



Central Brisbane River Water Supply Scheme

Annual Network Service Plan

2017-18

Published: September 2017

Contents

Section	Title	Page
1.	Introduction	3
2.	Scheme Details.....	3
2.1	Scheme background and context	3
2.2	Infrastructure details	3
2.3	Customers and water entitlements serviced	4
2.4	Water availability and use	4
2.4.1	Water availability	4
2.4.2	Water use	4
2.5	Water trading	5
2.6	Irrigation Customer Consultation	6
2.7	Customer service standards	6
3.	Financial Performance	6
3.1	Tariffs.....	6
3.2	Operating expenditure	7
3.3	Renewals	8
3.3.1	Asset Restoration Reserve.....	8
3.3.2	Renewals expenditure.....	9
3.3.2.1	2016-17 renewals	9
3.3.2.2	2017-18 forecast renewals.....	11
3.3.2.3	Asset management plan	11
3.3.2.4	Material planning period renewals	11

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 Central Brisbane River Water Supply Scheme (the Scheme) is located along the Brisbane River from Mt Crosby Weir up to and including Wivenhoe Dam. The Scheme was established in 1980 to enable irrigation of up to 1,000 ha within the area.

The Scheme is regulated under the Moreton Resource Operations Plan (ROP) which was issued in December 2009.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, “Central Brisbane River”.

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
Wivenhoe Dam, Somerset Dam (included for water pricing purposes)	Mount Crosby Weir (not included in irrigation prices)	Nil	Wivenhoe Tail Water Weir Gauging stations

Source: Seqwater (2014)

2.3 Customers and water entitlements serviced

Within the Scheme, Seqwater supplies raw water to 127 customers holding medium priority water allocations and one customer holding a high priority water allocation. Seqwater also holds an allocation which it uses for supply into its water treatment plants to provide treated water to its customers. The following table sets out the ownership of water allocations in the Scheme.

Table 2: Schedule of ownership of water allocations

Water allocation owner	Number of customers	Medium priority volume (ML)	High priority volume (ML)
Irrigators	123	7,074	-
Ipswich City Council	1	65	-
Somerset Regional Council	1	15	-
Lowood and District Golf Club	1	40	-
Glamorgan Vale Water Board	1	-	250
Seqwater	-	-	278,617
Total	127	7,194	278,867

Source: Seqwater (2017)

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 since 2010-11.

Table 3: Announced allocations history

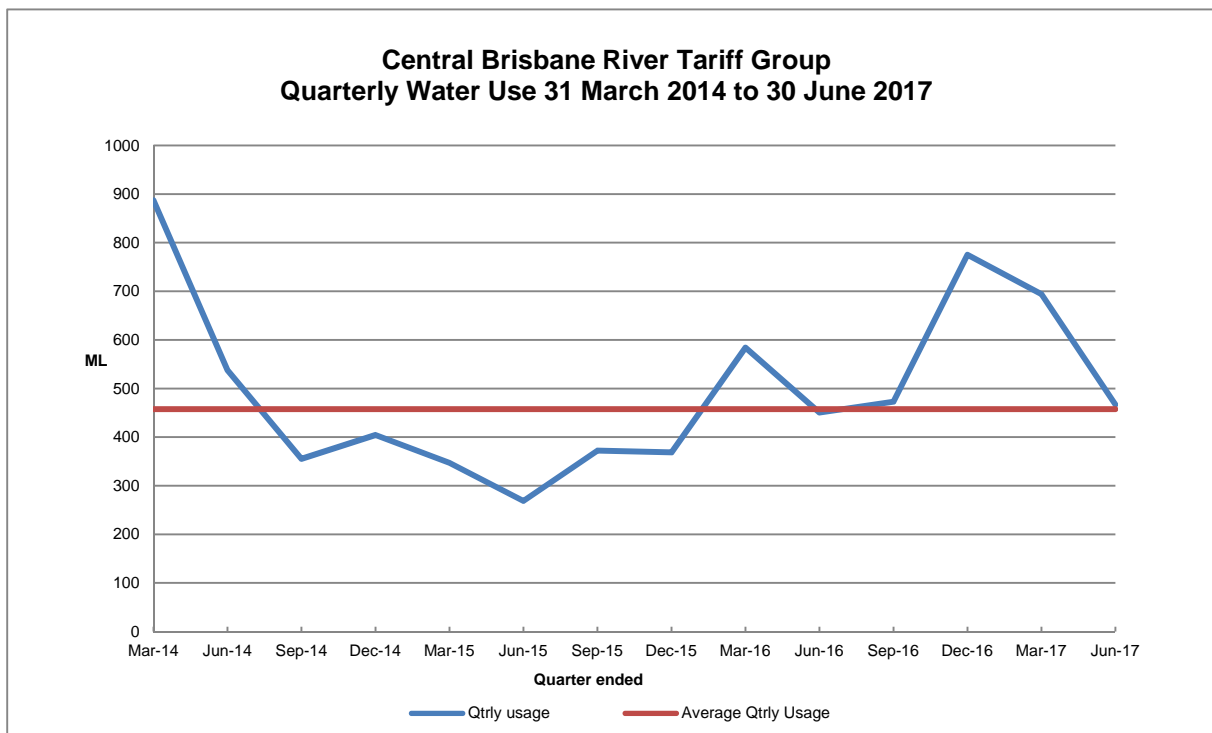
Priority	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)	2014-15 (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)
Medium	100	100	100	100	100	100	100	100

