



Cedar Pocket Water Supply Scheme

Annual Network Service Plan

December 2013



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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 can provide feedback via email or post at the following addresses:

Email: irrigators@seqwater.com.au

Post: NSP Comments
 PO box 16146
 City East QLD 4002

2. Scheme Details

2.1 Scheme background and context

The Cedar Pocket Water Supply Scheme was established following the construction, in 1985, of the Cedar Pocket Dam to provide irrigation water for the local dairy industry.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011. The Scheme consists of bulk water supply assets only. There are no distribution systems associated with the Scheme. All irrigators take their water supply directly from the natural water courses. Releases from the Dam are made manually.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, “Cedar Pocket Dam”.

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	Off-stream storages	Other bulk water assets
Cedar Pocket Dam	Nil	Nil	Downstream measuring flume, customer water meters

Source: Seqwater (2013)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 11 irrigation customers who hold 495ML of medium priority water access entitlements (WAE).

2.4 Water availability and use

The announced allocation determines the percentage of nominal WAE volume that is available in each water year. However, it should be noted that, under the ROP, when the Cedar Pocket Dam overflows customers may take up to 200% of their nominal allocations.

The following table sets out the announced allocations since the commencement of the 2006-13 price path.

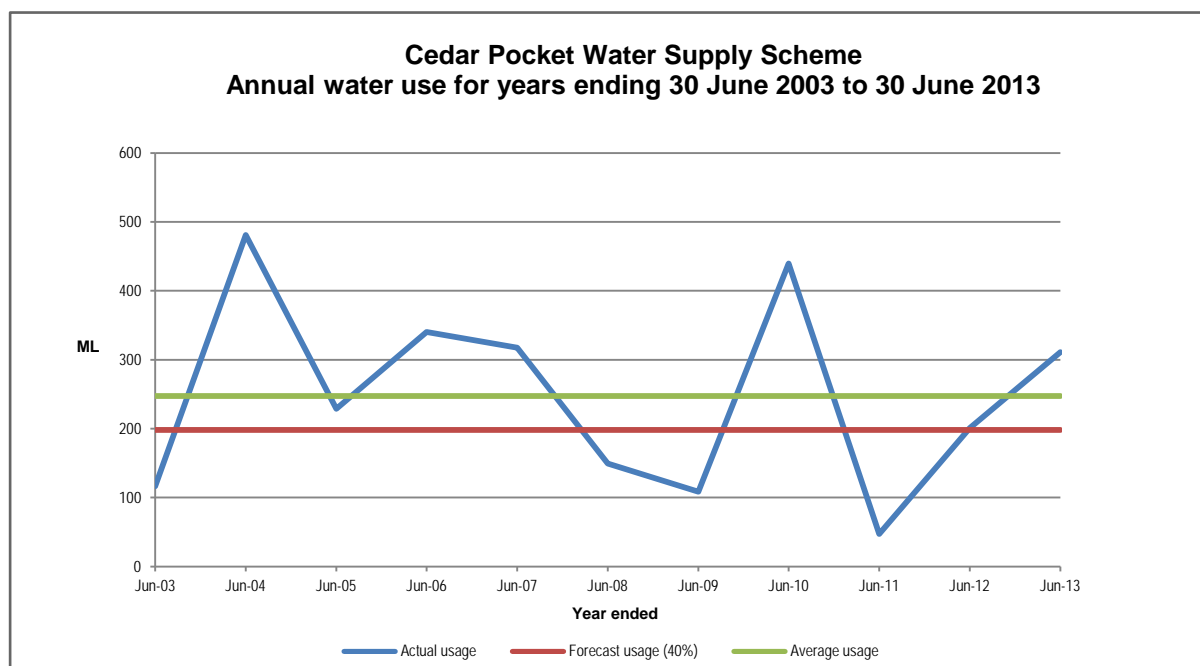
Table 2: Announced allocations history

Priority	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
Medium	64-71	38-100	100	100	100	100	100	100

Source: Seqwater (2013)

The previous irrigation price path adopted a usage forecast of 40% of the nominal WAE, equivalent to 198ML/annum or 50ML/quarter. The comparison of estimated to actual use on an annual basis for the period 1 July 2002 to 30 June 2013 is set out in Figure 1 below. Average annual usage for the period of 248ML is also shown.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2013



Source: Seqwater (2013)

2.5 Water trading

The following table sets out the annual volumes of temporary transfers between irrigation customers from 1 July 2008 to 30 June 2013.

Table 3: Temporary transfers 2008-13

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)
Medium	10	10	10	15	10

Source: Seqwater (2013)

2.6 Irrigation Customer Consultation

Seqwater is committed to consulting with its customers as required under its Statement of Obligations. Seqwater will publish the Scheme's annual network service plan on its website by 30 September of each year. Seqwater will hold customer consultation forums at least annually to consult on the network service plan and customer service standards as well as other Scheme issues that may arise from time to time. Attendance at customer consultation forums will be open to all irrigation customers of the Scheme and other stakeholders. Seqwater will convene additional consultation meetings at the request of the majority of attending customers.

After consulting on the basis of the network service plan and through customer consultation forums, Seqwater will publish on its website any customer or stakeholder submissions along with Seqwater's responses and decisions.

2.7 Customer service standards

The current service standards were established in consultation with customer representatives in 2001 and were carried across to Seqwater from SunWater Limited.

