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# Annual Performance Report

## Barker Barambah Bulk

October 2013

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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 this annual Performance Report to show how SunWater 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 - 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		60	60	100%	0	0%	0%
Irrigation		31,361	31,361	100%	9,292	30%	30%
Urban		2,200	2,100	95%	527	24%	25%
Other		0	0		0		
SunWater		694	794	114%	0	0%	0%
<b>Total</b>	<b>173</b>	<b>34,315</b>	<b>34,315</b>	<b>100%</b>	<b>9,819</b>	<b>29%</b>	<b>29%</b>

QCA Assumed Water Usage for Irrigation 37.9%

QCA Assumed Water Usage for Total 55.1%

## Routine Expenditure

**Table 3 – Operating Expenditure**

	<b>2013 SunWater Actual</b>	<b>% of 2013 Target</b>	<b>2013-17 to date Actual</b>	<b>% of 2013-17 Target</b>	<b>2013-17 QCA Target</b>
	\$'000	%	\$'000	%	\$'000
Operations (Excl. Elect.)	598	103%	598	21%	2,912
Preventative	46	41%	46	8%	573
Corrective	22	43%	22	8%	265
Electricity	10	62%	10	11%	93
<b>Total Routine Expenses</b>	<b>676</b>	<b>89%</b>	<b>676</b>	<b>18%</b>	<b>3,843</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<sup>1</sup>:

- Schedule and deliver water including processing water orders, monitoring of storage levels, releasing water, and managing river flows;
- Flood operations including emergency preparedness and implementation of Emergency Action Plans for the dam;
- Water quality monitoring including water quality sampling and monitoring of blue green algae;
- Compliance including ROP reporting and BOM reporting;
- Meter Reading;
- Administration of water accounts, billing and receipting payments;
- Customer management including enquiries and complaints and maintaining the customer service help desk;
- Environmental management including operation of fishways, reporting fish deaths, monitoring or noxious weeds, pests and contaminated land;
- Scheme management including licences and permits, rates, land management, planning and reporting;
- Insurance costs;
- Monitoring the security of assets and unauthorised access and trespass; and
- Manage public relations associated with the scheme.

The overall operations expenditure in 2013 was \$18k above the QCA target.

- Insurance costs were above budget by \$66k.
- Operational costs for other activities were below expectations for the year due to prolonged periods of natural flows in the river system.

### 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 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>2</sup>:

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

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

- Condition monitoring: The inspection, testing or measurement of physical assets to report and record its condition and performance for determination of preventive maintenance requirements. Assets which the condition is monitored regularly include pumps, electrical motors, valves, gates, switchboards, embankment, spillway, outlet works and associated equipment;
- 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 is undertaken as part of preventative maintenance. This includes mowing, spraying and other activities to control weeds within the scheme.

Preventive maintenance was \$65k below the QCA's target for 2013. The exceptions and highlights with preventative maintenance activities for the year included:

- Scheduled preventative maintenance works at the outlet control building at Bjelke-Peterson Dam were not undertaken due to flooding.

### **Corrective Maintenance**

Corrective maintenance includes activities to correct unexpected failures or to return an asset to an acceptable level of performance or condition. While corrective maintenance is difficult to forecast with accuracy, such activities 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 (maintenance that can be routinely planned and scheduled)
  - Dams
    - Repair of control gates and valves
    - Repair walls, embankments and spillways
    - Repair of concrete structures
  - Weirs
    - Repair of control gates and valves
    - Repair walls and embankments
    - Repair of concrete structures
    - Repair of fishways
  - Barrages
    - Repair of control gates and valves
    - Repair walls, embankments
    - Repair of concrete structures
    - Repair of fishways
  - Roads
    - Repair of pot holes
    - Grade roads
    - Repair, replace and paint guide posts and signs
  - Gauging Stations
    - Repair of instrumentation
    - De-silt gauging weirs
    - Repair concrete structure
    - Repair instrumentation hut
  - Meters
    - Repair bulk water meters

- Repair customer meters
- Emergency maintenance is maintenance that has to be carried out immediately to restore normal operation, to restore supply to customers or to meet a regulatory obligation (e.g. rectify a safety hazard). Emergency maintenance includes:
  - Repair or correction of control valve faults and other equipment
  - Response to theft or vandalism associated with scheme assets

Corrective maintenance was \$32k below the QCA's target for 2013.

- The routine corrective works were below budget due to lower level of breakdowns because equipment had been flood damaged and was out of service.

## **Electricity**

Electricity costs were \$6k less than the QCA target in 2013 primarily due to reduced water deliveries which also means reduced revenue from the variable tariff to cover these costs. The higher than allowed increases in electricity prices means that the Part B charge will not recover the full cost of electricity over the entire price path. There is also significant year-to-year variation in kWh/ML delivered in Barker Barambah average depending on how much of demand is met through natural stream flows.

## 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 2013; 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 are unexpected events, such as floods, that are not allowed for in the QCA's annuity funding allowance. Notwithstanding these points, SunWater aims to limit renewals expenditure to the QCA's targets over the 2013-17 price path in order to manage the annuity balance to reasonable levels.

