



2018/19 to 2023/24 Network Service Plan

# Proserpine River Bulk Water Service Contract

31 July 2018

Final

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## Contents

1. Introduction	2
2. Delivering services to customers	3
3. Financial summary – revenue and expenditure	5
4. Cost of delivering services – routine expenditure	7
5. Cost of delivering services – non-routine expenditure	9
6. Annuity balance	11
Appendix 1 : SunWater’s asset management framework	13
Appendix 2 : Total expenditure by expense type	14
Appendix 3 : Routine expenditure	17
Appendix 4 : Non-routine projects for 2018/19 to 2023/24	18

### Disclaimer

This Network Service Plan (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.

## Our plan for Proserpine River

We’re focused on reliability, efficiency and safety, ensuring through ongoing consultation that the Proserpine River Bulk Water Service Contract continues to meet the needs and expectations of our diverse customer base.

In this Network Service Plan (NSP) we outline a range of proposed immediate refurbishment and longer-term improvement projects, and provide a detailed breakdown of anticipated costs for review.

Our focus during the 2018/19 to 2023/24 NSP period will be on maintaining an efficient and reliable water supply and continuing safe operations. Customers will also see improved transparency, openness to working together, a focus on efficiency gains, and more appropriate risk sharing, which hopefully results in lower costs.

It is important to us that our customers are consulted in making important decisions. We welcome and encourage your feedback on this NSP, and look forward to working with you to deliver the programs of work.

**Travis Richards**

General Manager North

# 1. Introduction

A Network Service Plan details a range of proposed immediate and longer-term improvement projects, and provides a detailed breakdown of anticipated costs for review.

NSPs are an important part of our asset management framework, feeding into our strategic asset management and corporate strategic plans, as illustrated in **Appendix 1**.

The purpose of this year’s NSP is twofold:

1. to consult with customers on routine and non-routine expenditure throughout the coming financial year
2. to present to customers SunWater’s projected efficient costs for the six year period from 2018/19 to 2023/24.

In particular, the NSP covers:

- past performance for routine and non-routine expenditure
- forecast routine and non-routine expenditure for 2018/19 to 2023/24.

In this NSP, the focus of consultation was the draft budget figures for 2018/19 and thereafter. We have retained prior year actual results in **Appendix 2** for reference, as requested by customers.

Input from customers is a valuable part of SunWater’s planning processes and ensures that we invest in areas which support the services we provide to customers. Figure 1 below shows how SunWater and customers work together in relation to NSPs. SunWater has consulted with the Irrigator Advisory Committee (IAC) on the draft NSP and feedback from the Committee has been considered and incorporated where appropriate.

To have your say and shape future NSPs, please contact us via email or post:

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane Qld 4002

We consider and respond to all submissions, publishing all responses on our website.

**Figure 1: Customer consultation and Network Service Plans**



## 2. Delivering services to customers

At SunWater we are committed to working collaboratively with our customers to deliver value and fit-for-purpose water solutions. SunWater’s Customer Service Commitment can be viewed at: [www.sunwater.com.au](http://www.sunwater.com.au)

### 2.1 Our customers

The majority of our customers in this Service Contract are irrigators of sugar cane. Water is also supplied to the Bowen Regional Council, Mackay Regional Council, Whitsunday Regional Council, Wilmar (Proserpine mill), Myrtle Creek, Kelsey Creek Pipeline and the 6 Mile Creek Water Board.

The water entitlements for each customer segment are shown in Table 1.

**Table 1: Water entitlement and usage data**

Customer Segment	Total Water Entitlements (ML)	High-A Priority Water Entitlements (ML)	Medium-A1 Priority Water Entitlements (ML)	Medium-A2 Priority Water Entitlements (ML)	Medium-A3 Priority Water Entitlements (ML)	Water Deliveries 2016/17 (ML)
Irrigation	40,817	0	27,817	3000	10,000	10,078
Urban	10,992	10,933	59	0	0	4998
Industrial	550	550	0	0	0	317
SunWater	10,517	10,517	0	0	0	0
<b>Total</b>	<b>62,876</b>	<b>22,000</b>	<b>27,876</b>	<b>3000</b>	<b>10,000</b>	<b>15,393</b>

The 2018/19 charges and cost per megalitre are shown in Table 2. For the full suite of charges that apply, refer to SunWater’s website.

**Table 2: Irrigation charges for 2018/19**

Product		2018/19 (\$/ML)	Cost (\$/ML) <sup>1,2</sup>	Subsidy (\$/ML)
<b>Medium Priority Allocation Charge</b>	Bulk Water Charge – Part A (fixed charge based upon entitlement)	12.94	11.35	N/A
<b>Medium Priority Allocation Water</b>	Bulk Water Charge – Part B (variable charge based upon usage)	2.95	4.04	1.09

1. Costs reflect lower bound cost recovery ie recovery of future replacement and ongoing maintenance and operations. Charges do not allow for any returns on existing assets.

2. The notional High Priority Allocation Charge cost per megalitre is \$31.41.

## 2.2 Service targets

SunWater and customers have agreed Water Supply Arrangements and Service Targets for the Proserpine River Bulk Water Service Contract.

Table 3 below sets out our performance in 2016/17 against the service targets for: issuing notification of planned shutdowns and the frequency of interruptions to supply.

In addition, SunWater will be setting targets for the time it takes to resolve complaints and will be able to report our performance against these targets in future NSPs.

**Table 3: Service targets and performance**

Service target		Target	Number of exceptions 2016/17
Planned shutdowns – notification	For shutdowns planned to exceed 2 weeks	8 weeks	0
	For shutdowns planned to exceed 5 days	3 weeks	0
	For shutdowns planned to be less than 3 days	7 days	0
Maximum number of interruptions	Planned or unplanned interruptions per water year	6	0

## 2.3 Key infrastructure

Peter Faust Dam is the key infrastructure used to deliver bulk water services to our customers in Proserpine River. It is an earth and rock fill structure, with a total storage capacity of 491,000 ML. It is a referable dam under the *Water Supply (Safety and Reliability) Act 2008*.

### 3. Financial summary – revenue and expenditure

All financial figures in this report are presented in nominal dollars.

A high-level summary of the budgeted financial performance of the Proserpine River Bulk Water Service Contract is presented in Table 4.

The revenue SunWater receives from urban and industrial customers is agreed by term contract. The revenue we receive from irrigation customers is determined by the Queensland Government based on recommendations made by the Queensland Competition Authority (QCA) as part of its review of irrigation charges and is intended to allow SunWater to recover its prudent and efficient costs of operating the Service Contract.

SunWater anticipates no material change to revenue for the Proserpine River Bulk Water Service Contract in 2018/19.

In 2018/19, SunWater plans to increase routine expenditure and decrease non-routine expenditure for the Proserpine River Bulk Water Service Contract, with a focus on projects that improve efficiency and performance, and allow us to deliver the best possible service to our customers. This will continue to be our focus throughout the upcoming price path period.

Further detail on the planned spend and annuity revenue is outlined on subsequent pages of this NSP and a further breakdown of expenditure by type can be found in *Appendix 2*.

