

## Service and Performance Plans

### Information sheet

Sunwater prepares an annual Service and Performance Plan (S&PP) for each irrigation service contract area. S&PPs detail a range of proposed activities and projects and provide a detailed breakdown of anticipated costs for review. They also compare our most recent actual cost performance against our previous forecasts.

This information sheet outlines the S&PP process and explains how our costs are categorised and allocated to service contracts. It also describes the relationship between the S&PPs and the irrigation price review undertaken for the 2021–2024 period by the Queensland Competition Authority (QCA).

S&PPs for each irrigation service contract area are available on the respective Sunwater Scheme page under the 'Service and Performance Plans' drop-down heading, accessible via: [www.sunwater.com.au/schemes/](http://www.sunwater.com.au/schemes/)

### Purpose

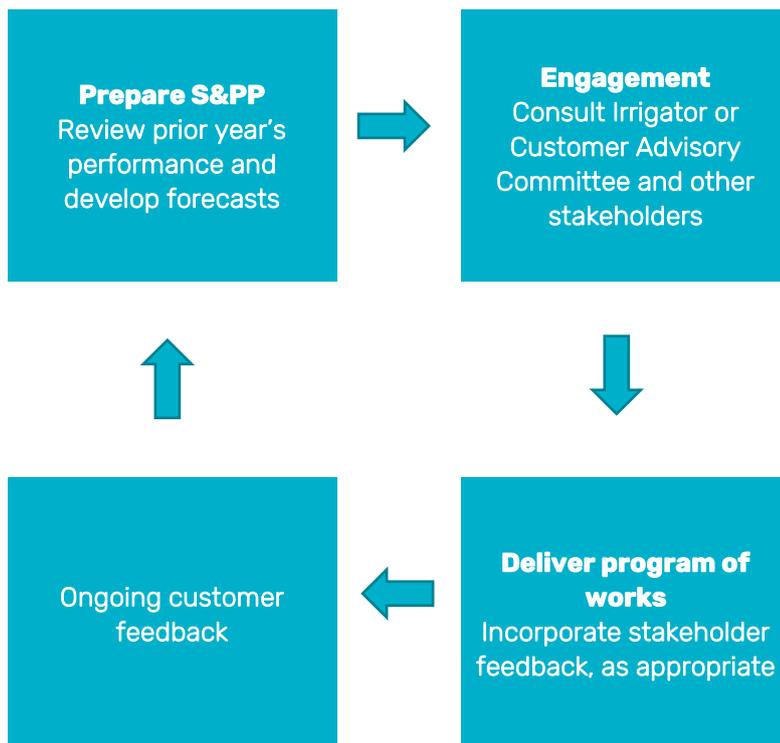
The purpose of the S&PPs is to:

- present Sunwater's projected costs for the upcoming five-year period
- consult with our customers on forecast costs for the upcoming financial year and the forward program of works
- examine Sunwater's performance in the most recently completed financial year against cost and service targets and electricity-related metrics (if applicable).

### Consultation process

Input from customers is a valuable part of Sunwater's planning processes and ensures that we invest in areas that support the services we provide to customers. Figure 1 below outlines how Sunwater and customers work together in relation to the S&PPs.

Figure 1 Customer consultation and the S&PPs



## Our asset management objectives

Our aim is to manage our assets in a sustainable and commercially focused manner, to safeguard asset integrity and ensure optimal service value to our customers.

We aim for best practice and fit-for-purpose asset management.

To deliver this, Sunwater has simplified our approach to maintenance work. All maintenance work is now being classified by category—preventative maintenance and corrective maintenance. This allows Sunwater to determine the overall effectiveness of the maintenance program and align to best practice asset management standards.

Historically, Sunwater classified work by its funding source. This is not industry standard and makes it difficult to understand how much preventative or corrective work is being completed and how effective the maintenance program is.

For Sunwater and our customers, this change provides a single vision of how we manage our assets and provides the opportunity to balance operating and annuity-funded costs through greater investment in preventative maintenance to reduce corrective maintenance costs.

While we are changing the way we manage our assets, Sunwater will continue to report on our costs in the S&PPs by funding source, i.e. operating costs<sup>1</sup> and annuity-funded costs.<sup>2</sup>

<sup>1</sup> Previously referred to as “routine” costs.

