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# 2017 Annual Performance Report

## Bowen Broken Bulk

October 2017

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## Introduction

This annual Performance Report is to provide to SunWater Bowen Broken customers the routine expenditure (opex) and non-routine expenditure for the financial year 2016-2017. The Performance Plan covers:

- past performance for opex and non-routine expenditure for 2017
- summary of past performance for opex and non-routine expenditure for the Price Path period 2013 – 2017.

This is the final Performance Plan for the period 2013 - 2017 comparing SunWater's costs with the Queensland Competition Authority (QCA) targets set in the 2012 price review. The QCA price path expired 30 June 2017.

The Network Service Plan (NSP) for 2018 was published earlier this year and will form the basis for Performance Reports for 2018 and 2019.

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:

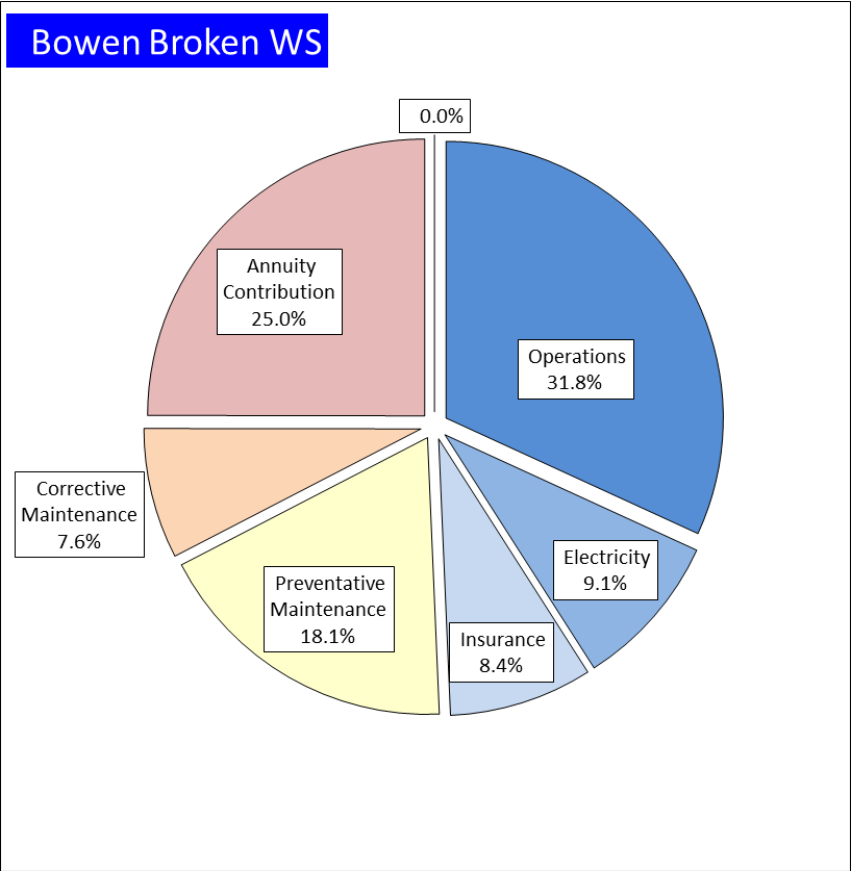
Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

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

**Table 1 – Operating Revenue Less Spend**

Bowen Broken WS		2013	2014	2015	2016	2017	2013 to 2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Revenue	3	5,085	5,464	5,805	5,854	5,752	27,961
Less - Routine Expenditure	4 & 7	1,258	1,179	1,093	1,274	1,318	6,122
Less - Non-Routine Expenditure							
• Annuity Funded	5, 6 & 7	106	184	355	151	273	1,070
• Non Annuity Funded	5	(0)	155	449	911	-	1,516
Surplus (Deficit)		3,722	3,946	3,907	3,517	4,161	19,254

Table 1 provides an indication of the annual cash performance of the scheme. Note that the table reports total non-routine spend and does not take into account the renewals annuity. Further information is provided below in each section of this report.



