



Cedar Pocket Water Supply Scheme

Annual Network Service Plan

2017-18

Published: September 2017

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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: NSP Comments
Seqwater
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. The Scheme has no distribution systems, with all irrigators taking 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 (2017)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 11 irrigation customers who hold 495 ML of medium priority water allocations.

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. However, it should be noted that, under the ROP, in a water year in which Cedar Pocket Dam overflows, customers may take up to 200% of their nominal allocations.

The following table sets out the announced allocations for the current year plus the historical position for the previous ten years.

Table 2: Announced allocations history

Year	MP %
2007-08	38-100
2008-09	100
2009-10	100
2010-11	100
2011-12	100
2012-13	100
2013-14	100
2014-15	99-100
2015-16	100
2016-17	100
2017-18	96

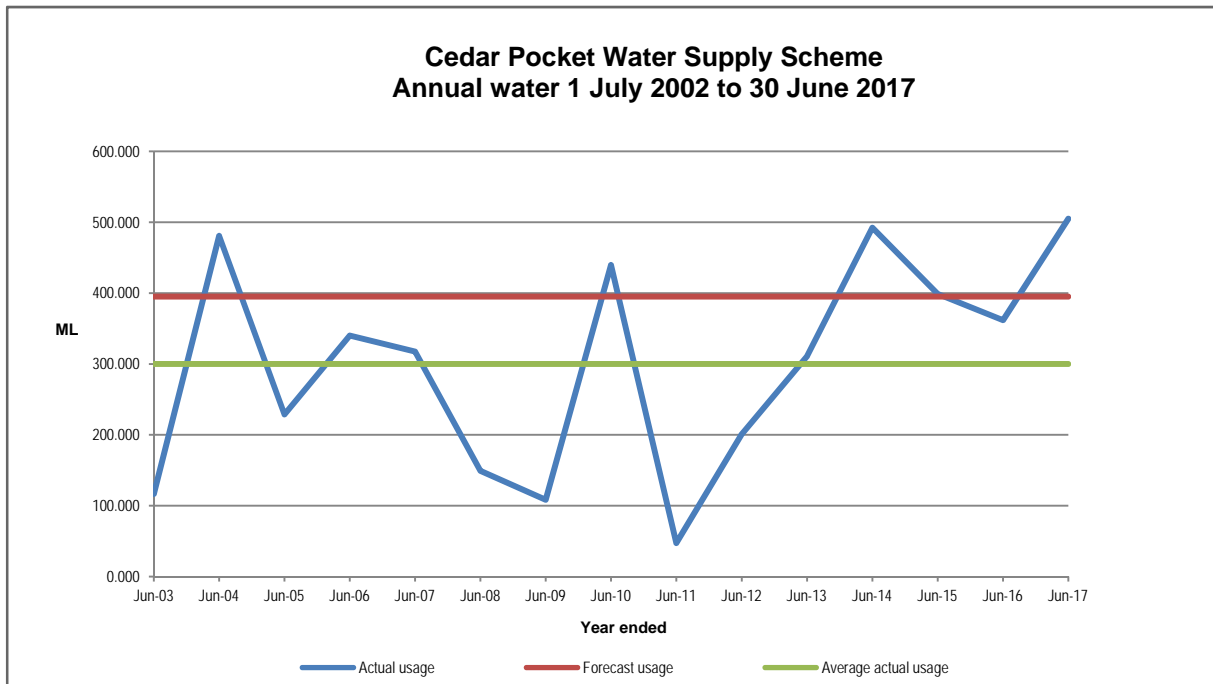
Source: Seqwater (2017)

2.4.2 Water use

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

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 395 ML or 80% of nominal water allocations. The current usage assumption has been extrapolated to prior years for comparison purposes only. The previous 2006-11 irrigation price path (extended to 31 December 2013) adopted a usage forecast of 198 ML or 40% of nominal water allocations.

