

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

Lower Mary River Distribution 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 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 D 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 Lower Mary River Distribution 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 2019/20¹

Product	Charge type	2019/20 (\$/ML)	Cost (\$/ML) ²	Subsidy (\$/ML)
Medium Priority Allocation Charge – Channel Distribution	Channel Distribution Charge – Part C (fixed charge based upon allocation)	47.00	68.41	21.41
Medium Priority Allocation Water – Channel Distribution	Channel Distribution Charge – Part D (variable charge based upon actual usage)	70.27	67.73	N/A

1. This table includes distribution charges only. For river charges (Part A and Part B), please refer to the Bulk Water 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.

Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Lower Mary River Distribution 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	3	0
Maximum number of interruptions ¹	Planned or unplanned interruptions per water year	6	1	0

1. This is the total number of 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}

Lower Mary River Distribution 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	585.2	445.6	139.6	808.4	457.0	351.5	595.1	468.4	685.2	480.1	693.9	850.2	876.1	927.3	934.7
Labour	79.6	80.0	(0.4)	77.3	82.5	(5.2)	115.4	84.6	105.1	86.7	108.0	111.0	114.1	117.2	120.4
Contractors	1.7	-	1.7	11.8	-	11.8	0.1	-	4.9	-	5.0	5.1	5.2	5.4	5.5
Materials	1.3	0.5	0.8	0.4	0.6	(0.2)	0.7	0.6	1.0	0.6	1.0	1.0	1.0	1.1	1.1
Electricity	313.0	181.9	131.1	498.1	194.7	303.4	249.2	199.5	300.6	204.5	300.0	446.1	461.8	502.6	499.4
Insurance	60.2	45.5	14.7	56.4	46.3	10.1	52.7	47.5	62.0	48.7	63.3	64.7	66.2	67.7	69.3
Other	20.2	7.5	12.7	35.6	7.6	28.0	20.0	7.8	40.5	8.0	41.3	42.3	43.2	44.2	45.3
Local area support costs	53.6	-	53.6	66.5	-	66.5	63.1	-	39.5	-	40.5	41.5	42.6	43.7	44.8
Corporate support costs	21.5	79.8	(58.3)	26.8	81.5	(54.7)	42.6	83.6	78.7	85.7	80.6	82.7	84.8	86.9	89.1
Indirect costs	34.1	50.3	(16.2)	35.6	43.8	(8.2)	51.2	44.9	53.0	46.0	54.2	55.6	57.0	58.5	59.9
Preventative maintenance	240.9	254.5	(13.6)	142.4	252.5	(110.1)	214.4	258.8	262.7	265.3	269.3	276.3	283.5	290.8	298.2
Labour	75.6	85.4	(9.9)	44.0	88.2	(44.1)	68.9	90.4	88.3	92.6	90.7	93.3	95.9	98.5	101.2
Contractors	17.6	7.6	10.0	18.8	7.8	11.1	10.1	7.9	17.6	8.1	18.0	18.4	18.9	19.3	19.8
Materials	6.1	14.7	(8.6)	3.4	15.0	(11.5)	2.0	15.3	5.9	15.7	6.0	6.1	6.3	6.4	6.6
Other	12.0	6.5	5.5	4.3	6.6	(2.3)	5.2	6.8	8.8	7.0	9.0	9.2	9.4	9.6	9.9
Local area support costs	64.9	-	64.9	37.9	-	37.9	51.4	-	31.5	-	32.2	33.1	33.9	34.8	35.6
Corporate support costs	22.9	90.5	(67.6)	13.7	92.5	(78.8)	31.6	94.8	66.2	97.2	67.8	69.5	71.3	73.0	74.9
Indirect costs	41.8	49.8	(7.9)	20.3	42.5	(22.2)	45.1	43.6	44.5	44.7	45.6	46.7	47.9	49.1	50.4
Corrective maintenance	159.8	158.9	0.9	145.3	158.6	(13.3)	163.8	162.6	165.2	166.6	169.3	173.6	178.0	182.5	187.1
Labour	48.7	44.7	4.0	37.3	46.1	(8.7)	47.3	47.2	46.0	48.4	47.3	48.7	50.0	51.4	52.8
Contractors	4.7	8.2	(3.5)	6.3	8.3	(2.0)	11.0	8.5	14.7	8.7	15.0	15.4	15.7	16.1	16.5
Materials	13.7	18.2	(4.5)	13.9	18.5	(4.6)	6.9	19.0	14.7	19.4	15.0	15.3	15.7	16.1	16.4
Other	9.2	18.5	(9.4)	26.5	18.8	7.7	10.2	19.3	15.7	19.8	16.0	16.4	16.7	17.1	17.5
Local area support costs	41.9	-	41.9	31.2	-	31.2	36.0	-	16.4	-	16.8	17.2	17.7	18.1	18.6
Corporate support costs	15.2	45.4	(30.2)	12.8	46.4	(33.6)	22.7	47.5	34.5	48.7	35.3	36.2	37.2	38.1	39.1
Indirect costs	26.6	24.0	2.6	17.2	20.5	(3.3)	29.7	21.0	23.2	21.5	23.8	24.4	25.0	25.6	26.3
Routine total	985.9	859.0	126.9	1096.1	868.0	228.1	973.4	889.7	1113.2	912.0	1132.5	1300.1	1337.7	1400.6	1420.0