**Figure 1: Breakdown of Irrigation Scheme Costs – 2017 Actual**

Figure 1 shows a high level summary of scheme costs and provides an indication of where revenue from irrigation water charges is applied. The item “Annuity Contribution” refers to the component of irrigation water charges that is applied toward the renewals annuity each year. The item “Revenue Transfers” refers to the contribution towards the cost of the bulk water scheme.

## Water Usage

**Table 2 – 2017 Water Usage**

Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%) Against Entitlement
1. Industrial		30,309	30,274	100	9,906	22
2. Irrigation		5,676	5,676	100	476	8
3. Urban		1,785	1,785	100	777	44
4. Other		290	383	132	203	70
5. SunWater		870	812	93	0	0
<b>Scheme Total</b>	<b>50</b>	<b>38,930</b>	<b>38,930</b>	<b>100</b>	<b>11,362</b>	<b>29</b>

QCA Assumed Total Water Usage 43.1%

Total water usage was below the QCA assumed usage estimate.

## Revenue

**Table 3 – Revenue**

Bowen Broken WS	2013	2014	2015	2016	2017	2013 to 2017
	Actual	Actual	Actual	Actual	Actual	Actual
	\$000	\$000	\$000	\$000	\$000	\$000
Irrigation	65	67	72	74	69	346
Industrial	4,874	4,910	5,172	5,266	5,171	25,393
Urban	-	-	-	-	-	-
Irrigation CSO	-	-	-	-	-	-
Revenue Transfers	148	472	478	503	504	2,105
Drainage	-	-	-	-	-	-
Other	(1)	16	9	10	9	43
Insurance Proceeds - Flood	-	-	74	-	-	74
Revenue Total	5,085	5,464	5,805	5,854	5,752	27,961

\* Following feedback from customers, SunWater has unbundled bulk water charges from distribution system charges. This means that revenue figures in past performance reports and NSPs will not match those above.

Revenue Transfers represent the cost of bulk water supplies delivered through the distribution system(s) – i.e. the Collinsville pipeline. The revenue accrues to the distribution system before it is transferred to the Bulk Water Supply Scheme as a contribution to the cost of the bulk water service.

## Routine Expenditure

**Table 4 – Routine Operating Expenditure**

Bowen Broken WS	2013			2014			2015			2016			2017			2013 to 2017		
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000
Operations	733	460	(273)	634	479	(155)	580	482	(98)	536	479	(57)	559	480	(79)	3,043	2,381	(662)
Electricity	136	116	(19)	109	125	16	177	133	(43)	171	144	(27)	160	154	(6)	752	672	(80)
Insurance	95	48	(47)	173	49	(125)	119	49	(70)	103	50	(53)	147	51	(96)	638	247	(391)
Operations Total	964	625	(339)	916	652	(264)	876	665	(212)	811	674	(137)	866	686	(181)	4,434	3,300	(1,133)
Preventative Maintenance	103	196	93	140	204	63	165	205	40	297	205	(92)	318	206	(112)	1,023	1,015	(8)
Corrective Maintenance	191	214	23	123	222	99	52	226	174	166	228	62	134	231	97	666	1,121	455
Routine Total	1,258	1,034	(224)	1,179	1,077	(101)	1,093	1,096	2	1,274	1,107	(168)	1,318	1,122	(195)	6,122	5,437	(686)

### 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>:

- Scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulation and monitoring of channel flows and monitoring of customer deliveries;
- Emergency responses for channel overflows and other emergency events;
- Meter reading;
- Administration of water accounts, billing and receipting payments;
- Customer management, including enquiries, 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 infrastructure and unauthorised access and trespass; and
- Managing public relations associated with the scheme.

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



The operations expenditure was above the QCA target.

