

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

## Upper Burnett 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 \$74,000 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 Upper Burnett 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>1,2,3</sup>	Subsidy (\$/ML)
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon allocation)	30.58	33.20	2.62
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	4.08	7.01	2.93

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 \$209.65.
3. Excludes Burnett Water Pty Ltd (Kirar Weir).

## Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Upper Burnett 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 3 days	2 weeks	0	0
	For shutdowns planned to be less than 3 days	5 days	0	0
Unplanned shutdowns – duration	Unplanned shutdowns will be fixed so that at least partial supply can be resumed	48 hours	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>**

Upper Burnett 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>	721.4	582.9	138.5	608.6	586.8	21.8	674.6	601.5	827.0	616.6	846.2	849.2	870.7	892.7	914.7
Labour	145.4	155.4	(10.0)	137.4	160.4	(23.0)	151.7	164.4	172.9	168.5	177.7	178.3	183.3	188.2	193.3
Contractors	16.7	10.4	6.3	20.5	10.5	9.9	15.8	10.8	24.5	11.1	25.0	25.0	25.6	26.2	26.8
Materials	13.3	3.6	9.7	4.2	3.7	0.5	4.6	3.8	9.8	3.9	10.0	10.0	10.2	10.4	10.7
Electricity	2.3	9.1	(6.8)	2.9	9.7	(6.8)	6.4	10.0	5.9	10.2	5.4	5.3	5.5	6.0	5.9
Insurance	132.4	70.1	62.4	108.6	71.3	37.3	99.8	73.0	112.5	74.9	114.8	117.4	120.1	122.9	125.7
Other	81.6	36.3	45.3	48.5	36.9	11.6	48.5	37.8	116.3	38.7	118.7	118.5	121.2	124.0	126.9
Local area support costs	124.8	-	124.8	118.0	-	118.0	113.2	-	63.2	-	64.7	64.8	66.4	68.1	69.8
Corporate support costs	52.9	150.7	(97.8)	47.5	154.0	(106.6)	78.8	157.9	129.6	161.8	132.7	132.8	136.2	139.6	143.1
Indirect costs	152.0	147.4	4.7	121.2	140.3	(19.1)	155.7	143.8	192.4	147.4	197.1	197.2	202.2	207.3	212.5
<b>Preventative maintenance</b>	155.7	144.7	11.0	135.5	145.2	(9.7)	121.9	148.8	170.0	152.5	174.3	174.5	179.0	183.6	188.3
Labour	44.2	48.0	(3.8)	44.7	49.5	(4.8)	32.7	50.8	55.7	52.1	57.3	57.5	59.1	60.7	62.3
Contractors	10.7	3.7	7.0	8.3	3.8	4.5	1.7	3.9	3.9	4.0	4.0	4.0	4.1	4.2	4.3
Materials	1.6	2.8	(1.3)	0.3	2.9	(2.6)	1.3	2.9	2.0	3.0	2.0	2.0	2.0	2.1	2.1
Other	5.8	2.3	3.5	4.0	2.3	1.7	13.8	2.3	4.9	2.4	5.0	5.0	5.1	5.2	5.3
Local area support costs	37.9	-	37.9	38.4	-	38.4	23.7	-	22.8	-	23.3	23.3	23.9	24.5	25.1
Corporate support costs	13.2	45.0	(31.8)	13.1	46.0	(32.9)	17.3	47.2	41.8	48.3	42.8	42.8	43.9	45.0	46.1
Indirect costs	42.4	42.9	(0.4)	26.6	40.7	(14.1)	31.4	41.7	38.9	42.7	39.8	39.9	40.9	41.9	42.9
<b>Corrective maintenance</b>	61.6	35.7	25.9	69.6	35.9	33.7	30.2	36.8	99.9	37.8	102.3	102.4	105.0	107.7	110.4
Labour	8.9	10.1	(1.3)	16.0	10.5	5.5	4.4	10.7	27.2	11.0	28.0	28.1	28.9	29.7	30.5
Contractors	20.0	2.3	17.8	10.0	2.3	7.7	6.0	2.3	14.7	2.4	15.0	15.0	15.3	15.7	16.1
Materials	7.2	3.4	3.8	10.8	3.4	7.3	1.8	3.5	4.9	3.6	5.0	5.0	5.1	5.2	5.3
Other	5.0	1.1	3.9	3.9	1.1	2.8	7.6	1.2	3.9	1.2	4.0	4.0	4.1	4.2	4.3
Local area support costs	7.6	-	7.6	13.7	-	13.7	3.1	-	9.7	-	9.9	10.0	10.2	10.5	10.7
Corporate support costs	4.1	9.8	(5.7)	5.7	10.0	(4.3)	2.8	10.2	20.4	10.5	20.9	20.9	21.5	22.0	22.5
Indirect costs	8.7	9.1	(0.3)	9.5	8.6	0.9	4.5	8.8	19.0	9.0	19.5	19.5	20.0	20.5	21.0
<b>Routine total</b>	<b>938.8</b>	<b>763.3</b>	<b>175.5</b>	<b>813.7</b>	<b>768.0</b>	<b>45.7</b>	<b>826.7</b>	<b>787.2</b>	<b>1096.9</b>	<b>806.8</b>	<b>1122.8</b>	<b>1126.1</b>	<b>1154.8</b>	<b>1184.0</b>	<b>1213.4</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**.

