

CTS 02356/20
eDOCS:

**Department of Natural Resources, Mines and Energy
MINISTER'S MEETING BRIEF – Dr Anthony Lynham MP**

SUBJECT: Proposed pumped hydro-electric project
component of the Urannah Water Scheme

Policy Advisor.....OK
Chief of Staff OK

Approved / Not approved / Noted

Minister
Dated...../...../.....

TIMING: Routine

MEETING: Wednesday 12 February 2020 at 1:30 pm
1 William Street
Attendees:

- Mr John Cotter, Managing Director, Urannah Water Scheme
- Mr Alexander McNab, Commercial Manager, Urannah Water Scheme
- Ms Stephanie Jolly, Executive Director, Strategic Energy Policy, DNRME
- Ms Linda Dobe, Deputy Director-General, Natural Resources, DNRME
- Mr Wally Kearnan, Deputy Director-General, Lands, DNRME

RECOMMENDATION:

The suggested approach the Minister should take for this meeting is:

- a. **Note** that the proponents of the Urannah Water Scheme (the Scheme) will outline and brief you on the pumped hydro-electric project which is one part of the component of the Urannah Water Scheme.
- b. **Note** that DNRME is currently conducting a study into potential pumped hydro projects; and that once the government has considered the study, it will be better placed to consider the proposed Urannah pumped hydro project.
- c. **Note** that DNRME recommends not to discuss how Urannah hydro project compares to other sites considered in DNRME's study, because the work is ongoing and hasn't yet been considered by Cabinet.
- d. **Note** the progress to date on the Urannah Water Scheme business case under the National Water Infrastructure Development Fund (NWIDF).

KEY ISSUES:

Pumped hydro

1. One component of the proposed Urannah Water Scheme is a pumped hydro project.
2. On 8 February 2020, the Honourable Angus Taylor MP, Minister for Energy and Emissions Reduction announced that \$2 Million (M) would be allocated from the \$10M Supporting Reliable Energy Infrastructure program to conduct a pre-feasibility study on a large pumped hydro-electric plant as part of the Urannah Water Scheme.
3. The Urannah Water Scheme had originally been targeting around 7seven hours of energy storage. The Commonwealth announcement indicates they are now looking to expand this to provide longer duration storage.
4. In addition to this Commonwealth funding, the project proponents of the Urannah Water Scheme will brief you on their intent to apply to the Australian Renewable Energy Agency for a grant to assist in the further development of a larger renewable project at Urannah incorporating wind, solar and/or hydrogen and referred to by Urannah proponents as a renewable energy hub. This appears to be in an early conceptual stage.
5. DNRME is currently conducting a study into conventional and pumped storage hydro-electricity (the Hydro Study). Part of the study is to identify the Queensland sites that are most appropriate for large-scale pumped hydro. By facilitating pumped hydro development at the best sites, the government can help to reduce long-term costs to the electricity sector.

Author:	Recommended – ED:	Endorsed – DDG:
Name: Graham Young Title/Business Group: Principal Engineer RWSI Telephone: 07 31660160 Date: 7 February 2020	Name: Bernadette Zerba Title/Business Group: ED WS Telephone: 3137 4265 Date: 10 February 2020	Name: Linda Dobe Title/Business Group: DDG, NR Telephone: 3166 0132 Date: DROP COPY

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sch3(2)(1)(b) Cabinet matter - Would reveal consideration of Cabinet/prejudice confidentiality

6.

7.

8.

