



Mary Valley Water Supply Scheme

Annual Network Service Plan

December 2013



Contents

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
2.5	Water trading	6
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	9
3.3.1	Asset Restoration Reserve.....	9
3.3.2	Renewals expenditure	9
3.3.2.1	Prior year renewals.....	9
3.3.2.2	Regulatory period renewals.....	10
3.3.2.3	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 can 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 Mary Valley Water Supply Scheme was established to support irrigation in the sugar, dairy and horticulture sectors following construction of Borumba Dam in 1963. The scheme consists of bulk water supply assets although the Pie Creek system is supplemented by channels and pipes distributing water diverted from the Mary River. For water pricing purposes only, the Pie Creek system is regarded as a distribution system.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011.

The water year runs from 1 July to 30 June.

For water pricing purposes, the Scheme consists of two tariff groups, “Mary Valley” and “Pie Creek”.

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/ off-stream storages	Weirs	Other bulk water assets
<ul style="list-style-type: none"> Borumba Dam 	<ul style="list-style-type: none"> Imbil Weir 	<ul style="list-style-type: none"> Pie Creek Pump Station Gauging stations Measuring weirs

		<ul style="list-style-type: none"> • Channels • Pipelines • Water meters
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Source: Seqwater (2013)

2.3 Customers and water entitlements serviced

The following table sets out the distribution of water access entitlements (WAE) amongst classes of customers.

Table 2: Ownership of WAE

Customer type	Number of customers	Medium priority (ML)	High priority (ML)
Mary Valley irrigators	211	17,528	-
Pie Creek irrigators	51	835	-
Gympie Regional Council	1	-	3,524
Seqwater (amenities)	-	-	120
Seqwater (distribution losses)	-	426	60
Seqwater	-	3,000	-
Seqwater (urban supply)	1	-	6,500
Industrial	2	40	60
Totals		21,829	10,264

Source: Mary Basin ROP; Seqwater (2013)

2.4 Water availability and use

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 since the commencement of the 2006-13 price path.

Table 3: Announced allocations history

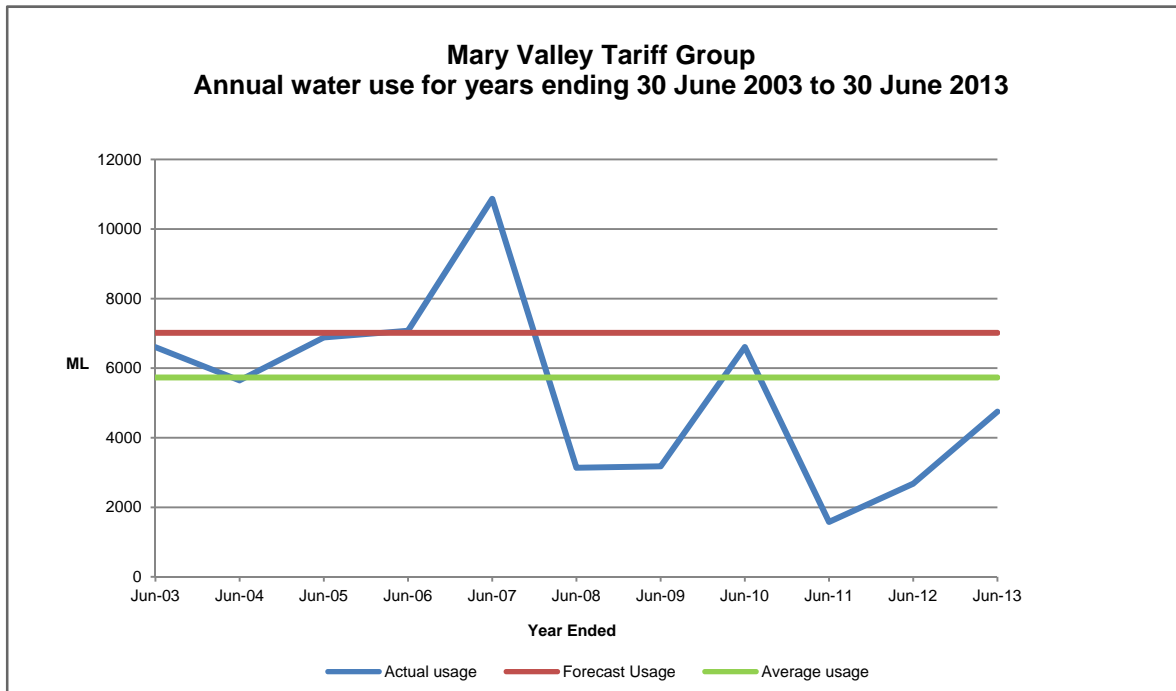
Priority	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
High	100	100	100	100	100	100	100	100
Medium	82-100	14-100	100	100	100	100	100	100

