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2015 Annual Performance Report

Dawson 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	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Operating Revenue	3	2,123	3,003	3,298	3,314
Less - Routine Expenditure	4 & 7	858	814	590	1,115
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	49	311	298	491
• Not Annuity Funded	5	-	4	3	-
Surplus (Deficit)	7	1,216	1,874	2,407	1,708

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		3,718	2,573		1,690		
Irrigation		51,668	49,224	95%	37,851	73%	77%
Urban		2,283	1,908		1,223		
SunWater		4,068	4,910		2,489		
Total	160	61,737	58,614	95%	43,253	70%	74%

QCA Assumed Water Usage for Irrigation 60.0%
 QCA Assumed Water Usage for Total 70.7%

Irrigation use was higher than the QCA assumed usage due to a reasonably high announced allocation being available by the end of the year. Total use was marginally under the QCA assumed total.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	214	760	528	849
Industrial	1,203	1,497	1,663	1,681
Urban	441	485	561	556
Irrigation CSO	1	-	-	-
Revenue Transfers	259	220	216	224
Drainage	-	-	-	-
Other	6	40	7	5
Insurance Proceeds - Flood	-	-	323	-
	2,123	3,003	3,298	3,314

* 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	556	601	46	92	461	626	166	74	307	627	320	49	659	621	(38)	106
Operations - Electricity	15	34	19	45	25	36	11	70	48	39	(10)	125	22	42	20	53
Operations - Insurance	91	48	(43)	189	164	49	(115)	333	111	50	(61)	222	114	51	(64)	225
Preventative Maintenance	662	683	21	97	650	712	62	91	467	716	249	65	796	714	(82)	111
Corrective Maintenance	135	198	63	68	95	206	111	46	109	206	97	53	188	205	17	92
Routine Total	60	91	30	67	70	94	24	74	14	95	81	14	131	94	(37)	139
	858	972	114	88	814	1,012	198	80	590	1,017	427	58	1,115	1,013	(102)	110

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 \$249k, or 35%, below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$61k (122%) higher than target;
- Electricity costs \$10k (25%) above the QCA target in 2015;
- The maintenance plan, which includes surveillance and inspection activities, was being redeveloped for this scheme. Some activities were rescheduled resulting in an under-spend in the forecast budget for operations; and
- Additional resources were planned to assist service this scheme but were not fully utilised due to floods in the source scheme diverting resources.

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

¹ Activities listed will not apply to all service contracts.

- 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 \$97k (47%) 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 being redeveloped this year and some activities were rescheduled resulting in an under-spend. The redeveloped plan will be implemented in the next year;
- Some maintenance performed by external contractors;
- Weir inspections performed;
- Weed control;
- Gauging station maintenance and servicing; and
- Service and maintenance of control equipment at outlet works.

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

² Activities listed will not apply to all service contracts.

- 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.
- 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 \$81k (86%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to the hoist at Gylanda;
- Repairs to the outlet gate at Gylanda; and
- Occurrence of breakdowns lower 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 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.

The actual non-routine spend for 2014 is shown in the table below, along with the actual spend for 2013 and the budget spend for 2015. Overall, it is expected that the 2013-17 budget 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. There have been some corrective works in this service contract to repair flood damage, however these should be able to be accommodated within 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	(31)	144	175	(22)	181	190	8	96	298	130	(168)	230	491	82	(410)	600
Corrective Maintenance	81	-	(81)	-	130	-	(130)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	15	15	-	-	-	-	-
	49	144	94	34	311	190	(122)	164	298	144	(154)	207	491	82	(410)	600
Non Annuity Funded	-				4				3				-			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$298k. Projects undertaken included:

- **MOSS Pump Station Pump1 refurbishment:** The MOSS Pump Station consists of two pump units catering for upstream and downstream of the Moura Off-stream storage system. Pump unit 1 is a submersible type pump and is dedicated to the downstream system. In December 2014, due to demand, the pump was operated. However, the operator found that after 16 hours of operation, the pump was shutting off. An electrician was sent to investigate and a test was performed by running the pump. The pump kept shutting off when it was turned on and the electrician concluded that the seal may have leaked, causing water ingress in to the motor. The pump was then tagged as non-operational until further verification/ refurbishment. The purpose of this project was to remove the pump 1 from the pit, transport it to the contractor workshop, undertake refurbishment, transport back to site, install and commission the pump.
- **Upgrade Computer for SCADA Network - Neville Hewitt Weir (Options, scope, design, procure 2014, construct 2015):** A

SCADA system is available at Neville Hewitt Weir to control the fishlock operation and also the outlet works. The SAP system has notified that the scheduled replacement of the control station at Neville Hewitt Weir is due. This replacement is required as the old parts are already obsolete and without support from the manufacturer, sourcing any replacement parts will be difficult. A project was created for the 2014-2015 Financial Years; in FY2014, all preparations, such as option analysis, design preparation & finalising the scoping document for the replacement, is to be completed, followed by the upgrade/replacement job proceeding as per the developed scope.