Figure 1: Annual Scheme water usage

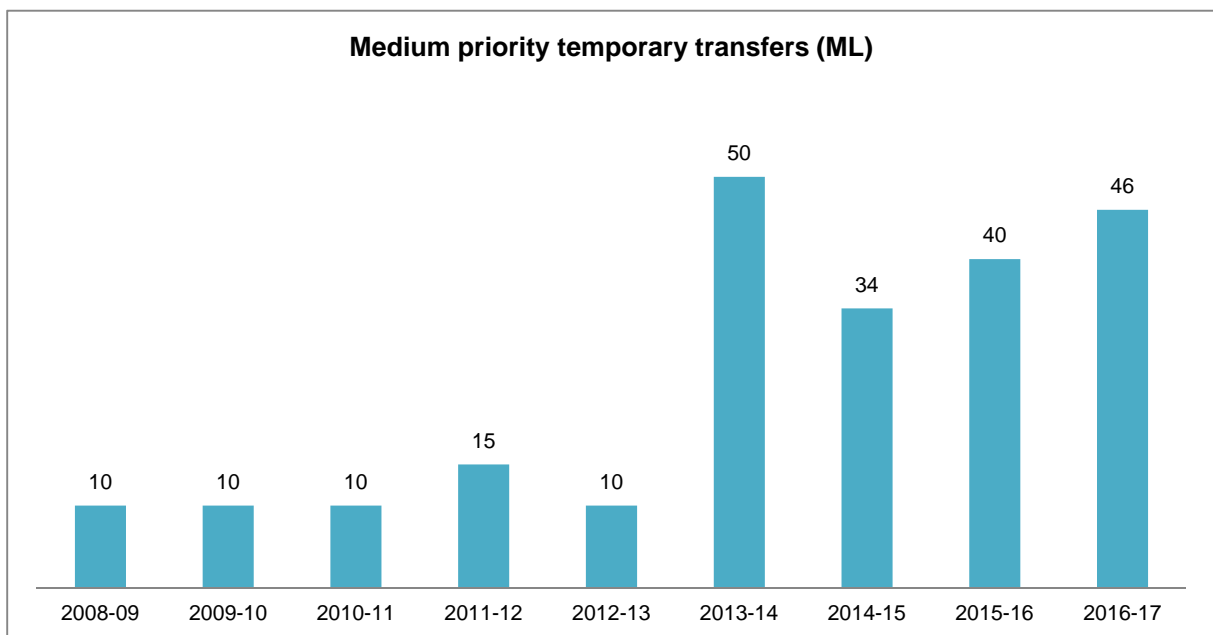


Source: Seqwater (2017)

2.5 Water trading

The following chart sets out the annual volumes of temporary transfers between irrigation customers from 1 July 2008.

Figure 2: Temporary transfer (seasonal assignment) history



Source: Seqwater (2017)

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.

Seqwater convened a special meeting with irrigators on 20 June 2017 for the specific purpose of discussing the Cedar Pocket Dam release strategies for the scheme. Seqwater advised that transmission losses appear to have increased along the creek and undertook to carry out hydrographic investigations.

Since the meeting, hydrographic measurements of flow rates in the creek have been taken and a letter was sent to all irrigators outlining the interim findings and future actions.

In the evening of 20 June 2017, Seqwater held the scheme information forum at Cedar Pocket. The 2016-17 renewals and the future renewals programs were discussed. The meeting summary has been published on the Cedar Pocket WSS page on Seqwater's website.

The next customer forum is to be held in May/June 2018 unless matters arise that require consultation prior to that date. Seqwater will be holding forums at least annually for the purpose of consulting on the NSP and customer service standards as well as other Scheme issues that may arise from time to time. Attendance at forums is open to all irrigation customers of the Scheme and other stakeholders.

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

Service standards are published on the Cedar Pocket WSS page on Seqwater's website.

In 2016-17 Seqwater met all of the service targets. The performance report was published on the Cedar Pocket 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.

Table 3: Water prices (Nominal \$/ML)

Tariff	2017-18 (\$)	2018-19 (\$)
Fixed (Part A)	16.87	19.55
Variable (Part B)	40.77	41.80

Source: Seqwater (2017)

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 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. Any adjustments have been explained by way of notes in table 5 below.

