



Mary 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 Mary Valley Water Supply Scheme was established to support irrigation in the sugar, dairy and horticulture sectors following construction of Borumba Dam in 1963. Water is released from Borumba Dam to supplement flows in the Mary River. The Pie Creek system is supplemented by channels and pipes distributing water diverted from the Mary River.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, "Mary Valley" and "Pie Creek".

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
<ul style="list-style-type: none"> Borumba Dam 	<ul style="list-style-type: none"> Imbil Weir 	<ul style="list-style-type: none"> Pie Creek Pump Station Gauging stations Measuring weirs Channels Pipelines Water meters

Source: Seqwater (2018)

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 (ML)	High priority (ML)
Mary Valley irrigators	184	17,598	-
Pie Creek irrigators	50	765	-
Gympie Regional Council	1	-	3,524
Seqwater (amenities)	-	-	120
Seqwater (distribution losses)	-	426	60
Seqwater	-	3,000	-
Seqwater (urban supply)	1	-	6,500
Industrial	2	40	60
Totals	266	21,829	10,264

Source: Mary Basin ROP; 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 both medium priority and high priority water allocations for the current year plus the historical position for the previous ten years.

Table 3: Announced allocations history

Year	MP %	HP %	Year	MP %	HP%
2007-08	14-100	100	2013-14	100	100
2008-09	100	100	2014-15	100	100
2009-10	100	100	2015-16	100	100
2010-11	100	100	2016-17	100	100
2011-12	100	100	2017-18	82	100
2012-13	100	100	2018-19	100	100

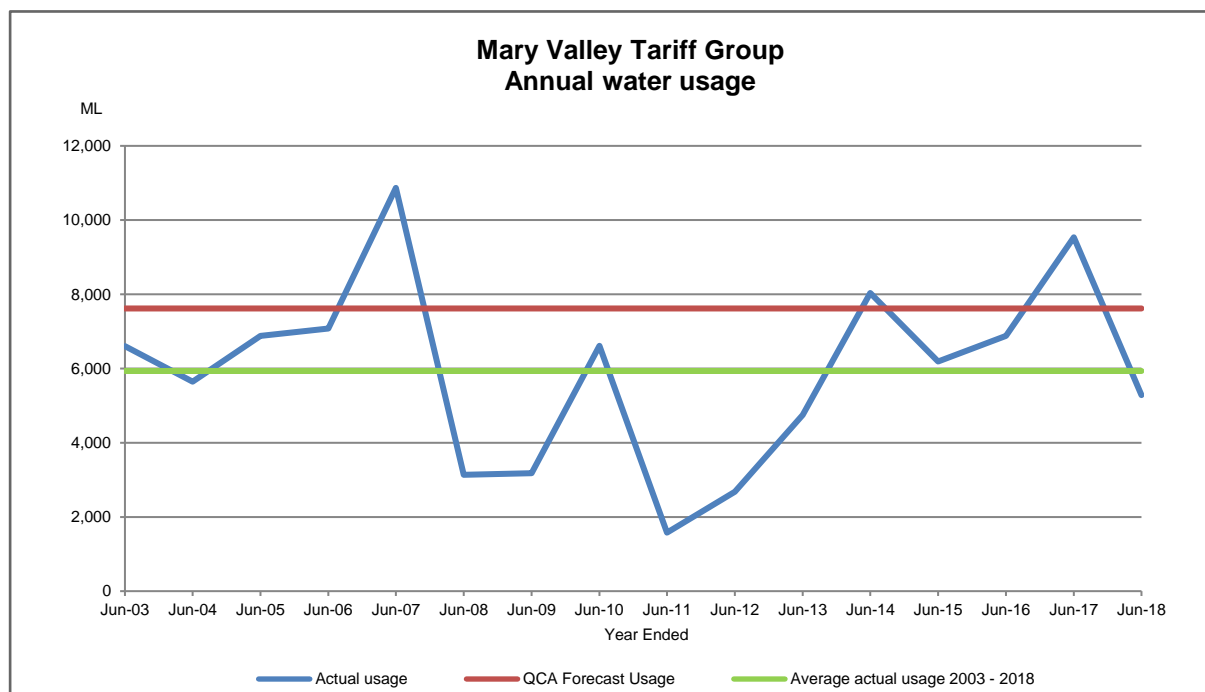
Source: Seqwater (2018)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2017-18 for the Mary Valley tariff group.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 7,618 ML or 44% of the nominal volume. The QCA’s 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: Mary Valley tariff group water usage for years ending 30 June 2003 to 30 June 2018

