sunwater

Final Service and Performance Plan 2023

Mareeba-Dimbulah Bulk Water Service Contract

11 January 2024

Contents

At a glance

Our customers

This service contract provides water for several uses including irrigation, grazing and hydro power generation. Water is also supplied to the townships of Tinaroo, Mareeba, Kuranda, and Yungaburra.

Our irrigation charges

Table 1 Irrigation charges for 2023-24[1]

$ Charges by tariff group 2023-24							
Mareeba-Dimbulah Bulk Water		Irrigation charge[2]		Cost-reflective charge[3]		Δ to cost reflective	
River – Tinaroo / Barron	Part A	$5.01	$/ML	5.90	$/ML	-$0.89	$/ML
	Part B	$0.54	$/ML	0.68	$/ML	-$0.14	$/ML
River – Supplemented Streams & Walsh River	Part A	4.90	$/ML	5.90	$/ML	-$1.00	$/ML
	Part B	0.57	$/ML	0.68	$/ML	-$0.11	$/ML
Channel – Outside a relift up to 100ML	Part A	4.90	$/ML	5.90	$/ML	-$1.00	$/ML
	Part B	0.57	$/ML	0.68	$/ML	-$0.11	$/ML
Channel – Outside a relift 100ML to 500ML	Part A	4.90	$/ML	5.90	$/ML	-$1.00	$/ML
	Part B	0.57	$/ML	0.68	$/ML	-$0.11	$/ML
Channel – Outside a relift more than 500ML	Part A	4.90	$/ML	5.90	$/ML	-$1.00	$/ML
	Part B	0.57	$/ML	0.68	$/ML	-$0.11	$/ML
Channel – Relift	Part A	4.90	$/ML	5.90	$/ML	-$1.00	$/ML
	Part B	0.54	$/ML	0.68	$/ML	-$0.14	$/ML

1. *This table includes bulk water charges only. For distribution charges, please refer to the Distribution Service Contract S&PP.*
2. *Includes the Queensland Government's 15 per cent discount for irrigation customers. Refer to www.rdmw.qld.gov.au for more information.*
3. *Is the cost-reflective price determined by the QCA in its 2020–2024 irrigation price investigation. Costs reflect lower bound cost recovery, i.e. recovery of future replacement and ongoing maintenance and operations.*

In addition to these charges, an annual access charge of $624.78 per customer will apply in 2023-24 (inclusive of the 15 per cent discount).

For more information on Sunwater's fees and charges, refer to: www.sunwater.com.au/customer/fees-and-charges/

Our performance

Operations and maintenance costs		QCA $'000	Sunwater $'000	Δ to QCA	
Actual	2022-23	$1,480.4	$1,601.2	8.2%	△
Forecast	2023-24	$1,515.9	$1,646.7	8.6%	△

Expenditure funded by the annuity		QCA $'000	Sunwater $'000	Δ to QCA	
Actual	2022-23	$385.4	$543.1	40.9%	▲
Forecast	2023-24	$347.6	$351.7	1.2%	◆▸
Actual + Forecast	∑ Price path	$1,619.5	$2,280.6	40.8%	▲

▲	△	◆▸	▽	▼
10% above the QCA target	5% above the QCA target	In line with the QCA target	5% below the QCA target	10% below the QCA target

Water delivered	Total		To irrigators		
2021-22	115,479	ML	98,084	ML	
2022-23	82,992	ML	79,884	ML	
	-28.1%	▼	-18.6%	▼	*YoY change by group*

▲	◆▸	▼
5%	0%	-5%

Service targets	Exceedances	Notes
2021-22	15	Unplanned shutdowns (duration) and maximum number of interruptions were not met.
2022-23	0	Unplanned shutdowns (duration) and maximum number of interruptions were not met.

Introduction

This Service and Performance Plan (S&PP) details a range of proposed scheme activities and projects and presents a breakdown of anticipated costs for review. It also sets out Sunwater's actual costs for 2022-23.

The purpose of this year's S&PP for Mareeba-Dimbulah Bulkis to:

- examine Sunwater's performance in 2022-23 against cost and service targets
- present to customers Sunwater's projected costs[1] for 2023-24 and 2024-25
- consult with our customers on forecast operating and annuity-funded costs for 2023-24 and the forward program of works.

