sunwater

Final Service and Performance Plan 2023

St George Bulk Water Service Contract

8 December 2023

Contents

At a glance

Our customers

The majority of the 177 customers in this scheme are irrigators who grow cotton, wheat, grapes, peanuts, carrots, mung beans, chickpeas, onions, and other small crops. Water is also supplied to the town of St George.

Irrigation charges

Table 1 Irrigation charges for 2023-24[1]

Charges by tariff group 2023-24							
St George Bulk		Irrigation charge[2]		Cost-reflective charge[3]		Δ to cost reflective	
River – Medium Priority	Part A	$20.36	$/ML	$24.48	$/ML	-$4.12	$/ML
	Part B	$0.97	$/ML	$1.16	$/ML	-$0.19	$/ML
Local Management Supply – Medium Priority	Part A	$20.36	$/ML	$24.48	$/ML	-$4.12	$/ML
	Part B	$0.97	$/ML	$1.16	$/ML	-$0.19	$/ML
Local Management Supply – High Priority	Part A	$32.72	$/ML	$39.94	$/ML	-$7.22	$/ML
	Part B	$0.97	$/ML	$1.16	$/ML	-$0.19	$/ML

1. *This table includes bulk water charges only. Distribution charges are set by Mallawa Irrigation Ltd.*
2. *Includes the Queensland Government's 15 per cent discount for irrigation customers. Refer to www.rdmw.qld.gov.au for more information.*
3. *Is the cost-reflective price determined by the Queensland Competition Authority (QCA) in its 2020–2024 irrigation price investigation. 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	$1,257.7	$1,513.6	20.3% ▲
Forecast	2023-24	$1,288.0	$1,609.9	25.0% ▲

Expenditure funded by the annuity				
		QCA $'000	Sunwater $'000	Δ to QCA
Actual	2022-23	$289.7	$754.0	160.3% ▲
Forecast	2023-24	$127.2	$844.5	563.9% ▲
Actual + Forecast	∑ Price path	$1,085.8	$3,306.1	204.5% ▲

▲	△	◆▸	▽	▼
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	59,019	ML	56,411	ML	
2022-23	77,561	ML	76,511	ML	
	31.4%	▲	35.6%	▲	*YoY change by group*

▲	◆▸	▼
5%	0%	-5%

Service targets	Exceedances	Notes
2021-22	0	Unplanned shutdowns (duration) and maximum number of interruptions were not met.
2022-23	0	Unplanned shutdowns (duration) and maximum number of interruptions were not met.

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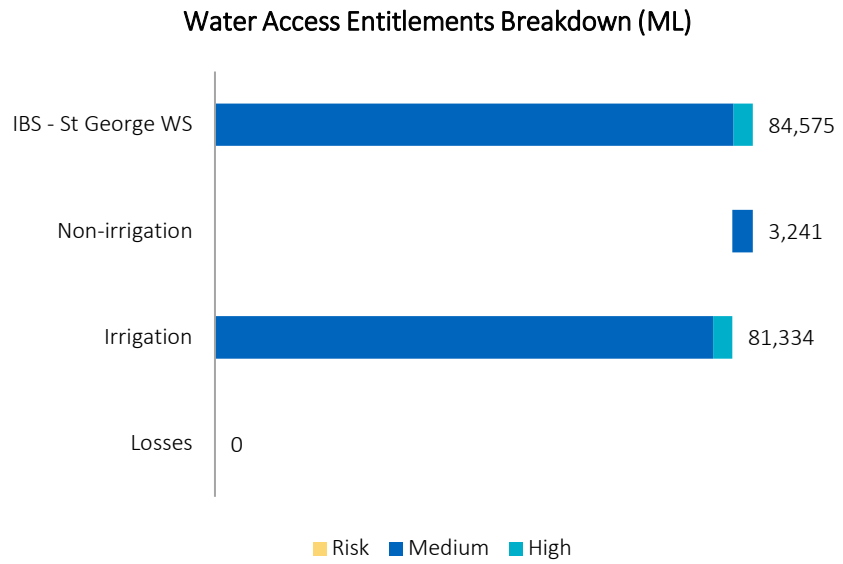
[1] All financial figures reported in this document are in nominal dollars, i.e. dollars of the day. Figures may not sum due to rounding.

Delivering services to our customers

Entitlements

The water allocations for each customer segment are shown below.

