Cedar Pocket Water Supply Scheme

Annual Network Service Plan

2014-15

September 2014

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: 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. 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 (2014)

2.3 Customers and water entitlements serviced

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

2.4 Water availability and use

2.4.1 Water availability

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, 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 since 2006-07.

Table 2: Announced allocations history

Year	MP %
2006-07	64%-71%
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%

Source: Seqwater (2014)

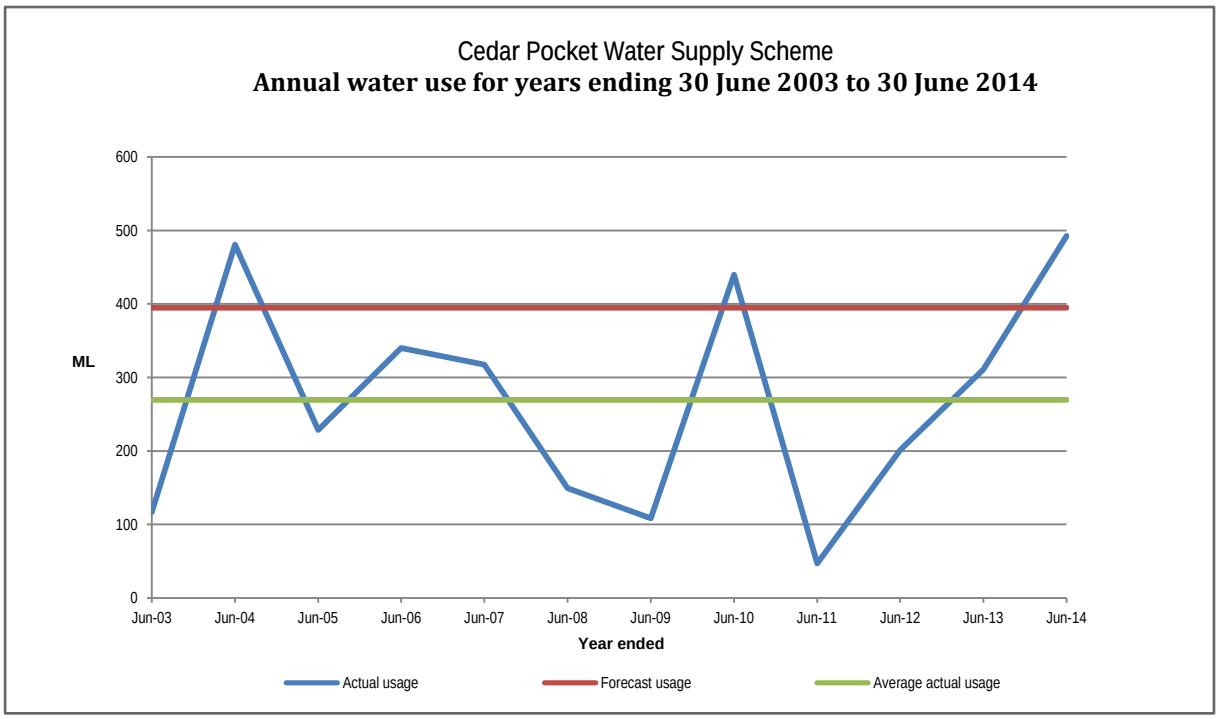
2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2013-14.

Also shown is the usage assumption for the current approved price path for 2013-14 which is 395 ML or 80% of the nominal WAE. 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 the nominal WAE.

Average annual usage for the period 2002-03 to 2013-14 is 269 ML.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2014



Source: Seqwater (2014)

2.5 Water trading

The following table sets out the annual volumes of temporary transfers between irrigation customers from 1July 2008 to 30 June 2014.

Table 3: Temporary transfers 2008-14

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)
Medium	10	10	10	15	10	50

Source: Seqwater (2014)

2.6 Irrigation Customer Consultation

Seqwater is committed to consulting with its customers as required under its Statement of Obligations.

On 10 June 2014, Seqwater held a scheme consultation forum at Cedar Pocket. The 2013-14 NSP was presented. The changes expected to appear in the 2014-15 NSP were highlighted and discussed with particular attention being paid to the 2014-15 renewals program and the customer service standards. The meeting summary has been published on the Cedar Pocket WSS web page on Seqwater's website.

The next consultation forum is expected to be held in May/June 2015 unless matters arise that require consultation prior to that date. Seqwater will be holding customer consultation 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

customer consultation 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

Following a review of the service standards by Seqwater, amended service standards were presented and agreed to at the customer consultation forum held at Cedar Pocket on 10 June 2014.

The service standards are attached in Appendix 1 and are also published on the Cedar Pocket WSS web page on Seqwater's website.

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 2013-14 and the detailed budget for 2014-15. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2013-14 and operating budget 2014-15 ($Nominal)

Expenditure Item	2013-14		2014-15
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	54,863	25,761 (1)	55,973
Electricity	115	-	118
Other	4,838	8,349	4,926
Repairs and maintenance	13,624	16,449	13,953
Dam safety	-	-	-
Consultation costs	7,175	- (2)	7,354
Total direct operating costs	**80,615**	**50,559**	**82,324**
Non-direct operating costs			
Operations	38,759	27,888 (3)	39,333
Non-infrastructure	3,948	2,491 (3)	3,985
Insurance	9,158	10,472 (4)	9,387
Total non-direct costs	**51,865**	**41,121**	**52,705**
Total operating costs	**132,480**	**91,680**	**135,029**

Source: Seqwater (2014); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

(1) Labour costs were lower because the capability now exists for Seqwater employees to remotely read the measuring flume thus reducing the need for attendance at the Dam.

