

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

Chinchilla 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	9
Appendix –Total Expenditure by Expense Type	10

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		290	151	52%	6	2%	4%
Irrigation		2,594	2,733	105%	1,395	54%	51%
Urban		1,160	1,160	100%	755	65%	65%
Other		0	0		0		
SunWater		5	5	100%	0	0%	0%
Total	32	4,049	4,049	100%	2,156	53%	53%

QCA Assumed Water Usage for Irrigation 48.5%

QCA Assumed Water Usage for Total 61.1%

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.)	83	156%	83	30%	276
Preventative	3	22%	3	4%	64
Corrective	0	0%	0	0%	43
Electricity	0		0		0
Total Routine Expenses	85	116%	85	22%	383

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 \$30k above the QCA target. The major exceptions and highlights with operation activities for the year included:

- \$28k for inspections by Headworks and local Technical team following 2012 floods.
- Insurance costs were over the QCA target by \$5k.

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:

- 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

¹ Activities listed will not apply to all service contracts.

² Activities listed will not apply to all service contracts.

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 \$9k below the QCA's target for 2013. The major exceptions and highlights with preventative maintenance activities for the year included:

- Preventive maintenance activities could not be completed during the 2012 flood event
- Preventive maintenance on outlet works was not required given the program to replace the outlet works valves.

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 \$8k below the QCA's target for 2013. The major exceptions and highlights with corrective maintenance activities for the year included:

- No corrective works undertaken during the period.

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	45		45		23
Corrective	0		0		0
Other	0		0		0
Non-direct	3		3		65
Annuity Funded Total	48	54%	48	54%	89
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 is currently on track with the QCA target. There were two main projects identified as significant in 2013 financial year.

Successive weir inspections had identified that the weir had suffered some major concrete damage which had been temporarily patched and that many of the weep holes appeared blocked. Project 13CHW02 was created with an initial budget of \$71,732

(Order 5122954) to rectify these defects. With the budget constraints, the proposed works were reduced on the understanding that a concurrent commercial contract undertaking enhancements to the weir would carry out some of the required repair works. SunWater undertook repairs to concrete face of the weir which cost \$33k.

Project 13CHW01 was to purchase and install safety fencing down the right bank retaining wall based on risk to the public from the 1.8m drop from the retaining wall to the concrete floor slabs of the weir. The site is not far from a camp site and is a local attraction particularly when the weir is spilling where visitors have been observed ignoring warning signage for a closer look at the spilling weir from the edge of the retaining wall. The budgeted total for the project was \$29k based of the quoted price to purchase the materials and the cost of installation in a semi-remote site.

Budgeting occurred in February 2012, however significant savings were made as the lowest quotation was submitted by a local Chinchilla contractor with unutilised staff. Along with a very competitive installation cost, there were no additional accommodation or travel costs, which had been allowed for in the budget. The final cost of this project was \$14k.

There are no further R&E projects planned until 2017. 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 no other Annuity-funded Corrective Maintenance in 2013.

Other

There was no other Annuity-funded expenditure in 2013.

R&E – Non Annuity

There was no Non-annuity funded R&E expenditure 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	103	68			
Annuity Income	4	4	4	4	4
Actual Spend	(48)				
Interest	8				
Closing Balance	68				

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	21		21		59
Materials	0		0		8
Contractors	1		1		27
Other	17		17		59
Non-direct	43		43		122
Operations Total	83	156%	83	30%	276
Preventative					
Labour	1		1		22
Materials	0		0		0
Contractors	0		0		0
Other	0		0		1
Non-direct	2		2		42
Preventative Total	3	22%	3	4%	64
Corrective					
Labour	0		0		14
Materials	0		0		3
Contractors	0		0		0
Other	0		0		0
Non-direct	0		0		26
Corrective Total	0	0%	0	0%	43
Electricity	0		0		0
Total Routine Expenses	85	116%	85	22%	383
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	45		45		23
Corrective	0		0		0
Other	0		0		0
Non-direct	3		3		65
Total Annuity Funded Non-Routine	48	54%	48	54%	89
TOTAL REGULATED EXPENSES	133		133		472
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	133		133		n/a