

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

## Proserpine 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 \$95,000 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 Proserpine 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) <sup>1,2</sup>	Subsidy (\$/ML)
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	13.26	14.03	0.77
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	3.02	4.43	1.41

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 \$38.30.

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Proserpine River 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 5 days	3 weeks	0	0
	For shutdowns planned to be less than 3 days	7 days	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>**

Proserpine River 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>	683.4	685.9	(2.4)	675.5	695.2	(19.7)	830.6	712.6	967.7	730.4	989.5	929.3	952.5	976.3	1000.1
Labour	106.6	148.2	(41.6)	117.7	152.9	(35.2)	152.4	156.7	156.1	160.7	160.5	147.7	151.8	155.9	160.2
Contractors	50.3	41.5	8.9	27.6	42.2	(14.6)	38.7	43.2	29.4	44.3	30.0	27.5	28.1	28.8	29.5
Materials	1.1	7.9	(6.8)	2.7	8.0	(5.3)	1.2	8.2	6.9	8.4	7.0	6.4	6.6	6.7	6.9
Electricity	-	6.3	(6.3)	-	6.7	(6.7)	-	6.9	8.3	7.0	7.7	7.5	7.8	8.4	8.4
Insurance	176.4	92.4	84.0	182.1	94.0	88.2	168.1	96.3	193.9	98.7	197.8	202.4	207.0	211.8	216.7
Other	92.4	88.4	4.0	87.0	89.9	(3.0)	91.9	92.2	154.2	94.5	157.4	144.0	147.3	150.7	154.2
Local area support costs	91.6	-	91.6	101.1	-	101.1	112.8	-	100.1	-	102.5	94.1	96.5	98.9	101.4
Corporate support costs	45.8	149.9	(104.1)	47.9	153.2	(105.3)	86.1	157.0	117.0	161.0	119.9	110.0	112.8	115.6	118.5
Indirect costs	119.2	151.3	(32.1)	109.5	148.3	(38.8)	179.4	152.0	201.9	155.8	206.8	189.7	194.6	199.4	204.4
<b>Preventative maintenance</b>	232.9	150.3	82.6	251.7	151.9	99.8	155.7	155.7	202.5	159.6	207.5	190.4	195.3	200.3	205.3
Labour	58.2	31.2	27.0	79.5	32.2	47.3	32.7	33.0	53.1	33.8	54.6	50.2	51.6	53.0	54.5
Contractors	46.3	44.2	2.1	26.2	44.9	(18.7)	41.4	46.1	29.4	47.2	30.0	27.5	28.1	28.8	29.5
Materials	3.1	3.4	(0.3)	2.5	3.4	(0.9)	0.5	3.5	3.9	3.6	4.0	3.7	3.7	3.8	3.9
Other	2.7	9.0	(6.3)	3.9	9.2	(5.2)	7.1	9.4	5.9	9.6	6.0	5.5	5.6	5.7	5.9
Local area support costs	50.0	-	50.0	68.4	-	68.4	23.4	-	33.4	-	34.2	31.4	32.2	33.0	33.8
Corporate support costs	18.9	32.0	(13.1)	23.9	32.7	(8.8)	18.6	33.5	39.8	34.4	40.8	37.4	38.4	39.3	40.3
Indirect costs	53.7	30.5	23.2	47.3	29.4	17.9	32.0	30.1	37.0	30.9	37.9	34.8	35.7	36.6	37.5
<b>Corrective maintenance</b>	21.9	55.5	(33.6)	56.6	56.3	0.2	42.5	57.7	117.7	59.2	120.5	110.6	113.4	116.3	119.2
Labour	2.0	5.7	(3.7)	5.3	5.9	(0.7)	11.1	6.1	28.2	6.2	29.0	26.7	27.4	28.2	28.9
Contractors	10.8	21.4	(10.6)	37.8	21.8	16.0	7.2	22.3	19.6	22.9	20.0	18.3	18.8	19.2	19.7
Materials	4.1	2.1	2.0	0.7	2.2	(1.5)	0.1	2.2	3.9	2.3	4.0	3.7	3.7	3.8	3.9
Other	0.6	13.3	(12.7)	1.6	13.5	(11.9)	0.6	13.9	6.9	14.2	7.0	6.4	6.6	6.7	6.9
Local area support costs	1.7	-	1.7	4.5	-	4.5	8.6	-	18.3	-	18.7	17.2	17.6	18.1	18.5
Corporate support costs	1.3	7.3	(6.0)	3.5	7.5	(4.0)	6.1	7.7	21.1	7.9	21.7	19.9	20.4	20.9	21.4
Indirect costs	1.3	5.6	(4.3)	3.1	5.4	(2.3)	8.7	5.5	19.7	5.7	20.2	18.5	19.0	19.4	19.9
<b>Routine total</b>	<b>938.3</b>	<b>891.7</b>	<b>46.6</b>	<b>983.7</b>	<b>903.4</b>	<b>80.3</b>	<b>1028.7</b>	<b>926.0</b>	<b>1287.8</b>	<b>949.1</b>	<b>1317.5</b>	<b>1230.3</b>	<b>1261.2</b>	<b>1292.9</b>	<b>1324.6</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**. The main change since our 2018/19 NSP is the removal of the Peter Faust Dam spillway entrance protections works upgrade and Kelsey Creek Pipeline protection projects, following reassessment during the 2018 comprehensive inspection.

