



Lower Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2018-19

Published: November 2018



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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 Lower Lockyer Valley Water Supply Scheme is located west of Lowood in the Lockyer Valley in South East Queensland and centres around Atkinson Dam. The Scheme was designed to supply surface water for irrigation.

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

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, “Lower Lockyer 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
<ul style="list-style-type: none"> • Atkinson Dam 	<ul style="list-style-type: none"> • Buaraba Creek Diversion Weir • Brightview Weir • Sippels Weir • Potters Weir • O'Reillys Weir 	<ul style="list-style-type: none"> • Gauging stations • Buaraba Creek Diversion Channel • Buaraba Creek Supply Channel • Seven Mile Lagoon Diversion Channel • Atkinson Pump Station • Atkinson Low Level Pump Station • Brightview Weir Supply Channel • Customer water meters

Source: Seqwater (2018)

2.3 Customers and water entitlements serviced

The following table sets out the ownership of water allocations by class of owner.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)
Irrigation	144	11,110
Seqwater	5	1,510
Totals	148	12,620

Source: Moreton Resource Operations Plan June 2014; Seqwater (2018)

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 previous ten years.

Table 3: Announced allocations history

Year	MP %	Year	MP %
2007-08	0–16	2013-14	100
2008-09	13–63	2014-15	81
2009-10	27–100	2015-16	31
2010-11	100	2016-17	0–10
2011-12	100	2017-18	0–17
2012-13	100	2018-19	0

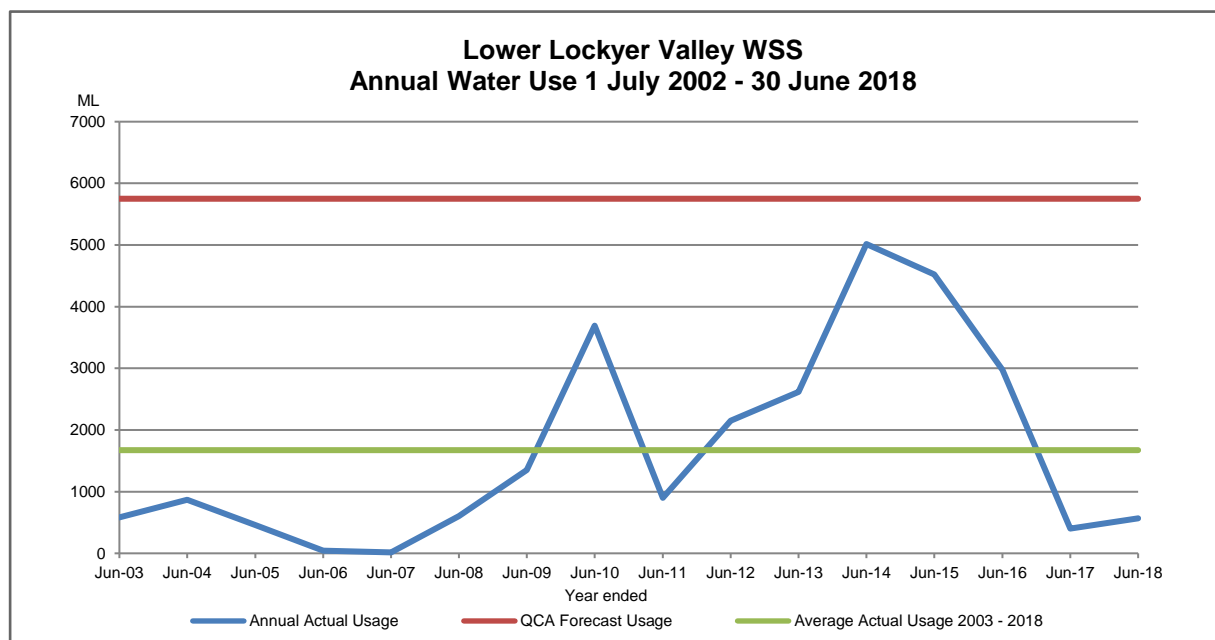
Source: Seqwater (2018)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2017-18.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 5,750 ML or 52% of nominal water allocations. 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 2018

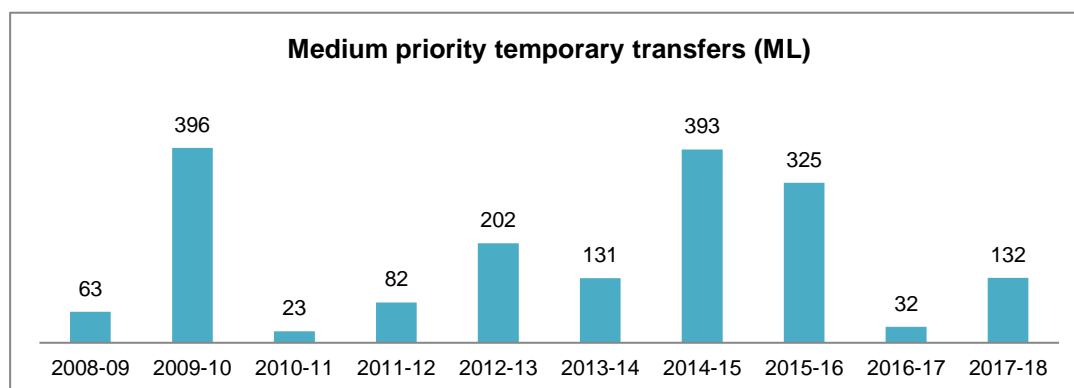


Source: Seqwater (2018)

2.5 Water trading

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

Figure 2: Temporary transfers 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 18th 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 Lower Lockyer Valley WSS web 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 Lower 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.