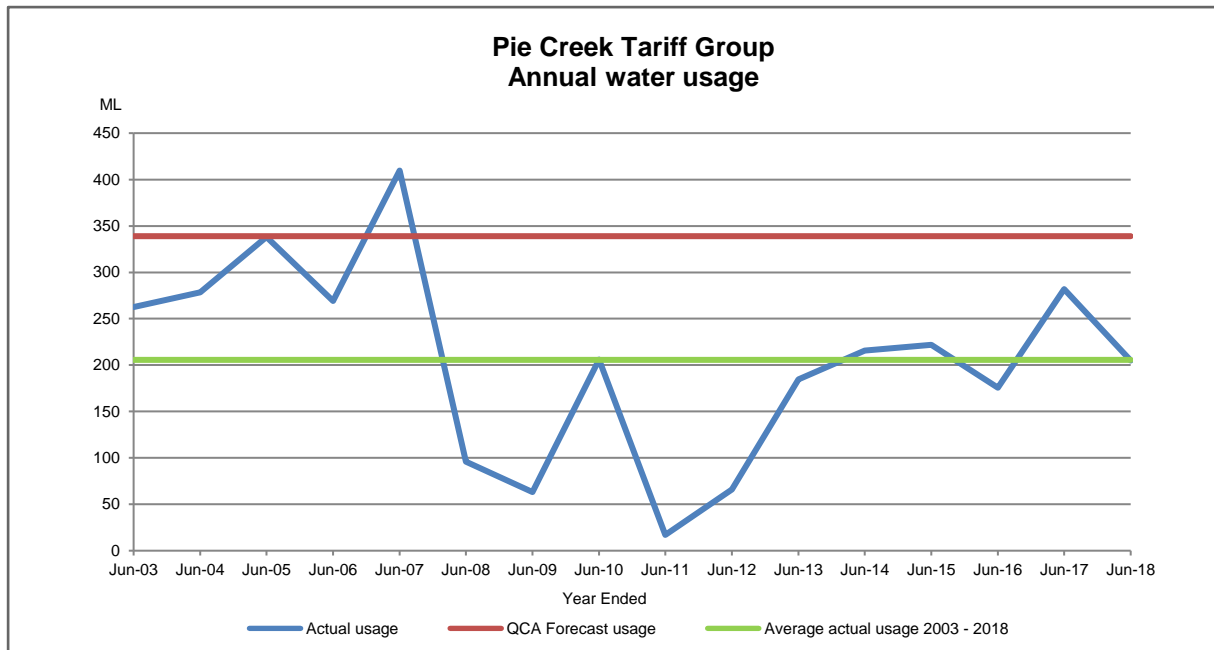


Source: Seqwater (2018)

(Note: Previous NSPs reported the QCA estimated annual usage as 14,823ML which was reported as the “Authority’s Estimate of Typical Water Use” on page 125 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Mary Valley Water Supply Scheme*, April 2013. It has since been determined that the annual usage estimate should have been 7,618ML.)

Figure 2 below shows the actual water usage per year from 2002-03 to 2016-17 for the Pie Creek tariff group. Also included is the usage assumption for the current approved price path for 2013-17 which is 339 ML or 41% of the nominal WAE. The QCA's 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 2: Pie Creek tariff group water usage for years ending 30 June 2003 to 30 June 2018

