

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

## Eton 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 \$121,000 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 Eton 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<sup>1</sup>*

Product	Charge type	2019/20 (\$/ML)	Cost (\$/ML) <sup>2,3,4</sup>	Subsidy (\$/ML)
<b>Bulk water customers</b>				
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	31.36	32.80	1.44
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	4.05	4.78	0.73
<b>Bulk water customers who are also customers of a distribution system</b>				
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	31.36	32.80	1.44
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	4.05	4.78	0.73

1. This table includes bulk water charges only. For distribution charges (Part C and Part D), please refer to the Distribution Service Contract NSP.
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 \$106.62. Includes a cost allocation to 700 ML High-A priority water for Pioneer customers that use Eton bulk assets.
4. Since the publication of the 2018/19 NSP, Sunwater has reallocated 100% of electricity costs from variable to fixed costs, in consultation with the Kinchant Dam Water Users Association.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Eton 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 5 days	3 weeks	0	0
	For shutdowns planned to be less than 3 days	2 days	0	0
Unplanned shutdowns – duration <sup>1</sup>	Unplanned shutdowns during Peak Demand Period	72 hours	2	1
	Unplanned shutdowns outside Peak Demand Period	5 working days		
Maximum number of interruptions <sup>2</sup>	Planned or unplanned interruptions per water year	10	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<sup>1,2</sup>**

Eton Bulk Water 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>	1397.6	849.4	548.2	773.6	872.3	(98.7)	1423.2	894.1	1251.5	916.4	1270.4	1284.9	1321.4	1383.0	1401.5
Labour	122.2	137.0	(14.9)	86.8	141.4	(54.6)	181.6	145.0	129.1	148.6	132.7	126.4	130.0	133.5	137.1
Contractors	69.5	25.4	44.1	94.3	25.8	68.5	11.5	26.4	34.3	27.1	35.0	33.2	34.0	34.8	35.6
Materials	2.0	6.2	(4.2)	1.8	6.3	(4.5)	3.1	6.5	9.8	6.6	10.0	9.5	9.7	9.9	10.1
Electricity	723.0	285.3	437.7	151.5	305.3	(153.8)	561.7	312.9	400.8	320.7	399.8	442.4	457.9	498.4	495.2
Insurance	155.7	82.1	73.6	198.7	83.5	115.2	182.2	85.6	207.8	87.8	212.1	216.9	221.9	227.0	232.3
Other	39.7	29.8	9.8	33.8	30.4	3.4	34.1	31.1	94.9	31.9	96.8	91.7	93.8	96.0	98.2
Local area support costs	105.1	-	105.1	74.7	-	74.7	138.3	-	69.8	-	71.5	67.9	69.6	71.4	73.1
Corporate support costs	47.5	134.9	(87.3)	40.7	137.9	(97.1)	97.8	141.3	96.8	144.8	99.1	94.1	96.5	99.0	101.4
Indirect costs	133.0	148.6	(15.6)	91.2	141.7	(50.5)	212.9	145.3	208.4	148.9	213.4	202.8	207.9	213.1	218.5
<b>Preventative maintenance</b>	353.2	458.6	(105.5)	319.7	462.8	(143.1)	381.1	474.4	365.3	486.3	374.0	355.3	364.3	373.4	382.7
Labour	76.2	112.7	(36.5)	74.5	116.3	(41.9)	82.6	119.2	76.1	122.2	78.2	74.5	76.6	78.6	80.8
Contractors	104.1	104.3	(0.2)	99.7	106.0	(6.3)	107.1	108.7	117.4	111.4	120.0	113.8	116.5	119.3	122.1
Materials	3.2	9.0	(5.9)	5.9	9.2	(3.2)	2.5	9.4	7.8	9.6	8.0	7.6	7.8	7.9	8.1
Other	6.3	11.3	(5.0)	4.9	11.5	(6.5)	12.2	11.7	14.7	12.0	15.0	14.2	14.5	14.9	15.2
Local area support costs	65.5	-	65.5	64.0	-	64.0	62.6	-	39.1	-	40.1	38.1	39.1	40.0	41.0
Corporate support costs	27.0	111.3	(84.3)	26.4	113.7	(87.4)	45.2	116.6	57.0	119.5	58.4	55.5	56.9	58.3	59.8
Indirect costs	71.0	110.1	(39.1)	44.3	106.1	(61.9)	68.8	108.8	53.1	111.5	54.4	51.6	52.9	54.3	55.6
<b>Corrective maintenance</b>	140.1	320.7	(180.5)	67.5	323.9	(256.4)	140.8	332.0	154.8	340.3	158.4	150.4	154.1	157.9	161.8
Labour	16.7	68.7	(52.0)	6.2	70.9	(64.7)	26.0	72.7	25.2	74.5	25.9	24.7	25.4	26.0	26.8
Contractors	80.1	46.2	33.9	44.3	47.0	(2.7)	27.5	48.2	58.7	49.4	60.0	56.9	58.3	59.6	61.1
Materials	0.2	27.5	(27.3)	2.3	28.0	(25.7)	12.1	28.7	7.8	29.4	8.0	7.6	7.8	7.9	8.1
Other	1.8	41.1	(39.3)	1.4	41.8	(40.3)	12.6	42.8	13.7	43.9	14.0	13.3	13.6	13.9	14.2
Local area support costs	14.4	-	14.4	5.4	-	5.4	20.1	-	12.8	-	13.1	12.5	12.8	13.1	13.4
Corporate support costs	8.6	70.0	(61.3)	4.1	71.5	(67.4)	22.3	73.3	18.9	75.1	19.3	18.4	18.8	19.3	19.8
Indirect costs	18.2	67.2	(48.9)	3.7	64.7	(61.0)	20.3	66.4	17.6	68.0	18.0	17.1	17.5	18.0	18.4
<b>Routine total</b>	<b>1890.9</b>	<b>1628.7</b>	<b>262.2</b>	<b>1160.8</b>	<b>1659.0</b>	<b>(498.3)</b>	<b>1945.0</b>	<b>1700.5</b>	<b>1771.5</b>	<b>1743.0</b>	<b>1802.8</b>	<b>1790.5</b>	<b>1839.7</b>	<b>1914.3</b>	<b>1946.0</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**. There has been a moderate reduction in forecast expenditure since the 2018/19 NSP, primarily through the reassessment of Mirani Diversion Channel fencing projects in 2020 and other smaller changes to project timing and stages.