<sup>2</sup> Previously referred to as “non-routine” costs.

## Our costs

Sunwater incurs a range of costs to safely deliver water supply services to customers in our irrigation service contract areas, including costs to ensure compliance with regulations that are defined by the Queensland dam safety regulator. These costs are broadly categorised as:

- **Operating costs**—relate to activities that are performed regularly for a scheme to operate efficiently and effectively on an ongoing basis. These costs generally do not vary significantly from year-to-year.
- **Annuity-funded costs**—relate to activities that are typically planned years in advance and generally do not occur each year (they may occur at two or three yearly intervals (or more)). The complexity, number and cost of these activities may vary significantly from year-to-year. The costs are recovered from customers through a service contract level annuity to help minimise the impact on prices, particularly in the years where high capital costs are incurred.
- **Non-annuity funded costs**—primarily relate to dam improvement projects that ensure the long-term safety and viability of the dams across Sunwater’s portfolio by bringing the infrastructure into line with current design standards and regulatory requirements. This category also includes recreational facility projects (from 2020/21), metered offtakes and dividend reinvestment.

Costs within each of these categories may be direct costs or non-direct costs. **Direct costs** can be directly attributed to either an asset or a service contract, e.g. maintenance or insurance of an asset, or the electricity and other operations costs for a service contract.

**Non-direct costs** are those costs which are necessary to support the operations of Sunwater locally or across the business, that cannot be directly attributed or where there is some form of cost sharing across Sunwater’s customer base. Non-direct costs include local area support costs, indirect costs and corporate support costs (see Figure 2).

Sunwater’s cost allocation methodology applies rules to ensure the allocation of non-direct costs to irrigation customers is appropriate. Non-direct costs are allocated to direct expenditure based on the extent to which these costs support direct expenditure activities, as illustrated in Figure 2.

Figure 2 Approach to allocating non-direct costs

Non-direct costs			
 Local area support costs	 Indirect costs	 Corporate support costs	
<p>Costs that support local people doing their jobs including management and supervisory costs, regional accommodation costs, local administration support and training.</p> <p>Local area support costs are spread proportionally across all work undertaken based on direct labour costs.</p>	<p>Indirect cost pools capture costs such as billing, customer support, irrigation price regulation and asset management that have not been directly charged. They also include flood event management, hydrographic services, and water resources and planning.</p> <p>The Brisbane-based costs of the Inspector-General Emergency Management recommendations are incorporated in the indirect cost pools above.</p> <p>Indirect costs are based on a scheme-pays approach, e.g. schemes without a dam or weir are not apportioned dam safety costs, and are allocated based on direct labour costs.</p>	<p>Corporate support costs are more broad-based than indirect costs and local area support costs, and are spread across all service contracts based on direct labour.</p> <p>They include the cost of human resources and payroll, information and communications technology (including the Digital Enterprise Business Solutions program), corporate communications, legal, Brisbane office accommodation, finance and internal audit, plus the costs of the Chief Executive Officer, Chief Financial Officer and the Sunwater Board, where these costs are not directly charged to activities within service contracts.</p>	
All non-direct costs are broadly allocated to direct work based on labour			
Direct costs			
Direct operating expenditure	Direct project expenditure (existing infrastructure)	Direct Dam Improvement Program costs	Direct costs of new infrastructure/projects (Sunwater-owned and third party)
Direct costs, and the associated portion of non-direct costs, are allocated to service contracts			
Service contracts			
Bulk water	Distribution	Water treatment	Hydro facility
Pipeline	Offtake	Trading	Development

Non-direct costs incurred in 2020/21, by irrigation service contract, are provided in Table 1.