In addition to this S&PP, Sunwater submitted its irrigation pricing proposal to the Queensland Competition Authority (QCA) on 30 November 2023 which explains the types of costs we incur in delivering water to our customers and how those costs are allocated to service contracts. The pricing proposal and associated customer material is available at: www.sunwater.com.au/projects/price-path/.

Input from customers is a valuable part of Sunwater's planning process and ensures that we invest in areas which support the services we provide to customers.

Sunwater engages with its customers both formally and informally throughout the year and customer feedback is a valuable part of our planning process.

The publication of an annual S&PP is an important part of the formal feedback process, providing a snapshot of Sunwater's performance over the most recently completed financial year, as well as an outline of the areas of focus for the current year.

We welcome and encourage your feedback on this S&PP. To have your say, please contact us via email or post:

Email: sppfeedback@sunwater.com.au
Post: S&PP Feedback

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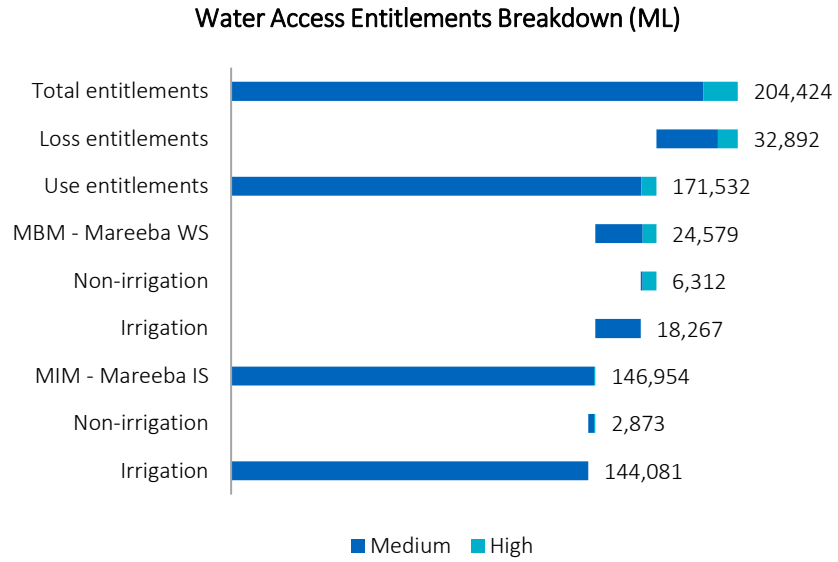
[1] All financial figures reported in this document are in nominal dollars, i.e. dollars of the day. Figures may not sum due to rounding.

Delivering services to our customers

Entitlements

The water allocations for each customer segment are shown below.

Figure 1 Water access entitlements (as of 30 June 2023)[1]

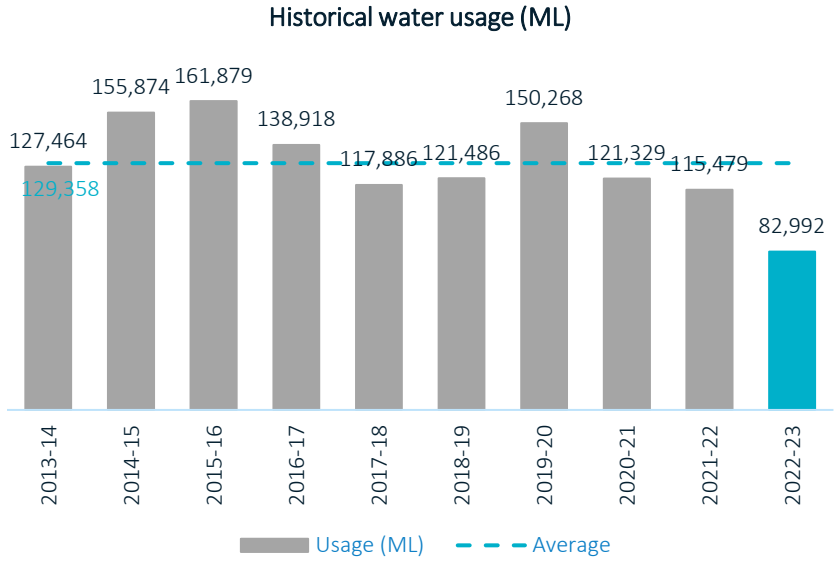


1. *Includes distribution.*

Historical water usage

The chart below shows annual water usage for the past 10-years.