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

Eton 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
<b>Annuity</b>							
Opening balance <sup>2</sup>	(277.4)	(544.3)	(1303.7)	(2551.1)	(2466.4)	(2093.9)	(1696.5)
Non-routine spend	(884.6)	(1373.3)	(815.6)	(643.3)	(368.5)	(378.5)	(428.2)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	638.6	654.6	669.3	877.2	885.2	898.3	926.5
Interest/financing costs	(20.8)	(40.8)	(97.7)	(149.2)	(144.2)	(122.4)	(99.2)
<b>Sunwater – Closing Balance</b>	<b>(544.3)</b>	<b>(1303.7)</b>	<b>(1547.7)</b>	<b>(2466.4)</b>	<b>(2093.9)</b>	<b>(1696.5)</b>	<b>(1297.4)</b>
<b>QCA – Closing Balance</b>	<b>(1819.3)</b>	<b>(1591.0)</b>					
Difference	1275.0	287.2					

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	Kinchant Dam – Comprehensive risk assessment (CRA) inputs and seismic study	Investigations, analysis and seismic study to provide input to the CRA.	197
	Kinchant Dam – Recreational facilities	Business case to inform negotiations and transfer costs of facilities/assets to Mackay Regional Council.	143
	Kinchant Dam – Boundary fencing upgrades (Stage 1)	Operators have identified numerous sections of fence between the Mirani channel and neighbouring properties that have failed or are damaged. This project is to reinstate the fencing.	85
	Kinchant Dam – Observation bores	Periodic flushing of all observation bores to ensure the drainage system maintains correct phreatic levels downstream of the embankment toe and design stability.	69
	Mirani Diversion Channel – Channel refurbishment	Reline sections of earth lining known to have seepage issues with new compacted material and reinstate condition.	61
	Mirani pump station 3 – Radio repeater reinstatement (Stage 2)	Relocation of the radio repeater station to the chosen site from the 2018/19 investigation.	50
	Mirani pump station – Switchboard replacement	Carryover project, complete planned switchboard replacement project in 2020.	50
	Kinchant Dam inlet tower – Tower strengthening (Stage 1)	CRAs at other Sunwater dams with similar inlet tower arrangements have identified potential earthquake loading issues. This study is to confirm structure adequacy and, where required, consider options for strengthening the tower.	34
	Other works	Mirani Diversion Channel desilting works, Kinchant Dam saddle dam tree removal and inlet tower handrail metalworks.	127
	<b>2019/20 Total</b>		<b>816</b>
2020/21	Kinchant Dam – CRA	The CRA is a requirement of the facility’s dam safety conditions and follows the investigations, surveys and analysis completed in 2020.	154

