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2013 Annual Performance Report

Macintyre Brook 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

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		217	207	95%	0	0%	0%
Irrigation		17,112	16,015	94%	7,020	41%	44%
Urban		453	300	66%	202	45%	67%
Other		6,400	6,400	100%	6,400	100%	100%
SunWater		815	286	35%	84	10%	29%
Total	**97**	**24,997**	**23,208**	**93%**	**13,706**	**55%**	**59%**

QCA Assumed Water Usage for Irrigation	69.5%
QCA Assumed Water Usage for Total	81.1%

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.)	539	75%	539	15%	3,707
Preventative	207	109%	207	21%	981
Corrective	10	27%	10	5%	192
Electricity	2	127%	2	22%	9
Total Routine Expenses	**759**	**80%**	**759**	**16%**	**4,889**

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[1]:

- 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 $179k below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Due to the January/February Flood Labour was utilised for flood operations (non-routine).
- Extended leave approved for employee during period of low work demand.
- Some labour was utilised for higher than forecast weed control (preventive maintenance).
- Insurance is $57k higher than budget.

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

[1] Activities listed will not apply to all service contracts.

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 includes[2]:

- 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 $17k above the QCA's target for 2013. The major exceptions and highlights with preventative maintenance activities for the year included:

- Due to the high rainfall in the MacBrook region during the year weed control was a major contributor to the overspend in Preventative Maintenance.

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 emergency[2]:

- 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

[2] Activities listed will not apply to all service contracts.

        - 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 $27k below the QCA's target for 2013. The major exceptions and highlights with corrective maintenance activities for the year included:

- The corrective maintenance orders raised during the 2013 year were–
    - Repair Cable Wheel – Coolmunda Dam Gantry Crane.
    - Repairs to Whetstone Weir Rotork and Meter.

Electricity

The electricity costs for 2013 were above the QCA target due to increases in regulated electricity prices being higher than the 12.5% increase allowed by the QCA for 2013 and also normal annual variability in electricity costs for this service contract.

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	11		11		533
Corrective	0		0		0
Other	21		21		20
Non-direct	34		34		285
Annuity Funded Total	**65**	**8%**	**65**	**8%**	**839**
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 only $13k, including non-directs. The two projects of prominence were:

- As part of an overall safety program within SunWater the gas boards in the Macintyre Brook scheme were replaced at the two gauging stations with an air system at a total cost of $9k.

- A deficiency in the recording of dam safety data was noted at Coolmunda dam resulting in the installation of survey points along the left embankment including the fuse plug. The installation and initial benchmark survey cost $4k.

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 expenditure in 2013.

Other

Other "Annuity-funded" spend was in line with the QCA target for 2013. This included the management of a flood event at Coolmunda Dam.

R&E – Non Annuity

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

Annuity Balance

The 2013 annuity balance is shown below.

Table 5 – 2013 Annuity Balance

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000
Opening Balance	(1,915)	(1,870)			
Annuity Income	253	254	258	266	269
Actual Spend	(65)				
Interest	(143)				
Closing Balance	(1,870)				

Appendix –Total Expenditure by Expense Type

Table 6 – Expenditure for Activity by Type

	2013 SunWater Actual	% of 2013 Target	2013-17 to date Actual	% of 2013-17 Target	2013-17 QCA Target
	$'000	%	$'000	%	$'000
ROUTINE EXPENSES					
Operations					
Labour	122		122		1,015
Materials	2		2		44
Contractors	10		10		88
Other	143		143		449
Non-direct	263		263		2,113
Operations Total	**539**	**75%**	**539**	**15%**	**3,707**
Preventative					
Labour	71		71		317
Materials	2		2		19
Contractors	2		2		9
Other	2		2		0
Non-direct	130		130		636
Preventative Total	**207**	**109%**	**207**	**21%**	**981**
Corrective					
Labour	3		3		60
Materials	0		0		11
Contractors	0		0		0
Other	0		0		0
Non-direct	6		6		121
Corrective Total	**10**	**27%**	**10**	**5%**	**192**
Electricity	**2**	**127%**	**2**	**22%**	**9**
Total Routine Expenses	**759**	**80%**	**759**	**16%**	**4,889**

	2013 SunWater Actual	% of 2013-17 Target	2013-17 to date Actual	% of 2013-17 Target	2013-17 QCA Target
	$'000	%	$'000	%	$'000
NON-ROUTINE EXPENSES					
Annuity Funded					
R&E - Annuity Funded	11		11		533
Corrective	0		0		0
Other	21		21		20
Non-direct	34		34		285
Total Annuity Funded Non-Routine	**65**	**8%**	**65**	**8%**	**839**
TOTAL REGULATED EXPENSES	**824**		**824**		**5,728**
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	**824**		**824**		**n/a**