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# 2014 Annual Performance Report

## St George Distribution

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		0	0		0		
Irrigation		54,868	64,090	117%	56,476	103%	88%
Urban		0	0		0		
Other		0	0		0		
SunWater		9,701	12,378	128%	9,991	103%	81%
<b>Total</b>	<b>38</b>	<b>64,569</b>	<b>76,468</b>	<b>118%</b>	<b>66,467</b>	<b>103%</b>	<b>87%</b>

QCA Assumed Water Usage for Irrigation 86.0%

QCA Assumed Water Usage for Total 93.4%

**Table 3 – Revenue**

	<b>2013 SunWater Actual \$'000</b>	<b>2014 SunWater Actual \$'000</b>	<b>2015 SunWater Budget \$'000</b>
Irrigation Revenue*	2,607	2,671	2,799
Drainage	203	210	210
Irrigation CSO	497	401	305
Industrial and Urban*	18	0	0
Other Revenue	8	0	1
<b>Total Revenue</b>	<b>3,334</b>	<b>3,283</b>	<b>3,315</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.)	781	89%	795	89%	980	107%
Preventative	457	133%	279	79%	401	110%
Corrective	63	26%	82	32%	263	101%
Electricity	73	139%	71	126%	60	100%
<b>Total Routine Expenses</b>	<b>1,374</b>	<b>91%</b>	<b>1,226</b>	<b>78%</b>	<b>1,704</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 \$795k, which was 11% below the QCA target.

### 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 (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:

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

- 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 \$279k, which was 21% below the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Reduction in weed control due to limited seasonal rainfall.

## 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;
    - Repair walls, embankments and spillways; and
    - Repair concrete structures.

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

- 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 \$82k, which was 68% below the QCA's target for 2014. The major exceptions and highlights with corrective maintenance activities for the year included:

- Occurrences of breakdowns, which were lower than forecast.

### **Electricity**

Electricity costs were 26% above the QCA target in 2014 due mostly to increases in regulated electricity prices being higher than allowed for by the QCA and also due to increased water deliveries in this service contract through the St George Pump Station. Resultant cost over-runs are beyond SunWater's control. SunWater continues to review tariffs each year to identify the best tariffs for the expected future operations.



## 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. At this stage it is expected 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. There have been some corrective works in this service contract to repair flood damage, however these should be able to be accommodated within the QCA's targets.

**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	236		144		93	
Corrective	4		146		369	
Other	0		6		0	
Non-direct	70		72		106	
<b>Annuity Funded Total</b>	<b>311</b>	<b>12%</b>	<b>367</b>	<b>14%</b>	<b>568</b>	<b>22%</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 \$144k. Projects undertaken included:

- Re-profile RHS Bank Channel 1 (1451m to 6107m) — \$83k<sup>3</sup> was spent in 2014 to reinstate the channel to design profile and levels. Stage 2 (Earthworks Construction) was completed in the 2014 FY. This work addressed the WH&S access issue raised by operators and other asset impacts at the site.
- Repair Concrete Lining, Reinstatement Rock Protection & Re-profile Earthworks (0m - 300m) - Thuraggi Diversion Channel — \$50k was spent in 2014 to complete works attributed to prior wear and tear before the January 2012 flood event. Rock mattresses and geotextile were installed. Earthworks on the right bank were reinstated.

## Corrective Maintenance

The annuity funded corrective maintenance spend was \$146k, excluding non-directs, and included the following activities:

- Repair Concrete Lining, Reinstatement Rock Protection & Re-profile Earthworks (0m - 300m) - Thuraggi Diversion Channel — \$192k was spent in 2014 to rectify flood damage caused by a major flood event in January 2012. Rock mattresses and geotextile were installed. Earthworks on the right bank were reinstated.

## Other

The 'Annuity Funded Other' spend included:

- Buckinbah Pump Station: Operational Project to capture costs on drought relief project. — \$16k was spent in 2014 to hire an electric generator, install suitable safe connections and operate the Buckinbah Pump station to pump water from Thuraggi channel into Buckinbah main channel for drought relief for farmers. This project had the full backing of the customer council.

## 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>	(1,506)	(1,528)	(1,605)		
<b>Annuity Income</b>	402	405	407	424	422
<b>Spend</b>	(311)	(367)	(568)		
<b>Interest</b>	(113)	(114)	(120)		
<b>Closing Balance</b>	(1,528)	(1,605)	(1,887)		

\* 2015 figures are subject to change once actual spend is known.

<sup>3</sup> 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 %
<b>ROUTINE EXPENSES</b>						
<b>Operations</b>						
Labour	228		201		275	
Materials	92		104		75	
Contractors	2		32		2	
Other	77		116		155	
Non-direct	382		341		474	
<b>Operations Total</b>	<b>781</b>	<b>89%</b>	<b>795</b>	<b>89%</b>	<b>980</b>	<b>107%</b>
<b>Preventative</b>						
Labour	136		82		105	
Materials	26		31		25	
Contractors	65		25		89	
Other	0		4		0	
Non-direct	230		136		182	
<b>Preventative Total</b>	<b>457</b>	<b>133%</b>	<b>279</b>	<b>79%</b>	<b>401</b>	<b>110%</b>
<b>Corrective</b>						
Labour	20		23		87	
Materials	9		15		15	
Contractors	1		6		13	
Other	0		0		0	
Non-direct	33		38		148	
<b>Corrective Total</b>	<b>63</b>	<b>26%</b>	<b>82</b>	<b>32%</b>	<b>263</b>	<b>101%</b>
<b>Electricity</b>	<b>73</b>	<b>139%</b>	<b>71</b>	<b>126%</b>	<b>60</b>	<b>100%</b>
<b>Total Routine Expenses</b>	<b>1,374</b>	<b>91%</b>	<b>1,226</b>	<b>78%</b>	<b>1,704</b>	<b>106%</b>
<b>NON-ROUTINE EXPENSES</b>						
<b>Annuity Funded</b>						
R&E - Annuity Funded	236		144		93	
Corrective	4		146		369	
Other	0		6		0	
Non-direct	70		72		106	
<b>Total Annuity Funded Non-Routine</b>	<b>311</b>	<b>12%</b>	<b>367</b>	<b>14%</b>	<b>568</b>	<b>22%</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>1,685</b>		<b>1,593</b>		<b>2,272</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>1,685</b>		<b>1,593</b>		<b>2,272</b>	