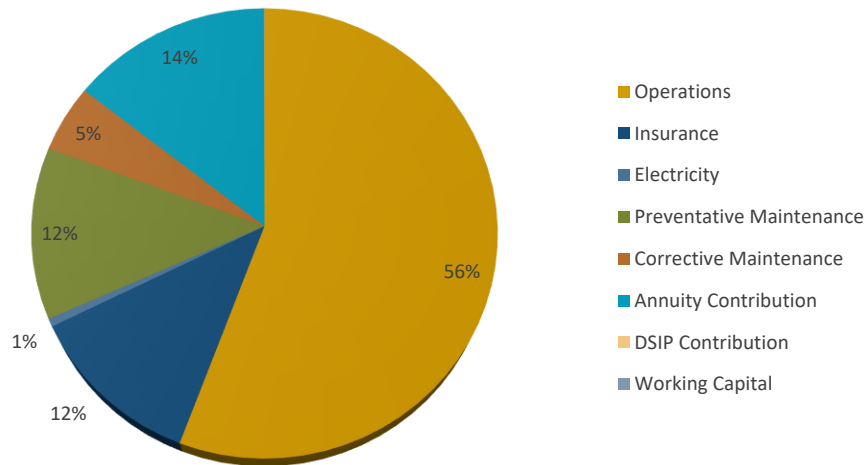
**Table 4: Service contract financial summary<sup>1</sup>**

<b>Proserpine River Service Contract</b>	<b>2014/15 Actual \$'000</b>	<b>2015/16 Actual \$'000</b>	<b>2016/17 Actual \$'000</b>	<b>2017/18 Estimate \$'000</b>	<b>2018/19 Forecast \$'000</b>
Revenue					
Irrigation	524.1	534.5	484.1	540.8	554.1
Community Service Obligation	-	-	-	-	-
Industrial <sup>2</sup>	275.2	279.8	284.7	289.9	297.2
Urban <sup>2</sup>	1905.7	1999.8	2180.1	2231.7	2287.5
Drainage	-	-	-	-	-
Other	217.3	220.0	210.0	213.9	219.2
Insurance proceeds – flood	-	-	-	-	-
<b>Revenue Total</b>	<b>2922.2</b>	<b>3034.1</b>	<b>3158.9</b>	<b>3276.3</b>	<b>3358.0</b>
Less – Routine expenditure	(1175.7)	(938.3)	(983.7)	(1028.8)	(1255.6)
Less – Non-routine expenditure					
Annuity funded	(55.5)	(553.4)	(260.9)	(597.9)	(450.0)
Non annuity funded <sup>3</sup>	-	(15.6)	-	-	-
<b>Surplus (deficit)</b>	<b>1691.0</b>	<b>1526.9</b>	<b>1914.3</b>	<b>1649.6</b>	<b>1652.4</b>

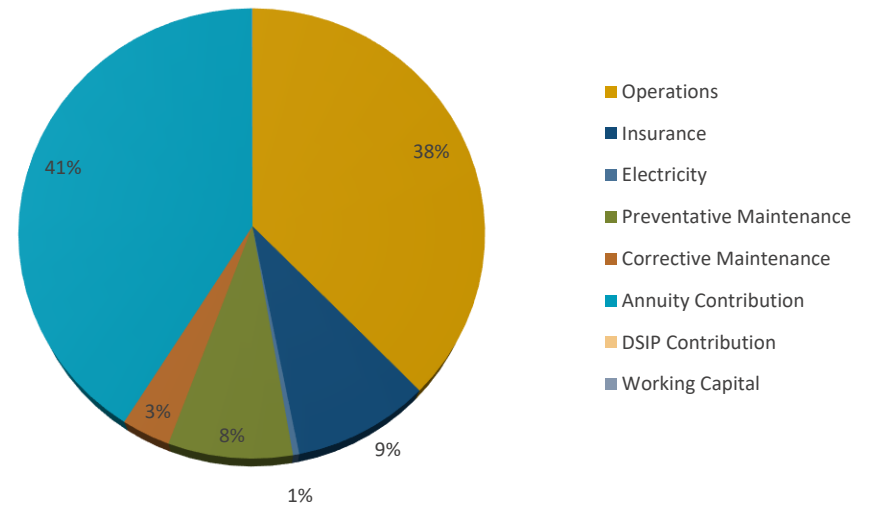
1. Totals may not add due to rounding.
2. Forecast revenues for industrial and urban customers are based on current contractual arrangements.
3. This is expenditure which has not been funded by irrigation customers.

As part of our commitment to transparency, Figure 2 and Figure 3 show a high-level breakdown of total Service Contract costs. The item 'Annuity Contribution' refers to the annualised renewals annuity component of the Service Contract's total costs.

**Figure 2: Breakdown of total service contract costs – 2018/19 forecast**



**Figure 3: Breakdown of total service contract costs – 2019/20 to 2023/24 forecasts**



## 4. Cost of delivering services – routine expenditure

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

SunWater has budgeted an increase in Proserpine River Bulk Water Service Contract's routine operating expenditure in 2018/19 (refer to Table 5). SunWater's proposed budgets for routine operating expenditure for 2019/20 to 2023/24 are also presented in this table.

From 2019/20, SunWater has built into forecast costs an efficiency saving of 0.2 per cent every year (cumulative).

Following consultation with customers on the draft NSPs and a further review of potential savings in non-direct costs, SunWater has included an additional one-off reduction in routine non-direct expenditure from 2019/20 onwards comprising: an 8.00 per cent reduction in corporate support costs, a 1.00 per cent reduction in local area support costs and a 1.16 per cent reduction in indirect costs.

The data presented in Table 5 includes direct expenses and a share of local area support costs, indirect costs and corporate support costs. For a more detailed breakdown and explanation of these costs, refer to **Appendix 2**.

**Table 5: Routine operating expenditure<sup>1,2</sup>**

Proserpine River Service Contract	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 Estimate \$'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
Electricity	-	6.7	(6.7)	8.5	6.9	8.5	7.0	8.4	8.4	8.6	8.9	8.7
Insurance	182.1	94.0	88.2	182.1	96.3	176.6	98.7	180.6	184.8	189.0	193.4	197.8
Operations	493.3	594.5	(101.2)	627.5	609.4	818.1	624.6	730.9	750.0	769.6	789.7	810.4
<b>Operations Total</b>	<b>675.5</b>	<b>695.2</b>	<b>(19.7)</b>	<b>818.1</b>	<b>712.6</b>	<b>1003.1</b>	<b>730.4</b>	<b>919.9</b>	<b>943.1</b>	<b>967.2</b>	<b>991.9</b>	<b>1016.9</b>
Preventative maintenance	251.7	151.9	99.8	151.7	155.7	181.3	159.6	161.9	166.1	170.5	174.9	179.5
Corrective maintenance	56.6	56.3	0.2	59.0	57.7	71.3	59.2	63.8	65.5	67.2	68.9	70.6
<b>Routine Total</b>	<b>983.7</b>	<b>903.4</b>	<b>80.3</b>	<b>1028.8</b>	<b>926.0</b>	<b>1255.6</b>	<b>949.1</b>	<b>1145.6</b>	<b>1174.7</b>	<b>1204.9</b>	<b>1235.8</b>	<b>1267.0</b>

1. Totals may not add due to rounding.

2. SunWater's 2019/20 to 2023/24 budget figures are draft as at the time of consultation. 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%.



## 4.1 Operations

Proserpine River Bulk Water Service Contract's total operations budget in 2018/19 is 37.33 per cent above the QCA's recommended costs (adjusted for inflation). This variance is largely driven by higher insurance costs and overheads, which include costs associated with the Inspector-General Emergency Management (IGEM) Review recommendations. For further detail on what is included in operations expenditure, refer to **Appendix 3**.

### Insurance

Insurance is one of SunWater's largest expenditure items and these costs have increased significantly in recent years due to multiple flood events in Queensland and global insurable events impacting premiums. Although SunWater is subject to market forces in the pricing of insurance premiums, we have also been actively managing insurance premium costs by reviewing coverage levels and policy specifications including deductibles to ensure that our insurance coverage is appropriate and reflective of the risks faced by our business.

Although insurance premiums are forecast to increase globally in 2018/19, SunWater is forecasting a small reduction in our insurance costs in 2018/19 compared to the 2017/18 budget as a result of the review of our insurance coverage and recent market testing.

