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# 2017 Annual Performance Report

## Burdekin Bulk

October 2017

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## Introduction

This annual Performance Report is to provide to SunWater Burdekin 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:

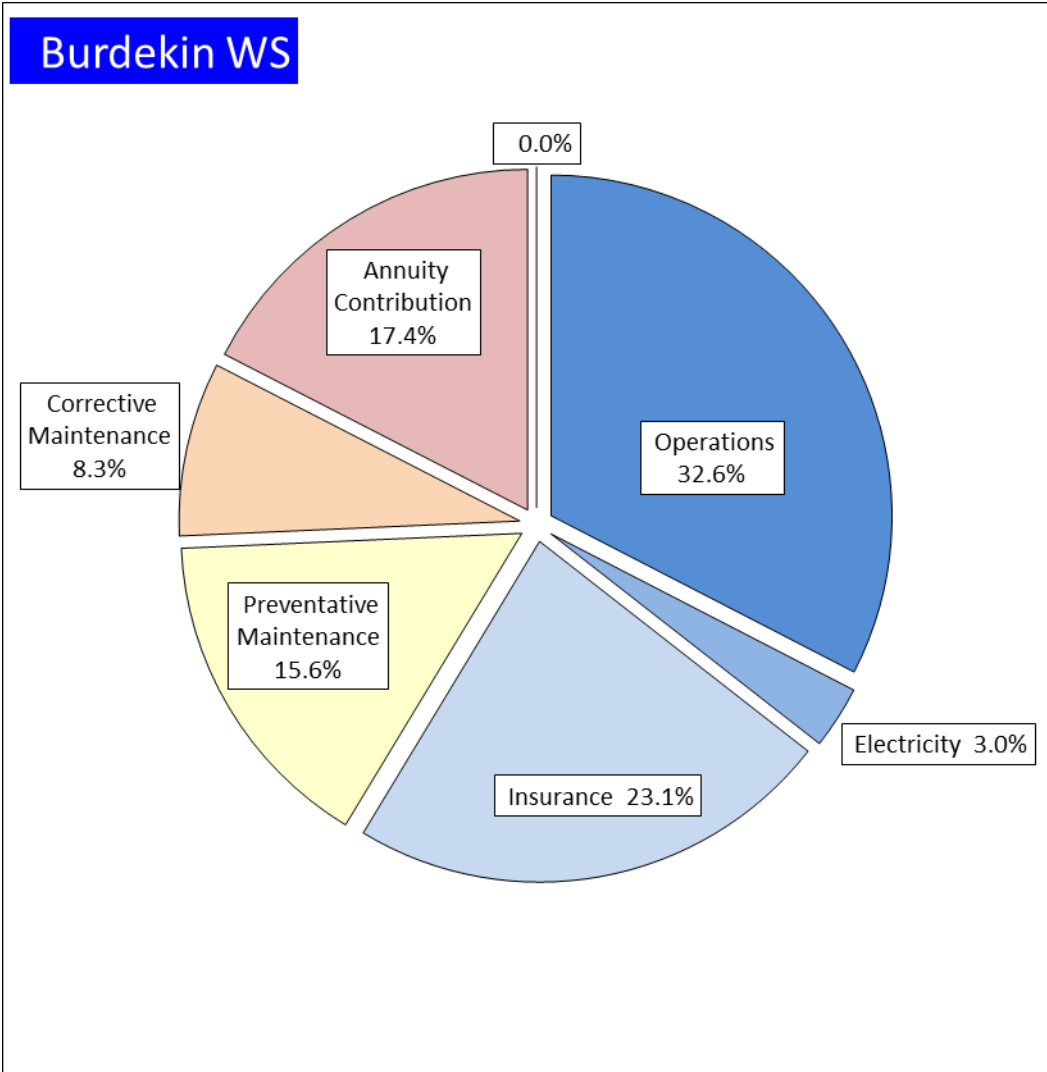
Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

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

**Table 1 – Operating Revenue Less Spend**

Burdekin 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	6,185	4,075	4,405	4,525	4,926	24,116
Less - Routine Expenditure	4 & 7	2,705	3,149	2,515	2,408	2,823	13,600
Less - Non-Routine Expenditure							
• Annuity Funded	5, 6 & 7	605	397	696	423	619	2,740
• Non Annuity Funded	5	525	4	-	7	3,385	3,921
Surplus (Deficit)		2,350	525	1,194	1,688	(1,901)	3,856

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 smoothing impact of 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.

