

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

## Callide Valley 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 \$273,000 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 Callide Valley 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)	18.50	59.99	41.49
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	8.84	12.79	3.95

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 \$223.48.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Callide Valley 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 <sup>1</sup>	Unplanned shutdowns during Peak Demand Period	48 hours	0	0
	Unplanned shutdowns outside Peak Demand Period	5 working days		
Maximum number of interruptions	Planned or unplanned interruptions per water year	6	0	0

1. This is the number of times that the unplanned shutdown has exceeded the shortest of the peak/off peak periods.

## 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>**

Callide Valley 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>	728.7	649.8	78.9	880.0	657.5	222.5	1056.9	673.9	1364.1	690.8	1395.5	1430.1	1465.8	1502.2	1538.9
Labour	121.7	136.7	(15.0)	133.6	141.1	(7.5)	170.7	144.6	195.6	148.2	201.0	206.7	212.5	218.2	224.1
Contractors	10.7	6.7	3.9	8.8	6.9	2.0	8.6	7.0	19.6	7.2	20.0	20.5	21.0	21.5	22.0
Materials	2.9	1.7	1.2	0.1	1.7	(1.6)	1.7	1.7	2.0	1.8	2.0	2.0	2.1	2.1	2.2
Electricity	-	8.2	(8.2)	-	8.8	(8.8)	-	9.0	4.9	9.2	4.5	4.4	4.6	5.0	5.0
Insurance	279.1	147.8	131.3	329.1	150.3	178.8	299.4	154.1	352.1	157.9	359.3	367.6	376.1	384.7	393.6
Other	14.8	60.0	(45.3)	77.8	61.1	16.7	89.7	62.6	139.8	64.2	142.7	146.0	149.3	152.8	156.3
Local area support costs	104.0	-	104.0	114.3	-	114.3	129.3	-	100.7	-	103.2	105.8	108.5	111.2	114.0
Corporate support costs	49.2	141.4	(92.2)	58.0	144.5	(86.5)	104.4	148.1	146.6	151.8	150.1	153.9	157.9	161.8	165.9
Indirect costs	146.5	147.3	(0.8)	158.3	143.2	15.1	253.1	146.8	402.9	150.5	412.6	423.2	433.9	444.8	456.0
<b>Preventative maintenance</b>	343.4	288.4	55.1	313.4	290.2	23.1	295.5	297.5	221.9	304.9	227.4	233.3	239.4	245.5	251.7
Labour	106.0	91.0	15.0	109.0	93.9	15.1	83.4	96.3	62.1	98.7	63.9	65.6	67.5	69.3	71.2
Contractors	12.7	7.8	4.9	4.7	8.0	(3.3)	31.0	8.2	24.5	8.4	25.0	25.6	26.2	26.8	27.5
Materials	1.7	7.8	(6.2)	2.7	8.0	(5.2)	1.0	8.2	2.0	8.4	2.0	2.0	2.1	2.1	2.2
Other	10.6	3.7	6.9	7.2	3.8	3.4	4.7	3.9	6.9	4.0	7.0	7.2	7.3	7.5	7.7
Local area support costs	91.2	-	91.2	93.7	-	93.7	62.5	-	36.6	-	37.5	38.5	39.5	40.4	41.5
Corporate support costs	30.9	87.2	(56.3)	31.2	89.1	(57.9)	40.2	91.4	46.6	93.7	47.7	48.9	50.1	51.4	52.7
Indirect costs	90.2	90.7	(0.5)	64.8	87.5	(22.7)	72.7	89.6	43.3	91.9	44.4	45.5	46.7	47.8	49.0
<b>Corrective maintenance</b>	82.9	37.3	45.6	115.0	37.6	77.4	62.8	38.5	157.5	39.5	161.2	165.3	169.5	173.7	178.0
Labour	19.2	10.7	8.5	20.8	11.1	9.8	4.3	11.3	31.6	11.6	32.5	33.4	34.4	35.3	36.3
Contractors	5.4	1.1	4.3	46.7	1.1	45.5	41.0	1.2	48.9	1.2	50.0	51.2	52.4	53.7	54.9
Materials	12.4	2.2	10.2	1.0	2.2	(1.3)	5.2	2.3	9.8	2.4	10.0	10.2	10.5	10.7	11.0
Other	7.2	2.1	5.0	8.1	2.2	6.0	1.1	2.2	4.9	2.3	5.0	5.1	5.2	5.4	5.5
Local area support costs	16.5	-	16.5	17.3	-	17.3	3.1	-	16.4	-	16.8	17.3	17.7	18.2	18.6
Corporate support costs	6.6	10.4	(3.8)	8.6	10.7	(2.0)	3.8	10.9	23.7	11.2	24.3	24.9	25.5	26.2	26.8
Indirect costs	15.4	10.7	4.8	12.4	10.3	2.1	4.2	10.6	22.1	10.8	22.6	23.2	23.8	24.4	25.0
<b>Routine total</b>	<b>1155.1</b>	<b>975.4</b>	<b>179.6</b>	<b>1308.3</b>	<b>985.3</b>	<b>323.1</b>	<b>1415.3</b>	<b>1009.9</b>	<b>1743.5</b>	<b>1035.2</b>	<b>1784.2</b>	<b>1828.8</b>	<b>1874.7</b>	<b>1921.3</b>	<b>1968.7</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>**