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 balance¹

Lower Mary River Distribution 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	1941.2	2328.1	2596.8	2389.2	2226.0	2243.0	1257.8
Non-routine spend	(238.0)	(397.2)	(556.2)	(596.7)	(413.4)	(1424.4)	(894.3)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution ³	479.5	491.5	502.5	293.9	300.2	308.0	312.0
Interest/financing costs	145.4	174.4	194.5	139.7	130.2	131.1	73.5
Sunwater – Closing Balance	2328.1	2596.8	2737.6	2226.0	2243.0	1257.8	749.0
QCA – Closing Balance	1650.4	1773.1					
Difference	677.7	823.7					

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	Work items	Work description	Budget (\$'000 nominal)
2019/20	Owanyilla pump station – Unit 2 pump, motor, discharge valve and suction valve	Works based on known condition data. Works intended to reinstate condition to as-new and will be scheduled as a single project to minimise unit down time.	231
	Walker Point pump station – Control system, switchboard and cable replacements (Stage 1)	Replacement works, design/scoping and procurement stage of works, subject to 2018/19 options analysis.	159
	Copenhagen Bend system – Pump 1 discharge valve and Pump 2 discharge valve and actuator refurbishments	Updated condition data has determined that the discharge valve on Pump No.1 as well as the discharge valve on Pump No.2 and its actuator be refurbished to ensure ongoing best performance.	27
	Mains Road pump station – Options study	Programmable Logic Controller (PLC) and Supervisory Control and Data Acquisition (SCADA) system replacement based on standard asset replacement lives and equipment obsolescence. Renewing of equipment to provide continued reliable service and supportability. An options study will proceed the work to ensure an optimal outcome.	8
	Walker Point – Pump 1 discharge and non-return valve refurbishment	Refurbish the discharge and non-return valves to maintain asset performance.	28
	Other works	The balance of the 2019/20 program consists of a third-party crane inspection, pump station high voltage (HV) testing, a switchboard options analysis (Owanyilla pump station), lift safety device replacement and a small number of minor works, including allowances for meter replacements in each segment.	104
	2019/20 Total		557
2020/21	Walker Point pump station – Control system, switchboard and cable replacements (Stage 2)	Equipment replacement to reinstate control system reliability, performance and supportability. Continuation of 2019/20 works.	326
	Mains Road pump station – Pump, motor and discharge valve refurbishments	The pump, motor and discharge valve on Pump Unit No. 1 will be removed for refurbishment based on updated condition data. This is to ensure ongoing optimal performance.	65

