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# 2015 Annual Performance Report

## Mareeba 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	5,219	6,796	6,190	6,004
Less - Routine Expenditure	4 & 7	4,286	4,567	5,123	4,853
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	471	1,091	544	1,113
• Not Annuity Funded	5	4	9	7	-
Surplus (Deficit)	7	458	1,129	515	37

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		1,033	1,185		843		
Irrigation		144,746	155,195	107%	115,665	80%	75%
Urban		1,164	1,165		490		
Other		0	0		0		
SunWater		45,000	45,015		31,113		
Total	1,113	191,943	202,560	106%	148,111	77%	73%

QCA Assumed Water Usage for Irrigation 60.6%  
 QCA Assumed Water Usage for Total 67.1%

Total water use against the QCA estimate in 2014-15 was affected by a dry long water season, which extended to January/February 2015, and a short wet season in March /April 2015.

**Table 3 – Revenue**

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	6,314	6,610	6,126	6,159
Industrial	196	171	213	138
Urban	185	191	195	139
Irrigation CSO	495	332	142	82
Revenue Transfers	(1,989)	(532)	(512)	(520)
Drainage	-	-	-	-
Other	16	25	26	5
Insurance Proceeds - Flood	-	-	-	-
	<u>5,219</u>	<u>6,796</u>	<u>6,190</u>	<u>6,004</u>

\* 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	1,830	1,571	(259)	116	1,716	1,617	(99)	106	1,580	1,653	73	96	1,717	1,663	(53)	103
Operations - Electricity	424	337	(87)	126	412	360	(51)	114	477	386	(91)	124	519	417	(102)	125
Operations - Insurance	406	287	(119)	142	564	292	(272)	193	434	297	(137)	146	445	302	(143)	147
	2,660	2,195	(465)	121	2,692	2,269	(423)	119	2,490	2,335	(155)	107	2,680	2,382	(298)	113
Preventative Maintenance	489	498	9	98	679	513	(166)	132	1,030	525	(505)	196	680	531	(149)	128
Corrective Maintenance	1,136	1,373	237	83	1,197	1,442	245	83	1,603	1,505	(98)	107	1,493	1,553	60	96
Routine Total	4,286	4,067	(219)	105	4,567	4,224	(344)	108	5,123	4,366	(757)	117	4,853	4,465	(388)	109

### Operations

Operation activities include the day-to-day costs of the administration and management of the scheme, customer liaison, 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.
- Property Management
- Asset management

The operations expenditure in 2015 was \$155k (7%) above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$137k higher than target; and
- Electricity costs \$91k above the QCA target mainly due to increases in regulated electricity prices being higher than allowed for by the QCA and also higher than forecast water deliveries in the re-lift areas.

### 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 easements etc.) and other infrastructure;

<sup>1</sup> Activities listed will not apply to all service contracts.

- Pre-wet season inspections of cross drains and other wet season critical 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;
  - Mechanical weed control of trees
  - Mechanical aquatic weed control such as scraping and chain dragging
  - 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 \$505k (96%) above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- A higher emphasis on preventative maintenance, due to lower amount of non-routine R&E work;
- Mechanical and SCADA inspections & servicing;
- Increased terrestrial and aquatic weed control, including algae control and tree removal; and
- Additional Operational staff effort in weed control.

### 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;

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<sup>2</sup> 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 SCADA control system and gate failures;
  - Repair or correction of pipeline faults; and
  - Response to theft or vandalism associated with scheme assets.

Corrective maintenance was \$98k (7%) above the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Total cost and unit cost average of pipe repairs higher than the previous year; and
- A catch up on electronic meter 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.

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.

However, 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.

**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	Forecast \$000	QCA Target \$000	Variance \$000	% of target
<b>Annuity Funded</b>																
R&E	471	1,141	670	41	971	1,239	268	78	393	1,537	1,144	26	976	1,813	836	54
Corrective Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	59	59	-	120	74	(46)	163	151	-	(151)	-	137	-	(137)	-
	471	1,200	729	39	1,091	1,313	221	83	544	1,537	993	35	1,113	1,813	699	61
<b>Non Annuity Funded</b>	4				9				7				-			

### R&E – Annuity Funded

The annuity funded R&E direct spend was \$393k. Projects undertaken included:

- Replace Scour Valves – 8 sites: \$98.4k spent in 2015 to replace 14 scour valves on the Atherton Creek Main Channel due to them reaching the end of their design lives.
- Refurbish Recorder Hut 381m Walsh Bluff Main Channel A: \$28.3k spent in 2015 to refurbish recorder hut at 381m on Walsh Bluff Main Channel A due to its poor condition.
- Replace Scour Valves 1 to 10 on Lateral NW01/05: \$35k spent in 2015 on installation of ten new scour valves on North Walsh Lateral Channel 01/05. Materials were purchased in FY 2014.
- Implement Findings: Strategic Plan for Mareeba-Dimbulah Water Supply Scheme I&D SCADA - Stage 2: \$140.5K spent in 2015

to reinstate the required site functionality and replace failed SCADA assets – preliminary site works complete with main SCADA works to be done in the 2015/16 water year.

