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# 2013 Annual Performance Report

## St George Distribution

October 2013

## Table of Contents

Introduction .....	4
Water Usage .....	4
Revenue .....	5
Routine Expenditure .....	6
Operations .....	6
Preventive Maintenance .....	6
Corrective Maintenance .....	7
Electricity .....	8
Non-Routine Expenditure .....	9
R&E – Annuity Funded .....	9
Corrective Maintenance .....	10
Other .....	10
R&E – Non Annuity .....	10
Annuity Balance .....	10
Appendix –Total Expenditure by Expense Type .....	11

## 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 ML</b>	<b>Available Water ML</b>	<b>Available Water %</b>	<b>Water deliveries ML</b>	<b>Water deliveries % of entitlement</b>	<b>Water deliveries % of available</b>
Industrial		0	0		0		
Irrigation		54,867	67,925	124%	51,781	94%	76%
Urban		0	0		0		
Other		0	0		0		
SunWater		9,701	12,698	131%	4,900	51%	39%
<b>Total</b>	<b>38</b>	<b>64,568</b>	<b>80,623</b>	<b>125%</b>	<b>56,681</b>	<b>88%</b>	<b>70%</b>
						QCA Assumed Water Usage for Irrigation	86.0%
						QCA Assumed Water Usage for Total	93.4%

## Revenue

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

**Table 3 – Revenue**

	<b>2013 SunWater Actual \$'000</b>
Irrigation Revenue*	2,421
Channel Harvesting*	179
Drainage Diversion Charges	8
Irrigation CSO	497
Industrial and Urban*	18
Drainage Services	203
Other Revenue	8
<b>Total Revenue</b>	<b>3,334</b>

\* 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**

	<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.)	781	89%	781	17%	4,534
Preventative	457	133%	457	25%	1,797
Corrective	63	26%	63	5%	1,283
Electricity	73	139%	73	24%	303
<b>Total Routine Expenses</b>	<b>1,374</b>	<b>91%</b>	<b>1,374</b>	<b>17%</b>	<b>7,916</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 the direct and non-direct cost of<sup>1</sup>:

- 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 \$94k below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Labour was reduced during the year due to reduction of one FTE, which may be sustainable over the long term.
- Service Manager took a prolonged period of Long Service Leave which was covered locally. Long-service leave costs are paid for from a SunWater provision and not costed to the service contract.
- Water Harvesting revenue and costs were included in the Distribution whilst they were forecast to be in St George Bulk. This has no impact on prices paid by irrigation customers.
- Insurance was \$22k above the QCA target.

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

<sup>1</sup> 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 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:
  - 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 \$113k above the QCA's target. The major exceptions and highlights with preventive maintenance activities for the year included:

- Additional weed control following the 2013 flood events.
- Additional condition inspections following the 2013 flood events.
- Additional weed control in the channel system due to an outbreak of Milfoil.

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

- 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

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

- 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
  - 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 \$184k under the QCA's target for 2013. The major exceptions and highlights with corrective maintenance activities for the year included:

- Lower than average corrective maintenance this year which may be partly due to the large amount of Corrective Maintenance carried out in 2011 & 2012.

## Electricity

Electricity costs were \$20k more than 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 due to a large amount of channel harvesting over the year.



## 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**

	<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	236		236		2,362
Corrective	4		4		0
Other	0		0		0
Non-direct	70		70		278
<b>Annuity Funded Total</b>	<b>311</b>	<b>12%</b>	<b>311</b>	<b>12%</b>	<b>2,640</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 direct R&E direct spend was \$236k:

- Investigation and detailed design for replacement of the St George pump station. This project was originally instigated to address potential reliability issues of this aging asset as it approached its "end of life". The project was postponed following the announcement that irrigation infrastructure was to move to Local Management Arrangements due to the significant capital investment associated with this project. The decision to proceed can be made by the eventual Local

Management Board. The detailed design documentation will be available for the Local Management Board. This project incurred costs in 2013 of \$192k, including non-directs.

