

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

## Boyne River & Tarong 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 \$71,000 for this service contract in 2019/20.
- 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/>.

### Irrigation charges for 2019/20

The 2019/20 charges and cost per megalitre are shown in **Table 1**. The Boyne River & Tarong Bulk Water Service Contract does not currently require additional subsidies to recover irrigation's share of future renewals, maintenance and operating 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)	28.58	10.91	N/A
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	1.77	2.50	0.73

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 \$22.45.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Boyne River & Tarong 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	2 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	48 hours	0	1
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>**

Boyne River & Tarong 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>	419.1	279.3	139.8	634.2	283.5	350.7	733.4	290.6	801.3	297.8	819.4	839.4	860.0	880.8	902.1
Labour	69.8	68.1	1.7	78.6	70.3	8.3	111.6	72.1	99.8	73.9	102.5	105.4	108.4	111.3	114.3
Contractors	(130.6)	3.4	(133.9)	3.1	3.4	(0.4)	7.2	3.5	14.7	3.6	15.0	15.4	15.7	16.1	16.5
Materials	1.1	2.2	(1.1)	0.5	2.2	(1.7)	1.9	2.3	2.0	2.3	2.0	2.0	2.1	2.1	2.2
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	127.5	57.7	69.8	307.4	58.7	248.7	279.8	60.2	337.6	61.7	344.5	352.4	360.5	368.8	377.3
Other	181.5	11.7	169.8	50.6	11.9	38.7	52.8	12.2	88.6	12.5	90.4	92.5	94.6	96.8	99.0
Local area support costs	59.8	-	59.8	67.6	-	67.6	84.2	-	44.8	-	45.9	47.0	48.2	49.4	50.7
Corporate support costs	28.4	69.6	(41.2)	40.1	71.1	(31.1)	71.6	72.9	74.8	74.7	76.6	78.5	80.5	82.5	84.6
Indirect costs	81.5	66.6	14.9	86.3	65.8	20.6	124.2	67.4	139.1	69.1	142.5	146.1	149.9	153.6	157.5
<b>Preventative maintenance</b>	99.4	97.7	1.7	101.5	98.0	3.5	68.5	100.5	51.9	103.0	53.1	54.5	55.9	57.3	58.8
Labour	27.4	31.4	(3.9)	33.8	32.4	1.4	16.0	33.2	13.6	34.0	14.0	14.4	14.8	15.2	15.6
Contractors	9.9	1.1	8.8	4.5	1.1	3.4	14.0	1.1	9.8	1.2	10.0	10.2	10.5	10.7	11.0
Materials	0.7	3.3	(2.6)	1.1	3.3	(2.2)	0.7	3.4	1.0	3.5	1.0	1.0	1.0	1.1	1.1
Other	5.9	2.5	3.4	3.2	2.5	0.7	1.8	2.6	1.0	2.7	1.0	1.0	1.0	1.1	1.1
Local area support costs	23.6	-	23.6	29.0	-	29.0	11.6	-	6.8	-	6.9	7.1	7.3	7.5	7.7
Corporate support costs	8.5	30.5	(22.0)	9.9	31.2	(21.3)	8.8	31.9	10.2	32.7	10.5	10.7	11.0	11.3	11.6
Indirect costs	23.3	29.0	(5.7)	20.0	27.5	(7.5)	15.5	28.2	9.5	28.9	9.7	10.0	10.2	10.5	10.8
<b>Corrective maintenance</b>	32.6	25.6	7.1	15.1	25.7	(10.6)	13.7	26.4	29.4	27.0	30.1	30.9	31.7	32.4	33.3
Labour	3.5	6.0	(2.5)	3.7	6.2	(2.5)	1.4	6.3	6.6	6.5	6.8	7.0	7.2	7.4	7.6
Contractors	10.9	1.3	9.6	1.3	1.3	(0.1)	6.3	1.4	6.9	1.4	7.0	7.2	7.3	7.5	7.7
Materials	4.9	5.4	(0.6)	2.9	5.5	(2.6)	2.1	5.7	2.9	5.8	3.0	3.1	3.1	3.2	3.3
Other	5.6	1.1	4.5	0.5	1.1	(0.6)	0.4	1.1	1.0	1.2	1.0	1.0	1.0	1.1	1.1
Local area support costs	3.0	-	3.0	3.2	-	3.2	1.0	-	2.4	-	2.4	2.5	2.6	2.6	2.7
Corporate support costs	2.0	6.2	(4.1)	1.3	6.3	(5.0)	1.0	6.5	5.0	6.6	5.1	5.2	5.4	5.5	5.6
Indirect costs	2.7	5.5	(2.9)	2.2	5.3	(3.0)	1.4	5.4	4.6	5.5	4.7	4.9	5.0	5.1	5.2
<b>Routine total</b>	<b>551.2</b>	<b>402.6</b>	<b>148.6</b>	<b>750.8</b>	<b>407.2</b>	<b>343.6</b>	<b>815.7</b>	<b>417.4</b>	<b>882.5</b>	<b>427.9</b>	<b>902.7</b>	<b>924.8</b>	<b>947.5</b>	<b>970.5</b>	<b>994.1</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**.