Figure 2 Scheme historical water usage for the past 10-years



1. *Excludes distribution usage.*

- Usage in 2022-23 was below the level of the 10-year average of 129,358 ML.
- Part B prices for the current period were set using a 20-year average of 129,613 ML.

Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for Mareeba-Dimbulah Bulk. Table 2 sets out our recent performance against selected service targets for this scheme.

Table 2: Scheme service targets and performance

Service target		Target	Number of exceptions		
			2020-21	2021-22	2022-23
Planned shutdowns – notification	For shutdowns planned to exceed 2 weeks	6 months	0	0	0
	For shutdowns planned to exceed 3 days	4 weeks	0	0	0
	For shutdowns planned to be less than 4 days	5 days	0	0	0
Unplanned shutdowns – duration[1]	Unplanned shutdowns during Peak Demand Period	72 hours	0	0	0
	Unplanned shutdowns outside Peak Demand Period	5 working days			
Maximum number of interruptions[2]	Planned or unplanned interruptions per water year	10	0	15	0

1. *This is the number of times that the unplanned shutdown has exceeded the shortest of the peak/off peak periods.*
2. *This is the total number of bulk customers in the scheme that have been interrupted in excess of the target.*

In addition, Sunwater has company-wide customer interactions service targets. Our performance in 2022-23 against these service targets is shown in Table 3.

Table 3: Customer interactions service targets and performance

Service target	Target	2022-23
Telephone answering[1]	80.00%	92.50%
Requests actioned within Service Level Agreement (SLA) timeframes[2]	> 95.00%	99.47%

1. *This target measures the percentage of 13 15 89 calls that are answered within 60 seconds.*
2. *This target measures the percentage of email or workflow requests (such as property transfers and temporary transfers) to the Customer Support team that are completed within the agreed SLAs. The SLA timeframes range between two and 10 business days, depending on the request.*

Key infrastructure

Tinaroo Falls Dam is the key infrastructure used to deliver bulk water services to our customers in Mareeba-Dimbulah, with a total storage capacity of 438,920 ML. It is classified as a referable dam under the *Water Supply (Safety and Reliability) Act 2008*.

Cost of delivering services—Operating expenditure

Operating expenditure includes funds for: operations activities, (i.e. operations, electricity, and insurance); preventative maintenance; and corrective maintenance.

Table 4 sets out actual and forecast operating expenditure for Mareeba-Dimbulah Bulk.

Our performance in 2022-23

In 2022-23, total operating costs were higher than the QCA's recommended cost target. Further information is provided in the pricing submission proposal and associated scheme summaries.

Outlook for 2023-24

Mareeba-Dimbulah Bulk Water Service Contract's total operations budget in 2023-24 is 8.6 per cent above the QCA's recommended cost target. Insurance is one of Sunwater's largest expenditure items. These costs have increased significantly in recent years due to multiple flood events in Queensland and global insurable events impacting premiums. The escalation of insurance premiums has directly contributed to the rise in Sunwater's operating expenditure.

Sunwater's focus in 2023-24 is performing operation and maintenance activities to ensure that we continue to comply with all the dam safety and legislative requirements of operating bulk water assets and maintaining efficient and effective operation and supply of bulk water to all customers.

Table 4: Operating expenditure[1,2]

Operations and maintenance costs - by sub-category

	2022-23 actuals $'000				2023-24 forecast $'000			
	QCA	Sunwater[4]	Δ to QCA		QCA	Sunwater[4]	Δ to QCA	
Insurance	$204.8	$238.4	16.4%	▲	$209.5	$287.2	37.1%	▲
Electricity	$1.0	$4.3	343.7%	▲	$1.0	$5.4	453.9%	▲
Operations & maintenance	$539.8	$513.5	-4.9%	◆	$552.8	$479.0	-13.4%	▼
Support costs	$734.8	$845.1	15.0%	▲	$752.6	$875.1	16.3%	▲
Total opex[3]	$1,480.4	$1,601.2	8.2%	△	$1,515.9	$1,646.7	8.6%	△

▲	△	◆	▽	▼
10% above the QCA target	5% above the QCA target	In line with the QCA target <5%	5% below the QCA target	10% below the QCA target