Water

9. DNRME considered that many of the assumptions made in the Preliminary Business Case for this project to be significantly uncertain and raised a number of concerns at the viability of the Urannah Dam. Areas of concern include:
 - Unclear message regarding the roles of key stakeholders and some of the funding and financing.
 - Financial viability of the proposal be better clarified and some key assumptions remain uncertain.
 - No assessment was provided on how the proposal complies with the Water Plan for the catchment.
 - Demand for water, rate of take up and price that will be paid for water is uncertain and needs to be discussed with and agreed by the regions water service providers.
 - Implications of reef protection regulations for the project viability.
10. The Burdekin Water Plan includes 150 000 megalitres (ML) of unallocated water in the Bowen and Broken sub-catchments which could be associated with a development of Urannah.
11. The next phase, Detailed Business Case of the Urannah Water Scheme is now currently being funded by the Australian Government under round two of the Australian Government's NWIDF feasibility studies (\$10M).
12. The Urannah Water Scheme includes a proposed dam with storage capacity between 1 060 000 ML and 1,660,000-ML, pipelines to Moranbah and Proserpine subject ultimately to demand from potential customers, an irrigation scheme for agriculture and a pumped hydro-electric project.
13. Urannah Dam is in the Bowen Broken sub-catchment which is in the Burdekin catchment.
14. SunWater is currently assessing viability of raising Burdekin Falls Dam (BFD) which is also in the Burdekin Catchment. Both Urannah and BFD have the potential to supply water to mining interests in the Bowen Basin. There is the potential for overlapping demand.
15. The proponents are now preparing a detailed business case for the project including detailed design and engineering works and addressing environmental, cultural heritage and native title issues.
16. Milestone 1, delivery of a project plan and other preparatory works has been completed and paid. The Department DNRME is currently reviewing the Milestone 2, delivery of design scope and related activities for the project.
17. The proponents of the project are seeking declaration of the proposed project as a "coordinated project", under the *State Development and Public Works Organisation Act 1971* which has not been given yet.
18. Representatives from the Office of the Co-ordinator General has verbally indicated insufficient information and certainty about the projects viability to declare a project as a "coordinated project". The proponents have been asked to provide more information.

RISK:

19. N/A.

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CONSISTENCY WITH ELECTION COMMITMENTS AND GOVERNMENT OBJECTIVES:
20. N/A.

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RTI Act 2009

20.

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RESOURCE IMPLICATIONS

21. Finance / Budget - N/A.
22. HR - N/A.

COMMUNICATION:

23. N/A.

BACKGROUND:

24. Between 2015 and 2019, DNRME facilitated 15 feasibility studies of water supply proposals across Queensland under the Australian Government's NWIDF.
25. The previous stage of assessment of the Urannah dam project received funding (\$3M) under the NWIDF for the preparation of a Preliminary Business Case (PBC), that was completed in June 2019 and reported to the Commonwealth.
26. The key elements of the Urannah Water Scheme are:
- 1 500 000-ML Urannah dam. The estimated cost of the project is between \$1-200M and \$1 500M.
 - water distribution pipeline networks to Moranbah and Proserpine
 - associated irrigation precinct for agriculture (15 000 hectares)
 - hydropower scheme (hydro power/pumped storage and associated electricity supply infrastructure).

ATTACHMENTS:

27. Attachment 1 – Figure 1 - Project Area

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DEPARTMENT OF NATURAL RESOURCES, MINES AND ENERGY
RESPONSE TO MINISTER'S OFFICE/DEPARTMENTAL LIAISON OFFICER REQUEST

CTS No.	
DUE DATE <i>By DLO/Minister's Office</i>	Wednesday 27 November
ISSUE	Minister meeting with Mayor of Townsville
NAME OF CONSTITUENT OR MEMBER OF PUBLIC <i>If applicable</i>	
RESPONDING OFFICER <i>Author</i>	Russell Cuerel, Team Leader, NATRES Division Andrew Burnett, Director, EM, Energy Division Shane Tennent, Director, ARC, Energy Division Darren Schneider, Director, ARC, Energy Division Tim Quirey, Director, CSI, Energy Division
FINAL APPROVAL <i>DG/DDG/ED</i>	Bernadette Zerbra, NATRES Division David Shankey, ED, EM, Energy Division Catherine Cussen, ED, ARC, Energy Division Gayle Leaver, ED, CSI, Energy Division