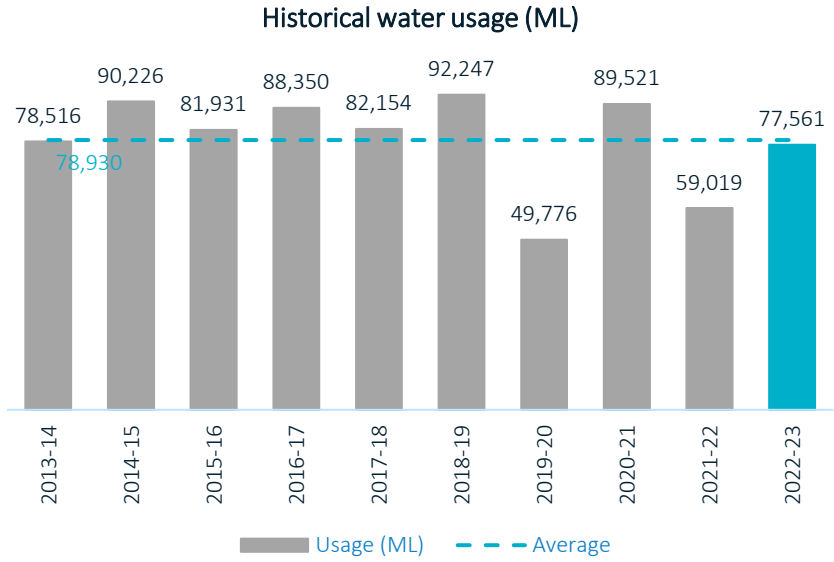
Figure 1 Water access entitlements (as of 30 June 2023)



Historical water usage

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

Figure 2 Historical water usage for the past 10-years



- Usage in 2022-23 is broadly in line with the level of the 10-year average of 78,930 ML.
- Part B prices for the current period were set using a 20-year average of 73,701 ML.

Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for St George. Table 2 sets out our recent performance against selected service targets for this scheme.

Table 2: Scheme service targets and performance

Service target		Target	Number of exceptions		
			2020-21	2021-22	2022-23
Planned shutdowns – notification	For shutdowns planned to exceed 2 weeks	8 weeks	0	0	0
	For shutdowns planned to exceed 3 days	2 weeks	0	0	0
	For shutdowns planned to be less than 3 days	5 days	0	0	0
Unplanned shutdowns – duration[1]	Unplanned shutdowns during Peak Demand Period	48 hours	0	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	0

1. *This is the number of times that the unplanned shutdown has exceeded the shortest of the peak/off peak periods.*

In addition, Sunwater has company-wide customer interactions service targets. Our performance in 2022-23 against these service targets is shown in Table 3.

Table 3: 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 4 lists the key infrastructure used to deliver bulk water services to our customers in St George.

Table 4: Key infrastructure

Asset	Description	Total storage capacity (ML)
Beardmore Dam	Earth and rock fill embankment with a central mass concrete gated spillway. Classified as a referable dam under the *Water Supply (Safety and Reliability) Act 2008*.	81,700
Jack Taylor Weir	Mass concrete structure with a gated ogee crest and bucket.	10,270

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 5 sets out actual and forecast operating expenditure for St George.

Our performance in 2022-23

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

Outlook for 2023-24

St George Bulk Water Service Contract's total operations budget in 2023-24 is 25.0 per cent above 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 addressing works that have been postponed due to the impact of several flood events and high-water levels.

Table 5: Operating expenditure[1]

Operations and maintenance costs - by sub-category								
	2022-23 actuals $'000				2023-24 forecast $'000			
	QCA[2]	Sunwater[3]	Δ to QCA		QCA[2]	Sunwater[3]	Δ to QCA	
Insurance	$144.0	$183.6	27.5%	▲	$147.3	$221.2	50.2%	▲
Electricity	$6.7	$6.0	-10.1%	▼	$6.8	$7.5	11.0%	▲
Operations & maintenance	$426.8	$536.6	25.7%	▲	$437.3	$565.8	29.4%	▲
Support costs	$680.2	$787.4	15.8%	▲	$696.6	$815.4	17.0%	▲
Total opex[2]	$1,257.7	$1,513.6	20.3%	▲	$1,288.0	$1,609.9	25.0%	▲

▲	△	◆▶	▽	▼
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. *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 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 6 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 7 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 8.

Table 6: Annuity and 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[5]	Δ to QCA		QCA[2]		Sunwater[5]	Δ to QCA	
Opening balance	*O*	$(5,045.1)		$(5,879.6)	16.5%	▲	$(4,678.1)		$(6,013.4)	28.5%	▲
Annuity funded expenditure	***E***	$(289.7)		$(754.0)	**160.3%**	▲	$(127.2)		$(844.5)	563.9%	▲
Annuity revenue[4]	*R*	$877.2		$877.2	-	-	$887.6		$887.6	-	-
Interest	*I*	$(220.6)		$(257.1)	-	-	$(204.5)		$(262.9)	-	-
Closing balance *C = (O + E + R + I)*	*C*	$(4,678.1)		$(6,013.4)	28.5%	▲	$(4,122.2)		$(6,233.3)	51.2%	▲
Other expenditure (not part of prices)											
Dam improvement program		-		$0.0	-		-		$0.00	-	
Recreational facility projects[1]		-		$150.4	-		-		$0.00	-	
Metered offtakes and dividend reinvestment[3]		-		$864.4	-		-		$390.5	-	

▲	△	◆▶	▽	▼
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. *Meter replacement requirements will be reviewed annually based on work completed in previous years and completion against legislative timeframes.*
4. *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.*
5. *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 St George in 2022-23[2] and the actual projects undertaken.

