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2015 Annual Performance Report

Pioneer 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	1,303	1,361	1,675	1,536
Less - Routine Expenditure	4 & 7	980	951	802	1,118
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	669	231	317	817
• Not Annuity Funded	5	0	-	-	-
Surplus (Deficit)	7	(345)	179	556	(399)

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		1,920	1,920		1,388		
Irrigation		47,390	48,535	102%	15,847	33%	33%
Urban		16,520	16,520		13,157		
SunWater		12,280	11,284		4		
Total	24	78,110	78,259	100%	30,396	39%	39%

QCA Assumed Water Usage for Irrigation 33.6%
 QCA Assumed Water Usage for Total 44.2%

Water usage was in line with the QCA's estimate.

Note: When water usage exceeds 50%, a review will be undertaken to determine requirements for replacement fabric dams or other water supply arrangements at Mirani and Dumbleton Weirs.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	614	641	653	695
Industrial	457	528	608	622
Urban	222	192	201	218
Irrigation CSO	-	-	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	10	-	219	-
Insurance Proceeds - Flood	-	-	(6)	-
	1,303	1,361	1,675	1,536

* 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	328	433	105	76	253	451	198	56	301	451	151	67	446	448	3	99
Operations - Electricity	3	4	1	76	3	4	1	82	4	5	1	86	4	5	1	79
Operations - Insurance	172	91	(81)	189	307	93	(215)	332	201	94	(107)	214	206	96	(111)	215
Preventative Maintenance	503	527	24	95	563	548	(15)	103	506	550	44	92	656	549	(107)	119
Corrective Maintenance	267	234	(33)	114	280	245	(36)	115	257	244	(13)	105	341	242	(99)	141
Routine Total	209	185	(24)	113	107	193	86	55	39	195	156	20	121	196	75	62
	980	947	(33)	103	951	985	35	96	802	989	187	81	1,118	987	(131)	113

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 \$44k (8%) below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$107k higher than target;
- Electricity costs were \$1k below the QCA target in 2015 despite announced increases in electricity prices being much higher than the increases allowed for by the QCA. It is not unusual for Pioneer electricity costs to vary by +/- \$2k from year to year; and
- Labour redirected from Operations to R&E activities.

Preventative 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;
- Servicing – planned maintenance activities normally expected to be carried out routinely on physical assets including valves, cranes, sump pumps and associated equipment; and

¹ Activities listed will not apply to all service contracts.

- 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 \$13k (5%) above the QCA's target. Higher than expected preventative maintenance resulted in less corrective maintenance being performed than originally forecast.

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
 - 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)

² Activities listed will not apply to all service contracts.

- 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 \$156k (80%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Higher than forecasted preventative maintenance led to less corrective maintenance being needed; and
- R&E work negated some forecasted corrective work.

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.

Overall, it is expected that the 2013-17 spend for non-routine will exceed the five-year QCA target due to the need to implement projects that have arisen since the QCA's review e.g. the decommissioning of the Fabridams at Dumbleton and Mirani in 2015.

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	668	833	165	80	224	141	(83)	159	317	101	(216)	314	817	266	(551)	307
Corrective Maintenance	1	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	8	-	(8)	-	0	-	(0)	-	-	-	-	-
	669	833	164	80	231	141	(90)	164	317	101	(216)	314	817	266	(551)	307
Non Annuity Funded	0				-				-				-			

R&E – Annuity Funded

The annuity funded R&E direct spend was \$317k. Projects undertaken included:

- Mirani Weir - Decommission Fabridam (2015) Replace Fabridam (Scope & Design 2009-2012; replace 2015): \$18k was spent in 2015 to investigate decommissioning and removing the fabridam from the weir. SunWater will not reinstate the fabridam and will leave it insitu to slowly degrade.
- Dumbleton Weir - Decommission Fabridam (2015) Replace Fabridam (Scope & Design 2009-2012; replace 2015): \$17k was spent in 2015 to investigate decommissioning and removing the fabridam from the weir. SunWater will not reinstate the fabridam and will leave it insitu to slowly degrade.
- Replace 700mm Butterfly Isolation Valve, Tannalo Offtake (Prepare technical specifications, procure, supply, install, commission): \$220k was spent in 2015 as the existing valve needed replacement because it was damaged, and this required the isolation of Tannalo pipeline to fix.
- Remove sediment from the river bed, reinstate the access road to the hut and repair spillway floor- Teemburra Dam: \$28k was spent in 2015 as the flow from the outlet was restricted, causing backup. The spillway floor also required repair at some places due to damage.
- Carry out option analysis to replace control system including SCADA for Teemburra dam, Palmtree Creek & Tannalo Valves -

Teemburra Dam: \$46k was spent in 2015 for critical components for communication purposes during EAP events, which required replacement because of aging and obsolete components.