INFORMATION/ADVICE - NATRES:

Townsville Water Supply

- Townsville's water supply is mostly from Ross River Dam and the Paluma Dam/Crystal Creek system. However, water supply from these sources requires supplementation from the Burdekin Haughton Water Supply Scheme (BHWSS) to provide a secure supply and meet community's 'liveability' expectations.
- To access water from the BHWSS, TCC operates a pipeline from the Haughton Main Channel to Ross River Dam. As Townsville's population and water demand grows, the need to source water from the Burdekin will occur more frequently, and the capacity of the existing pipeline (constructed in the late 1980's) will increasingly become a limiting factor.
- The Townsville Water Security Taskforce (TWST) found that the existing pipeline was designed as an emergency measure only and that failure of the emergency pipeline and pumps was a significant risk.
- The Queensland Government committed \$225 million towards addressing Townsville's long-term water security needs, to support the recommendations of the TWST and brought this funding forward to ensure the projects can be fast tracked to stimulate local economic development and jobs.
- Breakdown of the Queensland Government. funding is as follows:
 - \$215 million towards the Stage 1 Townsville pipeline (which duplicates - and ultimately replaces - the existing pipeline). TCC has made significant progress on the Stage 1 pipeline project with around half of the pipeline now laid.
 - \$10 million for a 'Water Smart Package' - which includes a rebate program and community education - to help the Townsville community adopt water efficient practices
- The Commonwealth Government has committed \$195 million to Stage 2 and the Queensland Government is working with both TCC and the Commonwealth Government to facilitate provision of these funds to council (note: the cost of the pipeline may exceed \$195 million, in which case TCC will need to find additional funds).
- As a result of Stage 2 now being progressed concurrently with Stage 1, TCC has reduced the scope of Stage 1 works to integrate with Stage 2. The reduced scope includes the removal of the Stage1 Pump Station and of the Haughton Channel upgrade which are no longer required.
- Some elements of the original Stage 1 pipeline have been moved into a new Stage 1.1 comprising the first (approximately) 3 km of the original Stage 1 pipeline (but on a new alignment to connect to the Stage 2 pipeline) and (a deeper) pipeline under the Haughton River.
- While the works removed from the original scope of Stage 1 will realise approximately \$32 million in avoided costs, the estimated cost of the (combined) re-scoped Stage 1 and new Stage 1.1 is approximately \$203 million, leaving an estimated \$12 million remaining from the Queensland Government's funding for the Stage 1 pipeline.
- TCC has requested it be permitted to use the \$12 million to expedite the installation of its Recycled Water Re-Use Scheme - to be completed during 2019/2020 FY.

- Minister Lynham wrote to the Premier on 17/10/19 seeking approval to reallocate the \$12million – **advice from the Premier has not yet been received.**
- TCC have advised that it can deliver the revised Stage 1 pipeline by March 2020, and given the need to approach the market and to avoid construction during the wet season, deliver the new Stage 1.1 by November 2020.
- However Stage 1 of the pipeline will now not be operational until Stage 2 is completed.
- \$195M of Commonwealth Government funds to TCC is to be administered through DNRME under a national project agreement (being negotiated between the Commonwealth and State) and a grant deed between DNRME and TCC (being progressed)
- A difficulty has arisen in finalising the Project Agreement due to Queensland Government concerns around a Commonwealth National Water Initiative water pricing reform condition in the draft and Queensland's role in implementing such a condition.
- This is impacted on TCC's desire to commence the necessary planning and project establishment activities for the Stage 2 pipeline at the earliest opportunity (noting Council elections scheduled in early 2020).