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

Upper Burnett 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>	(2085.8)	(2850.2)	(3481.0)	(4122.6) <sup>3</sup>	(4427.8)	(4415.4)	(3925.4)
Non-routine spend	(799.8)	(613.6)	(873.7)	(927.3)	(603.0)	(141.2)	(278.2)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution <sup>4</sup>	191.6	196.3	200.8	863.2	874.3	889.4	899.3
Interest/financing costs	(156.2)	(213.5)	(260.7)	(241.0)	(258.9)	(258.2)	(229.5)
<b>Sunwater – Closing Balance</b>	<b>(2850.2)</b>	<b>(3481.0)</b>	<b>(4414.6)</b>	<b>(4427.8)</b>	<b>(4415.4)</b>	<b>(3925.4)</b>	<b>(3533.7)</b>
<b>QCA – Closing Balance</b>	<b>118.4</b>	<b>148.3</b>					
Difference	(2968.6)	(3629.3)					

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 opening balance in 2020/21 does not yet incorporate the proposed adjustment to the annuity balance relating to the Jones Weir concrete wing wall repairs project. Refer to the 2018/19 NSP for further details.
4. 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	Wuruma Dam – 20-year dam safety review	The dam safety condition schedule requires Sunwater to conduct a 20-year dam safety review. The review compares the dam against current design and construction standards and makes recommendations to overcome any deficiencies.	335
	John Goleby Weir – Replace inlet trash screen	The inlet tower trash screen at John Goleby Weir is in a deteriorating condition. It is prudent to replace or refurbish it when equipment is on site to replace the inlet valve.	46
	John Goleby Weir – Flush pressure relief holes and recap	Similar to Wuruma Dam, the pressure relief holes at John Goleby Weir also need periodic cleaning. Many of the perforated caps over the relief holes have been lost to floods so will also need to be replaced.	62
	Meter replacements	This is an allowance to replace failed customer meters in the Upper Burnett scheme. If meters are not replaced, the funds will remain in the annuity.	61
	John Goleby Weir – Replace trash screens and flap valve	During the 2016 inspection, the flap valve could not adequately seal the conduit and the trash screens were not in good condition. They need to be replaced to allow maintenance on the valve and conduit lining in the next few years.	46
	Other works	There are 6 other non-routine projects for 2019/20.	324
	<b>2019/20 Total</b>		<b>874</b>
2020/21	Meter replacements	This is an allowance to replace failed customer meters in the Upper Burnett scheme. If meters are not replaced, the funds will remain in the annuity.	62
	Wuruma Dam – Comprehensive Risk Assessment (CRA)	A CRA follows on from the 20-year dam safety review to assess the level of risks identified and further refine their priority for refurbishment.	189
	Wuruma Dam – Replace guard valve 2 and actuator	The 2016 comprehensive inspection recommended that the guard valve and actuator be replaced due to their poor condition. The bulkhead will need to be installed, mobile cranes deployed and an access track to the valve house created.	128

