seqwater
WATER FOR LIFE

Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2018-19

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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 email or post at the following addresses:

Email: irrigators@seqwater.com.au

Post: Seqwater
PO Box 328
IPSWICH QLD 4305

2. Scheme Details

2.1 Scheme background and context

The Central Lockyer Valley Water Supply Scheme was established to support irrigation in dairy, vegetable and forage crops sectors following construction of various weirs from the 1940s to 1980s, Bill Gunn Dam and Lake Clarendon in 1988 and 1992 respectively and the Morton Vale Pipeline in 1995. Releases from the dams are made manually. The Scheme is also located in the Clarendon Sub-artesian Area which is a benefitted groundwater area.

The Scheme is regulated under the Interim Resource Operations Licence for the Central Lockyer Valley Water Supply Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, "Central Lockyer Valley" and "Morton Vale Pipeline".

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/ off-stream storages	Weirs	Other bulk water assets	Distribution assets
• Bill Gunn Dam (Lake Dyer), • Clarendon Dam (Lake Clarendon)	• Kentville Weir • Jordan I & II Weirs • Wilson Weir • Clarendon Weir • Glenore Grove Weir • Laidley Creek Diversion Weir • Showgrounds Weir • Crowley Vale Weir	• Redbank Creek Pump Station • Clarendon Pump Station • Clarendon Diversion Channels • Gauging stations • Customer water meters	• Morton Vale Pipeline

Source: Seqwater (2018)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 250 customers holding interim water allocations or licences. The following table sets out the ownership of water allocations in the Scheme.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority* water allocations (ML)	High priority water allocations (ML)
Irrigation – Morton Vale	43	3,420	–
Irrigation – Risk-A & Risk-B	82	3,115	–
Irrigation - groundwater	106	9,340	–
Other	5	10	–
Laidley Golf Club	1	60	–
Crowley Vale Water Board	1	325	–
Seqwater	–	87	184
Totals	**250**	**16,357**	**184**

Source: Seqwater (2018)

***** includes Risk-A, Risk-B and groundwater licences

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. Under the IROL, announced allocation determinations are required for the Morton Vale Water Supply System (medium priority) and for the Crowley Vale Water Board (Risk-A). Announced allocation procedures have yet to be developed and implemented for other surface water and for groundwater allocation groups.

The following table sets out the announced allocations since 2006-07.

Table 3: Announced allocations history

Year	MP % (Morton Vale Pipeline)	Risk A % (Crowley Vale Water Board)
2007-08	20	0
2008-09	81	58
2009-10	100	100
2010-11	100	100
2011-12	100	100
2012-13	100	100
2013-14	100	100
2014-15	100	100
2015-16	100	100
2016-17	73	0
2017-18	23	0
2018-19	0	0

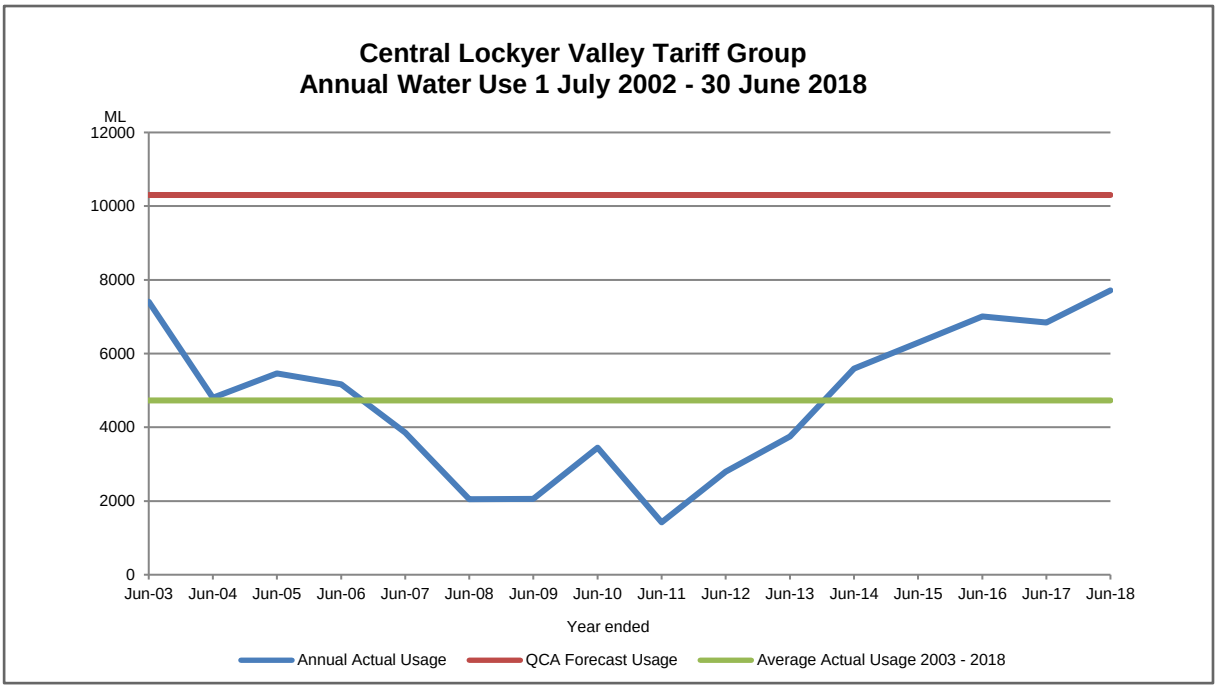
Source: Seqwater (2018)

