

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

Proserpine Bulk

October 2015

Table of Contents

Introduction	3
Financial Summary	4
Water Usage	4
Revenue	5
Routine Expenditure	6
Operations	6
Preventive Maintenance	6
Corrective Maintenance	7
Non-Routine Expenditure	9
R&E – Annuity Funded	9
Corrective Maintenance	9
Other	10
R&E – Non Annuity	10
Annuity Balance	10
Appendix – Total Expenditure by Expense Type	11
Notes.....	12

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	2,481	2,632	2,922	2,927
Less - Routine Expenditure	4 & 7	826	1,077	1,176	1,021
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	23	84	56	514
• Not Annuity Funded	5	-	1	-	-
Surplus (Deficit)	7	1,632	1,469	1,691	1,391

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		550	597		337		
Irrigation		42,017	48,941	116%	29,792	71%	61%
Urban		10,992	11,133		6,296		
SunWater		9,317	6,765		0		
Total	94	62,876	67,435	107%	36,424	58%	54%

QCA Assumed Water Usage for Irrigation 62.9%
 QCA Assumed Water Usage for Total 62.1%

Due to drier than expected weather conditions, irrigation usage was above QCA target.

Table 3 – Revenue

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	422	481	524	523
Industrial	176	224	275	282
Urban	1,705	1,730	1,906	1,949
Irrigation CSO	-	-	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	178	197	204	172
Insurance Proceeds - Flood	-	-	14	-
	2,481	2,632	2,922	2,927

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	525	564	39	93	641	588	(53)	109	555	589	34	94	529	587	58	90
Operations - Electricity	7	5	(2)	131	7	5	(1)	123	-	6	6	-	7	6	(1)	118
Operations - Insurance	164	88	(76)	187	296	89	(207)	331	194	91	(104)	214	199	92	(107)	216
Preventative Maintenance	695	656	(39)	106	944	682	(261)	138	750	686	(64)	109	736	686	(50)	107
Corrective Maintenance	48	142	95	34	91	148	57	62	232	150	(82)	155	208	150	(57)	138
Routine Total	83	52	(31)	161	42	53	11	79	194	55	(140)	356	77	56	(22)	139
	826	850	24	97	1,077	884	(193)	122	1,176	890	(286)	132	1,021	892	(129)	115

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 \$64k (9%) above the QCA target. The major exceptions and highlights with operations activities for the year included:

- Insurance costs \$104k higher than target;
- There were no electricity costs associated with this service contract in 2015;
- Local Authority rates \$20k higher than budget; and
- Labour redirected from Operations to Preventative Maintenance.

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;
- 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 \$82k (55%) above the QCA's target, on account of a greater focus on inspections of assets to ensure continual operations through to refurbishment and public safety management.

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 \$140k above the QCA's target for 2015. The major exceptions with corrective maintenance activities for the year included:

- WH&S issues addressed throughout scheme;
- Repair leak in Outlet Conduit number 2 and inlet tower crane; and
- Repairs to water treatment plant and associated equipment.

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. 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	SW Forecast \$000	QCA Target \$000	Variance \$000	% of target
Annuity Funded																
R&E	23	37	13	64	84	188	104	45	56	42	(13)	132	514	42	(472)	---
Corrective Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	23	37	13	64	84	188	104	45	56	42	(13)	132	514	42	(472)	---
Non Annuity Funded	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-

R&E – Annuity Funded

The annuity funded R&E direct spend was \$56k. Projects undertaken included:

- Inspect and Repair Rust Areas on Baulks, Inlet, Peter Faust Dam: \$20k was spent in 2015 to refurbish the inlet baulks to maintain structure integrity and extend the lifecycle of these assets. The inspection conducted in September 2013 confirmed that baulks required to be removed, inspected and refurbished (2013 DS Rec. 9.3). Particularly, the collapsible baulk needed to be refurbished in 2014/15 due to extensive corrosion around the hinges.
- Replace Offtake Town Water Stub, Peter Faust Dam: \$15k was spent in 2015 to replace the leaking Offtake Town Water Stub. In December 2014, a leak was reported upstream of the guard valve on the raw water pumps. A temporary fix was undertaken until a more permanent repair was made, as the replacement of the offtake stub required a few days' shutdown. During the shutdown, releases were made through the low flow cone dispenser.
- Update Emergency Action Plan, Peter Faust Dam; Statutory Requirement: \$11k was spent in 2015 on this statutory requirement to update EAP. This includes but is not limited to changes in communication contacts, upgrade details and action plans, organisational structure.

