

To	Trevor Rohdman, Manager, Asset Maintenance	From	Peter Noonan, Business Systems and Support
Date	10 December 2014		
Subject	QCA Draft report November – SCADA maintenance expenditure 2013-14 and 2014-15 comparison (Natural account 522083)		

QCA commentary:

Control system maintenance services

Costs related to maintenance of control systems under the established maintenance panel arrangement were \$0.4 million in 2013-14 and are forecast to increase by \$1.0 million in 2014-15. These costs were \$0.3 million in 2012-13.

CH2M HILL noted that significant consolidation and upgrade work is planned for a subset of control systems (maintenance control systems, or MCS) and that these consolidation and upgrade costs are captured separately in the forecast costs for ICT.

However, Seqwater did not substantiate why a significant increase is also required for the maintenance of other control systems. Furthermore, a significant business case driver for consolidation and upgrade of the MCS is a reduction in ongoing operational costs for the system. In the absence of valid substantiation of these costs, CH2M HILL recommended that the 2014-15 forecast for this cost category be reduced to 2013-14 levels.

The QCA accepts this recommendation.

<p>CH2MHill Comment</p> <p>522083 - MP - Control System Mtce Svces</p> <p>Seqwater propose an increase in costs related to maintenance of Control Systems under the established Maintenance Panel arrangement from \$350,789 in FY 2013/14 to \$1,289,403 in the 2014/15 forecast year. 2012/13 actual expenditure for this cost item was \$294,118. CH2M HILL notes that significant consolidation and upgrade work is planned for the Maintenance Control System (MCS) and that these costs are captured in the forecast ICT cost codes. No substantiation has been provided in the Seqwater submission for the significant increase in the maintenance cost forecast for this activity. Furthermore, a significant Business Case driver for consolidation and upgrade of the MCS is a reduction in ongoing operational costs for the system. In the absence of valid substantiation of these costs, CH2M HILL recommends that the 2014/15 forecast for this cost code should be adjusted to 2013/14 levels.</p> <p>Request for information</p> <p>CH2M HILL requests further information from Seqwater to enable the substantiation of the increase in expenditure (cost component detail and rationale/method of calculating the cost increase).</p>

Response

For clarity, the above QCA acceptance of the CH2M Hill analysis has been broken into component parts and addressed in the below table. All relevant budgets, actual expenditure



and work order audit reports for SCADA maintenance across all cost codes for 2013-14 and YTD 2014-15 can be found in Attachment A.

In response to the CH2M Hill report, Seqwater has undertaken an audit of SCADA maintenance costs. This has identified errors with incorrect natural account codes being used for SCADA maintenance.

This problem can be attributed to the consolidation of SCADA maintenance under one natural account code (522083) in 2013-14 following the merger. Prior to this, SCADA maintenance was costed by individuals across the organization to multiple natural site based and other electrical codes. This practice has evidently continued post-merger.

The audit has shown that 31 different natural account codes were used for SCADA work in 2013-14 and only 30% of SCADA maintenance was correctly attributed to the 522083 code.

To address the problem, all operations staff with financial delegations and CIS administration rights have been sent a list of correct codes for all maintenance items. OTW will also work with Corporate Finance to rationalize the number of natural account numbers.

To ascertain the actual expenditure on SCADA for 2013-14 a manual process examining individual work orders has been undertaken. This is an alternative non-system based approach to determining the actual expenditure given the coding errors in 2013-14. This reveals an expenditure of \$1.16M in 2013-14.

The 2014-15 budget is \$1.30M which is broadly comparable to the 2013-14 actual spend.

Memorandum



Ref: CH2MHill Comment (ID code-46) (p 101)	Response	Attachment A – Corresponding financial report
<p>Seqwater propose an increase in costs related to maintenance of Control Systems under the established Maintenance Panel arrangement from \$350,789 in FY 2013/14 to...</p>	<p>The 2013-14 budget under natural account code 522083 was \$1,561,662. Actual (recorded) expenditure for a/c 522083 in 2013-14 was \$353,319.18</p> <p><i>(It is understood that the \$350,789 figure used by CH2M Hill is Acc.522083 rebased to Dec 2013 terms as sourced from the OPEX model.)</i></p> <p>A manual audit of work orders shows actual expenditure on SCADA maintenance across all natural account codes was \$1,161,053 in 2013-14.</p>	<p>Tab: <u>1. SCADA budget 2013 14</u> Tab: <u>2.SCADA Actual 13-14 (Finance)</u> Tab: <u>3.SCADA WO 2013-14 all acc</u></p>
<p>\$1,289,403 in the 2014/15 forecast year.</p>	<p>As of October 2014-15, the budget for natural account code 522083 is \$1,302,415</p>	<p>Tab: <u>4. SCADA Budg 14-15 Q1(Finance)</u></p>
<p>CH2M HILL notes that significant consolidation and upgrade work is planned for the Maintenance Control System (MCS) and that these costs are captured in the forecast ICT cost codes.</p>	<p>MCS is not in the ICT budget. This natural account code is not directly related to the MCS programme of works.</p>	
<p>No substantiation has been provided in the Seqwater submission for the significant increase in the maintenance cost forecast for this activity.</p>	<p>Overall the forecast SCADA maintenance budget has decreased from \$1,561,662 in 2013-14 to \$1,302,415 in 2014-15.</p> <p>The 2014-15 budget is an increase of \$141,362 (12%) over the 2013-14 actuals as identified by the work order</p>	<p>Tab: <u>1.SCADA budget 2013 14</u>; and Tab <u>4. SCADA Budg 14-15 Q1(Finance)</u></p>

	<p>audit (ie \$1.16M). The forecast \$1,302,415 budget is on track to be spent this year</p> <p>Please note that significant additional work associated with the former Linkwater assets has also been added to the maintenance schedule for 2014-15. These assets were not previously on the maintenance schedule.</p>	
<p>Furthermore, a significant Business Case driver for consolidation and upgrade of the MCS is a reduction in ongoing operational costs for the system.</p>	<p>Any changes to Natural Account 522083 is not associated with MCS programme of works in the 2014-15 FY</p>	
<p>In the absence of valid substantiation of these costs, CH2M HILL recommends that the 2014/15 forecast for this cost code should be adjusted to 2013/14 levels.</p>	<p>Seqwater believes that the 2014-15 budget of \$1.3M should be accepted as prudent and efficient.</p>	