2.4.2 Water use

Figures 1 and 2 below show the actual water usage per year from the 2002-03 water year to the 2017-18 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

Also shown is the usage assumption for the current approved price path for 2013-17 (now extended to 2019) which is 10,303ML or 81% of the nominal volume for Central Lockyer Valley tariff group and 1,453ML or 42% for Morton Vale Pipeline tariff group. The QCA usage assumptions have been extrapolated to prior years for comparison purposes only. Average water usage over the period has also been included for comparison purposes.

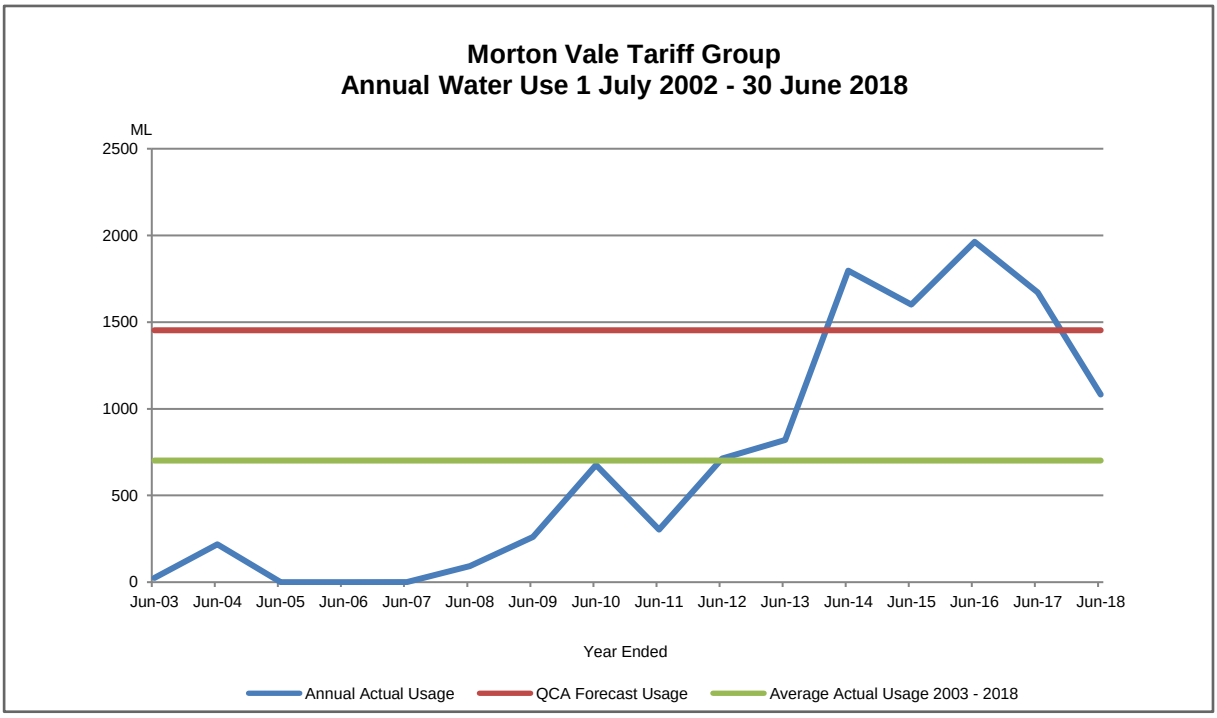
Figure 1: Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2018



Source: Seqwater (2018)

(Note: Previous NSPs reported the QCA estimated annual usage as 10,881ML which was the "Authority's Estimate of Typical Water Use" reported on page 150 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Lockyer Valley Water Supply Scheme*, April 2013.)