1. *Reflects the QCA's 2020–2024 irrigation price investigation final recommendations. Excludes recreational facility costs.*
2. *In its 2020–2024 irrigation price investigation final recommendations, the QCA allocated 18 per cent of operating expenditure in the Mareeba-Dimbulah Bulk Water Service Contract to the Barron Falls hydro-electric facility. This table includes all operating costs for the service contract, including the Barron Falls hydro-electric facility cost allocation amount. Refer to section 6.4.3 of the QCA's final Part B report at: www.qca.org.au/project/rural-water/irrigation-price-investigations/*
3. *From 1 July 2020, irrigation customers no longer contribute towards the cost of operating and maintaining recreational facilities. These costs have been excluded from the total operating expenditure.*
4. *Sunwater's 2022-23 actual expenditure figures presented in this table are pre-adjustment and will differ from our Irrigation Pricing Proposal and its engagement materials. Sunwater's 2023-24 figures align with our pricing submission, these figures may differ from the budget.*

Cost of delivering services—Renewals annuity and non-annuity funded expenditure

Renewals discussion

Sunwater recovers expenditure required to renew (maintain the current level of service an asset provides) its assets via a renewals annuity. The annuity treats all renewals related expenditure as an expense (i.e., not capital) and amortises a multi-year expenditure forecast (30-years) such that the amount customers pay is smoothed, relative to the actual expenditure profile. Negative opening balances reflect expenditure incurred by Sunwater which has not yet been recovered via the annuity contribution amount, while positive opening balances reflect expenditure which has been pre-recovered via the annuity contribution amount. Forecast annuity balances, and the impacts of budgeted spend, are shown in Table 5 below.

The QCA and Sunwater closing balances differ due to differences in the expenditure profile allowed by the QCA in its 2020-24 final recommendations and actual expenditure incurred by Sunwater in 2022-23 and what we expect to spend in 2023-24.

Annuity-funded expenditure includes funds for planned corrective maintenance (PCM), as well as large, one-off operations activities. Activities include monitoring of the asset condition to inform when an asset needs to be refurbished or replaced under the PCM program.

Non-annuity funded expenditure largely relates to Sunwater's Dam Improvement Program and recreational facility costs.

Our performance in 2022-23

Performance against the QCA target

Sunwater updates our program of works based on our whole-of-life replacement and maintenance strategy, which looks at the risk and condition of each asset and uses this information to estimate the future work required to ensure the asset will continue to provide the required level of service into the future. Other factors such as changes in project delivery timing (e.g. due to weather) may also affect the program of works.

These factors mean the actual program of works delivered in any given year will differ to the program assessed by the QCA. At a project level, cost variances may also occur due to changes in the scope of work and cost inputs.

Further explanation of our performance is provided in the pricing submission and scheme summaries.

Project level cost variances

Table 6 provides a comparison of the annuity-funded projects planned for 2022-23 and the actual projects undertaken, together with justification for the variances.

Outlook

Details of the major annuity-funded projects planned for 2023-24 and 2024-25 period are set out in Table 7.

Table 5: Annuity and non-annuity funded expenditure and roll-forward[1]

Annuity funded expenditure (and roll forward)										
	2022-23 actuals $'000					2023-24 forecast $'000				
		QCA[2]		Sunwater[4]	Δ to QCA		QCA[2]		Sunwater[4]	Δ to QCA	
Opening balance	*O*	$(145.6)	→	$(530.6)	264.4%	▲	$153.3	→	$(406.2)	-365.0%	▼
Annuity funded expenditure	***E***	$(385.4)	→	$(543.1)	**40.9%**	▲	$(347.6)	→	$(351.7)	**1.2%**	◆▶
Annuity revenue[3]	*R*	$690.7	→	$690.7	-	-	$707.3	→	$707.3	-	-
Interest	*I*	$(6.4)	→	$(23.2)	-	-	$6.7	→	$(17.8)	-	-
Closing balance *C = (O + E + R + I)*	*C*	$153.3	→	$(406.2)	-365.0%	▼	$519.7	→	$(68.3)	-113.1%	▼
Other expenditure (not part of prices)											
Dam improvement program		-		$0.0	-		-		$0.0	-	
Recreational facility projects[1]		-		$0.0	-		-		$0.0	-	
Metered offtakes and dividend reinvestment		-		$0.8	-		-		$26.0	-	

▲	△	◆▶	▽	▼
10% above the QCA target	5% above the QCA target	In line with the QCA target <5%	5% below the QCA target	10% below the QCA target

