

State
water

0809

Annual Report
overview



ABOUT STATE WATER



State Water Water Delivery Manager Central, Sri Sritharian, Field Services Team Leader Central Bernie Ward with regulated water user Robert McCutcheon from 'Mullah' near Gin Gin

State Water is NSW's rural bulk water delivery corporation, annually delivering more than 4,500GL of water to regional NSW on average, along 7,000km of rivers.

In accordance with Water Sharing Plans (WSPs), we also deliver about 9,000GL of water for the environment.

We manage and operate 20 dams and more than 280 weirs and regulators to deliver water for town water supplies, industry, irrigation, stock and domestic use, riparian and environmental flows. We also monitor water usage, manage customer accounts, bill and collect bulk water charges.

Our local Customer Field Officers work directly with water users in managing water accounts and supporting them to improve water delivery efficiency.

We have a workforce of about 300 employees who operate from offices throughout NSW and work closely with water users and Customer Service Committees (CSCs) to set asset management priorities and improve water delivery efficiencies in regulated river valleys.

Water Resource Management

In NSW, the regulator and policy maker for water resource management is the Department of Water and Energy (DWE), now the NSW Office of Water (NOW).

It develops natural resource policy frameworks, strategies and plans related to water management, water quality, salinity, soils, vegetation and environmental sustainability.

DWE is accountable for WSPs, which define the rules for sharing the water resources of each regulated river valley, between consumptive users and the environment.

WSPs have been gazetted in eight regulated river valleys: Gwydir, Namoi, Paterson, Hunter, Lachlan, Macquarie-Cudgegong, Murrumbidgee, and Murray-Lower Darling, but have been suspended in the last four of these valleys.

Drought contingency measures have been implemented in these valleys.

Bulk Water Pricing

Water prices are set by the Independent Pricing and Regulatory Tribunal (IPART) and cover State Water's costs of delivering water and maintaining and operating infrastructure.

Bulk water prices are based not on the value of water, but on the recovery of costs incurred in delivering water.

Ministerial Responsibility

State Water has two voting shareholders, the Treasurer and Minister for Finance, with whom we enter into a Statement of Corporate Intent (SCI).

Our Operating Licence is issued by our Portfolio Minister, the Minister for Water.

2008-09 HIGHLIGHTS



- State Water successfully delivered 100% of water allocations, including 1,446GL in 2008-09.
- State Water delivered all water required under environmental Rules of Water Sharing Plans and those instructions issued when plans were suspended.
- State Water met daily flow targets 93% of the time in 2008-09.
- 2008-09 heralded the introduction of quarterly billing for State Water's top 150 customers with the remainder of customers moving to half-yearly billing
- In 2008-09 State Water processed 26% more water than the previous financial year. More than 98% of these trades were processed within 20 business days and 86% within four working days.
- State Water opened 898km of waterways for unimpeded passage by native fish.
- During 2008-09 the customer call centre received an average of 1,473 calls per month and registered only 13 formal complaints.
- State Water worked with DWE's compliance unit to recognise and deal with significant non-compliance issues.
- Increased awareness of Occupational Health and Safety obligations across all Maintenance and Services staff, particularly field-based employees, resulting in some areas surpassing previous Lost Time Injury Frequency Rate benchmarks.
- State Water's average sick leave ratio at 2.9% is lower than the average of 6.5% for other Australian utility organisations.
- Only 2.6% of injuries resulted in time off, down from 3.2% in 2007-08, and below the NSW Working Together Target of 3.3% to be achieved by 2012.
- State Water negotiated a comprehensive, industry-specific and universally applicable single agreement for State Water's employees.
- State Water launched a new customer friendly website and finalised the internet water account management system (iWAS).
- The State Water website was redesigned and reconfigured with features to ensure information it contains is accurate and relevant.
- More than 120 media releases and customer notices were issued on a wide-range of matters affecting customers.
- The 49.21GWh of hydropower generated represents a saving in the production of 47,600 tonnes of greenhouse gases.
- Electricity usage was reduced by 22% in 2008-09.

2008-09 HIGHLIGHTS



- State Water's capital investment program totalled \$18.441 million for 2008-09, including \$16.995 million for major capital works projects.
- State Water awarded the contract for the Blowering Dam safety upgrade and commenced construction of this project.
- State Water completed an assessment of the condition, service delivery and risk status of all its water infrastructure assets.
- A Total Asset Management Plan was developed documenting State Water assets worth more than \$3.6 billion.
- A comprehensive land capacity study was commissioned to build on increases in returns from State Water's significant asset base.
- State Water reviewed, optimised and relocated its information services network infrastructure, along with records, to head office in Dubbo.
- State Water finalised and signed a Memorandum of Understanding (MOU) to ensure a continuous basis of cooperative relations between State Water and DWE.
- State Water achieved a full or high compliance rating for 94% of the requirements under its Operating Licence.
- State Water consulted extensively with its Customer Service Committees in developing its pricing submission to IPART.
- State Water's IPART submission was developed and submitted on time with consultants suggesting the corporation has achieved significant change since the last determination and employees are well prepared and enthusiastic.
- State Water developed a case to formalise the arrangements for tax-related expenses to ensure tax neutrality, under the National Tax Equivalent Regime.
- A systematic prioritisation project for all IT purchases, developments and deliveries was implemented.
- Widespread roll out of laptop 'tablets' for field staff.
- The development, finalisation and approval of an agreement with NSW TCorp to optimise the significant cost of State Water's financing program.
- Involvement by a number of directors and senior staff in industry conferences and information sessions as chairs, speakers and delegates.
- Engagement with the Commonwealth regarding a number of project initiatives including the proposed funding of replacement/upgraded meters throughout State Water's Murray Darling Basin sites.