Year	Project title	Project scope	Budget (\$'000 nominal)
	Kinchant Dam – Guard valve refurbishment	Outlet works guard valve 1 & 2 refurbishment (eg seals, bearings and replacement of actuators) to ensure reliable flow isolation and maximise asset service life.	117
	Kinchant Dam inlet tower – Tower strengthening (Stage 2)	This is Stage 2 to design, specify and commence procurement for the on-ground work, if required following Stage 1 investigations in 2019/20.	89
	Kinchant Dam – Regulating valve refurbishment	Outlet works valve 1. Overhaul valve actuator, seals and bearings to ensure continued reliable flow regulation and maximise service life of the asset.	78
	Mirani pump station 3 – Pump starter replacements	Planned pump starter replacements for units 1, 2, 3, 4 & 5, based on asset life to ensured continued reliable pump station operation and control.	50
	Asset revaluation	Sunwater re-values our assets every five years for insurance purposes and to assist with cost estimating on non-routine maintenance projects.	43
	Other works	Mirani Diversion Channel access crossing/siphon inlet earth and protection works refurbishment.	113
	<b>2020/21 Total</b>		<b>644</b>
<b>2021/22</b>	Kinchant Dam intake – Tower strengthening (Final stage)	This is the final stage of the program to strengthen the intake tower at Kinchant Dam, if required. The estimate will be revised once the full scope is known and costed.	305
	Mirani pump station 3 – Switchboard options study (Stage 1)	An options study will be completed to determine the most prudent and efficient option to replace the pump station switchboards.	63
	Other works	There are no other non-routine projects for 2021/22.	-
	<b>2021/22 Total</b>		<b>368</b>
<b>2022/23</b>	Mirani pump station 3 – Pump overhauls	Planned refurbishment works to ensure continued reliable operation of Mirani 3 pump station units 1, 2 & 3 and maintain asset service lives.	121
	Kinchant Dam – Bathymetric survey	A bathymetric survey of Kinchant Dam will be conducted to locate underwater obstacles. This is a public safety initiative brought about by low water levels in other dams that pose a hazard to water skiers, boats etc.	91
	Kinchant Dam – Comprehensive inspection	Sunwater conducts comprehensive inspections on our dams every five years. This allows us to maintain a current knowledge of the asset condition and risks, so projects can be brought in and deferred as needed, to maintain the asset in serviceable condition.	145

Year	Project title	Project scope	Budget (\$'000 nominal)
	Mirani pump station 3 – Replace fire alarm system	The fire alarm system is coming to the end of its life. Recent inspections indicate that its condition is also deteriorating so it will be replaced with a modern equivalent.	21
	Other works	There are no other non-routine projects for 2022/23.	-
	<b>2022/23 Total</b>		<b>378</b>
<b>2023/24</b>	Mirani pump station 3 – Switchboard replacement (Stage 2)	This is the second stage of the switchboard replacement based on the 2021/22 options study. Switchboards 1, 2 & 3 will be designed and procured for installation in 2023/24.	199
	Mirani pump station 3 – Overhaul pump units and discharge pipework	Planned refurbishment works to ensure continued reliable operation of Mirani pump station 3 units 4 & 5 and maintain asset service lives. Discharge pipework refurbishment to be undertaken at the same time.	103
	Kinchant Dam – Inlet tower works	Planned inlet tower trash rack refurbishment and replacement of light and power systems to ensure continued screening function and electrical safety and reliability of services.	49
	Other works	Kinchant Dam and Mirani pump station 3 metal works, minor pumping and services works.	78
	<b>2023/24 Total</b>		<b>429</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.