## 4.2 Preventative maintenance

Preventative maintenance underpins the ongoing operational performance and service capacity of Proserpine River Bulk Water Service Contract's physical assets.

Preventative maintenance is cyclical in nature with a typical interval of 12 months or less, however, the intervals can be longer. Proserpine River Bulk Water Service Contract's preventative maintenance for 2018/19 is budgeted to be 13.59 per cent above the QCA's recommended costs (adjusted for inflation). This is broadly in line with historical expenditure.

For more information on what is included as preventative maintenance, refer to **Appendix 3**.

## 4.3 Corrective maintenance

Corrective maintenance is identified in several ways including:

- through the performance of preventative maintenance
- operation of assets and equipment
- operational inspections where defects are identified
- through continuous monitoring by control systems, hazard inspections, safety audits and from incident and accident investigation outcomes.

Corrective maintenance includes activities to correct unexpected failures or to return an asset to an acceptable level of performance or condition. While these are difficult to forecast with accuracy, history has shown that such events can be expected and need to be factored into expenditure forecasts. SunWater conducts two types of corrective maintenance: scheduled and emergency.

Corrective maintenance expenditure forecasts include provision for labour, materials and plant hire, but do not include costs of damage arising from major unexpected events, such as floods. These costs are categorised as non-routine corrective maintenance, which is discussed in the following section.

Proserpine River Bulk Water Service Contract's corrective maintenance for 2018/19 is budgeted to be 20.43 per cent above the QCA's recommended costs (adjusted for inflation). This variance is largely driven by overheads.

### Scheduled corrective maintenance

Scheduled corrective maintenance is maintenance that can be planned and scheduled. For a list of what this typically includes, refer to **Appendix 3**. This work is managed on a risk and priority basis with as much forward planning as possible to cater for pricing cycles.

### Emergency corrective maintenance

Emergency corrective maintenance (or breakdown maintenance) includes works required to restore system supply and capacity or equipment operation after an unplanned event. It is carried out immediately to restore normal operation or supply to customers or to meet regulatory obligations (eg rectify a safety hazard). For a list of what this typically includes, refer to **Appendix 3**.

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## 5. Cost of delivering services – non-routine expenditure

SunWater’s approach to managing non-routine expenditure is underpinned by the concept of ‘optimised life cycle cost’, which seeks to optimise capital outlays and ongoing maintenance spend.

Our whole-of-life asset replacement and maintenance strategy looks at the risk and condition of each asset and uses this information to estimate the future work required to ensure it will continue to provide the required level of service into the future.

Having up-to-date knowledge of asset conditions is essential to this process. Information from our continuous program of asset inspections and condition assessments feeds into the annual review of the renewals program.

Non-routine expenditure is funded via an annuity. This expenditure could be capital or operating expenditure. The annuity approach acknowledges a long-term view of renewals spend and seeks to reduce the burden on future generations of water users.

The QCA applied a 20 year planning period for the purpose of calculating the 2012/13 to 2016/17 renewals annuity. For 2018/19 to 2023/24, SunWater is proposing to adopt a 30 year planning period. The IAC endorsed this proposal during consultation in June 2018. Our forecast annuity funded non-routine expenditure presented in Table 6 and elsewhere in this NSP reflects this agreement.

While the immediate program for the 2018/19 budget is well defined, estimates become more uncertain further into the planning timeline. As such, the program of works is not a specific forecast of when individual projects are expected to be executed, but rather a portfolio-level estimate based on the best-available risk and condition information for the Service Contract as a whole.

At SunWater, we focus on ensuring our assets are maintained to the required standard at the lowest cost. Our review of the renewals profiles also extends to considering the key asset replacement assumptions so that the profile better reflects likely spend each year and moves away from assuming assets are replaced at end of standard life, based on their replacement costs.

Table 6 sets out our non-routine annuity and non-annuity funded expenditure.

Details of the major non-routine projects planned for the period from 2018/19 to 2023/24 are set out in **Appendix 4**.

Table 6: Non-routine expenditure<sup>1</sup>

Proserpine River Service Contract	2016/17			2017/18 <sup>2</sup>		2018/19 <sup>2</sup>		2019/20	2020/21	2021/22	2022/23	2023/24
	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Estimate \$'000	QCA Forecast \$'000	SunWater Forecast \$'000	QCA Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000	SunWater Forecast \$'000
<b>Annuity funded</b>												
Operations	12.9	-	12.9	3.9	-	-	-	-	-	-	-	-
Preventative maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Corrective maintenance (flood)	144.4	-	144.4	-	-	-	-	-	-	-	-	-
Renewals	103.6	443.6	(340.0)	593.9	194.5	450.0	269.0	1405.6	1056.6	374.8	407.6	406.3
<b>Non-routine total</b>	<b>260.9</b>	<b>443.6</b>	<b>(182.7)</b>	<b>597.9</b>	<b>194.5</b>	<b>450.0</b>	<b>269.0</b>	<b>1405.6</b>	<b>1056.6</b>	<b>374.8</b>	<b>407.6</b>	<b>406.3</b>
<b>Non annuity funded</b>												
<b>Other</b>	-			-		-		-	-	-	-	-

1. Totals may not add due to rounding.

2. The QCA Forecast for 2017/18 and 2018/19 are based upon the modelling undertaken by the QCA as part of the 2012 irrigation pricing review.

## 6. Annuity balance

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 the assets over a pre-determined period of time. The forecast annuity balances, and the impacts of budgeted non-routine spend, are shown in Table 7 below.

The QCA and SunWater closing balances will differ due to differences in the expenditure profile allowed by the QCA in 2012 and actual expenditure incurred by SunWater between 2012/13 and 2018/19. The 2018/19 non-routine spend for

this Service Contract is impacted by two large projects related to assurance of dam integrity and operation in future years. These projects are:

- the five year comprehensive inspection
- the installation of remote reading capability of piezometers to monitor dam operation daily and during flood events.

Historical non-routine expenditure has been impacted by flood events in 2010/11 and 2016/17 (approximately \$485,000). SunWater has not received insurance proceeds for these events, which may impact the annuity balances going forward.

**Table 7: Annuity balance<sup>1</sup>**

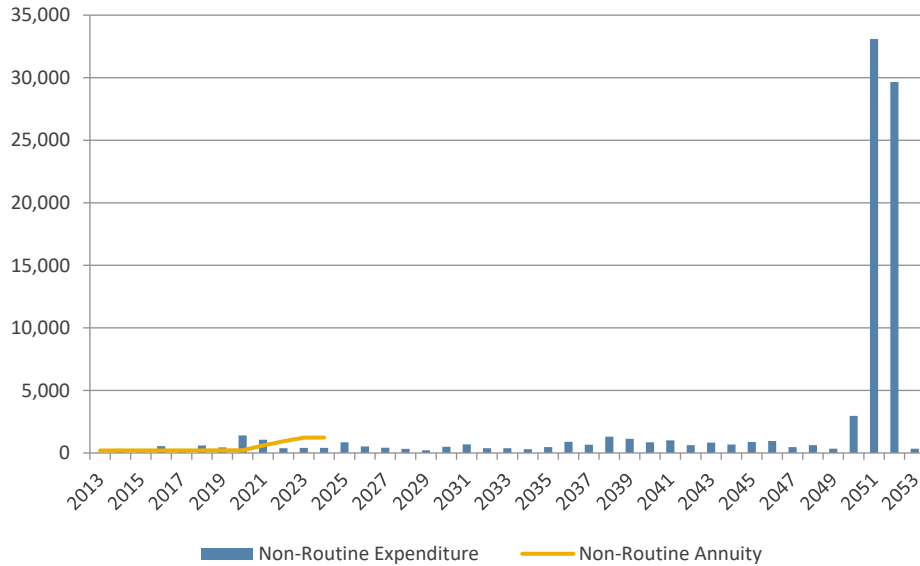
Proserpine River Service Contract	2016/17 Actual \$'000	2017/18 Estimate \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000	2023/24 Forecast \$'000
<b>Annuity</b>								
Opening balance <sup>2</sup>	(301.0)	(383.1)	(803.2)	(1101.8)	(2118.2)	(2702.8)	(2308.1)	(1625.0)
Spend	(260.9)	(597.9)	(450.0)	(1405.6)	(1056.6)	(374.8)	(407.6)	(406.3)
Insurance proceeds receipts (if applicable)								
Prior year	-	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-	-
Annuity contribution <sup>3</sup>	201.4	206.4	211.5	216.8	594.6	925.9	1224.3	1232.7
Interest/financing costs	(22.5)	(28.7)	(60.2)	(82.5)	(122.6)	(156.4)	(133.6)	(94.0)
<b>SunWater – Closing Balance</b>	<b>(383.1)</b>	<b>(803.2)</b>	<b>(1101.8)</b>	<b>(2373.1)</b>	<b>(2702.8)</b>	<b>(2308.1)</b>	<b>(1625.0)</b>	<b>(892.7)</b>
<b>QCA – Closing Balance</b>	<b>422.8</b>	<b>466.4</b>	<b>443.9</b>					
Difference	(805.9)	(1269.6)	(1545.7)					