Burdekin Haughton Water Supply Scheme

- Townsville City Council holds a 10,000 ML High Priority water allocation in Burdekin Falls Dam, as well as a smaller 480 ML High Priority allocation. Under its current supply contract with Sunwater, TCC ;
 - pays sch4p4(7)(1)(c) per megalitre in annual supply charges sch4p4(7)(1)(c) for its 10,000 ML allocation (for Townsville city), and sch4p4(7)(1)(c) per megalitre sch4p4(7)(1)(c) for an additional 480 ML allocation (for the Giru / Curugulla town supply).
 - has the ability to obtain a further 110,000 ML of Medium Priority water currently held in reserve by Sunwater (however the current contract does not specify a purchase price).
- The supply contract expires on 30 June 2020.
- In 2018, the Townsville Water Security Taskforce recommended that Townsville Council:
 - Increase their High Priority water allocation by 15,000 ML
 - Consider a reduction in the volume of Medium Priority water available from Sunwater
- It is understood that TCC is seeking a new supply contract that would allow it to obtain an additional 15,000 ML of High Priority water, and the full 110,000 ML of Medium Priority water.
- A new supply contract would specify the volume and purchase price for the new allocations, as well as the ongoing supply charges for all of TCC's water allocation holdings.
- The current market price for Medium Priority water is around \$250/ML (i.e. \$27.5 million for 110,000 ML). The market has not been tested in recent years for High Priority and this price will need to be negotiated with Sunwater. It is unclear what TCC is willing to pay for the additional water.
- Supply charges are unknown at this stage as they will be impacted by the QCA's review of rural irrigation prices (final report due 31 January 2020), and the Minister's decision on Sunwater's urban pricing methodology.

s.73 Irrelevant information

Burdekin Falls Dam – Dam Safety Upgrades

- Burdekin Falls Dam Improvement Project which is being undertaken to ensure the dam continues to function in line with the latest dam safety guidelines and engineering standards.
- The dam improvement project will take up to three years to construct, with a target project completion date in early 2025, weather permitting.

- The works to be undertaken for the improvement project are required to be completed before any construction of a raising could occur, meaning that if triggered, construction of the dam wall raising would not be able to commence until 2025.

Raising Burdekin Falls Dam Assessment

- Sunwater are progressing the assessment of raising Burdekin Falls Dam through the development of a detailed business case and Environmental Impact Statement (EIS) for the project.
- The raising of Burdekin Falls Dam is the Queensland Government's priority proposal to increase water supply for the Burdekin and surrounding region.
- The project is supported with Queensland Government funding of \$16 million
- Building Queensland is leading the development of the Detailed Business Case
- The Detailed Business Case and EIS are expected to be completed in the second half of 2023

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Published on RDMW Disclosure Log
RTI Act 2009

Date : 27/11/2019 4:06:04 PM

From : "DLO DNRME"

To : "Corro DNRME Minister and DG"

Cc : "DLO DNRME" , "ODDG Energy" , "ODDG NATRES"

Subject : FW: URGENT : FW: BN/Dept Rep Request - Minister meeting with Mayor of Townsville - 2:30PM Thursday 28th Nov

Attachment : NATRES and Energy Divisions Dot Point Response - Min meeting with Mayor of Townsville.docx;image001.png;image002.jpg;

Hi Team,

Can this be loaded to MECS please?

Went offline due to turnaround.

Regards,



Danielle Mahl

Departmental Liaison Officer

Department of Natural Resources, Mines and Energy

P: 3199 4980 M: sch4p4(6)

E: danielle.mahl@dnrme.qld.gov.au

A: Level 36, 1 William Street, Brisbane QLD 4000

W: www.dnrme.qld.gov.au

From: ODDG Energy <ODDGEnergy@dnrme.qld.gov.au>

Sent: Wednesday, 27 November 2019 3:47 PM

To: DLO DNRME

Cc: ODDG NATRES; ODDG Energy; ZERBA Bernadette; CUEREL Russell

Subject: RE: URGENT : FW: BN/Dept Rep Request - Minister meeting with Mayor of Townsville - 2:30PM Thursday 28th Nov

Hello DLOs,

Please see combined response by NATRES and Energy attached. Approved by relevant EDs.

