

# 2019/20 to 2023/24 Network Service Plan Fact Sheet

## Bowen Broken Rivers Bulk Water Service Contract

This fact sheet details a range of proposed immediate and longer-term improvement projects, and presents a breakdown of anticipated costs. It also provides a summary of changes provided to the Queensland Competition Authority (QCA) during the current irrigation price review process for new prices commencing on 1 July 2020.

### Summary of key changes

On 6 November 2018, Sunwater provided a comprehensive submission to the QCA's review of irrigation prices for the 2021–24 period. We have since updated our forecast costs to reflect changes to underlying inputs, including:

- a revised non-routine program of works, based on the latest available information (eg condition and risk data)
- a greater focus on direct charging of labour to service contracts and the splitting of local area support costs to better align with where the costs are incurred
- an increase in insurance premiums, to align with current market conditions and a revalued insurance asset base
- a small reduction in total Inspector-General Emergency Management (IGEM) costs and a change in the way these costs are allocated to service contracts with referable dams, from a purely risk-based approach to one that allocates costs on an equal-share basis and risk. IGEM costs are approximately \$78,000 for this service contract in 2019/20.
- revised electricity escalators, which take into account more detailed site information including updated consumption data and current retail tariffs. For sites on transitional or obsolete regulated retail electricity tariffs that cease on 30 June 2020<sup>1</sup> or 30 June 2022, Sunwater has also corrected the year in which the step change increase is applied.
- using the scheme's 16-year average water usage over the 2002/03 to 2017/18 period to determine the Part B cost per megalitre.

These changes have been reflected in this Network Service Plan (NSP) fact sheet and Sunwater's June 2019 regulatory model, which is available at: <https://www.sunwater.com.au/customer/fees-and-charges/water-pricing-review/>.

For additional information on Sunwater's cost categories and Cost Allocation Methodology, please refer to the 2018/19 NSPs at: <https://www.sunwater.com.au/customer/products-and-services/network-service-plans/>.

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<sup>1</sup> The Queensland Government subsequently announced that customers would have until 30 June 2021 to move to standard electricity tariffs. Due to the timing of this announcement, this extension has not been reflected in our modelling.

## Irrigation charges for 2019/20

The 2019/20 charges and cost per megalitre are shown in **Table 1**. The Bowen Broken Rivers Bulk Water Service Contract is not expected to fully recover irrigation's share of costs. For the full suite of charges that apply, refer to Sunwater's website.

**Table 1: Irrigation charges for 2019/20**

Product	Charge type	2019/20 (\$/ML)	Cost (\$/ML) <sup>1,2</sup>	Subsidy (\$/ML)
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	12.50	11.90	N/A
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	6.95	21.69	14.74

1. Costs reflect lower bound cost recovery ie recovery of future replacement and ongoing maintenance and operations. Charges do not allow for any capital returns on existing assets.
2. The notional High Priority Allocation Charge cost per megalitre is \$55.73.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Bowen Broken Rivers Bulk Water Service Contract. **Table 2** below sets out our performance in 2016/17 and 2017/18 against selected service targets.

**Table 2: Service targets and performance**

Service target		Target	Number of exceptions	
			2016/17	2017/18
Planned shutdowns – notification	For shutdowns planned to exceed 2 weeks	8 weeks	0	0
	For shutdowns planned to exceed 3 days	3 weeks	0	0
	For shutdowns planned to be less than 3 days	5 days	0	0
Unplanned shutdowns – duration	Unplanned shutdowns will be fixed so that at least partial supply can be resumed	7 days	0	0
Maximum number of interruptions	Planned or unplanned interruptions per water year	6	0	0

## Routine expenditure

Routine (or annual) expenditure includes funds for operations activities (operations, electricity and insurance), preventative maintenance and corrective maintenance.