Table 1 2020/21 non-direct costs, by irrigation service contract (\$'000)<sup>1</sup>

	Local area support costs	Indirect costs	Corporate support costs	Total non-direct costs
<b>Bulk water supply schemes</b>				
Barker Barambah	236	423	481	1140
Bowen Broken Rivers	215	327	378	919
Boyne River and Tarong	97	165	170	433
Bundaberg	342	609	714	1665
Burdekin Haughton	558	889	1076	2522
Callide Valley	440	750	853	2042
Chinchilla Weir	48	57	74	179
Cunnamulla	8	9	11	28
Dawson Valley	142	221	246	609
Eton	154	255	264	673
Lower Fitzroy	50	67	83	200
Lower Mary River	13	18	24	56
Macintyre Brook	338	450	514	1302
Maranoa River	9	10	13	32
Mareeba-Dimbulah	160	261	272	693
Nogoa Mackenzie	489	854	981	2324
Pioneer River	216	376	453	1045
Proserpine River	126	222	210	558
St George	278	336	360	974
Three Moon Creek	134	216	233	582
Upper Burnett	200	323	373	896
Upper Condamine	283	331	351	966
<b>Distribution systems</b>				
Bundaberg	1067	1091	1938	4096
Burdekin Haughton	1538	1484	2679	5701
Lower Mary River	179	185	337	701
Mareeba-Dimbulah	883	849	1525	3257
<b>Total</b>	<b>8203</b>	<b>10,778</b>	<b>14,614</b>	<b>33,595</b>

1. Prior to cost transfers in the Bundaberg and Lower Mary River water supply schemes.

## Operating costs

Operating expenditure includes funds for: operations activities, i.e. operations, electricity and insurance; preventative maintenance and corrective maintenance. Examples of activities typically undertaken in Sunwater’s bulk water supply schemes and distribution systems for each of these operating cost categories are provided in Table 2.

Table 2 Examples of bulk water and distribution activities included in operating costs

Operating cost category	Examples of bulk water activities	Examples of distribution activities
<p><b>Operations</b></p> <p><i>Day-to-day costs associated with the management of the service contract, water delivery and metering compliance obligations</i></p>	<p>Operations activities typically include:</p> <ul style="list-style-type: none"> <li>• scheduling and delivering water, including processing water orders, releasing water, operating pump stations and monitoring customer deliveries</li> <li>• regulating and monitoring channel flows and weir and barrage water levels</li> <li>• release and measurement of environmental flows</li> <li>• Emergency Action Plans and seasonal event responses</li> <li>• meter reading</li> <li>• administration of water accounts, billing and receipting payments</li> <li>• customer management and engagement, including enquiries, complaints and maintaining the customer service help desk</li> <li>• service contract management, including licences and permits, local authority rates, land management, planning and reporting</li> <li>• insurance</li> <li>• electricity</li> <li>• monitoring the security of infrastructure and authorised access</li> <li>• managing enquiries from adjoining landholders and developers that require input from and negotiations with Sunwater’s property and legal teams</li> <li>• dam inspections, instrumentation readings and other surveillance activities</li> <li>• water quality sampling to meet regulatory requirements</li> <li>• operating weir and water storages, including fish passages for environmental benefit.</li> </ul>	<p>Operations activities typically include:</p> <ul style="list-style-type: none"> <li>• scheduling and delivering water, including processing water orders, releasing water, operating pump stations, regulating and monitoring channel flows, and monitoring customer deliveries</li> <li>• maintaining fish screen functions</li> <li>• emergency responses for channel overflows and other emergency events</li> <li>• meter reading</li> <li>• administration of water accounts, billing and receipting payments</li> <li>• customer management and engagement, including enquiries, complaints and maintaining the customer service help desk</li> <li>• service contract management, including licences and permits, local authority rates, land management, planning and reporting</li> <li>• insurance</li> <li>• electricity</li> <li>• monitoring the security of infrastructure and unauthorised access</li> <li>• managing enquiries from adjoining landholders and developers that require input from and negotiations with Sunwater’s property and legal teams.</li> </ul>
<p><b>Preventative maintenance</b></p> <p><i>Tasks to monitor asset condition and/or retain an asset’s function</i></p>	<p>Preventative maintenance activities typically include:</p> <ul style="list-style-type: none"> <li>• Condition monitoring—the inspection, testing or measurement of physical assets to report and record condition and performance to determine maintenance requirements. Condition monitoring is carried out on electrical, mechanical and civil assets, including pump stations (pumps, electrical motors, valves, switchboards and associated equipment), pipelines (valves, air valves, scours, easements etc.), fishways and other infrastructure</li> <li>• Servicing—planned maintenance activities carried out routinely on physical assets including valves, cranes, hoists, gauging stations, barrages, sump pumps and associated equipment</li> <li>• Weed control—management of weeds, including spraying and other activities to control nuisance and noxious weeds.</li> </ul>	<p>Preventative maintenance activities typically include:</p> <ul style="list-style-type: none"> <li>• Condition monitoring—the inspection, testing or measurement of physical assets to report and record condition and performance to determine 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.</li> <li>• Servicing—planned maintenance activities carried out routinely on physical assets including valves, cranes, sump pumps and associated equipment.</li> <li>• Weed control—management of weeds, including: <ul style="list-style-type: none"> <li>○ slashing channels and drains</li> <li>○ acrolein treatment of channels</li> <li>○ copper sulphate treatment</li> <li>○ spraying and other activities to control nuisance and noxious weeds.</li> </ul> </li> </ul>