Note, David Shankey will now be the Energy representative at this meeting. Could you please forward the invite to David?

Regards,

Su'e



Su'e Taviuni-Fa'amoe

Office of the Deputy Director-General, Energy

Department of Natural Resources, Mines and Energy

P: 07 3181 5115 Ext 74415

E: suesue.taviuni@dnrme.qld.gov.au

A: Level 8, 1 William Street, Brisbane QLD 4000 |

PO Box 15216, City East, QLD 4002

(part-time: Tuesday (from home), Wednesday, Thursday, Friday (from home))



From: DLO DNRME <DLO.DNRME@dnrme.qld.gov.au>

Sent: Tuesday, 26 November 2019 3:01 PM

To: ODDG NATRES; ODDG Energy

Cc: DLO DNRME

Subject: FW: BN/Dept Rep Request - Minister meeting with Mayor of Townsville - 2:30PM Thursday 28th Nov

Importance: High

Good Afternoon NATRES/Energy,

The Minister is meeting with Cr Jenny Hill, Mayor of Townsville, on Thursday 28 November 2:30pm at Parliament House (Room 5.04A).

No formal agenda has been provided, but CoS suggests that the purpose of the meeting is to discuss Townsville's Water and Electricity Supply.

Given the absence of a formal agenda, NATRES and Energy are to ensure that drafted material encompasses all Water/Energy matters that

could be raised.

NATRES to lead this request with NATRES with Energy Division (likely EM/ARC) to provide input as required.

NATRES - Please advise Energy ODDG of lead contact for coordination when known.

MO ask that a dot point brief be prepared in the attached template, with a departmental rep to attend (a rep from both NATRES and Energy).

Please advise the department's nominated rep by email when possible, DLO notes that more than one rep may be required.

Due to MO no later than **14:00 Wednesday 27 November.**

Item not loaded to MECS given turnaround – will be loaded on completion.

Regards,



Danielle Mahl

Departmental Liaison Officer

Department of Natural Resources, Mines and Energy

P: 3199 4980 M: Section

E: danielle.mahl@dnrme.qld.gov.au

A: Level 36, 1 William Street, Brisbane QLD 4000

W: www.dnrme.qld.gov.au

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- It is understood that TCC is seeking a new supply contract that would allow it to obtain an additional 15,000 ML of High Priority water, and the full 110,000 ML of Medium Priority water.
- A new supply contract would specify the volume and purchase price for the new allocations, as well as the ongoing supply charges for all of TCC's water allocation holdings.
- The current market price for Medium Priority water is around \$250/ML (i.e. \$27.5 million for 110,000 ML). The market has not been tested in recent years for High Priority and this price will need to be negotiated with Sunwater. It is unclear what TCC is willing to pay for the additional water.
- Supply charges are unknown at this stage as they will be impacted by the QCA's review of rural irrigation prices (final report due 31 January 2020), and the Minister's decision on Sunwater's urban pricing methodology.

s.73 Irrelevant information

Burdekin Falls Dam – Dam Safety Upgrades

- Burdekin Falls Dam Improvement Project which is being undertaken to ensure the dam continues to function in line with the latest dam safety guidelines and engineering standards.
- The dam improvement project will take up to three years to construct, with a target project completion date in early 2025, weather permitting.

- The works to be undertaken for the improvement project are required to be completed before any construction of a raising could occur, meaning that if triggered, construction of the dam wall raising would not be able to commence until 2025.

Raising Burdekin Falls Dam Assessment

- Sunwater are progressing the assessment of raising Burdekin Falls Dam through the development of a detailed business case and Environmental Impact Statement (EIS) for the project.
- The raising of Burdekin Falls Dam is the Queensland Government's priority proposal to increase water supply for the Burdekin and surrounding region.
- The project is supported with Queensland Government funding of \$16 million
- Building Queensland is leading the development of the Detailed Business Case
- The Detailed Business Case and EIS are expected to be completed in the second half of 2023

s.73 Irrelevant information