1. 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. For example, flood repairs associated with an insurance claim that were still outstanding in 2012. 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 CPI for 2017/18, 2018/19 and 2019/20. Thereafter the annuity contribution is based upon SunWater's forecast and will be included as part of SunWater's submission to the QCA for the upcoming price review.

## 6.1 Overview of annuity-funded, non-routine projects to 2052/53

The estimated renewals expenditure out to 2052/53 is shown in Figure 4 below.

**Figure 4: Annuity expenditure to 2052/53 (\$'000)**



The renewals annuity presented above is calculated over a 30 year planning period, with projects forecast to occur up to 2052/53 affecting the renewals annuity. The greater the value of the project, the more significant impact upon the renewals annuity.

## 6.2 Options assessment

SunWater is committed to maintaining assets that are fit for service with the lowest possible lifecycle cost.

In response to a recommendation from the QCA in 2012, SunWater has been preparing options analyses for all material renewals projects within the planning period. SunWater now has the benefit of learnings, having applied this approach for number of years, and has reflected and considered whether it is the most efficient approach or whether there is another way to approach this which provides customers with reassurance that SunWater's renewals expenditure is prudent and justified.

Following consultation with IACs, SunWater has decided to implement a new procedure for options assessments.

SunWater will continue to prepare an options analysis and supporting investigation where:

- there is no obvious solution
- the current maintenance strategy is changing
- technology has changed significantly, or
- there is a high risk in the project execution.

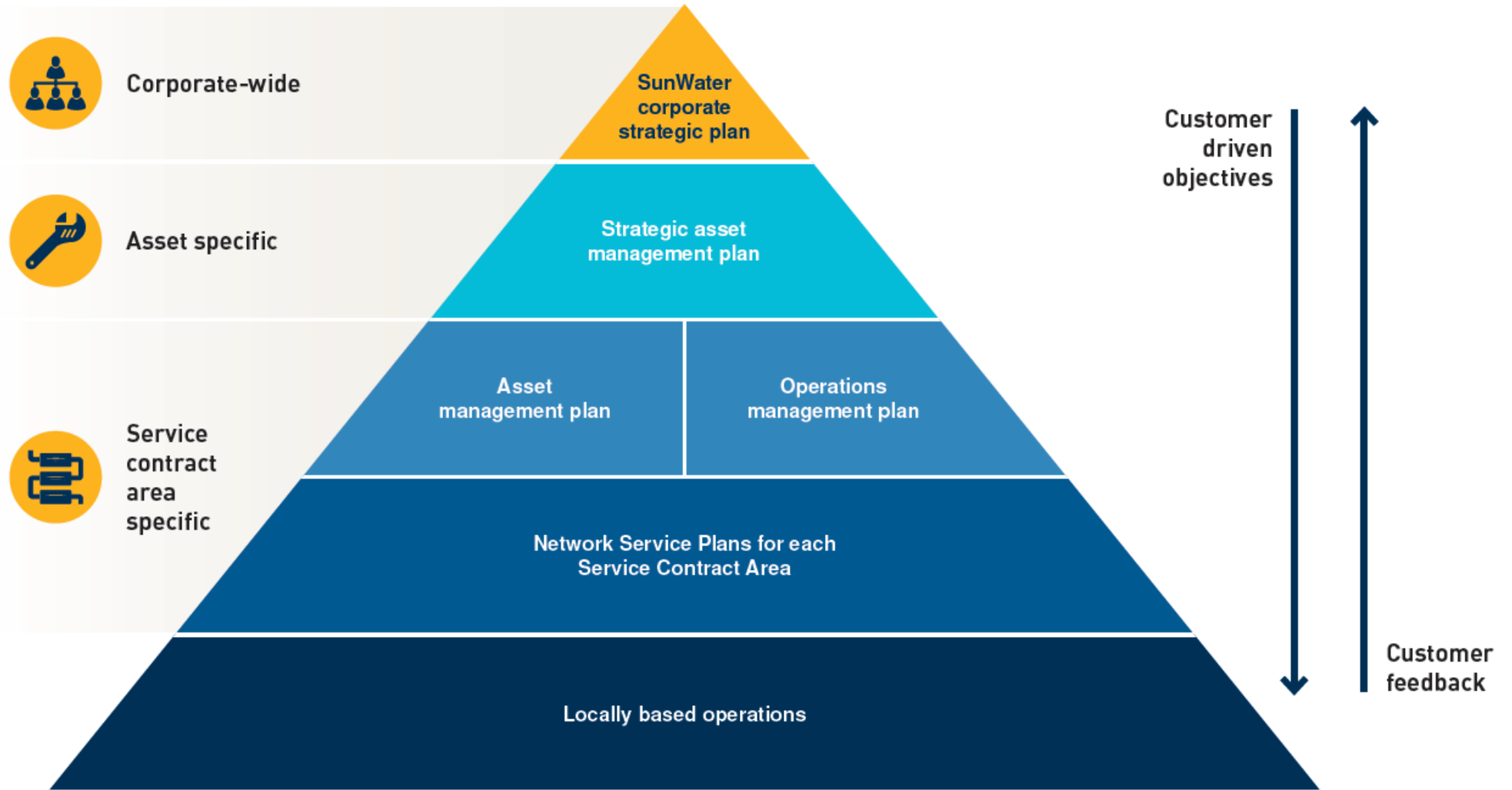
For less complex (more routine) renewals projects with fewer practical outcomes, SunWater will use its engineering knowledge and experience to determine the optimum solution.

This approach takes the emphasis off the value of the renewals project and focuses on solutions and risk. It ensures that SunWater invests resources appropriately in those projects that would benefit from an options analysis.

SunWater will transition to this new approach, given options analyses have already been prepared for the 2018/19 material renewals projects. In the future, the Network Service Plans will identify renewals projects that we expect to prepare an options analysis for under the new approach. Customers will be able to provide feedback through the consultation process.

