

SunWater Limited
Level 10, 179 Turbot Street
PO Box 15536 City East
Brisbane Queensland 4002
www.sunwater.com.au
ACN 131 034 985



2017 Annual Performance Report

Pioneer Bulk

October 2017

Table of Contents

Introduction	3
Financial Summary.....	4
Water Usage	6
Revenue	7
Routine Expenditure	8
Operations	8
Preventative Maintenance.....	9
Corrective Maintenance	9
Non-Routine Expenditure	13
R&E – Annuity Funded	14
Corrective Maintenance	14
Other	14
R&E – Non Annuity	14
Annuity Balance	15
Appendix – Total Expenditure by Expense Type.....	16
Notes.....	18

Introduction

This annual Performance Report is to provide to SunWater Pioneer River 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

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

Table 1 – Operating Revenue Less Spend

Pioneer 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	1,311	1,363	1,675	1,546	1,542	7,437
Less - Routine Expenditure	4 & 7	980	951	802	994	1,136	4,862
Less - Non-Routine Expenditure							
• Annuity Funded	5, 6 & 7	669	231	317	1,063	543	2,823
• Non Annuity Funded	5	0	-	-	-	-	0
Surplus (Deficit)		(338)	182	556	(510)	(138)	(248)

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.

Pioneer WS

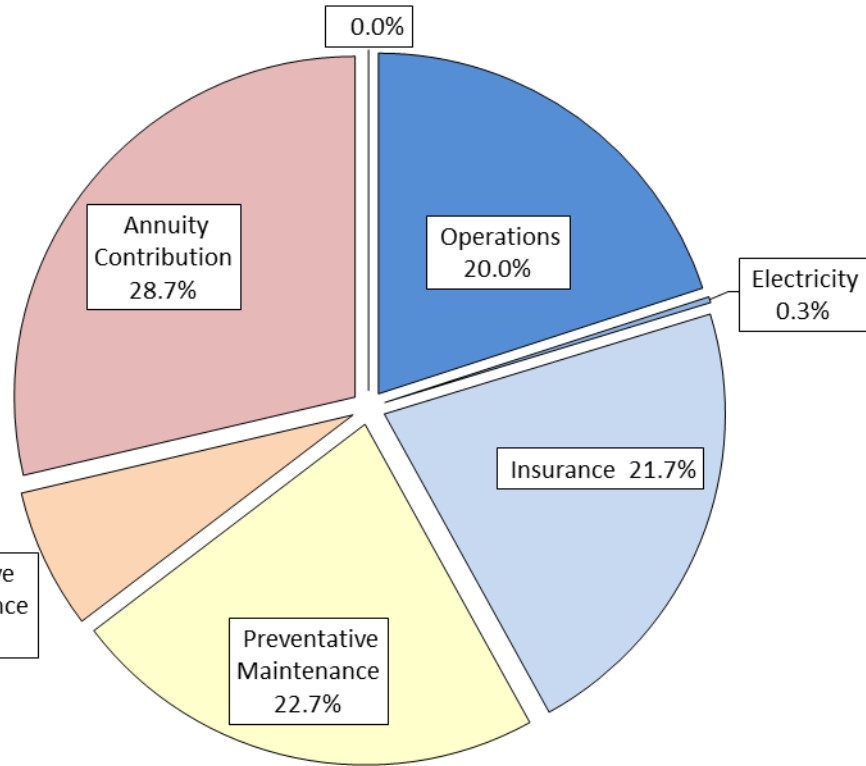


Figure 1: Breakdown of Irrigation Scheme Costs – 2017 Actual

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		1,920	2,180	114	831	43
2. Irrigation		47,390	57,130	121	4,928	10
3. Urban		16,520	16,520	100	10,816	65
4. Other		0	0	0	0	0
5. SunWater		12,280	2,280	19	1	0
Scheme Total	23	78,110	78,110	100	16,576	21

QCA Assumed Total Water Usage 44.2%
 Water usage was below the QCA's estimate.

Note: When water usage exceeds 50%, a review will be undertaken to determine requirements for replacement fabridams or other water supply arrangements at Mirani and Dumbleton Weirs.