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

(3) Following the merger of Seqwater and LinkWater in 2013, the indirect cost base and the distribution of indirect costs resulted in a lower allocation of indirect costs to the Scheme.

(4) Higher insurance costs resulted from increases in insurance renewal premiums.

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 actual and estimated ARRs 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	35,382	23,927	29,567
Revenue for year	17,586	12,311	12,178	12,046
Expenditure for year	-	-23,766	-6,538	-6,727
Balance before interest	33,179	23,927	29,567	34,886
Interest for 2013-14*	2,203	-	-	-
Closing Balance 30 June	35,382	23,927	29,567	34,886

Source: Seqwater (2014); 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%. Interest has been applied to the balance at 30 June 2014.

3.3.2 Renewals expenditure

3.3.2.1 Prior year renewals

The following table sets out the renewals projects that were undertaken, or scheduled to be undertaken, in 2013-14.

Table 8: Renewals projects 2013-14

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace customer water meters	7	-*

Source: Seqwater (2014)

* The water meter intended to be replaced in 2013-14 will now be replaced in 2014-15.

3.3.2.2 Regulatory period renewals

Forecast renewals expenditure for the balance of the regulatory period (2014-17) 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 2014-17 ($Nominal)

Asset	Project scope	Year	Forecast cost ($'000)
Water meters	Replace customer water meters	2014-15	25
Water meters	Replace customer water meters	2015-16	25
Water meters	Replace customer water meters	2016-17	25

Source: Seqwater (2014)

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	Replace regulating valve assembly	2020-21	5
Cedar Pocket Dam	Renewal of electricity supply assets	2025-26	36
Cedar Pocket Dam	Replacement of telemetry assets	2030-31	53

Source: Seqwater (2014)

Appendix 1

Cedar Pocket Water Supply Scheme service targets

Planned shutdowns

Definition: A planned shutdown occurs when customers' supply is interrupted or restricted due to the performance of work by Seqwater that is planned in advance.

In managing planned shutdowns, Seqwater recognises that the following are important service issues:

- That you will be notified about a shutdown so that you can plan ahead;
- The timing of the shutdown should suit most customers;
- The duration of the shutdown should minimise the impact on customers while enabling Seqwater to perform maintenance on the Scheme.

Planned shutdowns – timing target

The timing of all planned shutdowns will be set following consultation with the Irrigation Consultation Forum (for a shutdown affecting a large part of the scheme) or customer groups or individuals (for shutdowns effecting small areas).

Planned shutdowns – duration target

Seqwater will complete all planned shutdowns within the period notified to customers unless later varied by agreement with the groups originally consulted, or unless circumstances arise that are beyond Seqwater's control, such as adverse weather conditions.

Planned shutdowns – notice target

For shutdowns planned to exceed 2 weeks, 8 weeks written notice will be provided to each customer affected by the shutdown. A reminder notice will be sent 2 weeks before the commencement of the shutdown.

For shutdowns planned to exceed 3 days but are less than 2 weeks, at least 2 weeks written notice by letter, fax, telephone, text, email or verbal advice will be provided to each customer affected by the shutdown unless the shutdown is opportunistic in which case less than 2 weeks' notice may be given.

For shutdowns planned to be less than 3 days, at least 5 days' notice will be provided at least verbally to each customer affected.

Each notice will state the start date, and anticipated shutdown duration.

Note: A courtesy reminder may be placed in the local newspaper one week before the planned shutdowns commence.

Unplanned shutdowns

Definition: An unplanned shutdown is an unforeseen or unplanned failure of Seqwater's water delivery infrastructure that stops or restricts the supply of water to a customer for more than 2 hours (including emergency repairs). It does not include events that are beyond Seqwater's control (e.g. power failure, or storm) and does not include interruptions to supply caused by errors in estimating water demand and releases, or the taking of water without authorisation.

Unplanned shutdown – duration targets

- Unplanned Shutdowns will be fixed so that at least partial supply can be resumed to those customers requiring water within 48 hours of Seqwater being notified of the event.
- Some events may interrupt supply greater than the above standard and are excluded from these targets. Seqwater will publish these events from time to time.

Unplanned shutdown – notice target

Seqwater will notify all affected customers requiring water verbally or by email, text, telephone, radio announcement or fax of the likely duration of the interruption to supply within 24 hours of learning of the event, or by the end of the first business day following the event, whichever is the earlier.

Unplanned shutdown – meter repairs target

Faults causing restrictions to supply will be repaired within one working day of Seqwater being notified.

Frequency of interruptions to supply

No customer will experience more than 6 planned or unplanned interruptions per water year (as defined above).

Complaints

Seqwater will provide an initial response to all complaints in writing, including email, or by telephone within 5 working days of receiving a complaint by the customer:

Seqwater will either resolve a customer's complaint, or provide a written response providing reasons why the complaint has not or cannot be resolved within 21 days of receiving the complaint.