

SunWater Limited
Level 10, 179 Turbot Street
PO Box 15536 City East
Brisbane Queensland 4002
www.sunwater.com.au
ACN 131 034 985



2013 Annual Performance Report

Bundaberg Distribution

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		383	383	100%	110	29%	29%
Irrigation		155,109	156,013	101%	69,282	45%	44%
Urban		1,809	2,051	113%	1,967	109%	96%
Other		46	46	100%	17	37%	37%
SunWater		41,520	41,520	100%	16,060	39%	39%
Total	880	198,867	200,013	101%	87,436	44%	44%

QCA Assumed Water Usage for Irrigation 41.1%

QCA Assumed Water Usage for Total 48.0%

Revenue

Revenue has been included in the distribution Performance Reports to assist the LMA process.

Table 3 – Revenue

	2013 SunWater Actual \$'000
Irrigation Revenue*	8,723
Drainage Diversion Charges	0
Irrigation CSO	1,074
Industrial and Urban*	783
Drainage Services	0
Other Revenue	284
Total Revenue	10,864

* Bulk water charges have not been unbundled
i.e. a portion of this revenue is attributable to
the Bulk service contract.

Routine Expenditure

Table 4 – 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.)	2,550	106%	2,550	20%	12,440
Preventative	1,540	89%	1,540	17%	8,984
Corrective	1,392	140%	1,392	27%	5,192
Electricity	2,425	82%	2,425	14%	17,084
Total Routine Expenses	7,907	98%	7,907	18%	43,700

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:

- Schedule and deliver water including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency response for channel overflows and other emergency events;
- Meter Reading;
- Administration of water accounts, billing and receipting payments;
- Customer management including enquiries and 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 channel infrastructure and unauthorised access and trespass; and
- Manage public relations associated with the scheme.

The operations expenditure in 2013 was \$145k above the QCA target. The exceptions and highlights with operation activities for the year included:

- Insurance costs of \$192k above the budget estimate.
- Other operational costs were slightly below expectations due to less operational activity and surveillance requirements.

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
 - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves.

Preventive maintenance was \$183k below the QCA’s target mostly due to:

- Lower levels of Acrolein application required due to the removal of weeds when de-silting under corrective maintenance and high water turbidity restricting weed growth.

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 (maintenance that can be planned and scheduled)
 - Channels
 - De-silting of channels and catch drains
 - Erosion control and repair of rock protection works
 - Repair of fencing
 - Repair of concrete structures
 - Repair regulator gates and control valves etc.
 - Drains
 - De-silting of drains
 - Erosion control and repair of rock protection works
 - Repair of fencing
 - Repair of concrete structures
 - Pipelines
 - Repair of air valves, scour valves etc.
 - Erosion control and repair of rock protection works
 - Repair of concrete structures
 - Scheme Roads
 - Repair of pot holes
 - Grade roads
 - Repair, replace and paint guide posts and signs
 - Pump stations
 - Repair pumps and motors
 - De-silt intake structures
 - Repair concrete structure
 - Repair control building
 - Storages (balancing storages and reservoirs)

² Activities listed will not apply to all service contracts.

- Repair of control gates and valves
 - Repair walls, embankments and spillways
 - Repair of concrete structures
- Meters
 - Repair bulk water meters
 - Repair customer meters
- Emergency maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet a regulatory obligation (e.g. rectify a safety hazard). Emergency maintenance includes:
 - Repair or correction of pump station faults
 - Repair or correction of channel faults
 - Repair or correction of pipeline faults
 - Response to theft or vandalism associated with scheme assets

Corrective maintenance was \$397k above the QCA's target for 2013. The exceptions with corrective maintenance activities for the year included:

- Additional de-silting of channels in the Isis system required due to the severity of weed infestation.
- The extraction and re-installation of the Woongarra pumps to avoid damage from the January floods.
- The installation of a temporary pump to supply the Givelda system while the Don Beattie pump station was inoperable.
- Channel access roads refurbishment due to localised flooding.
- Increase in pipe breaks in the Isis and Woongarra systems requiring repairs due to the wet conditions.

Electricity

Electricity costs were \$534k less than the QCA target in 2013 despite increases in regulated electricity prices being higher than the 12.5% increase allowed by the QCA for 2013. This was due to lower overall pumping load than forecast and normal annual variability in electricity costs.

