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# 2015 Annual Performance Report

## Dawson 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](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	1,124	1,501	1,839	1,540
Less - Routine Expenditure	4 & 7	962	1,349	1,237	1,450
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	379	67	215	157
• Not Annuity Funded	5	-	-	-	-
Surplus (Deficit)	7	(217)	85	388	(67)

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
Irrigation		15,950	16,352	103%	12,537	79%	77%
Urban		2	2		0		
SunWater		4,005	3,937		2,378		
Total	46	19,957	20,291	102%	14,915	75%	74%

QCA Assumed Water Usage for Irrigation 66.9%  
 QCA Assumed Water Usage for Total 73.5%

Water use was ahead of the QCA estimates due to water in storage at the beginning of the main irrigation season and opportune system inflows coupled with irrigation demand.

**Table 3 – Revenue**

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	874	1,228	1,215	1,312
Industrial	-	-	0	-
Urban	0	0	1	1
Irrigation CSO	462	447	425	401
Revenue Transfers	(259)	(220)	(216)	(224)
Drainage	44	46	47	47
Other	2	-	0	2
Insurance Proceeds - Flood	-	-	366	-
	<b>1,124</b>	<b>1,501</b>	<b>1,839</b>	<b>1,540</b>

\* Following feedback from customers, SunWater has unbundled bulk water charges from distribution system charges. This means that total 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	QCA	Variance	%	SW	QCA	Variance	%	SW	QCA	Variance	%	SW	QCA	Variance	%
	Actual \$000	Target \$000	\$000	of target	Actual \$000	Target \$000	\$000	of target	Actual \$000	Target \$000	\$000	of target	Forecast \$000	Target \$000	\$000	of target
Operations - Other	321	530	208	61	583	548	(35)	106	588	557	(31)	106	550	558	9	98
Operations - Electricity	125	157	31	80	190	168	(23)	114	164	179	15	91	234	194	(41)	121
Operations - Insurance	34	23	(11)	146	46	23	(22)	196	36	24	(12)	152	37	24	(12)	151
	480	709	229	68	819	739	(80)	111	788	760	(28)	104	821	776	(44)	106
Preventative Maintenance	404	387	(17)	104	404	398	(6)	102	320	408	88	78	412	412	(0)	100
Corrective Maintenance	77	204	127	38	126	210	85	60	129	215	87	60	218	217	(1)	100
Routine Total	962	1,300	339	74	1,349	1,347	(2)	100	1,237	1,383	147	89	1,450	1,405	(45)	103

### 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 \$28k (4%) above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$12k higher than target;
- Electricity costs were \$15k (9%) below the QCA target in 2015. Water deliveries were also slightly down on the 2014 year and this resulted in a minor reduction in electricity costs; and
- Schedule/delivery costs higher than the budget as a result of an extended irrigation period, peak irrigation season and water availability for distribution to customers across the scheme.

### 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

<sup>1</sup> 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, drains and levee banks;
  - Copper Sulphate treatment; and
  - Spraying and other activities to control operational and noxious weeds within channel, drains and levee banks.

Preventive maintenance for 2015 was \$88k (22%) below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Decreased aquatic weed control activities due to non-favourable growing conditions and reduced channel chemical treatments; and
- Slashing of channels and drains was reduced and managed locally with local contractors.

### 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;
    - Repair, replace and paint guide posts and signs.
  - Pump stations
    - Repair concrete structure; and
    - Repairs to internal walkways and metal covers

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<sup>2</sup> Activities listed will not apply to all service contracts.

- Meters
  - 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 failures;
  - Repair or correction of pipeline failures; and
  - Response to theft or vandalism associated with scheme assets.

Corrective maintenance was \$87k (40%) below the QCA's target for 2015. The major highlight with corrective maintenance activities was a significant reduction in damage to channels and drains from local rainfall and flooding.



## 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.

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
<b>Annuity Funded</b>																
R&E	336	65	(271)	515	67	374	307	18	215	215	(0)	100	157	106	(51)	148
Corrective Maintenance	43	-	(43)	-	0	-	(0)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	379	65	(314)	580	67	374	307	18	215	215	(0)	100	157	106	(51)	148
<b>Non Annuity Funded</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### R&E – Annuity Funded

The annuity funded R&E direct spend was in line with the QCA target of \$215k. Projects undertaken included:

- Replace Pump Station 2 DV, NRV & SV Gibber Gonyah Pump Station: \$66.5k was spent in 2015 to replace Pump Station 2 DV & SV & refurbish the NRV in the Gibber Gonyah Pump Station due to their poor condition.
- Refurbish Pump and Motor - Pump 2 Gibber Gonyah Pump Station: \$77k was spent in 2015 on scheduled refurbishment of pump & motor #2 Gibber Gonyah Pump Station as per SunWater A class overhaul specification.
- Install Meter Outlet Channel D offtake: \$58.8K was spent in 2015 for design, construction and validation of a new meter at 916m on Channel D in Theodore.

