

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

Three Moon Creek 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 \$77,000 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 Three Moon Creek 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)	32.43	33.80	1.37
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	4.78	11.75	6.97

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 \$453.61.

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}

Three Moon Creek 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	292.6	258.6	34.0	315.0	261.2	53.8	367.1	267.7	533.7	274.4	544.1	556.8	570.9	586.3	600.0
Labour	45.0	64.9	(19.8)	39.0	66.9	(27.9)	62.2	68.6	86.8	70.3	89.3	91.8	94.3	96.9	99.5
Contractors	3.0	3.8	(0.8)	3.6	3.9	(0.3)	3.4	4.0	5.9	4.1	6.0	6.1	6.3	6.4	6.6
Materials	2.4	0.5	1.9	0.1	0.5	(0.4)	0.1	0.5	-	0.5	-	-	-	-	-
Electricity	23.8	11.3	12.5	21.0	12.1	8.9	9.5	12.4	21.6	12.7	19.9	19.5	20.1	21.9	21.8
Insurance	79.8	39.6	40.2	110.9	40.3	70.6	100.9	41.3	118.0	42.3	120.4	123.2	126.0	128.9	131.9
Other	24.4	13.9	10.4	26.6	14.2	12.5	30.3	14.5	66.3	14.9	67.6	69.2	70.8	72.4	74.1
Local area support costs	38.2	-	38.2	33.3	-	33.3	46.6	-	34.3	-	35.2	36.1	37.0	37.9	38.9
Corporate support costs	17.8	63.3	(45.5)	17.9	64.7	(46.8)	35.8	66.3	65.1	68.0	66.6	68.3	70.1	71.8	73.6
Indirect costs	58.1	61.3	(3.2)	62.6	58.7	4.0	78.2	60.1	135.8	61.6	139.1	142.6	146.3	149.9	153.7
Preventative maintenance	142.0	92.0	50.0	138.6	92.3	46.3	107.1	94.6	44.1	97.0	45.1	46.3	47.5	48.7	49.9
Labour	44.1	30.9	13.2	48.4	31.9	16.5	30.3	32.7	11.5	33.5	11.9	12.2	12.5	12.9	13.2
Contractors	5.8	-	5.8	2.2	-	2.2	8.4	-	6.9	-	7.0	7.2	7.3	7.5	7.7
Materials	0.1	2.5	(2.4)	0.3	2.5	(2.2)	0.9	2.6	-	2.6	-	-	-	-	-
Other	2.2	2.2	(0.0)	3.5	2.2	1.2	2.5	2.3	2.9	2.4	3.0	3.1	3.1	3.2	3.3
Local area support costs	37.9	-	37.9	41.6	-	41.6	22.4	-	6.0	-	6.2	6.3	6.5	6.7	6.8
Corporate support costs	12.7	28.9	(16.2)	13.8	29.5	(15.7)	15.0	30.3	8.6	31.0	8.9	9.1	9.3	9.5	9.8
Indirect costs	39.3	27.6	11.7	28.8	26.2	2.6	27.5	26.8	8.0	27.5	8.2	8.5	8.7	8.9	9.1
Corrective maintenance	29.1	14.0	15.1	29.4	14.1	15.3	35.1	14.4	24.3	14.8	24.9	25.5	26.1	26.8	27.4
Labour	4.2	4.5	(0.3)	7.7	4.7	3.0	8.1	4.8	4.1	4.9	4.2	4.4	4.5	4.6	4.7
Contractors	10.6	-	10.6	3.7	-	3.7	2.2	-	7.8	-	8.0	8.2	8.4	8.6	8.8
Materials	4.9	1.1	3.8	3.7	1.1	2.5	6.0	1.2	4.9	1.2	5.0	5.1	5.2	5.4	5.5
Other	-	0.1	(0.1)	0.7	0.1	0.6	1.7	0.1	-	0.1	-	-	-	-	-
Local area support costs	3.6	-	3.6	6.6	-	6.6	6.1	-	1.5	-	1.5	1.5	1.6	1.6	1.7
Corporate support costs	1.9	4.2	(2.3)	2.5	4.3	(1.8)	4.3	4.5	3.1	4.6	3.2	3.2	3.3	3.4	3.5
Indirect costs	3.9	4.0	(0.2)	4.6	3.8	0.7	6.6	3.9	2.9	4.0	2.9	3.0	3.1	3.2	3.3
Routine total	463.7	364.7	99.0	483.0	367.6	115.4	509.2	376.8	602.1	386.2	614.1	628.6	644.5	661.7	677.4

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**. The main change since our 2018/19 NSP is the addition of site investigations for input into the 2019/20 comprehensive risk assessment at Cania Dam.