THE YEAR IN REVIEW



Marebone Weir

The ongoing drought was again a dominant factor in State Water's operations during 2008-09, curtailing water sales and income, and placing great stress on our clients and the communities in which they work and live.

There has been some relief in the northern parts of the State, but water availability has remained at near record low levels for the Lachlan, Murray and Murrumbidgee valleys. We have continued to work with communities to secure critical supplies, while ensuring deliveries in less-affected regions are efficient and timely. Although revenue and profitability continue to be reduced, State Water's overall financial position remains solid.

Operations and Customer Service

Total water deliveries of 1,446GL in 2008-09 were about 27% of long-term average sales. This followed record low deliveries of 1,110GL in 2007-08. In addition, State Water traded 553GL of water to South Australia and Victoria, up substantially from the 157GL in 2007-08.

The aggregate storage level on 1 July 2008 was 26% of total storage capacity, which was 10.5% higher than the same time in the previous year. This rose to 30.8% by the end of September but steadily decreased for the rest of the year, falling to 23.4% in the last few weeks of June 2009.

Water sharing plans in the Murray, Lower Darling, Murrumbidgee, Lachlan, and Macquarie valleys remained suspended. This has meant that special arrangements and restricted access conditions have been put in place in these valleys.

Working with other agencies and communities State Water delivered all water required under the environmental rules of those water sharing plans in place. State Water also met all requirements for deliveries as part of the specific instructions agreed and issued when plans were suspended.

Our valley based Customer Service Committees (CSCs) continued to play an important role and their feedback assisted in improving services under difficult drought conditions.

A key goal of the structural reorganisation was to strengthen our level of customer service by making full use of technology improvements. A toll-free customer call centre, supported by a network of trained Customer Field Officers, was a major component of these initiatives.

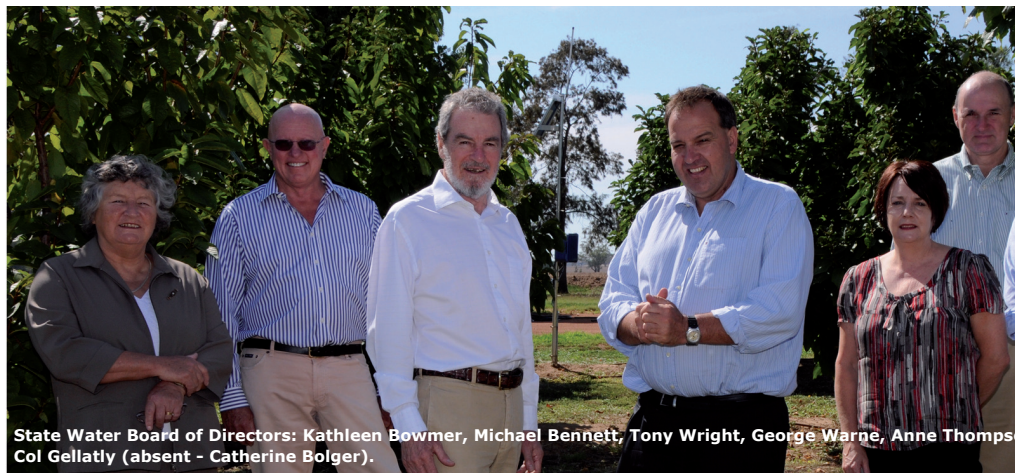
Progress also continued on the roll out across NSW of the internet Water Accounting System (iWAS), an online account management service for customers. The technical groundwork was completed by the end of the 2008-09 financial year in preparation for State wide trials, with implementation following in the latter part of 2009.

In 2008-09, our major customers were billed quarterly, with remaining customers billed half yearly. All customers will be billed quarterly in 2009-10 in line with contemporary business practice.

Financial Results

Overall income amounted to \$72.6 million, up by \$3.3 million on the previous year. Water delivery revenue was up

THE YEAR IN REVIEW



\$3.2 million to \$34.6 million, largely due to the billing of water trades to our interstate counterparts (\$1.8M). The NSW Government contributed revenue of \$21.2 million, a reduction of \$1.2 million on 2007-08.