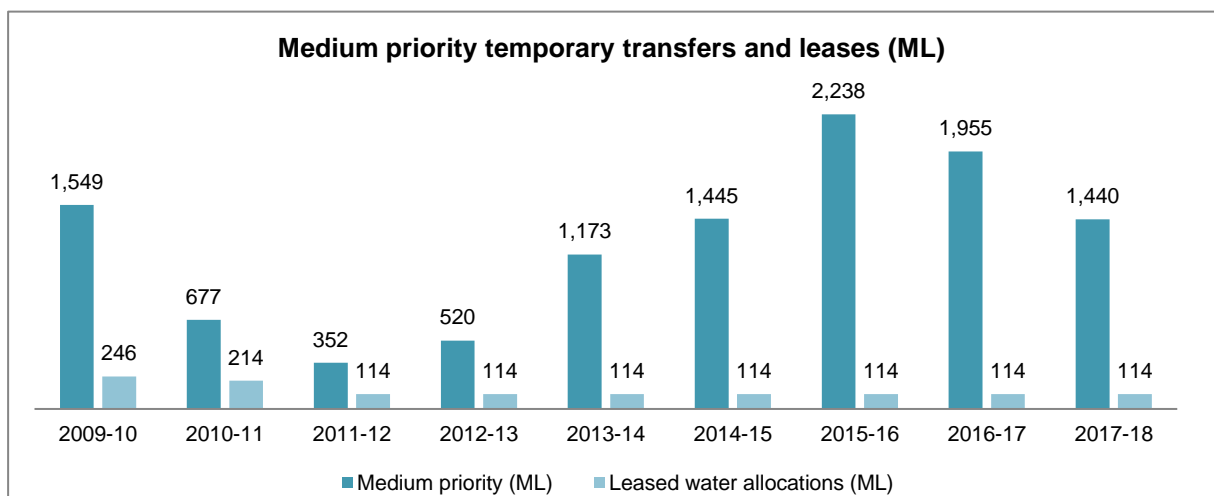


Source: Seqwater (2018)

2.5 Water trading

Figure 3 sets out the volumes of temporary transfers and leases by year from 1 July 2009.

Figure 3: Temporary trading 2009-18 (Mary Valley and Pie Creek)



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 24th 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 Mary Valley WSS page on Seqwater's website.

In 2016-17 Seqwater met its service targets. The performance report was published on the Mary 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 Group	Tariff	2017-18 (\$)	2018-19 (\$)
Mary Valley	Fixed (Part A)	28.09	28.79
	Volumetric (Part B)	9.16	9.39

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

Tariff Group	Tariff	2017-18 (\$)	2018-19 (\$)
Pie Creek	Fixed (Part A)	28.09	26.31
	Volumetric (Part B)	9.16	9.39
	Fixed (Part C)	19.19	24.41
	Volumetric (Part D)	78.00	79.95
	Fixed (Parts A + C)	47.28	50.72
	Volumetric (Parts B + D)	87.16	89.34
	Termination fee	211.09	268.51

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. These costs include both fixed and variable 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 Mary Valley tariff group operating costs for 2017-19 (\$Nominal)

Operating cost item	2018-19 (\$)	2019-20 (\$)
Direct operations	486,884	502,361
Repairs and maintenance	229,855	239,050
Dam safety	–	–
Rates	8,730	8,948
Consultation costs	8,118	8,321
Non-direct costs	519,848	534,762
Total operating costs	1,253,435	1,293,442

Source: Seqwater (2018)

Table 6: Forecast QCA budget Pie Creek tariff group operating costs for 2017-19 (\$Nominal)

Operating cost item	2018-19 (\$)	2019-20 (\$)
Direct operations	119,357	123,244
Repairs and maintenance	84,447	87,825
Rates	3,571	3,660
Non-direct costs	93,371	96,115
Total operating costs	300,746	310,844

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 7: Mary Valley tariff group operating expenditure for 2017-18 and budget 2018-19 (\$Nominal)

Operating cost item	2017-18		2018-19
	QCA Budget (extended) (\$)	Actual (\$)	QCA Budget (extended) (\$)
Direct operating costs			
Labour	251,845	176,373 (1)	260,911
Electricity	800	10,196	820
Other	219,254	178,914	225,152
Repairs and maintenance	221,015	55,982 (2)	229,855
Rates	8,517	9,372	8,730
Consultation costs	7,920	- (3)	8,118
Total direct operating costs	709,351	430,837	733,586

Table 7: Mary Valley tariff group operating expenditure for 2017-18 and budget 2018-19 (\$Nominal) (*continued*)

Operating cost item	2017-18		2018-19
	QCA Budget (extended) (\$)	Actual (\$)	QCA Budget (extended) (\$)
Non-direct operating costs (indicative)			
Operations	338,342	199,994	348,662
Non-infrastructure	33,734	7,479	34,577
Insurance	133,277	35,500 (4)	136,609
Total non-direct costs	505,353	242,973	519,848
Total operating costs	1,214,704	673,810	1,253,434

Source: Seqwater (2018); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

- (1) Operational labour costs were less than budget because a staff member is now undertaking a wider range of duties outside of the scheme resulting in savings to the scheme.
- (2) Repairs and maintenance costs were less than budget because no major maintenance projects were required to be undertaken during the year and because of ongoing efforts to reduce these costs overall.
- (3) Consultation costs are included in non-direct operations and are not accounted for separately.

(4) Seqwater negotiated lower insurance premiums in 2016-17 resulting in savings in insurance costs for the Scheme.