Table 3: Annuity balance¹

Three Moon Creek 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	(738.1)	(733.6)	(1078.4)	(2132.7)	(1752.6)	(1372.7)	(879.0)
Non-routine spend	(56.7)	(409.2)	(985.4)	(80.6)	(121.1)	(44.6)	(65.1)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution ³	116.5	119.4	122.1	585.5	603.4	618.6	624.5
Interest/financing costs	(55.3)	(55.0)	(80.8)	(124.7)	(102.5)	(80.3)	(51.4)
Sunwater – Closing Balance	(733.6)	(1078.4)	(2022.5)	(1752.6)	(1372.7)	(879.0)	(371.0)
QCA – Closing Balance	(297.7)	(268.2)					
Difference	(435.9)	(810.2)					

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	Mulgildie Weir – Downstream protection works	The downstream protection works at Mulgildie Weir are starting to fail. Deep and wide cracks have appeared in the concrete rockfill and the timber piling is deteriorating. This project will fill the cracks and replace or refurbish the timber piles.	169
	Meter replacements	This is an allowance to replace failed customer meters in the Three Moon Creek system. All unspent money will remain in the annuity.	41
	Cania Dam – 20-year dam safety review	This is the completion of the 20-year dam safety review of Cania Dam. The safety review assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	115
	Cania Dam – Comprehensive Risk Assessment (CRA)	Recommendations from a safety review are risk assessed to determine their priority of completion, scope and costs. The works are then planned to be completed within the nominated timeframe.	179
	Cania Dam – Comprehensive inspection	Sunwater conducts a comprehensive inspection of our dams and weirs every five years. Referable dams such as Cania 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.	125
	Other works	There are 5 other non-routine projects for 2019/20.	356
	2019/20 Total		985
2020/21	Asset revaluation	Sunwater re-values our assets every five years for insurance purposes and to assist with cost estimates for non-routine maintenance projects.	27
	Meter replacements	This is an allowance to replace failed customer meters in the Three Moon Creek system. All unspent money will remain in the annuity.	42
	Youlambie Diversion Channel – Refurbish scour outlet valve	The scour outlet valve at Ch 2229.0m is in poor condition and needs to be refurbished to ensure the system can be flushed if needed.	12

Year	Project title	Project scope	Budget (\$'000 nominal)
	Other works	There are no other non-routine projects for 2020/21.	-
	2020/21 Total		81
2021/22	Meter replacements	This is an allowance to replace failed customer meters in the Three Moon Creek system. All unspent money will remain in the annuity.	43
	Minor weir comprehensive inspections	Sunwater conducts a comprehensive inspection of our dams and weirs every five years to maintain asset condition knowledge and optimise the non-routine maintenance plans. The six small weirs in the scheme will be assessed in 2021/22.	78
	Other works	There are no other non-routine projects for 2021/22.	-
	2021/22 Total		121
2022/23	Meter replacements	This is an allowance to replace failed customer meters in the Three Moon Creek system. All unspent money will remain in the annuity.	45
	Other works	There are no other non-routine projects for 2022/23.	-
	2022/23 Total		45
2023/24	Cania Dam – Cable replacement options	Electric cabling at Cania Dam is coming towards the end of its life. It is prudent to assess the condition of the cables prior to failure and prepare options for replacing them with modern equivalents.	16
	Meter replacements	This is an allowance to replace failed customer meters in the Three Moon Creek system. All unspent money will remain in the annuity.	46
	Cania Dam – 10-year crest survey	A survey of the crest level is needed every 10 years to validate the dam crest failure height. The spillway crest will fluctuate over time, which in turn impacts upon the failure height.	3
	Other works	There are no other non-routine projects for 2023/24.	-
	2023/24 Total		65

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.