

**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

## Upper Condamine 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	2,135	2,088	2,165	2,023
Less - Routine Expenditure	4 & 7	1,047	1,020	976	1,204
Less - Non-Routine Expenditure					
• Annuity Funded	5, 6 & 7	123	212	218	734
• Not Annuity Funded	5	-	-	-	-
Surplus (Deficit)	7	966	856	971	85

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		30,363	22,040	73%	40,759	134%	185%
Urban		3,332	3,332		1,708		
Other		4	4		1		
SunWater		261	176		0		
Total	95	33,960	25,552	75%	42,469	125%	166%

QCA Assumed Water Usage for Irrigation 36.6%  
 QCA Assumed Water Usage for Total 54.1%

Water deliveries for the Upper Condamine included Allocation and Risk A Water. The Announced Allocation for the Upper Condamine during the 2014/2015 was 100%.

**Table 3 – Revenue**

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	\$000	\$000	\$000	\$000
Irrigation	1,155	1,076	951	962
Industrial	17	33	10	53
Urban	929	975	1,128	1,006
Irrigation CSO	30	2	-	-
Revenue Transfers	-	-	-	-
Drainage	-	-	-	-
Other	6	2	0	2
Insurance Proceeds - Flood	-	-	76	-
	<b>2,135</b>	<b>2,088</b>	<b>2,165</b>	<b>2,023</b>

## 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	597	638	41	94	466	667	201	70	490	667	177	73	656	662	7	99
Operations - Electricity	104	64	(40)	163	80	69	(12)	117	79	73	(5)	107	79	79	(0)	100
Operations - Insurance	129	69	(60)	187	234	70	(163)	332	166	72	(94)	232	170	73	(97)	234
	831	771	(59)	108	780	806	26	97	734	812	77	90	905	815	(91)	111
Preventative Maintenance	155	176	21	88	228	184	(44)	124	211	184	(27)	115	214	182	(32)	118
Corrective Maintenance	61	73	12	84	11	76	64	15	30	76	46	40	85	76	(8)	111
Routine Total	1,047	1,020	(27)	103	1,020	1,066	46	96	976	1,072	96	91	1,204	1,073	(131)	112

### 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 \$77k (10%) below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$94k higher than target;
- Local Authority rates \$3k higher than budget; and
- Labour was diverted from operational duties 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 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, cranes, sump pumps and associated equipment; and
- Weed control – which includes the following activities:

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

- 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 \$27k (15%) above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Higher levels of preventative maintenance, resulting in lower corrective maintenance costs;
- Weed control at all weir structures;
- Condition monitoring at all weir structures; and
- Electrical inspection including thermographic testing on Leslie Dam and Yarramalong.

### **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
    - Repair pumps and motors;
    - De-silt intake structures;

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

- 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 \$46k (60%) below the QCA's target for 2015. The major exceptions and highlights with corrective maintenance activities for the year included:

- A higher emphasis on preventative maintenance, resulting in lower corrective maintenance costs over the year;
- Minor repairs to spillway gates 3,6 & 7 at Leslie Dam;
- Signage maintenance; and
- Repairs to the slide gate and electrics at Melrose Weir.



## 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.

Notwithstanding these points, 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
<b>Annuity Funded</b>																
R&E	43	235	192	18	192	381	189	50	218	357	138	61	734	629	(105)	117
Corrective Maintenance	80	-	(80)	-	20	-	(20)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	123	235	112	52	212	381	169	56	218	357	138	61	734	629	(105)	117
<b>Non Annuity Funded</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### R&E – Annuity Funded

The annuity funded R&E direct spend was \$218k. Projects undertaken included:

- Leslie Dam - Refurbish Foundation Drains (Clean out, Depth check, Pressure test): \$27k was spent in 2015 for this dam safety requirement to clean out the foundation drains every five years. Leslie Dam has 105 drains in the gallery, which are susceptible to blockage through sulphate build up.
- Study Pipeline Breakages & Ground Movement & Recommend Failure Prevention & Long Term Water Supply - Diversion Pipeline, Yarralong Pump Station: \$42k was spent on this project in 2015 to resolve these issues.
- Leslie Dam - Replace Selectron Time Delay Relays - Main Switchboard: \$47k was spent in 2015. During the 2014 five-yearly inspection, the electrical and control assets were all assessed, and it was found that one of the Selectron time delay relays which operate the seven gates was not working correctly. On trying to source replacements, it was found that the items were obsolete and unavailable so we replaced half of them with new units and retained the removed working Solectron relays as dedicated spares for those still in use.

