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# 2014 Annual Performance Report

## Eton Distribution

October 2014

## Table of Contents

Introduction .....	4
Water Usage .....	4
Revenue .....	5
Routine Expenditure .....	6
Operations .....	6
Preventive Maintenance .....	6
Corrective Maintenance .....	7
Electricity .....	8
Non-Routine Expenditure .....	9
R&E – Annuity Funded .....	10
Corrective Maintenance .....	10
Other .....	10
R&E – Non Annuity .....	10
Annuity Balance .....	11
Appendix –Total Expenditure by Expense Type .....	12

## 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**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane QLD 4002

## Water Usage

**Table 2 – 2014 Water Usage**

	<b>No. of Customers</b>	<b>Water Entitlements ML</b>	<b>Available Water ML</b>	<b>Available Water %</b>	<b>Water deliveries ML</b>	<b>Water deliveries % of entitlement</b>	<b>Water deliveries % of available</b>
Industrial		0	0		0		
Irrigation		52,265	52,114	100%	20,411	39%	39%
Urban		175	177	101%	46	26%	26%
Other		128	128	100%	19	15%	15%
SunWater		9,384	9,447	101%	6,530	70%	69%
<b>Total</b>	<b>317</b>	<b>61,952</b>	<b>61,866</b>	<b>100%</b>	<b>27,006</b>	<b>44%</b>	<b>44%</b>

QCA Assumed Water Usage for Irrigation 41.3%

QCA Assumed Water Usage for Total 55.1%

Note: Risk allocations have not been included in the above table

**Table 3 – Revenue**

	<b>2013 SunWater Actual \$'000</b>	<b>2014 SunWater Actual \$'000</b>	<b>2015 SunWater Budget \$'000</b>
Irrigation Revenue*	2,802	3,125	3,579
Drainage	0	0	0
Irrigation CSO	1,497	1,433	1,357
Industrial and Urban*	0	14	0
Other Revenue	29	0	4
<b>Total Revenue</b>	<b>4,327</b>	<b>4,573</b>	<b>4,940</b>

\* 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**

	<b>2013 SunWater Actual</b>	<b>% of 2013 Target</b>	<b>2014 SunWater Actual</b>	<b>% of 2014 Target</b>	<b>2015 SunWater Budget</b>	<b>% of 2015 Target</b>
	\$'000	%	\$'000	%	\$'000	%
Operations (Excl. Elect.)	675	91%	848	112%	1,046	135%
Preventative	443	70%	644	99%	692	104%
Corrective	510	115%	534	117%	484	103%
Electricity	255	55%	381	76%	624	117%
<b>Total Routine Expenses</b>	<b>1,883</b>	<b>82%</b>	<b>2,407</b>	<b>102%</b>	<b>2,846</b>	<b>116%</b>

### 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 2014 was \$91k or 12% above the QCA target. The major exceptions and highlights with operations activities for the year included:

- Insurance costs \$119k higher than target; and
- Increased Scheme, Asset & Property Management investigation/queries and customer relations costing in excess of \$50k.

### 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

<sup>1</sup> 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 in line with the QCA's target.

### **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
    - 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
    - Repair control building.
  - Storages (balancing storages and reservoirs)
    - Repair control gates and valves;

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<sup>2</sup> 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 \$78k above the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Increased pipe repairs cost due to the age of the system;
- Installation of additional safety handrails; and
- Mechanical mulching of woody weeds along Oakenden Main Channel.

### **Electricity**

Electricity costs were \$120k below the QCA target in 2014 primarily due to decreased water deliveries in this service contract; deliveries were around 70% of QCA assumed average usage. The under-spend on lower water deliveries was partially offset by electricity price increases being above those assumed 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 aims to limit non-routine expenditure to the QCA's targets over the 2013-17 price path in order to manage the annuity balance to reasonable levels.

**Table 5 – Non-Routine Expenditure**

	<b>2013 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2014 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2015 SunWater Budget</b>	<b>% of 2013-17 Target</b>
	\$'000	%	\$'000	%	\$'000	%
<b>Annuity Funded</b>						
R&E - Annuity Funded	528		185		272	
Corrective	0		0		0	
Other	0		0		0	
Non-direct	49		74		85	
<b>Annuity Funded Total</b>	<b>577</b>	<b>23%</b>	<b>259</b>	<b>10%</b>	<b>357</b>	<b>14%</b>
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	16		6		0	
Non-direct	10		4		0	
<b>Total Non-Annuity Funded</b>	<b>26</b>	<b>n/a</b>	<b>10</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>

## R&E – Annuity Funded

The annuity funded R&E direct spend was \$185k. Projects undertaken included:

- Refurbish PUN1 Pump Unit - Victoria Plains Pump Station — \$35k<sup>3</sup> 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. A marginal drop in pressure and flow rates and the recent refurbishment of Pump 2 prompted a detailed inspection. The inspection identified significant wear of the impellor seal rings leading to full refurbishment of the pump.
- Replace Isolating Valves at Mt Alice — \$35k was spent in 2014 to replace isolation valves within the Mt Alice section. Low risk isolation valves are a run to fail asset and each of the valves had failed in service. The valves were replaced by a modern equivalent. A total of four valves were replaced.
- Review/Upgrade Public Safety Signs — \$27k was spent in 2014 to review third-party access of the Oakenden Main Channel berm and SunWater’s access onto public roads with the area. A signage plan was developed and relevant signs installed which complied with SunWater’s Sign and Notice manual. This reduced the exposure to risk of an accident at these sites.
- Replace Isolation Valve - Victoria Plains Ch 21/4 Offtake — \$26k was spent in 2014 to replace isolation valves within the Victoria Plains section. Low risk isolation valves are a run to fail asset and each of the valves had failed in service. Two valves were replaced by a modern equivalent.
- REFURBISH PUN2 PUMP - BRIGHTLY PUMP STATION 2 — \$25k 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. An assessment in 2013 identified excessive gland leakage which led to a more thorough investigation and full refurbishment of the pump.
- Replace Vac Pump Oakenden Pump Station — \$19k was spent in 2014 to replace the vacuum pump on pump unit 2. The vacuum pump failed in service and replacement components were no longer available. The vacuum pump ensures operability of the pump unit.
- Construct Public Safety Fences OMC - Oakenden Main Channel— \$16k 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 Actuator, Elec Magnatek (Disch Valve) - Mt Alice Pump Station — \$13k was spent in 2014 to replace the actuator on the discharge valve for pump unit 2. The actuator was assessed as unreliable and in poor condition in 2013.
- Replace ARMCO Gate/s - Abingdon Balancing Storage (Inlet Structure) — \$10k was spent in 2014 to replace the ARMCO gate on the inlet structure from Abingdon Pump Station rising main and fit handrails to the actuator access platform. Following repair of the gate in 2012 it was determined that the gate was in poor condition and required replacement. A section of handrail was missing from the actuator platform presenting a hazard to operators. This project addressed the fall hazard and provided a safe work platform for the operators.
- INSPECTION: 5Y Hoist 1 & 2 - Abingdon Pump Station — \$10k was spent in 2014 to engage a third party to undertake an inspection of the Abingdon Pump Station hoists 1 & 2 and the monorail. This inspection is a requirement of the WH&S Act and was completed in accordance with AS 2550.

## 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

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

- Install New Meter Outlet at the end of Marwood Lateral Ch24/1 — \$10k was spent in 2014 to design and construct a new metered offtake. This project was customer funded.

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<sup>3</sup> Individual project expenditures include non-directs.

## Annuity Balance

The 2014 annuity balance is shown below.

**Table 6 – Annuity Balance**

	<b>2013</b>	<b>2014</b>	<b>2015*</b>	<b>2016</b>	<b>2017</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>	(223)	(300)	(42)		
<b>Annuity Income</b>	517	539	585	596	618
<b>Spend</b>	(577)	(259)	(357)		
<b>Interest</b>	(17)	(22)	(3)		
<b>Closing Balance</b>	(300)	(42)	183		

\* 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 %
<b>ROUTINE EXPENSES</b>						
<b>Operations</b>						
Labour	173		209		237	
Materials	4		4		2	
Contractors	1		2		1	
Other	203		280		389	
Non-direct	295		353		418	
<b>Operations Total</b>	<b>675</b>	<b>91%</b>	<b>848</b>	<b>112%</b>	<b>1,046</b>	<b>135%</b>
<b>Preventative</b>						
Labour	103		137		163	
Materials	89		176		132	
Contractors	67		93		110	
Other	0		2		0	
Non-direct	184		237		287	
<b>Preventative Total</b>	<b>443</b>	<b>70%</b>	<b>644</b>	<b>99%</b>	<b>692</b>	<b>104%</b>
<b>Corrective</b>						
Labour	108		116		98	
Materials	145		164		115	
Contractors	68		54		92	
Other	1		2		3	
Non-direct	187		198		176	
<b>Corrective Total</b>	<b>510</b>	<b>115%</b>	<b>534</b>	<b>117%</b>	<b>484</b>	<b>103%</b>
<b>Electricity</b>	<b>255</b>	<b>55%</b>	<b>381</b>	<b>76%</b>	<b>624</b>	<b>117%</b>
<b>Total Routine Expenses</b>	<b>1,883</b>	<b>82%</b>	<b>2,407</b>	<b>102%</b>	<b>2,846</b>	<b>116%</b>
<b>NON-ROUTINE EXPENSES</b>						
<b>Annuity Funded</b>						
R&E - Annuity Funded	528		185		272	
Corrective	0		0		0	
Other	0		0		0	
Non-direct	49		74		85	
<b>Total Annuity Funded Non-Routine</b>	<b>577</b>	<b>23%</b>	<b>259</b>	<b>10%</b>	<b>357</b>	<b>14%</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>2,460</b>		<b>2,666</b>		<b>3,203</b>	
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	16		6		0	
Non-direct	10		4		0	
<b>Total Non-Annuity Funded</b>	<b>26</b>	<b>n/a</b>	<b>10</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>
<b>TOTAL EXPENSES</b>	<b>2,486</b>		<b>2,676</b>		<b>3,203</b>	