Other revenues, amounting to \$16.8 million, rose by \$1.5 million. This was driven by the increased level of contract work done for the Murray-Darling Basin Authority and other clients. This increase in contract work contributed to our total operating expenses increasing by \$3.5 million to \$70.3 million, with the balance of the increase due principally to impairment of outstanding debts.

Total operating expenses increased by \$51.4 million to \$120.7 million, principally due to (non-cash) impairment losses of \$46.9 million on system assets and the increase in provision for receivables of \$2.0 million. We are pleased to report that our IPART-regulated operating costs decreased to \$37.6 million in 2008-09, \$3.3 million less than the previous year.

State Water has been issued with an unmodified financial result for 2008-09 with all items identified during the course of the audit addressed by management.

The Environment

The creation of the Murray-Darling Basin Authority and the growing status of the environment as a major bulk water customer have drawn greater government investment into the water industry. During 2008-09 State Water established itself as the preferred operational body to undertake a range of federally funded water saving and environmental projects.

In addition to the proposed \$90 million Metering project under the Australian Government's Water for the Future framework, prominent works include the \$60 million Koondrook-Perricoota forest flood enhancement project in the south funded under The Living Murray Initiative. These works will enable the managed diversion of very significant designated environmental flows into this important, but drought-stricken, forest/wetland system.

Planning is also advanced for a series of Water for Rivers efficiency projects, valued at \$60 million, beginning with a series of initiatives in the Murrumbidgee Valley. The proposed works include sophisticated river management modelling to enable improved operations in our largest area of operations, isolation of some artificially inundated areas along State Water supply systems to off-river users, improved metering with remote sensing and a variety of other water-savings measures.

Our environmental credentials have also been highlighted through its work on the Lake Brewster project to provide increased environmental allocations and to rehabilitate an important wetland on the lower Lachlan River.

Increasing Efficiency

As well as improving customer service, our organisational restructure has been geared to enhancing business efficiency and reducing costs, by moving from a geographically-based structure, which inhibited flexible operation on a State wide basis, to a business

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organised on functional lines more attuned to efficient allocation of people with specialised skills. As a result, State Water will meet the efficient operating cost target determined by IPART under its 2006 Pricing Determination.

Reforms have been made to financial systems to better track expenditure and provide greater budgeting, managing and forecasting accuracy. Improvements in financial systems have enabled State Water to provide regular valley by valley financial reports to the CSCs and have enhanced the quality and timeliness of reports to all stakeholders.

In 2008-09 State Water also put substantial effort into preparation of its submission to the Independent Pricing and Regulatory Tribunal (IPART).

Significant progress was also made in the development of a single enterprise agreement that replaces five separate awards and agreements at State Water. The new agreement, which has since been ratified by the Industrial Commission, includes changes to employment

conditions to better align them with contemporary workplace efficiency standards, whilst recognising the need for managing work-life balance.

IPART's audit of State Water's compliance with the terms of its Operating Licence for the years 2006-07 and 2007-08, released in February 2009, shows State Water improving its operating performance. The most recent report saw the number of activities with high or full compliance increase to 94% in 2006-07 and 2007-08, up from 88% in 2005-06.

Dam Safety Upgrade Program

The lengthy planning and investigation process for the dam safety upgrade program reached fruition during the year, with the \$32 million Blowering Dam upgrade entering the construction phase in June 2009, and a number of other structures set to follow quite rapidly in 2009-10.

In all, the eight projects in State Water's dam safety upgrade program are currently valued at approximately \$350 million, a significant portion of which

will be injected into regional economies as materials, labour and services required for the task are purchased locally.

Our People

Despite the significant organisational changes, our safety record continues to improve.

At 30 June 2009, only 2.6% of injuries resulted in time off, down from 3.2% at the same time last year, and below the 2012 NSW Working Together target of 3.3%.

The pace of business innovation currently underway is unprecedented in State Water's corporate history. With a workforce liberated by the new employee agreement, and the enthusiasm to continue business improvements and explore viable and value-adding commercial business opportunities, State Water is well positioned for the future.

State Water's Strategic Direction

State Water Vision

To be recognised by our customers, shareholders and other stakeholders as the best value for money water utility in Australia.

State Water Purpose

To efficiently deliver water and services to customers, the community and the environment, to be an integral service industry supporting sustainable growth in regional NSW.

2008-12 Corporate Plan

Strategic themes

- Protect, operate and maintain our water assets with increasing efficiency
- Maximise the delivered water available from each megalitre flowing into the regulated river system
- Provide water-related services that respond to the growing variety of customer needs, specifically recognising the value of water, the environment and customer service
- Improve business outcomes
- Achieve our strategic objectives through a capable, committed, safe and skilled workforce

Annual Report

The 2008-09 Annual Report is available to download from State Water's website www.statewater.com.au.

Contact Us

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Business Hours

Hours of operation at all offices are 8.30am to 5pm, Monday to Friday.

Front Cover:

Copeton Dam is situated on the Gwydir River about 35km south-west of Inverell and sits upstream of Bingara and downstream of Bundarra in the north-east of NSW.