



Logan River Water Supply Scheme

Annual Network Service Plan

2014-15

September 2014



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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
PO box 16146
City East QLD 4002

2. Scheme Details

2.1 Scheme background and context

The Scheme is located in the Logan River Basin and supplies bulk raw water to WAE in the nine zones that comprise the Scheme. The scheme stretches along a 101.4 km length of the Logan River and along 27 km of Burnett Creek. It was designed to supplement natural flows for the fertile alluvial areas along Burnett Creek and the Logan River.

The Scheme is regulated under the Logan Basin Resource Operations Plan (ROP) first issued in December 2009. The ROP was amended to include Wyaralong Dam as part of the Scheme in December, 2012. A further amendment in March 2014 to included Christmas Creek and Running Creek under the ROP. However, these two creeks, which are not supplemented by Seqwater's infrastructure, do not form part of the Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Logan 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 |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Maroon Dam • Wyaralong Dam | <ul style="list-style-type: none"> • Cedar Grove Weir • Bromelton Weir • South Maclean Weir | <ul style="list-style-type: none"> • Bromelton Off-Stream Storage | <ul style="list-style-type: none"> • Gauging stations • Customer water meters |

Source: Seqwater (2014)

2.3 Customers and water entitlements serviced

The Scheme supplies water to:

- Irrigation users, comprising 136 customers who hold 13,552 ML of medium priority water access entitlements (WAE);
- One industrial user who holds 2.5 ML of medium priority WAE; and
- Five other industrial users who together hold 936 ML of high priority WAE.

Seqwater holds 8,920 ML of high priority WAE.

The following charts and table sets out the distribution of WAE amongst classes of customers.

Table 2: Ownership of entitlements

| Customer type | Number of customers | Medium priority WAE (ML) | High priority WAE (ML) |
|---------------|---------------------|--------------------------|------------------------|
| Irrigation | 132 | 13,552 | - |
| MP Industrial | 1 | 2.5 | - |
| HP Industrial | 5 | - | 936 |
| Seqwater | 7 | - | 10 |
| Seqwater | - | - | 8,910 |
| Totals | 145 | 13,554.5 | 9,856 |

Source: Logan Basin Resource Operations Plan

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. The following table sets out the announced allocations for both medium priority and high priority water allocations since 2006-07.

Table 3: Announced allocations history

| Year | MP % | HP % |
|---------|---------|--------|
| 2006-07 | 0% | 0% |
| 2007-08 | 0-90% | 0-100% |
| 2008-09 | 95-100% | 100% |
| 2009-10 | 100% | 100% |
| 2010-11 | 100% | 100% |
| 2011-12 | 100% | 100% |
| 2012-13 | 100% | 100% |
| 2013-14 | 100% | 100% |
| 2014-15 | 100% | 100% |

Source: Seqwater (2014)