Source: Seqwater (2017)

2.4.2 Water use

Figure 1 below shows the quarterly water usage from the quarter ended 31 March 2014. Usage is based primarily on customer estimates of usage recorded on log sheets.

Figure 1: Quarterly irrigation water usage

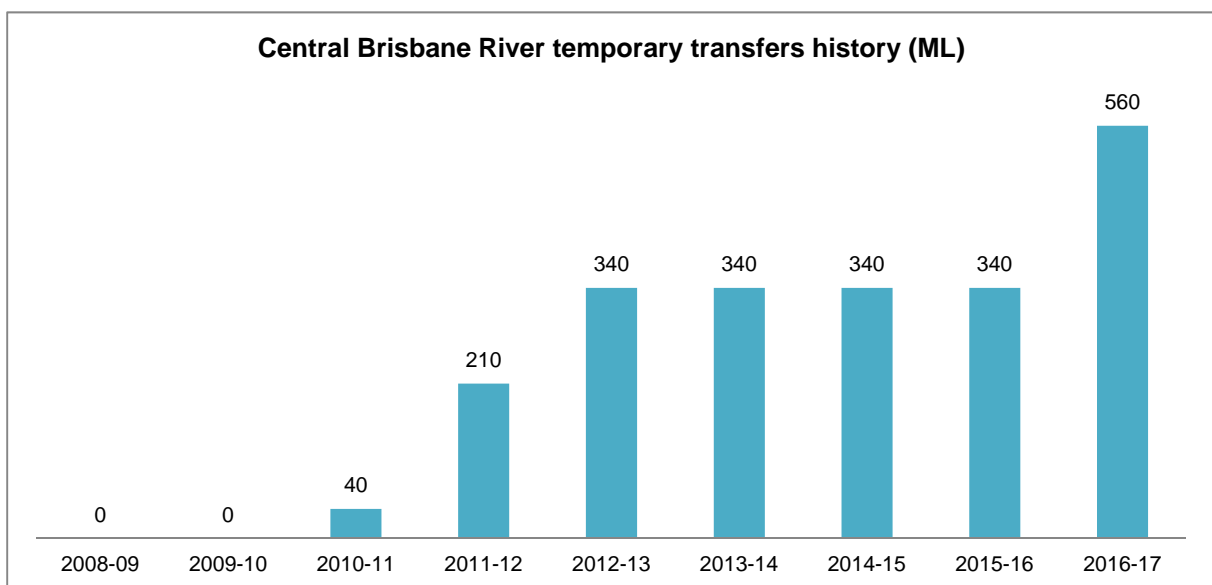


Source: Seqwater (2017)

2.5 Water trading

Figure 2 sets out the annual volumes of temporary transfers between irrigation customers from 1 July 2008.

Figure 2: Temporary transfers 2008-17



Source: Seqwater (2017)

It is important to note that, under the ROP, where two parties wish to enter into a temporary or seasonal transfer, both parties require a water meter. The requirement may be waived for the transferor if they are able to demonstrate that they have no ability to take water. However, the transferee must have a water meter installed at each location where water is taken.

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 consults with customer representatives (e.g. Mid Brisbane River Irrigators) to assess the need to hold an information forum. Attendance at customer forums is open to all irrigation customers of the Scheme as well as other stakeholders.

Seqwater will publish the annual network service plan on its website by 30 September of each year. All customer or stakeholder submissions in relation to the network service plan will be published on Seqwater's website along with Seqwater's responses and decisions.

2.7 Customer service standards

No service standards (i.e. targets) have been developed for the Scheme. Seqwater intends to develop appropriate customer service targets in consultation with customers.

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

Tariff	2017-18 (\$)	2018-19 (\$)
Fixed (Part A)	23.30	23.88
Variable (Part B)	11.19	11.47

Source: Seqwater (2017)

The fixed Part A tariff continues to be charged quarterly in advance and the variable Part B tariff is charged on actual usage at the end of each quarter. Until water meters are installed, customers are required to advise water usage by means of recording self-assessed usage on log sheets during each quarter and to submit the log sheets to Seqwater at the end of each quarter.