- Insurance costs were higher than target;
- Electricity costs were above the QCA target. Electricity usage in Bowen Broken varies from year-to-year depending heavily on the amount of pumping to Gattonvale off-stream storage;

### **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>:

- 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;
  - Copper Sulphate treatment; and
  - Spraying and other activities to control operational and noxious weeds within channel and drainage reserves and balancing storages.

Preventive maintenance was above the QCA's target.

### **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 is maintenance that can be planned and scheduled, and includes:

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

- Channels
  - De-silting channels and catch drains;
  - Erosion control and repair of rock protection works;
  - Repair fencing;
  - Repair concrete structures; and
  - Repair regulator gates, control valves, etc.
- Drains
  - De-silting drains;
  - Erosion control and repair of rock protection works;
  - Repair fencing; and
  - Repair concrete structures.
- Pipelines
  - Pipe breaks
  - Repair air valves, scour valves, etc.;
  - Erosion control and repair of rock protection works; and
  - Repair concrete structures.
- Scheme Roads
  - Repair pot holes;
  - Grade roads; and
  - Repair, replace and paint guide posts and signs.
- Pump stations
  - Repair pumps and motors;
  - De-silt intake structures;
  - Repair concrete structure; and
  - Repair control building.
- Storages (balancing storages and reservoirs)
  - Repair control gates and valves;
  - Repair walls, embankments and spillways; and
  - Repair concrete structures.
- Meters
  - Repair bulk water meters; and

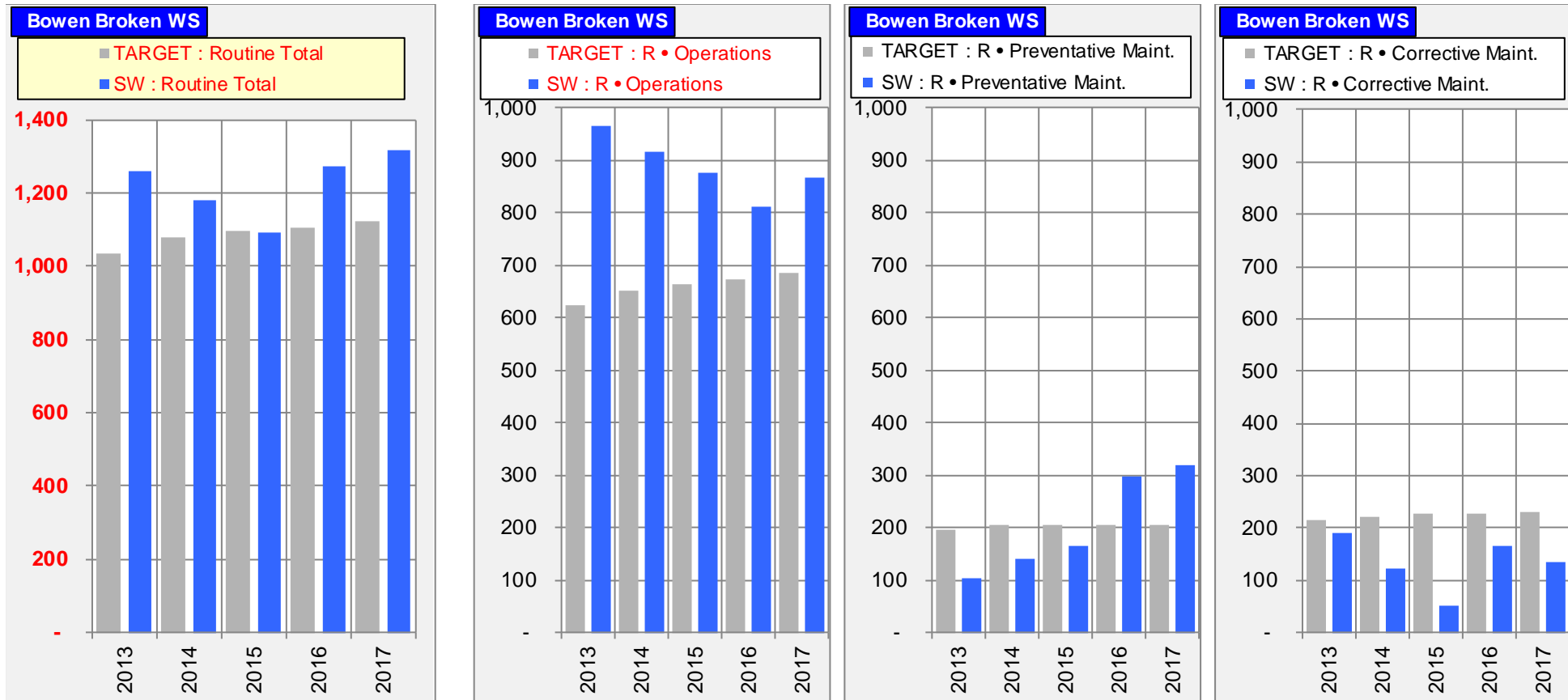
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
  - Repair or correction of pump station faults;
  - Repair or correction of channel faults;
  - Repair or correction of pipeline faults; and
  - Response to theft or vandalism associated with scheme assets.