- Upgrade PLC & SCADA System - MOSS Pump Station (Drawings/spec/cost estimate 2015, supply/install/commission 2016): The control system for two submersible Flyght pumps at Moura Off-Stream Storage (MOSS) include PLC, RTU units, level and flow instruments, and communication equipment. A Citect SCADA computer is also available at Theodore to control the pump station remotely. The SAP asset management system notifies that the scheduled replacement of the control station at MOSS is due. This replacement is required as the old PLC and RTU parts are already obsolete and without support from the manufacturer, sourcing any replacement parts will be difficult. A project has been created for the 2015-2016 Financial Years. In FY2015, option analysis, preliminary design, and the tender scope of works to be completed in FY2015. The upgrade/replacement job will proceed as per developed scope in FY2016.
- Inspection (5 Yearly) Comprehensive - Glebe Weir: Glebe Weir is categorised as a major weir in relation to importance in the scheme and to stakeholders. Even though it is not a mandatory regulatory requirement, SunWater undertakes annual, and 5-yearly, comprehensive inspections for all major weirs to ensure their safety. Glebe Weir's 5-yearly inspection was due in 2014.
- Options Analysis Study to Reinstate Weir to Operational Condition - Orange Creek Weir (SunWater response to Customer Request): During one of the Dawson Valley Irrigator Advisory Committee meetings, the committee requested SunWater reinstate Orange Creek Weir to operational condition. This project is SunWater's response to the request, which will establish the preferred option and the cost. This information will then be presented to the DVIAC committee to obtain their feedback.
- Rectify Right Bank Protection Works Issues - Glebe Weir: The 2012 Glebe Weir Annual Inspection report recommended that a tree was growing too close to the downstream right bank of the measurement weir and requires removal to avoid future scouring. Undermining on the right bank protection works is to be rectified and trees growing either in, or too close to, the protection works are to be removed. This project is to address these recommendations.
- Camera Installation for surveillance purposes - Moura Off-stream Storage: Continuous Surveillance for Moura Off-Stream Storage is required especially during any flood events. Depending on the size of the flood events, access to these storages can be cut due to flood water. Once the access to the storages is cut, SunWater operators cannot access the storages to undertake all the inspections required by the Emergency Action Plan. As such, a camera will be installed for this storage to remedy this situation.

Corrective Maintenance

There was no expenditure categorised as "Annuity-funded Corrective Maintenance" in 2015.

Other

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

R&E – Non Annuity

The Non-annuity funded R&E direct spend in 2015 was \$3k, and included:

- Install new customer meter on Lot 23/DW546 - Dawson River: This is a customer funded project to install a new offtake to achieve a maximum flow rate of at least 45L/s.

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
Annuity					
Opening Balance		1,875	1,919	1,706	2,024
Net Spend	See below	(49)	(311)	210	(491)
Annuity Income		(47)	(45)	(20)	(7)
Interest		140	144	128	152
SunWater - Closing Balance		1,919	1,706	2,024	1,677
QCA - Closing Balance		2,885	2,867	2,917	3,047
Difference		(966)	(1,161)	(894)	(1,370)
Net Spend Analysis:-					
Spend	5 & 7	(49)	(311)	(298)	(491)
Insurance Proceeds Receipts					
• Prior Year		-	-	185	-
• Current Year		-	-	323	-
Net Spend		(49)	(311)	210	(491)

* 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	2,123			3,003			3,298			3,314		
Routine Spend												
Operations												
Labour	178	184	6	152	190	38	97	196	99	145	203	57
Contractors	6	5	(0)	5	5	(0)	30	6	(24)	93	6	(87)
Materials	1	2	0	2	2	(0)	0	2	2	11	2	(9)
Electricity	15	34	19	25	36	11	48	39	(10)	22	42	20
Insurance	91	48	(43)	164	49	(115)	111	50	(61)	114	51	(64)
Other	20	25	5	23	26	3	20	26	6	43	27	(17)
Non-directs	350	385	35	278	403	125	160	397	238	366	384	18
	662	683	21	650	712	62	467	716	249	796	714	(82)
Preventative Maintenance												
Labour	45	59	14	31	61	30	35	63	29	40	65	26
Contractors	3	4	1	-	4	4	3	4	1	40	4	(36)
Materials	4	6	2	3	6	3	1	6	5	1	6	5
Other	(1)	8	9	3	8	5	7	9	2	7	9	1
Non-directs	84	120	36	57	126	69	64	124	60	99	120	21
	135	198	63	95	206	111	109	206	97	188	205	17
Corrective Maintenance												
Labour	15	26	11	16	27	11	3	28	25	19	29	10
Contractors	5	2	(4)	15	2	(14)	-	2	2	52	2	(51)
Materials	8	8	0	8	8	0	6	9	3	7	9	2
Other	0	2	1	1	2	1	0	2	2	5	2	(3)
Non-directs	32	53	22	30	56	25	5	55	50	48	53	5
	60	91	30	70	94	24	14	95	81	131	94	(37)
Routine - total	858	972	114	814	1,012	198	590	1,017	427	1,115	1,013	(102)
Non-Routine Spend												
Labour	57	19	(38)	46	30	(16)	46	23	(23)	36	10	(26)
Contractors	5	48	43	131	33	(98)	115	29	(87)	250	27	(223)
Materials	(112)	17	129	31	33	2	13	24	11	102	17	(84)
Other	5	9	4	10	18	8	32	13	(19)	-	4	4
Non-directs	94	50	(44)	93	74	(19)	92	56	(36)	104	24	(80)
Non-Routine - Total	49	144	94	311	190	(122)	298	144	(154)	491	82	(410)
Total Regulated Spend	907	1,115	208	1,126	1,201	76	888	1,161	273	1,606	1,094	(512)
Non Annuity Funded Spend												
	-			4			3			-		
Surplus (Deficit)	1,216			1,874			2,407			1,708		

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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