# Appendix 1: SunWater's asset management framework

Figure 5: SunWater's asset management framework



## Appendix 2: Total expenditure by expense type

Table 8: Expenditure for activity by type<sup>1</sup>

Proserpine River Service Contract	2014/15			2015/16			2016/17			2017/18		2018/19		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 Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Estimate \$'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>Routine spend</b>																		
<b>Operations</b>																		
Labour	120.3	143.6	(23.2)	106.6	148.2	(41.6)	117.7	152.9	(35.2)	147.0	156.7	141.7	160.7	129.2	132.9	136.8	140.8	144.9
Contractors	65.1	40.2	24.9	50.3	41.5	8.9	27.6	42.2	(14.6)	29.0	43.2	30.0	44.3	27.2	27.8	28.5	29.2	29.9
Materials	8.8	7.6	1.2	1.1	7.9	(6.8)	2.7	8.0	(5.3)	8.0	8.2	5.0	8.4	4.5	4.6	4.7	4.8	5.0
Electricity	-	5.8	(5.8)	-	6.3	(6.3)	-	6.7	(6.7)	8.5	6.9	8.5	7.0	8.4	8.4	8.6	8.9	8.7
Insurance	194.4	90.8	103.5	176.4	92.4	84.0	182.1	94.0	88.2	182.1	96.3	176.6	98.7	180.6	184.8	189.0	193.4	197.8
Other	119.9	86.4	33.4	92.4	88.4	4.0	87.0	89.9	(3.0)	109.0	92.2	101.0	94.5	91.4	93.5	95.7	97.9	100.1
Local area support costs	87.9	-	87.9	91.6	-	91.6	101.1	-	101.1	114.7	-	177.7	-	159.6	163.8	168.1	172.5	176.9
Corporate support costs	61.3	152.2	(90.9)	45.8	149.9	(104.1)	47.9	153.2	(105.3)	78.6	157.0	92.1	161.0	76.3	78.3	80.3	82.4	84.6
Indirect costs	92.0	159.1	(67.2)	119.2	151.3	(32.1)	109.5	148.3	(38.8)	141.3	152.0	270.5	155.8	242.6	248.9	255.4	262.1	268.9
<b>Preventative maintenance</b>																		
Labour	68.7	30.3	38.5	58.2	31.2	27.0	79.5	32.2	47.3	39.9	33.0	39.1	33.8	35.6	36.6	37.7	38.8	39.9
Contractors	26.6	42.8	(16.2)	46.3	44.2	2.1	26.2	44.9	(18.7)	35.0	46.1	35.9	47.2	32.5	33.3	34.1	34.9	35.8
Materials	2.5	3.3	(0.7)	3.1	3.4	(0.3)	2.5	3.4	(0.9)	4.0	3.5	3.0	3.6	2.7	2.8	2.8	2.9	3.0
Other	5.5	8.7	(3.3)	2.7	9.0	(6.3)	3.9	9.2	(5.2)	10.0	9.4	9.0	9.6	8.1	8.3	8.5	8.7	8.9
Local area support costs	50.3	-	50.3	50.0	-	50.0	68.4	-	68.4	31.1	-	45.8	-	41.2	42.2	43.3	44.5	45.6
Corporate support costs	25.6	32.5	(6.9)	18.9	32.0	(13.1)	23.9	32.7	(8.8)	19.3	33.5	25.4	34.4	21.0	21.6	22.1	22.7	23.3
Indirect costs	52.5	32.1	20.3	53.7	30.5	23.2	47.3	29.4	17.9	12.4	30.1	23.1	30.9	20.7	21.3	21.8	22.4	23.0
<b>Corrective maintenance</b>																		
Labour	18.3	5.6	12.8	2.0	5.7	(3.7)	5.3	5.9	(0.7)	8.0	6.1	12.0	6.2	10.9	11.3	11.6	11.9	12.3
Contractors	118.3	20.7	97.6	10.8	21.4	(10.6)	37.8	21.8	16.0	22.0	22.3	20.0	22.9	18.1	18.6	19.0	19.5	19.9
Materials	9.0	2.1	6.9	4.1	2.1	2.0	0.7	2.2	(1.5)	7.0	2.2	3.0	2.3	2.7	2.8	2.8	2.9	3.0
Other	9.6	12.9	(3.3)	0.6	13.3	(12.7)	1.6	13.5	(11.9)	8.0	13.9	6.0	14.2	5.4	5.6	5.7	5.8	5.9
Local area support costs	12.2	-	12.2	1.7	-	1.7	4.5	-	4.5	6.2	-	15.4	-	13.8	14.2	14.5	14.9	15.3
Corporate support costs	13.3	7.3	5.9	1.3	7.3	(6.0)	3.5	7.5	(4.0)	5.2	7.7	7.8	7.9	6.5	6.6	6.8	7.0	7.2
Indirect costs	13.6	5.9	7.7	1.3	5.6	(4.3)	3.1	5.4	(2.3)	2.5	5.5	7.1	5.7	6.4	6.5	6.7	6.9	7.1
<b>Routine total</b>	<b>1175.7</b>	<b>890.0</b>	<b>285.7</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>1028.8</b>	<b>926.0</b>	<b>1255.6</b>	<b>949.1</b>	<b>1145.6</b>	<b>1174.7</b>	<b>1204.9</b>	<b>1235.8</b>	<b>1267.0</b>
<b>Non-routine spend</b>																		
Labour	7.8	6.7	1.2	74.5	6.9	67.6	53.2	74.3	(21.1)	78.6	32.0	43.1	44.2	180.2	186.5	61.3	16.8	82.0
Contractors	31.5	7.3	24.2	314.8	7.5	307.3	47.6	79.4	(31.8)	301.8	34.5	164.5	47.7	786.6	282.4	80.9	357.9	129.2
Materials	-	7.3	(7.3)	-	7.5	(7.5)	3.6	79.4	(75.8)	65.0	34.5	147.0	47.7	17.1	115.3	61.6	-	14.1
Other	0.1	4.0	(3.8)	10.8	4.1	6.7	58.8	43.3	15.5	14.5	18.8	16.0	26.0	32.4	62.9	33.6	0.0	22.7
Local area support costs	6.2	8.7	(2.5)	64.1	8.5	55.6	45.7	90.3	(44.5)	61.3	39.2	25.9	54.3	141.3	144.9	52.3	10.1	44.9
Corporate support costs	4.1	-	4.1	37.1	-	37.1	20.4	-	20.4	52.3	-	28.0	-	149.6	154.8	50.9	13.9	68.1
Indirect costs	5.6	8.2	(2.6)	52.1	7.7	44.4	31.6	77.1	(45.4)	24.5	35.4	25.5	49.0	98.3	109.7	34.3	8.9	45.4
<b>Non-routine total</b>	<b>55.5</b>	<b>42.1</b>	<b>13.4</b>	<b>553.4</b>	<b>42.1</b>	<b>511.3</b>	<b>260.9</b>	<b>443.6</b>	<b>(182.7)</b>	<b>597.9</b>	<b>194.5</b>	<b>450.0</b>	<b>269.0</b>	<b>1405.6</b>	<b>1056.6</b>	<b>374.8</b>	<b>407.6</b>	<b>406.3</b>
<b>Total spend</b>	<b>1231.2</b>	<b>932.1</b>	<b>299.1</b>	<b>1491.6</b>	<b>933.8</b>	<b>557.8</b>	<b>1244.6</b>	<b>1347.0</b>	<b>(102.5)</b>	<b>1626.7</b>	<b>1120.5</b>	<b>1705.6</b>	<b>1218.2</b>	<b>2551.2</b>	<b>2231.4</b>	<b>1579.7</b>	<b>1643.3</b>	<b>1673.3</b>

1. Totals may not add due to rounding.

## Direct costs

Direct costs are those costs which are able to be directly attributable to either an asset or a service contract eg maintenance or insurance of an asset or the electricity and other operations costs for a service contract.

## Local area support costs

Local area support costs are spread across service contracts managed in each locality. They are costs which support local people doing their jobs eg regional accommodation costs, local administration support and training.

