

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

Pioneer River 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 \$75,000 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 Pioneer River 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) ^{1,2}	Subsidy (\$/ML)
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	14.81	15.99	1.18
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	3.13	3.97	0.84

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 \$32.20.

Routine expenditure

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

Table 2: Routine expenditure^{1,2}

Pioneer River 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	500.6	549.1	(48.6)	668.5	554.8	113.8	682.5	568.6	860.1	582.8	879.4	902.0	924.2	947.0	969.8
Labour	74.9	137.6	(62.7)	79.1	142.0	(62.9)	95.2	145.5	110.0	149.2	113.1	116.3	119.5	122.8	126.1
Contractors	36.0	14.3	21.7	19.3	14.6	4.8	12.4	14.9	19.6	15.3	20.0	20.5	21.0	21.5	22.0
Materials	0.3	2.3	(2.0)	0.1	2.3	(2.2)	0.6	2.3	4.9	2.4	5.0	5.1	5.2	5.4	5.5
Electricity	3.4	4.9	(1.5)	4.5	5.2	(0.7)	4.1	5.4	5.1	5.5	4.9	6.1	6.3	6.8	6.8
Insurance	182.5	95.7	86.8	345.8	97.4	248.4	314.8	99.8	359.6	102.3	367.0	375.4	384.0	392.9	401.9
Other	18.9	14.5	4.4	23.4	14.7	8.7	14.0	15.1	73.5	15.5	75.0	76.7	78.5	80.3	82.1
Local area support costs	64.4	-	64.4	68.0	-	68.0	71.4	-	55.4	-	56.8	58.2	59.7	61.2	62.7
Corporate support costs	32.8	134.5	(101.7)	41.6	137.4	(95.9)	62.5	140.9	82.5	144.4	84.5	86.6	88.8	91.1	93.3
Indirect costs	87.4	145.4	(58.0)	86.6	141.1	(54.5)	107.5	144.7	149.6	148.3	153.2	157.1	161.1	165.1	169.3
Preventative maintenance	385.2	242.1	143.1	361.2	243.8	117.4	390.7	249.9	317.1	256.2	324.7	333.0	341.4	349.9	358.7
Labour	86.8	75.2	11.7	99.7	77.6	22.1	81.1	79.5	66.7	81.5	68.6	70.5	72.5	74.5	76.5
Contractors	100.5	8.5	92.0	73.0	8.6	64.4	123.2	8.8	107.7	9.0	110.0	112.6	115.3	118.0	120.8
Materials	3.5	5.4	(1.9)	4.1	5.5	(1.4)	7.8	5.6	4.9	5.8	5.0	5.1	5.2	5.4	5.5
Other	6.5	8.7	(2.2)	7.4	8.8	(1.4)	3.0	9.1	6.9	9.3	7.0	7.2	7.3	7.5	7.7
Local area support costs	74.7	-	74.7	85.7	-	85.7	60.8	-	34.4	-	35.2	36.1	37.0	38.0	38.9
Corporate support costs	29.8	71.0	(41.1)	32.1	72.5	(40.4)	44.4	74.3	50.0	76.2	51.2	52.5	53.9	55.2	56.6
Indirect costs	83.5	73.4	10.0	59.2	70.8	(11.5)	70.4	72.6	46.5	74.4	47.7	48.9	50.1	51.4	52.7
Corrective maintenance	107.7	195.9	(88.2)	106.2	198.0	(91.8)	121.9	202.9	152.4	208.0	155.9	159.8	163.7	167.7	171.8
Labour	9.6	39.2	(29.6)	9.1	40.5	(31.4)	24.3	41.5	21.2	42.5	21.8	22.4	23.0	23.7	24.3
Contractors	62.1	37.2	24.9	62.4	37.8	24.6	35.7	38.8	63.6	39.7	65.0	66.6	68.1	69.8	71.4
Materials	6.7	12.4	(5.7)	8.5	12.6	(4.1)	2.6	12.9	9.8	13.2	10.0	10.2	10.5	10.7	11.0
Other	3.8	28.2	(24.4)	6.5	28.7	(22.1)	2.8	29.4	16.3	30.1	16.6	17.0	17.4	17.8	18.2
Local area support costs	8.3	-	8.3	7.8	-	7.8	18.8	-	10.8	-	11.1	11.3	11.6	11.9	12.2
Corporate support costs	6.1	40.6	(34.5)	6.4	41.5	(35.1)	18.5	42.5	15.9	43.6	16.3	16.7	17.1	17.5	18.0
Indirect costs	11.3	38.3	(27.1)	5.4	36.9	(31.5)	19.1	37.9	14.8	38.8	15.2	15.5	15.9	16.3	16.7
Routine total	993.5	987.1	6.4	1135.9	996.6	139.3	1195.0	1021.5	1329.6	1047.0	1360.0	1394.8	1429.4	1464.7	1500.3

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 3**. 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 3: Annuity balance¹

Pioneer River 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	(3524.4)	(4121.9)	(4248.9)	(5192.0)	(4639.5)	(4051.0)	(3162.1)
Non-routine spend	(802.0)	(298.3)	(806.6)	(260.4)	(320.7)	(129.4)	(1017.7)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution ³	468.4	480.1	490.9	1116.4	1180.5	1255.1	1278.7
Interest/financing costs	(264.0)	(308.7)	(318.2)	(303.6)	(271.3)	(236.9)	(184.9)
Sunwater – Closing Balance	(4121.9)	(4248.9)	(4882.7)	(4639.5)	(4051.0)	(3162.1)	(3085.9)
QCA – Closing Balance	(1733.1)	(2019.6)					
Difference	(2388.8)	(2229.3)					

