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2014 Annual Performance Report

Nogoa 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

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		29,420	27,727	94%	13,601	46%	49%
Irrigation		160,133	192,835	120%	161,753	101%	84%
Urban		8,549	6,285	74%	6,979	82%	111%
Other		346	376	109%	203	59%	54%
SunWater		32,191	31,382	97%	7,317	23%	23%
Total	**390**	**230,639**	**258,605**	**112%**	**189,853**	**82%**	**73%**

QCA Assumed Water Usage for Irrigation	71.4%
QCA Assumed Water Usage for Total	83.2%

Revenue

Table 3 – Revenue

	2013 SunWater Actual $'000	2014 SunWater Actual $'000	2015 SunWater Budget $'000
Irrigation Revenue*	987	911	953
Drainage	0	0	0
Irrigation CSO	6	2	0
Industrial and Urban*	2,216	2,821	2,405
Other Revenue	16	0	4
Total Revenue	**3,225**	**3,734**	**3,362**

* 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.)	1,762	94%	1,746	89%	2,243	114%
Preventative	244	92%	184	67%	272	99%
Corrective	204	104%	113	55%	144	70%
Electricity	12	91%	16	111%	16	104%
Total Routine Expenses	**2,222**	**94%**	**2,058**	**84%**	**2,675**	**109%**

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 $217k, or 11%, below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Operational costs were below budget because of improved allocation of costs between bulk water and distribution.;
- Insurance cost $467k higher than target; and
- Local Authority rates $45k higher 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 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 $92k below the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Bedford and Tartrus Weirs not fully operational following past flood events therefore reducing preventive maintenance requirements;
- Dam and weir inspections performed;
- Dam safety surveillance;
- Weed control;
- Hoist and winch maintenance.

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

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

        - 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;
        - 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 $92k below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Repairs to crump weir at Bingegang;
- Repairs to outlet gate Right Bank Tower;
- Handrail repairs at Tartrus; and
- Occurrence of breakdowns was lower than forecast.

Electricity

Electricity costs were $2k above the QCA target in 2014 which is due to electricity price increases being much higher than the increases allowed for by the QCA and due to normal annual variability in electricity costs for this service contract.

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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; 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	561		99		894	
Corrective	62		178		51	
Other	30		34		0	
Non-direct	432		148		279	
Annuity Funded Total	**1,085**	**27%**	**459**	**23%**	**1,224**	**60%**
Non-Annuity Funded						
R&E - Non-Annuity Funded	36		0		0	
Non-direct	64		0		0	
Total Non-Annuity Funded	**100**	**n/a**	**0**	**n/a**	**0**	**n/a**

R&E – Annuity Funded

The annuity funded R&E direct spend was $99k. Projects undertaken included:

- Refurbish Failed Gate at Tartrus Weir — $41k[3] was spent in 2014 to design and fabricate a new outlet gate for Tartrus Weir. The existing gate was damaged during peak seasonal flows. SunWater assessed the feasibility of using a similar, unused gate from another site, but engineers determined that the cost of modifications exceeded the cost of replacing the damaged gate. The gate will be installed during the 2014/15 financial year if water levels permit.
- Survey - CCTV & Ground Penetrating Radar - Fairbairn Dam Spillway — $33k was spent in 2014 to develop an inspection method, procurement strategy/tender documentation, and number of site visits Engineers believe that there is a risk to the integrity of the spillway if the potential voids and blocked drains under the spillway are not repaired on time. Due to unknown scope of repair work the investigation is essential.
- Refurbish Right Bank Outlet Works - Replace Walkway & Handrail to External Side of Structure - Design - Fairbairn Dam RB Outlet Works — $22k was spent in 2014 to remove an existing walkway that overhung the internal wall of the outlet structure at the dam. Engineers believed that water hitting the underside of the walkway was contributing to ongoing excessive vibration within the outlet structure that could cause the concrete to crack.
- Inspection – 5-Year Supplementary - Fairbairn Dam — $19k was spent in 2014 to conduct an internal inspection of the main tunnel at Fairbairn Dam. Seepage past bulkhead gates caused the inspection to be abandoned on the day it was planned. Engineers will attempt the tunnel entry during the next comprehensive inspection or beforehand if low water levels suggest a reduced seepage rate.
- Bedford Weir - Decommission Fabridam — $11k was spent in 2014 to consult with irrigators and other stakeholders on possible solutions and alternatives to the decommissioned fabridams. The outcome was to remove the fabridams and not replace them with an alternative arrangement.
- Rectify Rock Face Stability - Fairbairn Dam Outlet Works adjacent to Weemah Inlet Tower — $8k was spent in 2014 to conduct an inspection of the slope immediately below the lookout and above the access road to the intake following a series of rock falls that resulted in the deposition of debris onto the access track. The more recent events resulted in damage to the guard rail immediately adjacent to the bridge of the intake tower. A site inspection was completed by SunWater's Geologist and Senior Contract Geologist in April 2014 .
- Construct Spillway Access - Fairbairn Dam — $8k was spent in 2014 on preliminary design. The project was put on hold as another major project requires scaffolding to be installed at the same place during 2014.

