

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

Upper Condamine 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 \$98,000 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**. 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)	34.03	19.35	N/A
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon actual usage)	5.57	15.33	9.76

- 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.
- The notional High Priority Allocation Charge cost per megalitre is \$405.92.

Service targets

Sunwater and customers have agreed Water Supply Arrangements and Service Targets for the Upper Condamine 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 ¹	Unplanned shutdowns during Peak Demand Period	4 days	0	0
	Unplanned shutdowns outside Peak Demand Period	7 working days		
Maximum number of interruptions	Planned or unplanned interruptions per water year	6	0	0

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

Routine expenditure

Routine (or annual) expenditure includes funds for operations activities (operations, electricity and insurance), preventative maintenance and corrective maintenance.

Table 3: Routine expenditure^{1,2}

Upper Condamine 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				
Operations	922.0	814.6	107.5	1036.6	826.8	209.8	886.4	847.5	1224.8	868.7	1252.0	1262.3	1295.2	1333.7	1363.7
Labour	198.8	198.5	0.3	219.9	204.8	15.1	201.5	209.9	228.6	215.2	235.0	236.4	243.1	249.7	256.4
Contractors	22.1	19.2	2.9	12.2	19.5	(7.3)	8.9	20.0	19.6	20.5	20.0	20.0	20.5	21.0	21.5
Materials	3.8	9.6	(5.8)	3.1	9.7	(6.7)	4.0	10.0	6.9	10.2	7.0	7.0	7.2	7.3	7.5
Electricity	81.4	79.3	2.0	164.1	84.9	79.2	21.9	87.0	90.2	89.2	90.0	92.9	96.2	104.7	104.0
Insurance	149.3	72.8	76.5	132.8	74.1	58.7	122.8	75.9	141.9	77.8	144.9	148.2	151.6	155.1	158.7
Other	37.8	36.3	1.5	72.6	36.9	35.7	49.3	37.8	108.3	38.8	110.6	110.7	113.2	115.8	118.5
Local area support costs	170.7	-	170.7	189.1	-	189.1	152.2	-	203.0	-	207.9	208.7	214.0	219.4	224.9
Corporate support costs	66.2	191.6	(125.4)	72.6	195.8	(123.2)	101.7	200.7	171.3	205.7	175.5	176.1	180.6	185.1	189.8
Indirect costs	192.0	207.4	(15.3)	170.3	201.2	(30.9)	224.2	206.2	255.0	211.4	261.1	262.1	268.8	275.5	282.4
Preventative maintenance	183.7	181.5	2.1	222.9	182.6	40.2	226.6	187.2	244.2	191.9	250.4	251.4	258.0	264.6	271.3
Labour	55.6	60.9	(5.3)	73.5	62.8	10.7	66.8	64.4	68.1	66.0	70.0	70.4	72.4	74.4	76.4
Contractors	8.9	1.1	7.8	14.3	1.1	13.2	15.4	1.2	11.7	1.2	12.0	12.0	12.3	12.6	12.9
Materials	2.4	3.4	(1.0)	1.5	3.4	(2.0)	1.3	3.5	2.0	3.6	2.0	2.0	2.0	2.1	2.1
Other	2.3	-	2.3	6.9	-	6.9	3.0	-	2.9	-	3.0	3.0	3.1	3.1	3.2
Local area support costs	47.8	-	47.8	62.2	-	62.2	50.0	-	61.0	-	62.4	62.7	64.3	65.9	67.5
Corporate support costs	16.2	56.7	(40.5)	21.4	57.9	(36.5)	31.7	59.4	51.0	60.9	52.3	52.5	53.8	55.1	56.5
Indirect costs	50.5	59.5	(9.0)	43.0	57.3	(14.3)	58.3	58.7	47.5	60.2	48.7	48.8	50.1	51.3	52.6
Corrective maintenance	48.8	76.4	(27.6)	61.5	77.2	(15.7)	67.4	79.1	59.4	81.1	60.7	60.9	62.4	63.9	65.5
Labour	2.1	16.9	(14.8)	9.2	17.4	(8.3)	15.5	17.9	7.8	18.3	8.0	8.0	8.3	8.5	8.7
Contractors	26.1	11.3	14.8	17.8	11.5	6.4	16.1	11.7	19.6	12.0	20.0	20.0	20.5	21.0	21.5
Materials	13.6	11.3	2.3	16.0	11.5	4.5	2.2	11.7	11.8	12.0	12.0	12.0	12.3	12.6	12.9
Other	0.7	3.4	(2.7)	1.4	3.4	(2.0)	0.7	3.5	2.0	3.6	2.0	2.0	2.0	2.1	2.1
Local area support costs	1.8	-	1.8	7.3	-	7.3	11.8	-	7.0	-	7.2	7.2	7.4	7.6	7.8
Corporate support costs	2.6	17.1	(14.5)	4.3	17.5	(13.1)	8.5	17.9	5.8	18.3	6.0	6.0	6.1	6.3	6.5
Indirect costs	2.0	16.5	(14.6)	5.5	15.9	(10.5)	12.6	16.3	5.4	16.7	5.6	5.6	5.7	5.9	6.0
Routine total	1154.5	1072.5	82.0	1321.0	1086.7	234.4	1180.4	1113.8	1528.4	1141.7	1563.0	1574.6	1615.6	1662.2	1700.5