Source: Seqwater (2013)

The 2006-13 irrigation price paths adopted a usage forecast of 40% of the nominal WAE, equivalent to 7,011 ML/annum for the Mary Valley tariff group and a usage forecast of 35% for Pie Creek equivalent to 292 ML/annum. The comparisons of estimated to actual use on an annual basis for the period 1 July 2002 to 30 June 2013 is set out in Figure 1 below for the Mary Valley tariff group and in Figure 2 for the Pie Creek tariff group. Average annual

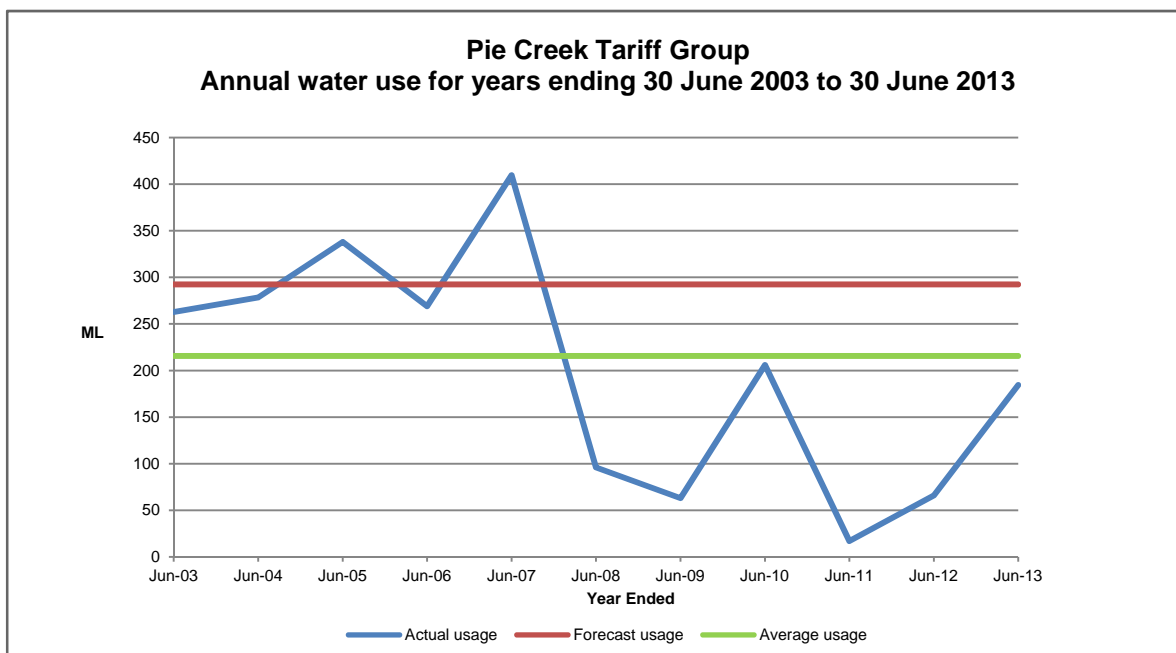
usage of 5,731 ML/annum for Mary Valley and 216 ML/annum for Pie Creek for the period is also shown on each chart.

Figure 1: Mary Valley tariff group water usage for years ending 30 June 2003 to 30 June 2013



Source: Seqwater (2013)

Figure 2: Pie Creek tariff group water usage for years ending 30 June 2003 to 30 June 2013



Source: Seqwater (2013)

2.5 Water trading

The following table sets out the volumes of temporary transfers and leases by year from 1 July 2008 to 30 June 2013.