Corrective maintenance was below the QCA's target.

## Routine Cost – Summary and Charts

The information in Table 4 above is re-presented in the charts below to graphically show SunWater’s performance against the QCA targets. In summary the key challenges in managing routine cost lie with reigning in input cost like insurance. Emergency Event Management costs are also an impact on the scheme, but have not been distributed at the scheme level.

**Figure 2: Routine Expenditure by Activity compared to QCA Target (\$'000)**



## 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 2015; 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 have been unexpected events, such as floods, that were not allowed for in the QCA's annuity funding allowance.

**Table 5 – Non-Routine Expenditure**

Bowen Broken WS	2013			2014			2015			2016			2017			2013 to 2017		
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Forecast \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000
<b>Annuity Funded</b>																		
Operations	-	-	-	-	-	-	-	16	16	2	-	(2)	23	-	(23)	25	16	(9)
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	(1)	-	1	-	-	-	-	-	-	-	-	-	42	-	(42)	41	-	(41)
R&E	107	155	48	184	170	(14)	355	250	(105)	149	227	78	208	89	(119)	1,003	892	(112)
Non-routine Total	106	155	49	184	170	(14)	355	266	(89)	151	227	76	273	89	(184)	1,070	908	(162)
<b>Non Annuity Funded</b>	<u>(0)</u>			<u>155</u>			<u>449</u>			<u>911</u>			<u>-</u>			<u>1,516</u>		

## R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

R&E Annuity Funded	16BBR04 Bowen River Replace Scada PC Register System and Migrate Programs	246
	17BBR01 Repair Scour Under Dissipator Apron - Bowen River Weir	8,098
	17BBR02 Develop Options for Refurbishment of Embankment - Upstream Slope Protection Works - GOSS	4,173
	17BBR04 Study Options Analysis/Design/Estimate Plug the River Conduit Inlet Permanently - Eungella Dam	140,959
	17BBR06 Investigate Placing Rock on Upstream Face Between Winch House and Bend Above Beaching Zone & Key into Lc	22,038
	17BBR07 Investigate all Underdrainage for Blockage - Eungella Dam	2,045
	17BBR08 Crane Strategy Development - Bowen Broken	2,664
	17BBR09 Update O&M Manuals and SOPs - Bowen Broken Supply	15,373
	17BBR10 Replace air conditioner in HV Switch Room	2,296
	ADSCOPE-KBB Asset Delivery Scoping - Bowen Broken Supply	10,583
<b>R&amp;E Annuity Funded Total</b>		<b>208,475</b>

## Corrective Maintenance

The annuity funded Corrective Maintenance Projects undertaken included:

Corrective Maintenance	17BBR11 FD01 (2017) Flood Damage Inspection post TC Debbie - Bowen Broken	23,457
	17BBR12 FD01 (2017) Flood Damage Repairs post TC Debbie - Eungella Dam Recreational Facilities	5,993
	17BBR13 FD01 (2017) Flood Damage Repair post TC Debbie - Bowen Broken Weir	7,896
	17BBR14 FD01 (2017) Flood Damage Repair post TC Debbie - Eungella Dam	4,295
<b>Corrective Maintenance Total</b>		<b>41,641</b>

## Other

There was one annuity funded project in Operations.

