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2014 Annual Performance Report

Dawson Distribution

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		0	0		0		
Irrigation		15,924	16,170	102%	12,427	78%	77%
Urban		2	2	100%	0	0%	0%
Other		0	0		0		
SunWater		4,005	3,767	94%	1,312	33%	35%
Total	43	19,957	19,939	100%	13,739	69%	69%

QCA Assumed Water Usage for Irrigation 66.9%

QCA Assumed Water Usage for Total 73.5%

Table 3 – Revenue

	2013 SunWater Actual \$'000	2014 SunWater Actual \$'000	2015 SunWater Budget \$'000
Irrigation Revenue*	874	1,228	1,163
Drainage	44	46	45
Irrigation CSO	462	447	425
Industrial and Urban*	0	0	1
Other Revenue	2	0	2
Total Revenue	1,383	1,721	1,636

* 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.)	355	64%	629	110%	600	103%
Preventative	404	104%	404	102%	418	102%
Corrective	77	38%	126	60%	227	105%
Electricity	125	80%	190	114%	180	100%
Total Routine Expenses	962	74%	1,349	100%	1,425	103%

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 \$63k, or 11%, above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Schedule/delivery costs higher than the budget as a result of an extended irrigation period , peak irrigation demand and water availability for distribution to customers; and
- Insurance costs \$21k higher than target.

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

¹ Activities listed will not apply to all service contracts.

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

Preventive maintenance for 2014 was \$8k above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Preventive Maintenance costs in line with the QCA target.
- Increased aquatic weed control activities due to the favourable growing conditions and extended season.

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
 - Erosion control and repair of rock protection works; and
 - Repair concrete structures.
 - Scheme Roads
 - Repair pot holes;
 - Repair, replace and paint guide posts and signs.
 - Pump stations
 - De-silt intake structures;
 - Repair concrete structure; and
 - Repair control building.
 - Storages (balancing storages and reservoirs)
 - Repair control gates and valves;

² Activities listed will not apply to all service contracts.

- 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 \$84k below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to pump motor and sump pumps following sump pumps failures; and
- Repairs to leaking channel and pipeline.

Electricity

Electricity costs were \$26k above the QCA target in 2014 due in part to above-average water deliveries 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. 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 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	259		51		142	
Corrective	22		0		0	
Other	0		0		0	
Non-direct	98		16		45	
Annuity Funded Total	379	43%	67	8%	187	21%
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	0	n/a	0	n/a

R&E – Annuity Funded

The annuity funded R&E direct spend was \$51k. Projects undertaken included:

- Construct Public Safety Fences - Theodore — \$62k³ was spent in 2014 to install the public safety fencing required as per SunWater Policy PM04. An audit of compliance in 2012 identified new sites and existing sites requiring modification to comply with the policy.

Corrective Maintenance

There was no expenditure categorised as “Corrective Maintenance” in 2014.

Other

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

R&E – Non Annuity

There was no expenditure categorised as “Non Annuity” in 2014.

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	1,337	1,108	1,206		
Annuity Income	51	82	107	110	113
Spend	(379)	(67)	(187)		
Interest	100	83	90		
Closing Balance	1,108	1,206	1,216		

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

³ Individual project expenditures include non-directs.

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	115		213		189	
Materials	4		6		2	
Contractors	1		1		1	
Other	40		59		85	
Non-direct	195		350		323	
Operations Total	355	64%	629	110%	600	103%
Preventative						
Labour	122		106		120	
Materials	31		35		33	
Contractors	50		81		56	
Other	0		4		3	
Non-direct	201		177		206	
Preventative Total	404	104%	404	102%	418	102%
Corrective						
Labour	21		31		71	
Materials	18		21		23	
Contractors	3		16		10	
Other	0		4		2	
Non-direct	36		53		121	
Corrective Total	77	38%	126	60%	227	105%
Electricity	125	80%	190	114%	180	100%
Total Routine Expenses	962	74%	1,349	100%	1,425	103%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	259		51		142	
Corrective	22		0		0	
Other	0		0		0	
Non-direct	98		16		45	
Total Annuity Funded Non-Routine	379	43%	67	8%	187	21%
TOTAL REGULATED EXPENSES	1,341		1,416		1,612	
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		0		0	
Total Non-Annuity Funded	0	n/a	0	n/a	0	n/a
TOTAL EXPENSES	1,341		1,416		1,612	