Logan River Water Supply Scheme

Annual Network Service Plan

2016-17

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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
Seqwater
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 water allocation holders 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 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
• Maroon Dam • Wyaralong Dam	• Cedar Grove Weir • Bromelton Weir • South Maclean Weir	• Bromelton Off-Stream Storage	• Gauging stations • Customer water meters

Source: Seqwater (2016)

2.3 Customers and water entitlements serviced

The following table sets out the distribution of water allocations amongst classes of customers.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)	High priority volume (ML)
Irrigation	132	13,552	-
MP Industrial	1	2.5	-
HP Industrial	5	-	936
Seqwater	7	-	8,920
Totals	**145**	**13,554.5**	**9,856**

Source: Moreton Resource Operations Plan June 2014; Seqwater (2016)

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 for both medium priority and high priority water allocations for the current year plus the historical position for the previous ten years.

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

Table 3: Announced allocations history – (*continued)*

Year	MP %	HP %
2010-11	100	100
2011-12	100	100
2012-13	100	100
2013-14	100	100
2014-15	100	100
2015-16	100	100
2016-17	100	100

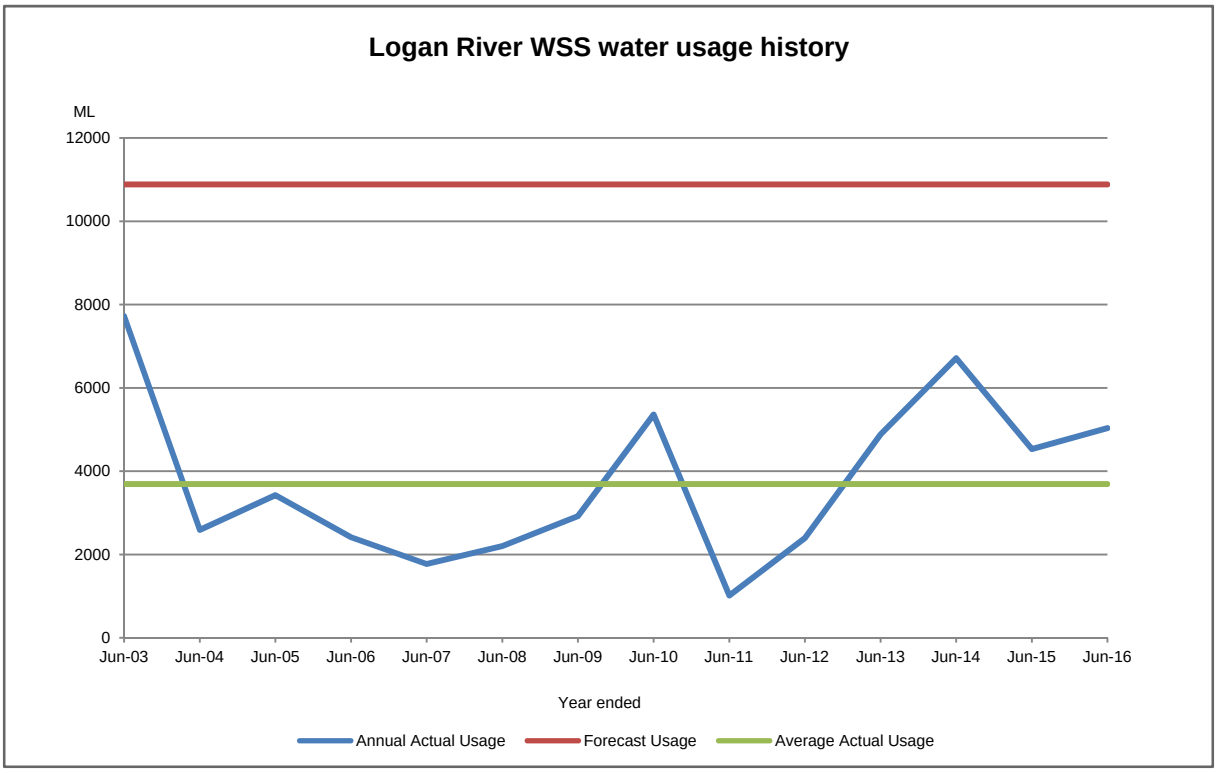
Source: Seqwater (2016)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2015-16.

