

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

## Macintyre Brook 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 \$143,000 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 Macintyre Brook 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)	48.62	57.23	8.61
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	4.54	7.91	3.37

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 \$312.91.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Macintyre Brook 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>**

Macintyre Brook 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>	553.0	745.7	(192.7)	591.4	750.4	(159.0)	660.5	769.1	956.6	788.4	979.0	981.8	1006.6	1031.8	1057.2
Labour	113.0	209.2	(96.2)	123.3	215.9	(92.6)	132.5	221.3	160.5	226.8	165.0	165.1	169.7	174.3	179.0
Contractors	17.6	18.1	(0.6)	9.7	18.5	(8.7)	7.4	18.9	14.7	19.4	15.0	14.9	15.3	15.7	16.0
Materials	2.9	6.8	(3.9)	0.9	6.9	(5.9)	3.9	7.0	5.9	7.2	6.0	6.0	6.1	6.3	6.4
Electricity	3.2	1.9	1.3	5.0	2.1	2.9	6.6	2.1	3.9	2.2	3.6	3.5	3.7	4.0	4.0
Insurance	139.6	75.0	64.5	168.0	76.3	91.7	156.9	78.2	182.9	80.2	186.7	191.0	195.3	199.8	204.4
Other	12.2	18.5	(6.3)	17.7	18.8	(1.1)	22.6	19.3	74.2	19.8	75.7	75.4	77.1	78.9	80.7
Local area support costs	97.2	-	97.2	106.1	-	106.1	100.0	-	142.2	-	145.7	145.4	149.1	152.8	156.7
Corporate support costs	40.3	200.5	(160.3)	44.3	204.9	(160.6)	71.4	210.0	120.3	215.3	123.2	123.0	126.1	129.3	132.5
Indirect costs	127.1	215.7	(88.5)	116.3	207.1	(90.7)	159.2	212.2	252.0	217.5	258.1	257.6	264.2	270.8	277.6
<b>Preventative maintenance</b>	264.5	196.1	68.5	257.1	197.3	59.9	271.6	202.2	358.8	207.3	367.8	367.3	376.9	386.5	396.4
Labour	77.1	65.4	11.7	87.4	67.5	19.9	83.6	69.1	102.1	70.9	105.0	105.1	108.0	110.9	113.9
Contractors	14.8	1.9	12.9	10.5	1.9	8.5	6.2	2.0	9.8	2.0	10.0	10.0	10.2	10.4	10.7
Materials	6.7	2.8	3.9	2.3	2.9	(0.6)	2.8	2.9	4.9	3.0	5.0	5.0	5.1	5.2	5.3
Other	9.0	1.1	7.9	5.9	1.1	4.7	3.1	1.2	2.9	1.2	3.0	3.0	3.1	3.1	3.2
Local area support costs	66.0	-	66.0	74.5	-	74.5	62.3	-	91.2	-	93.4	93.3	95.6	98.0	100.5
Corporate support costs	23.0	61.0	(37.9)	25.2	62.3	(37.1)	39.6	63.9	76.5	65.5	78.4	78.2	80.2	82.3	84.3
Indirect costs	67.9	63.9	4.0	51.5	61.6	(10.1)	74.0	63.1	71.2	64.7	73.0	72.8	74.7	76.6	78.5
<b>Corrective maintenance</b>	39.2	38.4	0.8	38.5	38.6	(0.2)	44.5	39.6	42.4	40.6	43.4	43.3	44.4	45.5	46.6
Labour	2.6	12.4	(9.8)	4.5	12.8	(8.3)	2.5	13.1	6.8	13.4	7.0	7.0	7.2	7.4	7.6
Contractors	30.0	-	30.0	19.5	-	19.5	34.0	-	14.7	-	15.0	14.9	15.3	15.7	16.0
Materials	0.3	2.3	(2.0)	1.4	2.3	(0.9)	0.3	2.3	4.9	2.4	5.0	5.0	5.1	5.2	5.3
Other	0.2	-	0.2	3.9	-	3.9	-	-	-	-	-	-	-	-	-
Local area support costs	2.3	-	2.3	3.9	-	3.9	1.9	-	6.1	-	6.3	6.3	6.4	6.6	6.8
Corporate support costs	2.3	11.6	(9.4)	2.5	11.9	(9.4)	3.6	12.2	5.1	12.5	5.2	5.2	5.3	5.5	5.6
Indirect costs	1.7	12.1	(10.4)	2.7	11.7	(9.0)	2.1	12.0	4.7	12.3	4.9	4.9	5.0	5.1	5.2
<b>Routine total</b>	<b>856.8</b>	<b>980.2</b>	<b>(123.4)</b>	<b>887.0</b>	<b>986.3</b>	<b>(99.3)</b>	<b>976.6</b>	<b>1010.9</b>	<b>1357.8</b>	<b>1036.2</b>	<b>1390.2</b>	<b>1392.4</b>	<b>1427.8</b>	<b>1463.8</b>	<b>1500.2</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**. Compared to the 2018/19 NSP, there has been a slight cost reduction due to the removal of unneeded civil works at Ben Dor Weir and Coolmunda Dam, and other projects including gauging equipment replacements and gate painting options. These changes have been offset to some extent by the addition of non-destructive testing of gates at Coolmunda Dam and a gatic cover change out, minor civil works at Whetstone Weir and public safety works at Greenup Weir.