Revenue

Table 3 – Revenue

Pioneer WS	2013	2014	2015	2016	2017	2013 to 2017
	Actual	Actual	Actual	Actual	Actual	Actual
	\$000	\$000	\$000	\$000	\$000	\$000
Irrigation	614	641	653	689	663	3,260
Industrial	457	528	608	665	628	2,886
Urban	222	192	201	79	250	945
Irrigation CSO	-	-	-	-	-	-
Revenue Transfers	-	-	-	-	-	-
Drainage	-	-	-	-	-	-
Other	18	2	219	112	0	352
Insurance Proceeds - Flood	-	-	(6)	-	-	(6)
Revenue Total	1,311	1,363	1,675	1,546	1,542	7,437

Routine Expenditure

Table 4 – Routine Operating Expenditure

Pioneer 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	328	433	105	253	451	198	301	451	151	315	448	134	318	452	134	1,514	2,236	722
Electricity	3	4	1	3	4	1	4	5	1	3	5	1	5	5	1	18	23	5
Insurance	172	91	(81)	307	93	(215)	201	94	(107)	183	96	(87)	346	97	(248)	1,209	471	(738)
Operations Total	503	527	24	563	548	(15)	506	550	44	501	549	49	669	555	(114)	2,741	2,729	(12)
Preventative Maintenance	267	234	(33)	280	245	(36)	257	244	(13)	385	242	(143)	361	244	(117)	1,551	1,209	(342)
Corrective Maintenance	209	185	(24)	107	193	86	39	195	156	108	196	88	106	198	92	570	967	397
Routine Total	980	947	(33)	951	985	35	802	989	187	994	987	(6)	1,136	997	(139)	4,862	4,905	43

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 of¹:

- 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.

¹ 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 met the QCA target.

Preventative 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 includes¹:

- 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 emergency²:

- Scheduled corrective maintenance is maintenance that can be planned and scheduled, and includes:

² 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

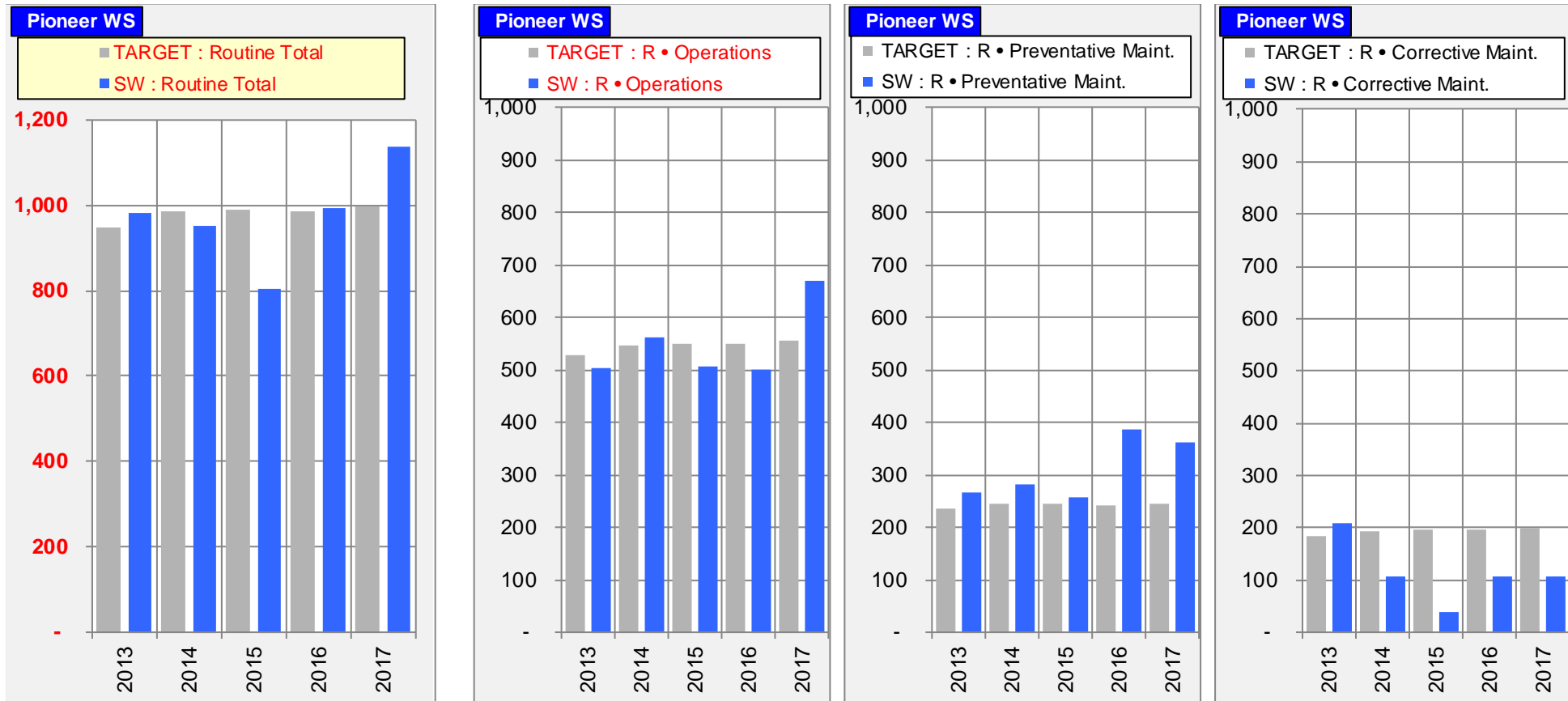
- Repair customer meters.
- Emergency corrective maintenance is maintenance that has to be carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (e.g. rectify a safety hazard) and includes:
 - Repair or correction of pump station faults;
 - Repair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

