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2014 Annual Performance Report

Dawson Bulk

October 2014

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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

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.

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		3,668	3,347	91%	1,906	52%	57%
Irrigation		51,668	50,965	99%	38,333	74%	75%
Urban		2,178	1,732	80%	1,266	58%	73%
Other		0	0		0		
SunWater		4,223	4,796	114%	1,441	34%	30%
Total	156	61,737	60,840	99%	42,946	70%	71%

QCA Assumed Water Usage for Irrigation 60.0%

QCA Assumed Water Usage for Total 70.7%

Table 3 – Revenue

	2013 SunWater Actual \$'000	2014 SunWater Actual \$'000	2015 SunWater Budget \$'000
Irrigation Revenue*	214	760	798
Drainage	0	0	0
Irrigation CSO	1	0	0
Industrial and Urban*	1,643	1,982	2,034
Other Revenue	6	40	5
Total Revenue	1,864	2,783	2,837

* 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.)	647	100%	625	92%	759	112%
Preventative	135	68%	95	46%	204	99%
Corrective	60	67%	70	74%	93	98%
Electricity	15	45%	25	70%	22	57%
Total Routine Expenses	858	88%	814	80%	1,077	106%

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 2014 was \$54k, or 8%, below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$111k higher than target; and

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;

¹ Activities listed will not apply to all service contracts.

- 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 \$111k below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Neville Hewitt weir not operational for most of 2014, therefore preventive maintenance costs were low;
- Some maintenance performed by external contractors;
- Weir inspections performed;
- Weed control;
- Gauging station maintenance and servicing;
- Service and maintenance of control equipment at outlet works.

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
 - 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;

² Activities listed will not apply to all service contracts.

- 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 \$24k below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to the hoist at Gyranda;
- Repairs to the outlet gate at Gyranda;
- Occurrence of breakdowns lower than forecast.

Electricity

Electricity costs 30% below the QCA target in 2014. This is despite increases in regulated electricity prices being higher than allowed for by the QCA for the first two years of the price path. Dawson Bulk has large variability in electricity costs from year-to-year depending on the amount of pumping to the Moura off-stream storage.

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.

The actual non-routine spend for 2014 is shown in the table below, along with the actual spend for 2013 and the budget spend for 2015. Overall, it is expected that the 2013-17 budget 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. There have been some corrective works in this service contract to repair flood damage, however these should be able to be accommodated within the QCA's targets.

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	(86)		105		376	
Corrective	41		113		0	
Other	0		0		0	
Non-direct	94		93		99	
Annuity Funded Total	49	4%	311	26%	475	40%
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		3		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	4	n/a	0	n/a

R&E – Annuity Funded

The annuity funded R&E direct spend was \$105k. Projects undertaken included:

- Refurbish PUN2 Motor - MOSS PUMP STATION — \$32k³ was spent in 2014 to refurbish the submersible motor on pump unit no.2. Following a routine inspection, pump unit 2 was found to have very low winding insulation resistance resulting from water ingress to the windings. The cause of the water ingress was determined to be because of a mechanical seal failure. Refurbishment of the submersible motor was required to restore the unit to full operation condition.
- Rectify Right Bank Protection Works - Glebe Weir — \$30k was spent in 2014. Undermining on the right bank protection works and trees growing too close to the protection works were identified during the 2012 Glebe Weir annual inspection. The report from the inspection recommended those two issues be addressed to prevent further damage to the weir. This job was created to address the recommendation and was successfully completed.
- Replace Gate Valve - Neville Hewitt Anabranh Weir — \$23k was spent in 2014. Due to its age, the gate valve at Neville Hewitt Anabranh Weir was significantly leaking, resulting in continuous high tail water level. In 2011, there was work on the downstream bridge which required the tailwater level to be lowered and an attempt was made to pump out the downstream pool. This failed due to the amount of leakage and as an interim measure a reducer, and a smaller valve which was available at the time, were installed behind the leaking valve. As a result the outlet capacity has now been reduced but presents a risk that peak customer demand cannot be fulfilled. This project was to eliminate this risk to service standards and was successfully completed at a cost of \$23k in 2014 Financial Year.
- Upgrade Computer for SCADA Network - Neville Hewitt Weir — The SCADA system at Neville Hewitt weir that controls the fishlock operation and the outlet works was obsolete. As no further support for the system is provided by the manufacturer, there is difficulty in sourcing replacement parts. Without this system, the fishlock at Neville Hewitt Weir cannot be operated efficiently as it must then be run manually. This job is to address the issue and is divided into two stages: stage 1 is to create a gap and option analysis, to scope design, and to procure, which were done successfully in the 2014 Financial Year at a cost of \$20k. Stage 2 is to install and commission in 2015 Financial Year with budget \$104k.
- Inspection (5-Yearly) - Moura Weir — \$20k was spent on the five-yearly inspection of Moura Weir in 2014. Moura Weir is categorised as a major weir in relation to importance in the scheme and to stakeholders. SunWater undertakes annual inspections and five-yearly comprehensive inspections for all major weirs as part of its risk management program.
- Repair Undercutting of Foundation of Outlet Structure - Gyranda Weir — \$17k was spent in 2014. The 2009 annual inspection at Gyranda weir identified the undermining of the outlet works as a risk to the integrity of the outlet structure and recommended that additional large rocks be placed at the end of the structure. The recommendation was not addressed earlier as the weir kept overflowing due to flooding in the river. The opportunity to address this recommendation came in 2014 Financial Year when the weir stopped spilling for a period, which lowered the downstream water level significantly.
- Inspection (5-Yearly) - Gyranda Weir — \$15k was spent in 2014. Gyranda Weir is categorised as a major weir in relation to importance in the scheme and to stakeholders. SunWater undertakes annual inspections and five-yearly comprehensive inspections for all major weirs to ensure their safety. In 2014, the five-yearly inspection for Gyranda Weir was due. Gyranda Weir Anabranh was included in this inspection.

Corrective Maintenance

The annuity funded corrective maintenance direct spend was \$113k. Projects undertaken included:

- Flood Damage Repairs at Neville Hewitt Weir — \$130k (including non-directs) was spent in 2014. Neville Hewitt Weir experienced damage on several aspects of the weir as a result of the 2013 Australia Day Weekend flood event. This job is to rectify the identified damage to avoid return the weir to its pre-flood condition.

Other

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

³ Individual project expenditures include non-directs.

R&E – Non Annuity

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

- Install new customer meter — \$4k was spent in 2014. This is fully funded by the customer.

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	1,875	1,919	1,706		
Annuity Income	(47)	(45)	(20)	(7)	16
Spend	(49)	(311)	(475)		
Interest	140	144	128		
Closing Balance	1,919	1,706	1,339		

* 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 \$'000	% of 2013 Target %	2014 SunWater Actual \$'000	% of 2014 Target %	2015 SunWater Budget \$'000	% of 2015 Target %
ROUTINE EXPENSES						
Operations						
Labour	178		152		118	
Materials	1		2		20	
Contractors	6		5		215	
Other	112		187		167	
Non-direct	350		278		239	
Operations Total	647	100%	625	92%	759	112%
Preventative						
Labour	45		31		48	
Materials	4		3		3	
Contractors	3		0		56	
Other	(1)		3		6	
Non-direct	84		57		91	
Preventative Total	135	68%	95	46%	204	99%
Corrective						
Labour	15		16		22	
Materials	8		8		12	
Contractors	5		15		17	
Other	0		1		0	
Non-direct	32		30		42	
Corrective Total	60	67%	70	74%	93	98%
Electricity	15	45%	25	70%	22	57%
Total Routine Expenses	858	88%	814	80%	1,077	106%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	(86)		105		376	
Corrective	41		113		0	
Other	0		0		0	
Non-direct	94		93		99	
Total Annuity Funded Non-Routine	49	4%	311	26%	475	40%
TOTAL REGULATED EXPENSES	907		1,126		1,552	
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		3		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	4	n/a	0	n/a
TOTAL EXPENSES	907		1,129		1,552	