

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

Dawson 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 \$70,000 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 2020¹ 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/>.

¹ 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 Dawson Valley Bulk Water Service Contract does not currently require additional subsidies to recover irrigation's share of future renewals, maintenance and operating. For the full suite of charges that apply, refer to Sunwater's website.

Table 1: Irrigation charges for 2019/20¹

Product	Charge type	2019/20 (\$/ML)	Cost (\$/ML) ^{2,3}	Subsidy (\$/ML)
Bulk water customers				
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	18.04	9.60	N/A
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	2.01	3.23	1.22
Bulk water customers who are also customers of a distribution system				
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	13.98	9.60	N/A
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	2.01	3.23	1.22

1. This table includes bulk water charges only. Distribution charges are set by Theodore Water Pty Ltd.
2. 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.
3. The notional High Priority Allocation Charge cost per megalitre is \$37.82.

Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Dawson 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 ¹	Unplanned shutdowns during Peak Demand Period	48 hours	0	0
	Unplanned shutdowns outside Peak Demand Period	5 working days		
Maximum number of interruptions ²	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.
2. This is the total number of bulk and distribution customers in the scheme that have been interrupted in excess of the target.

Routine expenditure

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

Table 3: Routine expenditure^{1,2}

Dawson Valley Bulk Water Service Contract	2015/16			2016/17			2017/18 ³		2018/19 ³		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 ⁴ \$'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
Operations	614.8	713.5	(98.8)	597.6	722.6	(124.9)	779.3	740.6	617.1	759.1	626.2	639.6	656.1	675.6	690.6
Labour	149.7	202.6	(52.9)	121.5	209.1	(87.6)	167.4	214.3	98.2	219.7	101.0	103.8	106.7	109.6	112.6
Contractors	7.7	5.7	2.0	8.3	5.8	2.4	9.6	6.0	14.7	6.1	15.0	15.4	15.7	16.1	16.5
Materials	0.7	1.9	(1.2)	0.7	1.9	(1.3)	0.4	2.0	4.9	2.0	5.0	5.1	5.2	5.4	5.5
Electricity	21.8	41.7	(19.9)	61.5	44.6	16.9	61.9	45.7	55.2	46.9	51.0	50.0	51.7	56.3	56.0
Insurance	101.7	51.0	50.8	123.1	51.8	71.2	114.8	53.1	131.1	54.5	133.8	136.9	140.1	143.3	146.6
Other	24.1	26.6	(2.5)	25.8	27.1	(1.3)	30.8	27.7	49.6	28.4	50.6	51.8	53.0	54.2	55.5
Local area support costs	120.2	-	120.2	103.8	-	103.8	127.7	-	53.2	-	54.4	55.8	57.3	58.7	60.2
Corporate support costs	45.8	192.6	(146.8)	41.6	196.8	(155.2)	85.8	201.7	73.6	206.8	75.4	77.3	79.3	81.3	83.3
Indirect costs	143.0	191.4	(48.4)	111.4	185.4	(74.0)	180.8	190.0	136.5	194.7	139.8	143.4	147.1	150.7	154.5
Preventative maintenance	117.7	204.9	(87.2)	112.6	205.7	(93.1)	160.1	210.8	126.1	216.1	129.1	132.4	135.8	139.2	142.7
Labour	35.0	65.4	(30.4)	29.5	67.5	(38.0)	41.3	69.1	29.4	70.9	30.2	31.1	31.9	32.8	33.7
Contractors	0.3	4.2	(3.8)	14.6	4.2	10.3	20.1	4.3	19.6	4.5	20.0	20.5	21.0	21.5	22.0
Materials	0.8	6.4	(5.6)	0.5	6.5	(6.1)	1.7	6.7	4.9	6.9	5.0	5.1	5.2	5.4	5.5
Other	8.0	8.9	(0.9)	15.4	9.0	6.4	9.4	9.2	12.7	9.5	13.0	13.3	13.6	13.9	14.2
Local area support costs	30.1	-	30.1	25.3	-	25.3	30.9	-	17.0	-	17.4	17.8	18.3	18.7	19.2
Corporate support costs	10.2	61.7	(51.5)	9.8	63.0	(53.3)	20.6	64.6	22.0	66.2	22.6	23.1	23.7	24.3	24.9
Indirect costs	33.3	58.4	(25.0)	17.5	55.4	(37.9)	36.0	56.8	20.5	58.2	21.0	21.5	22.1	22.6	23.2
Corrective maintenance	34.4	94.1	(59.8)	33.0	94.6	(61.5)	59.2	96.9	97.7	99.3	100.0	102.4	105.0	107.5	110.1
Labour	7.5	28.7	(21.3)	8.1	29.7	(21.6)	14.8	30.4	14.2	31.2	14.6	15.0	15.4	15.8	16.2
Contractors	5.1	1.7	3.4	7.3	1.7	5.5	6.2	1.8	29.4	1.8	30.0	30.7	31.4	32.2	33.0
Materials	5.0	9.0	(4.0)	3.1	9.2	(6.0)	0.0	9.4	19.6	9.6	20.0	20.5	20.9	21.4	21.9
Other	1.2	1.7	(0.4)	0.0	1.7	(1.7)	7.2	1.8	6.9	1.8	7.0	7.2	7.3	7.5	7.7
Local area support costs	6.4	-	6.4	6.9	-	6.9	11.3	-	7.2	-	7.4	7.6	7.8	8.0	8.2
Corporate support costs	2.7	27.3	(24.7)	2.8	27.9	(25.2)	7.6	28.6	10.6	29.3	10.9	11.2	11.4	11.7	12.0
Indirect costs	6.4	25.7	(19.2)	4.8	24.4	(19.6)	12.1	25.0	9.9	25.6	10.1	10.4	10.6	10.9	11.2
Routine total	766.8	1012.6	(245.7)	743.2	1022.8	(279.6)	998.6	1048.4	840.9	1074.6	855.3	874.5	896.9	922.4	943.4