## Corrective Maintenance

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

## Other

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

## R&E – Non Annuity

There was no expenditure categorised as “Non Annuity” in 2015.

## Annuity Balance

The 2015 annuity balance is shown below.

**Table 6 – Annuity Balance**

	Table reference	2013	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
<b>Annuity</b>					
Opening Balance	See below	1,337	1,108	1,206	1,787
Net Spend		(379)	(67)	384	(157)
Annuity Income		51	82	107	110
Interest		100	83	90	134
SunWater - Closing Balance		1,108	1,206	1,787	1,874
QCA - Closing Balance		2,437	2,327	2,394	2,578
Difference		(1,329)	(1,121)	(607)	(703)
Net Spend Analysis:-					
Spend	5 & 7	(379)	(67)	(215)	(157)
Insurance Proceeds Receipts					
• Prior Year		-	-	233	-
• Current Year		-	-	366	-
Net Spend		(379)	(67)	384	(157)

\* 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>	1,124			1,501			1,839			1,540		
<b>Routine Spend</b>												
<b>Operations</b>												
Labour	115	191	76	213	197	(16)	213	204	(9)	203	210	7
Contractors	1	-	(1)	1	-	(1)	2	-	(2)	1	-	(1)
Materials	4	0	(3)	6	0	(5)	3	1	(3)	1	1	(0)
Electricity	125	157	31	190	168	(23)	164	179	15	234	194	(41)
Insurance	34	23	(11)	46	23	(22)	36	24	(12)	37	24	(12)
Other	6	5	(1)	13	5	(7)	9	6	(3)	18	6	(12)
Non-directs	195	333	138	350	344	(6)	361	348	(14)	327	342	15
	480	709	229	819	739	(80)	788	760	(28)	821	776	(44)
<b>Preventative Maintenance</b>												
Labour	122	109	(13)	106	113	6	102	116	15	121	120	(2)
Contractors	50	54	4	81	55	(26)	14	57	43	56	59	3
Materials	31	25	(6)	35	25	(9)	14	26	12	20	27	7
Other	0	13	13	4	13	9	16	14	(3)	16	14	(1)
Non-directs	201	186	(15)	177	191	14	173	194	21	198	192	(7)
	404	387	(17)	404	398	(6)	320	408	88	412	412	(0)
<b>Corrective Maintenance</b>												
Labour	21	64	43	31	66	35	39	68	29	71	70	(0)
Contractors	3	3	(0)	16	3	(13)	2	3	1	10	3	(7)
Materials	18	15	(3)	21	15	(6)	8	16	7	8	16	8
Other	-	14	14	4	15	11	12	15	3	15	16	1
Non-directs	36	108	73	53	111	59	67	113	46	115	111	(3)
	77	204	127	126	210	85	129	215	87	218	217	(1)
<b>Routine - total</b>	<b>962</b>	<b>1,300</b>	<b>339</b>	<b>1,349</b>	<b>1,347</b>	<b>(2)</b>	<b>1,237</b>	<b>1,383</b>	<b>147</b>	<b>1,450</b>	<b>1,405</b>	<b>(45)</b>
<b>Non-Routine Spend</b>												
Labour	50	11	(39)	8	60	51	8	38	29	15	19	4
Contractors	195	12	(183)	42	65	23	143	41	(102)	62	21	(41)
Materials	-	12	12	0	65	65	32	41	9	50	21	(29)
Other	36	7	(29)	1	36	35	9	22	13	-	11	11
Non-directs	98	23	(76)	16	148	132	23	73	50	30	35	5
<b>Non-Routine - Total</b>	<b>379</b>	<b>65</b>	<b>(314)</b>	<b>67</b>	<b>374</b>	<b>307</b>	<b>215</b>	<b>215</b>	<b>(0)</b>	<b>157</b>	<b>106</b>	<b>(51)</b>
<b>Total Regulated Spend</b>	<b>1,341</b>	<b>1,366</b>	<b>25</b>	<b>1,416</b>	<b>1,721</b>	<b>305</b>	<b>1,452</b>	<b>1,598</b>	<b>146</b>	<b>1,607</b>	<b>1,511</b>	<b>(96)</b>
<b>Non Annuity Funded Spend</b>												
Surplus (Deficit)	(217)			85			388			(67)		

## 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	-

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