Table 4: Temporary trading 2008-13

Type of transfer	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)
Temporary transfers	338	1,549	677	352	520
Leased WAE	256	246	214	314	214

Source: Seqwater (2013)

2.6 Irrigation Customer Consultation

Seqwater is committed to consulting with its customers as required under its Statement of Obligations. Seqwater will publish the Scheme's annual network service plan on its website by 30 September of each year. Seqwater will hold customer consultation forums at least annually to consult on the network service plan and customer service standards as well as other Scheme issues that may arise from time to time. Attendance at customer consultation forums will be open to all irrigation customers of the Scheme and other stakeholders. Seqwater will convene additional consultation meetings at the request of the majority of attending customers.

After consulting on the basis of the network service plan and through customer consultation forums, Seqwater will publish on its website any customer or stakeholder submissions along with Seqwater's responses and decisions.

2.7 Customer service standards

The current service standards were established in consultation with customer representatives in 2001 and were carried across to Seqwater from SunWater Limited.

As stated in 2.6 above, Seqwater intends to commence the review of the customer service standards in consultation with customers during 2013-14.

3. Financial Performance

3.1 Tariffs

The approved tariffs or water prices for the Scheme for 2012-13 and for the 2013-17 regulatory period are set out in Table 5 and Table 6.

Table 5: Water prices 2013-17 (Nominal \$/ML)

Tariff Group	Tariff	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Mary Valley	Fixed (Part A)	20.81	23.38	26.07	27.40
	Variable (Part B)	8.30	8.51	8.72	8.94
Pie Creek	Fixed (Part C)	14.01	14.36	14.72	16.57
	Variable (Part D)	70.66	72.43	74.24	76.09
Pie Creek (bundled)	Fixed (Part A + Part C)	34.82	37.75	40.79	43.96
	Variable (Part B + Part D)	78.96	80.94	82.96	85.03
Pie Creek	Termination fee	154.11	157.96	161.92	182.27

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: Mary Valley tariff group forecast operating costs for 2013-17

Operating cost item	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Direct operations	450,207	457,712	465,251	472,821
Repairs and maintenance	197,969	202,752	207,602	212,514
Dam safety	-	-	24,425	-
Rates	-	-	-	-
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	467,159	475,134	483,171	491,265
Total operating costs	1,122,510	1,142,952	1,187,987	1,184,327

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

Table 7: Pie Creek tariff group forecast operating costs for 2013-17

Operating cost item	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Direct operations	91,476	93,494	95,540	97,614
Repairs and maintenance	72,733	74,490	76,271	78,076
Non-direct costs	84,172	85,484	86,798	88,115
Total operating costs	248,381	253,468	258,609	263,805

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

The following tables set out Seqwater's detailed budget and actual expenditure for both tariff groups for 2012-13 as well as the detailed budgets for both tariff groups for 2013-14. Explanations of material variations are set out below each table.

Table 8: Mary Valley tariff group operating expenditure for 2012-13 and operating budget 2013-14 (\$Nominal)

Expenditure Item	2012-13		2013-14
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Operations			
Labour	227,367	230,991	229,089
Contractors and materials	22,415	29,939 (1)	24,964
Electricity	23,717	2,713 (2)	27,274
Other	179,311	148,861 (3)	168,880
Repairs and maintenance			
Planned	144,431	148,583	156,396
Unplanned	58,993	59,012	41,573
Dam safety	-	-	-
Rates	-	-	-
Consultation costs	-	-	7,175
Total direct operating costs	656,234	625,014	655,351
Non-direct operating costs			
Operations	315,058	347,746 (4)	314,393
Non-infrastructure	32,333	32,333	32,024
Insurance	117,798	142,135 (5)	120,742
Total non-direct costs	465,189	522,214	467,159
Total operating costs	1,121,423	1,147,228	1,122,510

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

- (1) Increased expenditure was largely due to additional materials and supplies required to carry out maintenance activities.
- (2) The budget for electricity includes costs for the Pie Creek pump station whereas actual electricity expense relates to Borumba Dam only.
- (3) Expenditure was less than budget due mainly to more stable water quality reducing the need for contingent and emergent sampling.
- (4) Increased systems costs were incurred subsequent to the merger of Seqwater with LinkWater.
- (5) Insurance premium renewal costs were higher than anticipated.

