:

[1] Activities listed will not apply to all service contracts.

- 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 $35k (12%) 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.

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[2]:

- 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 $10k (28%) above the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to the access roads at Callide Dam; and
- Hoist and crane repairs.

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	93	291	198	32	662	89	(573)	743	573	386	(188)	149	1,301	231	(1,070)	564
Corrective Maintenance	437	-	(437)	-	1,669	-	(1,669)	-	124	-	(124)	-	596	-	(596)	-
Other	-	-	-	-	168	45	(123)	373	990	-	(990)	-	-	-	-	-
	530	291	(239)	182	2,500	134	(2,365)	1,863	1,687	386	(1,302)	438	1,897	231	(1,666)	822
Non Annuity Funded	-				6				4				-			

R&E – Annuity Funded

The annuity funded R&E direct spend was $573k in 2015. Projects undertaken included:

- Callide Dam Replace Hoists and Clean Conduit: The main goal of this project is to complete works necessary for the 2015 Callide Dam 5-Yearly Comprehensive Inspection conducted in April 2015. The 5-yearly inspection has been timed to coincide with a scheduled shut-down at the Callide Power Station, maximising SunWater's access to inspect the conduit. The necessary works included:
  - making the cranes compliant and operational;
  - repairing the seal on the snorkel enabling the right outlet to be dewatered; and
  - clearing debris from the right outlet line.
- Inspection (5-yearly) - Callide Dam (Scoping 2014, Inspect 2015): It is a regulatory requirement to carry out a 5-yearly dam safety inspection on all referable SunWater dams. The purpose of this project is to undertake a five yearly comprehensive inspection on Callide Dam as per the Dam Safety Condition Schedule.
- Improve stairway from downstream toe to the embankment crest at Callide Dam: There is a stairway access for people to the

dam crest from Callide Dam SunWater office. This stairway is used by the operator mostly during flood events but during normal daily operation the operators access the dam crest by driving. After the January 2013 flood event, contractors had to have access the dam crest through this stairway and they identified a hand railing deficiency. This issue was reported to SunWater and in order to continue the job the contractors were happy to install a temporary hand railing so that they could work safely. This temporary hand railing was removed after the work was completed. Currently, the stairway is tagged off and cannot be used to avoid any further Workplace Health and Safety risk until the issue is addressed. This project is created to address this issue to ensure the safety of anyone who uses this stairway during any flood events. A more permanent hand railing is to be installed under this project. Furthermore, it was also identified that the end of this stairway at the top (close to the embankment crest) is actually a soil ramp which is slippery when wet. This issue will also be addressed under this project.

- Inspection (5 Yearly) - Kroombit Dam (Scope 2014, Inspect 2015): It is a regulatory requirement to carry out a 5-yearly dam safety inspection on all referable SunWater dams. The purpose of this project is to undertake a five yearly comprehensive inspection on Kroombit Dam as per the Dam Safety Condition Schedule.
- Install Vibrating Wire Piezometers - Callide Dam: This project arose following inspections that identified increasing seepage in a few areas of the embankment. Initial investigations revealed a need to install additional monitoring equipment at the dam. The purpose of this project is to install vibrating wire piezometers for the ongoing monitoring and assessment of seepage through and under the embankment, and involves the installation of additional instrumentation within the embankment and testing of embankment materials for assessment of its stability.
- Kroombit Dam Replace Hoist: The Kroombit Dam 5-Yearly Comprehensive Inspection was undertaken in April 2015. The crane at the dam was tagged off as 'out of service' and cannot be used. The crane is required during inspections to put bulkhead gates in place on the conduit, and enable the conduit to be sealed for inspections. Apart from this inspection, the crane is required whenever there is an emergency situation where conduit isolation is required. The main goal of this project was to complete works necessary for the 2015 5-Yearly Comprehensive Inspection.

Corrective Maintenance

The annuity funded corrective maintenance spend was $124k, which was not budgeted for. This encompassed:

- FD01 (2013) Flood Damage Repairs at Callide Dam - left gate (floating chamber): In Jan 2013, the Callide Dam spillway gates were operated due to heavy rainfall caused by ex-cyclone Oswald. During the closing phase, the float of the left gate twisted and came off its guides. Even though the left gate could be closed, it was decided that the left gate should not be operated until this issue is rectified. This project was to undertake the necessary repairs.
- FD01 (2015) Callide post flood: Carried out a post flood inspection and damage assessment for Callide and Kroombit Dams, following Tropical Cyclone Marcia and the Callide Valley flood event in February 2015.