- Fabricate & Install Nappe Splitters - Mirani Weir: \$5k was spent in 2015 to address the complaints from neighbouring properties about the noise during flooding events.
- Refurbish Left Bank Protection Works - Dumbleton Weir - DS Rec 2010: \$19k was spent in 2015 to repair the left bank protection works, which were damaged and left exposed.
- Restore Access to Outlet Valves - Marian Weir: \$31k was spent in 2015 to restore access but works were done on restricting the access to address WH&S issues. A bridge slab was removed to restrict access to other side where the cofferdam exists.

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

		2013	2014	2015	2016
	Table reference	Actual \$000	Actual \$000	Actual \$000	Forecast \$000
Annuity					
Opening Balance		(2,401)	(2,826)	(2,836)	(2,884)
Net Spend	See below	(669)	(231)	(280)	(817)
Annuity Income		423	433	444	446
Interest		(180)	(212)	(212)	(216)
SunWater - Closing Balance		(2,826)	(2,836)	(2,884)	(3,471)
QCA - Closing Balance		(1,976)	(1,832)	(1,626)	(1,567)
Difference		(850)	(1,004)	(1,258)	(1,904)
Net Spend Analysis:-					
Spend	5 & 7	(669)	(231)	(317)	(817)
Insurance Proceeds Receipts					
• Prior Year		-	-	43	-
• Current Year		-	-	(6)	-
Net Spend		(669)	(231)	(280)	(817)

* 2016 figures are subject to change once actual spend is known.

The negative figure in current year insurance proceeds indicates an insurance allocation adjustment.

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	1,303			1,361			1,675			1,536		
Routine Spend												
Operations												
Labour	94	125	31	74	129	56	74	133	60	89	138	49
Contractors	12	13	1	8	13	5	53	14	(39)	80	14	(66)
Materials	1	2	1	2	2	1	3	2	(1)	2	2	0
Electricity	3	4	1	3	4	1	4	5	1	4	5	1
Insurance	172	91	(81)	307	93	(215)	201	94	(107)	206	96	(111)
Other	33	14	(19)	19	14	(5)	21	14	(7)	42	14	(28)
Non-directs	187	279	92	150	293	142	151	288	137	233	280	47
	503	527	24	563	548	(15)	506	550	44	656	549	(107)
Preventative Maintenance												
Labour	83	68	(14)	76	71	(5)	66	73	6	57	75	18
Contractors	22	8	(14)	40	8	(32)	58	8	(50)	116	8	(108)
Materials	5	5	0	25	5	(20)	5	5	1	4	5	1
Other	0	8	8	1	8	8	2	9	6	19	9	(10)
Non-directs	158	145	(13)	139	153	14	126	150	24	145	144	(1)
	267	234	(33)	280	245	(36)	257	244	(13)	341	242	(99)
Corrective Maintenance												
Labour	47	36	(12)	14	37	23	2	38	36	5	39	34
Contractors	40	34	(6)	27	35	8	30	36	6	59	37	(22)
Materials	31	11	(20)	36	12	(24)	2	12	10	8	12	4
Other	0	26	25	0	26	26	0	27	27	32	28	(3)
Non-directs	91	79	(12)	29	83	54	5	82	76	17	79	62
	209	185	(24)	107	193	86	39	195	156	121	196	75
Routine - total	980	947	(33)	951	985	35	802	989	187	1,118	987	(131)
Non-Routine Spend												
Labour	96	206	111	65	32	(33)	107	15	(92)	82	57	(25)
Contractors	239	227	(12)	15	39	23	82	23	(58)	480	31	(450)
Materials	15	227	212	11	30	19	0	15	15	4	30	26
Other	109	124	15	25	16	(8)	(72)	10	82	26	19	(7)
Non-directs	210	48	(162)	115	24	(91)	200	38	(162)	225	129	(95)
Non-Routine - Total	669	833	164	231	141	(90)	317	101	(216)	817	266	(551)
Total Regulated Spend	1,648	1,780	131	1,182	1,126	(55)	1,119	1,090	(29)	1,935	1,253	(682)
Non Annuity Funded Spend	0											
Surplus (Deficit)	(345)			179			556			(399)		

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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