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	Teemburra Dam – Access road	A slip adjacent to the main dam access road occurred in 2016. Maintaining access is critical to operate the dam and for Emergency Action Plan purposes. This project will re-align the access road away from the slip.	142
	Teemburra Dam – Outlet works	Various works to the main dam and Saddle Dam 2 outlet works including erosion protection, access platforms and lifting load checks.	110
	Teemburra Dam crest seepage – Ground penetrating radar (GPR) survey	Seepage through the main dam crest has increased slowly over the past few years so it is thought there are voids or fissures developing in the rock. A GPR survey will confirm this and provide recommendations for filling the voids, if any are found.	77
	Dumbleton Weir – Fabridam	Decommission the fabridam, remaining fixtures, pipe works, and electrics etc.	73
	Teemburra Dam – Spillway anchors	A number of spillway anchors will be pulled out and the force used to do that assessed against design parameters to determine if they are still anchoring the concrete to the foundation rock. Additional anchors may be required if the tests are not satisfactory.	68
	Teemburra Dam – Storage shed	Construct storage shed suitable for surveillance equipment and an all-terrain vehicle etc.	51
	Dumbleton Weir – Fishlock	Replace fishlock entrance slide gate.	51
	Marian Weir – Protection works	Right bank protection works refurbishment and condition and risk assessment of downstream spillway concrete face erosion.	40
	Other works	The balance of works includes customer river meter replacements, Palmtree Creek pipeline protection works, Teemburra telemetry works and other protection works, and an unplanned capital replacement allocation.	195
	2019/20 Total		807

Year	Project title	Project scope	Budget (\$'000 nominal)
2020/21	Teemburra Dam – Comprehensive inspection	Sunwater conducts comprehensive inspections of our dams and weirs every five years. Referable dams such as Teemburra Dam are required to undergo a comprehensive inspection as part of the dam safety condition schedules. The condition data will be updated to assist with better planning of non-routine maintenance items.	79
	Teemburra Dam – Outlet works	Refurbish main dam guard valve, blast, paint, actuator, seals, seats and bearings.	71
	Palmtree Creek – Cathodic protection (CP) replacement	This is an allowance to replace failed components of the CP system on the pipeline. The CP system protects the pipe from corrosion. The full scope will be better understood after the annual assessment.	30
	Teemburra Dam spillway – Drain clean out	Sunwater's standard policy is to clean out all pressure reducing drains every five years. This is an allowance to clean the drains in the spillway face at the dam to prevent pressure build up. A build-up of pressure could cause additional damage to the rock or concrete.	29
	Other works	The balance of works includes customer river meter replacements, Pioneer Valley asset revaluation project, and blast and paint three baulks at Saddle Dam 2.	51
	2020/21 Total		260
2021/22	Marian Weir – Cofferdam removal	The failed cofferdam at Marian Weir will be removed. Sunwater is waiting on Workplace Health & Safety Queensland approval to do so.	112
	Marian, Mirani and Dumbleton Weirs – Comprehensive inspections	Sunwater conducts comprehensive inspections of our dams and weirs every five years. The condition data will be updated to assist with better planning of non-routine maintenance items.	130
	Teemburra Saddle Dam 2 – Guard valve refurbishment	The guard valve will be patch painted and new seals installed. Minor hydraulic repairs will also be done to ensure the valve operates as it should.	27
	Other works	The balance of works includes customer river meter replacements and Saddle Dam 2 guard valve and hydraulics refurbishments.	52
	2021/22 Total		321
2022/23	Teemburra Dam – Baulks and trash racks	Condition assessment of the baulks and trash racks indicate that in about 2022/23 they will need patch painting to remove corrosion to extend their life.	38
	Teemburra Dam – Fill and vent pipe	Refurbishment of the outlet works filling line and air vent pipes.	29

Year	Project title	Project scope	Budget (\$'000 nominal)
	Teemburra Saddle Dam 2 – Back up battery replacement	Battery systems of this type usually last about 8-10 years. These were last replaced in 2014 so it is prudent to plan for their replacement in 2022/23. A condition assessment in 2021/22 will confirm the need for this.	21
	Other works	The balance of works includes customer river meter replacements, replacement of the main switchboard at Mirani Weir, and replacement of gauging equipment and rainfall recorder at the main dam.	41
	2022/23 Total		129
2023/24	Teemburra Dam – Spillway rock repairs	This allowance is to stabilise the bed and banks of the main dam spillway. The priority and scope of works is to be confirmed as part of the 2020/21 five-yearly comprehensive inspection.	393
	Dumbleton Weir – Control equipment	The works include refurbishment of the control building structure (paint/fittings) and an options analysis to confirm the most prudent and efficient replacement strategy for the Dumbleton Weir control system.	61
	Dumbleton Weir – Upstream rock protection refurbishment	This is an allowance to refurbish the upstream rock protection at Dumbleton Weir. A condition assessment in 2022/23 will confirm if this needs to proceed.	66
	Dumbleton Weir – Fishlock gate repairs	This is an allowance to repaint and replace seals on the fishway gates at Dumbleton Weir. A condition assessment in 2022/23 will confirm the scope of works.	195
	Marian, Mirani and Dumbleton Weirs – Siltation studies	Projects to undertake ponded area siltation studies at each weir to confirm storage rating curves and identify future operational issues.	88
	Teemburra Saddle Dam 2 – Trash rack repairs	This is an allowance to repaint and repair the trash racks on Saddle Dam 2 at Teemburra Dam. A condition assessment in 2022/23 will confirm the scope of works.	39
	Other works	The balance of works includes a Teemburra Dam Light Detection and Ranging survey, customer river meter replacements, Palmtree Creek erosion protection works, Teemburra Dam creek diversion/channel drop structure refurbishments and other minor works.	176
	2023/24 Total		1018

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.