## 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		20,820	21,358	103	1,543	7
2. Irrigation		635,212	661,007	104	502,176	79
3. Urban		10,537	10,542	100	7,822	74
4. Other		6	56	933	50	833
5. SunWater		413,017	388,913	94	69,718	17
<b>Scheme Total</b>	<b>411</b>	<b>1,079,592</b>	<b>1,081,876</b>	<b>100</b>	<b>581,309</b>	<b>54</b>

QCA Assumed Total Water Usage 55.8%

## Revenue

**Table 3 – Revenue**

Burdekin WS	2013	2014	2015	2016	2017	2013 to 2017
	Actual	Actual	Actual	Actual	Actual	Actual
	\$000	\$000	\$000	\$000	\$000	\$000
Irrigation	1,459	1,315	1,507	1,398	1,371	7,050
Industrial	3	6	6	18	54	88
Urban	19	77	-	-	-	96
Irrigation CSO	-	-	-	-	-	-
Revenue Transfers	4,592	2,548	2,799	3,030	3,435	16,405
Drainage	-	-	-	-	-	-
Other	111	130	79	79	65	464
Insurance Proceeds - Flood	-	-	14	-	-	14
Revenue Total	6,185	4,075	4,405	4,525	4,926	24,116

\* 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). 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. The QCA established the transfer cost for irrigation supplies at the cost reflective bulk water tariff. The above table also includes revenue transfers from the Burdekin Moranbah Pipeline.

## Routine Expenditure

**Table 4 – Routine Operating Expenditure**

Burdekin 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	1,443	2,285	841	1,473	2,385	912	1,010	2,382	1,372	1,116	2,357	1,241	1,114	2,377	1,263	6,157	11,786	5,629
Electricity	89	96	6	100	102	2	122	109	(12)	107	118	11	102	127	25	520	552	32
Insurance	592	295	(297)	1,005	300	(705)	677	305	(372)	569	310	(259)	790	315	(474)	3,633	1,525	(2,108)
Operations Total	2,125	2,675	550	2,578	2,787	209	1,809	2,796	987	1,792	2,785	993	2,006	2,819	814	10,310	13,862	3,553
Preventative Maintenance	242	357	114	245	373	128	505	373	(132)	474	371	(103)	535	373	(162)	2,001	1,847	(154)
Corrective Maintenance	338	223	(115)	326	232	(94)	201	234	32	142	234	92	282	236	(47)	1,289	1,158	(131)
Routine Total	2,705	3,254	549	3,149	3,392	243	2,515	3,403	888	2,408	3,389	982	2,823	3,429	605	13,600	16,867	3,267

### 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 river flows and monitoring of customer deliveries;
- Responses to 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 below the QCA target.

- Insurance costs were higher than target;
- Electricity costs were below 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>:

- 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

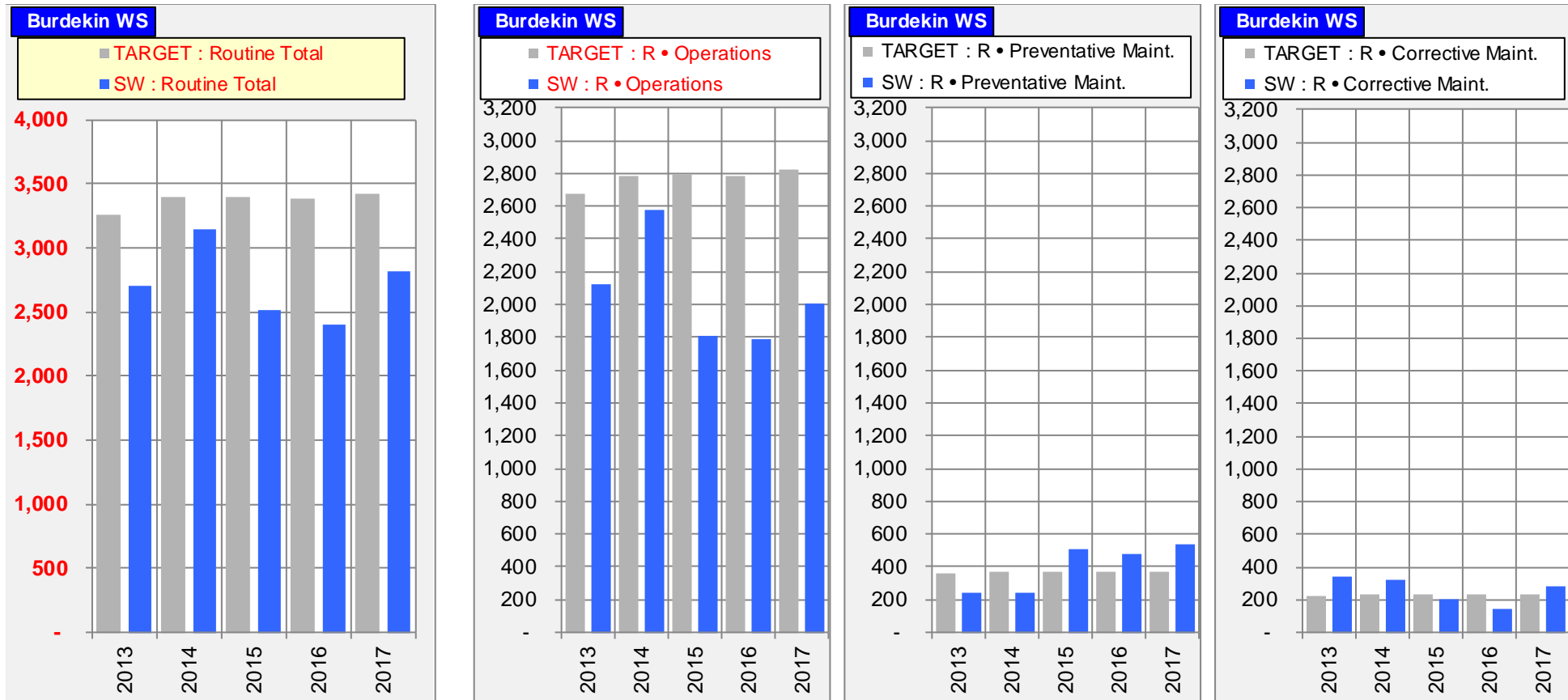
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
  - Repair or correction of pump station faults;
  - Repair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

Corrective maintenance was above 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**

Burdekin 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	23	-	(23)	11	-	(11)	-	29	29	3	-	(3)	38	-	(38)	74	29	(45)
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	-	-	-	-	-	-	-	-	-	-	-	-	17	-	(17)	17	-	(17)
R&E	582	421	(161)	387	234	(152)	696	218	(479)	420	290	(130)	564	1,395	831	2,649	2,558	(91)
Non-routine Total	605	421	(184)	397	234	(163)	696	247	(449)	423	290	(133)	619	1,395	776	2,740	2,587	(153)
<b>Non Annuity Funded</b>	525			4			-			7			3,385			3,921		