**Table 3: Routine expenditure<sup>1,2</sup>**

Bowen Broken Rivers Service Contract	2015/16			2016/17			2017/18 <sup>3</sup>		2018/19 <sup>3</sup>		2019/20	2020/21	2021/22	2022/23	2023/24
	Sunwater Actual \$'000	QCA Recommended \$'000	Variance \$'000	Sunwater Actual \$'000	QCA Recommended \$'000	Variance \$'000	Sunwater Estimate <sup>4</sup> \$'000	2016/17 QCA Recommended (Adjusted) \$'000	Sunwater Forecast \$'000	2016/17 QCA Recommended (Adjusted) \$'000	Sunwater Forecast \$'000	Sunwater Forecast \$'000	Sunwater Forecast \$'000	Sunwater Forecast \$'000	Sunwater Forecast \$'000
<b>Operations</b>	811.0	673.6	137.4	866.2	685.6	180.6	988.0	702.7	1169.8	720.3	1192.4	1087.9	1117.8	1162.8	1182.3
Labour	113.2	134.6	(21.4)	128.8	138.9	(10.0)	189.9	142.3	197.2	145.9	202.7	158.1	162.5	166.9	171.4
Contractors	117.8	32.7	85.1	101.4	33.2	68.1	82.9	34.1	68.5	34.9	70.0	54.3	55.6	56.9	58.3
Materials	4.2	6.8	(2.5)	6.4	6.9	(0.4)	8.4	7.0	9.8	7.2	10.0	7.7	7.9	8.1	8.3
Electricity	171.1	144.0	27.1	159.9	154.1	5.8	107.7	157.9	182.6	161.9	181.7	262.5	271.7	295.7	293.8
Insurance	103.4	50.2	53.2	147.0	51.1	95.9	136.6	52.4	158.0	53.7	161.2	164.9	168.7	172.6	176.5
Other	35.9	43.8	(7.9)	45.6	44.5	1.0	51.2	45.6	90.5	46.8	92.4	71.6	73.2	74.9	76.6
Local area support costs	97.2	-	97.2	110.3	-	110.3	134.2	-	101.9	-	104.4	81.1	83.2	85.3	87.4
Corporate support costs	44.7	132.1	(87.4)	51.0	135.0	(84.0)	97.1	138.3	147.8	141.8	151.4	117.7	120.7	123.7	126.8
Indirect costs	123.5	129.5	(5.9)	115.9	121.9	(6.0)	180.0	124.9	213.5	128.1	218.7	170.0	174.3	178.7	183.1
<b>Preventative maintenance</b>	296.9	204.7	92.2	317.5	205.9	111.6	276.4	211.0	327.8	216.3	335.6	260.7	267.2	273.8	280.5
Labour	63.7	56.4	7.3	67.0	58.2	8.9	34.9	59.6	62.9	61.1	64.7	50.4	51.8	53.2	54.7
Contractors	86.4	33.8	52.6	91.6	34.4	57.2	30.5	35.2	53.8	36.1	55.0	42.7	43.7	44.7	45.8
Materials	3.5	6.2	(2.7)	1.1	6.3	(5.2)	2.3	6.5	4.9	6.6	5.0	3.9	4.0	4.1	4.1
Other	9.9	3.4	6.5	35.8	3.4	32.3	126.9	3.5	83.3	3.6	85.0	65.9	67.4	68.9	70.5
Local area support costs	54.6	-	54.6	57.3	-	57.3	25.2	-	31.9	-	32.7	25.4	26.1	26.7	27.4
Corporate support costs	22.8	54.6	(31.9)	25.1	55.8	(30.7)	23.2	57.2	47.1	58.7	48.3	37.5	38.5	39.4	40.4
Indirect costs	56.1	50.3	5.8	39.6	47.8	(8.1)	33.4	48.9	43.9	50.2	44.9	34.9	35.8	36.7	37.6
<b>Corrective maintenance</b>	166.4	228.4	(62.0)	133.9	230.9	(96.9)	154.2	236.6	239.5	242.5	245.1	190.3	195.0	199.8	204.7
Labour	10.0	37.2	(27.2)	15.2	38.4	(23.2)	22.5	39.3	31.0	40.3	31.9	24.9	25.6	26.3	27.0
Contractors	111.3	92.4	18.9	74.4	94.0	(19.6)	58.3	96.3	122.3	98.8	125.0	97.0	99.3	101.6	104.0
Materials	2.9	19.2	(16.2)	2.2	19.5	(17.3)	15.7	20.0	9.8	20.5	10.0	7.7	7.9	8.1	8.3
Other	15.2	5.6	9.6	11.3	5.7	5.6	4.4	5.9	15.7	6.0	16.0	12.4	12.7	13.0	13.3
Local area support costs	8.6	-	8.6	13.1	-	13.1	17.2	-	15.8	-	16.2	12.6	12.9	13.2	13.6
Corporate support costs	9.3	40.8	(31.6)	8.7	41.7	(33.1)	17.9	42.8	23.3	43.9	23.8	18.5	19.0	19.5	20.0
Indirect costs	9.1	33.2	(24.1)	9.0	31.5	(22.5)	18.2	32.3	21.6	33.1	22.2	17.2	17.7	18.1	18.6
<b>Routine total</b>	<b>1274.3</b>	<b>1106.7</b>	<b>167.6</b>	<b>1317.6</b>	<b>1122.3</b>	<b>195.4</b>	<b>1418.6</b>	<b>1150.3</b>	<b>1737.1</b>	<b>1179.1</b>	<b>1773.0</b>	<b>1538.8</b>	<b>1580.0</b>	<b>1636.3</b>	<b>1667.5</b>