The tariffs for the two-year extension are set out in the table below. Seqwater expects that the government will extend the tariffs to 2019-20. Customers will be notified of prices for 2019-20 when Seqwater receives another pricing direction notice.

Table 4: Water prices 2017-19 (Nominal \$/ML)

Tariff	2017-18 (\$)	2018-19 (\$)
Fixed (Part A)	40.82	44.11
Variable (Part B)	24.56	25.17

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 table

below. The 2017-18 forecast costs were calculated by applying the QCA's escalation rates to the 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 5: Forecast QCA budget for operating costs for 2017-19 (Nominal)

Operating cost item	2018-19 (\$)	2019-20 (\$)
Direct operations	561,461	579,304
Repairs and maintenance	225,954	234,992
Dam safety	25,259*	–
Rates	54,268	55,625
Consultation costs	8,118	8,321
Non-direct costs	478,625	492,614
Total operating costs	1,353,685	1,370,856

Source: Seqwater (2018)

* Dam safety inspection costs were moved from 2017-18 to 2018-19.

The following table sets out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2016-17 and the detailed QCA budget for 2017-18. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2017-18 and operating budget 2018-19 (\$Nominal)

Operating cost item	2017-18		2018-19
	QCA Budget (\$)	Actual (\$)	QCA Budget (extended) (\$)
Direct operating costs			
Labour	278,322	154,108 (1)	288,342
Electricity	44,429	38,621	45,539
Other	221,436	113,875 (2)	227,580
Repairs and maintenance	217,263	104,973 (3)	225,954
Dam safety	25,259	- (4)	25,259
Rates	52,945	49,910	54,268
Consultation costs	7,920	- (5)	8,118
Total direct operating costs	822,315	461,487	875,060

Table 6: Operating expenditure for 2017-18 and operating budget 2018-19 (\$Nominal) (continued)

Operating cost item	2017-18		2018-19
	QCA Budget (\$)	Actual (\$)	QCA Budget (extended) (\$)
Non-direct operating costs (indicative)			
Operations	356,893	214,318	367,778
Non-infrastructure	35,583	8,014	36,473
Insurance	72,560	19,482 ⁽⁶⁾	74,374
Total non-direct costs	465,036	241,814	478,625
Total operating costs	1,287,351	703,301	1,353,685

Source: Seqwater (2018)

Notes:

- (1) Labour costs were less than budget because less staff time was required to operate the scheme.
- (2) Other costs were mainly lower than budget because water quality testing was minimal due to low water levels in Atkinson Dam.
- (3) Repairs and maintenance costs were less than budget because the assets are not operating under the continuing dry conditions.
- (4) Dam safety inspection will now be undertaken in 2018-19.
- (5) Consultation costs are included in non-direct operations and are not accounted for separately.
- (6) 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 this scheme and the updated account for 2017-18 is presented below.

Table 7: Lower Lockyer Valley WSS Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)	2017-18 (\$)
Opening Balance 1 July	-518,133	-583,413	-631,492	-787,428	-710,236
Interest for year*	-32,124	-36,296	-39,284	-48,961	-44,183
Revenue for year	141,407	167,721	166,541	165,741	169,885
Expenditure for year	-143,607	-179,097	-282,006	-39,729	-143,368
Flood costs not claimable	-32,958	-531	-1,318	–	–
Closing Balance 30 June	-585,415	-633,619	-789,686	-712,634	-730,300

Source: Seqwater (2018)

* 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 8: Renewals projects 2017-18

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Customer water meters	Replace 10 flow meters	131	– (1)
Potters Weir	Investigate and repair piping	180	20 (2)
Sippels Weir	Investigate and repair piping	180	20 (2)
Atkinson Dam	Access Safety Improvements Intake	–	1
	Install treated water tank and chemical shed	–	98 (3)

Source: Seqwater (2018)

Notes:

- (1) This project was deferred.
- (2) Investigations only were completed during 2017-18.
- (3) Treated water tank and chemical shed have been installed following the decommissioning of the water treatment plant.

3.3.2.2 2018-19 forecast renewals

Forecast renewals expenditure for 2018-19 is provided in table 9 below.

Table 9: Renewals by project for 2018-19 (\$Nominal)

Asset	Project scope	Forecast (\$'000)
Atkinson Dam	Replace ladder, walkway and handrail on intake tower	260
Atkinson Dam	Install amenities lunch room at depot (share only)	215
Customer water meters	Replace 10 or more flow meters	150

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 is \$147,173.

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

Asset	Project scope	Year	Forecast (\$'000)
Atkinson Dam	Replace hydraulic piezometer system	2030-31	152
	Replace office building	2031-32	153

Source: Seqwater (2018)