In 2018/19 the Proserpine River Bulk Water Service Contract is allocated 1.134 per cent of the forecast total local area support costs. Forecast local overheads in 2018/19 are higher than previous years and now more closely reflect actual local overheads in each region rather than local overheads averaged across SunWater.

## Indirect costs

Indirect cost pools capture costs such as billing and customer support, irrigation pricing regulation and asset management (including dam safety, asset systems, channels and drainage) that have not been directly charged. They also include flood room operations, the IGEM emergency management program, water planning, hydrographic services, and environmental support costs. Indirect costs are based on a user pays approach eg service contracts without a dam or weir are not apportioned dam safety costs.

In 2018/19 the Proserpine River Bulk Water Service Contract is allocated 1.706 per cent of the forecast total indirect costs. Increases in indirect costs allocated to Operations are largely driven by new IGEM costs, which are \$159,000 in 2018/19.

## Corporate support costs

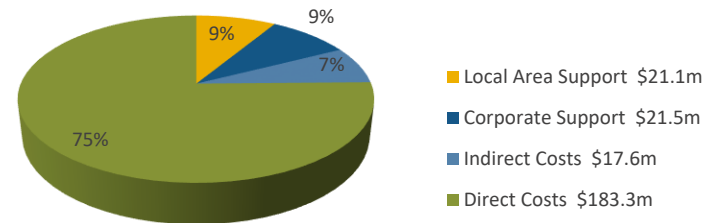
Corporate support costs are more generic than indirect costs and local area support costs, and are spread across all service contacts based on direct labour. They include the cost of human resources and payroll, information and communications technology, corporate communications, legal, property, finance,

and internal audit, plus the costs of the Chief Executive Officer, Chief Financial Officer and the SunWater Board, where these costs are not directly charged to activities within service contracts.

In 2017/18 SunWater completed a corporate restructure which resulted in a net reduction of 20 positions from the business and a reduction in total corporate overhead costs. Despite this, corporate overheads allocated to each service contract have increased since 2017/18. Contributing factors to the increase are: the transfer of St George and potential transfer of Dawson distribution schemes to locally managed entities and less charging of labour to direct costs.

In 2018/19 the Proserpine River Bulk Water Service Contract is allocated 0.583 per cent of the forecast total corporate support costs.

**Figure 6: Total SunWater cost pools – 2018/19 forecast**



In the 2012 irrigation pricing review, the QCA reviewed and accepted SunWater’s methodology for recovering local area support costs, indirect costs and corporate support costs. In 2018 we reviewed the cost allocation methodology and made changes to increase the transparency of local overhead costs and the allocation of corporate support costs to direct expenses. We also:

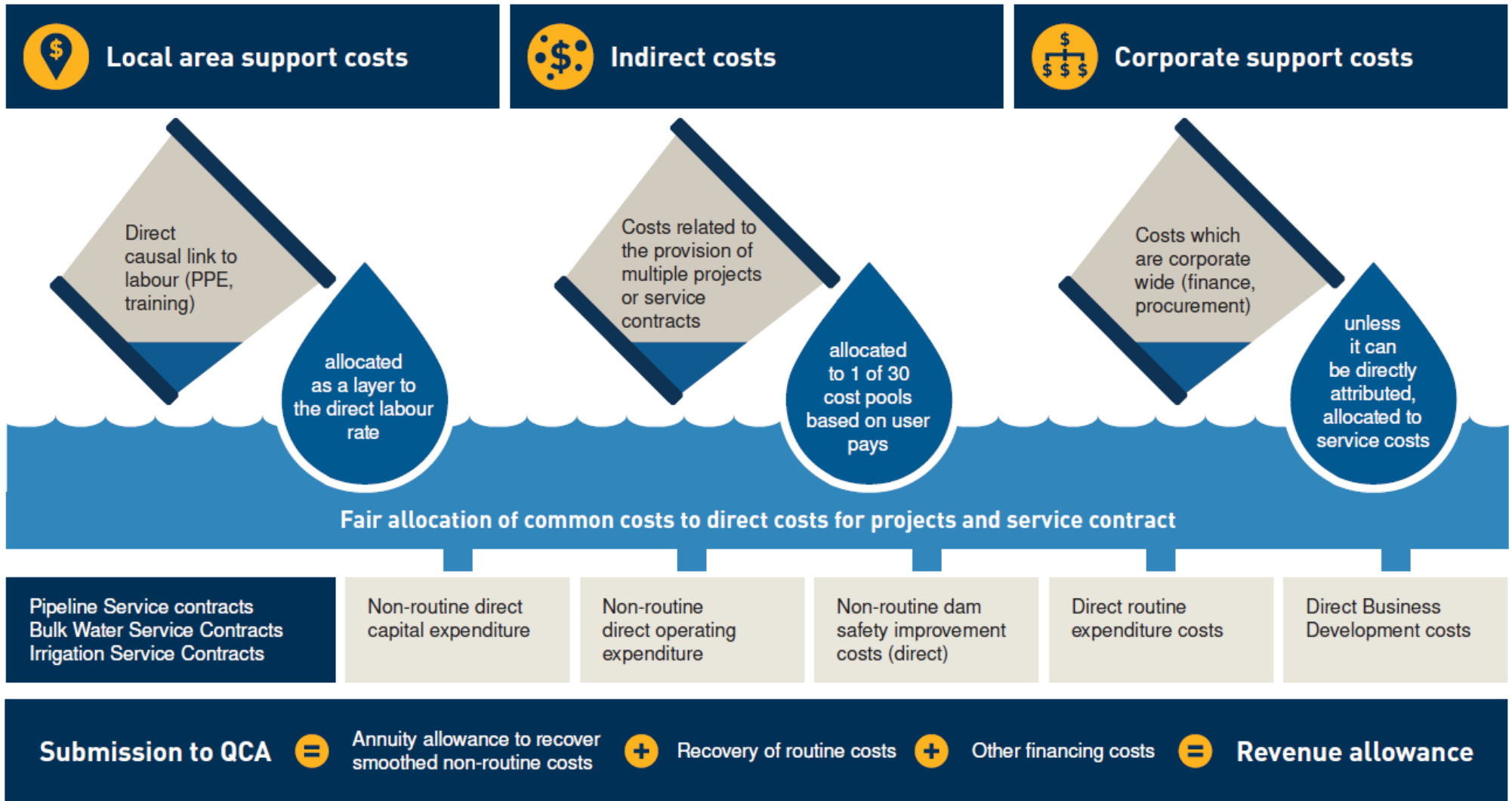
- removed the cascading of corporate overheads into indirect costs
- made the local overhead rate specific to each region
- simplified the cost drivers to labour only, removing the 5 per cent on direct cash costs excluding labour and electricity.

Forecast figures contained in this NSP reflect this change in approach.

Figure 7 below illustrates the allocation of costs associated with providing services.



Figure 7: How are SunWater's costs allocated to each service contract?



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## Appendix 3: Routine expenditure

### Operations

Operations expenditure includes day-to-day costs associated with management of the Service Contract, water delivery and meeting compliance obligations. Specific activities include the direct and non-direct costs of:

- scheduling and delivering water, including processing water orders, releasing water, and monitoring customer deliveries
- Emergency Action Plans and seasonal event responses
- meter reading
- administration of water accounts, billing and receipting payments
- customer management, including enquiries, complaints and maintaining the customer service help desk
- Service Contract management, including licences and permits, rates, land management, planning and reporting
- insurance
- monitoring the security of infrastructure and unauthorised access
- managing engagement associated with the Service Contract
- managing enquiries from adjoining landholders and developers that require input from and negotiations with SunWater’s property and legal sections
- daily dam inspections and other surveillance activities.

