sunwater

Final Service and Performance Plan 2023

Pioneer River Bulk Water Service Contract

7 December 2023

Contents

At a glance

Our customers

Most customers in this scheme are irrigators in Pioneer River, Palm Creek and Cattle Creek. Water is also provided to supplement the town water supply for Mackay and surrounding townships, and for industrial purposes.

Our irrigation charges

Table 1 - Irrigation charges for 2023-24

Charges by tariff group 2023-24							
Pioneer bulk supply		Irrigation charge[1]		Cost-reflective charge[2]		Δ to cost reflective	
Pioneer Valley Water Board	Part A	$18.21	$/ML	$21.90	$/ML	-$3.69	$/ML
	Part B	$3.33	$/ML	$4.01	$/ML	-$0.68	$/ML

1. *Includes the Queensland Government's 15 per cent discount for irrigation customers. Refer to www.rdmw.qld.gov.au for more information.*
2. *Is the cost-reflective price determined by the Queensland Competition Authority (QCA) in its 2020–2024 irrigation price investigation (excluding dam improvement costs). Costs reflect lower bound cost recovery, i.e. recovery of future replacement and ongoing maintenance and operations.*

For more information on Sunwater's fees and charges, refer to: www.sunwater.com.au/customer/fees-and-charges/

Our performance

Operations and maintenance costs		QCA $'000'	Sunwater $'000	Δ to QCA	
Actual	2022-23	$1,494.7	$1,502.2	0.5%	⧫
Forecast	2023-24	$1,530.2	$1,582.4	3.4%	⧫

Expenditure funded by the annuity		QCA $'000	Sunwater $'000	Δ to QCA	
Actual	2022-23	$127.3	$300.4	136%	▲
Forecast	2023-24	$614.6	$767.5	25%	▲
Actual + Forecast	∑ Price path	$1,315.0	$5,332.2	305.51%	▲

▲	△	⧫	▽	▼
10% above the QCA target	5% above the QCA target	In line with the QCA target	5% below the QCA target	10% below the QCA target

Water delivered	Total		To irrigators		
2021-22	20,243	ML	6,801.2	ML	
2022-23	16,237	ML	2,160.0	ML	
	-19.8%	▼	-68.2%	▼	*YoY change by group*

▲	⧫	▼
5%	0%	-5%

Introduction

This Service and Performance Plan (S&PP) details a range of proposed scheme activities and projects and presents a breakdown of anticipated costs for review. It also sets out Sunwater's actual costs for 2022-23.

The purpose of this year's S&PP for the Pioneer River is to:

- examine Sunwater's performance in 2022-23 against cost and service targets
- present to customers Sunwater's projected costs[1] for 2023-24 and 2024-25
- consult with our customers on forecast operating and annuity-funded costs for 2023-24 and the forward program of works

In addition to this S&PP, Sunwater submitted its irrigation pricing proposal to the Queensland Competition Authority (QCA) on 30 November 2023 which explains the types of costs we incur in delivering water to our customers and how those costs are allocated to service contracts. The pricing proposal and associated customer material is available at: www.sunwater.com.au/projects/price-path/.

Input from customers is a valuable part of Sunwater's planning process and ensures that we invest in areas which support the services we provide to customers.

Sunwater engages with its customers both formally and informally throughout the year and customer feedback is a valuable part of our planning process.

The publication of an annual S&PP is an important part of the formal feedback process, providing a snapshot of Sunwater's performance over the most recently completed financial year, as well as an outline of the areas of focus for the current year.

We welcome and encourage your feedback on this S&PP. To have your say, please contact us via email or post:

Email: sppfeedback@sunwater.com.au
Post: S&PP Feedback

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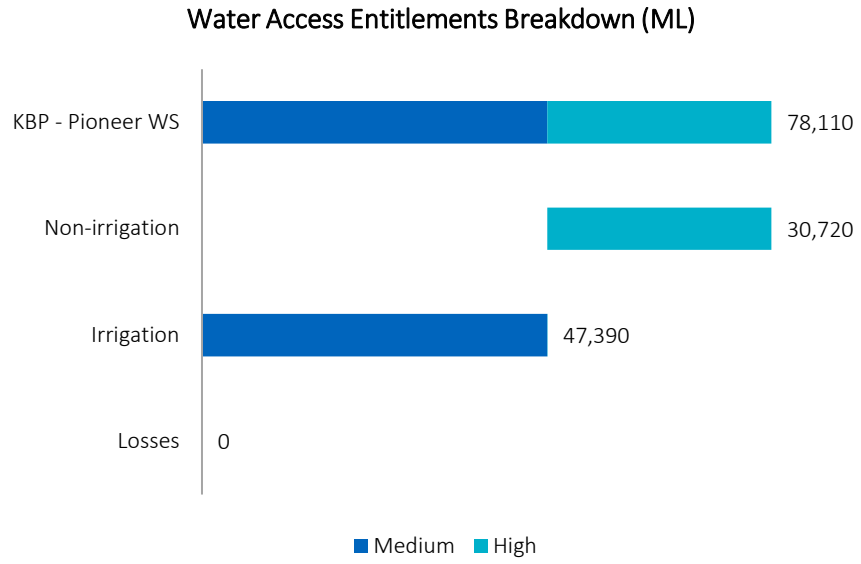
[1] All financial figures reported in this document are in nominal dollars, i.e. dollars of the day. Figures may not sum due to rounding.

Delivering services to our customers

Entitlements

The water allocations for each customer segment are shown below.

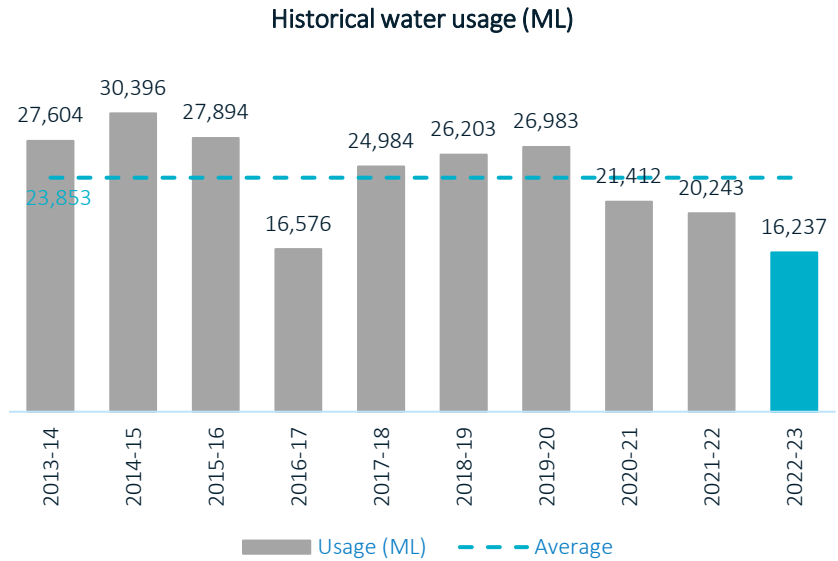
Figure 1 - Water access entitlements (as of 30 June 2023)



Historical water usage

The chart below shows annual water usage for the past 10-years.

Figure 2 - Scheme historical water usage for the past 10-years



- Usage in 2022-23 was below the level of the 10-year average of 23,853 ML.
- Part B charges for the current period were set using the 20-year average of 25,889 ML.

Service targets

Sunwater has company-wide customer interactions service targets. Our performance in 2022-23 against these service targets is shown in Table 2.

Table 2 - Customer interactions service targets and performance

Service target	Target	2022-23
Telephone answering[1]	80.00%	92.50%
Requests actioned within Service Level Agreement (SLA) timeframes[2]	> 95.00%	99.47%

1. *This target measures the percentage of 13 15 89 calls that are answered within 60 seconds.*
2. *This target measures the percentage of email or workflow requests (such as property transfers and temporary transfers) to the Customer Support team that are completed within the agreed SLAs. The SLA timeframes range between two and 10 business days, depending on the request.*

Key infrastructure

Table 3 lists the key infrastructure used to deliver bulk water services to our customers in Pioneer River.