Other	16BBR12 Create Material & Asset Hierarchy Standard & Task Lists - KBB	23,141
<b>Other Total</b>		<b>23,141</b>

## R&E – Non Annuity

There were no Non-annuity funded R&E Project undertaken was:

## Annuity Balance

The 2017 annuity balance is shown below.

**Table 6 – Annuity Balance**

Bowen Broken WS		2013	2014	2015	2016	2017	2013 to 2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
<b>Annuity</b>							
Opening Balance	See below	(2,722)	(2,708)	(2,770)	(2,870)	(2,799)	(2,722)
Net Spend		(106)	(184)	(229)	(151)	(273)	(944)
Annuity Contribution		324	326	337	436	439	1,861
Interest		(204)	(203)	(207)	(215)	(210)	(1,039)
SunWater - Closing Balance		(2,708)	(2,770)	(2,870)	(2,799)	(2,844)	(2,844)
QCA - Closing Balance		(1,962)	(1,953)	(2,029)	(1,972)	(1,770)	(1,770)
Difference		(747)	(816)	(840)	(827)	(1,073)	(1,073)
<b>Net Spend Analysis</b>							
Spend	5 & 7	(106)	(184)	(355)	(151)	(273)	(1,070)
Insurance Proceeds Receipts							
• Prior Year		-	-	52	-	-	52
• Current Year		-	-	74	-	-	74
Net Spend		(106)	(184)	(229)	(151)	(273)	(944)

