Warrill Valley Water Supply Scheme

Annual Network Service Plan

2019-20

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SOURCE STORE SUPPLY

Contents

1. Introduction

This Network Service Plan (NSP) is a key component of Seqwater's consultation with its customers and is intended to provide useful and helpful information.

Seqwater invites comments and suggestions on the content of this NSP. All submissions will be published on the Seqwater website along with Seqwater's responses. Customers may provide feedback via post or email at the following addresses:

Post: Seqwater
PO Box 328
IPSWICH QLD 4305

Email: irrigators@seqwater.com.au

2. Scheme Details

2.1 Scheme background and context

The Scheme was established following the construction of Moogerah Dam in 1961. The Scheme provides water for the irrigation of about 8,000 ha of farms as well as for urban and industrial water users.

The Scheme is regulated under the Moreton Water Management Protocol and managed under the Warrill Valley Water Supply Scheme Operations Manual.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Warrill Valley".

2.2 Infrastructure details

The table below sets out the bulk water assets, owned and operated by Seqwater, that comprise the scheme.

Table 1: Bulk water assets

Dams	Weirs	Other bulk water assets
• Moogerah Dam	• Upper Warrill Diversion Weir • Kents Lagoon Diversion Weir • Aratula Weir • Warrill Creek Diversion Weir • Warroolaba Creek Diversion Weir • West Branch Warrill Diversion Weir • Churchbank Weir • Railway Weir	• Gauging stations • Customer water meters • Upper Warrill Creek Diversion Channel

Source: Seqwater (2019)

2.3 Customers and water entitlements serviced

The following table sets out the distribution of water allocations amongst classes of customers.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)	High priority volume (ML)
Irrigation	275	20,158.5	–
Urban	2	–	254
Seqwater	7	3,725	5,696
Totals	**288**	**23,883.5**	**5,950**

Source: Moreton Resource Operations Plan June 2014; Seqwater (2019)

2.4 Water availability and use

2.4.1 Water availability

The announced allocation determines the percentage of nominal water allocation volume that is available in each water year.

The following table sets out the announced allocations for the current year plus the historical position for the twelve years starting 2007-08.

Table 3: Announced allocations

Year	MP %	Year	MP %	Year	MP %
2007-08	0	2013-14	100	2019-20	100
2008-09	5-71	2014-15	100		
2009-10	30-72	2015-16	100		
2010-11	56-100	2016-17	100		
2011-12	100	2017-18	100		
2012-13	100	2018-19	100		

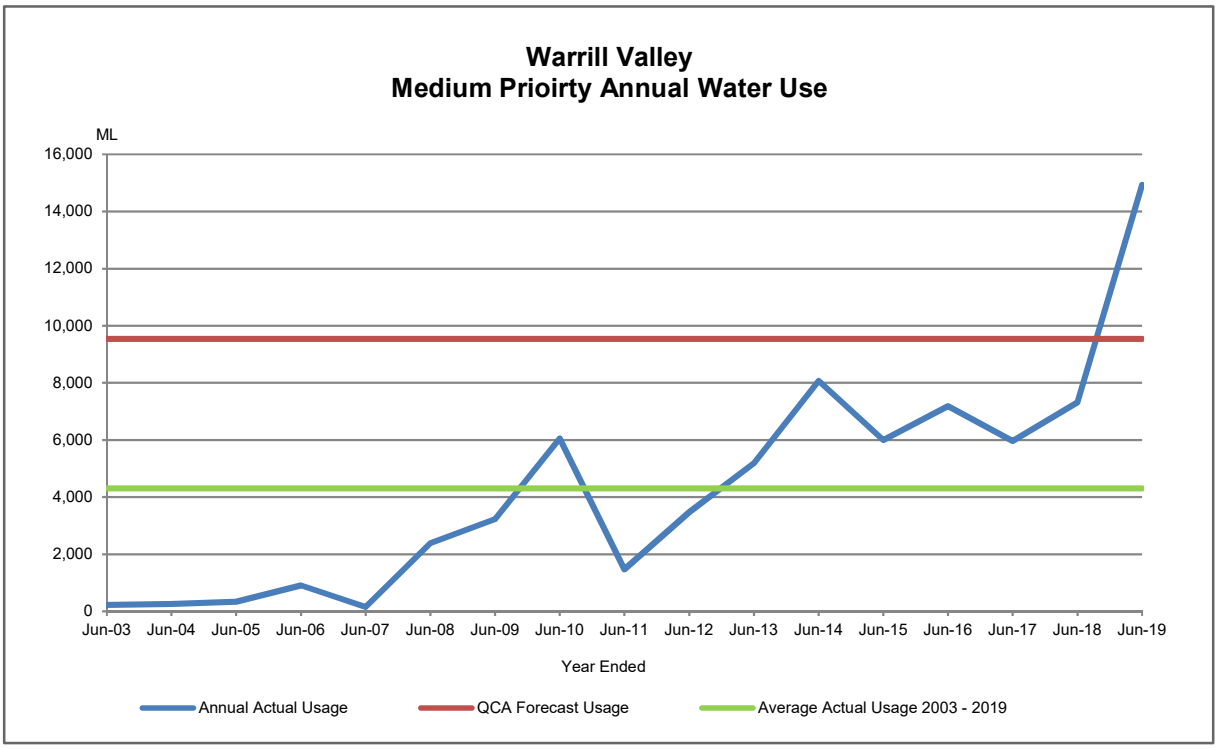
Source: Seqwater (2019)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2018-19.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 9,541 ML or 47% of the nominal volume. The QCA usage assumption has been extrapolated to prior years for comparison purposes only. Average water usage over the period has also been included for comparison purposes.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2019