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 the 2018/19 NSP are a new comprehensive risk assessment (CRA) for the Moura Off-stream Storage (MOSS) in 2022 and Orange Creek Weir works in 2023.

Table 4: Annuity balance¹

Dawson Valley Bulk Water 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
Annuity							
Opening balance ²	711.6	614.2	418.3	910.7	1675.0	2198.1	2824.1
Non-routine spend	(167.0)	(258.7)	(234.3)	(252.4)	(574.9)	(529.5)	(708.7)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution ³	16.3	16.8	17.1	963.5	1000.1	1027.0	1046.4
Interest/financing costs	53.3	46.0	31.3	53.2	97.9	128.5	165.1
Sunwater – Closing Balance	614.2	418.3	232.4	1675.0	2198.1	2824.1	3327.0
QCA – Closing Balance	2859.9	3023.7					
Difference	(2245.7)	(2605.5)					

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	Moura Weir – Refurbish valve and stub pipe	The 2013 inspection of Moura Weir identified corrosion on the outlet works butterfly valve body and loss of internal and external coating. The works are to reinstate condition and asset service life.	72
	Moura pump station – Pump Unit 2 refurbishment	Planned and timed refurbishment of Submersible Pump Unit 2 to ensure continued reliable operation and maximise service life.	43
	Customer meter replacements	This is an allowance to replace failed customer meters in the Dawson River system with Australian Standard (AS) 4747 compliant arrangements that ensure accurate and robust water accounting and improve system delivery efficiency.	40
	Neville Hewitt Weir – Fishway metal works	Blast and paint upstream and downstream fishway slide gate guides to ensure effective seal and asset service life.	25
	Other works	Minor works at Neville Hewitt, Glebe, and Theodore Weirs, an unplanned capital replacement allowance and an options study to protect the upstream face at MOSS.	54
	2019/20 Total		234
2020/21	Customer meter replacements	This is an allowance to replace failed customer meters in the Dawson River system with AS4747 compliant arrangements that ensure accurate and robust water accounting and improve system delivery efficiency.	84
	MOSS – CRA inputs and seismic investigation	CRA design and investigation inputs including seismic study.	70
	Moura pump station – Pump Unit 1 refurbishment	Planned and timed refurbishment of Submersible Pump Unit 1 to ensure continued reliable operation and maximise service life.	41
	Asset revaluation	Sunwater revaluates our assets every five years for insurance purposes and to assist with cost estimates for non-routine projects.	39
	Other works	Neville Hewitt Weir outlet works metal work refurbishments.	18