### Preventative maintenance

Preventative maintenance for the Proserpine River Bulk Water Service Contract includes:

- Condition monitoring — the inspection, testing or measurement of physical assets to report and record condition and performance to determine maintenance requirements. Condition monitoring is carried out on electrical, mechanical and civil assets, including pipelines (valves, air valves, scours easements etc.) and other infrastructure.

- Servicing — planned maintenance activities carried out routinely on physical assets including valves, gauging stations, hoists, sump pumps and associated equipment.
- Weed control — management of weeds, including spraying and other activities to control nuisance and noxious weeds.
- Maintenance of recreational areas and facilities.

### Scheduled corrective maintenance

Scheduled corrective maintenance varies by asset type and typically includes:

- Pipelines:
  - repairing pipe breaks, air and scour valves and concrete structures
  - erosion control and repairing rock protection works.
- Service Contract roads:
  - repairing pot holes and grading roads
  - repairing, replacing, and painting guide posts and signs.
- Storages (headworks):
  - repairing control gates, valves and concrete structures
  - repairing walls, embankments and spillways.
- Meters:
  - repairing bulk water meters and customer meters.

### Emergency corrective maintenance

Emergency corrective maintenance typically includes the repair or correction of faults in pipelines. It also includes responding to theft or vandalism associated with Service Contract assets.

## Appendix 4: Non-routine projects for 2018/19 to 2023/24

Non-routine projects are asset-related projects required to support service delivery which are undertaken less frequently than annually.

**Table 9: Non-routine projects (or planning items) 2018/19 to 2023/24**

Year	Project Title	Project Scope	Budget (\$'000)
2018/19	Peter Faust Dam – Piezometer remote reading	During flood events, the piezometer hut at Peter Faust Dam is inaccessible. Operators need to be able to read the piezometers to measure the performance of the dam during the flood. This project will enable remote reading of the piezometers.	128
	Peter Faust Dam – Comprehensive inspection	SunWater conducts comprehensive inspections of its 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 condition data will be updated to assist with better planning of non-routine maintenance items.	126
	Recreational facility transfer	This is an allowance to complete the transfer of the dam recreational facilities to the Whitsunday Council. The Council is keen to open the dam up for recreational use so is best placed to own and maintain the site facilities.	95
	Water treatment plant – Decommissioning	This is the final phase of decommissioning the water treatment plant. The final site tanks will be removed and disposed of. Site staff now truck potable water to their houses.	28
	Intake tower hoist replacement – Completion	The gantry crane on the intake tower failed twice in the past 2 years. Investigations found that it was under-designed. A new crane has been purchased and will be installed in mid-July prior to the comprehensive inspection.	27
	Other works	There are 2 other non-routine projects for 2018/19.	46
	<b>2018/19 Total</b>		<b>450</b>
2019/20	Peter Faust Dam – Upstream spillway protection refurbishment	The revetment mattresses on the upstream spillway entrance channel have been undermined by flooding both from upstream flows and runoff down the bank. The mattresses prevent the entire bank from scouring away. The bank also acts as the access road to the recreational facilities.	826

Year	Project Title	Project Scope	Budget (\$'000)
	Peter Faust Dam – Guard valve No. 1 refurbishment	The 2013 comprehensive inspection recommended that the guard valve internal valve surfaces and flange interfaces be repaired to remove corrosion. SunWater has been monitoring the condition through the ability for it to open and seal as internal inspections cannot routinely be done. It is possible the 2018/19 comprehensive inspection will recommend a further deferral.	112
	Peter Faust Dam – Regulating valve No. 1 refurbishment	The 2013 comprehensive inspection recommended that the regulating valve internal valve surfaces and flange interfaces be repaired to remove corrosion. SunWater has been monitoring the condition through the ability for it to open and seal as internal inspections cannot routinely be done. It is possible the 2018/19 comprehensive inspection will recommend a further deferral.	112
	Kelsey Creek – 900mm guard valve refurbishment	The 2013 comprehensive inspection recommended that the guard valve internal valve surfaces and flange interfaces be repaired to remove corrosion. SunWater has been monitoring the condition through the ability for it to open and seal as internal inspections cannot routinely be done. It is possible the 2018/19 comprehensive inspection will recommend a further deferral.	134
	Peter Faust Dam – Intake tower design review	A previous safety review identified that the intake tower may not be adequate to withstand high velocity wind loadings. This project will further review the design adequacy and make recommendations for strengthening the tower.	86
	Other works	There are 3 other non-routine projects for 2019/20.	136
	<b>2019/20 Total</b>		<b>1406</b>
<b>2020/21</b>	Peter Faust Dam – Intake tower strengthening	A previous safety review identified that the intake tower may not be adequate to withstand high velocity wind loadings. This project will begin to implement the recommendations from the 2019/20 design review. The scope and final cost is not known at this stage.	640
	Peter Faust Dam – Regulating valve No. 2 refurbishment	The 2013 comprehensive inspection recommended that the regulating valve internal valve surfaces and flange interfaces be repaired to remove corrosion. SunWater has been monitoring the condition through the ability for it to open and seal as internal inspections cannot routinely be done. It is possible the 2018/19 comprehensive inspection will recommend a further deferral.	116

Year	Project Title	Project Scope	Budget (\$'000)
	Peter Faust Dam – Guard valve No. 2 refurbishment	The 2013 comprehensive inspection recommended that the guard valve internal valve surfaces and flange interfaces be repaired to remove corrosion. SunWater has been monitoring the condition through the ability for it to open and seal as internal inspections cannot routinely be done. It is possible the 2018/19 comprehensive inspection will recommend a further deferral.	116
	Peter Faust Dam – Spillway discharge improvements	During the 2016 annual inspection, operators commented that the access road to the spillway and outlet building gets inundated. Over the years, the road has been slowly raised to try and overcome this; however, it has resulted in permanent inundation of the spillway gallery. Discharges are also affected by dense vegetation in the downstream river. Debris in the water backing up from this blockage impacts upon the Kelsey Creek Pipeline causing it to be undermined and damaged. This project will look at options for overcoming these issues.	120
	Asset revaluation	SunWater re-values its assets every five years for insurance purposes and to assist with cost estimating for non-routine projects.	31
	Other works	There is 1 other non-routine project for 2020/21.	34
	<b>2020/21 Total</b>		<b>1057</b>
<b>2021/22</b>	Peter Faust Dam – Spillway discharge improvements	This will be the site work to improve the spillway discharges to overcome the risks identified during the 2016 annual inspection. The final scope and cost estimate are not known at this stage.	196
	Peter Faust Dam – Switchboard replacement	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 than wait until it has failed.	92
	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.	52
	Meter replacements	This is an allowance to replace failed customer meters in the scheme. The money will remain in the annuity if meters are not replaced.	34
	Other works	There are no other non-routine projects for 2021/22.	-

Year	Project Title	Project Scope	Budget (\$'000)
	<b>2021/22 Total</b>		<b>374</b>
<b>2022/23</b>	Meter replacements	This is an allowance to replace failed customer meters in the scheme. The money will remain in the annuity if meters are not replaced.	34
	Peter Faust Dam – 20 year dam safety review	This is the completion of the 20 year safety review of Peter Faust Dam. The safety review assesses the condition of the dam against current standards and design guidelines before the recommendations are risk assessed for action.	373
	Other works	There are no other non-routine projects for 2022/23.	-
	<b>2022/23 Total</b>		<b>407</b>
<b>2023/24</b>	Peter Faust 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
	Peter Faust Dam – Comprehensive inspection	SunWater conducts comprehensive inspections of its 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.	145
	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.	47
	Meter replacements	This is an allowance to replace failed customer meters in the scheme. The money will remain in the annuity if meters are not replaced.	35
	Other works	There are no other non-routine projects for 2023/24.	-
	<b>2023/24 Total</b>		<b>406</b>



### **Contact us**

To have your say and shape future NSPs, please contact us via email or post:

Email: [nspfeedback@sunwater.com.au](mailto:nspfeedback@sunwater.com.au)

Post: NSP Feedback  
PO Box 15536 City East  
Brisbane Qld 4002

We consider and respond to all submissions, publishing all responses on our website.