## Appendix – Total Expenditure by Expense Type

**Table 7 – Detailed Financial Summary  
(Including Expenditure for Activity by Type)**

Bowen Broken WS	2013			2014			2015			2016			2017			2013 to 2017		
	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000	SW Actual \$000	QCA Target \$000	Variance \$000
<b>Revenue</b>	5,085			5,464			5,805			5,854			5,752			27,961		
<b>Routine Spend</b>																		
<b>Operations</b>																		
Labour	218	122	(96)	147	126	(21)	134	130	(4)	113	135	21	129	139	10	742	653	(89)
Contractors	65	30	(35)	109	31	(78)	116	32	(84)	118	33	(85)	101	33	(68)	508	158	(350)
Materials	17	6	(11)	57	6	(51)	13	7	(7)	4	7	3	6	7	0	98	33	(65)
Electricity	136	116	(19)	109	125	16	177	133	(43)	171	144	(27)	160	154	(6)	752	672	(80)
Insurance	95	48	(47)	173	49	(125)	119	49	(70)	103	50	(53)	147	51	(96)	638	247	(391)
Other	21	41	20	42	42	1	53	43	(11)	36	44	8	46	45	(1)	197	215	17
Non-directs	412	261	(152)	279	273	(6)	263	271	7	265	262	(4)	277	257	(20)	1,497	1,323	(175)
	964	625	(339)	916	652	(264)	876	665	(212)	811	674	(137)	866	686	(181)	4,434	3,300	(1,133)
<b>Preventative Maintenance</b>																		
Labour	29	51	23	33	53	20	33	55	22	64	56	(7)	67	58	(9)	225	273	48
Contractors	16	31	15	37	32	(6)	64	33	(31)	86	34	(53)	92	34	(57)	295	163	(132)
Materials	4	6	2	7	6	(1)	1	6	5	3	6	3	1	6	5	17	30	13
Other	0	3	3	0	3	3	4	3	(0)	10	3	(7)	36	3	(32)	50	16	(34)
Non-directs	54	105	51	62	110	48	64	108	44	133	105	(29)	122	104	(18)	436	532	96
	103	196	93	140	204	63	165	205	40	297	205	(92)	318	206	(112)	1,023	1,015	(8)
<b>Corrective Maintenance</b>																		
Labour	37	34	(3)	25	35	10	4	36	32	10	37	27	15	38	23	92	180	88
Contractors	55	84	29	18	87	69	34	90	55	111	92	(19)	74	94	20	293	447	154
Materials	26	17	(8)	27	18	(9)	3	19	16	3	19	16	2	19	17	60	93	32
Other	1	5	5	3	5	2	2	5	4	15	6	(10)	11	6	(6)	32	27	(5)
Non-directs	72	74	1	49	77	28	10	76	67	27	74	47	31	73	42	189	374	185
	191	214	23	123	222	99	52	226	174	166	228	62	134	231	97	666	1,121	455
<b>Routine - total</b>	1,258	1,034	(224)	1,179	1,077	(101)	1,093	1,096	2	1,274	1,107	(168)	1,318	1,122	(195)	6,122	5,437	(686)
<b>Non-Routine Spend</b>																		
Labour	6	26	21	57	29	(28)	80	60	(20)	26	38	11	44	15	(29)	213	168	(45)
Contractors	28	29	1	30	32	2	112	33	(79)	63	41	(22)	135	16	(119)	368	151	(217)
Materials	17	29	12	-	32	32	-	33	33	-	41	41	1	16	15	17	151	133
Other	39	16	(24)	2	17	15	7	18	11	6	22	16	9	9	0	63	83	19
Non-directs	16	54	38	96	61	(35)	156	122	(34)	56	85	30	84	33	(52)	408	355	(53)
<b>Non-Routine - Total</b>	106	155	49	184	170	(14)	355	266	(89)	151	227	76	273	89	(184)	1,070	908	(162)
<b>Total Regulated Spend</b>	1,364	1,189	(175)	1,363	1,248	(115)	1,449	1,362	(87)	1,425	1,334	(91)	1,591	1,211	(380)	7,192	6,344	(847)
<b>Non Annuity Funded Spend</b>	(0)			155			449			911			-			1,516		
<b>Surplus (Deficit)</b>	3,722			3,946			3,907			3,517			4,161			19,254		



## **Non-Direct Costs Explained**

Non-direct costs reflect SunWater's methodology for distributing indirect costs, local overheads and corporate overheads to each service contract. Wherever practicable labour and other costs are booked direct to service contracts, however, where this is not possible the costs accumulate in either indirect or overhead accounting cost pools and are then distributed to service contracts.

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation, asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations including the IGEM emergency management program, water planning, hydrographic services, environmental support costs and GM Operations. These indirect costs are shared between SunWater's lines of business ie Bulk Water, Irrigation Distribution Systems, Industrial Pipeline and Facilities Management where appropriate. For example service contracts without a dam are not apportioned dam safety costs.

Local overheads are spread across service contracts managed in each locality. They include regional accommodation costs, vehicle costs, local admin support and other local labour not directly booked to activities within service contracts.

Corporate overhead costs are more generic than indirect cost and local overheads and are spread across all service contracts based on direct labour. They include the cost of HR and payroll, ICT, communications, legal and property, finance, internal audit, plus the costs of the CEO, GM Corporate and the SunWater Board of Directors, where these costs are not directly charged to activities within service contracts.

SunWater's methodology was reviewed and accepted by the QCA during the 2012 pricing review.

## Notes

All financial figures in this report are presented in nominal dollars.

Although the QCA set cost targets based on assumed inflation of 2.5%, 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 reported 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. For comparison, the QCA conversion factors based on assumed inflation of 2.5% are compared with conversion factors based on actual inflation as measured by the Brisbane All Groups Consumer Price Index taken in March each year.

**Table 8 – Conversion Factors for real \$2011 to Nominal Dollars**

	2013	2014	2015	2016	2017
QCA Conversion Factor	1.051	1.077	1.104	1.131	1.16
Accumulative March Quarter CPI	1.0494	1.0714	1.105	1.1208	1.1397

### Disclaimer

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