Table 7 Comparison of forecast and actual annuity-funded projects for 2022-23

Facility	Activity description	Forecast $'000	Actual $'000	Commentary
Scheme	Study – options analysis to install supervisory control and data acquisition and programmable logic controller to simplify operations during flood events.	60	21	This project was delivered under budget due to less labour required.
Jack Taylor Weir	Refurbish – cracks in upstream and downstream left wingwalls that are widening.	90	7	This project will be completed by TMR in 2024-25. Sunwater will contribute 50% of costs.
Jack Taylor Weir	Study – conduct a light detection and ranging (LIDAR) survey to confirm the storage capacity.	72	49	Sunwater delivered this project under budget due to savings realised through a competitive tender process.
Scheme	Replace – customer meters to meet Murray-Darling Basin measurement policy. Requirement to be reviewed annually based on work completed in previous years and completion against legislative timeframes.	578	257	Sunwater delivered this project under budget due to savings realised through a competitive tender process.
Multiple	Various projects.	245	78	The cost variance was primarily driven by the following factors: • savings realised through a competitive tendering process and packaging projects. This relates to replacing the water supply switchboard ($19k less); boat ($71k less) and safety signs ($9k less) • removal of a project to refurbish the gate hoist mechanism ($30k less) • further scoping of a project to replace the failing section of the town water reticulation pipework at Beardmore Dam ($34k less) • carryover of an arc flash study to 2021/22 ($28k less). In addition, installation of the sump pump completed in 2021-22 was invoiced and paid in 2022-23.
Multiple	Non-scheduled projects.	-	378	This expenditure relates to • minor carryover expenditure related to arc flash 1 that 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 ($6k) • decommissioning of the outlet works valve at Jack Taylor Weir ($37k)

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

Facility	Activity description	Forecast $'000	Actual $'000	Commentary
				• a study to investigate the required scope of work for the replacement of the crane electrical system was recommended by the planning team. The replacement is planned for 2023-24 ($12k) • a comprehensive inspection of Beardmore Dam was recommended by the Environment Water Resourcing team as it was a requirement of Dam Safety Condition Schedule (DSCS) ($139k) • replacing the access on the spillway at Beardmore Dam ($199k) In addition, three projects completed in 2021-22 were invoiced and paid in 2022-23 ($20k)
2022-23 Total		**1046**	**791**	

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 Table 8 is presented at a granular level and may not align with the overarching program names in our pricing submission.

Table 8 Forecast annuity-funded projects planned for 2023-24 and 2024-25

Year	Facility	Activity description	Forecast $'000
2023-24	Beardmore Dam	Refurbish – crane electrical system based on condition and age.	348
	Beardmore Dam	Study – as low as reasonably practical investigation to determine if work is needed to improve public dam safety.	115
	Beardmore Dam	Study – 20-year comprehensive risk assessment in accordance with ANCOLD guidelines to better understand asset condition and risk.	231
	Jack Taylor Weir	Refurbish – manufacture and paint new gate guide bolt in components on all gates.	70
	Jack Taylor Weir	Refurbish – gate hoist based on known asset condition and age.	17
	Beardmore Dam	Refurbish – gate 2 hoist based on known asset condition and age.	17
	Beardmore Dam	Refurbish – internal road resurfacing and staff houses based on known asset condition and age.	17
	Scheme	Replace – customer meters based on known asset condition and age.	29
	2023-24 Total		**845**
2024-25	Beardmore Dam and Jack Taylor Weir	Study – arc flash risk assessment program to identify arc flash hazards and comply with new standards.	84
	Scheme	Dam safety management program.	322
	Beardmore Dam	Instrumentation program to upgrade current instrumentation to meet new dam safety standards.	204
	Scheme	Replace – customer meters based on known asset condition and age.	30
	Jack Taylor Weir	Refurbish – remove two mid-level platforms over the spillway for public safety.	111
	Beardmore Dam	Study – comprehensive risk assessment (CRA) to gather factual Geotech and geology data required for a 3D geotechnical model.	232
	Beardmore Dam	Study – CRA of the spillway pier pre-stressing bars to confirm current condition of the bars.	12
	2024-25 Total		**995**

[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.