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2013 Annual Performance Report

Dawson 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		0	0		0		
Irrigation		15,950	17,244	108%	10,243	64%	59%
Urban		2	2	100%	0	0%	0%
Other		0	0		0		
SunWater		4,005	4,107	103%	1,488	37%	36%
Total	42	19,957	21,353	107%	11,731	59%	55%

QCA Assumed Water Usage for Irrigation 66.9%

QCA Assumed Water Usage for Total 73.5%

Revenue

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

Table 3 – Revenue

	2013 SunWater Actual \$'000
Irrigation Revenue*	870
Drainage Diversion Charges	4
Irrigation CSO	462
Industrial and Urban*	0
Drainage Services	44
Other Revenue	2
Total Revenue	1,383

* 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.)	355	64%	355	12%	2,864
Preventative	404	104%	404	20%	2,015
Corrective	77	38%	77	7%	1,063
Electricity	125	80%	125	14%	904
Total Routine Expenses	962	74%	962	14%	6,846

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 \$198k below the QCA target. The major reason for the underspend for the year included:

- The year was characterised by low water availability in the first half of the year followed by a favourable wet season post-January. This significantly reduced operational requirement for the channel system across the year.
- However, Insurance costs were \$9k above expectations.

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

¹ Activities listed will not apply to all service contracts.

equipment), channels (regulator gates, civil works, signs, structures, etc.), Drains (civil works, structures etc.), pipelines (valves, air valves, scours easements etc.) and other infrastructure;

- 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 \$17k above the QCA's target

- There were increased weed control activities due to the favourable growing conditions.

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

² Activities listed will not apply to all service contracts.

- Storages (balancing storages and reservoirs)
 - 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 \$127k below the QCA's target for 2013. The exceptions and highlights with corrective maintenance activities for the year included:

- There were no major breakdowns requiring corrective maintenance.
- There were reductions in de-silting of drains and drainage inlet repairs as a by-product of remedial works following the previous year's flood repairs.

Electricity

Electricity costs were \$31k below the QCA target in 2013 primarily due to reduced water deliveries, which also means reduced revenue from the variable tariff to cover these costs. The underspend is also partly explained by 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	259		259		564
Corrective	22		22		0
Other	0		0		0
Non-direct	98		98		316
Annuity Funded Total	379	43%	379	43%	880
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 \$216k above the QCA target due mostly to some costs associated with the Theodore pump station switchboard replacement carrying over from the previous year. The switchboards and distribution boards are some 30 years old and are in poor condition. Whilst they are still functioning, obtaining of spare parts and technical support was a major issue. A Safety Audit identified a WH&S issue in that there was easy access to 'Live Terminals' in the switchboards, making the switchboards unsafe for any operators or electricians to operate/work on. The switchboards do not meet the current Australian

Standard and therefore were considered high risk and scheduled for replacement within the 2011/12 financial year. However due to scheduling and resource constraints the majority of the work was conducted in the 2012/13 financial year.

Other projects during 2013 included:

- Repair Access Crossing GG Drain 1 – During a routine condition inspection in 2010, this crossing was scored poorly due to collapsing headwalls and culvert displacement. A new crossing was designed and constructed to ensure safe vehicle access and drainage function.
- Reinstate Drain Levee crests & berms GG Drain 1/2 & 1/3 – Emergency repairs to the levee were completed in 2011 as part of project 11DVA20. The levee was then surveyed and compared to “as-built” drawings. The survey found that parts of the levee crests were up to 0.5m lower than design height. This project reinstated design crest levels.

Corrective Maintenance

The \$22k “Annuity-funded Corrective” direct spend in 2013 was related to flood damage rectification works within the channel and drainage system. The works entailed reinstating channel berms and de-silting sections of drains following the 2013 flood events.

Other

There was no other Annuity-funded expenditure in 2013.

R&E – Non Annuity

There was no other Non-annuity funded expenditure in 2013.

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	1,337	1,108			
Annuity Income	51	82	107	110	113
Actual Spend	(379)				
Interest	100				
Closing Balance	1,108				

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	115		115		1,019
Materials	4		4		9
Contractors	1		1		0
Other	40		40		140
Non-direct	195		195		1,696
Operations Total	355	64%	355	12%	2,864
Preventative					
Labour	122		122		581
Materials	18		18		200
Contractors	50		50		285
Other	13		13		0
Non-direct	201		201		949
Preventative Total	404	104%	404	20%	2,015
Corrective					
Labour	21		21		342
Materials	3		3		155
Contractors	3		3		15
Other	15		15		0
Non-direct	36		36		551
Corrective Total	77	38%	77	7%	1,063
Electricity	125	80%	125	14%	904
Total Routine Expenses	962	74%	962	14%	6,846
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	259		259		564
Corrective	22		22		0
Other	0		0		0
Non-direct	98		98		316
Total Annuity Funded Non-Routine	379	43%	379	43%	880
TOTAL REGULATED EXPENSES	1,341		1,341		7,726
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	1,341		1,341		n/a