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		(360)	(212)	(112)	48
Net Spend	See below	(23)	(84)	(33)	(514)
Annuity Income		198	200	202	201
Interest		(27)	(16)	(8)	4
SunWater - Closing Balance		(212)	(112)	48	(262)
QCA - Closing Balance		221	250	428	619
Difference		(433)	(362)	(380)	(881)
Net Spend Analysis:-					
Spend	5 & 7	(23)	(84)	(56)	(514)
Insurance Proceeds Receipts					
• Prior Year		-	-	9	-
• Current Year		-	-	14	-
Net Spend		(23)	(84)	(33)	(514)

* 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	2,481			2,632			2,922			2,927		
Routine Spend												
Operations												
Labour	135	135	(0)	167	139	(28)	120	144	23	95	148	53
Contractors	46	38	(9)	50	39	(12)	65	40	(25)	69	41	(28)
Materials	19	7	(12)	27	7	(19)	9	8	(1)	4	8	4
Electricity	7	5	(2)	7	5	(1)	-	6	6	7	6	(1)
Insurance	164	88	(76)	296	89	(207)	194	91	(104)	199	92	(107)
Other	60	83	23	82	85	3	120	86	(33)	110	88	(22)
Non-directs	264	301	37	316	318	2	241	311	70	251	301	50
	695	656	(39)	944	682	(261)	750	686	(64)	736	686	(50)
Preventative Maintenance												
Labour	13	28	15	20	29	9	69	30	(38)	48	31	(17)
Contractors	3	40	37	16	41	26	27	43	16	23	44	21
Materials	3	3	(0)	16	3	(13)	3	3	1	2	3	1
Other	2	8	6	1	8	7	5	9	3	16	9	(7)
Non-directs	26	62	36	39	66	27	128	65	(64)	119	63	(56)
	48	142	95	91	148	57	232	150	(82)	208	150	(57)
Corrective Maintenance												
Labour	13	5	(8)	4	5	2	18	6	(13)	10	6	(4)
Contractors	15	19	4	12	20	8	118	21	(98)	20	21	1
Materials	21	2	(19)	18	2	(16)	9	2	(7)	8	2	(6)
Other	3	12	9	0	12	12	10	13	3	13	13	0
Non-directs	30	13	(17)	8	13	6	39	13	(26)	26	13	(13)
	83	52	(31)	42	53	11	194	55	(140)	77	56	(22)
Routine - total	826	850	24	1,077	884	(193)	1,176	890	(286)	1,021	892	(129)
Non-Routine Spend												
Labour	3	6	3	28	30	2	8	7	(1)	45	7	(38)
Contractors	2	6	4	1	33	32	32	7	(24)	216	7	(209)
Materials	13	6	(7)	0	33	33	-	7	7	5	7	2
Other	-	3	3	4	18	14	0	4	4	122	4	(118)
Non-directs	5	15	10	52	73	22	16	17	1	126	16	(110)
Non-Routine - Total	23	37	13	84	188	104	56	42	(13)	514	42	(472)
Total Regulated Spend	849	887	38	1,162	1,072	(90)	1,231	932	(299)	1,536	934	(602)
Non Annuity Funded Spend												
	-			1			-			-		
Surplus (Deficit)	1,632			1,469			1,691			1,391		

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

This report has been produced by SunWater, to provide information for client use only. The information contained in this report is limited by the scope and the purpose of the study, and should not be regarded as completely exhaustive. Permission to use or quote information from this report in studies external to the Corporation must first be obtained from the Chief Executive, SunWater.