Table 3 - Key infrastructure

Asset	Description	Total storage capacity (ML)
Teemburra Dam	Concrete faced rock fill structure with three saddle dams and an ogee crest spillway. Classified as a referable dam under the *Water Supply (Safety and Reliability) Act 2008*.	147,500
Dumbleton Weir	Mass concrete structure with a fish lock.	8840
Mirani Weir	Mass concrete. It is also used as a pumping pool for the Mirani pumping stations which supply water to Kinchant Dam in the Eton water supply system.	4660
Marian Weir	Mass concrete with ogee crest in two sections and fish ladder.	3980

Cost of delivering services—Operating expenditure

Operating expenditure includes funds for: operations activities, (i.e. operations, electricity, and insurance); preventative maintenance; and corrective maintenance.

Table 4 sets out actual and forecast operating expenditure for Pioneer River.

Our performance in 2022-23

In 2022-23, operating costs were broadly in line with the QCA's recommended cost target. Further information is provided in the pricing submission proposal and associated scheme summaries.

Outlook for 2023-24

Pioneer River Bulk Water Service Contract's total operations budget in 2023-24 is broadly in line with the QCA's recommended cost target. Insurance is one of Sunwater's largest expenditure items. These costs have increased significantly in recent years due to multiple flood events in Queensland and global insurable events impacting premiums. The escalation of insurance premiums has directly contributed to the rise in Sunwater's operating expenditure.

Sunwater's focus in 2023-24 is on performing operation and maintenance activities to a standard that ensures the scheme's reliability and functionality while also meeting current asset maintenance standards and compliance obligations.

Table 4 - Operating expenditure

Operations and maintenance costs - by sub-category

	2022-23 actuals $'000				2023-24 forecast $'000			
	QCA[1]	Sunwater[3]	Δ to QCA		QCA[1]	Sunwater[3]	Δ to QCA	
Insurance	$445.4	$499.9	12.2%	▲	$455.7	$602.4	32.2%	▲
Electricity	$6.5	$8.7	34.3%	▲	$6.5	$11.0	67.6%	▲
Operations & maintenance	$521.4	$518.9	-0.5%	◆▶	$534.0	$477.5	-10.6%	▼
Support costs	$521.5	$474.7	-9.0%	▽	$534.1	$491.6	-8.0%	▽
Total opex[2]	$1,494.7	$1,502.2	0.5%	◆▶	$1,530.2	$1,582.4	3.4%	◆▶

▲	△	◆▶	▽	▼
10% above the QCA target	5% above the QCA target	In line with the QCA target <5%	5% below the QCA target	10% below the QCA target

1. *Reflects the QCA's 2020–2024 irrigation price investigation final recommendations. Excludes recreational facility costs.*
2. *From 1 July 2020, irrigation customers no longer contribute towards the cost of operating and maintaining recreational facilities. These costs have been excluded from the total operating expenditure.*
3. *Sunwater's 2022-23 actual expenditure figures presented in this table are pre-adjustment and will differ from our Irrigation Pricing Proposal and its engagement materials. Sunwater's 2023-24 figures align with our pricing submission, these figures may differ from the budget.*

Cost of delivering services—Renewals annuity and non-annuity funded expenditure

Renewals annuity balance and expenditure discussion

Sunwater recovers expenditure required to renew (maintain the current level of service an asset provides) its assets via a renewals annuity. The annuity treats all renewals related expenditure as an expense (i.e., not capital) and amortises a multi-year expenditure forecast (30-years) such that the amount customers pay is smoothed, relative to the actual expenditure profile. Negative opening balances reflect expenditure incurred by Sunwater which has not yet been recovered via the annuity contribution amount, while positive opening balances reflect expenditure which has been pre-recovered via the annuity contribution amount. Forecast annuity balances, and the impacts of budgeted spend, are shown in Table 5 below.

The QCA and Sunwater closing balances differ due to differences in the expenditure profile allowed by the QCA in its 2020-24 final recommendations and actual expenditure incurred by Sunwater in 2022-23 and what we expect to spend in 2023-24.

Annuity-funded expenditure includes funds for planned corrective maintenance (PCM), as well as large, one-off operations activities. Activities include monitoring of the asset condition to inform when an asset needs to be refurbished or replaced under the PCM program.

Non-annuity funded expenditure largely relates to Sunwater's Dam Improvement Program and recreational facility costs.

