

**SunWater Limited**  
Level 10, 179 Turbot Street  
PO Box 15536 City East  
Brisbane Queensland 4002  
[www.sunwater.com.au](http://www.sunwater.com.au)  
ACN 131 034 985



# 2015 Annual Performance Report

## Three Moon 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](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	395	415	490	434
Less - Routine Expenditure	4 & 7	394	493	387	429
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	210	336	723	281
• Not Annuity Funded	5	-	-	7	-
Surplus (Deficit)	7	(209)	(414)	(627)	(276)

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		14,124	14,124	100%	5,273	37%	37%
Urban		610	610		218		
Total	92	14,734	14,734	100%	5,491	37%	37%

QCA Assumed Water Usage for Irrigation 40.0%  
 QCA Assumed Water Usage for Total 50.8%

Irrigation water use was slightly less than the QCA assumed use for this scheme. Total water use was below QCA assumed use, largely due to the irrigation water proportion.

**Table 3 – Revenue**

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	311	333	329	349
Industrial	-	-	-	-
Urban	77	82	83	85
Irrigation CSO	7	-	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	0	-	7	-
Insurance Proceeds - Flood	-	-	71	-
	<b>395</b>	<b>415</b>	<b>490</b>	<b>434</b>

\* 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	204	201	(3)	101	187	210	23	89	154	210	57	73	220	208	(12)	106
Operations - Electricity	8	9	1	85	16	10	(6)	166	14	10	(4)	135	9	11	2	79
Operations - Insurance	70	38	(33)	187	127	38	(89)	331	88	39	(49)	227	90	40	(51)	228
	282	248	(34)	114	330	258	(72)	128	256	260	4	99	319	259	(61)	123
Preventative Maintenance	64	89	25	72	101	93	(8)	109	119	93	(26)	128	73	92	19	80
Corrective Maintenance	48	14	(34)	354	62	14	(48)	439	12	14	2	87	36	14	(22)	260
Routine Total	394	350	(44)	113	493	365	(128)	135	387	367	(21)	106	429	365	(64)	118

### 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 \$4k (1%) below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$49k higher than target;
- Electricity costs \$4k above the QCA target in 2015, due mostly to increases in regulated electricity prices being higher than allowed for by the QCA and also due to normal year-to-year variability; and
- Operational costs slightly lower than budget due to less effort required to deliver water in the scheme following rainfall.

### 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;
- Servicing – planned maintenance activities normally expected to be carried out routinely on physical assets including valves,

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

- 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 \$26k (28%) above the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Dam and weir inspections;
- Weed control;
- Additional routine work in preparation for the 5-yearly inspection; and
- The maintenance plan for this scheme was under review in 2014/15 and a number of maintenance activities were rescheduled resulting in an overspend in this year’s budget.

### **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;
    - Grade roads; and
    - Repair, replace and paint guide posts and signs.
  - Pump stations

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

- 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 \$2k (13%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- Access road repairs; and
- Crane and hoist 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. 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; 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
<b>Annuity Funded</b>																
R&E	137	52	(84)	261	11	104	93	10	97	110	13	88	147	-	(147)	-
Corrective Maintenance	74	-	(74)	-	325	-	(325)	-	600	-	(600)	-	134	-	(134)	-
Other	-	-	-	-	-	18	18	-	27	7	(20)	383	-	-	-	-
	210	52	(158)	401	336	122	(213)	274	723	117	(606)	619	281	-	(281)	-
<b>Non Annuity Funded</b>	-				-				7				-			

### R&E – Annuity Funded

The annuity funded R&E direct spend was \$97k in 2015. Projects undertaken included:

- Inspection (5-Yearly) Comprehensive - Cania Dam (Scoping 2014): \$61k was spent in 2015 to fulfil the regulatory requirement to carry out a 5-yearly dam safety inspection, which is required for all referable dams within SunWater.
- Cania Dam Crane Major Inspection: \$25k spent in 2015 to do an condition assessment inspection as per AS 2550.3 for cranes at Cania Dam. Expected results from this inspection are (but not limited to):
  - A Statement that the cranes are still suitable for continued safe operation and compliance to the current Australian Standard for cranes; or
  - If not suitable for continued safe operation and not compliant to the current Australian Standard, recommendations on any required repair/modification/replacement/certification to ensure the crane is brought to a safe operating condition, in compliance with the current Australian Standard for cranes; and
  - Recommendations on a maintenance/inspection program to keep them in the safe operating condition, in compliance with the latest Australian Standard.

