

SunWater Limited
Level 10, 179 Turbot Street
PO Box 15536 City East
Brisbane Queensland 4002
www.sunwater.com.au
ACN 131 034 985



2015 Annual Performance Report

Lower Fitzroy 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, 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	335	395	919	359
Less - Routine Expenditure	4 & 7	171	207	155	319
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	5	161	652	-
• Not Annuity Funded	5	-	-	-	-
Surplus (Deficit)	7	159	27	111	41

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		24,008	24,010		18,002		
Irrigation		3,101	3,213	104%	0	0%	0%
Other		39	109		100		
SunWater		1,473	1,289		2		
Total	25	28,621	28,621	100%	18,104	63%	63%

QCA Assumed Water Usage for Irrigation 2.7%
 QCA Assumed Water Usage for Total 69.9%

Irrigation water use for the year was effectively nil. Total water use, which is almost entirely influenced by Industrial use, was marginally below the QCA assumed usage.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	41	36	37	41
Industrial	-	-	-	-
Urban	-	-	-	-
Irrigation CSO	-	-	-	-
Revenue Transfers	294	359	802	319
Drainage	-	-	-	-
Other	0	-	(0)	-
Insurance Proceeds - Flood	-	-	80	-
	335	395	919	359

* 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) ie Stanwell Pipeline. 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	120	139	18	87	121	145	24	84	88	144	55	61	155	140	(14)	110
Operations - Electricity	1	1	0	97	1	1	1	45	1	2	0	89	1	2	1	68
Operations - Insurance	23	12	(11)	187	42	13	(30)	333	27	13	(15)	213	28	13	(15)	213
Preventative Maintenance	145	153	8	95	164	159	(5)	103	117	158	41	74	184	155	(29)	118
Corrective Maintenance	24	90	67	26	33	94	61	35	37	94	57	39	89	92	3	97
Routine Total	2	44	42	5	11	46	35	23	1	46	45	2	46	46	(0)	100
	171	287	116	60	207	299	92	69	155	298	143	52	319	293	(26)	109

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 \$41k (26%) below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$15k higher than target;
- Electricity costs were in line with the QCA target in 2015;
- Operational costs slightly lower than budget; 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 easements etc.), and other infrastructure;

¹ Activities listed will not apply to all service contracts.

- 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 \$57k (61%) below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Eden Bann Weir was damaged during the January 2013 floods and not fully operational for the period, and no maintenance was undertaken at this site as a result;
- Gauging station servicing; and
- The maintenance plan for this scheme was being redeveloped this year and some activities were rescheduled resulting in an under-spend.

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;
 - Grade roads; and

² Activities listed will not apply to all service contracts.

- 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 \$45k (98%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Minor civil maintenance undertaken around Eden Bann Weir; and
- Corrective maintenance and breakdowns for the year were less 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.

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 and more works are still to be done. 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	1	22	21	6	24	25	1	97	166	0	(166)	---	-	43	43	-
Corrective Maintenance	4	-	(4)	-	137	-	(137)	-	486	-	(486)	-	-	-	-	-
Other	-	-	-	-	-	33	33	-	-	12	12	-	-	-	-	-
	5	22	17	24	161	58	(103)	276	652	12	(641)	---	-	43	43	-
Non Annuity Funded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

R&E – Annuity Funded

The annuity funded R&E direct spend was \$166, which was not budgeted for. Projects undertaken included:

- Replace Control Equipment - Eden Bann Fishway (2014 scope, options, design; 2015 procure, install, commission): A SCADA system is available at Eden Bann Weir to control the fishlock operation and also the outlet works. The SAP system notified that the scheduled replacement of the control station at the Eden Bann 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 been created for the 2014 & 2015 Financial Years. FY2014 included all preparation, including options analysis and design, and finalising the scoping document for the replacement. The upgrade/replacement work proceeded as per the developed scope.
- Eden Bann – CCTV: The purpose of this project was to supply, install and program CCTV security cameras at Eden Bann Weir, to improve passive and active security at the site. Eden Bann weir is not open to public access.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$486k, which was not budgeted for. Projects included:

