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# 2014 Annual Performance Report

## Pioneer 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**

	<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		1,920	1,920	100%	1,261	66%	66%
Irrigation		47,390	47,390	100%	13,500	28%	28%
Urban		16,520	16,520	100%	12,843	78%	78%
Other		0	0		0		
SunWater		12,280	12,280	100%	0	0%	0%
<b>Total</b>	<b>22</b>	<b>78,110</b>	<b>78,110</b>	<b>100%</b>	<b>27,604</b>	<b>35%</b>	<b>35%</b>

QCA Assumed Water Usage for Irrigation 33.6%

QCA Assumed Water Usage for Total 44.2%

**Table 3 – Revenue**

	<b>2013 SunWater Actual \$'000</b>	<b>2014 SunWater Actual \$'000</b>	<b>2015 SunWater Budget \$'000</b>
Irrigation Revenue	614	641	678
Drainage	0	0	0
Irrigation CSO	0	0	0
Industrial and Urban	679	720	755
Other Revenue	10	0	0
<b>Total Revenue</b>	<b>1,303</b>	<b>1,361</b>	<b>1,433</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.)	500	96%	560	103%	673	123%
Preventative	267	114%	280	115%	243	99%
Corrective	209	113%	107	55%	126	65%
Electricity	3	76%	3	82%	4	85%
<b>Total Routine Expenses</b>	<b>980</b>	<b>103%</b>	<b>951</b>	<b>96%</b>	<b>1,046</b>	<b>106%</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 \$16k, or 3%, above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs \$209k higher than target.

### Preventative 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 (valves, air valves, scours easements etc.) and other infrastructure;
- Servicing – planned maintenance activities normally expected to be carried out routinely on physical assets including

<sup>1</sup> Activities listed will not apply to all service contracts.

- 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 \$36k above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Higher than expected preventative maintenance resulted in less corrective maintenance being performed than originally forecast.

## 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)

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<sup>2</sup> Activities listed will not apply to all service contracts.

- 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 \$86k below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Higher than forecasted preventative maintenance led to less corrective maintenance being needed.

### **Electricity**

Electricity costs were \$1k below the QCA target in 2014 despite announced increases in electricity prices being much higher than the increases allowed for by the QCA. It is not unusual for Pioneer electricity costs to vary by +/- \$2k from year to year.



## 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.

Overall, it is expected that the 2013-17 spend for non-routine will exceed the five-year QCA target due to the need to implement projects that have arisen since the QCA's review e.g. the decommissioning of the Fabridams at Dumbleton and Mirani in 2015.

**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	458		113		930	
Corrective	0		0		0	
Other	0		3		1	
Non-direct	210		115		232	
<b>Annuity Funded Total</b>	<b>669</b>	<b>35%</b>	<b>231</b>	<b>12%</b>	<b>1,163</b>	<b>61%</b>
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		0		0	
<b>Total Non-Annuity Funded</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>

### R&E – Annuity Funded

The annuity funded R&E direct spend was \$113k. Projects undertaken included:

- Repair Hold Chamber Baulk Slot, Gate Guides - Dumbleton Fishlock — \$78k<sup>3</sup> was spent in 2014. During the 2010-11

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

floods, one of the bulkhead slots for the fishlock at Dumbleton Weir was damaged. Rather than repair it (which involves very high cost due to installation of a cofferdam to de-water the area around the slot), the decision was made to seal the slot permanently and use the other bulkhead slot to isolate the fishlock. The works completed under this project include production of construction drawings and closing off the slot with a concrete in-fill.

- Replace 700mm Butterfly Isolation Valve - Tannalo Offtake — \$44k was spent in 2014. The project is based on a report by the Pioneer Valley Water Board that the valve failed to close in 2007. The preferred option adopted was to remove the existing valve and replace the valve and hydraulic actuator with a new one specific for this task. Completed tasks to date include completion of the scoping documents, stakeholder engagement and agreement on operating parameters, site investigation and ordering of the valve from the supplier. The remaining works include ordering of dismantling joint, finalisation of installation drawings and specifications, installation and commissioning of the valve.
- Repair RH Bank Stabilisation Works - Marian Weir Embankment — \$31k was spent in 2014. Major flooding in the Pioneer River during January-February 2011 resulted in severe damage to the rock protection on the right bank at Marian Weir and the rectification was required to protect the weir structure. Rocks were purchased from Farleigh quarry and Koumala Excavations was engaged to construct an access and place the rock in eroded areas. The job was completed by 16 October 2013.
- Repair Apron Slab - LB Mirani Weir — \$18k was spent in 2014. The purpose of the project was to investigate and repair suspected undermining of the left bank upstream apron slab. This was required in order to prevent further major damage. The completed works include drilling of 150mm cores, camera inspection and filling the undermining with 4m<sup>3</sup> of concrete via a concrete pump. The gap between the apron slab and the weir was also filled with a silicone sealant to prevent re-occurrence of the scouring.
- Mirani Weir - Decommission Fabridam (2015) Replace Fabridam (Scope & Design 2009-2012) (Replace 2015) — \$14k 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.

## Corrective Maintenance

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

## Other

There was \$3k of “Annuity-funded Other” direct spend 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
<b>Opening Balance</b>	(2,401)	(2,826)	(2,836)		
<b>Annuity Income</b>	423	433	444	446	457
<b>Spend</b>	(669)	(231)	(1,163)		
<b>Interest</b>	(180)	(212)	(212)		
<b>Closing Balance</b>	(2,826)	(2,836)	(3,767)		

\* 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	94		74		108	
Materials	1		2		2	
Contractors	12		8		83	
Other	206		326		262	
Non-direct	187		150		218	
<b>Operations Total</b>	<b>500</b>	<b>96%</b>	<b>560</b>	<b>103%</b>	<b>673</b>	<b>123%</b>
<b>Preventative</b>						
Labour	83		76		34	
Materials	5		25		22	
Contractors	22		40		116	
Other	0		1		0	
Non-direct	158		139		71	
<b>Preventative Total</b>	<b>267</b>	<b>114%</b>	<b>280</b>	<b>115%</b>	<b>243</b>	<b>99%</b>
<b>Corrective</b>						
Labour	47		14		4	
Materials	31		36		50	
Contractors	40		27		59	
Other	0		0		0	
Non-direct	91		29		13	
<b>Corrective Total</b>	<b>209</b>	<b>113%</b>	<b>107</b>	<b>55%</b>	<b>126</b>	<b>65%</b>
<b>Electricity</b>	<b>3</b>	<b>76%</b>	<b>3</b>	<b>82%</b>	<b>4</b>	<b>85%</b>
<b>Total Routine Expenses</b>	<b>980</b>	<b>103%</b>	<b>951</b>	<b>96%</b>	<b>1,046</b>	<b>106%</b>
<b>NON-ROUTINE EXPENSES</b>						
<b>Annuity Funded</b>						
R&E - Annuity Funded	458		113		930	
Corrective	0		0		0	
Other	0		3		1	
Non-direct	210		115		232	
<b>Total Annuity Funded Non-Routine</b>	<b>669</b>	<b>35%</b>	<b>231</b>	<b>12%</b>	<b>1,163</b>	<b>61%</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>1,648</b>		<b>1,182</b>		<b>2,208</b>	
<b>Non-Annuity Funded</b>						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		0		0	
<b>Total Non-Annuity Funded</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>
<b>TOTAL EXPENSES</b>	<b>1,648</b>		<b>1,182</b>		<b>2,208</b>	