# Addendum to the 2018/19 to 2023/24 Network Service Plan

Proserpine River Bulk Water Service Contract

6 November 2018

Final



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## Contents

How to read this addendum	1
Table 1: Irrigation charges for 2018/19 – Restatement of Table 2 from the 2019 Network Service Plan	2
Table 2: Routine operating expenditure <sup>1</sup> – Restatement of Table 5 from the 2019 Network Service Plan	2
Table 3: Annuity balance – Restatement of Table 7 from the 2019 Network Service Plan	3
Table 4: Adjustments to 2020/21 opening annuity balance	3
Table 5: Cost building blocks and notional cost allocations	4
Table 6: Historical actual water usage	5

## How to read this addendum

Several changes have been made to our forecast costs since we published our 2019 Network Service Plan for the Proserpine River Bulk Water Service Contract in July 2018. We have therefore prepared this addendum to aid our customers' understanding of the changes and to assist the Queensland Competition Authority (QCA) in their review.

We have:

- updated for 2017/18 actual expenditure, which is broadly in line with the 2017/18 estimates included in the 2019 Network Service Plan
- revised market parameters, such as escalators and the Weighted Average Cost of Capital, for the latest available information
- used the scheme's 15-year average water usage over the 2002/03 to 2016/17 period to determine the Part B cost per megalitre.

Note:

- All financial figures contained in this addendum are nominal dollars.
- Totals may not add due to rounding.

**Table 1: Irrigation charges for 2018/19 – Restatement of Table 2 from the 2019 Network Service Plan**

Product		2018/19 (\$/ML)	Cost (\$/ML) <sup>1,2</sup>	Subsidy (\$/ML)
Medium Priority Allocation Charge	Bulk Water Charge – Part A (fixed charge based upon entitlement)	12.94	13.62	0.68
Medium Priority Allocation Water	Bulk Water Charge – Part B (variable charge based upon usage)	2.95	4.28	1.33

1. Costs reflect lower bound cost recovery, ie recovery of future replacement and ongoing maintenance and operations. Charges do not allow for any returns on existing assets.
2. The notional High Priority Allocation Charge cost per megalitre is \$36.17.

**Table 2: Routine operating expenditure<sup>1</sup> – Restatement of Table 5 from the 2019 Network Service Plan**

	2016/17			2017/18 <sup>2</sup>		2018/19 <sup>2</sup>		2019/20	2020/21	2021/22	2022/23	2023/24
	SunWater Actual \$'000	QCA Recommended \$'000	Variance \$'000	SunWater Actual \$'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
Electricity	-	6.7	(6.7)	-	6.9	8.5	7.0	7.8	7.6	7.9	8.6	8.6
Insurance	182.1	94.0	88.2	168.1	96.3	176.6	98.7	180.2	184.3	188.6	192.9	197.3
Operations	493.3	594.5	(101.2)	662.5	609.4	818.1	624.6	729.4	748.0	767.2	786.4	806.1
<b>Operations Total</b>	<b>675.5</b>	<b>695.2</b>	<b>(19.7)</b>	<b>830.6</b>	<b>712.6</b>	<b>1003.1</b>	<b>730.4</b>	<b>917.4</b>	<b>940.0</b>	<b>963.6</b>	<b>987.9</b>	<b>1012.0</b>
Preventative maintenance	251.7	151.9	99.8	155.7	155.7	181.3	159.6	161.6	165.7	169.9	174.2	178.6
Corrective maintenance	56.6	56.3	0.2	42.5	57.7	71.3	59.2	63.7	65.3	66.9	68.6	70.3
<b>Routine Total</b>	<b>983.7</b>	<b>903.4</b>	<b>80.3</b>	<b>1028.7</b>	<b>926.0</b>	<b>1255.6</b>	<b>949.1</b>	<b>1142.7</b>	<b>1171.0</b>	<b>1200.5</b>	<b>1230.7</b>	<b>1260.9</b>

1. SunWater's 2019/20 to 2023/24 budget figures are draft as at the time of consultation. These figures will not be locked down until late in the financial year prior.
2. 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%.

**Table 3: Annuity balance – Restatement of Table 7 from the 2019 Network Service Plan**

	2016/17 Actual \$'000	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>1</sup>	(301.0)	(383.1)	(807.1)	(1106.0)	(2123.2)	(2708.2)	(2317.4)	(1640.7)
Spend	(260.9)	(601.7)	(450.0)	(1405.6)	(1056.6)	(374.8)	(407.6)	(406.3)
Insurance proceeds receipts (if applicable)								
Prior year	-	-	-	-	-	-	-	-
Current year	-	-	-	-	-	-	-	-
Annuity contribution <sup>2</sup>	201.4	206.4	211.5	216.3	595.7	924.0	1219.7	1228.4
Interest/financing costs	(22.5)	(28.7)	(60.5)	(82.8)	(124.1)	(158.3)	(135.5)	(95.9)
<b>SunWater – Closing balance</b>	<b>(383.1)</b>	<b>(807.1)</b>	<b>(1106.0)</b>	<b>(2378.1)</b>	<b>(2708.2)</b>	<b>(2317.4)</b>	<b>(1640.7)</b>	<b>(914.6)</b>
<b>QCA – Closing balance</b>	<b>422.8</b>	<b>466.4</b>	<b>443.9</b>					
Difference	(805.9)	(1273.5)	(1549.8)					

1. 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. Table 4 provides further details.
2. 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 (CPI) for 2017/18, 2018/19 and 2019/20. Thereafter the annuity contribution is based on SunWater's forecast.

**Table 4: Adjustments to 2020/21 opening annuity balance**

Adjustment	\$'000
Actual spend adjustment	(13)
Annuity income difference	0
Intersafe project spend adjustment	153
Interest difference	0
Alignment to previously reported data	2
Interest	114
<b>Total</b>	<b>255</b>

**Table 5: Cost building blocks and notional cost allocations**

	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>Cost building blocks</b>						
Routine costs	1255.6	1142.7	1171.0	1200.5	1230.7	1260.9
Non-routine costs (Annuity contribution)	211.5	216.3	595.7	924.0	1219.7	1228.4
Dam improvement program	-	-	-	-	-	-
Working capital	1.0	0.9	-	-	-	-
Revenue offsets	-	-	-	-	-	-
Transfers (Distribution losses)	-	-	-	-	-	-
<b>Total costs</b>	<b>1468.1</b>	<b>1359.9</b>	<b>1766.8</b>	<b>2124.5</b>	<b>2450.5</b>	<b>2489.3</b>
<b>Notional cost allocations</b>						
Irrigation customers	630.9	581.5	703.8	812.2	911.6	927.8
Urban/Industrial customers	437.4	406.7	555.3	685.5	803.8	815.7
SunWater	399.8	371.7	507.7	626.8	735.0	745.8
<b>Total costs</b>	<b>1468.1</b>	<b>1359.9</b>	<b>1766.8</b>	<b>2124.5</b>	<b>2450.5</b>	<b>2489.3</b>

**Table 6: Historical actual water usage**

<b>Year</b>	<b>Usage (ML)</b>
2002/03	51,585
2003/04	35,351
2004/05	36,951
2005/06	29,842
2006/07	19,456
2007/08	22,535
2008/09	21,944
2009/10	32,761
2010/11	6,285
2011/12	20,313
2012/13	22,810
2013/14	22,624
2014/15	36,424
2015/16	30,747
2016/17	15,393
<b>15-year average</b>	<b>27,001</b>