Year	Project title	Project scope	Budget (\$'000 nominal)
	2020/21 Total		252
2021/22	Gyranda Weir – Replace ladders, handrails and walkways	The 2013 inspection report recommended that the submerged metal items be replaced within the next five years. More recent inspections assessed that this may be deferred.	173
	MOSS – CRA	Undertake the MOSS CRA. This project will utilise the inputs, investigations and analysis completed in 2020/21 and is in accordance with the facility's dam safety conditions.	158
	Customer meter replacements	This is an allowance to replace failed customer meters in the Dawson River system with AS4747 compliant arrangements that ensure accurate and robust water accounting and improve system delivery efficiency.	87
	Neville Hewitt Weir – Comprehensive inspection	Sunwater conducts comprehensive inspections on each dam and weir to maintain asset condition knowledge and optimise the non-routine maintenance plans.	41
	Neville Hewitt Weir – Regulating valve and fishway valve refurbishments	The weirs outlet works valve and the fishway supply and drain valves require refurbishment to retain reliable function and achieve maximum service life.	66
	Other works	Theodore Weir protection works and MOSS conduit assessment.	50
	2021/22 Total		575
2022/23	Orange Creek Weir – Outlet and protection works refurbishment	High level outlet works (inlet and outlet) and left and right abutment downstream protection works refurbishment to retain asset security and function. The requirement to undertake the inlet/outlet refurbishments will be subject to review of operational efficiency objectives.	241
	Customer meter replacements	This is an allowance to replace failed customer meters in the Dawson River system with AS4747 compliant arrangements that ensure accurate and robust water accounting and improve system delivery efficiency.	91
	MOSS – Comprehensive inspection	Sunwater conducts comprehensive inspections on storage facilities to maintain asset condition knowledge and optimise the non-routine maintenance plans. MOSS is a referable dam therefore a comprehensive inspection is required to comply with the dam safety condition schedule.	48
	Moura Weir – Control equipment options analysis	Options analysis to determine the scope and least whole-of-life refurbishment or replacement option for the weir's control systems.	38

Year	Project title	Project scope	Budget (\$'000 nominal)
	Orange Creek Weir – Comprehensive inspection	Sunwater conducts comprehensive inspections on each dam and weir to maintain asset condition knowledge and optimise the non-routine maintenance plans. This is now five years since the investigation into the long-term need and repairs for the weir.	22
	Other works	Orange Creek and Glebe Weir fencing and gates, Glebe Weir electrics, and gauging station 130301B replacement.	90
	2022/23 Total		530
2023/24	MOSS – 20-year dam safety review	The dam safety condition schedules require Sunwater to conduct a 20-year safety review of MOSS. The safety review reverse engineers the storage, compares it to current standards and makes recommendations for overcoming any defects.	342
	Moura, Glebe, Theodore and Gylanda Weir – Comprehensive inspections	Sunwater conducts comprehensive inspections on weirs to maintain asset condition knowledge and optimise the non-routine maintenance plans.	159
	Customer meter replacements	This is an allowance to replace failed customer meters in the Dawson River system with AS4747 compliant arrangements that ensure accurate and robust water accounting and improve system delivery efficiency.	92
	Moura Weir – Replace control system	Renew control system assets and performance to original condition and function. Project subject to the 2022/23 options analysis and recommendations.	67
	Other works	Dawson River gauging station replacements/refurbishments, Moura Weir trashrack refurbishment and Neville Hewitt Weir outlet works regulating valve refurbishment.	49
	2023/24 Total		709

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.