Other

The annuity-funded Other spend was $990k, which was not budgeted for. This encompassed:

- Callide Flood Review: Supported the Inspector General Emergency Management's Review into the February 2015 Callide Creek Flooding, assessing Callide and Kroombit Dam operations during this event, flood modelling impacts, and a review of related claims and information requests.

R&E – Non Annuity

The Non-annuity funded R&E direct spend was $4k in 2015. Projects undertaken included:

- Install new meter to serve Lot/330 RN1370 - Section 3A - Callide Regulated: This is a customer funded project to install works.

Annuity Balance

The 2015 annuity balance is shown below.

Table 6 – Annuity Balance

	Table reference	2013 Actual $000	2014 Actual $000	2015 Actual $000	2016 Forecast $000
Annuity					
Opening Balance		(658)	(867)	(3,061)	(4,455)
Net Spend	See below	(530)	(2,500)	(1,534)	(1,897)
Annuity Income		371	370	370	374
Interest		(49)	(65)	(229)	(334)
SunWater - Closing Balance		(867)	(3,061)	(4,455)	(6,311)
QCA - Closing Balance		(221)	(2)	(17)	125
Difference		(646)	(3,060)	(4,438)	(6,436)
Net Spend Analysis:-					
Spend	5 & 7	(530)	(2,500)	(1,687)	(1,897)
Insurance Proceeds Receipts					
• Prior Year		-	-	-	-
• Current Year		-	-	153	-
Net Spend		(530)	(2,500)	(1,534)	(1,897)

* 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	1,276			1,163			1,535			1,297		
Routine Spend												
Operations												
Labour	159	124	(35)	162	128	(34)	122	132	11	139	137	(3)
Contractors	15	6	(9)	8	6	(1)	29	7	(23)	39	7	(32)
Materials	9	2	(7)	1	2	0	1	2	0	1	2	0
Electricity	9	7	(2)	12	7	(4)	5	8	3	10	8	(2)
Insurance	262	140	(122)	475	143	(332)	307	145	(162)	315	148	(167)
Other	12	57	45	17	58	41	17	59	42	21	60	39
Non-directs	304	288	(17)	314	301	(13)	244	298	55	386	289	(98)
	770	624	(146)	989	646	(344)	725	651	(74)	912	650	(262)
Preventative Maintenance												
Labour	85	83	(2)	73	85	13	82	88	6	50	91	41
Contractors	6	7	1	6	7	2	8	8	(0)	31	8	(24)
Materials	12	7	(5)	7	7	0	5	8	2	1	8	7
Other	(0)	3	4	2	4	1	8	4	(4)	10	4	(7)
Non-directs	162	179	17	127	188	61	153	184	32	124	178	54
	264	279	15	216	292	76	256	291	35	217	288	72
Corrective Maintenance												
Labour	3	10	7	6	10	4	4	10	7	10	11	1
Contractors	30	1	(29)	17	1	(16)	14	1	(13)	3	1	(2)
Materials	6	2	(4)	15	2	(12)	0	2	2	5	2	(3)
Other	0	2	2	2	2	0	2	2	(0)	0	2	2
Non-directs	6	21	15	13	22	10	7	22	15	24	21	(2)
	46	36	(10)	52	38	(14)	27	38	10	42	37	(4)
Routine - total	1,080	939	(141)	1,257	975	(282)	1,008	980	(28)	1,170	975	(195)
Non-Routine Spend												
Labour	135	44	(91)	286	25	(261)	335	63	(272)	210	20	(189)
Contractors	94	71	(23)	1,227	32	(1,195)	224	39	(186)	894	19	(875)
Materials	33	42	9	30	15	(15)	18	88	70	204	19	(185)
Other	43	21	(22)	345	1	(344)	463	12	(451)	23	11	(12)
Non-directs	227	114	(112)	612	61	(551)	648	185	(463)	565	161	(404)
Non-Routine - Total	530	291	(239)	2,500	134	(2,365)	1,687	386	(1,302)	1,897	231	(1,666)
Total Regulated Spend	1,610	1,230	(380)	3,756	1,109	(2,647)	2,695	1,366	(1,330)	3,067	1,206	(1,860)
Non Annuity Funded Spend	-			6			4			-		
Surplus (Deficit)	(334)			(2,599)			(1,164)			(1,769)		

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	-