Pioneer 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
Annuity Funded																		
Operations	-	-	-	8	-	(8)	0	-	(0)	4	-	(4)	25	167	143	36	167	131
Preventative Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrective Maintenance (Flood)	1	-	(1)	-	-	-	-	-	-	-	-	-	29	-	(29)	30	-	(30)
R&E	668	833	165	224	141	(83)	317	101	(216)	1,059	266	(793)	489	388	(101)	2,757	1,728	(1,028)
Non-routine Total	669	833	164	231	141	(90)	317	101	(216)	1,063	266	(797)	543	555	12	2,823	1,896	(927)
Non Annuity Funded	0			-			-			-			-			0		

R&E – Annuity Funded

The annuity funded R&E Projects undertaken included:

R&E Annuity Funded	15PIO12 Study 20 Year Dam Safety Review - Teemburra Dam (works to be carried out in FY 2015 & 2016)	268,435
	17PIO03 Remove Corrosion and Patch Paint Stub Pipe, Replace Hose to Cylinder, Refurbish Trunion Bearing & Hydraulic System - Teemburra Dam	52,909
	17PIO13 Inspection Undertake Internal Inspection , DCVG survey & CRA (Recommendations 1, 2 & 4 Briefing Note HB#1961380)	23,353
	13PIO03 Refurbish Left Bank Protection Works - Dumbleton Weir - DS Rec 2010	21,855
	17PIO11 Update O&M Manuals and SOPs - Pioneer Supply	19,398
	09PIO16 Mirani Weir - Decommission Fabridam (2015) Replace Fabridam (Scope & Design 2009-2012) (Replace 2015)	19,159
	09PIO15 Dumbleton Weir - Decommission Fabridam (2015) Replace Fabridam (Scope & Design 2009-2012) (Replace 2015)	18,568
	17PIO06 Repair Beaching near Intake Structure - Saddle Dam 2 - Teemburra Dam	14,902
	15PIO06 Teemburra - Replace Control System including SCADA for Teemburra Dam, Palmtree Ck & Tannalo Valves - Teemburra Dam	14,244
	15PIO02 Inspection (5 Yearly) Comprehensive - Dumbleton Weir	12,224
	16PIO07 Carry Out Dam Break Modelling and Assess PAR - Teemburra	12,067
	17PIO10 Develop Crane Strategy - Pioneer Supply	7,675
	ADSCOPE-KBP Asset Delivery Scoping - Pioneer Supply	7,095
	15PIO03 Inspection (5 Yearly) Comprehensive - Mirani Weir	7,017
	15PIO01 Inspection (5 Yearly) Comprehensive - Marian Weir	6,340
	17PIO08 Carry out Ground Penetrating Radar Survey of Spillway Crest during 20 Yr Dam Safety Review - Teemburra Dam	3,406
	17PIO09 Refurbish Pull Out Tests on Grout Anchors as part of Dam Safety Review (Anchors on Extended Slab) - Teemburra Dam	1,884
	16PIO08 Carry out geotechnical investigations for seepage into the channel downstream of outlet works - Teemburra Saddle Dam 2	0
	07PIO02 Enlarge Outlet Works - Marian Weir (Stage 2 - 2010) (ROP Operational Requirements)	-21,352
R&E Annuity Funded Total	489,179	

Corrective Maintenance

There was no expenditure categorised as “Corrective Maintenance”.

Corrective Maintenance	17PIO14 FD01 (2017) Flood Damage Inspection post TC Debbie - Pioneer Water Supply	16,313
	17PIO16 FD01 (2017) Flood Damage Repairs post TC Debbie - Pioneer River	10,923
	17PIO15 FD01 (2017) Flood Damage Dam Safety Inspection post TC Debbie - Teemburra Dam	2,108
Corrective Maintenance Total	29,344	

Other

There was one project categorised as “Annuity-funded Other”.

Other	16PIO09 Create Material & Asset Hierarchy Standard & Task Lists - KBP	24,855
Other Total		24,855

R&E – Non Annuity

There was no expenditure categorised as “Non Annuity”.

Annuity Balance

The 2017 annuity balance is shown below.

