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2013 Annual Performance Report

Dawson 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 Usage¹

	No. of Customers	Water Entitlements ML	Available Water ML	Available Water %	Water deliveries ML	Water deliveries % of entitlement	Water deliveries % of available
Industrial		4,037	3,535	88%	1,436	36%	41%
Irrigation		51,767	47,890	93%	29,794	58%	62%
Urban		1,959	1,692	86%	1,169	60%	69%
Other		1	0	0%	0	0%	
SunWater		4,173	4,592	110%	1,545	37%	34%
Total	158	61,937	57,708	93%	33,944	55%	59%

QCA Assumed Water Usage for Irrigation 60.0%

QCA Assumed Water Usage for Total 70.7%

¹ This is Financial Year data for 2012/13. The 2013 Annual Report shows Water Year data for Oct 2011 to Sept 2012.

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.)	647	100%	647	19%	3,352
Preventative	135	68%	135	13%	1,021
Corrective	60	67%	60	13%	468
Electricity	15	45%	15	8%	195
Total Routine Expenses	858	88%	858	17%	5,036

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 include²:

- 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 in line with the QCA target.

- The main tasks included schedule and deliver water with regulating weir releases.
- Compliance monitoring water sampling, fishway monitoring.

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 includes³:

² Activities listed will not apply to all service contracts.

³ 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 \$42k below the QCA's target for 2013. The highlights with preventative maintenance activities for the year included:

- Reduced maintenance at the Moura and Neville Hewitt fish ways which were out of service due to flood damage.
- Access to some sites was restricted due to flooding which limited ability to carry out preventive maintenance.
- Sucker control at Glebe Weir was not able to be undertaken due to weir over-topping.

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 emergency³:

- 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 \$40k below the QCA's target for 2013. The highlights with corrective maintenance activities for the year included:

- There were no major breakdowns requiring corrective maintenance.
- Activities undertaken include:
 - Remove and replace valve control arms Neville Hewitt weir.
 - Replace valve sensors Moura weir.
 - Repair capillary lines to the gauging station.

Electricity

Electricity costs were \$19k 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. Dawson Bulk has large variability in electricity costs from year-to-year depending on the amount of pumping to the Moura 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	(86)		(86)		733
Corrective	41		41		0
Other	0		0		9
Non-direct	94		94		440
Annuity Funded Total	49	4%	49	4%	1,182
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 negative \$86k due to journaling of costs from previous year away from Dawson to the appropriate service contracts.

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

The significant projects for the year were:

Repair Undercutting of Foundation of Outlet Structure - Outlet Works - Gyranda Weir

The original project was mainly to repair the undercutting of foundation of outlet structure. However in 2011, it was identified that the rock mattresses downstream of the weir on the right bank did suffer some minor damage and then the rock repair is included as part of this job. Due to tail water level, only damaged rock mattresses could be undertaken. The outlet works undercutting was managed to be repaired in 2014 FY when the tail water level was low enough to allow the repair to be proceed.

Justification of the job:

Without any repair, the undercutting and damaged protection works will be getting worse until at some stage that the stability of the weir is compromised. Undertaking the repair at the early stage will also enable cost savings.

Replace Monorail Hoist - Outlet Works - Gyranda Weir

This project is to install the new winch which has already been purchased.

Justification of the job:

The new winch has already been purchased, therefore it is very important to install the new winch and remove the old winch as soon as possible.

Conduct Comprehensive Risk Assessment - Moura Offstream Storage

SunWater has an obligation to ensure that dams under its ownership, that pose a potential threat to the community, have adequate spillway capacity to prevent overtopping failure and adequate protection to prevent structural failure of the all elements of the dam. This assessment concentrates on the main dam – spillway, non-overflow sections and foundations and the saddle dam embankment and foundations under Sunny Day conditions, earthquakes and floods.

Replace Gas Boards in Gauging Stations 1, 2, 4, 6, 7, 8, & 9

Self contained gas purge smart system is purchased to replace the current boards that due for replacement.

Replacement justification:

1. Gauging stations reliability is very critical as SunWater rely on their outcomes (especially during flood event) and most of them are in remote locations.
2. The old system has been there for over 40 years and currently, replacements parts are no longer available.
3. The old system will have higher maintenance cost to run.
4. The old system is more prone to error in reading due to system leakage.
5. The old system consumes more energy
6. The old system produces less accurate readings.

Corrective Maintenance

There \$41k “Annuity-funded Corrective” direct spend in 2013 was related to flood damage activities associated with Neville Hewitt and Gyranda Weirs. All flood damage work was procured through tendering processes.

The majority of the work was:

Neville Hewitt Weir – reinstatement of the downstream protection works, hand rails, and valve pit cleaning.

Neville Hewitt Weir has experienced minor damages on several places as a result from 2013 Australia Day Weekend floods. This project is to rectify the damages. Total cost including indirect and overhead in 2013 Financial Year was \$34k.

Tasks that have been done in the 2013 Financial Year:

- Site Inspection
- Scope development
- Fishlock Chamber cleaning
- Reinstatement of the hand rails and fences

Gyranda Weir – reinstatement of the downstream protection works.

The 2011 annual inspection at Gyranda weir identified that large areas of rock from the left hand protection works had been washed away during the largest flood event ever recorded at the weir. The project involves replacing the protection works on a like for like basis.

Additionally, there are some holes developing in the steel mesh with resultant loss of material. This mesh is to be repaired following the replacement of the missing material.

Some cracking in the concrete on the downstream protection area should also be repaired. This was identified as a routine job and most of the work is in repairing previous repairs which have failed. It would be opportune to carry out the works at the same time. Total cost including indirect and overhead in 2013 Financial Year was \$41k.

Tasks that have been done in 2013:

- Scope development
- Reinstatement of the downstream protection works

Other

There was no other Annuity-funded expenditure in 2013.

R&E – Non Annuity

There was no other 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	1,875	1,919			
Annuity Income	(47)	(45)	(20)	(7)	16
Actual Spend	(49)				
Interest	140				
Closing Balance	1,919				

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	178		178		983
Materials	0		0		31
Contractors	6		6		28
Other	113		113		360
Non-direct	350		350		1,952
Operations Total	647	100%	647	19%	3,352
Preventative					
Labour	45		45		317
Materials	1		1		42
Contractors	3		3		20
Other	2		2		32
Non-direct	84		84		609
Preventative Total	135	68%	135	13%	1,021
Corrective					
Labour	15		15		139
Materials	6		6		52
Contractors	5		5		8
Other	2		2		0
Non-direct	32		32		269
Corrective Total	60	67%	60	13%	468
Electricity	15	45%	15	8%	195
Total Routine Expenses	858	88%	858	17%	5,036
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	(86)		(86)		733
Corrective	41		41		0
Other	0		0		9
Non-direct	94		94		440
Total Annuity Funded Non-Routine	49	4%	49	4%	1,182
TOTAL REGULATED EXPENSES	907		907		6,218
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	907		907		n/a