- FD01 (2012) Eden Bann Repair and De-silting of the Fishlock to make it operable after the February 2012 flood: During the flood event in 2012, a significant amount of debris, gravel and silt was deposited within the fishlock chamber and discharge channel at Eden Bann Weir. Since then the fishlock has been inoperable, due to the presence of debris in the fishlock chamber, but most of the metalwork items at the weir (hand rails, gate, gratings, bulkhead gate cover, etc.) also lost their galvanised coatings through abrasion and were experiencing minor to substantial corrosion. Under this project, the fishlock chamber and discharge channel were cleared of deposits and debris, and all corroded metalwork was repaired or replaced. The operator on site reported that the fishlock (butterfly) filling valve was leaking and required refurbishment. Even though refurbishment of the valve was not scheduled until 2015, it was done for cost saving and efficiency as a part of the broader work. Two further issues were also taken care of in the scope of the project as they were identified during the 2012 weir inspection: (i) one gate was found to be corroded and had mesh missing from the flood. and (ii) there existed a decommissioned hydraulic ram counterweight hanging on the wall which needed removal.

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
Annuity					
Opening Balance		362	393	270	(226)
Net Spend	See below	(5)	(161)	(527)	-
Annuity Income		9	9	11	11
Interest		27	29	20	(17)
SunWater - Closing Balance		393	270	(226)	(231)
QCA - Closing Balance		482	469	503	509
Difference		(89)	(198)	(729)	(740)
Net Spend Analysis:-					
Spend	5 & 7	(5)	(161)	(652)	-
Insurance Proceeds Receipts					
• Prior Year		-	-	45	-
• Current Year		-	-	80	-
Net Spend		(5)	(161)	(527)	-

* 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	Forecast \$000	QCA Target \$000	Variance \$000
Operating Revenue	335			395			919			359		
Routine Spend												
Operations												
Labour	40	42	2	39	44	4	26	45	19	41	47	6
Contractors	-	1	1	3	1	(2)	9	1	(8)	10	1	(9)
Materials	1	0	(1)	1	1	(1)	0	1	0	-	1	1
Electricity	1	1	0	1	1	1	1	2	0	1	2	1
Insurance	23	12	(11)	42	13	(30)	27	13	(15)	28	13	(15)
Other	2	2	0	5	2	(3)	3	2	(0)	4	2	(1)
Non-directs	77	93	15	72	97	25	50	95	44	101	90	(11)
	145	153	8	164	159	(5)	117	158	41	184	155	(29)
Preventative Maintenance												
Labour	7	26	19	11	27	16	13	28	15	19	29	10
Contractors	1	5	4	-	5	5	-	5	5	22	5	(17)
Materials	3	3	0	1	4	2	0	4	4	1	4	2
Other	0	-	(0)	1	-	(1)	1	-	(1)	-	-	-
Non-directs	13	56	43	20	58	39	23	57	33	46	54	8
	24	90	67	33	94	61	37	94	57	89	92	3
Corrective Maintenance												
Labour	1	11	10	3	11	8	-	11	11	8	12	4
Contractors	-	4	4	-	4	4	-	4	4	16	4	(11)
Materials	1	4	4	2	4	2	1	4	4	2	4	2
Other	-	2	2	1	3	2	-	3	3	-	3	3
Non-directs	1	23	22	5	24	19	0	24	24	20	22	2
	2	44	42	11	46	35	1	46	45	46	46	(0)
Routine - total	171	287	116	207	299	92	155	298	143	319	293	(26)
Non-Routine Spend												
Labour	2	3	1	24	10	(15)	79	2	(77)	-	3	3
Contractors	-	10	10	89	7	(81)	375	0	(374)	-	31	31
Materials	-	-	-	-	12	12	3	3	(0)	-	1	1
Other	-	1	1	2	4	2	31	1	(29)	-	2	2
Non-directs	3	8	5	46	26	(20)	165	5	(161)	-	7	7
Non-Routine - Total	5	22	17	161	58	(103)	652	12	(641)	-	43	43
Total Regulated Spend	176	309	133	368	357	(11)	807	309	(498)	319	336	18
Non Annuity Funded Spend												
	-			-			-			-		
Surplus (Deficit)	159			27			111			41		

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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