- In a concurrent project to installation of the temporary pumps at Beardmore dam during the drought period, remedial works were carried out at the Buckinbah Control Structure pump station. The works included the installation of a new switchboard and installation of a temporary generator to allow the water to be pumped from Thuraggi Channel to Buckinbah Main Channel. This work cost \$60k, including non-directs.
- Repair Works Channel 1 Right Bank – The right bank of channel 1 was raised by an adjoining landholder prior to a major Balone River flood event in early 2011 to address a perceived threat from river flooding. This work was carried out without SunWater involvement, recommended approach nor approval. The net result presents an un-trafficable channel bank consisting of unevenly dumped, unconsolidated earth material that cannot be maintained safely. These works present unacceptable risks to SunWater’s asset condition, operational and maintenance activities and this project has commenced to conduct the necessary remedial works. Stage 1 of works was conducted in 2013 and involved a survey of the site to quantify the amount of material which had been dumped onto the channel bank and to identify the most optimum solution. Stage 2 has not yet commenced and will involve the actual site remedial works once a detailed scope has been defined. Expenditure in 2013 towards this project (including non-direct costs) totalled \$16k.
- Drain 1A Flap Gate – The requirement of a flap gate at this site is for the purpose of preventing floodwaters from the Balone River entering the irrigation area during flood events by effectively bunding the drain. As the original flap gate had been removed some time ago, this project was initiated to reinstate the flood protection functionality at this site by replacing the removed flap gate with a modern equivalent. The design and purchase of the backflow preventative gate was carried out in 2013. Actual installation had to be postponed due to high water levels at the site. Expenditure in 2013 towards this project (including non-direct costs) totalled \$14k.

### Corrective Maintenance

There was a small amount of Annuity-funded corrective maintenance expenditure in 2013.

### Other

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

### R&E – Non Annuity

There was no “Non-annuity funded” spend in 2013.

### Annuity Balance

The 2013 annuity balance is shown below.

**Table 6 – 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>	(1,506)	(1,528)			
<b>Annuity Income</b>	402	405	407	424	422
<b>Actual Spend</b>	(311)				
<b>Interest</b>	(113)				
<b>Closing Balance</b>	(1,528)				

## 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
<b>ROUTINE EXPENSES</b>					
<b>Operations</b>					
Labour	228		228		1,545
Materials	92		92		291
Contractors	2		2		22
Other	77		77		271
Non-direct	382		382		2,405
<b>Operations Total</b>	<b>781</b>	<b>89%</b>	<b>781</b>	<b>17%</b>	<b>4,534</b>
<b>Preventative</b>					
Labour	136		136		486
Materials	13		13		87
Contractors	65		65		474
Other	13		13		0
Non-direct	230		230		749
<b>Preventative Total</b>	<b>457</b>	<b>133%</b>	<b>457</b>	<b>25%</b>	<b>1,797</b>
<b>Corrective</b>					
Labour	20		20		448
Materials	2		2		93
Contractors	1		1		71
Other	7		7		0
Non-direct	33		33		671
<b>Corrective Total</b>	<b>63</b>	<b>26%</b>	<b>63</b>	<b>5%</b>	<b>1,283</b>
<b>Electricity</b>	<b>73</b>	<b>139%</b>	<b>73</b>	<b>24%</b>	<b>303</b>
<b>Total Routine Expenses</b>	<b>1,374</b>	<b>91%</b>	<b>1,374</b>	<b>17%</b>	<b>7,916</b>
<b>NON-ROUTINE EXPENSES</b>					
<b>Annuity Funded</b>					
R&E - Annuity Funded	236		236		2,362
Corrective	4		4		0
Other	0		0		0
Non-direct	70		70		278
<b>Total Annuity Funded Non-Routine</b>	<b>311</b>	<b>12%</b>	<b>311</b>	<b>12%</b>	<b>2,640</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>1,685</b>		<b>1,685</b>		<b>10,556</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>1,685</b>		<b>1,685</b>		<b>n/a</b>