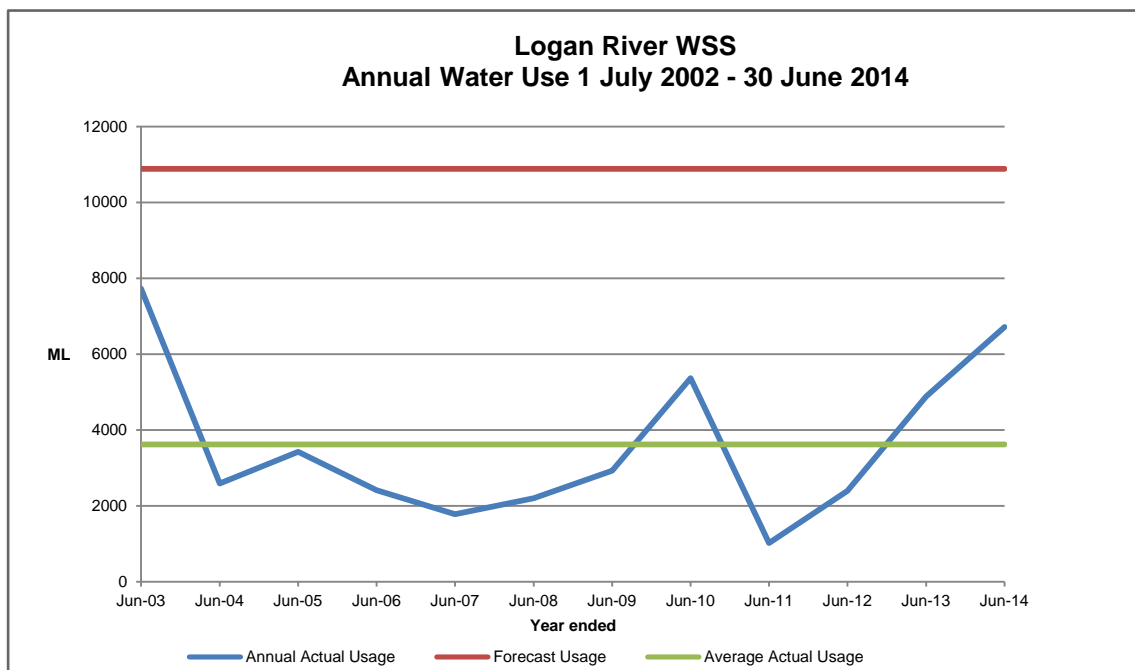
2.4.2 Water use

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 2013-17 which is 10,881ML 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 5,421 ML or 40% of the nominal WAE.

Average annual usage for the period of 3,642 ML is also shown.

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 1 July 2008 to 30 June 2014.

Table 4: Temporary transfers 2008-14

| Priority | 2008-09 (ML) | 2009-10 (ML) | 2010-11 (ML) | 2011-12 (ML) | 2012-13 (ML) | 2013-14 (ML) |
|----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Medium | 201 | 127 | 302 | 317 | 2 | 305 |

Source: Seqwater (2014)

2.6 Irrigation Customer Consultation

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

On 8 May 2014, Seqwater held a scheme consultation forum for the Logan River WSS. 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 Logan River WSS web page on Seqwater's website. A second forum, to address wider ROP issues, was held in conjunction with the Department of Natural Resources and Mines on 29 July 2014.

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 on 8 May 2014.

The service standards are attached in Appendix 1 and are also published on the Logan River 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 5.

Table 5: Water prices (Nominal \$/ML)

| Tariff | 2013-14 (\$) | 2014-15 (\$) | 2015-16 (\$) | 2016-17 (\$) |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| Fixed (Part A) | 23.11 | 25.74 | 28.48 | 29.28 |
| Variable (Part B) | 9.98 | 10.23 | 10.49 | 10.75 |

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 tables below. These costs include both fixed and variable operating costs.

Table 6: Forecast operating costs for 2013-17 (\$Nominal)

| Operating cost item | 2013-14 (\$) | 2014-15 (\$) | 2015-16 (\$) | 2016-17 (\$) |
|------------------------------|------------------|------------------|------------------|------------------|
| Direct operations | 451,298 | 459,627 | 468,008 | 476,437 |
| Repairs and maintenance | 103,792 | 106,300 | 108,843 | 111,419 |
| Dam safety | - | - | - | 24,643 |
| Rates | 57,623 | 59,063 | 60,540 | 62,053 |
| Consultation costs | 7,175 | 7,354 | 7,538 | 7,727 |
| Non-direct costs | 445,663 | 453,619 | 461,655 | 469,769 |
| Total operating costs | 1,065,551 | 1,085,963 | 1,106,584 | 1,152,048 |

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

| Expenditure Item | 2013-14 | | 2014-15 |
|-------------------------------------|------------------|------------------|------------------|
| | Budget (\$) | Actual (\$) | Budget (\$) |
| Direct operating costs | | | |
| Labour | 312,394 | 319,542 | 318,711 |
| Electricity | 7,468 | 9,288 | 7,655 |
| Other | 131,436 | 96,974 | 133,261 |
| Repairs and maintenance | 103,792 | 124,880 (1) | 106,300 |
| Dam safety | - | - | - |
| Rates | 57,623 | 29,935 (2) | 59,063 |
| Consultation costs | 7,175 | - (3) | 7,354 |
| Total direct operating costs | 619,888 | 580,619 | 632,344 |
| Non-direct operating costs | | | |
| Operations | 270,410 | 319,104 (4) | 274,414 |
| Non-infrastructure | 27,544 | 28,504 (4) | 27,803 |
| Insurance | 147,709 | 173,259 (5) | 151,402 |
| Total non-direct costs | 445,663 | 520,866 | 453,619 |
| Total operating costs | 1,065,551 | 1,101,485 | 1,085,963 |