Callide Valley 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>	(5346.5)	(6220.1)	(6672.7)	(8169.9)	(6623.9)	(4599.3)	(1970.7)
Non-routine spend	(863.1)	(386.4)	(904.6)	(925.9)	(555.8)	(112.9)	(603.3)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	390.0	399.7	408.7	2949.5	2967.8	3010.5	3040.3
Interest/financing costs	(400.5)	(465.9)	(499.8)	(477.7)	(387.3)	(268.9)	(115.2)
<b>Sunwater – Closing Balance</b>	<b>(6220.1)</b>	<b>(6672.7)</b>	<b>(7668.4)</b>	<b>(6623.9)</b>	<b>(4599.3)</b>	<b>(1970.7)</b>	<b>351.1</b>
<b>QCA – Closing Balance</b>	<b>(1213.7)</b>	<b>(1131.2)</b>					
Difference	(5006.4)	(5541.5)					

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	Kroombit Dam – 20-year dam safety review	This is the commencement of the 20-year dam safety review of Kroombit Dam. The safety review assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	259
	Callide Dam – 5-year comprehensive inspection	Sunwater is required to conduct comprehensive dam safety inspections of our dams every five years. The inspections allow Sunwater to maintain current knowledge of the assets condition and then optimise the forward non-routine maintenance plans.	139
	Callide Dam – Comprehensive Risk Assessment (CRA) inputs and seismic survey	Investigations and analysis for the planned CRA, including seismic investigations.	128
	Callide Diversion Channel – Fence refurbishment	An options study completed in 2016 recommended that sections of the dividing fence be replaced over a 3 to 5-year period to prevent stock from entering and damaging the channel.	101
	Groundwater meter replacements	Upgrade customer groundwater metering (12 sites) to Australian Standard (AS) 4747 standards to ensure accurate recording of allocation and revenues.	62
	Callide Diversion Channel – Flow meter	Upgrade Sunwater bulk water meter to AS4747 standards to ensure accurate recording of allocation and system losses.	49
	Kroombit Dam – 5-year comprehensive inspection	Sunwater is required to conduct comprehensive dam safety inspections of our dams every five years. The inspections allow Sunwater to maintain current knowledge of the assets condition and then optimise the forward non-routine maintenance plans. The scope will be shared with the 20-year dam safety review.	46
	Other works	Unplanned capital replacement allocation, bathymetric surveys, electrical inspection and other small works.	121
	<b>2019/20 Total</b>		<b>905</b>