1. All financial figures are nominal. Totals may not add due to rounding.
2. Sunwater's 2020/21 to 2023/24 budget figures are draft as at the time of publication. These figures will not be locked down until late in the financial year prior.
3. For 2017/18 and 2018/19 Sunwater has included and reported against the 2016/17 QCA recommended costs adjusted for inflation which was assumed to be 2.5%.
4. A normalised level of direct expenditure and associated overheads were included in 2017/18 routine costs to rectify an under-representation of time-sheet reporting for direct cost activities (and partially because of the organisational changes occurring) during that year.

## Annuity balance and non-routine expenditure

Annuities are managed by Sunwater on behalf of each Service Contract. They allow for customer charges to reflect a constant amount necessary to recoup the costs of refurbishment/rehabilitation of assets over a pre-determined period of time. The forecast annuity balances, and the impacts of budgeted non-routine spend, are shown in **Table 4**. Sunwater has used a 30-year planning period to calculate the annuity from 2020/21.

Details of the major non-routine projects planned for the 2019/20 to 2023/24 period are set out in **Appendix 1**. The main changes since our 2018/19 NSP include the carry over in 2019/20 of the Gattonvale Off-stream Storage internal rock protection works, and new projects in 2019/20 related to recreational facility works and repairing flood damage at Bowen River Weir.

**Table 4: Annuity balance<sup>1</sup>**

<b>Bowen Broken Rivers Service Contract</b>	<b>2017/18 Actual \$'000</b>	<b>2018/19 Forecast \$'000</b>	<b>2019/20 Forecast \$'000</b>	<b>2020/21 Forecast \$'000</b>	<b>2021/22 Forecast \$'000</b>	<b>2022/23 Forecast \$'000</b>	<b>2023/24 Forecast \$'000</b>
<b>Annuity</b>							
Opening balance <sup>2</sup>	(1832.0)	(2237.0)	(3845.1)	(6222.4)	(6066.2)	(5390.3)	(4856.6)
Non-routine spend	(717.4)	(1901.4)	(1880.8)	(502.5)	-	(188.3)	(254.1)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	449.7	460.9	471.3	1022.5	1030.5	1037.3	1043.7
Interest/financing costs	(137.2)	(167.6)	(288.0)	(363.8)	(354.7)	(315.2)	(284.0)
<b>Sunwater – Closing Balance</b>	<b>(2237.0)</b>	<b>(3845.1)</b>	<b>(5542.7)</b>	<b>(6066.2)</b>	<b>(5390.3)</b>	<b>(4856.6)</b>	<b>(4351.0)</b>
<b>QCA – Closing Balance</b>	<b>(1494.3)</b>	<b>(1203.6)</b>					
Difference	(742.8)	(2641.5)					

1. All financial figures are nominal. Totals may not add due to rounding.
2. The difference in the closing balance for 2019/20 and the opening balance for 2020/21 relates primarily to expenditure incurred prior to the start of the 2012 price path. These amounts have been carried forward to 2020/21 so that they can be considered as part of the QCA's review of expenditure for the new irrigation price path.
3. The annuity contribution is included in the prices paid by customers. It was set by the QCA for 2012/13 to 2016/17 and is rolled forward with the Consumer Price Index for 2017/18, 2018/19 and 2019/20. Thereafter the annuity contribution is based upon Sunwater's forecast.

## Appendix 1: Non-routine projects for 2019/20 to 2023/24

The below table sets out Sunwater’s currently planned non-routine projects for the 2019/20 to 2023/24 period. While the 2019/20 program is well defined, estimates become more uncertain further into the planning timeline. Forecasts are therefore subject to change in future NSPs, reflecting changes in project delivery timing, asset condition and risk updates, and outcomes from scheduled asset inspections.