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

- (1) Includes \$22,400 for unexpected mechanical maintenance services carried out on the crane at Maroon Dam.
- (2) The budgeted costs for rates included property associated with Wyaralong Dam which does not form part of the scheme cost base.
- (3) Consultation costs are included in non-direct operations and are not accounted for separately.
- (4) Following the merger of Seqwater and LinkWater in 2013, the indirect cost base and the distribution of indirect costs resulted in a higher allocation of indirect costs to the Scheme.
- (5) 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 8 below where the actual and estimated ARR for the years 2013-14 to 2016-17 are set out.

Table 8: Logan River WSS Asset Restoration Reserve (\$Nominal)

| Asset Restoration Reserve | 2013-14 (\$) | 2014-15 (\$) | 2015-16 (\$) | 2016-17 (\$) |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| Opening Balance 1 July | -700,646 | -1,086,216 | -1,050,242 | -962,212 |
| Revenue – irrigation | 34,873 | 39,835 | 39,850 | 39,877 |
| Revenue - other | 77,752 | 79,191 | 78,333 | 77,484 |
| Expenditure for year | -430,561 | -83,052 | -30,153 | -30,907 |
| Balance 30 June | -1,018,583 | -1,050,242 | -962,212 | -875,758 |
| Interest for 2013-14* | -67,634 | - | - | - |
| Closing Balance 30 June | -1,086,216 | -1,050,242 | -962,212 | -875,758 |

Source: Seqwater (2013); 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 9: Renewals projects 2013-14

| Asset | Project scope | Budget (\$'000) | Cost (\$'000) |
|----------------------------------|------------------------------------------------------------|--------------------|------------------|
| Water meters | Replace water meters | 68 | 65 |
| Maroon Dam | Replace mono rails | 23 | 39 (1) |
| | Replace instrumentation | 13 | - (2) |
| | Refurbish tunnel upper chamber | 36 | - (2) |
| | Refurbish rip rap on upstream face of main wall embankment | 36 | - (2) |
| | Refurbish water level recorders | 18 | - (2) |
| Maroon Dam water treatment plant | Operational improvements implementation | - | 12 (3) |
| | Upgrade programmable logic controller | - | 52 (3) |

Source: Seqwater (2014)

- (1) Increased costs resulted when the beam, which was at a lower rating than the crane, had to be re-engineered.
- (2) These projects will be undertaken as part of the Maroon Dam upgrade project and will not form part of the renewals program.
- (3) These projects were undertaken as a result of emergent water supply issues.

3.3.2.2 Regulatory period renewals

Forecast significant (>\$10,000) renewals expenditure for the balance of the regulatory period (2014-17) is provided in table 10 below. All forecasts are nominal amounts assuming an average inflation rate of 2.5%.

Table 10: Renewals by project for 2014-17 (\$Nominal)

| Asset | Project scope | Year | Forecast (\$'000) |
|------------------------------------|---------------------------------------------------------------------------------------------|---------|-------------------|
| Customer water meters | Replace customer water meters | 2014-17 | 130 |
| Maroon water treatment plant | Install SCADA for monitoring and control | 2014-15 | 40 |
| | Repair decking on tower and upgrade Handrail and Ladders to Australian Standards compliance | 2015-16 | 15 |
| Maroon waste water treatment plant | Refurbish aerobic gravel filter | 2016-17 | 100 |

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 \$70,000 with the base year being 2017-18. Two renewal projects exceed the 10% threshold and are set out in table 11 below.

Table 11: Material renewals projects 2017-37 (\$Nominal)

| Asset | Project scope | Year | Forecast (\$'000) |
|-----------------------|---------------------------------|---------|-------------------|
| Customer water meters | Replace water meters | 2017-37 | 339 |
| Maroon Dam | Replace rip rap at outlet works | 2020-21 | 750 |

Source: Seqwater (2014)

Logan River 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.