Year	Project title	Project scope	Budget (\$'000 nominal)
2020/21	Callide Dam – Ground Penetrating Radar and camera inspection survey of the spillway	In response to significant damage to the spillway at Fairbairn Dam, Sunwater is further assessing all concrete spillways for sub-surface damage. Initial assessments do not suggest there is any cause for concern at Callide Dam; however, it is prudent to fully examine the spillway beneath the surface.	273
	Kroombit Dam – CRA inputs and seismic survey	Investigations and analysis for the planned CRA, including seismic investigations.	203
	Callide Dam – Inlet tower and valve house switchboards and services building switchboard options analysis	Planned replacement of ageing inlet tower switchboard and valve house distribution board based on condition and risk. Investigation into the replacement and timing of the main electrical services building switchboard.	89
	Callide Dam – Cables and cableways	The electrical cabling at Callide Dam is coming towards the end of its life. This project is to design and prepare the ‘to be constructed’ drawings arising from the options study from 2019/20, if any actions are required.	83
	Callide Dam – CRA	Callide Dam CRA utilising inputs, investigations and analysis undertaken in 2019/20, in accordance with the dam safety conditions.	82
	Asset revaluation	Asset revaluations are undertaken by Sunwater for insurance purposes and to allow for better cost estimation of the forward non-routine maintenance program.	65
	Groundwater meter replacements	Upgrade customer groundwater metering (12 sites) to AS4747 standards to ensure accurate recording of allocation and revenues.	63
	Other works	Callide Creek weir inspection and Callide Dam fencing works.	68
	<b>2020/21 Total</b>		<b>926</b>
2021/22	Callide Dam – Cables and cableways	This project is to install and commission replacement electrical cabling at Callide Dam due to asset age, risk and condition.	324
	Kroombit Dam – CRA	Kroombit Dam CRA utilising inputs, investigations and analysis undertaken in 2020/21, in accordance with the dam safety conditions.	156
	Groundwater meter replacements	Upgrade customer groundwater metering (12 sites) to AS4747 standards to ensure accurate recording of allocation and revenues.	65
	Other works	Baulk storage and crane inspection works at Kroombit Dam.	11
	<b>2021/22 Total</b>		<b>556</b>

Year	Project title	Project scope	Budget (\$'000 nominal)
2022/23	Groundwater meter replacements	Upgrade customer groundwater metering (12 sites) to AS 4747 standards to ensure accurate recording of allocation and revenues.	68
	Callide Dam – Building services switchboard	Replacement of the building services switchboard. Works include preliminary and detailed design, drafting and procurement. Project to be based on the 2021 options analysis.	27
	Other works	Callide Dam inlet tower hoist third-party inspections and certification.	18
	<b>2022/23 Total</b>		<b>113</b>
2023/24	Callide Dam – Site facilities' fencing	Callide Dam facilities' fencing replacement works based on asset life and risk. To be risk and condition assessed to refine project scope and scale of works to ensure prudence and efficiency.	262
	Kroombit Dam – Gauge boards, rain recorder and tailwater recorder replacements	Components of the recorders are coming towards the end of their life. They and the boards will be replaced to ensure continued effective level and flow measurement.	70
	Groundwater meter replacements	Upgrade customer groundwater metering (12 sites) to AS4747 standards to ensure accurate recording of allocation and revenues.	69
	Callide Dam – Refurbish access road	The internal access roads will be condition and risk assessed closer to 2023/24 to determine the need for any work.	54
	Callide Dam – Main electrical services switchboard replacement	The main electrical services switchboard at Callide Dam is scheduled for replacement. This project is the design and procurement phase.	44
	Other works	Callide Dam services building works, Kroombit Dam crest surveys, Banana Shire customer meter replacement and other minor works.	104
	<b>2023/24 Total</b>		<b>603</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.