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2013 Annual Performance Report

Bowen Broken Bulk

October 2013

Table of Contents

Introduction	4
Water Usage	4
Routine Expenditure	5
Operations	5
Preventive Maintenance	5
Corrective Maintenance	6
Electricity	7
Non-Routine Expenditure	8
R&E – Annuity Funded	8
Corrective Maintenance	9
Other	9
R&E – Non Annuity	9
Annuity Balance	10
Appendix –Total Expenditure by Expense Type	11

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 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

Post: NSP Feedback
PO Box 15536 City East
Brisbane Qld 4002

Water Usage

Table 2 - 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		30,299	30,599	101%	12,757	42%	42%
Irrigation		5,677	5,676	100%	1,094	19%	19%
Urban		1,785	1,485	83%	969	54%	65%
Other		290	291	100%	364	126%	125%
SunWater		879	530	60%	369	42%	70%
Total	52	38,930	38,581	99%	15,553	40%	40%
						QCA Assumed Water Usage for Irrigation	11.7%
						QCA Assumed Water Usage for Total	43.1%

Routine Expenditure

Table 3 – Routine Operating Expenditure

	2013 SunWater Actual	% of 2013 Target	2013-17 to date Actual	% of 2013-17 Target	2013-17 QCA Target
	\$'000	%	\$'000	%	\$'000
Operations (Excl. Elect.)	828	163%	828	32%	2,628
Preventative	103	53%	103	10%	1,015
Corrective	191	89%	191	17%	1,121
Electricity	136	117%	136	20%	672
Total Routine Expenses	1,258	122%	1,258	23%	5,437

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 include¹:

- 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 operations expenditure of \$828k in 2013 was \$320k above the QCA target; these additional costs are at SunWater's expense. The major exceptions with operation activities for the year included:

- Costs for support by the Asset Management group were \$230k above budget primarily due to incorrect order bookings to the Bowen Broken service contract when these costs should have been charged to other Service Contracts. This error has no impact on customer pricing and will be corrected when SunWater forecasts costs for the next pricing review.
- Insurance costs of \$95k being \$44k above the QCA forecast.

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 includes²:

¹ Activities listed will not apply to all service contracts.

² 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 costs of \$103k were approximately \$90k below the QCA's target for 2013. The major exceptions and highlights with preventative maintenance activities for the year included:

- Resource constraints in 2013 meant that not all planned preventive was able to be completed. This has not created any risks in this service contract and preventive maintenance is expected to return to normal levels in future years.

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 emergency²:

- 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 costs of \$191k were \$23k below the QCA's target for 2013. The major corrective maintenance activities for the year included:

- De-silting the Bowen River Weir Fishway - \$75k.
- Finalise commissioning of the Bowen River Weir fishway - \$17.5k.
- De-silting the entrance to the GOSS pump station - \$33k.

Electricity

Electricity costs were \$19k above QCA target in 2013 due to increases in regulated electricity prices being higher than the 12.5% increase allowed by the QCA for 2013. Also, electricity usage in Bowen Broken varies from year-to-year depending on the amount of pumping to Gattonvale off-stream storage.

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

	2013 SunWater Actual	% of 2013-17 Target	2013-17 to date Actual	% of 2013-17 Target	2013-17 QCA Target
	\$'000	%	\$'000	%	\$'000
Annuity Funded					
R&E - Annuity Funded	90		90		548
Corrective	(1)		(1)		0
Other	0		0		5
Non-direct	16		16		355
Annuity Funded Total	106	12%	106	12%	908
Non-Annuity Funded					
R&E - Non-Annuity Funded	(0)		(0)		n/a
Non-direct	(0)		(0)		n/a
Total Non-Annuity Funded	(0)		(0)		n/a

R&E – Annuity Funded

The spend in 2013 was lower than expected due to the deferment of the Dam Break Analysis for the Eungella Dam to 2014. At this stage SunWater expects to contain costs over the five years of the regulatory period in line with the QCA target.

The annuity funded R&E spend was \$106k for 2013 and included the following projects:

Bowen River Weir & Gattonvale Offstream Storage:

- Repair of severe and extensive scouring of the Gattonvale Offstream Storage upstream embankment following heavy and prolonged rain. The repairs are necessary to retain the structural integrity of the embankment. The cost of this work was \$47k, including non-directs.
- Due to the complexity of water release requirements for the ROP and downstream irrigators, the Bowen River Weir operators required an O&M Manual to be written for operating the Outlet Works. This will ensure that new staff are able to operate the weir successfully. The cost of this work was \$10k, including non-directs.
- To improve data collection, a continuous time monitoring series gauge was installed upstream of the weir. This is a ROP requirement. Costs were \$5k, including non-directs.
- The 5 Yearly Comprehensive Inspections of Bowen River Weir and Gattonvale Offstream Storage have been deferred to 2014 because of continued spilling of the weir and high storage water levels preventing a complete inspection of all structures.
- The Failure Impact Assessment (FIA) of Gattonvale Offstream Storage has been deferred until 2014 when resources in SunWater ID Brisbane become available. A FIA calculates the number of people downstream of a storage who may be affected by its failure. The outcome of the FIA determines if a storage becomes a referable dam under the Qld Government guidelines.

Eungella Dam:

- A new Inlet Bulk and Trash screen Winch & Motor unit was installed to replace the old and unreliable one. Costs were \$34k including non-directs.
- The obsolete Gas Boards in three gauging stations were replaced with total costs of \$9k, including non-directs.
- The filling line valves and pipework painting and the access ladder renewal in the valve pit at Eungella Dam were not completed due to the pit being flooded.

Corrective Maintenance

There was no significant Annuity-funded corrective maintenance in 2013.

Other

There was no "Annuity-funded Other" spend in 2013.

R&E – Non Annuity

There was no "Non-annuity funded" spend in 2013.

Annuity Balance

The 2013 annuity balance is shown below.

Table 5 – 2013 Annuity Balance

	2013	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(2,722)	(2,708)			
Annuity Income	324	326	337	436	439
Actual Spend	(106)				
Interest	(204)				
Closing Balance	(2,708)				

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
ROUTINE EXPENSES					
Operations					
Labour	218		218		653
Materials	10		10		60
Contractors	65		65		158
Other	123		123		435
Non-direct	412		412		1,323
Operations Total	828	163%	828	32%	2,628
Preventative					
Labour	29		29		273
Materials	2		2		46
Contractors	16		16		163
Other	2		2		0
Non-direct	54		54		532
Preventative Total	103	53%	103	10%	1,015
Corrective					
Labour	37		37		180
Materials	4		4		120
Contractors	55		55		447
Other	22		22		0
Non-direct	72		72		374
Corrective Total	191	89%	191	17%	1,121
Electricity	136	117%	136	20%	672
Total Routine Expenses	1,258	122%	1,258	23%	5,437
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	90		90		548
Corrective	(1)		(1)		0
Other	0		0		5
Non-direct	16		16		355
Total Annuity Funded Non-Routine	106	12%	106	12%	908
TOTAL REGULATED EXPENSES	1,364		1,364		6,344
Non-Annuity Funded					
R&E - Non-Annuity Funded	(0)		(0)		n/a
Non-direct	(0)		(0)		n/a
Total Non-Annuity Funded	(0)		(0)		n/a
TOTAL EXPENSES	1,364		1,364		n/a