Figure 2: Morton Vale Pipeline annual water usage for years ending 30 June 2003 to 30 June 2018

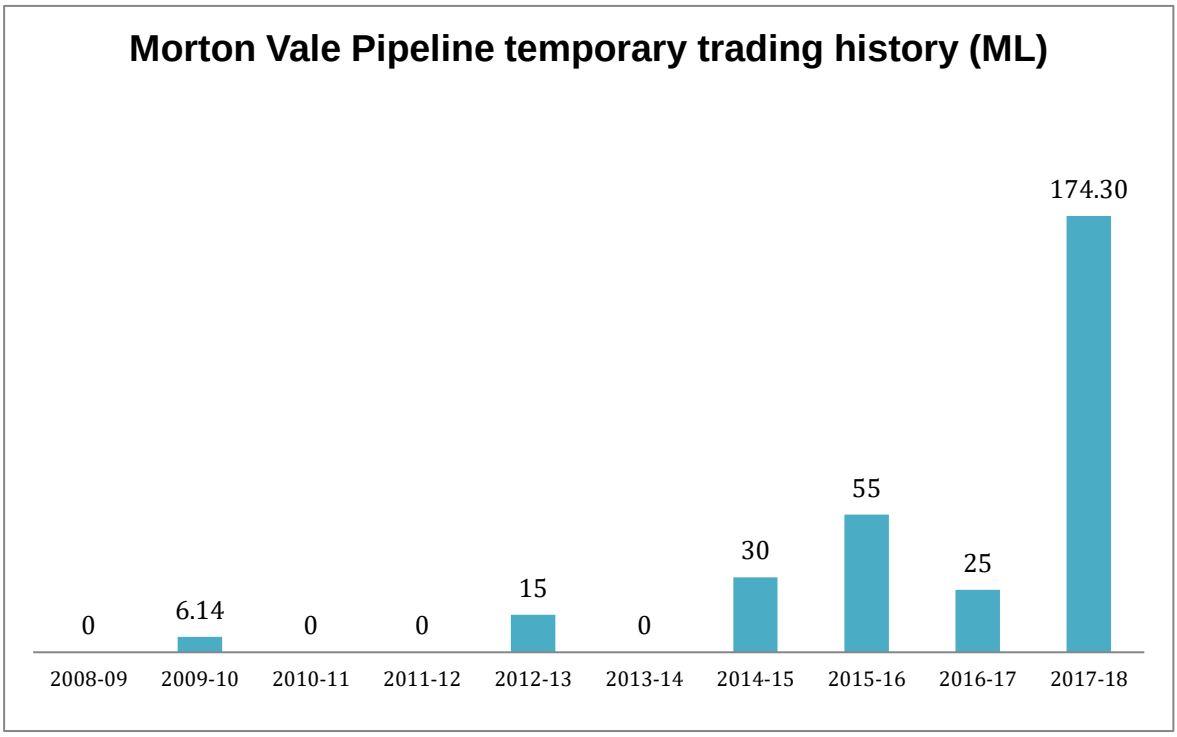


Source: Seqwater (2018)

2.5 Water trading

The following chart sets out the volumes of temporary transfers by year from 1 July 2008.

Figure 3: Temporary trading 2008-18



Source: Seqwater (2018)

2.6 Irrigation Customer Consultation

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

Customer engagement for 2018-19 will focus on the Government's irrigation price review which will lead to a new regulated price path from 1 July 2020 until 30 June 2024.

Attendance at forums is open to all irrigation customers of the Scheme and other stakeholders. Seqwater held a forum on 20th September 2018 at which information relating to the irrigation price review was presented.

All customer or stakeholder submissions in relation to the 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 Central Lockyer Valley WSS page on Seqwater's website.

In 2017-18 Seqwater met its service targets, noting that the scheme was largely without surface water during the year. The performance report was published on the Central Lockyer Valley WSS page on Seqwater's website.

3. Financial Performance

3.1 Tariffs

In June 2017, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2017* which extends the 2013-17 irrigation water price path by two years to 2019. The Direction Notice was published in the Queensland Government Gazette on 9 June 2017. Seqwater expects that the government will extend the tariffs to 2019-20.