Year	Project title	Project scope	Budget (\$'000 nominal)
	John Goleby Weir – Refurbish conduit lining	The internal conduit lining is starting to fail so needs to be refurbished with a modern coating material to prevent corrosion of the mild steel pipework.	87
	Wuruma Dam – Refurbish regulating valve No. 2	As for the guard valve, the regulating valve needs refurbishment but not full replacement.	59
	Other works	There are 10 other non-routine projects for 2020/21.	402
	<b>2020/21 Total</b>		<b>927</b>
<b>2021/22</b>	Jones Weir – Replace outlet gate and gearbox	The outlet gate at Jones Weir is in poor condition. The gearbox is difficult to operate so it is prudent to replace both at the same time.	30
	Meter replacements	This is an allowance to replace failed customer meters in the Upper Burnett scheme. If meters are not replaced, the funds will remain in the annuity.	64
	Wuruma Dam – Replace guard valve 1 and actuator	The 2016 comprehensive inspection recommended that the guard valve and actuator be replaced due to their poor condition. The bulkhead will need to be installed, mobile cranes deployed and an access track to the valve house be created.	135
	Wuruma Dam – Refurbish regulating valve No. 1	As for the guard valve, the regulating valve needs refurbishment but not full replacement.	61
	Wuruma Dam – Comprehensive inspection	Sunwater conducts comprehensive inspections on our dams and weirs every five years to maintain current asset condition knowledge and improve the non-routine maintenance programs. It is a requirement of the dam safety condition schedule to conduct the inspection at Wuruma Dam.	110
	Other works	There are 5 other non-routine projects for 2021/22.	203
	<b>2021/22 Total</b>		<b>603</b>
<b>2022/23</b>	Meter replacements	This is an allowance to replace failed customer meters in the Upper Burnett scheme. If meters are not replaced, the funds will remain in the annuity.	67
	Wuruma Dam – Replace low-level trash screen	The low-level outlet trash screen is at the end of its life. It will be replaced if the condition warrants it. The comprehensive inspection in 2021/22 will confirm the need to do this work.	24
	Claude Wharton Weir – Comprehensive inspection	Sunwater conducts comprehensive inspections on our dams and weirs every five years to maintain current asset condition knowledge and improve the non-routine maintenance programs.	50

Year	Project title	Project scope	Budget (\$'000 nominal)
	Other works	There are no other non-routine projects for 2022/23.	-
	<b>2022/23 Total</b>		<b>141</b>
<b>2023/24</b>	Meter replacements	This is an allowance to replace failed customer meters in the Upper Burnett scheme. If meters are not replaced, the funds will remain in the annuity.	69
	Claude Wharton Weir – Replace bulkhead gate	The outlet works bulkhead gate at the weir is near its first scheduled refurbishment. The 2022/23 inspection will confirm the need to replace, refurbish or do any work on the bulkhead.	41
	Claude Wharton Weir – Fishway gate refurbishments	Refurbish or replace hydraulic actuators and screw thread spindles on two fishway gates at Claude Wharton Weir. This is required to ensure the fishway gates operate when needed.	70
	Wuruma Dam – Cable replacement options study	Electric cabling at Wuruma 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.	22
	Wuruma Dam – Low-level guard valve refurbishment	The low-level guard valve is currently not operational. Last time it was opened for regular maintenance, the valve would not close. It is thought that the torque settings on the actuator are incorrect. To overcome this, the storage level must be low enough to manually open and close the valve so the new settings can be confirmed. The budget allows for a new actuator, if needed, and amendments to the dam operations and maintenance manual.	76
	Other works	There are no other non-routine projects for 2023/24.	-
	<b>2023/24 Total</b>		<b>278</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.