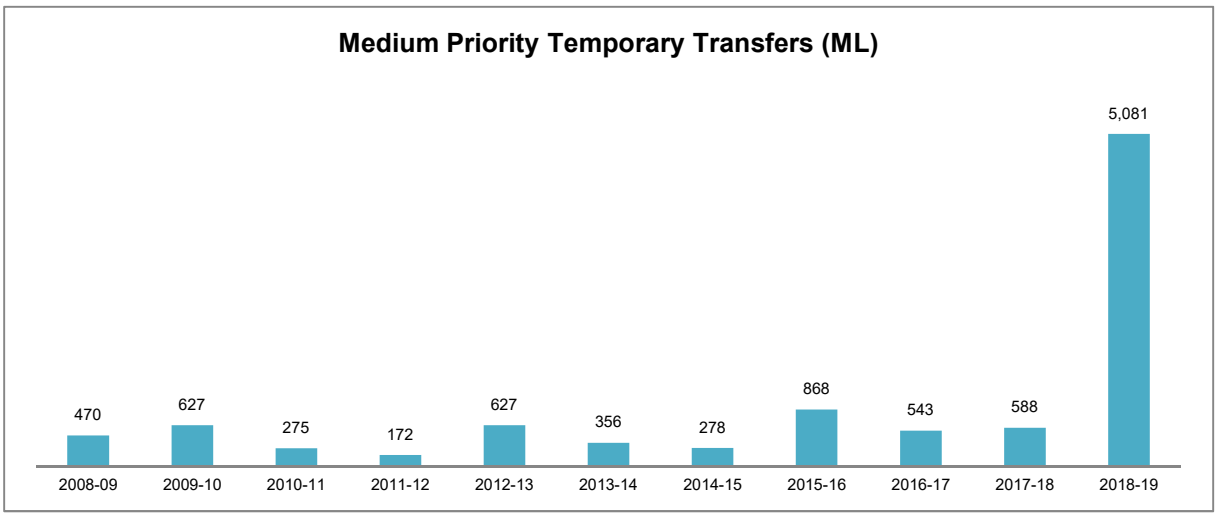


Source: Seqwater (2019)

2.5 Water trading

Figure 2 below sets out the annual volumes of temporary transfers by year from 1July 2008.

Figure 2: Warrill Valley temporary transfers 2008-19



Source: Seqwater (2019)

2.6 Customer Consultation

Seqwater is committed to customer engagement as required under its Statement of Obligations. Customer engagement includes customer forums and web-based information.

Seqwater held a forum on 25 July 2019 at which a review of the scheme operations and planned work and maintenance along with information around meter upgrade program was presented. Seqwater also explained how the announced allocation process works and looked at future forecast announced allocations. A financial summary was also presented information relating to the irrigation price review was presented. Attendance at forums is open to all customers of the Scheme.

All customer or stakeholder submissions in relation to this NSP will be published on Seqwater's website along with Seqwater's responses and decisions.

2.7 Customer service standards

The service standards are published on the Warrill Valley WSS page on Seqwater's website.

In 2018-19 Seqwater met all its service targets. The performance report was published on the Warrill Valley WSS page on Seqwater's website.

3. Financial Performance

3.1 Tariffs

In June 2019, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2019* which extends the 2013-17 irrigation water price path to 2019-20.

The tariffs for 2019-20 are set out in the table below.

Table 4: Warrill Valley water prices 2019-20 (Nominal $/ML)

Tariff	2019-20 ($)
Fixed (Part A)	25.41
Volumetric (Part B)	8.48

Source: Seqwater (2019)

3.2 Operating expenditure

The forecast operating costs set as a target by the QCA for the 2013-17 regulatory period have been extended for the additional two years of the price path and are set out in the tables below. The 2018-19 forecast costs were calculated by applying the QCA's escalation rates to the 2016-17 forecast operating costs. The 2019-20 forecast operating costs were calculated by applying the QCA's escalation rates to the 2018-19 forecast costs. Some base costs have changed since the cost estimates were initially compiled for the QCA review in 2012. In these cases, Seqwater has amended the 2016-17 forecast base costs before applying the QCA's escalation rates through to 2019-20. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2018-19 NSP.