## Corrective Maintenance

The annuity funded corrective maintenance spend was \$600k in 2015, which was not budgeted for. Projects undertaken included:

- FD01(2013) Flood Damage Cania Spillway: \$543k spent in 2015 for this project, which was initiated in 2013 following that year's flood event which saw the spillway operate for the second time. Flood damage, primarily scour, was noted to have occurred upon all three terraces of the Cania Dam Spillway, which is an unlined rock structure. Geotechnical inspection of the Terraces identified significant geological features, which contributed to the development of several scour holes within this terrace. Additional geological mapping was completed to further define these features. A review of existing documentation and an additional assessment was completed recommending that those scour holes occurring within 40m of the existing ogee crest be considered for remediation prior to the next significant flow event to reduce the likelihood of additional scour. This project was developed to undertake the remedial works on these scour holes.

## Other

The Annuity Funded Other spend was \$27k in 2015. Projects undertaken included:

- Cania Dam Flood Operation-Cyclone Marcia: \$27k spent in 2015 to capture the costs of the TC Marcia flood event at Cania Dam in February 2015.

## R&E – Non Annuity

The "Non Annuity Funded Other" spend was \$7k in 2015. Projects undertaken included:

- Install New Customer Meter on Lot 284: Customer requested an offtake to achieve a maximum flow rate of at least 12L/s. This is a customer funded project.
- Install new 150mm meter to serve Lot 3/SP226165: Customer requested an offtake to achieve a maximum flow rate of at least 30 l/s (2.6ML/d). This is a customer funded project.

## 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		(337)	(466)	(728)	(1,325)
Net Spend	See below	(210)	(336)	(652)	(281)
Annuity Income		107	108	109	112
Interest		(25)	(35)	(55)	(99)
SunWater - Closing Balance		(466)	(728)	(1,325)	(1,594)
QCA - Closing Balance		(264)	(297)	(327)	(240)
Difference		(202)	(431)	(998)	(1,354)
Net Spend Analysis:-					
Spend	5 & 7	(210)	(336)	(723)	(281)
Insurance Proceeds Receipts					
• Prior Year		-	-	-	-
• Current Year		-	-	71	-
Net Spend		(210)	(336)	(652)	(281)

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

Insurance claims on repairs to scheme infrastructure as a result of floods are still pending.

## 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>	395			415			490			434		
<b>Routine Spend</b>												
<b>Operations</b>												
Labour	62	59	(3)	48	61	12	40	63	23	55	65	10
Contractors	3	3	0	3	4	0	9	4	(6)	2	4	2
Materials	1	0	(1)	2	0	(2)	0	0	0	-	0	0
Electricity	8	9	1	16	10	(6)	14	10	(4)	9	11	2
Insurance	70	38	(33)	127	38	(89)	88	39	(49)	90	40	(51)
Other	23	13	(10)	38	13	(25)	23	14	(9)	24	14	(10)
Non-directs	114	125	11	95	132	37	81	129	49	139	125	(14)
	282	248	(34)	330	258	(72)	256	260	4	319	259	(61)
<b>Preventative Maintenance</b>												
Labour	20	28	8	31	29	(2)	40	30	(10)	19	31	12
Contractors	7	-	(7)	12	-	(12)	3	-	(3)	6	-	(6)
Materials	0	2	2	2	2	1	1	2	2	-	2	2
Other	1	2	1	0	2	2	2	2	1	1	2	1
Non-directs	36	57	21	56	59	4	74	58	(15)	47	56	10
	64	89	25	101	93	(8)	119	93	(26)	73	92	19
<b>Corrective Maintenance</b>												
Labour	6	4	(2)	13	4	(9)	2	4	2	7	5	(3)
Contractors	16	-	(16)	12	-	(12)	-	-	-	9	-	(9)
Materials	10	1	(9)	13	1	(11)	3	1	(2)	1	1	(0)
Other	1	0	(1)	-	0	0	2	0	(2)	-	0	0
Non-directs	15	8	(7)	24	9	(15)	5	9	4	18	8	(10)
	48	14	(34)	62	14	(48)	12	14	2	36	14	(22)
<b>Routine - total</b>	394	350	(44)	493	365	(128)	387	367	(21)	429	365	(64)
<b>Non-Routine Spend</b>												
Labour	26	7	(19)	23	28	5	129	19	(110)	52	-	(52)
Contractors	121	21	(99)	256	10	(246)	325	21	(305)	65	-	(65)
Materials	17	4	(13)	-	14	14	5	20	16	34	-	(34)
Other	1	2	1	3	2	(0)	13	11	(2)	-	-	-
Non-directs	46	18	(28)	54	68	14	251	46	(205)	130	-	(130)
<b>Non-Routine - Total</b>	210	52	(158)	336	122	(213)	723	117	(606)	281	-	(281)
<b>Total Regulated Spend</b>	605	403	(202)	829	487	(342)	1,110	484	(627)	710	365	(346)
<b>Non Annuity Funded Spend</b>	-			-			7			-		
<b>Surplus (Deficit)</b>	(209)			(414)			(627)			(276)		

## 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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