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 water allocation volumes.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2016

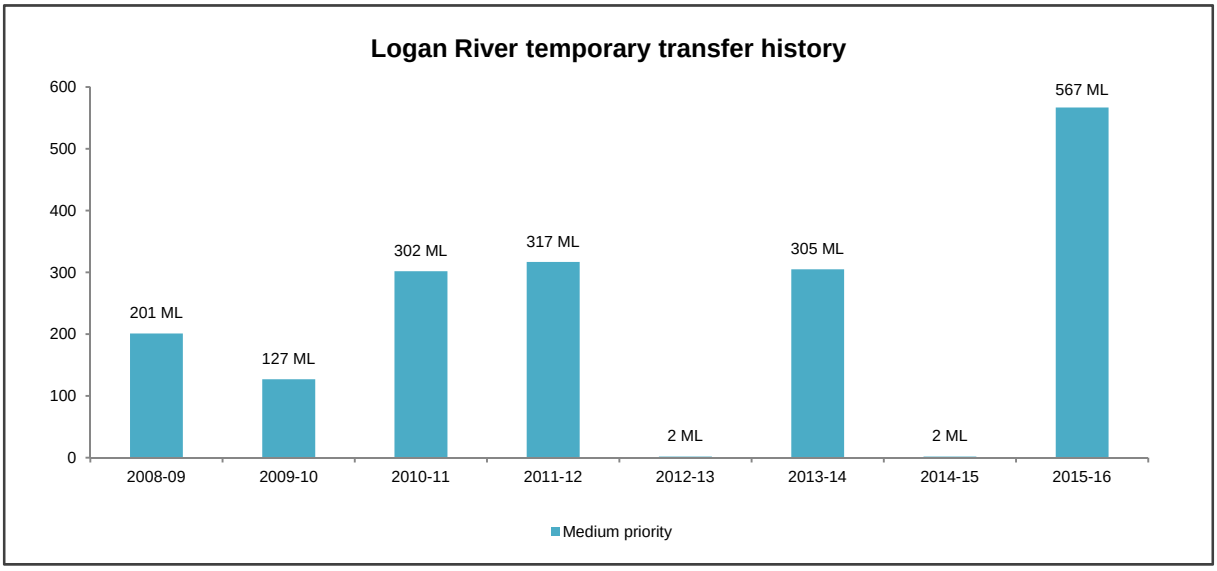


Source: Seqwater (2016)

2.5 Water trading

Figure 2 sets out the volumes of temporary transfers by year from 1July 2008.

Figure 2: Temporary transfers 2009-16



Source: Seqwater (2016)

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.

On 16 May 2016, Seqwater held a scheme consultation forum for the Logan River WSS. The 2015-16 renewals and the future renewals programs were discussed. The meeting summary has been published on the Logan River WSS page on Seqwater's website.

The next customer forum is expected to be held in May/June 2017 unless matters arise that require consultation prior to that date. Seqwater will be holding customer forums at least annually for the purpose of consulting on the NSP and other Scheme issues that may arise from time to time. Attendance at customer 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

The service standards are published on the Logan River WSS web page on Seqwater's website.

3. Financial Performance

3.1 Tariffs

The tariffs recommended to the government by the Queensland Competition Authority (QCA) for the scheme and approved under the *Rural Water Pricing Direction Notice (No 1) 2013* are set out in the following table.