The tariffs that are directed to apply are set out in the tables below. It should be noted that, in relation to the Central Lockyer Valley tariff group, the Part A tariffs apply only to volumetric interim water allocations and volumetric water allocations. The Part A tariffs will not apply to irrigators who have not yet been issued with volumetric water allocations. Customers will be notified of prices for 2019-20 when Seqwater receives another pricing direction notice. Part A and Part C tariffs apply to customers of the Morton Vale Pipeline.

Table 4: Central Lockyer Valley tariff group water prices 2017-19 (Nominal $/ML)

Tariff Group	Tariff	2017-18 ($)	2018-19 ($)
Central Lockyer Valley	Fixed (Part A)	29.30	32.29
	Variable (Part B)	10.91	11.18

Source: Seqwater (2018)

Table 5: Morton Vale Pipeline tariff group water prices 2017-19 (Nominal $/ML)

Tariff Group	Tariff	2017-18 ($)	2018-19 ($)
Central Lockyer Valley	Fixed (Part A)	29.30	32.29
	Variable (Part B)	5.45	5.58
Morton Vale Pipeline	Fixed (Part C)	9.84	10.09
	Variable (Part D)	9.01	9.24
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	39.14	42.38
	Variable (Part B + Part D)	14.46	14.82

Source: Seqwater (2018)

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 2017-18 forecast costs were calculated by applying the QCA's escalation rates to the QCA's 2016-17 forecast operating costs. The 2018-19 forecast operating costs

were calculated by applying the QCA's escalation rates to the 2017-18 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 2018-19. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2017-18 NSP.

Table 6: Forecast QCA budget for operating costs – Central Lockyer Valley tariff group for 2017-19 ($Nominal)

Operating cost item	2018-19 ($)	2018-19 ($)
Direct operations	292,723	301,811
Repairs and maintenance	182,311	189,604
Dam safety	–	26,537
Consultation costs	8,118	8,321
Rates	690	707
Non-direct costs	372,485	382,833
Total operating costs	**856,327**	**909,813**

Source: Seqwater (2018)

Table 7: Forecast QCA budget for operating costs – Morton Vale Pipeline tariff group for 2017-19 ($Nominal)

Operating cost item	2017-18 ($)	2018-19 ($)
Direct operations	44,579	46,154
Repairs and maintenance	11,864	12,339
Non-direct costs	30,364	31,261
Total operating costs	**86,807**	**89,753**

Source: Seqwater (2018)

The following tables set out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2017-18 and the detailed QCA budget for 2018-19. Explanations of material variations are set out below each table.

Table 8: Central Lockyer Valley tariff group operating expenditure for 2017-18 and operating budget 2018-19 ($Nominal)

Operating cost Item	2017-18		2018-19
	Extended QCA Budget ($)	Actual ($)	Extended QCA Budget ($)
Direct operating costs			
Labour	136,242	120,473	141,147
Electricity	121,798	1,970 (1)	124,843
Other direct operating	25,878	26,224	26,734
Repairs and maintenance	175,299	103,360 (2)	182,311
Rates	673	541	690
Consultation costs	7,920	– (3)	8,118
Total direct operating costs	**467,810**	**252,568**	**483,843**

Table 8: Central Lockyer Valley tariff group operating expenditure for 2017-18 and operating budget 2018-19 ($Nominal) – (*continued)*

Expenditure Item	2017-18		2018-19
	Extended QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Non-direct costs (indicative)			
Operations	182,726	111,720 (4)	188,299
Non-infrastructure	18,218	4,178	18,674
Insurance	161,476	47,655 (5)	165,513
Total non-direct costs	**362,420**	**163,553**	**372,486**
Total operating costs	**830,230**	**416,121**	**856,329**

Source: Seqwater (2018)

Notes:

(1) Due to continuing dry weather, no pumping took place during the year.

(2) Continuing low water levels has reduced operational wear and tear on the assets thus reducing normal levels of repairs and maintenance.

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

(4) Lower direct operating costs resulted in a lower allocation of indirect costs.

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

Table 9: Morton Vale Pipeline tariff group operating expenditure for 2017-18 and operating budget 2018-19 ($Nominal)

Expenditure Item	2017-18		2018-19
	QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	40,407	12,044 (1)	41,862
Other	2,651	4,727 (2)	2,717
Repairs and maintenance	11,408	- (3)	11,864
Total direct operating costs	**54,466**	**16,771**	**56,443**
Non-direct costs (indicative)			
Operations	24,311	745 (4)	25,053
Non-infrastructure	2,424	28 (4)	2,484
Insurance	2,758	753 (5)	2,827
Total non-direct costs	**29,493**	**1,526**	**30,364**
Total operating costs	**83,959**	**18,297**	**86,807**

Source: Seqwater (2018)

Notes:

(1) Labour costs were less than budget because staff were mainly required for reading water meters and surveillance.