Table 8: Pie Creek tariff group operating expenditure for 2017-18 and extended budget 2018-19 (\$Nominal)

Operating cost item	2017-18		2018-19
	QCA Budget (extended) (\$)	Actual (\$)	QCA Budget (extended) (\$)
Direct operating costs			
Labour	59,418	82,612 (1)	61,557
Electricity	30,106	20,461 (2)	30,859
Other	26,072	27,537	26,941
Repairs and maintenance	81,199	24,356 (3)	84,447
Rates	3,484	3,099	3,571
Total direct operating costs	200,279	158,065	207,375
Non-direct operating costs (indicative)			
Operations	72,450	73,406	74,660
Non-infrastructure	7,223	2,745	7,404
Insurance	11,031	1,617 (4)	11,307
Total non-direct costs	90,704	77,768	93,371
Total operating costs	290,983	235,833	300,746

Source: Seqwater (2018); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

- (1) Additional labour costs were incurred because staff spent more time on scheme operations than expected.
- (2) Reduced demand for water resulted in lower electricity costs for pumping.
- (3) Less repairs and maintenance work was required during the year.
- (4) Seqwater negotiated lower insurance premiums in 2016-17 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.

In preparation for the 2020-21 to 2023-24 irrigation price review, Seqwater commissioned an independent review of the HUF inputs and calculations for the Mary Valley scheme. In the course of the review it was found that the 2012-13 HUF was overstated and should have calculated the medium priority headworks cost share at 11%. In response to this finding, Seqwater has calculated the revenue difference between the two HUF values and has applied the surplus as an additional income line to the asset restoration reserve as set out in table 9 below. This approach will be subject to review by the QCA.

Table 9: Mary Valley Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)	2017-18 (\$)
Opening Balance 1 July	-3,678,393	-3,876,472	-3,814,827	-3,682,013	-3,481,241
Interest for year*	-228,060	-240,341	-236,519	-228,285	-215,837
Revenue – irrigation	84,292	108,839	109,228	109,290	112,022
Revenue – HUF change	12,016	62,276	102,418	117,414	120,349
Revenue – other	191,338	228,864	229,148	228,503	234,216
Expenditure for year	-22,883	-96,490	-71,461	-26,150	-154,524
Flood costs not claimable	-234,782	-1,503	0	0	0
Closing Balance 30 June	-3,876,472	-3,814,827	-3,682,013	-3,481,241	-3,385,014

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%.

Table 10: Pie Creek Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)	2017-18 (\$)
Opening Balance 1 July	-28,002	40,259	108,558	164,386	239,396
Interest for year*	-1,736	2,496	6,731	10,192	14,843
Revenue – irrigation	71,155	65,947	65,360	64,783	66,402
Expenditure for year	-1,158	-144	-16,262	36	-328
Closing Balance 30 June	40,259	108,558	164,386	239,396	320,313

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, or scheduled to be undertaken, in 2017-18 in the Mary Valley tariff group.

Table 11: Mary Valley tariff group renewals projects 2017-18

Asset	Project scope	2017-18	
		Budget (\$'000)	Cost (\$'000)
Borumba Dam	Refurbish concrete joint seals	–	-6 (1)
Customer water meters	Upgrade 20 flow meters	180	161 (2)

Source: Seqwater (2018)

Notes:

- (1) Adjustment of prior year's costs
- (2) Improved work practices for the installation of meters has resulted in savings.

Table 12: Pie Creek tariff group renewals projects 2017-18

Asset	Project scope	2017-18	
		Budget (\$)	Cost (\$)
Customer water meters	Electrical safety switch compliance	–	328

Source: Seqwater (2018)

3.3.2.2 2018-19 forecast renewals

Forecast renewals expenditure for 2018-19 for the Mary Valley tariff group is provided in table 13 below. There are no renewals scheduled for 2018-19 for Pie Creek.

Table 13: Mary Valley tariff group renewals – 2018-19 (\$Nominal)

Asset	Project description	2018-19 Forecast (\$'000)
Scheme	Replace 20 or more customer flow meters	240
Borumba Dam	Replace the switchboard to restore condition	404
Borumba Dam	Refurbish Regulating Valve 1 and valve 2	240

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 Mary Valley is \$50,469 and for Pie Creek is \$74,983.

Table 14: Mary Valley tariff group major renewals projects 2019-39 (\$Nominal)

Asset	Project description	Year	Forecast (\$'000)
Borumba Dam	Replace portable hydraulic pump	2019-20	33
	Replace baulk at outlet works bulkhead gate	2025-26	25
	Replace fire extinguishers	2025-26	25

Source: Seqwater (2018)

Table 15: Pie Creek tariff group major renewals projects 2019-39 (\$Nominal)

Asset	Project description	Year	Forecast (\$'000)
Pie Creek Pump Station	Refurbish pump 1 assembly	2025-26	300
	Replace pump 1 motor	2025-26	500
	Replace pump 2 motor	2025-26	500

Source: Seqwater (2018)