## R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

R&E Annuity Funded	17BDK03 5 Yearly Comprehensive Inspection - Burdekin Falls Dam (by 1 June, includes \$5K for electrical inspection)	150,124
	14BRB32 Study: Clare weir - Develop a long-term ops and maintenance strategy to refurbish hydraulic cylinders and hydraulic system.	109,151
	13BRB03 Refurbish Hydraulic Cylinder (1-30) - Clare Weir	73,069
	17BDK01 Study Dam Break Revision Large Catchment Temporal Pattern R&D - Burdekin Falls Dam	51,508
	17BDK07 5 Yearly Comprehensive Inspection - Clare Weir	38,260
	17BDK05 Update O&M Manual & SOPs - Burdekin Supply	33,641
	14BRB47 Study - Full electrical CA and oil tests and refurbishment of TX11 &TX12	22,741
	17BDK06 Develop Crane Strategy - Burdekin Supply	20,977
	16BDK16 Replace TWS pump	15,309
	ADSCOPE-ABB Asset Delivery Scoping - Burdekin Supply	12,059
	16BDK05 Refurbish Lower Galley and External Pipework, Refurbish Reflux Valves - Burdekin TWS	10,802
	15BDK49 Procurement and installation of PLC and SCADA system - Clare Weir	9,174
	14BRB33 Study Options to Refurbish Clare Weir hydraulic Control System	7,409
	17BDK09 Burdekin Falls Dam - Sewerage System - Study: Prepare EMP for the Dam	4,595
	16BDK03 Study 20 Year Desktop Comprehensive Risk Assessment - Burdekin Falls Dam	3,555
	16BDK13 Relocate GS at BFD to top of wall.	1,641
	14BRB31 Burdekin Falls Dam Repair/replace gate 3 seal	0
	15BDK02 Burdekin Falls Dam - Repair and Replace Utility Poles	0
	15BDK06 Upgrade Fire Suppression System - Burdekin Falls Dam	-109
<b>R&amp;E Annuity Funded Total</b>	<b>563,906</b>	

## Corrective Maintenance

The annuity funded corrective maintenance projects undertaken were:

Corrective Maintenance	17BDK10 FD01 (2017) Flood Damage Repair post TC Debbie - Burdekin Falls Dam	11,161
	17BDK11 FD01 (2017) Flood Damage Inspection post TC Debbie - Burdekin Falls Dam & Clare Weir	6,125
<b>Corrective Maintenance Total</b>		<b>17,286</b>

## Other

There was one annuity funded Other project.

Other	16BDK15 Create Material & Asset Hierarchy Standard & Task Lists - ABB	37,710
<b>Other Total</b>		<b>37,710</b>

## R&E – Non Annuity

There were two Non-annuity funded R&E projects.

R&E - Non Annuity	10BRI07 DSIP Foundation Drainage Improvement Project - Burdekin Falls Dam	2,549,346
	17BDK04 DSIP Saddle Dam & Monolith Improvement Project - Burdekin Falls Dam	835,203
<b>R&amp;E - Non Annuity Total</b>		<b>3,384,549</b>

## Annuity Balance

The 2017 annuity balance is shown below.

**Table 6 – Annuity Balance**

Burdekin 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	4,805	5,108	5,652	5,975	6,592	4,805
Net Spend		(605)	(397)	(667)	(423)	(619)	(2,710)
Annuity Contribution		548	558	567	592	596	2,862
Interest		360	383	423	448	494	2,107
SunWater - Closing Balance		5,108	5,652	5,975	6,592	7,063	7,063
QCA - Closing Balance		5,185	5,897	6,659	7,460	7,220	7,220
Difference		(77)	(245)	(684)	(868)	(156)	(156)
<b>Net Spend Analysis</b>							
Spend	5 & 7	(605)	(397)	(696)	(423)	(619)	(2,740)
Insurance Proceeds Receipts							
• Prior Year		-	-	16	-	-	16
• Current Year		-	-	14	-	-	14
Net Spend		(605)	(397)	(667)	(423)	(619)	(2,710)