Table 4: Forecast operating costs for 2017-19 (\$Nominal)

Operating cost item	2017-18 (\$)	2018-19 (\$)
Direct operations	75,932	78,542
Repairs and maintenance	15,211	15,819
Dam safety	–	–
Consultation costs	7,920	8,118
Rates	7,497	7,685
Non-direct costs	55,979	57,608
Total operating costs	162,539	167,772

Source: Seqwater (2017)

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 5: Operating costs budget and actuals for 2016-17 and operating costs budget 2017-18 (\$Nominal)

Operating cost Item	2016-17		2017-18
	QCA Budget (\$)	Actual (\$)	Extended QCA Budget (\$)
Direct operating costs			
Labour	58,217	58,665	60,313
Electricity	124	365	127
Other	5,105	15,002 (1)	15,492 (7)
Repairs and maintenance	14,625	14,754	15,211
Rates	–	14,318 (2)	7,497 (8)
Dam safety	24,643	– (3)	–
Consultation costs	7,727	– (4)	7,920
Total direct operating costs	110,441	103,104	106,560
Non-direct operating costs (indicative)			
Operations	40,477	70,518 (5)	41,711
Non-infrastructure	4,057	6,204 (5)	4,159
Insurance	9,862	4,228 (6)	10,109
Total non-direct costs	54,396	80,950	55,979
Total operating costs	164,837	184,054	162,539

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

Notes:

- (1) Costs of internal plant being vehicles and trailers used to operate and maintain the scheme were included in the Scheme's actual costs for 2016-17. These costs have not previously been disclosed.
- (2) Rates were previously paid centrally and not costed directly to the scheme's accounts.
- (3) The dam safety inspection scheduled for the 2016 calendar year was carried out in the previous financial year.
- (4) Consultation costs are included in non-direct operations and are not accounted for separately.
- (5) Higher corporate and indirect operating costs resulted in a higher indicative allocation of costs to the scheme.
- (6) Seqwater negotiated lower insurance premiums in 2016-17 resulting in savings in insurance costs for the Scheme.
- (7) The QCA's forecast budget has been increased by \$10,212 to include the costs of Seqwater's vehicles and mobile plant used in the management of the Scheme.
- (8) The QCA's forecast budget has been increased by \$7,497 for local authority rates not previously included.

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 reported the ARR for 2016-17 below.

Table 6: Cedar Pocket WSS ARR (\$Nominal)

Asset Restoration Reserve	2016-17 Actual (\$)
Opening Balance 1 July 2016	55,326 (1)
Revenue for year	12,046
Expenditure for year	-2,699
Interest for year*	4,249
Closing Balance 30 June 2017	68,968

Source: Seqwater (2017)

* The interest rate is based on the QCA'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%. Interest has been applied to the balance at 30 June 2016.

(1) An adjustment of -\$4 was made to the 2015-16 closing balance of \$55,330 to take into account an overstatement of revenue in 2013-14.

3.3.2 Renewals expenditure

3.3.2.1 2016-17 renewals

The following table sets out the renewals projects that were undertaken in 2016-17.

Table 7: Renewals projects 2016-17

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Water meters	Replace two (2) flow meters carried over from prior year	–	* (1)
Cedar Pocket Dam	Electrical safety switch compliance	–	2 (2)

Source: Seqwater (2017)

Notes:

(1) Amount was \$389.

(2) This expenditure was for testing and replacement of electrical safety switches at Cedar Pocket Dam.

3.3.2.2 2017-18 forecast renewals

There are no renewals scheduled for Cedar Pocket in 2017-18.

3.3.2.3 Asset planning

Seqwater has developed an Asset Portfolio Master Plan (APMP). The APMP is considered to be leading practice within the water industry. All of 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 \$15,274.

Table 8: Material renewals projects 2019-39 (\$Real)

Asset	Project scope	Year	Forecast cost \$'000
Cedar Pocket Dam	Replace trash screens at outlet works	2024-25	20
Cedar Pocket Dam	Refurbish rip-rap	2036-37	75

Source: Seqwater (2017)