Year	Work items	Work description	Budget (\$'000 nominal)
	Copenhagen Bend system – Fence and road refurbishment	A small allowance is made to refurbish damaged fencing and the access road into the pump station.	5
	Owanyilla pump station – Electrical control system design and procurement	Design and procurement stage of the control system upgrade based on the outcome of the 2019 options analysis. The control system is beyond its standard life with few spare parts available, so needs to be replaced before it fails.	56
	Other works	The balance of the 2020/21 program consists of customer meter upgrades, pump, motor and valve refurbishments, air vent and valve replacements, and fencing and screen refurbishments.	145
	2020/21 Total		597
2021/22	Copenhagen Bend pump station – Switchboard, control and PLC/SCADA replacement (Stage 2)	Replacement works based on standard asset replacement life and obsolescence. This is the design and procurement stage with installation to commence in 2022/23. The scope of works, timing and budget are subject to the 2018/19 options analysis.	76
	Meter replacements	Staged upgrade of Main Roads system customer metering fleet to improve metering accuracy, scheme delivery efficiency and compliance with Sunwater standards.	3
	Walker Point – Regulating gate refurbishment	Regulating Gate No. 1 in the system will be removed for repainting and seal replacement to ensure ongoing function and extend the gate's life. Sunwater's strategy is to refurbish each regulating gate at 10-year intervals as this has been demonstrated to be the most efficient approach.	38
	Owanyilla pump station – Electrical control system replacement (Stage 1)	This is the Stage 1 replacement following the design and procurement phase from 2020/21. This will involve the initial supply of services and installation. Once the final design and procurement phase has been completed, typical supply and installation takes 6-12 months as the old and new system need to operate concurrently to allow continuity of supply.	247
	Other works	The balance of the 2021/22 program consists of sign and road refurbishments, isolation valve and inlet screen refurbishment, meter replacements, and air valve, vent and structure replacements.	50
	2021/22 Total		414
2022/23	Owanyilla pump station – Electrical control system replacement (Stage 2)	This is the Stage 2 replacement to continue the installation and commissioning of the new electrical control system.	356

Year	Work items	Work description	Budget (\$'000 nominal)
	Owanyilla pump station – Switchboard No. 2 replacement works (Stage 1)	Detail design and procurement of materials and equipment. Scope of works, timing and budget are subject to the 2020/21 options analysis.	246
	Copenhagen Bend pump station – Switchboard, control and PLC/SCADA replacement (Stage 3)	Replacement works based on standard asset replacement life and obsolescence. This is the installation and commissioning stage based on the design work from 2022.	655
	Walker Point pump station – Pump Units No. 1 and 3 refurbishments	Refurbishment planned based on standard life of 5-6 years. The pumps were replaced in 2018. If they remain in good condition, the work will not proceed.	68
	Other works	The balance of the 2022/23 program consists of meter replacements, Main Roads pump station vacuum pump refurbishment, Walker Point storage inlet gate refurbishment and pump station HV testing.	99
	2022/23 Total		1424
2023/24	Owanyilla pump station – Switchboard No. 2 replacement works (Stage 2)	Installation and commissioning of materials and equipment. This project will conclude the switchboard and control system activities at the pump station.	494
	Owanyilla pump station – Mains cable replacement	Cable replacement to be coordinated with switchboard and control system site works. Scope of works, timing and budget are subject to the 2020/21 options analysis.	187
	Main Roads – Controls replacement (Stage 1)	Design and procurement stage of the control system upgrade based on the outcome of the options analysis. The control system is beyond its standard life with few spare parts available, so needs to be replaced before it fails.	65
	Owanyilla pump station – Switchboard No. 1 replacement works	The switchboard work includes installation and commissioning of materials and equipment. This project will be run in conjunction with the switchboard No. 2 and control system and cables replacement works.	44
	Copenhagen Bend system – Pump Unit No.1 refurbishment	Refurbishment planned based on standard life of 5-6 years. The pump was replaced in 2018. If it remains in good condition, the work will not proceed.	58
	Other works	The balance of the 2023/24 program consists of an Owanyilla pump station lift inspection and minor metalwork and structure refurbishments.	46
	2023/24 Total		894

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.