

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

## Lower Fitzroy 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
- 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/>.

### Irrigation charges for 2019/20

The 2019/20 charges and cost per megalitre are shown in **Table 1**. The Lower Fitzroy Bulk Water Service Contract does not currently require additional subsidies to recover irrigation's share of

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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.

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)	13.55	9.56	N/A
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	1.41	1.57	0.16

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 \$10.15.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Lower Fitzroy 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	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>**

Lower Fitzroy 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>	145.0	155.3	(10.3)	114.7	158.5	(43.7)	192.6	162.4	197.9	166.5	202.5	207.6	212.9	218.3	223.7
Labour	35.6	46.6	(11.0)	29.8	48.1	(18.2)	53.2	49.3	46.8	50.5	48.2	49.5	50.9	52.3	53.7
Contractors	2.7	1.1	1.7	3.9	1.1	2.8	1.4	1.1	9.8	1.1	10.0	10.2	10.5	10.7	11.0
Materials	0.4	0.5	(0.1)	-	0.5	(0.5)	-	0.6	-	0.6	-	-	-	-	-
Electricity	1.1	1.7	(0.6)	1.7	1.8	(0.1)	1.6	1.8	2.0	1.9	1.8	1.8	1.8	2.0	2.0
Insurance	24.5	13.1	11.4	22.9	13.4	9.5	21.0	13.7	24.3	14.0	24.8	25.4	26.0	26.6	27.2
Other	5.4	2.3	3.1	3.3	2.4	0.9	4.5	2.4	22.5	2.5	23.0	23.5	24.1	24.6	25.2
Local area support costs	30.6	-	30.6	25.7	-	25.7	40.1	-	24.7	-	25.3	25.9	26.6	27.2	27.9
Corporate support costs	11.5	46.5	(35.0)	9.8	47.5	(37.7)	25.5	48.7	35.1	49.9	36.0	36.9	37.8	38.8	39.7
Indirect costs	33.3	43.5	(10.2)	17.7	43.8	(26.1)	45.3	44.9	32.7	46.0	33.5	34.3	35.2	36.1	37.0
<b>Preventative maintenance</b>	42.3	91.8	(49.6)	15.3	93.8	(78.5)	38.9	96.2	42.9	98.6	44.0	45.1	46.3	47.4	48.6
Labour	13.1	28.9	(15.8)	5.7	29.8	(24.1)	11.7	30.6	11.3	31.3	11.6	12.0	12.3	12.6	13.0
Contractors	-	5.4	(5.4)	-	5.4	(5.4)	2.9	5.6	4.9	5.7	5.0	5.1	5.2	5.4	5.5
Materials	0.2	3.7	(3.5)	-	3.8	(3.8)	-	3.9	1.0	4.0	1.0	1.0	1.0	1.1	1.1
Other	1.0	-	1.0	0.1	-	0.1	0.6	-	2.9	-	3.0	3.1	3.1	3.2	3.3
Local area support costs	11.3	-	11.3	4.7	-	4.7	8.9	-	6.4	-	6.6	6.8	6.9	7.1	7.3
Corporate support costs	3.7	28.8	(25.0)	1.6	29.4	(27.8)	5.3	30.1	8.5	30.9	8.7	8.9	9.1	9.4	9.6
Indirect costs	12.8	25.1	(12.2)	3.3	25.4	(22.1)	9.5	26.0	7.9	26.7	8.1	8.3	8.5	8.7	8.9
<b>Corrective maintenance</b>	12.4	45.6	(33.2)	12.9	46.5	(33.6)	14.9	47.7	56.1	48.9	57.4	58.8	60.3	61.8	63.3
Labour	1.9	11.8	(9.9)	2.0	12.1	(10.2)	1.6	12.5	9.4	12.8	9.6	9.9	10.2	10.5	10.7
Contractors	6.2	4.3	1.9	7.1	4.4	2.7	7.9	4.5	14.7	4.6	15.0	15.4	15.7	16.1	16.5
Materials	0.1	4.5	(4.4)	-	4.6	(4.6)	0.0	4.7	9.8	4.8	10.0	10.2	10.5	10.7	11.0
Other	-	2.7	(2.7)	0.1	2.7	(2.6)	1.0	2.8	3.9	2.9	4.0	4.1	4.2	4.3	4.4
Local area support costs	1.6	-	1.6	1.7	-	1.7	1.2	-	4.8	-	4.9	5.0	5.1	5.3	5.4
Corporate support costs	0.8	12.2	(11.3)	0.9	12.4	(11.5)	1.8	12.7	7.0	13.0	7.2	7.4	7.6	7.8	7.9
Indirect costs	1.7	10.2	(8.5)	1.2	10.3	(9.2)	1.3	10.6	6.5	10.9	6.7	6.9	7.0	7.2	7.4
<b>Routine total</b>	<b>199.7</b>	<b>292.7</b>	<b>(93.0)</b>	<b>143.0</b>	<b>298.8</b>	<b>(155.8)</b>	<b>246.3</b>	<b>306.3</b>	<b>296.9</b>	<b>314.0</b>	<b>303.9</b>	<b>311.5</b>	<b>319.4</b>	<b>327.5</b>	<b>335.6</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>**

Lower Fitzroy 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>	(532.3)	(612.9)	(816.0)	(605.8)	(494.0)	(431.9)	(302.6)
Non-routine spend	(54.3)	(171.1)	-	(4.5)	(61.4)	-	-
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	13.6	13.9	14.2	151.7	152.5	154.5	163.0
Interest/financing costs	(39.9)	(45.9)	(61.1)	(35.4)	(28.9)	(25.2)	(17.7)
<b>Sunwater – Closing Balance</b>	<b>(612.9)</b>	<b>(816.0)</b>	<b>(862.8)</b>	<b>(494.0)</b>	<b>(431.9)</b>	<b>(302.6)</b>	<b>(157.3)</b>
<b>QCA – Closing Balance</b>	<b>592.2</b>	<b>627.6</b>					
Difference	(1205.0)	(1443.5)					

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	Sunwater does not have any non-routine projects planned for 2019/20.		-
	<b>2019/20 Total</b>		<b>-</b>
2020/21	Asset revaluation	The asset base is re-valued every five years to assist with project estimating and insurance premiums.	5
	Other works	There are no other non-routine projects for 2020/21.	-
	<b>2020/21 Total</b>		<b>5</b>
2021/22	Eden Bann Weir – Comprehensive inspection	Sunwater conducts comprehensive inspections on our weirs 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.	45
	Eden Bann Weir – Access crossing culverts	Periodic refurbishment of access crossing culvert protection works to ensure integrity of the weir access road.	11
	Gauging station recorder – Building	Periodic refurbishment of the gauging station building, roofing iron, weather sealing, and security to maintain equipment function,	6
	<b>2021/22 Total</b>		<b>62</b>
2022/23	Sunwater does not have any non-routine projects planned for 2022/23.		-
	<b>2022/23 Total</b>		<b>-</b>
2023/24	Sunwater does not have any non-routine projects planned for 2023/24.		-
	<b>2023/24 Total</b>		<b>-</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.