- Leslie Dam - Hand over the Town Water Supply Treatment Facility: \$16k was spent in 2015 in handing over responsibility & ownership of the water treatment facility at Leslie dam. SunWater is saving considerable future refurbishment costs on a system which is already non profitable. Part of the handover required that new plumbing and a new SunWater tank be installed on site to ensure untreated water could be supplied to SunWater lands.
- Leslie Dam - Refurbish the Hydraulic RAM's on Gate 7: \$13k was spent in 2015 on the left hand RAM on Gate 7, which had developed a leak. If these RAMS don't retain their hydraulic function, we are not able to open the gate. It was elected to replace the seals in both RAMS in Gate 7 as replacement of one would put undue pressure on the other, which would most likely cause a failure. The seals have now been replaced on both. Based on this work and one other leak in 2011 on Gate 3, we believe all the RAMS should have their seals replaced (last occurred in 2000) which gives us a maintenance guide of every 15 years.
- Leslie Dam - Update Emergency Action Plan: \$12k was spent in 2015 on this statutory requirement.
- Leslie Dam: Installation of Main Power Isolation Switch: \$11k was spent in 2015 as an incident occurred when contractors tested the electrical lines in the absence of the dam operator. Although the contractors had previously worked at the dam, the team missed the operational procedures and the signage and turned off the electricity. As per our operating procedures, the SCADA system automatically turned it back on after fifteen minutes thereby causing a potential for harm. To ensure that through similar circumstances that this situation cannot occur, a new isolation methodology (switch) was adopted which overrides everything.
- Wando Weir - Refurbish Access Road: \$10k was spent in 2015 on the Wando Weir access road, which consists of a 2km track on black soil in a SunWater easement from the public road to the weir. 800m of this track runs along the top of an existing farmer's ring tank which has steep slopes. In wet weather the track became almost impassable with the real potential for a vehicle to slide down the slope. Sunwater entered into an agreement whereby we supplied the material and the landowner spread and reformed the road to an acceptable standard.

### **Corrective Maintenance**

There was no expenditure categorised as "annuity funded 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**

	Table reference	2013	2014	2015	2016
		Actual \$000	Actual \$000	Actual \$000	Forecast \$000
<b>Annuity</b>					
Opening Balance	See below	(1,505)	(1,196)	(948)	(560)
Net Spend		(123)	(212)	(98)	(734)
Annuity Income		545	549	556	578
Interest		(113)	(90)	(71)	(42)
SunWater - Closing Balance		(1,196)	(948)	(560)	(759)
QCA - Closing Balance		(818)	(711)	(564)	(658)
Difference		(378)	(238)	4	(101)
Net Spend Analysis:-					
Spend	5 & 7	(123)	(212)	(218)	(734)
Insurance Proceeds Receipts					
• Prior Year		-	-	44	-
• Current Year		-	-	76	-
Net Spend		(123)	(212)	(98)	(734)

\* 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>	2,135			2,088			2,165			2,023		
<b>Routine Spend</b>												
<b>Operations</b>												
Labour	194	181	(13)	148	186	38	148	192	44	143	198	55
Contractors	9	17	9	9	18	8	28	19	(9)	115	19	(96)
Materials	6	9	2	10	9	(1)	3	9	6	3	10	7
Electricity	104	64	(40)	80	69	(12)	79	73	(5)	79	79	(0)
Insurance	129	69	(60)	234	70	(163)	166	72	(94)	170	73	(97)
Other	17	34	18	23	35	12	25	36	10	31	36	6
Non-directs	372	397	26	275	419	143	285	411	126	364	399	35
	831	771	(59)	780	806	26	734	812	77	905	815	(91)
<b>Preventative Maintenance</b>												
Labour	53	55	2	67	57	(10)	64	59	(5)	55	61	6
Contractors	3	1	(2)	29	1	(28)	9	1	(8)	19	1	(18)
Materials	4	3	(1)	8	3	(5)	7	3	(4)	3	3	0
Other	1	-	(1)	4	-	(4)	11	-	(11)	2	-	(2)
Non-directs	94	117	22	120	123	3	120	120	1	135	116	(19)
	155	176	21	228	184	(44)	211	184	(27)	214	182	(32)
<b>Corrective Maintenance</b>												
Labour	17	15	(2)	3	16	13	7	16	10	17	17	(0)
Contractors	2	10	8	0	11	10	5	11	6	6	11	5
Materials	7	10	3	1	11	10	5	11	6	14	11	(3)
Other	0	3	3	1	3	2	1	3	3	5	3	(1)
Non-directs	34	34	(1)	6	35	30	13	35	22	43	34	(9)
	61	73	12	11	76	64	30	76	46	85	76	(8)
<b>Routine - total</b>	<b>1,047</b>	<b>1,020</b>	<b>(27)</b>	<b>1,020</b>	<b>1,066</b>	<b>46</b>	<b>976</b>	<b>1,072</b>	<b>96</b>	<b>1,204</b>	<b>1,073</b>	<b>(131)</b>
<b>Non-Routine Spend</b>												
Labour	15	32	18	55	60	5	42	53	10	80	97	17
Contractors	34	62	29	18	77	59	59	54	(6)	324	132	(193)
Materials	41	49	7	35	68	32	33	59	26	47	117	70
Other	2	3	1	6	15	10	1	56	55	67	51	(16)
Non-directs	31	88	57	98	161	62	83	135	52	216	232	16
<b>Non-Routine - Total</b>	<b>123</b>	<b>235</b>	<b>112</b>	<b>212</b>	<b>381</b>	<b>169</b>	<b>218</b>	<b>357</b>	<b>138</b>	<b>734</b>	<b>629</b>	<b>(105)</b>
<b>Total Regulated Spend</b>	<b>1,169</b>	<b>1,255</b>	<b>85</b>	<b>1,232</b>	<b>1,446</b>	<b>215</b>	<b>1,194</b>	<b>1,428</b>	<b>234</b>	<b>1,938</b>	<b>1,702</b>	<b>(236)</b>
<b>Non Annuity Funded Spend</b>	-			-			-			-		
<b>Surplus (Deficit)</b>	<b>966</b>			<b>856</b>			<b>971</b>			<b>85</b>		

## 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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