(2) Costs include share of vehicle expenses previously costed to Clarendon Dam.

(3) No repairs and maintenance were required to be carried out.

(4) Lower direct operating costs resulted in a lower allocation of indirect costs.

(5) 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

In September 2017, Seqwater engaged Indec Consulting to undertake an independent review of the Asset Restoration Reserves (ARR) for each of Seqwater's irrigation schemes. On the recommendation of the consultant, Seqwater has recast the ARR for Central Lockyer and for Morton Vale Pipeline and the updated accounts are presented below.

Table 10: Central Lockyer Valley tariff group ARR for 2017-18 ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)	2017-18 ($)
Opening Balance 1 July	226,978	-688,664	-783,968	-823,620	-1,375,576
Interest for year*	14,073	-42,697	-48,606	-51,064	-85,286
Revenue – irrigation	143,504	212,599	213,006	212,882	218,204
Expenditure for year	-223,469	-265,206	-204,053	-713,773	-229,231
Flood costs not claimable	-849,749	–	–	–	–
Closing Balance 30 June	-688,664	-783,968	-823,620	-1,375,576	-1,471,889

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%.

Table 11: Morton Vale Pipeline tariff group ARR for 2017-18 ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)	2017-18 ($)
Opening Balance 1 July	417,301	472,359	480,986	490,500	500,955
Interest for year*	25,873	29,286	29,821	30,411	31,059
Revenue for year	29,185	-20,659	-20,307	-19,956	-20,455
Expenditure for year	–	–	–	–	–
Closing Balance 30 June	472,359	480,986	490,500	500,955	511,559

Source: Seqwater (2017); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

* 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%.

3.3.2 Renewals expenditure

3.3.2.1 2017-18 renewals

The following table sets out the renewals projects that were undertaken in 2017-18.

Table 12: Central Lockyer Valley tariff group renewals projects 2017-18

Asset	Project scope	Budget ($'000)	Actual ($'000)
Water meters	Replacement of 39 flow meters 2017-18	339	188 (1)
Clarendon Dam	Refurbish 6.4 km of main channel	–	1
	Crest seal on dam embankment	390	– (2)
Bill Gunn Dam	Crest seal on dam embankment	77	– (3)
	Walking train implementation	30	–
Clarendon Weir	New Hydraulic system and Valve	48	6 (4)
Showgrounds Weir	Repair damaged walkway	33	34

Source: Seqwater (2018)

Notes:

(1) Significant savings were achieved by using trained staff to install the meters.
(2) This project has been deferred.
(3) This project has been deferred.
(4) This project has been carried over for completion in 2018-19.

No renewals projects were undertaken in the Morton Vale Pipeline tariff group in 2017-18.

3.3.2.2 2018-19 forecast renewals

Forecast renewals expenditure for 2018-19 for the Central Lockyer Valley tariff group is provided in table 13 below. There are no renewals projects for the Morton Vale Pipeline tariff group, in 2018-19.

Table 13: Central Lockyer Valley tariff group renewals projects for 2018-19 ($Nominal)

Asset	Project description	Forecast cost ($'000)
Clarendon Dam	Re-coat outlet works trash rack	36
	Re-coat outlet works baulk	36
Clarendon Weir	New hydraulic system and valve	73
Water meters	Replace 40 flow meters	360

Source: Seqwater (2018)

Table 13: Morton Vale Pipeline tariff group renewals projects for 2018-19 ($Nominal)

Asset	Project description	Forecast cost ($'000)
Water meters	Replace 15 flow meters	60

Source: Seqwater (2018)

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 Capability Team using the Asset Lifecycle Management Plan is included in the APMP.

3.3.2.4 Material planning period renewals

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 for the Central Lockyer Valley tariff group in present value terms is $466,008 and for the Morton Vale Pipeline tariff group is $9,000.

Table 14: Central Lockyer Valley tariff group major projects 2019-39 ($Real)

Asset	Project description	Year	Forecast cost ($'000)
Bill Gunn Dam	Replace diversion pipeline	2037-38	7,731
	Replace outlet pipe to Laidley Creek	2037-38	625

Source: Seqwater (2018)

Table 15: Morton Vale Pipeline tariff group major renewals projects 2019-39 ($Real)

Asset	Project description	Year	Forecast cost ($'000)
Pipeline	Replace isolating valve	2036-37	75

Source: Seqwater (2018)