Operating cost category	Examples of bulk water activities	Examples of distribution activities
<p><b>Corrective maintenance</b></p> <p><i>Tasks to restore an asset to a state in which it can perform its intended function</i></p>	<p>Corrective maintenance varies by asset type and typically includes:</p> <ul style="list-style-type: none"> <li>• Pipelines: <ul style="list-style-type: none"> <li>○ repairing pipe breaks, air and scour valves and concrete structures</li> <li>○ erosion control and repairing rock protection works</li> </ul> </li> <li>• Service contract roads: <ul style="list-style-type: none"> <li>○ repairing potholes and grading roads</li> <li>○ repairing, replacing and painting guideposts and signs</li> </ul> </li> <li>• Pump stations: <ul style="list-style-type: none"> <li>○ repairing pumps, motors, concrete structures and control buildings</li> <li>○ desilting intake structures</li> </ul> </li> <li>• Storages (dams/headworks/weirs/barrages/balancing storages/reservoirs): <ul style="list-style-type: none"> <li>○ repairing control gates, valves and concrete structures</li> <li>○ repairing walls, embankments and spillways</li> </ul> </li> <li>• Meters: <ul style="list-style-type: none"> <li>○ repairing bulk water meters and customer meters</li> </ul> </li> <li>• Gauging stations <ul style="list-style-type: none"> <li>○ ongoing corrective maintenance, including after flood events</li> </ul> </li> <li>• Fish lock: <ul style="list-style-type: none"> <li>○ desilting and debris removal</li> <li>○ repairing infrastructure.</li> </ul> </li> </ul>	<p>Corrective maintenance varies by asset type and typically includes:</p> <ul style="list-style-type: none"> <li>• Channels: <ul style="list-style-type: none"> <li>○ desilting channels and catch drains</li> <li>○ erosion control and repairing rock protection works</li> <li>○ repairing fencing, concrete structures, regulator gates and control valves</li> </ul> </li> <li>• Drains: <ul style="list-style-type: none"> <li>○ desilting drains</li> <li>○ erosion control and repairing rock protection works</li> <li>○ repairing fencing and concrete structures</li> <li>○ reactive spraying of weeds due to outbreaks</li> </ul> </li> <li>• Pipelines: <ul style="list-style-type: none"> <li>○ repairing pipe breaks, air and scour valves, and concrete structures</li> <li>○ erosion control and repairing rock protection works</li> </ul> </li> <li>• Service contract roads: <ul style="list-style-type: none"> <li>○ repairing potholes and grading roads</li> <li>○ repairing, replacing and painting guideposts and signs</li> </ul> </li> <li>• Pump stations: <ul style="list-style-type: none"> <li>○ repairing pumps, motors, concrete structures and control buildings</li> <li>○ desilting intake structures</li> </ul> </li> <li>• Storages (referrable storages/balancing storages/weirs/reservoirs): <ul style="list-style-type: none"> <li>○ repairing control gates, valves and concrete structures</li> <li>○ repairing walls, embankments and spillways</li> </ul> </li> <li>• Meters: <ul style="list-style-type: none"> <li>○ repairing bulk water meters and customer meters.</li> </ul> </li> </ul>

Note: This table presents a list of activities typically undertaken across all irrigation service contracts. Some activities may not be applicable to a particular service contract, or to particular customer segments. For example, irrigation customers do not currently contribute toward the cost of operating and maintaining facilities shared by recreational users. Further, some activities listed under distribution may also apply to bulk water. For example, channels and/or drains are maintained in the Eton, Three Moon Creek and Callide Valley bulk water supply schemes.

