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# Annual Performance Report

## Proserpine Bulk

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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**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane Qld 4002

## Water Usage

**Table 2 - Water Usage**

	<b>No. of Customers</b>	<b>Water Entitlements</b> ML	<b>Available Water</b> ML	<b>Available Water</b> %	<b>Water deliveries</b> ML	<b>Water deliveries</b> % of entitlement	<b>Water deliveries</b> % of available
Industrial		550	550	100%	424	77%	77%
Irrigation		41,717	39,145	94%	17,420	42%	45%
Urban		10,992	10,942	100%	5,240	48%	48%
Other		300	0	0%	0	0%	
SunWater		9,317	9,317	100%	0	0%	0%
<b>Total</b>	<b>94</b>	<b>62,876</b>	<b>59,954</b>	<b>95%</b>	<b>23,083</b>	<b>37%</b>	<b>39%</b>

QCA Assumed Water Usage for Irrigation 62.9%

QCA Assumed Water Usage for Total 62.1%

## Routine Expenditure

**Table 3 – Routine Operating Expenditure**

	<b>2013 SunWater Actual</b>	<b>% of 2013 Target</b>	<b>2013-17 to date Actual</b>	<b>% of 2013-17 Target</b>	<b>2013-17 QCA Target</b>
	\$'000	%	\$'000	%	\$'000
Operations (Excl. Elect.)	689	106%	689	20%	3,376
Preventative	48	34%	48	6%	742
Corrective	83	161%	83	31%	271
Electricity	7	131%	7	23%	29
<b>Total Routine Expenses</b>	<b>826</b>	<b>97%</b>	<b>826</b>	<b>19%</b>	<b>4,419</b>

### 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<sup>1</sup>:

- 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 \$38k above the QCA target. The major exceptions and highlights with operation activities for the year included:

- Insurance costs over budget by 71k

### 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<sup>2</sup>:

- 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

<sup>1</sup> Activities listed will not apply to all service contracts.

<sup>2</sup> Activities listed will not apply to all service contracts.

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 \$93k below the QCA's target for 2013. The major exceptions and highlights with preventative maintenance activities for the year included:

- Dam over topping prevented work being undertaken due to restricted access thereby reducing contractor costs.
- The spend on Mimosa Pigra eradication was lower than expected due to lower levels of infestation.

## 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<sup>2</sup>:

- 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 \$31k above the QCA's target for 2013. The major exceptions and highlights with corrective maintenance activities for the year included:

- Dam safety recommendations to repair/replace spalled concrete in the spillway and the replacement of conduit outlet bolts.
- Rectify identified hazards, including walkways around the valve house.

## **Electricity**

Electricity costs were \$2k above QCA target in 2013 due to increases in regulated electricity prices being higher than the 12.5% increase allowed by the QCA for 2013.

## 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**

	<b>2013 SunWater Actual</b>	<b>% of 2013-17 Target</b>	<b>2013-17 to date Actual</b>	<b>% of 2013-17 Target</b>	<b>2013-17 QCA Target</b>
	\$'000	%	\$'000	%	\$'000
<b>Annuity Funded</b>					
R&E - Annuity Funded	18		18		463
Corrective	0		0		0
Other	0		0		0
Non-direct	5		5		289
<b>Annuity Funded Total</b>	<b>23</b>	<b>3%</b>	<b>23</b>	<b>3%</b>	<b>752</b>
<b>Non-Annuity Funded</b>					
R&E - Non-Annuity Funded	0		0		n/a
Non-direct	0		0		n/a
<b>Total Non-Annuity Funded</b>	<b>0</b>		<b>0</b>		<b>n/a</b>

### R&E – Annuity Funded

The annuity funded R&E spend was \$18k. The cost was associated with the replacement of Gas Boards in Gauging Stations 3, 4 & 5. This project was primarily undertaken during the 2011-12 financial year to upgrade the gas control boards at gauging stations so that all sites continue to monitor water levels to the standard required under the DERM Data Collection standard. Follow-up work which was not part of the original project is the installation of Self Contained Gas Purge Smart Systems.



At this stage, SunWater expects to contain R&E spend over the five years of the regulatory period in line with the QCA target.

### **Corrective Maintenance**

There was no expenditure categorised as “Annuity-funded Corrective” in 2013.

### **Other**

There was no expenditure categorised as “Annuity-funded Other” in 2013.

### **R&E – Non Annuity**

There was no expenditure categorised as “Non Annuity-funded R&E” in 2013.

### **Annuity Balance**

The annuity balance for 2013 is shown below.

**Table 5 – 2013 Annuity Balance**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>	(360)	(212)			
<b>Annuity Income</b>	198	200	202	201	201
<b>Actual Spend</b>	(23)				
<b>Interest</b>	(27)				
<b>Closing Balance</b>	(212)				

## 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
<b>ROUTINE EXPENSES</b>					
<b>Operations</b>					
Labour	135		135		719
Materials	4		4		202
Contractors	46		46		201
Other	239		239		723
Non-direct	264		264		1,533
<b>Operations Total</b>	<b>689</b>	<b>106%</b>	<b>689</b>	<b>20%</b>	<b>3,376</b>
<b>Preventative</b>					
Labour	13		13		151
Materials	3		3		60
Contractors	3		3		214
Other	2		2		0
Non-direct	26		26		317
<b>Preventative Total</b>	<b>48</b>	<b>34%</b>	<b>48</b>	<b>6%</b>	<b>742</b>
<b>Corrective</b>					
Labour	13		13		28
Materials	12		12		75
Contractors	15		15		104
Other	12		12		0
Non-direct	30		30		65
<b>Corrective Total</b>	<b>83</b>	<b>161%</b>	<b>83</b>	<b>31%</b>	<b>271</b>
Electricity	7	131%	7	23%	29
<b>Total Routine Expenses</b>	<b>826</b>	<b>97%</b>	<b>826</b>	<b>19%</b>	<b>4,419</b>
<b>NON-ROUTINE EXPENSES</b>					
<b>Annuity Funded</b>					
R&E - Annuity Funded	18		18		463
Corrective	0		0		0
Other	0		0		0
Non-direct	5		5		289
<b>Total Annuity Funded Non-Routine</b>	<b>23</b>	<b>3%</b>	<b>23</b>	<b>3%</b>	<b>752</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>849</b>		<b>849</b>		<b>5,172</b>
<b>Non-Annuity Funded</b>					
R&E - Non-Annuity Funded	0		0		n/a
Non-direct	0		0		n/a
<b>Total Non-Annuity Funded</b>	<b>0</b>		<b>0</b>		<b>n/a</b>
<b>TOTAL EXPENSES</b>	<b>849</b>		<b>849</b>		<b>n/a</b>