- Install dissipation screens Walsh Bluff Main Channel B (Procure 2015): \$43.4K spent in 2015 procuring the timber to fabricate replacement dissipation screens to be installed in the B Section of Walsh Bluff Main Channel.

## Corrective Maintenance

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

## Other

The “Annuity-Funded Other” spend in 2015 was \$151k, which was not budgeted for. Projects included:

- Copper sulphate research project: \$151k was spent in 2015 to undertake trials and testing to demonstrate a structured and quantified approach to copper sulphate use. The intention is to minimise copper residue in water courses whilst killing algae in the channel system. This is a two-year project with the objective to obtain a use permit with the APVMA. An extension has been approved by the APVMA until March 2017. Environmental and efficacy (effectiveness) trials are ongoing. The pre-application assessment has been sent to APVMA. Ongoing dosing using low dose rates and early detection and intervention data collection ongoing, and progressing to a formal application, with a submission target of 14 Oct 2015. Final APVMA assessment response target is May-June 2016. Possible further data may be required pending the post-evaluation response.

## R&E – Non Annuity

The Non-annuity funded R&E direct spend in 2015 was \$7k.

## 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
<b>Annuity</b>					
Opening Balance		(587)	660	1,507	2,981
Net Spend	See below	(471)	(1,091)	(544)	(1,113)
Annuity Income		1,761	1,889	1,905	1,940
Interest		(44)	49	113	223
SunWater - Closing Balance		660	1,507	2,981	4,031
QCA - Closing Balance		983	1,633	2,124	2,410
Difference		(323)	(126)	858	1,622
Net Spend Analysis:-					
Spend	5 & 7	(471)	(1,091)	(544)	(1,113)
Insurance Proceeds Receipts					
• Prior Year		-	-	-	-
• Current Year		-	-	-	-
Net Spend		(471)	(1,091)	(544)	(1,113)

\* 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
<b>Operating Revenue</b>	5,219			6,796			6,190			6,004		
<b>Routine Spend</b>												
<b>Operations</b>												
Labour	666	557	(109)	601	575	(26)	539	594	55	597	613	16
Contractors	1	6	5	1	6	4	7	6	(1)	2	6	4
Materials	13	9	(4)	4	9	5	2	10	8	4	10	6
Electricity	424	337	(87)	412	360	(51)	477	386	(91)	519	417	(102)
Insurance	406	287	(119)	564	292	(272)	434	297	(137)	445	302	(143)
Other	40	72	32	98	73	(25)	103	75	(28)	132	76	(56)
Non-directs	1,110	927	(183)	1,012	953	(59)	929	969	40	982	959	(23)
	2,660	2,195	(465)	2,692	2,269	(423)	2,490	2,335	(155)	2,680	2,382	(298)
<b>Preventative Maintenance</b>												
Labour	204	149	(56)	229	153	(76)	312	158	(153)	197	163	(34)
Contractors	110	15	(94)	127	16	(111)	111	16	(94)	110	17	(93)
Materials	65	41	(23)	107	43	(64)	33	44	11	30	45	15
Other	1	56	55	3	58	55	48	60	12	21	62	41
Non-directs	110	236	127	212	243	31	527	247	(281)	322	243	(79)
	489	498	9	679	513	(166)	1,030	525	(505)	680	531	(149)
<b>Corrective Maintenance</b>												
Labour	266	354	87	305	376	71	411	399	(13)	403	423	20
Contractors	58	31	(27)	30	32	2	84	33	(51)	80	34	(46)
Materials	348	241	(107)	345	249	(96)	328	257	(72)	253	265	12
Other	4	176	172	6	182	176	65	187	122	92	193	101
Non-directs	459	572	113	512	604	92	715	630	(85)	664	638	(26)
	1,136	1,373	237	1,197	1,442	245	1,603	1,505	(98)	1,493	1,553	60
Routine - total	4,286	4,067	(219)	4,567	4,224	(344)	5,123	4,366	(757)	4,853	4,465	(388)
<b>Non-Routine Spend</b>												
Labour	57	128	71	158	146	(13)	158	182	24	152	229	77
Contractors	256	570	314	583	605	22	13	666	654	535	747	211
Materials	50	141	91	58	159	101	69	199	129	143	249	106
Other	2	77	75	11	87	77	31	108	78	5	136	131
Non-directs	105	284	179	282	316	34	273	381	108	277	452	174
Non-Routine - Total	471	1,200	729	1,091	1,313	221	544	1,537	993	1,113	1,813	699
<b>Total Regulated Spend</b>	4,757	5,266	510	5,659	5,536	(122)	5,667	5,903	236	5,966	6,278	312
<b>Non Annuity Funded Spend</b>	4			9			7			-		
Surplus (Deficit)	458			1,129			515			37		

## 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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