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 5 – 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	362		362		2,896
Corrective	595		595		0
Other	2		2		164
Non-direct	554		554		1,510
Annuity Funded Total	1,513	33%	1,513	33%	4,570
Non-Annuity Funded					
R&E - Non-Annuity Funded	176		176		n/a
Non-direct	97		97		n/a
Total Non-Annuity Funded	273		273		n/a

R&E – Annuity Funded

The annuity funded R&E spend was \$220k below the QCA target due to projects being deferred as a result of the number of higher priority flood damage works. Deferred projects included:

- Refurbishing of 4 regulator gates in the channel system Replacement flow meters at Gooburrum pump station.
- Upgrades to PLCs and SCADA at Tirroan and McIlwraith pump stations.

A project to undertake investigation of installing Variable Frequency drives was originally planned to be undertaken on the Don Beattie Pump station. Following the State Government announcement on the Local Area Management initiative, a decision was made to defer the project and undertake as a pilot study investigation on another asset. No money has been spent on this project to date. Pending the outcome of this pilot study, the project would then be re-initiated for the Don Beattie pump station.

The annuity funded R&E program also included the refurbishment of pump unit 5 at the Woongarra pump station which resulted in an expenditure of \$76k, including non-directs. The pump unit has been in service for 32 years and was last refurbished in 2001. The refurbishment has returned to pump to a satisfactory condition.

A further significant project was the replacement of a dismantling coupling on the rising main at the Don Beattie pump station which resulted in an expenditure of \$123k, including non-directs. The project was to replace the original dismantling coupling with an improved design to add strength and reliability to the application to prevent any future faults and/or leakage from this area.

The main expenditure on headworks assets in the Distribution scheme was associated with risk management of the Isis and Woongarra Balancing storages. SunWater undertook a comprehensive risk assessment (CRA's) to identify the probability of identified failure paths of both storages and also to recommend risk mitigation measures for the high risks. The CRA's were carried over from the 2012 financial year due to ongoing requirements from the external peer review panel. SunWater also completed a failure impact assessment of Woongarra Balancing Storage to quantify the number of people at risk during a dam failure. Total expenditure for 2013 was \$126k.

A number of other R&E projects were carried out based on asset condition. At this stage SunWater expects to contain costs over the five years of the regulatory period in line with the QCA target.

Corrective Maintenance

There was "Annuity-funded Corrective" direct spend of \$595k in 2013 related to major flood damage rectification works at the Don Beattie Woongarra, Abbotsford and Gooburrum pump stations. These pump stations were inundated in the 2013 floods and received extensive damage to pumping equipment, intake structures, erosion and access roads. These unplanned high priority works required re-allocation of resources which resulted in the deferral of some planned R&E projects.

Other

There was \$2k of "Annuity-funded Other" direct expenditure in 2013 resulting from carryover expenditure for the crane hoist at Fred Haigh Dam from the previous financial year.

R&E – Non Annuity

There was \$176k of "Non-annuity R&E" direct expenditure in 2013 related to the extension of five SunWater metered off take delivery lines along the Childers Main Pipeline as a result of roads works on the Isis Highway (Main Roads - Cordalba). The project is practically complete and the SunWater costs have been invoiced to Main Roads.

Annuity Balance

The 2013 annuity balance is shown below.

Table 6 – Annuity Balance

	2013	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	2,485	2,605			
Annuity Income	1,446	1,613	1,683	1,789	1,860
Actual Spend	(1,513)				
Interest	186				
Closing Balance	2,605				

Appendix – Total Expenditure by Expense Type

Table 7 – 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	642		642		3,632
Materials	11		11		6
Contractors	4		4		3
Other	809		809		2,971
Non-direct	1,084		1,084		5,829
Operations Total	2,550	106%	2,550	20%	12,440
Preventative					
Labour	417		417		2,645
Materials	197		197		1,720
Contractors	109		109		572
Other	117		117		8
Non-direct	700		700		4,038
Preventative Total	1,540	89%	1,540	17%	8,984
Corrective					
Labour	397		397		1,519
Materials	121		121		1,103
Contractors	17		17		218
Other	165		165		31
Non-direct	692		692		2,321
Corrective Total	1,392	140%	1,392	27%	5,192
Electricity	2,425	82%	2,425	14%	17,084
Total Routine Expenses	7,907	98%	7,907	18%	43,700
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	362		362		2,896
Corrective	595		595		0
Other	2		2		164
Non-direct	554		554		1,510
Total Annuity Funded Non-Routine	1,513	33%	1,513	33%	4,570
TOTAL REGULATED EXPENSES	9,420		9,420		48,270
Non-Annuity Funded					
R&E - Non-Annuity Funded	176		176		n/a
Non-direct	97		97		n/a
Total Non-Annuity Funded	273		273		n/a
TOTAL EXPENSES	9,693		9,693		n/a