Year	Project title	Project scope	Budget (\$'000 nominal)
2019/20	Eungella Dam – 20-year dam safety review	This is the commencement of the 20-year safety review of Eungella Dam. The safety review assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	356
	Gattonvale Off-stream Storage (GOSS) – Inner batter rip rap repairs	This the second year of the two-year project to reinstate the internal rock rip rap protection system after Cyclone Debbie damage.	394
	Eungella Dam – Comprehensive risk assessment (CRA) (Stage 1)	Initiation of the CRA, including investigation and project inputs, geotechnical investigation, and embankment stability analysis etc. Stage 2 to be completed in 2021.	147
	Eungella Dam, Bowen River Weir and GOSS – Comprehensive inspections	Sunwater is required to conduct a 20-year safety review and comprehensive inspection as part of the dam safety condition schedule for the dam. The scope of the safety review and comprehensive inspection will be combined to minimise expenditure. Recommendations from the inspection will be scheduled based on condition and risk.	165
	Eungella Dam – Recreational facility	The recreational area facilities were destroyed by fire and are to be replaced with new facilities, while another obsolete building is to be removed.	223
	Bowen River Weir/Fishlock flood damage repairs	Repair February 2019 flood event damage to downstream gabions at the weir and fishlock, and mesh screens/valve covers at the fishlock. This project has been carried forward into 2019/20.	203
	Eungella Dam – Water treatment plant	Decommission existing water treatment plant and reconfigure supply to camp area and houses.	58
	Other works	Refurbish Eungella Dam guard valve actuators and conduits, minor investigations (including a risk assessment, options study and design for the installation of access platforms), Gattonvale pump station silt removal system, other minor refurbishments and an unplanned capital replacement allowance.	335
	<b>2019/20 Total</b>		<b>1881</b>

Year	Project title	Project scope	Budget (\$'000 nominal)
2020/21	Eungella Dam – CRA (Stage 2)	Recommendations from a safety review are risk assessed to determine their priority of completion, scope and costs. The works are then planned to be completed within the nominated timeframe.	150
	Gattonvale pump station – Silt removal	Project to automatically remove silt and debris deposition during flood events to enable continued operation during peak opportunity pumping periods.	249
	Bowen River Weir – Trash screen refurbishment	The trash screens at the weir are corroded and misshapen. They need to be removed and refurbished by repainting and straightening them.	23
	Asset revaluation	Sunwater re-values our assets every five years for insurance purposes and to assist with cost estimates for non-routine maintenance projects.	31
	Eungella Dam – Outlet works access	Installation of improved outlet works access platforms to meet current standards.	50
	Other works	There are no other non-routine projects for 2020/21.	-
	<b>2020/21 Total</b>		<b>503</b>
2021/22	There are no non-routine projects planned for 2021/22.		-
	<b>2021/22 Total</b>		<b>-</b>
2022/23	Eungella Dam – Outlet works guard valves	Eungella Dam outlet works left and right-hand guard valve refurbishment to ensure continued reliable isolation and control of the outlet works.	117
	Gattonvale pump station – Pump 3 refurbishments	This is an allowance to refurbish pump 3 at Gattonvale pump station. A condition assessment in 2022/23 will determine if this needs to proceed. It is likely it will occur based on historical maintenance requirements.	71
	Other works	There are no other non-routine projects for 2022/23.	-
	<b>2022/23 Total</b>		<b>188</b>
2023/24	Bowen River Weir – Outlet works penstocks	Bowen River Weir left and right-hand penstock refurbishments, actuators, frames, and gates etc. to ensure continued reliable releases and regulation of river discharges.	93
	Gattonvale pump station – Pump Unit 2	Submersible Pump Unit 2 refurbishment, based on service life to ensure continued reliable operation.	76

Year	Project title	Project scope	Budget (\$'000 nominal)
	Bowen River Supply – Gauging station building	Gauging station recorder building (hut) replacement based on asset service life. Condition and options to be reviewed prior to works to ensure least whole-of-life outcome.	52
	Eungella Dam – Spillway inspection	Spillway subsurface inspection of drainage network to ensure continued function using CCTV.	33
	Other works	There are no other non-routine projects scheduled for 2023/24.	-
	<b>2023/24 Total</b>		<b>254</b>

## Contact us

To have your say and shape future NSPs, please contact us via email or post:

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We consider and respond to all submissions, publishing all responses on our website.

This NSP has been prepared by Sunwater to provide indicative information to our customers for the purpose of consultation. It contains estimates and forecasts which are based upon a number of assumptions. The actual financial performance of the Service Contract to which this NSP relates, and the operations and activities actually undertaken by Sunwater during the relevant periods, may vary materially from the information contained in this NSP. This NSP should not be relied upon beyond its purpose as a tool for consultation and you should not rely on the information contained in this NSP in making decisions about your circumstances. Sunwater will not be responsible or liable for any loss (including consequential loss), claim or damage (including in tort) that is in any way connected with the use of this NSP or the information contained within it.