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# 2013 Annual Performance Report

## St George 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**

	<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		60	74	123%	9	15%	12%
Irrigation		71,770	84,459	118%	61,077	85%	72%
Urban		3,024	3,734	123%	1,142	38%	31%
Other		0	0		0		
SunWater		9,721	13,164	135%	5,058	52%	38%
<b>Total</b>	<b>162</b>	<b>84,575</b>	<b>101,431</b>	<b>120%</b>	<b>67,286</b>	<b>80%</b>	<b>66%</b>
						QCA Assumed Water Usage for Irrigation	83.2%
						QCA Assumed Water Usage for Total	94.2%

## 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>
	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>
Operations (Excl. Elect.)	572	88%	572	17%	3,362
Preventative	229	102%	229	20%	1,162
Corrective	132	95%	132	18%	718
Electricity	4	44%	4	8%	48
<b>Total Routine Expenses</b>	<b>937</b>	<b>92%</b>	<b>937</b>	<b>18%</b>	<b>5,290</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 \$77k below the QCA target. The major exceptions and highlights with operation activities for the year included:

- Water Harvest costs of \$54k was included in St George Bulk Water QCA target whilst in practice the costs (and revenue) have been booked to St George Distribution.
- Insurance cost was \$34k above the 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

<sup>1</sup> 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<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 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 \$4k above the QCA's target for 2013. The major exceptions and highlights with preventative maintenance activities for the year included:

- The preventive maintenance program was delivered.
- Flood Gate Service & Cathodic inspection twice this financial year in order to ensure that the gates function properly during the flood event.

### **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

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

- 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 \$7k below the QCA's target for 2013. The major exceptions and highlights with corrective maintenance activities for the year included:

- The corrective maintenance activities for the year were close to the long-term average.
- There were no significant failures requiring repairs.

## **Electricity**

Electricity costs were \$4k below 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 variation is within the normal variability in annual electricity costs.

## 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	159		159		1,724
Corrective	270		270		0
Other	40		40		0
Non-direct	301		301		965
<b>Annuity Funded Total</b>	<b>771</b>	<b>29%</b>	<b>771</b>	<b>29%</b>	<b>2,689</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 for 2013 was \$239k, including non-directs. The main expenditure was related to:

An extended period of drought in late 2012 required SunWater to install the low level pump station at Beardmore dam to pump out the remaining water in the storage which is below the level of the irrigation outlet. This cost \$120k in installation, operational and subsequent dismantling costs following a rain event.



The planned 5 yearly inspection on Beardmore dam was completed and returned costs of \$71.5k for the year against a planned \$62k. Additional costs were incurred on the project as a re-inspection was needed because the water levels were too high to inspect the conduit and dissipation areas during the statutory programmed 5 yearly inspection.

A concurrent project (13SGA03) undertook a study of the secondary emergency gate opening methodology at Beardmore Dam and involved recommendations on the existing compressed air system. The study cost study was \$14k and due to the risk of catastrophic electrical failure at the dam, the recommendations of the report to install a hydraulic backup system have now been incorporated into the 2014 budget.

Other projects undertaken during 2012/13 were projects which had been planned for 2011/12, which had however had to be held over due to resources committed to repairing flood damage. These were

12SGA23	Re-evaluate the spillway rating curve at Beardmore Dam	\$20,000
12SGA33	Relocate Water level recorder to left bank	\$5,930
12SGA35	Replace Gas Board in Gauging Station	\$4,620

At this stage SunWater expects to contain costs over the five years of the regulatory period in line with the QCA target.

### Corrective Maintenance

The Annuity-funded corrective maintenance direct expenditure was \$270k in 2013.

The majority of the remedial works at Moolabah weir were undertaken during 2012/13 and \$401k was spent on the project, mainly on construction during May and June. The construction period extended into July and will be reported as such in next annual NSP Report update, however it is confirmed that the final costs were slightly below the anticipated budget.

### Other

Other "Annuity-funded" spend was \$40k in 2013.

St George had a major flood event during 2013 requiring extended staffing at Beardmore Dam with back-up from the Brisbane flood team. The additional expenditure on this flood event amounted to \$101k in total, including non-directs.

### R&E – Non Annuity

There was no Non-annuity funded R&E 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
<b>Opening Balance</b>	128	(8)			
<b>Annuity Income</b>	625	634	640	649	657
<b>Actual Spend</b>	(771)				
<b>Interest</b>	10				
<b>Closing Balance</b>	(8)				

## 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	155		155		821
Materials	1		1		382
Contractors	4		4		87
Other	85		85		325
Non-direct	328		328		1,748
<b>Operations Total</b>	<b>572</b>	<b>88%</b>	<b>572</b>	<b>17%</b>	<b>3,362</b>
<b>Preventative</b>					
Labour	75		75		366
Materials	3		3		47
Contractors	12		12		14
Other	3		3		0
Non-direct	137		137		736
<b>Preventative Total</b>	<b>229</b>	<b>102%</b>	<b>229</b>	<b>20%</b>	<b>1,162</b>
<b>Corrective</b>					
Labour	36		36		224
Materials	4		4		19
Contractors	10		10		14
Other	16		16		10
Non-direct	66		66		451
<b>Corrective Total</b>	<b>132</b>	<b>95%</b>	<b>132</b>	<b>18%</b>	<b>718</b>
Electricity	4	44%	4	8%	48
<b>Total Routine Expenses</b>	<b>937</b>	<b>92%</b>	<b>937</b>	<b>18%</b>	<b>5,290</b>
<b>NON-ROUTINE EXPENSES</b>					
<b>Annuity Funded</b>					
R&E - Annuity Funded	159		159		1,724
Corrective	270		270		0
Other	40		40		0
Non-direct	301		301		965
<b>Total Annuity Funded Non-Routine</b>	<b>771</b>	<b>29%</b>	<b>771</b>	<b>29%</b>	<b>2,689</b>
<b>TOTAL REGULATED EXPENSES</b>	<b>1,708</b>		<b>1,708</b>		<b>7,980</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>1,708</b>		<b>1,708</b>		<b>n/a</b>