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

Macintyre Brook 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>	(2640.5)	(2745.3)	(2804.6)	(3335.0)	(3138.5)	(2741.4)	(2233.7)
Non-routine spend	(182.5)	(136.0)	(304.2)	(270.4)	(94.5)	(54.4)	(40.4)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	275.5	282.4	288.7	661.9	675.1	722.5	748.3
Interest/financing costs	(197.8)	(205.6)	(210.1)	(195.0)	(183.5)	(160.3)	(130.6)
<b>Sunwater – Closing Balance</b>	<b>(2745.3)</b>	<b>(2804.6)</b>	<b>(3030.1)</b>	<b>(3138.5)</b>	<b>(2741.4)</b>	<b>(2233.7)</b>	<b>(1656.3)</b>
<b>QCA – Closing Balance</b>	<b>(1719.5)</b>	<b>(1627.1)</b>					
Difference	(1025.8)	(1177.5)					

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	Coolmunda Dam – Regulating valve No. 2 refurbishment	The regulating valve had significant corrosion during the 2018 and 2019 annual inspection. It will be removed from site, the corrosion removed, the valve repainted and seals replaced. Any minor amendments to the hydraulic operating system will be done at the same time.	56
	Coolmunda Dam – Light Detection and Ranging survey	There is evidence that the downstream face rock is bulging/moving slightly in some localised areas. It is prudent to set a benchmark and establish an accurate location of the rock to measure against future surveys.	28
	Coolmunda Dam – Install standpipes	During the 2017 annual inspection, operators advised of additional seepage downstream of the dam. To enable accurate measurement of the extent of the seepage, new standpipe piezometers will be installed. This project has been deferred until after the dam safety review to confirm project validity, standpipe numbers and exact locations.	26
	Coolmunda Dam – Gate 4 non-destructive testing	Following issues with gates at Callide Dam, Sunwater will conduct non-destructive testing on sample gates at other dams to determine if there are cracks and other defects in welding and gate material.	68
	Meter replacements	This is an allowance to replace customer meters if they fail during the year. If none are replaced, the funds will remain in the annuity.	23
	Other works	There are 5 other non-routine projects for 2019/20.	104
	<b>2019/20 Total</b>		<b>305</b>
2020/21	Asset revaluation	Revalue the assets for insurance purposes; update asset replacement costs and Bill of Materials; and identify gaps in asset hierarchy data	23
	Coolmunda Dam – Trash rack refurbishment	One of the trash racks at Coolmunda Dam is in poor condition so it is being removed and refurbished. A spare trash rack will be installed in its place to ensure continuous supply.	17

Year	Project title	Project scope	Budget (\$'000 nominal)
	Coolmunda Dam – Crane refurbishment	This is an allowance to repair any defects identified during the crane audit in 2018. Regular inspections to date have not identified any significant defects so this funding may remain in the annuity.	21
	Meter replacements	This is an allowance to replace customer meters if they fail during the year. If none are replaced, the funds will remain in the annuity.	23
	Coolmunda 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.	136
	Other works	There are 2 other non-routine projects for 2020/21.	50
	<b>2020/21 Total</b>		<b>270</b>
<b>2021/22</b>	Coolmunda Dam – 2-tonne hoist replacement	The 2-tonne hoist unit is required to install the isolation bulkhead and has been assessed as needing remedial works such as compliance signage and minor electrical upgrades to keep it in safe working order.	7
	Coolmunda Dam – Bulkhead gate refurbishment	The bulkhead gates are starting to corrode. It is estimated by 2022 that they will need a full repaint as patch-painting is no longer considered a viable maintenance option.	64
	Meter replacements	This is an allowance to replace customer meters if they fail during the year. If none are replaced, the funds will remain in the annuity.	24
	Other works	There are no other non-routine projects for 2021/22.	-
	<b>2021/22 Total</b>		<b>95</b>
<b>2022/23</b>	Meter replacements	This is an allowance to replace customer meters if they fail during the year. If none are replaced, the funds will remain in the annuity.	25
	Coolmunda Dam – Float well assessments	Sunwater conducts condition assessments of the float wells at Coolmunda Dam to ensure that the floats remain attached and are in the guide slots, the discharge pipework is not full of sediment and there are no other defects that prevent the gates from opening as they are intended.	17
	Weir comprehensive inspections – Two sites	These projects are to conduct a comprehensive inspection of the weir to inform Sunwater of any future refurbishment work and keep the asset condition and risk data up to date, which will allow us to prepare an optimised maintenance plan for the weirs.	13
	Other works	There are no other non-routine projects for 2022/23.	-

Year	Project title	Project scope	Budget (\$'000 nominal)
	<b>2022/23 Total</b>		<b>55</b>
<b>2023/24</b>	Coolmunda Dam – Outlet building pump refurbishment	The emergency pump and motor need minor refurbishment to ensure they work, to open the gates as needed.	15
	Meter replacements	This is an allowance to replace customer meters if they fail during the year. If none are replaced, the funds will remain in the annuity.	25
	Other works	There are no other non-routine projects for 2023/24.	-
	<b>2023/24 Total</b>		<b>40</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.