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 balance¹

Upper Condamine 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	77.9	270.6	650.7	480.9	1008.6	1550.4	2200.5
Non-routine spend	(411.3)	(253.2)	(282.8)	(294.2)	(334.7)	(284.3)	(468.8)
Insurance proceeds receipts (if applicable)							
Prior year	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-
Annuity contribution ³	598.1	613.0	626.8	793.8	817.5	843.9	855.4
Interest/financing costs	5.8	20.3	48.7	28.1	59.0	90.6	128.7
Sunwater – Closing Balance	270.6	650.7	1043.4	1008.6	1550.4	2200.5	2715.8
QCA – Closing Balance	(500.8)	74.8					
Difference	771.3	575.9					

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	North Branch reprofile	The North Branch needs re-profiling (de-silting) every 2-3 years on average. This is an allowance to conduct the reprofiling to ensure water is delivered to customers. There is also an allowance in the next financial year so the work can be scheduled over two financial years.	58
	Meter replacements	This is an allowance to replace failed customer meters in the Upper Condamine. All unspent money will remain in the annuity.	39
	Talgai Weir – Outlet gate refurbishment	The outlet gate at Talgai Weir needs minor refurbishment work (eg seals, corrosion). The concrete base on which the gate sits has also scoured over time so it needs to be reinstated to ensure the gate seals adequately.	39
	Talgai Weir – Downstream face repairs	Concrete on the downstream right-hand wing wall has lifted. It needs to be reinstated before it fully lifts as flood waters could enter the body of the weir.	19
	Leslie Dam – Drain cleaning	Sunwater's standard is to clean out foundation drains every five years, or as needed, to release uplift pressures from beneath the dam. Excessive uplift pressures could result in a sliding or overturning failure.	19
	Other works	There are 9 other non-routine projects for 2019/20.	109
	2019/20 Total		283
2020/21	North Branch reprofile	The North Branch needs re-profiling (de-silting) every 2-3 years on average. This is an allowance to conduct the reprofiling to ensure water is delivered to customers.	57
	Asset revaluation	Sunwater re-values assets every five years for insurance purposes and to assist with preparing cost estimates for non-routine projects.	38
	Meter replacements	This is an allowance to replace failed customer meters in the Upper Condamine. All unspent money will remain in the annuity.	39

Year	Project title	Project scope	Budget (\$'000 nominal)
	Talgai Weir – Refurbish the access road	The unsealed access road into Talgai Weir has an allowance every five years to refurbish to an acceptable standard, versus minor regrading as needed. If the road remains serviceable, the funds will remain in the annuity.	25
	Lemon Tree Weir – Refurbish toe protection works	The rock mattresses and gabions at the toe of the Lemon Tree Weir spillway have been damaged over time. They are now at the stage where they need to be refurbished to maintain protection of the weir.	61
	Other works	There are 2 other non-routine projects for 2020/21.	74
	2020/21 Total		294
2021/22	Yarramalong pump station – Pump refurbishment	Sunwater has an allowance to refurbish the three submersible pumps at Yarramalong pump station every six years. The pumps' performance is monitored during the year; however, their physical condition cannot be fully known unless they are removed and inspected. The full scope of works cannot be derived until they are assessed.	136
	Meter replacements	This is an allowance to replace failed customer meters in the Upper Condamine. All unspent money will remain in the annuity.	41
	Minor weir – Comprehensive inspections x6	Sunwater conducts comprehensive inspections on our weirs every five years to maintain continuity of asset condition knowledge. The updated asset condition scores allow Sunwater to reprioritise expenditure on assets if required.	50
	Leslie Dam – Gate 6 upstream face refurbishment	The coating on the upstream face is starting to crack and peel so that it no longer protects the gate from corrosion. It will be repainted with a modern coat system.	92
	Other works	There is 1 other non-routine project for 2021/22.	16
	2021/22 Total		335
2022/23	Meter replacements	This is an allowance to replace failed customer meters in the Upper Condamine. All unspent money will remain in the annuity.	43
	Melrose Weir – Road resurfacing	Access to Melrose Weir is via a shared road. Sunwater refurbishes this road periodically to maintain access for all users.	21
	Leslie Dam – Regulating valves replacement	The regulating valves are in poor condition internally. A decision has been made to change these gate valves out with butterfly valves, rather than refurbish the existing gate valves as the cost will be similar.	98

Year	Project title	Project scope	Budget (\$'000 nominal)
	Leslie Dam – Gate 7 upstream face refurbishment	The coating on the upstream face is starting to crack and peel so that it no longer protects the gate from corrosion. It will be repainted with a modern coat system.	96
	Other works	There is 1 other non-routine project for 2022/23.	26
	2022/23 Total		284
2023/24	Leslie Dam – Comprehensive inspection	Leslie Dam is a referable dam; therefore, Sunwater is required to undertake some actions to comply with the dam safety condition schedule. The 5-year inspection is a full civil, mechanical and electrical inspection of the assets in order for Sunwater to maintain current asset condition knowledge to better inform the non-routine maintenance plans.	132
	Leslie Dam – Gantry crane	The control equipment is coming towards the end of its life so it is prudent to plan for its replacement. A condition and risk assessment will be updated closer to 2023/24 to determine if these works can be deferred further.	173
	Leslie Dam – Intake Two	During the comprehensive inspection, a camera will be used to assess the internal condition of the conduit. This has not been done before so the methodology needs to be developed. It may require divers for a day.	49
	Meter replacements	This is an allowance to replace failed customer meters in the Upper Condamine. All unspent money will remain in the annuity.	43
	Lemon Tree Weir – Gate and actuator refurbishment	The outlet and actuator at Lemon Tree Weir is expected to require refurbishment in about five years. Their condition will be assessed prior to works starting and the work deferred if possible.	30
	Other works	There are 3 other non-routine projects for 2023/24.	43
	2023/24 Total		470

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.