**Table 4 – Non-Routine Expenditure**

	<b>2013 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2013-17 to date Actual</b>	<b>% of 2013-17 Target</b>	<b>2013-17 QCA Target</b>
	\$'000	%	\$'000	%	\$'000
<b>Annuity Funded</b>					
R&E - Annuity Funded	31		31		220
Corrective	33		33		0
Other	5		5		0
Non-direct	51		51		125
<b>Annuity Funded Total</b>	<b>120</b>	<b>35%</b>	<b>120</b>	<b>35%</b>	<b>345</b>
<b>Non-Annuity Funded</b>					
R&E - Non-Annuity Funded	0		0		n/a
Non-direct	0		0		n/a
<b>Total Non-Annuity Funded</b>	<b>0</b>		<b>0</b>		<b>n/a</b>

### R&E – Annuity Funded

The annuity funded R&E spend was \$31k for 2013. The main annuity funded project for the Barker Barambah Bulk Water Supply contract was the design and installation of new access stairs into the Joe Sippel Weir gauging station. The old stairs were assessed as a high WHS risk. The new stairs will ensure that these risks are mitigated.



The parapet wall on the crest of Bjelke-Petersen dam suffered minor spalling that was repaired to ensure the wall is able to perform its function during floods.

\$9k spent on flood operations during the Australia Day weekend floods. The dam must be manned around the clock during flood events.

The annuity funded non-routine expenditure is forecast to be over the five year QCA targets however each project is justified based on the condition and risk attached to the asset. SunWater will continue to review the R&E program to identify efficiency gains that will enable the target to be met. This excludes corrective expenditure.

### Corrective Maintenance

The \$33k of “Annuity-funded Corrective” direct spend in 2013 was associated with flood damage repairs at Bjelke-Petersen Dam, Silverleaf and Joe Sippel Weirs, and the stream gauging stations at Bjelke-Petersen Dam and Stonelands. The majority of the expenditure was to repair or replace damaged electrical components in the outlet building. A tender process was followed to ensure the best value for money was obtained.

### Other

There was \$5k of “Annuity-funded Other” direct spend in 2013. These costs were captured additional operational activities relating to the management of Bjelke Petersen Dam during flood monitoring events

### R&E – Non Annuity

There was no expenditure on non-annuity projects during 2013.

### Annuity Balance

The 2013 annuity balance is shown below.

**Table 5 – 2013 Annuity Balance**

	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000
<b>Opening Balance</b>	(1,270)	(1,254)			
<b>Annuity Income</b>	231	230	238	240	246
<b>Actual Spend</b>	(120)				
<b>Interest</b>	(95)				
<b>Closing Balance</b>	(1,254)				

## Appendix – Total Expenditure by Expense Type

Table 6 – Expenditure for Activity by Type

	2013 SunWater Actual \$'000	% of 2013 Target %	2013-17 to date Actual \$'000	% of 2013-17 Target %	2013-17 QCA Target \$'000
<b>ROUTINE EXPENSES</b>					
<b>Operations</b>					
Labour	128		128		708
Materials	1		1		33
Contractors	18		18		142
Other	201		201		603
Non-direct	251		251		1,427
<b>Operations Total</b>	<b>598</b>	<b>103%</b>	<b>598</b>	<b>21%</b>	<b>2,912</b>
<b>Preventative</b>					
Labour	16		16		182
Materials	1		1		30
Contractors	0		0		11
Other	0		0		1
Non-direct	29		29		349
<b>Preventative Total</b>	<b>46</b>	<b>41%</b>	<b>46</b>	<b>8%</b>	<b>573</b>
<b>Corrective</b>					
Labour	6		6		72
Materials	2		2		36
Contractors	1		1		16
Other	0		0		0
Non-direct	13		13		140
<b>Corrective Total</b>	<b>22</b>	<b>43%</b>	<b>22</b>	<b>8%</b>	<b>265</b>
<b>Electricity</b>	<b>10</b>	<b>62%</b>	<b>10</b>	<b>11%</b>	<b>93</b>
<b>Total Routine Expenses</b>	<b>676</b>	<b>89%</b>	<b>676</b>	<b>18%</b>	<b>3,843</b>
<b>NON-ROUTINE EXPENSES</b>					
<b>Annuity Funded</b>					
R&E - Annuity Funded	31		31		220
Corrective	33		33		0
Other	5		5		0
Non-direct	51		51		125
<b>Total Annuity Funded Non-Routine</b>	<b>120</b>	<b>35%</b>	<b>120</b>	<b>35%</b>	<b>345</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>796</b>		<b>796</b>		<b>4,188</b>
<b>Non-Annuity Funded</b>					
R&E - Non-Annuity Funded	0		0		n/a
Non-direct	0		0		n/a
<b>Total Non-Annuity Funded</b>	<b>0</b>		<b>0</b>		<b>n/a</b>
<b>TOTAL EXPENSES</b>	<b>796</b>		<b>796</b>		<b>n/a</b>