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

Boyne River & Tarong Service Contract	2017/18 Actual \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
<b>Annuity</b>							
Opening balance <sup>2</sup>	(19,957.0)	(41,023.9)	(44,744.5)	(48,109.9)	(47,815.6)	(47,643.8)	(47,276.1)
Non-routine spend	(19,589.6)	(665.8)	(198.3)	(32.9)	(186.8)	(16.7)	(240.0)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	17.5	17.9	18.3	3140.0	3154.3	3170.0	3208.3
Interest/financing costs	(1494.8)	(3072.7)	(3351.4)	(2812.9)	(2795.7)	(2785.6)	(2764.1)
<b>Sunwater – Closing Balance</b>	<b>(41,023.9)</b>	<b>(44,744.5)</b>	<b>(48,275.8)</b>	<b>(47,815.6)</b>	<b>(47,643.8)</b>	<b>(47,276.1)</b>	<b>(47,072.0)</b>
<b>QCA – Closing Balance</b>	<b>1054.8</b>	<b>900.1</b>					
Difference	(42,078.7)	(45,644.5)					

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	Boondooma Dam – Repair secondary bulkhead guides	During the 2019 comprehensive inspection an underwater camera showed that the lowest 2-3 metre section of the secondary bulkhead guides had become detached. The guides are needed to ensure an adequate seal when the bulkhead is installed. This is a high-risk project involving a dive crew for up to a week.	87
	Boondooma Dam – Regulating valve No.2 refurbishment	A valve condition assessment during the previous comprehensive inspection recommended that this valve be refurbished within five years. The bulkhead will need to be installed as well as a separate shutdown put in place.	58
	Boondooma Dam – Guard valve 2 refurbishment	Once the regulating valve is refurbished, the guard valve will be removed and patch painted with new seals applied.	33
	Meter replacements	This is an allowance to replace failed customer meters in the Boyne River & Tarong scheme. If meters are not replaced, the funds will remain in the annuity.	15
	Other works	This is a contingency amount for unplanned capital replacements in 2019/20.	5
	<b>2019/20 Total</b>		<b>198</b>
2020/21	Meter replacements	This is an allowance to replace failed customer meters in the Boyne River & Tarong scheme. If meters are not replaced, the funds will remain in the annuity.	16
	Boondooma Dam – Crane inspection	The inlet tower hoist was replaced in 2014. As per the Australian Standard, an inspection seven years after its first use is required.	4
	Asset revaluation	Sunwater re-values our assets every five years for insurance purposes and to improve the cost estimating for non-routine maintenance projects.	14
	Other works	There are no other non-routine projects for 2020/21.	-
	<b>2020/21 Total</b>		<b>34</b>

Year	Project title	Project scope	Budget (\$'000 nominal)
2021/22	Meter replacements	This is an allowance to replace failed customer meters in the Boyne River & Tarong scheme. If meters are not replaced, the funds will remain in the annuity.	16
	Boondooma Dam – Comprehensive Risk Assessment (CRA)	A CRA is conducted with the new information to assess the level of risks identified and further refine their priority for refurbishment.	105
	Boondooma Dam – Electrical cable replacement	The electrical cabling at Boondooma Dam is coming to the end of its life. It is prudent to conduct a thorough condition assessment and plan for its replacement, if needed. The scope of this project will be to conduct the condition assessment and options study.	15
	Boondooma Dam – Bathymetric survey	An underwater survey is to be conducted to identify all hidden obstacles. This is a public safety initiative.	51
	Other works	There are no other non-routine projects for 2021/22.	-
	<b>2021/22 Total</b>		<b>187</b>
2022/23	Meter replacements	This is an allowance to replace failed customer meters in the Boyne River & Tarong scheme. If meters are not replaced, the funds will remain in the annuity.	17
	Other works	There are no other non-routine projects for 2022/23.	-
	<b>2022/23 Total</b>		<b>17</b>
2023/24	Meter replacements	This is an allowance to replace failed customer meters in the Boyne River & Tarong scheme. If meters are not replaced, the funds will remain in the annuity.	17
	Boondooma Dam – Comprehensive inspection	Sunwater conducts comprehensive inspections on our dams and weirs every five years to maintain current asset condition knowledge and improve the non-routine maintenance programs.	157
	Boondooma Dam – Electrical cable replacement	This project will develop a detailed scope and design the outcomes of the 2021/22 option study, if required.	54
	Boondooma Dam – Remove protruding grout tubes	The 2014 comprehensive inspection report recommended the removal of the grout tubes left in-situ during construction to prevent seepage into the adjacent rock through which the conduit has been cut.	12
	Other works	There are no other non-routine projects for 2023/24.	-
	<b>2023/24 Total</b>		<b>240</b>

## Contact us

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

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane Qld 4002

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

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