3.2 Operating expenditure

The forecast operating costs set as a target by the Queensland Competition Authority (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 operating costs forecast. 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 amendments have been explained by way of notes in table 6 below. These costs include both fixed and variable operating costs.

Table 5: Forecast operating costs for 2017-19 (\$Nominal)

Operating cost item	2017-18	2017-18	2018-19	2018-19
	Whole of Scheme (\$)	Irrigation share (\$)	Whole of Scheme (\$)	Irrigation share (\$)
Direct operations	5,632,404	95,152	5,824,874	98,446
Repairs and maintenance	2,083,695	16,249	2,167,043	16,899
Dam safety	-	-	-	-
Rates	1,072,893	7,553	799,265	7,742
Consultation costs	7,920	7,920	8,118	8,118
Non-direct costs	4,773,273	69,362	4,912,566	71,417
Total operating costs	13,570,185	196,236	13,711,866	202,622

Source: Seqwater (2017)

The following table sets out Seqwater's actual expenditure for 2016-17 compared with the QCA target. The irrigation share of scheme costs, calculated in accordance with the QCA's *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Brisbane River Water Supply Scheme*, have also been set out.

Table 6: Operating expenditure for 2016-17 and operating budget 2017-18 (\$Nominal)

Operating cost item	2016-17			2017-18	
	Scheme budget (QCA) (\$)	Actual expenditure		Scheme budget (QCA)	
		Scheme (\$)	Irrigation (\$)	Scheme (\$)	Irrigation (\$)
Direct					
Electricity	193,848	203,484	1,433	198,694	1,399
Labour	3,212,826	1,773,324 (1)	31,423	3,328,488	58,991
Other direct operations	2,039,729	1,292,938 (2)	22,911	2,105,222	34,762
Repairs and maintenance	2,003,553	787,202 (3)	13,949	2,083,695	16,249
Dam safety	-	-	-	-	-
Rates	760,752	1,046,725 (4)	7,369	1,072,893 (7)	7,553
Consultation costs	7,727	- (5)	-	7,920	7,920
Total direct costs	8,218,435	5,103,673	77,085	8,796,912	126,874

Table 6: Operating costs budget and actuals for 2016-17 and operating costs budget 2017-18 (\$Nominal) (continued)

Operating cost item	2016-17			2017-18	
	Scheme budget (QCA) (\$)	Actual expenditure		Scheme budget (QCA)	
		Scheme (\$)	Irrigation (\$)	Scheme (\$)	Irrigation (\$)
Non-direct (indicative)					
Operations	3,521,738	3,490,650	55,850	3,629,151	58,066
Non-infrastructure	353,014	307,110	4,913	361,839	5,789
Insurance	763,203	350,067 ⁽⁶⁾	2,464	782,283	5,507
Total non-direct costs	4,637,955	4,147,827	63,227	4,773,273	69,362
Total operating costs	12,856,390	9,251,500	140,312	13,570,185	196,236

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

Notes:

- (1) Labour costs were below budget mainly as a result of staff being directed to other activities for which the scheme does not incur the costs.
- (2) Other direct operations costs were less than budget because savings were made in planning in plant and vehicle usage.
- (3) Repairs and maintenance costs were less than budget because no major repairs or maintenance work was required to be undertaken during the year.
- (4) Includes rates previously accounted for in indirect costs but which are now being reported separately.
- (5) The irrigator forum for 2016-17 was postponed.
- (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 \$293,122 for local authority rates not previously included.

3.3 Renewals

3.3.1 Asset Restoration Reserve

Prior to 1 July 2013, the Scheme did not have an Asset Restoration Reserve (ARR). Consequently, the opening balance as at 1 July 2013 is nil. The actual and forecast ARR balances for the period of the 2013-17 price path, on an irrigation share only basis, are set out in Table 7 below. In calculating the expenditure for each year, renewals expenditure was reduced by 56% for the flood mitigation component of the dams in accordance with the QCA's recommendation on page 51 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Brisbane River Water Supply Scheme*. The head works utilization factor of 1.6% was then applied to the reduced amount.

Table 7: Asset Restoration Reserve – irrigation share only (\$Nominal)

Asset Restoration Reserve	2013-14 Actual (\$)	2014-15 Actual (\$)	2015-16 Actual (\$)	2016-17 Actual (\$)
Opening Balance 1 July	-	3,234	3,902	1,958
Revenue – irrigation	3,697	7,329	7,931	11,007
Expenditure for year	-664	-6,904	-9,997	-17,206
Interest for year*	201	243	122	-282
Closing Balance 30 June	3,234	3,902	1,958	-4,522

Note: Any differences in addition are due to rounding.

Source: Seqwater (2017)

* 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 2016.

