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2014 Annual Performance Report

Lower Fitzroy 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		24,006	24,006	100%	20,772	87%	87%
Irrigation		3,101	3,101	100%	0	0%	0%
Urban		0	0		0		
Other		41	144	351%	126	307%	88%
SunWater		1,475	1,370	93%	2	0%	0%
Total	24	28,623	28,621	100%	20,900	73%	73%

QCA Assumed Water Usage for Irrigation 2.7%

QCA Assumed Water Usage for Total 69.9%

Table 3 – Revenue

	2013 SunWater Actual \$'000	2014 SunWater Actual \$'000	2015 SunWater Budget \$'000
Irrigation Revenue	41	36	37
Drainage	0	0	0
Irrigation CSO	0	0	0
Industrial and Urban	0	0	0
Other Revenue	0	0	(0)
Total Revenue	41	36	37

* 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.)	144	95%	163	104%	170	109%
Preventative	24	26%	33	35%	79	85%
Corrective	2	5%	11	23%	47	102%
Electricity	1	97%	1	45%	1	73%
Total Routine Expenses	171	60%	207	69%	298	100%

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 \$163k, which was 4% above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$29k higher than target; and
- Operational costs slightly lower than budget.

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 \$61k below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Eden Bann Weir damaged during the January 2013 floods and not being operational for the period. There was no maintenance undertaken at this site due to this reason; and
- Gauging station servicing.

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;
 - 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 \$35k below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Minor civil maintenance undertaken around Eden Bann Weir.

Electricity

Electricity costs were well below the QCA target in 2014.

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.

Overall, the 2013-17 non-routine spend will exceed the five-year QCA target. There has been significant corrective works in this service contract to repair flood damage and more works are still to be done. Corrective works are unplanned and were not allowed for in 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	0		9		137	
Corrective	2		106		640	
Other	0		0		0	
Non-direct	3		46		87	
Annuity Funded Total	5	3%	161	106%	864	570%
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 \$9k³. Projects undertaken included:

- Replace Control Equipment - Eden Bann Fishway — \$18k was spent in 2014. The SCADA system at Eden Bann weir that controls the fishlock operation and the outlet works is obsolete. The manufacturer does not support the old system and no longer produces spare parts. Without this system, the fishlock at Eden Bann Weir cannot be operated efficiently as it has to be run manually. This job was to address the issue and it is divided into two stages: stage 1 is to create a gap and option analysis, scope design, and procurement, which were successfully completed in 2014 Financial Year at a cost of \$18k; Stage 2 is to install and commission in 2015 Financial Year with budget of \$113k.
- Electrical Equipment Inspection - CA EBW — \$6k was spent in 2014. The electrical equipment at Eden Bann Weir has not been condition and risk assessed by an electrical engineer to identify potential operational and safety risks. The outcome of the inspection is to develop a maintenance plan to overcome identified deficiencies. The electrical drawings were also assessed to determine whether they are 'as-built' or not. Deficiencies in this area are also addressed. Hence, it was considered urgent to undertake this job in 2014 Financial Year.

Corrective Maintenance

The annuity funded corrective maintenance spend was \$106k, excluding non-directs. Projects included:

- Eden Bann Handrail & Pit Lid Flood Repairs — \$125k was spent in 2014. Eden Bann Weir was damaged as a result of the 2013 Australia Day Weekend flood event. This project is to rectify the damage to return the weir to full operational condition.

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	362	393	270		
Annuity Income	9	9	11	11	13
Spend	(5)	(161)	(864)		
Interest	27	29	20		
Closing Balance	393	270	(563)		

* 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	40		39		44	
Materials	1		1		1	
Contractors	0		3		7	
Other	25		47		35	
Non-direct	77		72		84	
Operations Total	144	95%	163	104%	170	109%
Preventative						
Labour	7		11		23	
Materials	3		1		1	
Contractors	1		0		13	
Other	0		1		0	
Non-direct	13		20		43	
Preventative Total	24	26%	33	35%	79	85%
Corrective						
Labour	1		3		13	
Materials	1		2		2	
Contractors	0		0		8	
Other	0		1		0	
Non-direct	1		5		24	
Corrective Total	2	5%	11	23%	47	102%
Electricity	1	97%	1	45%	1	73%
Total Routine Expenses	171	60%	207	69%	298	100%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	0		9		137	
Corrective	2		106		640	
Other	0		0		0	
Non-direct	3		46		87	
Total Annuity Funded Non-Routine	5	3%	161	106%	864	570%
TOTAL REGULATED EXPENSES	176		368		1,162	
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	176		368		1,162	