As stated in 2.6 above, Seqwater intends to commence the review of the customer service standards in consultation with customers during 2013-14.

3. Financial Performance

3.1 Tariffs

The approved tariffs or water prices for the Scheme for the 2013-17 regulatory period are set out in Table 4.

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

Tariff	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Fixed (Part A)	7.28	9.51	11.85	14.30
Variable (Part B)	36.94	37.87	38.81	39.78

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

3.2 Operating expenditure

Seqwater's forecast operating costs for the 2013-17 regulatory period are set out in the table below. These costs include both fixed and variable operating costs.

Table 5: Forecast operating costs for 2013-17 (\$Nominal)

Operating cost item	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Direct operations	59,816	61,017	62,228	63,446
Repairs and maintenance	13,624	13,953	14,287	14,625
Dam safety	-	-	-	24,643
Rates	-	-	-	-
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	51,865	52,705	53,549	54,396
Total operating costs	132,480	135,029	137,602	164,837

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

The following table sets out Seqwater's detailed budget and actual expenditure for 2012-13 and the detailed budget for 2013-14. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2012-13 and operating budget 2013-14 (\$Nominal)

Expenditure Item	2012-13		2013-14
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Operations			
Labour	56,951	14,350 (1)	54,863
Contractors and materials	3,000	6,951 (2)	2,920
Electricity	100	-	115
Other	2,000	1,033	1,918
Repairs and maintenance	14,000	5,332 (3)	13,624
Dam safety	-	-	-
Consultation costs	-	-	7,175
Total direct operating costs	76,051	27,666	80,615

Table 6 Operating expenditure for 2012-13 and operating budget 2013-14 (\$Nominal) – *continued*

Expenditure Item	2012-13		2013-14
	Budget (\$)	Actual (\$)	Budget (\$)
Non-direct operating costs			
Operations	36,512	40,300 (4)	38,759
Non-infrastructure	3,747	3,747	3,948
Insurance	8,935	10,781 (5)	9,158
Total non-direct costs	50,140	54,828	51,865
Total operating costs	126,191	82,494	132,480

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

- (1) Expenditure is less than budget because prevailing conditions during the year resulted in employees spending less time attending the dam than expected.
- (2) Additional costs were incurred to survey the road adjacent to the ponded area arising from a risk raised in the 2011-12 dam safety review.
- (3) Repairs and maintenance costs were less than expected due to the high water levels and wet conditions.
- (4) Increased systems costs were incurred subsequent to the merger of Seqwater with LinkWater.
- (5) Insurance premium renewal costs were higher than anticipated.

3.3 Renewals

3.3.1 Asset Restoration Reserve

The balance of the renewal annuity funds are recorded in the Asset Restoration Reserve (ARR). Seqwater has summarized the ARR into four components being the opening balance, revenue, expenditure and closing balance. This has been reported in Table 7 below where the estimated ARR for the years 2013-14 to 2016-17 are set out.

Table 7: Cedar Pocket WSS Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Opening Balance 1 July	15,593	21,364	9,909	15,549
Revenue – irrigation	12,446	12,311	12,178	12,046
Expenditure	-6,675	-23,766	-6,538	-6,727
Closing Balance 30 June	21,364	9,909	15,549	20,868

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

3.3.2 Renewals expenditure

3.3.2.1 Prior year renewals

The following renewals projects were undertaken in 2012-13.

Table 8: Renewals projects 2012-13

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Cedar Pocket Dam	Construct new access stairs on the left hand abutment	-	40
Cedar Pocket Dam	Repair drainage on right bank	-	42

Source: Seqwater (2013)

The two projects listed in Table 8 above were deemed necessary to be undertaken in the 2012-13 year subsequent to the development of the Scheme's budget. The works were funded by a re-allocation of budgets within the works program.

3.3.2.2 Regulatory period renewals

Forecast renewals expenditure for the regulatory period (2013-17) is provided in table 9 below. All forecasts are nominal amounts assuming an average inflation rate of 2.5%.

Table 9: Renewals by project for 2013-17 (\$Nominal)

Asset	Project scope	Year	Forecast cost (\$'000)
Water meters	Replace customer water meters	2013-17	26
Cedar Pocket Dam	Repair drainage on right bank	2014-15	16

Source: Seqwater (2013)

3.3.2.3 Material planning period renewals

Material renewals projects expected to be undertaken in the outer years of the renewals planning time frame (2017-37) are set out in table 10 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 \$20,000 with the base year being 2017-18.

Table 10: Major renewals projects 2017-36 (\$Nominal)

Asset	Project scope	Year	Forecast cost \$'000
Water meters	Replace customer water meters	2017-36	120
Cedar Pocket Dam	Replacement of electrical reticulation to valves	2019-20	28
Cedar Pocket Dam	Renewal of telemetry assets	2020-21	41
Cedar Pocket Dam	Renewal of electricity supply assets	2025-26	36
Cedar Pocket Dam	Replacement of telemetry assets	2030-31	53

Source: Seqwater (2013)

Seqwater will consult with irrigators to establish whether there is a need for, and the nature of:

- any detailed options analysis for projects in the table above scheduled between 2017-18 and 2021-22; and
- any high level options analysis for projects in the table above scheduled after 2021-22.