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2013 Annual Performance Report

Lower Mary 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	20		5		25%
Irrigation		9,952	9,952	100%	4,908	49%	49%
Urban		0	0		0		
Other		0	0		0		
SunWater		4,912	4,912	100%	3,784	77%	77%
Total	78	14,864	14,884	100%	8,697	59%	58%

QCA Assumed Water Usage for Irrigation 42.3%

QCA Assumed Water Usage for Total 42.6%

Revenue

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

Table 3 – Revenue

	2013 SunWater Actual \$'000
Irrigation Revenue*	592
Drainage Diversion Charges	0
Irrigation CSO	753
Industrial and Urban*	2
Drainage Services	0
Other Revenue	3
Total Revenue	1,350

* 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.)	221	88%	221	17%	1,299
Preventative	176	73%	176	14%	1,248
Corrective	146	98%	146	19%	777
Electricity	200	136%	200	24%	850
Total Routine Expenses	744	94%	744	18%	4,173

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 maintained below the QCA target however distribution insurance costs of \$60k were incorrectly attributed to the Bulk scheme. The distribution insurance budget was \$45k for 2013. This allocation error will not impact on customers.

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;
- 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:

¹ Activities listed will not apply to all service contracts.

- 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 \$65k below the QCA's target. The reduction in the preventative maintenance program was directly linked to:

- Less weed control activities required to be undertaken.
- Servicing intervals increased due to review of servicing schedules which is judged, at this stage, to be sustainable.

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)
 - Repair of control gates and valves

² Activities listed will not apply to all service contracts.

- 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 in line with the QCA's target for 2013 for this scheme.

Electricity

Electricity costs were \$53k above the QCA target in 2013 due to increases in regulated electricity prices being higher than the 12.5% increase allowed by the QCA for 2013 and also increased water deliveries.

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	73		73		112
Corrective	63		63		0
Other	0		0		0
Non-direct	56		56		121
Annuity Funded Total	191	82%	191	82%	233
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 \$73k, consisting of the following projects:

- Replacement of the Pipeline over Graham Creek C2/1 - Significant flooding occurred in the Maryborough area on both the Mary River and Tinana Creek. This flooding caused C2/1 pipeline crossing under Graham's Creek to fail. Inspection of the pipeline confirmed it required complete replacement within the riparian section.

- The “Dall Short” flow meters and its ancillary equipment has been replaced at Walker Point pump station. The existing flow meter is 25 years in service and is inaccurate. To improve accuracy and to prevent it from failure this equipment was replaced.
- To ensure the safety and operability of the electrical and controls infrastructure, a safety audit was conducted at Walker point pump station. A safety audit highlighted a number of deficiencies which were rectified.

Corrective Maintenance

The “Annuity-funded Corrective” spend was \$60k above target in 2013.

- Rectify flood damage at Owanyilla, Walker Point and Copenhagen pump stations due to a swift river flows and flooding in late January 2013. This work primarily included the clearing of siltation and debris from the pump station intakes.

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 6 – Annuity Balance

	2013	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	(462)	(241)			
Annuity Income	447	452	458	466	468
Actual Spend	(191)				
Interest	(35)				
Closing Balance	(241)				

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	78		78		388
Materials	1		1		3
Contractors	0		0		0
Other	14		14		261
Non-direct	128		128		648
Operations Total	221	88%	221	17%	1,299
Preventative					
Labour	57		57		414
Materials	4		4		103
Contractors	15		15		37
Other	10		10		0
Non-direct	90		90		694
Preventative Total	176	73%	176	14%	1,248
Corrective					
Labour	46		46		217
Materials	14		14		177
Contractors	1		1		39
Other	9		9		0
Non-direct	76		76		343
Corrective Total	146	98%	146	19%	777
Electricity	200	136%	200	24%	850
Total Routine Expenses	744	94%	744	18%	4,173
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	73		73		112
Corrective	63		63		0
Other	0		0		0
Non-direct	56		56		121
Total Annuity Funded Non-Routine	191	82%	191	82%	233
TOTAL REGULATED EXPENSES	935		935		4,406
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	935		935		n/a