Table 5: Forecast QCA budget for operating costs for 2019-20 ($Nominal)

Operating cost item	2019-20 ($)
Direct operations	746,915
Repairs and maintenance	357,720
Dam safety	–
Rates	94,940
Consultation costs	8,321
Non-direct costs	574,940
Total operating costs	**1,782,836**

Source: Seqwater (2019)

The following table sets out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2018-19 and the detailed QCA budget for 2019-20. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2018-19 and budget 2019-20 ($Nominal)

Expenditure Item	2018-19		2019-20
	QCA Budget (extended) ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	372,443	500,575 (1)	385,851
Electricity	13,214	6,726	13,544
Other	338,325	340,385	347,520
Repairs and maintenance	343,962	129,400 (2)	357,720
Dam safety	–	–	–
Rates	92,625	93,998	94,940
Consultation costs	8,118	– (3)	8,321
Total direct operating costs	**1,168,687**	**1,071,084**	**1,207,896**
Non-direct operating costs			
Operations	468,555	417,461	482,846
Non-infrastructure	46,467	23,252	47,629
Insurance	43,380	20,368 (4)	44,465
Total non-direct costs	**558,402**	**461,081**	**574,940**
Total operating costs	**1,727,089**	**1,532,165**	**1,782,836**

Source: Seqwater (2019)

Notes:

(1) Additional internal labour was used to undertake maintenance resulting in a shift of costs between cost categories.

(2) As per (1) above, maintenance was mainly undertaken by internal staff resulting in a shift of costs between cost categories.

(3) Consultation costs are included in non-direct operations and are not accounted for separately.

(4) Seqwater negotiated lower insurance premiums in 2017-18 resulting in savings in insurance costs for the Scheme.

3.3 Renewals

3.3.1 Asset Restoration Reserve

The balance of the renewal annuity funds is recorded in the Asset Restoration Reserve (ARR). The ARR account for 2018-19 for this scheme, prepared on an irrigation-only basis, is presented below.

Table 7: Warrill Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2018-19 ($)
Opening Balance 1 July	-410,338
Interest for year*	-25,441
Revenue – irrigation	71,054
Expenditure for year	-494,774
Closing Balance 30 June	-859,499

Source: Seqwater (2017)

* The interest rate is based on the Queensland Competition Authority's recommended weighted average cost of capital (WACC) of 6.2% post-tax nominal. Seqwater has adopted the equivalent pre-tax nominal WACC rate of 6.64% (previously 6.22%).

3.3.2 Renewals expenditure

3.3.2.1 2018-19 renewals

The following table sets out the renewals projects that were undertaken in 2018-19.

Table 8: Renewals projects 2018-19

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replaced 50 flow meters	300	454 (1)
Moogerah Dam	Replace reticulation pipework	84	106 (2)
Scheme	Installation of gratings – Kents Lagoon release into Normanby Gully	–	301 (3)

Source: Seqwater (2019)

Notes:

(1) Includes carry-over of work from 2017-18.
(2) Project has been postponed
(3) This project emerged as required work following a condition assessment of the asset.

3.3.2.2 2019-20 forecast renewals

Forecast renewals expenditure for 2019-20 is provided in table 9 below.

Table 9: Renewals by project for 2019-20 ($Nominal)

Asset	Project scope	Forecast ($'000)
Water meters	Replace customer water meters	297
Railway Weir	Install hydraulic actuator for the outlet works valve	120
Fencing	Replace Fencing	60

Source: Seqwater (2019)

3.3.2.3 Asset management plan

Seqwater has developed an Asset Portfolio Master Plan (APMP). The APMP is considered leading practice within the water industry. All Seqwater's future capital expenditure is considered within the APMP framework. The long-term renewals program developed for the Scheme's assets by Seqwater's Asset Lifecycle Planning Team using the Asset Lifecycle Management Plan is included in the APMP.

3.3.2.4 Material renewals within the planning period.

During the extended price path, Seqwater will adopt a rolling 20-year planning horizon until a new planning time frame is settled for the upcoming price review. Material renewals projects that fall in the rolling renewals planning time frame, which is 2019-39 for this network service plan, are set out below. A material renewal project is defined as one which accounts for 10% or more in present value terms of the total forecast renewals expenditure for the 20-year planning period. The 10% threshold is $135,584.

Table 10: Material renewals projects 2019-39 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Moogerah Dam	Replace 660mm cone valve 1	2032-33	158
	Replace 660mm cone valve 2	2032-33	158
Warrill Creek Diversion Weir	Replace control equipment	2033-34	165

Source: Seqwater (2019)