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2014 Annual Performance Report

Proserpine 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		550	591	107%	438	80%	74%
Irrigation		42,017	46,870	112%	16,884	40%	36%
Urban		10,992	10,992	100%	5,298	48%	48%
Other		0	0		0		
SunWater		9,317	9,317	100%	5	0%	0%
Total	94	62,876	67,770	108%	22,625	36%	33%
QCA Assumed Water Usage for Irrigation						62.9%	
QCA Assumed Water Usage for Total						62.1%	

Table 3 – Revenue

	2013 SunWater Actual \$'000	2014 SunWater Actual \$'000	2015 SunWater Budget \$'000
Irrigation Revenue	422	481	511
Drainage	0	0	0
Irrigation CSO	0	0	0
Industrial and Urban	1,881	1,953	2,005
Other Revenue	178	197	172
Total Revenue	2,481	2,632	2,688

* 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.)	689	106%	937	138%	797	117%
Preventative	48	34%	91	62%	151	101%
Corrective	83	161%	42	79%	58	106%
Electricity	7	131%	7	123%	7	127%
Total Routine Expenses	826	97%	1,077	122%	1,013	114%

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 \$261k or 38% above the QCA target. The major exceptions and highlights with operations activities for the year included:

- Insurance costs \$201k higher than target; and
- Local Authority rates \$20k 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 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 \$57k below the QCA’s target. The major exceptions and highlights with preventive maintenance activities for the year included:

- High dam levels meant that less preventive maintenance was performed than originally forecast on weed control and Mimosa Pigra control.

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
 - Repair control building.

² Activities listed will not apply to all service contracts.

- 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 \$11k below the QCA's target for 2014. There were no major exceptions with corrective maintenance activities for the year.

Electricity

Electricity costs were \$1k 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.

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. However, 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	18		33		211	
Corrective	0		0		0	
Other	0		0		0	
Non-direct	5		52		67	
Annuity Funded Total	23	3%	84	11%	278	37%
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		1		0	
Total Non-Annuity Funded	0	n/a	1	n/a	0	n/a

R&E – Annuity Funded

The annuity funded R&E direct spend was \$33k. Projects undertaken included:

- Study: 5yr Dam Comprehensive Inspection - Peter Faust Dam — \$78k³ was spent in 2014 to undertake a comprehensive civil and mechanical inspection of the dam in accordance with the Queensland Dam Safety management guidelines and dam safety condition schedules. Civil, mechanical and hydraulic components of the dam were inspected and a report with recommendations for remedial work was produced.

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	(360)	(212)	(112)		
Annuity Income	198	200	202	201	201
Spend	(23)	(84)	(278)		
Interest	(27)	(16)	(8)		
Closing Balance	(212)	(112)	(197)		

* 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	135		167		132	
Materials	19		27		22	
Contractors	46		50		84	
Other	224		377		294	
Non-direct	264		316		264	
Operations Total	689	106%	937	138%	797	117%
Preventative						
Labour	13		20		34	
Materials	3		16		14	
Contractors	3		16		36	
Other	2		1		1	
Non-direct	26		39		66	
Preventative Total	48	34%	91	62%	151	101%
Corrective						
Labour	13		4		9	
Materials	21		18		21	
Contractors	15		12		9	
Other	3		0		0	
Non-direct	30		8		18	
Corrective Total	83	161%	42	79%	58	106%
Electricity	7	131%	7	123%	7	127%
Total Routine Expenses	826	97%	1,077	122%	1,013	114%
NON-ROUTINE EXPENSES						
Annuity Funded						
R&E - Annuity Funded	18		33		211	
Corrective	0		0		0	
Other	0		0		0	
Non-direct	5		52		67	
Total Annuity Funded Non-Routine	23	3%	84	11%	278	37%
TOTAL REGULATED EXPENSES	849		1,162		1,292	
Non-Annuity Funded						
R&E - Non-Annuity Funded	0		0		0	
Non-direct	0		1		0	
Total Non-Annuity Funded	0	n/a	1	n/a	0	n/a
TOTAL EXPENSES	849		1,163		1,292	