Corrective Maintenance

The annuity funded corrective maintenance spend was $178k, excluding non-directs, and included the following activities.

- Tartrus Weir Flood Damage Repairs - Erosion & Protection Works — $191k was spent in 2014 to reinstate damaged and failed rock mattress, gabion, concrete rockfill and rock protection works downstream of Tartrus Weir. Engineers determined that there was a risk to the integrity of the weir if the erosion repair work was not done. Rock was dumped and re-profiled in a large scour hole downstream of the left bank. Rock mattresses were reinstated on both banks and concreted rockfill repaired on the right bank.

Other

The 'Annuity Funded Other' spend in 2014 included:

- Investigate Fabridam Post Deflation Incident 23 Nov 2008 - Bedford Weir — $41k was spent in 2014 on legal costs to defend SunWater against charges brought against the organisation following the fabridam deflation.

R&E – Non Annuity

There was no expenditure categorised as "Non Annuity" in 2014.

[3] Individual project expenditures include non-directs.

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	(853)	(1,559)	(1,680)		
Annuity Income	443	454	455	468	470
Spend	(1,085)	(459)	(1,224)		
Interest	(64)	(117)	(126)		
Closing Balance	(1,559)	(1,680)	(2,575)		

* 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	350		279		211	
Materials	64		21		33	
Contractors	176		93		873	
Other	440		794		601	
Non-direct	733		560		525	
Operations Total	**1,762**	**94%**	**1,746**	**89%**	**2,243**	**114%**
Preventative						
Labour	75		63		60	
Materials	2		1		1	
Contractors	20		6		90	
Other	3		2		4	
Non-direct	143		111		116	
Preventative Total	**244**	**92%**	**184**	**67%**	**272**	**99%**
Corrective						
Labour	50		22		45	
Materials	20		23		12	
Contractors	28		25		4	
Other	6		1		0	
Non-direct	100		42		83	
Corrective Total	**204**	**104%**	**113**	**55%**	**144**	**70%**
Electricity	**12**	**91%**	**16**	**111%**	**16**	**104%**
Total Routine Expenses	**2,222**	**94%**	**2,058**	**84%**	**2,675**	**109%**

	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	561		99		894	
Corrective	62		178		51	
Other	30		34		0	
Non-direct	432		148		279	
Total Annuity Funded Non-Routine	**1,085**	**53%**	**459**	**23%**	**1,224**	**60%**
TOTAL REGULATED EXPENSES	**3,307**		**2,517**		**3,899**	
Non-Annuity Funded						
R&E - Non-Annuity Funded	36		0		0	
Non-direct	64		0		0	
Total Non-Annuity Funded	**100**	**n/a**	**0**	**n/a**	**0**	**n/a**
TOTAL EXPENSES	**3,407**		**2,517**		**3,899**	