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2014 Annual Performance Report

Bundaberg Distribution

October 2014

Table of Contents

Notes

All financial figures in this report are presented in nominal dollars.

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 report real dollars to nominal dollars, multiply by the following factors; these are based on the QCA's assumed inflation rate of 2.5% p.a.

Table 1 – Conversion Factors for real $2011 to Nominal Dollars

	2013	2014	2015	2016	2017
Conversion Factor	1.051	1.077	1.104	1.131	1.160

Disclaimer

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 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

Water Usage

Table 2 – 2014 Water Usage

	No. of Customers	Water Entitlements ML	Available Water ML	Available Water %	Water deliveries ML	Water deliveries % of entitlement	Water deliveries % of available
Industrial		386	387	100%	84	22%	22%
Irrigation		152,337	160,026	105%	127,465	84%	80%
Urban		1,809	1,809	100%	2,246	124%	124%
Other		46	46	100%	20	43%	43%
SunWater		41,520	41,520	100%	33,236	80%	80%
Total	**880**	**196,098**	**203,788**	**104%**	**163,051**	**83%**	**80%**

QCA Assumed Water Usage for Irrigation	41.1%
QCA Assumed Water Usage for Total	48.0%

Revenue

Table 3 – Revenue

	2013 SunWater Actual $'000	2014 SunWater Actual $'000	2015 SunWater Budget $'000
Irrigation Revenue*	8,723	11,921	10,079
Drainage	0	0	0
Irrigation CSO	1,074	761	466
Industrial and Urban*	783	682	684
Other Revenue	284	120	123
Total Revenue	**10,864**	**13,483**	**11,352**

* Bulk water charges have not been unbundled from Distribution charges therefore a portion of the Distribution revenue is attributable to the Bulk service contract.

Routine Expenditure

Table 4 – Routine Operating Expenditure

	2013 SunWater Actual	% of 2013 Target	2014 SunWater Actual	% of 2014 Target	2015 SunWater Budget	% of 2015 Target
	$'000	%	$'000	%	$'000	%
Operations (Excl. Elect.)	2,550	106%	3,483	141%	3,456	137%
Preventative	1,540	89%	2,203	124%	2,003	110%
Corrective	1,392	140%	1,418	138%	1,108	106%
Electricity	2,425	82%	5,678	179%	3,500	103%
Total Routine Expenses	**7,907**	**98%**	**12,782**	**152%**	**10,067**	**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 of[1]:

- 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 2014 was $3,483k, which was 41% above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs $473k more than the QCA target;
- Operational costs higher than budget due to increased surveillance and water management activities as a result of the dry conditions and water usage across the scheme. Water use was almost double the QCA forecast.

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[1]:

- 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

[1] Activities listed will not apply to all service contracts.

(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:
    - Slashing channels and drains;
    - Acrolein treatment of channels; and
    - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves.

Preventive maintenance for 2014 was $426k above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Additional Acrolein injections during the season to ensure the continued delivery of high volumes of water to customers.
- Additional channel sections mechanically cleaned as a preventative measure to ensure the continuation of water supplies.

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[2]:

- 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
        - 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

[2] Activities listed will not apply to all service contracts.

        - 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 $390k above the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to No 2 Pump failure at the Woongarra Pump Station;
- Corrective works with respect to the channel regulator gates and weed screens;
- Extensive pipe break repairs;
- Additional mechanical weed removal throughout the channel system and de-silting of channels; and
- Rectification of reported hazards on blind corners on the channel access roads.

Electricity

Electricity costs were $2,506k above the QCA target in 2014 primarily due to the significantly increased water deliveries in this service contract and also due to electricity price increases being much higher than the increases allowed for by the QCA.

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 2014; 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.