Table 6 – Annuity Balance

Pioneer WS		2013	2014	2015	2016	2017	2013 to 2017
	Table reference	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Actual \$000
Annuity							
Opening Balance	See below	(2,401)	(2,826)	(2,836)	(2,884)	(3,717)	(2,401)
Net Spend		(669)	(231)	(280)	(1,063)	(543)	(2,786)
Annuity Contribution		423	433	444	446	457	2,204
Interest		(180)	(212)	(212)	(216)	(278)	(1,098)
SunWater - Closing Balance		(2,826)	(2,836)	(2,884)	(3,717)	(4,082)	(4,082)
QCA - Closing Balance		(1,976)	(1,832)	(1,626)	(1,567)	(1,783)	(1,783)
Difference	(850)	(1,004)	(1,258)	(2,150)	(2,299)	(2,299)	
Net Spend Analysis							
Spend	5 & 7	(669)	(231)	(317)	(1,063)	(543)	(2,823)
Insurance Proceeds Receipts							
• Prior Year		-	-	43	-	-	43
• Current Year		-	-	(6)	-	-	(6)
Net Spend		(669)	(231)	(280)	(1,063)	(543)	(2,786)

The negative figure in 2015 “Current Year” insurance proceeds indicates an insurance allocation adjustment.

Appendix – Total Expenditure by Expense Type

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

Pioneer 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
Revenue	1,311			1,363			1,675			1,546			1,542			7,437		
Routine Spend																		
Operations																		
Labour	94	125	31	74	129	56	74	133	60	75	138	63	79	142	63	396	667	271
Contractors	12	13	1	8	13	5	53	14	(39)	36	14	(22)	19	15	(5)	128	69	(59)
Materials	1	2	1	2	2	1	3	2	(1)	0	2	2	0	2	2	6	11	5
Electricity	3	4	1	3	4	1	4	5	1	3	5	1	5	5	1	18	23	5
Insurance	172	91	(81)	307	93	(215)	201	94	(107)	183	96	(87)	346	97	(248)	1,209	471	(738)
Other	33	14	(19)	19	14	(5)	21	14	(7)	19	14	(4)	23	15	(9)	115	71	(44)
Non-directs	187	279	92	150	293	142	151	288	137	185	280	95	196	279	82	868	1,417	549
	503	527	24	563	548	(15)	506	550	44	501	549	49	669	555	(114)	2,741	2,729	(12)
Preventative Maintenance																		
Labour	83	68	(14)	76	71	(5)	66	73	6	87	75	(12)	100	78	(22)	411	365	(47)
Contractors	22	8	(14)	40	8	(32)	58	8	(50)	100	8	(92)	73	9	(64)	294	41	(253)
Materials	5	5	0	25	5	(20)	5	5	1	4	5	2	4	6	1	42	26	(16)
Other	0	8	8	1	8	8	2	9	6	6	9	2	7	9	1	17	43	26
Non-directs	158	145	(13)	139	153	14	126	150	24	188	144	(44)	177	143	(34)	788	735	(53)
	267	234	(33)	280	245	(36)	257	244	(13)	385	242	(143)	361	244	(117)	1,551	1,209	(342)
Corrective Maintenance																		
Labour	47	36	(12)	14	37	23	2	38	36	10	39	30	9	40	31	82	190	108
Contractors	40	34	(6)	27	35	8	30	36	6	62	37	(25)	62	38	(25)	222	180	(42)
Materials	31	11	(20)	36	12	(24)	2	12	10	7	12	6	8	13	4	84	60	(24)
Other	0	26	25	0	26	26	0	27	27	4	28	24	7	29	22	11	136	125
Non-directs	91	79	(12)	29	83	54	5	82	76	26	79	53	20	78	59	171	401	230
	209	185	(24)	107	193	86	39	195	156	108	196	88	106	198	92	570	967	397
Routine - total	980	947	(33)	951	985	35	802	989	187	994	987	(6)	1,136	997	(139)	4,862	4,905	43
Non-Routine Spend																		
Labour	96	206	111	65	32	(33)	107	15	(92)	119	57	(63)	168	93	(75)	555	403	(152)
Contractors	239	227	(12)	15	39	23	82	23	(58)	505	31	(474)	62	99	37	904	419	(485)
Materials	15	227	212	11	30	19	0	15	15	0	30	30	0	92	91	27	394	367
Other	109	124	15	25	16	(8)	(72)	10	82	155	19	(136)	18	54	37	234	223	(11)
Non-directs	210	48	(162)	115	24	(91)	200	38	(162)	284	129	(154)	295	217	(78)	1,103	457	(646)
Non-Routine - Total	669	833	164	231	141	(90)	317	101	(216)	1,063	266	(797)	543	555	12	2,823	1,896	(927)
Total Regulated Spend	1,648	1,780	131	1,182	1,126	(55)	1,119	1,090	(29)	2,056	1,253	(803)	1,679	1,552	(128)	7,685	6,801	(884)
Non Annuity Funded Spend	0			-			-			-			-			0		
Surplus (Deficit)	(338)			182			556			(510)			(138)			(248)		

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 below 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

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.