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 8: Renewals projects 2016-17

Asset	Project scope	Budget 2016-17 (\$)	Actual 2016-17* (\$)	Irrigation share* (\$)
Somerset Dam	Refurbish tunnels P and I	175,000	218,222 (1)	1,536
	Overhaul 7.5 HP winch motor and install heater strips	25,000	19,458	137
	Refurbish coaster gate	164,000	2,856	20
	Rock embankment stabilisation	–	4,592	32
	Electrical safety switch compliance	–	70,875 (2)	499
	Sluice gate safety hatch improvement	–	6,153	43
	Remove wiring from handrail	–	2,309	16
	Westvale road boat ramp	–	10,677	75
	Repair guardrail	–	324	2
Wivenhoe Dam	Re-open Billies Bay recreation area	400,000	708,561 (3)	4,988
	Replace four gantry crane hydraulic motor switchgears	153,000	42,302 (4)	298
	Refurbish the bulkhead gate	156,000	7,637 (5)	54

Table 8: Renewals projects 2016-17 – (continued)

Asset	Project scope	Budget 2016-17 (\$)	Actual 2016-17 (\$)	Irrigation share* (\$)
Wivenhoe Dam (continued)	Overhaul right and left winch for gates 1, 2, 4, 5	647,000	808,724 (6)	5,694
	Recertify and paint 3.2 tonne crane	340,000	360,299 (7)	2,537
	Install air conditioner in main switch room	13,000	15,070	106
	Relocate uninterrupted power supply out of high voltage room	12,000	–	–
	Radial Gate Access Improvements	–	16,836	119
	Electrical safety switch compliance	–	14,630	103
	Install plug in arrangement for WTP	–	267	2
Wivenhoe recreation water treatment plant	Treatment plant upgrade	–	28,762 (8)	203
	Electrical safety switch compliance	–	36,906 (2)	260
Kirkleagh recreation sewerage treatment plant	Electrical safety switch compliance	–	11,836 (2)	83
	Chemical dosing storage shed	–	35,139 (9)	247
	Modify control panel	–	10,354	73
Kirkleagh recreation water treatment plant	Electrical safety switch compliance	–	11,228	79
Totals		2,085,000	2,444,017	17,206

Source: Seqwater (2017)

Notes:

- (1) This project was commenced in 2015-16 with a budget of \$260,000 and was completed in 2016-17 at a total cost of \$230,361. The additional expenditure in 2016-17 relates to work that was budgeted in 2015-16 but carried out in 2016-17.
- (2) This work was undertaken as emergent works to test and replace electrical switches to ensure safe work environments.
- (3) Funding to the extent of \$460,000 was received from the Department of National Parks, Sport and Racing towards this project and has been offset against expenditure. Additional costs were incurred because market prices for the work were higher than estimated.
- (4) This project was commenced later than anticipated and has been carried over to 2017-18.
- (5) This project was commenced later than anticipated and has been carried over to 2017-18.
- (6) Additional costs were incurred because market prices for the work were higher than estimated.
- (7) Costs were higher than expected because additional work was identified as the project progressed.
- (8) This project was accelerated forward and added to the work program for the year.
- (9) This project was accelerated forward and added to the work program for the year.

3.3.2.2 2017-18 forecast renewals

Renewals projects scheduled for delivery in 2017-18 are provided in the table below.

Table 9: Renewals projects for 2017-18 (\$Nominal)

Asset	Project scope	Budget 2017-18 (\$'000)	Irrigation share (\$'000)
Wivenhoe Dam	Replace main switch board	600,000	4,224
	Radial gate repaint	457,000	3,217
	Refurbish Bulkhead Gate	150,000	1,056
Somerset Dam	Replace main switch board & data boards 1 & 2	960,000	6,758
	Winch compliance	360,000	2,534
	Refurbish sluice P and tunnel	120,000	845
	Resolve issues - rec reticulation	84,000	591
Kirkleagh recreation sewerage treatment plant	Install Starters on Aerators 1 & 2	72,000	507
Wivenhoe Dam recreation water treatment plant	Treatment plant upgrade	800,000	5,632
	Replace high level reservoir tank	240,000	1,690

Source: Seqwater (2016)

* Value is less than \$500

3.3.2.3 Asset management plan

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 \$3.480 million.

No individual project exceeds the 10% threshold. However, the present value of two projects exceeds \$2 million. Since these are significant major projects (although not material by definition), they have been disclosed in the table below.

Table 10: Projects with a present value exceeding \$2M for 2019-39 (\$Nominal)

Asset	Project scope	Year	Forecast cost (\$'000)	Irrigation share (\$'000)
Wivenhoe Dam	Replace hydraulics on 79 tonne gantry crane	2034-35	4,500	32
Somerset Dam	Replace workshop	2037-38	5,375	38

Source: Seqwater (2017)