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2013 Annual Performance Report

Bundaberg 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		986	887	90%	110	11%	12%
Irrigation		199,114	198,890	100%	77,942	39%	39%
Urban		9,571	9,571	100%	3,645	38%	38%
Other		46	40	87%	17	36%	42%
SunWater		170,869	170,873	100%	15,957	9%	9%
Total	1,126	380,586	380,261	100%	97,671	26%	26%

QCA Assumed Water Usage for Irrigation 41.4%

QCA Assumed Water Usage for Total 46.7%

Routine Expenditure

Table 3 – 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.)	1,103	153%	1,103	30%	3,730
Preventative	132	40%	132	8%	1,720
Corrective	122	93%	122	18%	687
Electricity	5	52%	5	9%	54
Total Routine Expenses	1,362	114%	1,362	22%	6,191

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 \$381 above the QCA target. The major exceptions and highlights with operation activities for the year included:

- \$83k insurance costs above the QCA target.
- Increased costs associated with on-going flood operations at Fred Haig Dam, Bucca Weir and the Kolan Barrage on the Kolan River, and Ned Churchward Weir and Ben Anderson Barrage on the Burnett River.

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 was \$201k below the QCA's target for 2013. The preventive maintenance activities for the year included:

- Access to the bulk water assets was severely restricted due to the flooding in early 2013 so less preventive maintenance was carried out. Labour was diverted to flood operations.

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 was \$9k below the QCA's target for 2013. The corrective maintenance activities were hampered due to the flooding .Significant damage was sustained to bulk water assets which will be repaired in the 2014 financial year.

Electricity

Electricity costs were \$4k 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 is in line with lower than average electricity costs observed in particular years.

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	157		157		773
Corrective	501		501		0
Other	0		0		0
Non-direct	287		287		943
Annuity Funded Total	946	55%	946	55%	1,716
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 direct spend was \$157k in 2013, including the following projects:

During investigations to determine the functionality of the cathodic protection (CP) system at Ben Anderson Barrage, it was determined that the CP system has been deteriorating and it that the downstream anode beds were scoured out and detached from the connecting cables. The downstream anode ground beds left and right of Ben Anderson Barrage have been replaced. In

the upstream and deck anodes are planned for replacement in Stage 2 (2014). Total project expenditure for 2013 was \$263k, including non-directs.

The scoping and design of the PLC and SCADA at Ned Churchward Weir fish lock and outlet works - the existing PLC and SCADA are approaching the end of their design life and replacement parts are very difficult to procure. A risk assessment determined that if these failed, the weir would need to be manually operated. This would be a major financial and WHS risk to SunWater as operators could be called to site at any time. Total 2013 project expenditure was \$37k, including non-directs.

The Fred Haigh Dam 5-yearly supplementary inspection was scheduled for 2013 but was deferred once more due to the 2013 floods. Preparatory works to get the dam ready for the inspection included removal of rock and debris from downstream of the dam to reduce the tail water level and assessment of whether a mobile crane could be used instead of the intake tower crane. Total project expenditure for 2013 was \$17k, including non-directs.

The Ben Anderson Barrage five yearly inspection went slightly over budget due to the expansion and enhancement of the report to include more relevant data. Total project expenditure for 2013 was \$22k, including non-directs.

Installation of fall arrest points at Ned Churchward Weir was completed about \$10k under budget due to a change of scope without affecting the WHS risk mitigation. Total project expenditure for 2013 was \$3k.

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

There was "Annuity-funded Corrective" direct spend of \$501k in 2013 related to flood damage activities associated with Fred Haigh Dam and weirs and Barrages through out the Bundaberg scheme. All flood damage work was procured through tendering processes.

The specific projects were:

Ned Churchward Weir – reinstatement of rock protection on the downstream left abutment; handrails, hydraulic repairs, reinstatement of stilling wells to permit water level recording. Total project expenditure has been \$394k, with \$299k spent during 2013. The left abutment erosion was repaired by replacing and installing additional rock mattresses. The handrails were replaced. The stilling wells were replaced. The hydraulic lines and valves were assessed initially for functionality and replaced if needed.

Ben Anderson Barrage – replacement of handrails and other civil works such as road reinstatements. The handrails were replaced. Access roads were reinstated. A bulkhead gate was refabricated and replaced. Hydraulic lines were replaced to restore functionality of the sluice gates. Total project expenditure for 2013 was \$164k.

Bucca Weir – reinstatement of missing handrails, grating, civil repair works. Handrails and walkways were replaced or recovered from downstream and reinstated. The civil repair works consisted to reinstating downstream rock protection and mattresses. Total project expenditure for 2013 was \$37k.

Other

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

R&E – Non Annuity

There was no "Non-annuity R&E" expenditure in 2013.

Annuity Balance

The 2013 annuity balance is shown below.

Table 5 – Annuity Balance

	2013	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(2,771)	(3,363)			
Annuity Income	561	574	585	599	618
Actual Spend	(946)				
Interest	(208)				
Closing Balance	(3,363)				

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	272		272		889
Materials	3		3		71
Contractors	29		29		154
Other	245		245		779
Non-direct	554		554		1,837
Operations Total	1,103	153%	1,103	30%	3,730
Preventative					
Labour	37		37		520
Materials	5		5		163
Contractors	13		13		27
Other	2		2		3
Non-direct	74		74		1,008
Preventative Total	132	40%	132	8%	1,720
Corrective					
Labour	31		31		142
Materials	10		10		179
Contractors	4		4		81
Other	6		6		0
Non-direct	70		70		285
Corrective Total	122	93%	122	18%	687
Electricity	5	52%	5	9%	54
Total Routine Expenses	1,362	114%	1,362	22%	6,191
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	157		157		773
Corrective	501		501		0
Other	0		0		0
Non-direct	287		287		943
Total Annuity Funded Non-Routine	946	55%	946	55%	1,716
TOTAL REGULATED EXPENSES	2,308		2,308		7,907
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	2,308		2,308		n/a