## Appendix – Total Expenditure by Expense Type

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

Burdekin 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>	6,185			4,075			4,405			4,525			4,926			24,116		
<b>Routine Spend</b>																		
<b>Operations</b>																		
Labour	435	680	245	432	701	270	258	724	466	251	747	496	271	771	500	1,646	3,623	1,977
Contractors	12	17	6	34	18	(16)	97	19	(79)	49	19	(30)	37	19	(17)	229	93	(137)
Materials	13	22	8	64	22	(41)	12	23	11	17	24	6	12	24	12	119	114	(4)
Electricity	89	96	6	100	102	2	122	109	(12)	107	118	11	102	127	25	520	552	32
Insurance	592	295	(297)	1,005	300	(705)	677	305	(372)	569	310	(259)	790	315	(474)	3,633	1,525	(2,108)
Other	93	82	(11)	99	83	(16)	104	85	(19)	210	87	(123)	229	89	(141)	735	426	(309)
Non-directs	891	1,484	594	845	1,560	715	538	1,531	993	588	1,480	891	565	1,474	909	3,428	7,530	4,102
	2,125	2,675	550	2,578	2,787	209	1,809	2,796	987	1,792	2,785	993	2,006	2,819	814	10,310	13,862	3,553
<b>Preventative Maintenance</b>																		
Labour	45	98	54	53	102	49	107	105	(2)	103	108	5	139	112	(27)	445	525	79
Contractors	49	34	(15)	88	35	(53)	179	36	(143)	140	37	(103)	131	38	(93)	588	181	(407)
Materials	20	7	(12)	2	8	6	7	8	1	4	8	4	12	8	(3)	45	40	(5)
Other	37	7	(30)	7	7	1	6	8	2	8	8	(0)	6	8	2	64	38	(26)
Non-directs	91	210	118	95	221	125	206	216	10	218	209	(9)	248	207	(41)	859	1,063	204
	242	357	114	245	373	128	505	373	(132)	474	371	(103)	535	373	(162)	2,001	1,847	(154)
<b>Corrective Maintenance</b>																		
Labour	65	51	(14)	67	52	(15)	9	54	45	19	56	37	33	58	24	193	271	77
Contractors	77	11	(67)	66	11	(55)	163	11	(152)	81	12	(70)	149	12	(137)	537	56	(481)
Materials	56	31	(25)	63	32	(31)	2	33	30	2	34	31	28	34	6	151	163	12
Other	6	21	14	2	21	19	1	22	21	2	23	20	5	23	18	17	109	92
Non-directs	134	110	(24)	128	116	(12)	26	114	88	37	110	73	67	109	42	391	559	168
	338	223	(115)	326	232	(94)	201	234	32	142	234	92	282	236	(47)	1,289	1,158	(131)
<b>Routine - total</b>	<b>2,705</b>	<b>3,254</b>	<b>549</b>	<b>3,149</b>	<b>3,392</b>	<b>243</b>	<b>2,515</b>	<b>3,403</b>	<b>888</b>	<b>2,408</b>	<b>3,389</b>	<b>982</b>	<b>2,823</b>	<b>3,429</b>	<b>605</b>	<b>13,600</b>	<b>16,867</b>	<b>3,267</b>
<b>Non-Routine Spend</b>																		
Labour	81	65	(16)	70	36	(35)	110	38	(72)	81	48	(33)	156	225	69	499	412	(87)
Contractors	308	72	(236)	192	46	(147)	345	69	(276)	153	76	(77)	156	255	100	1,154	517	(636)
Materials	22	72	49	(0)	37	37	12	28	17	13	41	27	3	245	243	50	423	373
Other	8	39	31	7	20	13	8	16	8	10	22	12	25	126	102	58	224	166
Non-directs	185	174	(11)	128	96	(32)	221	95	(126)	165	103	(62)	280	543	263	980	1,012	32
<b>Non-Routine - Total</b>	<b>605</b>	<b>421</b>	<b>(184)</b>	<b>397</b>	<b>234</b>	<b>(163)</b>	<b>696</b>	<b>247</b>	<b>(449)</b>	<b>423</b>	<b>290</b>	<b>(133)</b>	<b>619</b>	<b>1,395</b>	<b>776</b>	<b>2,740</b>	<b>2,587</b>	<b>(153)</b>
<b>Total Regulated Spend</b>	<b>3,310</b>	<b>3,675</b>	<b>365</b>	<b>3,546</b>	<b>3,626</b>	<b>80</b>	<b>3,211</b>	<b>3,650</b>	<b>438</b>	<b>2,830</b>	<b>3,679</b>	<b>849</b>	<b>3,442</b>	<b>4,824</b>	<b>1,382</b>	<b>16,340</b>	<b>19,454</b>	<b>3,114</b>
<b>Non Annuity Funded Spend</b>	<b>525</b>			<b>4</b>			<b>-</b>			<b>7</b>			<b>3,385</b>			<b>3,921</b>		
<b>Surplus (Deficit)</b>	<b>2,350</b>			<b>525</b>			<b>1,194</b>			<b>1,688</b>			<b>(1,901)</b>			<b>3,856</b>		



## **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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