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2013 Annual Performance Report

Boyne 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

	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		30,134	30,453	101%	13,567	45%	45%
Irrigation		9,566	9,142	96%	2,192	23%	24%
Urban		2,755	2,755	100%	348	13%	13%
Other		375	479	128%	117	31%	24%
SunWater		1,625	1,625	100%	1,620	100%	100%
Total	158	44,455	44,454	100%	17,844	40%	40%

QCA Assumed Water Usage for Irrigation 48.9%

QCA Assumed Water Usage for Total 53.9%

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.)	1,065	396%	1,065	77%	1,392
Preventative	30	31%	30	6%	487
Corrective	12	51%	12	10%	126
Electricity	0		0		0
Total Routine Expenses	1,107	285%	1,107	55%	2,006

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 in 2013 was \$796k above the QCA target. Operations costs included:

- Total legal related costs of \$622K, of which only \$500K was provision, related to progressing SunWater's insurance claim for flood damage to Boondooma Dam. The ultimate treatment of these costs will be resolved once the claim is settled.
- Insurance costs were also above budget by \$78k.
- There were additional flood operation activities required for Boondooma Dam.

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

¹ Activities listed will not apply to all service contracts.

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:

- 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 basis for the under spend with preventative maintenance activities for the year included:

- No preventative maintenance works were required to the Boondooma Dam outlet control building as the outlet works were flood damaged and will be repaired under the flood damage program.

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

² Activities listed will not apply to all service contracts.

- 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 \$13k below the QCA's target for 2013. This was due to fewer unscheduled maintenance issues.

Electricity

There were no electricity costs recorded in this service contract in 2013.

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	33		33		308
Corrective	932		932		0
Other	8		8		0
Non-direct	966		966		250
Annuity Funded Total	1,938	347%	1,938	347%	558
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 annuity funded R&E spend was \$33k .The main activity was a ten-yearly interval crane inspection at Boondooma Dam. SunWater inspects cranes and other lifting devices regularly to ensure they remain fit for purpose in accordance with AS2550.1 - 2011. In this instance, the hoist in the valve house was replaced under the same project.

At this stage SunWater expects to contain annuity funded R&E costs over the five years of the regulatory period in line with the QCA target.

Corrective Maintenance

There was “Annuity-funded Corrective” of \$1,886k in 2013 related to flood damage works carried out to the downstream area of the spillway at Boondooma dam and areas around the outlet works. The majority of the expenditure was on repairing large scour holes in the spillway chute at Boondooma Dam. Other expenditure was on reinstating the valve house roller door, cleaning the valve pit and testing the valve operations and repairs to handrails. Insurance claims are pending for the flood damage.

Other

There \$8k “Annuity-funded Other” spend in 2013 relates to a carry-over project to which was to refurbish the intake tower winch at Boondooma dam.

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	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(170)	(2,108)			
Annuity Income	13	13	17	17	17
Actual Spend	(1,938)				
Interest	(13)				
Closing Balance	(2,108)				

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	118		118		330
Materials	1		1		13
Contractors	3		3		16
Other	694		694		339
Non-direct	249		249		694
Operations Total	1,065	396%	1,065	77%	1,392
Preventative					
Labour	10		10		152
Materials	1		1		28
Contractors	0		0		5
Other	0		0		0
Non-direct	18		18		302
Preventative Total	30	31%	30	6%	487
Corrective					
Labour	3		3		29
Materials	1		1		32
Contractors	2		2		6
Other	1		1		0
Non-direct	6		6		59
Corrective Total	12	51%	12	10%	126
Electricity	0	#DIV/0!	0	#DIV/0!	0
Total Routine Expenses	1,107	285%	1,107	55%	2,006
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	33		33		308
Corrective	932		932		0
Other	8		8		0
Non-direct	966		966		250
Total Annuity Funded Non-Routine	1,938	347%	1,938	347%	558
TOTAL REGULATED EXPENSES	3,045		3,045		2,564
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	3,045		3,045		n/a