Table 4: 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

Forecast operating costs set as a target by the QCA 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	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 actual expenditure compared to the QCA's target budget for 2015-16 and the detailed QCA budget for 2016-17. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2015-16 and operating budget 2016-17 ($Nominal)

Expenditure Item	2015-16		2016-17
	QCA Budget ($)	Actual ($)	QCA Budget ($)
Direct operating costs			
Labour	325,079	323,978	331,492
Electricity	7,846	23,283 (1)	8,043
Other	135,083	126,487	136,903
Repairs and maintenance	108,843	67,326 (2)	111,419
Dam safety	-	-	24,643
Rates	60,540	33,658 (3)	62,053
Consultation costs	7,538	- (4)	7,727
Total direct operating costs	**644,929**	**574,732**	**682,280**
Non-direct operating costs			
Operations	278,411	381,185 (5)	282,395
Non-infrastructure	28,057	38,297 (5)	28,306
Insurance	155,187	100,183 (6)	159,066
Total non-direct costs	**461,655**	**519,665**	**469,767**
Total operating costs	**1,106,584**	**1,094,397**	**1,152,047**

Source: Seqwater (2016); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

(1) Higher electricity costs were incurred following automation of the water treatment plant. These costs are expected to be offset by lower labour costs.

(2) Some maintenance tasks were able to be deferred resulting in savings in the current year.

(3) The budgeted costs for rates included property associated with Wyaralong Dam which does not form part of the scheme cost base.

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

(5) Implementation of a more regionally focussed structure resulted in a greater share of indirect costs.

(6) Seqwater negotiated lower insurance premiums in 2015-16 resulting in savings in insurance costs for the Scheme.

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 in Table 7 below for 2015-16. An adjustment of $279,235 has been applied to the opening balance following a review which found expenditure incorrectly applied in prior years.

Table 7: Logan River WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2014-15 ($)
Opening Balance 1 July 2015	-1,407,505
Adjustment to opening balance	279,235
Revenue – irrigation	39,850
Revenue – other	78,333
Expenditure for year	-259,534
Interest for year*	-84,303
Closing Balance 30 June 2016	-1,353,924

Source: Seqwater (2016)

* 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% (previously 6.22%). Interest has been applied to the balance at 30 June 2016 and adjustments were applied to prior years.

3.3.2 Renewals expenditure

3.3.2.1 2015-16 renewals

The following table sets out the renewals projects that were undertaken in 2015-16.

Table 8: Renewals projects for 2015-16

Asset	Project scope	Budget ($'000)	Actual ($'000)
Customer water meters	Replace 10 customer water meters – carried over from 2014-15	19	20
	Replace 10 customer water meters	84	71 (1)
Maroon Dam water treatment plant	Replace clearwater tank platform and access ladders	12	6
	Replace filter 2 media	36	31
	Install shading for clarifier	54	39 (2)
	Upgrade programmable logic controller	78	93 (3)
Cedar Grove Weir	Electrical safety switch compliance program	-	2

Source: Seqwater (2016)

Notes:

(1) Costs were lower than budget because more efficient methods were developed for prefabricating the components and installing the meters.

(2) This project was not completed and has been carried over into 2016-17 (see 2016-17 budget below).

(3) Expenditure exceeds budget because more costs than expected were carried over from 2014-15.

3.3.2.2 2016-17 forecast renewals

Forecast renewals expenditure for 2016-17 is provided in table 9 below.

Table 9: Renewals by project for 2016-17 ($Nominal)

Asset	Project scope	Forecast ($'000)
Customer water meters	Replace 10 customer water meters carried over from 2015-16	20
Maroon Dam	Replace exposed section of main inlet chamber lid	20
Maroon Dam water treatment plant	Install shading for clarifier – carried over from 2015-16	11
	Replace treated water pump no. 2	17

Source: Seqwater (2016)

3.3.2.3 Asset management plan

In June 2014, Seqwater finalised a ten year asset management plan for the Scheme's assets. An expanded thirty year asset management plan is expected to be finalised in 2016. For the purposes of this network service plan, renewals estimates for the period of the ten year asset management plan ending in June 2024 have been used to replace the estimates previously provided to the Queensland Competition Authority (QCA) in April, 2012 for its review of the 2013-17 irrigation prices. Renewals estimates from July 2024 to June 2037 previously provided to the QCA have been retained until the twenty year asset management plan has been finalised at which time all future renewals estimates will then be based on a rolling 20 year plan.

3.3.2.4 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, in present value terms, is $70,263.

Table 10: 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	150

Source: Seqwater (2016)