1. *Forecast annuity-funded costs from 2020-21 exclude recreational facility projects.*
2. *Reflects the QCA's 2020–2024 irrigation price investigation final recommendations.*
3. *The annuity contribution is included in the prices paid by bulk water and distribution customers. From 2020-21 to 2023-24, the annuity contribution is based on the QCA's irrigation price investigation 2020–2024 final recommendations.*
4. *Sunwater's 2022-23 actual expenditure figures presented in this table are pre-adjustment and will differ from our Irrigation Pricing Proposal and its engagement materials. Sunwater's 2023-24 figures align with our pricing submission, these figures may differ from the budget.*

Comparison of forecast and actual annuity-funded projects for 2022-23

The below table sets out the major annuity-funded projects planned for Mareeba-Dimbulah Bulk in 2022-23[2] and the actual projects undertaken.

Table 6 Comparison of forecast and actual annuity-funded projects for 2022-23

Facility	Activity description	Forecast $'000	Actual $'000	Commentary
Tinaroo Falls Dam	Risk reduction program – investigation phase.	1723	45	The scope of the investigation was significantly reduced. Work will continue in 2023-24.
Tinaroo Falls Dam	Replace – upgrade river, irrigation and hydro control equipment and telemetry.	288	247	This project was completed within budget.
Tinaroo Falls Dam	Replace – irrigation structure control equipment at distance 320.04 m based on known asset condition and age.	121	82	This project was completed broadly in line with the forecast.
Scheme	Replace – customer meters to Australian Standard (AS) 4747 to meet regulatory compliance.	40	43	This project was completed within budget.
Tinaroo Falls Dam	Refurbish – paint and seal irrigation valve house roof based on known asset condition and age.	57	1	This project will continue in 2023-24.
Tinaroo Falls Dam	Replace – public safety fencing along the right abutment based on known asset condition and age.	60	26	There was a reduction in the scope of work required.
Tinaroo Falls Dam	Refurbish – paint and seal river outlet valve house roof based on known asset condition and age.	57	0	This project will be completed with the valve house roof refurbishment in 2023-24.
Tinaroo Falls Dam	Investigate – pipe thickness testing to mitigate known safety risk.	7	12	The market value of procured items and labour was higher than estimated.
Multiple	Non-scheduled projects	-	88	This expenditure relates to ongoing work associated with understanding Sunwater's arc flash risk and implementing immediate controls ($8k). In addition, the spillway buoy line required replacement due to age and condition ($80k).
2022-23 Total		**2353**	**543**	

[2] Based on information extracted from Sunwater's systems in mid-2023.

Annuity-funded projects for 2023-24 and 2024-25

The below table sets out Sunwater's currently planned annuity-funded projects for 2023-24 and 2024-25[3] period for this scheme. While the immediate program is well defined, estimates become more uncertain further into the planning timeline. Forecasts are likely to change in future S&PPs, reflecting changes in project delivery timing; asset condition and risk updates; outcomes from scheduled asset inspections; and customer feedback. The data in Table 7 is presented at a granular level and may not align with the overarching program names in our pricing submission.

Table 7 Forecast annuity-funded projects planned for 2023-24 and 2024-25

Year	Facility	Activity description	Forecast $'000
2023-24	Tinaroo Falls Dam	Study – 3D stability analysis based on the outcome of the dam safety comprehensive risk assessment (CRA).	121
	Tinaroo Falls Dam	Study – bathymetric survey upstream based on outcome of the dam safety CRA.	23
	Tinaroo Falls Dam	Replace – safety upgrade to fences based on known condition and age.	58
	Tinaroo Falls Dam	Refurbish – clear weep holes on the left and right-hand bank spillway retaining walls based on known asset condition and age.	12
	Tinaroo Falls Dam	Study – stability analysis (seismic & geotech) based on the outcome of the ALARP (as low as reasonably possible) assessment.	138
	2023-24 Total		**352**
2024-25	Scheme	Arc Flash Program.	84
	Tinaroo Falls Dam	Dam Safety Management Program.	195
	Scheme	Instrumentation program to upgrade current instrumentation to meet new dam safety standards.	202
	Tinaroo Falls Dam	Study – comprehensive inspection to meet regulatory compliance.	195
	Tinaroo Falls Dam	Study – testing main wall passive anchor tension based on safety requirements	118
	2024-25 Total		**794**

[3] The project forecasts provided in this table align with our pricing submission. It is important to acknowledge that these projects are inherently dynamic and susceptible to changes influenced by various factors.