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

Proserpine 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
<b>Annuity</b>							
Opening balance <sup>2</sup>	14.9	(379.4)	(556.9)	(1080.0)	(865.7)	(386.3)	(292.3)
Non-routine spend	(601.7)	(360.7)	(458.3)	(212.9)	(267.1)	(957.4)	(407.5)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	206.4	211.5	216.3	490.4	797.2	1073.9	1083.4
Interest/financing costs	1.1	(28.4)	(41.7)	(63.1)	(50.6)	(22.6)	(17.1)
<b>Sunwater – Closing Balance</b>	<b>(379.4)</b>	<b>(556.9)</b>	<b>(840.7)</b>	<b>(865.7)</b>	<b>(386.3)</b>	<b>(292.3)</b>	<b>366.5</b>
<b>QCA – Closing Balance</b>	<b>466.4</b>	<b>443.9</b>					
Difference	(845.7)	(1000.8)					

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	Peter Faust Dam – Comprehensive Risk Assessment (CRA) inputs	A CRA is conducted with the new information to assess the level of risks identified and further refine their priority for refurbishment, in accordance with regulatory requirements. This project will provide inputs into the process.	225
	Peter Faust Dam – Seismic investigation	The seismic investigation is part of the CRA data input requirements.	51
	Peter Faust Dam – Inlet tower beams and platforms	Inlet tower beams and platform repairs based on the 2018 comprehensive inspection report.	35
	Peter Faust Dam – Spillway flip bucket access	The gallery beneath the spillway bucket access is eroded and needs to be reinstated to enable inspection.	35
	Peter Faust Dam – Intake tower design review	Inlet tower structural review and reporting based on dam safety review recommendations.	40
	Other works	Customer river meter replacements, minor electrical works and an unplanned capital replacement allowance.	72
	<b>2019/20 Total</b>		<b>458</b>
2020/21	Peter Faust Dam – CRA	A CRA is conducted with the new information to assess the level of risks identified and further refine their priority for refurbishment, in accordance with regulatory requirements.	150
	Meter replacements	Allocation to replace river customer meters with Australian Standard (AS) 4747 compliant units.	32
	Asset revaluation	Sunwater re-values our assets every five years for insurance purposes and to improve the cost estimating for non-routine maintenance projects.	31
	Other works	There are no other non-routine projects for 20220/21.	-
	<b>2020/21 Total</b>		<b>213</b>

Year	Project title	Project scope	Budget (\$'000 nominal)
2021/22	Peter Faust Dam – Inlet tower structural improvement	Stage 1 of the project involving detailed design and procurement to improve structure stability to current standards.	211
	Peter Faust Dam – Trash rack refurbishment	The 2014 inspection recommended that the trash racks be patch painted/refurbished. A small number were repainted in or around 2015. The 2019 inspection will confirm if more need refurbishment.	23
	Meter replacements	Allocation to replace river customer meters with AS4747 compliant units.	33
	Other works	There are no other non-routine projects for 2021/22.	-
	<b>2021/22 Total</b>		<b>267</b>
2022/23	Peter Faust Dam – Inlet tower structural improvement	Stage 2 of the project involving site construction/installation of upgrades to improve structure stability to current standards.	300
	Peter Faust Dam – 20-year dam safety review	The safety review is a regulatory requirement and assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	383
	Peter Faust Dam – Discharge regulator	Refurbish discharge regulating valve No.1 to ensure continued reliable flow regulation.	120
	Peter Faust Dam – Guard valve	Refurbish discharge guard valve No.1 to ensure continued reliable outlet isolation.	120
	Meter replacements	Allocation to replace river customer meters with AS4747 compliant units.	34
	Other works	There are no other non-routine projects for 2022/23.	-
	<b>2022/23 Total</b>		<b>957</b>
2023/24	Peter Faust Dam – Discharge regulator	Refurbish discharge regulating valve No.2 to ensure continued reliable flow regulation.	123
	Peter Faust Dam – Guard valve	Refurbish discharge guard valve No.2 to ensure continued reliable outlet isolation.	123
	Peter Faust Dam – Comprehensive inspection	Sunwater conducts comprehensive inspections of our dams and weirs every five years. Referable dams such as Peter Faust Dam are required to undergo a comprehensive inspection as part of the dam safety condition schedules. The scope of this inspection will be combined with the safety review and CRA as much as possible to avoid duplication.	90

Year	Project title	Project scope	Budget (\$'000 nominal)
	Peter Faust Dam – Replace flow meter switchboard	The switchboard is coming to the end of its life. A condition assessment in 2014 identified that internal components were old and it is now getting difficult to source replacements. It is better to replace it while it still has some function that wait until it has failed.	37
	Meter replacements	Allocation to replace river customer meters with AS4747 compliant units	35
	Other works	There are no other non-routine projects for 2023/24.	-
	<b>2023/24 Total</b>		<b>408</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.