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

Pioneer 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		1,920	1,920	100%	861	45%	45%
Irrigation		46,526	46,526	100%	8,088	17%	17%
Urban		16,520	16,520	100%	15,182	92%	92%
Other		864	864	100%	203	23%	23%
SunWater		12,280	12,280	100%	1	0%	0%
Total	**22**	**78,110**	**78,110**	**100%**	**24,335**	**31%**	**31%**

QCA Assumed Water Usage for Irrigation	33.6%
QCA Assumed Water Usage for Total	44.2%

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.)	500	96%	500	18%	2,706
Preventative	267	114%	267	22%	1,209
Corrective	209	113%	209	22%	967
Electricity	3	76%	3	13%	23
Total Routine Expenses	**980**	**103%**	**980**	**20%**	**4,905**

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 $20k below the QCA target. The major exceptions and highlights with operation activities for the year included:

- A wetter than average season, the need to release water from Teemburra's main dam and Palmtree Creek outlets was minimal and therefore the operational expenditure was lower than the QCA target.
- The insurance costs for the scheme of $172k were $76k above the provision made by the QCA.

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 includes[2]:

[1] Activities listed will not apply to all service contracts.
[2] 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 cost of $267k was $33kk above the QCA's target for 2013. The major exceptions and highlights with preventative maintenance activities for the year included:

- The higher than normal surveillance requirements resulting from Teemburra Dam spilling for much of 2013 at a cost of $133k.

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
        - 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 expenditure of $209k was $24k above the QCA's target for 2013. The major exceptions and highlights with corrective maintenance activities for the year included:

- Unplanned maintenance activities to repair washouts at Marian weir.
- Investigate problems with the Tannalo valve on the Palmtree Ck pipeline.
- Repair valve spindles at the Teemburra Saddle Dam 2 valve pit.
- Repairs to the fishway on Dumbleton Weir.

Electricity

Electricity costs were $1k 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. This is in line with 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	458		458		1,331
Corrective	0		0		0
Other	0		0		108
Non-direct	210		210		457
Annuity Funded Total	**669**	**35%**	**669**	**35%**	**1,896**
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

At this stage SunWater expects to contain costs over the five years of the regulatory period in line with the QCA target. To date, 35% of the QCA target has been spent; SunWater will closely monitor the programmed work in order to contain spending to the QCA target.

There was lower than expected spend against 2013 plan due to the deferment of the Teemburra Dam spillway weephole cleaning because the dam was spilling from February 2013 to August 2013.

The annuity funded R&E spend was $669k and included the following projects:

- The Outlet valve at Palmtree Creek was replaced following structural failure of the valve and subsequent failure of the pressure relief system after installation of a new valve. The regulator valve was permanently removed and a fixed orifice valve installed. The safe and satisfactory function of this valve is crucial to the integrity of the Palmtree Creek Pipeline and water supply to the Pioneer River Valley irrigators through the Tannalo Offtake pipeline. Malfunction could result in severe damage to both pipelines. Costs in 2013 were $472k, including non-directs.
- The commencement of the Marian Weir outlet works enlargement project to ensure compliance with the ROP and downstream demand. The project however did not progress to the construction phase after being abandoned following a serious WH&S incident which claimed the life of a contractor. Costs were $146k, including non-directs.
- Some design work was done on the replacement of inflatable rubber dams at Mirani and Dumbleton Weirs. Associated costs were $6k, including non-directs.
- Design work for the extension of the crest slab at Teemburra Main Dam costing $4k, including non-directs.

Corrective Maintenance

There was no Annuity-funded corrective maintenance in 2013.

Other

There was no other “Annuity-funded” spend in 2013.

R&E – Non Annuity

There was no other “Non-Annuity funded R&E” spend 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	(2,401)	(2,826)			
Annuity Income	423	433	444	446	457
Actual Spend	(669)				
Interest	(180)				
Closing Balance	(2,826)				

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	94		94		667
Materials	1		1		19
Contractors	12		12		69
Other	206		206		534
Non-direct	187		187		1,417
Operations Total	**500**	**96%**	**500**	**18%**	**2,706**
Preventative					
Labour	83		83		365
Materials	5		5		33
Contractors	22		22		41
Other	0		0		36
Non-direct	158		158		735
Preventative Total	**267**	**114%**	**267**	**22%**	**1,209**
Corrective					
Labour	47		47		190
Materials	8		8		196
Contractors	40		40		180
Other	24		24		0
Non-direct	91		91		401
Corrective Total	**209**	**113%**	**209**	**22%**	**967**
Electricity	**3**	**76%**	**3**	**13%**	**23**
Total Routine Expenses	**980**	**103%**	**980**	**20%**	**4,905**

	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	458		458		1,331
Corrective	0		0		0
Other	0		0		108
Non-direct	210		210		457
Total Annuity Funded Non-Routine	**669**	**35%**	**669**	**35%**	**1,896**
TOTAL REGULATED EXPENSES	**1,648**		**1,648**		**6,801**
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	**1,648**		**1,648**		**n/a**