Table 5 – Non-Routine Expenditure

	2013 SunWater Actual	% of 2013-17 Target	2014 SunWater Actual	% of 2013-17 Target	2015 SunWater Budget	% of 2013-17 Target
	$'000	%	$'000	%	$'000	%
Annuity Funded						
R&E - Annuity Funded	362		442		680	
Corrective	595		105		680	
Other	2		0		0	
Non-direct	554		264		364	
Annuity Funded Total	**1,513**	**33%**	**811**	**18%**	**1,724**	**38%**
Non-Annuity Funded						
R&E - Non-Annuity Funded	176		43		0	
Non-direct	97		20		0	
Total Non-Annuity Funded	**273**	**n/a**	**63**	**n/a**	**0**	**n/a**

R&E – Annuity Funded

The annuity funded R&E direct spend was $442k. Projects undertaken included:

- Refurbish Pump - PUN1 - Woongarra Pump Station — $116k[3] was spent in 2014 to refurbish the pump to extend the operating life, increase reliability and restore it to near optimal operating efficiency and performance. The pump was assessed to be in poor condition in 2011 and this refurbishment aligns with Whole of Life maintenance intervals.
- REFURBISH PUN2 PUMP - WOONGARRA PUMP STATION — $95k was spent in 2014 to repair the damaged pump unit. The pump unit was due for refurbishment in 2015 according to whole of life maintenance intervals however failed in service and the refurbishment was bought forward 1 year.
- Refurbish Pump 1 - Don Beattie Pump Station — $92k was spent in 2014 to refurbish the pump to extend the operating life, increase reliability and restore it to near optimal operating efficiency and performance. The pump was assessed to be in poor condition in 2012. This refurbishment aligns with whole of life maintenance intervals.
- Upgrade PLC - Dinner Hill Pump Station — $51k was spent in 2014 to upgrade the existing obsolete PLC. The existing PLC (Programmable Logical Control) is no longer supported by the manufacturer and replacement components no longer exist. This project carried over from 2013 FY.
- Crane Inspection (5-Yearly) - 16T Bridge Crane - Don Beattie Pump Station — $42k was spent in 2014 to engage a third party to undertake a major inspection to assess the crane for continued safe operation.
- Construct Public Safety Fences - Woongarra (Recommendation 2013 Fencing Audit) — $41k was spent in 2014 to install the public safety fencing required as per SunWater Policy PM04. An audit of compliance in 2012 identified sites requiring modification to comply with the policy.
- Replace Communications Cable with RTU — $35k was spent in 2014 to undertake the procurement, installation and commissioning of RTUs (Radio Telemetry Units) required to replace the existing communications cable at the Abbotsford Pump Station. The communications cable experienced regular outages and was unreliable. Replacement of the cable with RTUs was determined to be the most cost-effective option.
- Replacement of pothead of HV incomer cables — $23k was spent in 2014 to replace the pole top mounted pot head termination of the 3.3Kv cables. Cable 1 failed in service and disturbed cable 2. This work was completed to ensure safety, reliability and functional performance of the pump station.
- Re-instate CP System & Undertake 5-Yearly CP Survey - CMC Pipeline — $22k was spent in 2014 to design, procure, install and commission the transformer rectifier unit. The TR unit was assessed as non-operational and beyond any state of repair.
- Fabricate 2 Bulkhead Gates - Woongarra System (including Design) — $20k was spent in 2014 to design and fabricate two portable bulkhead gates required for operational purposes and isolations required within the Woongarra Distribution System.

Corrective Maintenance

The annuity funded corrective maintenance spend was $105k. Projects undertaken included:

- Flood damage repairs at Abbotsford Pump Station — $58k was spent in 2014 to rectify flood damage caused by a major flood event in January 2013. The majority of the work was completed in 2013 FY however some work carried over into 2014FY. The access road, handrails and security fencing was reinstated. After failing in service during the project the Rotork actuators were investigated and replaced due to corrosion of internal components.
- Flood Damage Repairs at Woongarra Pump Station — $45k was spent in 2014 to rectify flood damage caused by a major flood event in January 2013. The majority of the work was completed in 2013 FY however some work carried over into 2014FY. The access road was reinstated and the river level sensors were replaced.
- Flood Damage Repairs - Don Beattie Pump Station — $24k was spent in 2014 to rectify flood damage caused by a major flood event in January 2013. The majority of the work was completed in 2013 FY however some work carried over into 2014FY. Overflow pipes were installed. An investigation into rectification options was commissioned. This investigation is on-going.