## Annuity-funded costs

Annuity-funded works include:

- scheduled works—whole-of-life maintenance planning works including comprehensive inspections and 20-year dam safety reviews, equipment refurbishment, component replacement and entire asset replacement
- event based works—one-off in nature, including investigations, studies, reports, operational activities, repairing damage from severe weather events and new asset installation or enhancements.

Costs incurred in undertaking these works are categorised into the following:

- operations
- preventative maintenance
- planned corrective maintenance (previously “renewals”<sup>3</sup>)

<sup>3</sup> There may be some instances where Sunwater’s new preventative and planned corrective maintenance cost categories do not align with the preventative maintenance and renewals categories used previously. However, combined, the new preventative and planned corrective maintenance cost categories reflect the same projects that were categorised by the QCA as preventative maintenance and renewals in its 2021–2024 irrigation price investigation.

- unplanned corrective maintenance (previously “corrective maintenance”). This category includes repairing damage due to severe weather events, repairing assets that have failed and other unplanned corrective work.

Expenditure is funded via an annuity and includes both capital and expense activities. Annuities allow customer charges to reflect a constant amount necessary to recoup the costs of refurbishment/replacement of the assets over a pre-determined period of time (currently 30 years).

Sunwater’s approach to managing annuity-funded expenditure is underpinned by the concept of “optimised life cycle cost”, which seeks to optimise capital outlays and ongoing maintenance spend. Our whole-of-life asset replacement and maintenance strategy looks at the risk and condition of each asset and uses this information to estimate the future work required to ensure it will continue to provide the required level of service into the future.

## Non-annuity funded costs

### Dam Improvement Program costs

Sunwater is undertaking a Dam Improvement Program to ensure safety for our dams is maintained. Through this program our dams will continue to be able to pass excess volumes of water during periods of extreme rainfall and satisfy modern standards in line with the Queensland dam safety regulator’s requirements<sup>4</sup> and industry standard guidelines including the Australian National Committee on Large Dams (ANCOLD).

While Sunwater’s dams were designed and constructed to meet the relevant engineering and construction methods at the time they were constructed, changes in technical requirements and standards have since occurred. The Dam Improvement Program is prioritised across Sunwater’s portfolio, with risk assessments carried out to quantify the impact of extreme rainfall and flood events, the population at risk downstream of the dam and economic impacts of dam failure. The risk assessments reflect the cost to benefit ratio as defined in the Queensland dam safety regulations.

The priorities within the Dam Improvement Program are reviewed regularly and may be revised to reflect changes in the key input metrics, including updates to flood models and population changes downstream of the dam.

The S&PPs set out forecast dam improvement costs for affected service contracts on an “as-incurred” basis. However, it is important to note that irrigation customers do not currently contribute towards these costs. Costs are included in the S&PPs to transparently show all costs incurred by Sunwater in supplying water to our customers.

### Recreational facility projects

In its 2021–2024 irrigation price investigation, the QCA determined that irrigation customers would no longer contribute to the cost of managing recreational facilities from 1 July 2020. Sunwater has detailed forecast recreational facility costs in the S&PPs for transparency purposes.

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<sup>4</sup> As set out in the *Water Supply (Safety and Reliability) Act 2008*, the *Queensland Dam Safety Management Guidelines*, the *Guideline for failure impact assessment of water dams* and the *Guidelines on Acceptable Flood Capacity for Water Dams*.

## QCA irrigation price review

The QCA has completed its investigation into water prices to apply to Sunwater's irrigation customers from 1 July 2020 to 30 June 2024. The irrigation price review allowed for a thorough examination of our costs and provided an opportunity for stakeholders to present their views on issues affecting them before the QCA recommended future irrigation water prices to the Queensland Government.

The S&PPs compare our actual and forecast costs against the QCA's recommended costs (where available) and explain significant cost variations.