Our performance in 2022-23

Performance against the QCA target

Sunwater updates our program of works based on our whole-of-life replacement and maintenance strategy, which looks at the risk and condition of each asset and uses this information to estimate the future work required to ensure the asset will continue to provide the required level of service into the future. Other factors such as changes in project delivery timing (e.g. due to weather) may also affect the program of works.

These factors mean the actual program of works delivered in any given year will differ to the program assessed by the QCA. At a project level, cost variances may also occur due to changes in the scope of work and cost inputs.

Further explanation of our performance is provided in the pricing submission and scheme summaries.

Project level cost variances

Table 6 provides a comparison of the annuity-funded projects planned for 2022-23 and the actual projects undertaken, together with justification for the variances.

Outlook

Details of the major annuity-funded projects planned for 2023-24 and 2024-25 period are set out in Table 7

Table 5 - Renewals annuity, non-annuity funded expenditure and roll-forward[1]

Annuity funded expenditure (and roll forward)		2022-23 actuals $'000					2023-24 forecast $'000				
		QCA[2]		Sunwater[4]	Δ to QCA		QCA[2]		Sunwater[4]	Δ to QCA	
Opening balance	*O*	$(3,498.0)	→	$(7,057.0)	101.7%	▲	$(2,636.6)	→	$(6,524.4)	147.5%	▲
Annuity funded expenditure	***E***	$(127.3)	→	$(300.4)	**136.0%**	▲	$(614.6)	→	$(767.5)	24.9%	▲
Annuity revenue[3]	*R*	$1,141.6	→	$1,141.6	-	-	$1,165.5	→	$1,165.5	-	-
Interest	*I*	$(152.9)	→	$(308.5)	-	-	$(115.3)	→	$(285.3)	-	-
Closing balance *C = (O + E + R + I)*	*C*	$(2,636.6)	→	$(6,524.4)	147.5%	▲	$(2,201.0)	→	$(6,411.7)	191.3%	▲
Other expenditure (not part of prices)											
Dam improvement program		-		$0.0	-		-		$0.0	-	
Recreational facility projects[1]		-		$0.0	-		-		$0.0	-	
Metered offtakes and dividend reinvestment		-		$0.0	-		-		$0.0	-	

▲	△	⬌	▽	▼
10% above the QCA target	5% above the QCA target	In line with the QCA target <5%	5% below the QCA target	10% below the QCA target

1. *Forecast annuity-funded costs from 2020-21 exclude recreational facility projects.*
2. *Reflects the QCA's 2020–2024 irrigation price investigation final recommendations.*
3. *The annuity contribution is included in the prices paid by bulk water and distribution customers. From 2020-21 to 2023-24, the annuity contribution is based on the QCA's irrigation price investigation 2020–2024 final recommendations.*
4. *Sunwater's 2022-23 actual expenditure figures presented in this table are pre-adjustment and will differ from our Irrigation Pricing Proposal and its engagement materials. Sunwater's 2023-24 figures align with our pricing submission, these figures may differ from the budget.*

Comparison of forecast and actual annuity-funded projects for 2022-23

The below table sets out the major annuity-funded projects planned for the Pioneer River Bulk Water Service Contract in 2022-23[2] and the actual projects undertaken.

Table 6 - Comparison of forecast and actual annuity-funded projects completed in 2022-23.

Facility	Activity description	Forecast $'000	Actual $'000	Commentary
Teemburra Dam	Risk reduction program – investigation phase.	742	7	An as low as reasonably (ALARP) possible assessment was required before the risk reduction project could commence. Due to insufficient resources, only the start of the ALARP was completed. This project will continue in 2023-24.
Marian Weir	Refurbish – remove and dispose of the sheet piling coffer dam and related construction debris.	135	31	This is a multi-year project with work to continue in FY24. The project schedule will continue to evolve.
Teemburra Dam	Refurbish – main dam trash racks, lifting frame, baulks, and dome bulkhead gate (blast and paint) based on known asset condition and age.	68	4	This project will be completed in 2024.
Teemburra Dam – Saddle Dam 2	Refurbish – intake trash racks 1 to 3 (blast and paint) based on known asset condition and age.	49	1	This project will be completed in 2024.
Teemburra Dam	Refurbish – 1915 mm diameter conduit dome end plate (blast and paint) and replace explosive bolts based on known asset condition and age.	30	74	This project was originally quoted in 2021 and found to be inaccurate at the time of delivery. The market value for materials and contractors were higher than estimated.
Teemburra Dam – Saddle Dam 2	Replace – outlet works uninterruptible power supply batteries based on known asset condition and age.	30	0	This project was deferred to 2027.
Teemburra Dam – Saddle Dam 1	Refurbish – extend V-notch training walls and provide safe operator access.	30	2	A site visit was undertaken to develop a conceptual design. The construction component of the project was deferred to 2024.
Multiple	Various projects.	37	0	The cost variance primarily relates to the following projects: • an assessment of the rainfall recorder found that a replacement was not required ($13k) • a decision to defer the replacement of Teemburra Dam gauging equipment and outlet works to 2024 ($18k) • Teemburra main dam guard valve refurbishment was rescheduled for 2024 ($6k).
Multiple	Various projects.	0	181	This expenditure related to:

[2] Based on information extracted from Sunwater's systems in mid-2023. See the 2023 S&PP at www.sunwater.com.au/schemes/Pioneer-River/

Facility	Activity description	Forecast $'000	Actual $'000	Commentary
				• a dam safety comprehensive risk assessment was completed as a priority at Teemburra Dam ($14k) • a multi-year project to refurbish the 900DIA outlet at Palmtree Creek was added to the program after 2022-23 forecasts were published. $35k covered the options analysis component. • 2023 flood event repair costs at various facilities ($87k). • arc flash 1 was completed to understand and assess the arc flash assets in the Service Contract from a risk category rating perspective. This is a multi-year project required to comply with updated arc flash standards and will lead into secondary program ($44k). The remaining balance relates to an invoice processed after 30 June 2023.
2022-23 Total		**1121**	**300**	

Annuity-funded projects for 2023-24 and 2024-25

The below table sets out Sunwater's currently planned annuity-funded projects for 2023-24 and 2024-25[3] period for this scheme. While the immediate program is well defined, estimates become more uncertain further into the planning timeline. Forecasts are likely to change in future S&PPs, reflecting changes in project delivery timing; asset condition and risk updates; outcomes from scheduled asset inspections; and customer feedback. The data in this table is presented at a granular level and may not align with the overarching program names in our pricing submission and scheme summaries.

Table 7 - Forecast annuity-funded projects for 2023-24 and 2024-25

Year	Facility	Activity description	Forecast $'000
2023-24	Palmtree Creek Pipeline	Replace – pipeline outlet valve based on known condition and age.	438
	Teemburra Dam	Refurbish – main dam outlet works guard valve and support frame based on known asset condition and age	94
	Teemburra Dam	Refurbish – outlet works baulks, trash racks, gates and frames based on known condition and age.	77
	Teemburra Dam	Refurbish – intake trash racks 1 to 3 (blast and paint) based on known asset condition and age.	55
	Teemburra Dam	Study – light detection and ranging survey to meet asset management, condition, and risk standards.	27
	Teemburra Dam	Replace – public and safety signage to mitigate safety risks based on asset condition and age.	26
	Teemburra Dam	Replace – conduit sensor based on known condition and age.	14
	Multiple	There are three other annuity-funded projects planned for 2023-24 related to replacing gauging equipment at Teemburra Dam; refurbishing the valve chamber pipework and 1200 DIA guard valve at Teemburra Dam.	37
	2023-24 Total		**769**
2024-25	Scheme	Instrumentation program to upgrade current instrumentation to meet new dam safety standards.	202
	Teemburra Dam	Replace – winch control system programmable logic controllers (PLC's) based on known asset condition and age	139
	Scheme	Arc Flash program.	125
	Teemburra Dam	Study – cost-benefit analysis and chute remediation based on the outcome of the dam safety comprehensive risk assessment (CRA).	35
	Teemburra Dam	Study – options analysis to determine the replacement of piezometers.	23
	Teemburra Dam	Refurbish – repeater battery based on known condition and age.	9
	Teemburra Dam	Monitoring points for drone inspections based on the outcome of the dam safety CRA.	6
	2024-25 Total		**539**

[3] The project forecasts provided in this table align with our pricing submission. It is important to acknowledge that these projects are inherently dynamic and susceptible to changes influenced by various factors.