[3] Individual project expenditures include non-directs.

Other

There was no expenditure categorised as “Annuity-funded Other” in 2014.

R&E – Non Annuity

The Non-annuity funded R&E direct spend included:

- Install new offtake 6730m Woongarra Main Channel (Bundaberg Sugar) — $12k was spent in 2014 to design and construct a new metered offtake. This project was customer funded.
- Install New S&D MO off AV-0037 on CMC at Ch18 364— $9k was spent in 2014 to design and construct a new metered offtake. This project was customer funded.
- Install new meter at 275m on B12/3/3 — $9k was spent in 2014 to design and construct a new metered offtake. This project was customer funded.
- Install New 80mm Meter at 169m on Lateral G10 - $8k was spent in 2014 to design and construct a new metered offtake. This project was customer funded.
- Install New 80mm Meter Outlet for Hendry on Lateral C9 Bundaberg — $8k was spent in 2014 to design and construct a new metered offtake. This project was customer funded.

Annuity Balance

The 2014 annuity balance is shown below.

Table 6 – Annuity Balance

	2013	2014	2015*	2016	2017
	$'000	$'000	$'000	$'000	$'000
Opening Balance	2,485	2,605	3,601		
Annuity Income	1,446	1,613	1,683	1,789	1,860
Spend	(1,513)	(811)	(1,724)		
Interest	186	195	270		
Closing Balance	2,605	3,601	3,829		

* 2015 figures are subject to change once actual spend is known.

Appendix –Total Expenditure by Expense Type

Table 7 – Expenditure for Activity by Type

	2013 SunWater Actual	% of 2013 Target	2014 SunWater Actual	% of 2014 Target	2015 SunWater Budget	% of 2015 Target
	$'000	%	$'000	%	$'000	%
ROUTINE EXPENSES						
Operations						
Labour	642		863		663	
Materials	17		19		8	
Contractors	4		13		4	
Other	803		1,136		1,586	
Non-direct	1,084		1,452		1,195	
Operations Total	**2,550**	**106%**	**3,483**	**141%**	**3,456**	**137%**
Preventative						
Labour	417		547		588	
Materials	310		528		280	
Contractors	109		198		120	
Other	4		17		5	
Non-direct	700		914		1,010	
Preventative Total	**1,540**	**89%**	**2,203**	**124%**	**2,003**	**110%**
Corrective						
Labour	397		379		309	
Materials	285		330		233	
Contractors	17		60		33	
Other	1		9		0	
Non-direct	692		639		533	
Corrective Total	**1,392**	**140%**	**1,418**	**138%**	**1,108**	**106%**
Electricity	**2,425**	**82%**	**5,678**	**179%**	**3,500**	**103%**
Total Routine Expenses	**7,907**	**98%**	**12,782**	**152%**	**10,067**	**115%**

	2013 SunWater Actual	% of 2013-17 Target	2014 SunWater Actual	% of 2013-17 Target	2015 SW Budget	% of 2013-17 Target
	$'000	%	$'000	%	$'000	%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	362		442		680	
Corrective	595		105		680	
Other	2		0		0	
Non-direct	554		264		364	
Total Annuity Funded Non-Routine	**1,513**	**33%**	**811**	**18%**	**1,724**	**38%**
TOTAL REGULATED EXPENSES	**9,420**		**13,593**		**11,791**	
Non-Annuity Funded						
R&E - Non-Annuity Funded	176		43		0	
Non-direct	97		20		0	
Total Non-Annuity Funded	**273**	**n/a**	**63**	**n/a**	**0**	**n/a**
TOTAL EXPENSES	**9,693**		**13,656**		**11,791**	