Table 9: Pie Creek tariff group operating expenditure for 2012-13 and operating budget 2013-14 (\$Nominal)

Expenditure Item	2012-13		2013-14
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Operations			
Labour	55,753	34,658 (1)	54,049
Contractors and materials	11,342	9,889	12,984
Electricity	12,133	9,158 (2)	24,443
Other	2,000	-	-
Repairs and maintenance			
Planned	50,465	40,599 (3)	57,459
Unplanned	20,613	19,202	15,274
Total direct operating costs	152,306	113,506	164,209
Non-direct operating costs			
Operations	73,122	80,709 (4)	67,322

Non-infrastructure Insurance	7,504 9,750	7,504 11,764 (5)	6,857 9,993
Total non-direct costs	90,376	99,977	84,172
Total operating costs	242,682	213,483	248,381

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

- (1) Labour costs were less than expected because the prevalence of the wet conditions reduced the requirement for staff attendance at Pie Creek.
- (2) Electricity costs were less than expected because of reduced pumping requirements resulting from the wet conditions.
- (3) High water levels and wet conditions during much of the year resulted in less work being undertaken than was expected.
- (4) Increased systems costs were incurred subsequent to the merger of Seqwater with LinkWater.
- (5) Insurance premium renewal costs were higher than anticipated.

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 10 below for Mary Valley tariff group and in Table 11 below for the Pie Creek tariff group. The tables set out the estimated ARR for the years 2013-14 to 2016-17 are set out.

Table 10: Mary Valley Tariff Group Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Opening Balance 1 July	-3,678,393	-3,632,940	-3,634,843	-3,363,963
Revenue – irrigation	120,660	120,037	120,445	120,471
Revenue - other	231,371	228,864	229,248	228,504
Expenditure for year	-306,578	-350,804	-78,813	-148,245
Closing Balance 30 June	-3,632,940	-3,634,843	-3,363,963	-3,163,233

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

Table 11: Pie Creek Tariff Group Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Opening Balance 1 July	-28,002	-229,996	-185,062	-129,448
Revenue – irrigation	65,859	65,947	65,360	64,783
Expenditure for year	-267,853	-21,013	-9,746	-10,042
Closing Balance 30 June	-229,996	-185,062	-129,448	-74,707

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

3.3.2 Renewals expenditure

3.3.2.1 Prior year renewals

The following renewals projects were undertaken in 2012-13 in the Mary Valley tariff group.

Table 12: Mary Valley tariff group renewals projects 2012-13

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Borumba Dam Water Treatment Plant	Replace air conditioner and move circuit breakers	30	5 (1)
Water meters	Replace customer water meters	200	150 (2)

Source: Seqwater (2013)

- (1) Work commenced in June 2013 and was not completed at 30 June 2013. The project has been carried over into 2013-14.
 (2) Wet conditions during 2012-13 impeded the progress of this program of works. The unfinished portion has been carried over and forms part of the 2013-14 program.

The following renewals projects were undertaken in 2012-13 in the Pie Creek tariff group.

Table 13: Pie Creek tariff group renewals projects 2012-13

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Water meters	Replace customer water meters	79	17 (1)

Source: Seqwater (2013)

- (1) Wet conditions during 2012-13 impeded the progress of this program of works. The unfinished portion has been carried over and forms part of the 2013-14 program.

3.3.2.2 Regulatory period renewals

Forecast significant (>\$10,000) renewals expenditure for the regulatory period (2013-17) for the Mary Valley tariff group is provided in table 14 below and for the Pie Creek tariff group is in table 15 below. All forecasts are nominal amounts assuming an average inflation rate of 2.5%.

Table 14: Mary Valley tariff group renewals – 2013-17 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Customer water meters	Replace customer water meters	2013-17	308
Water Treatment Plant	Replace air conditioner	2013-14	25
Borumba Dam	Refurbish embankment face joints	2013-14	205
Borumba Dam	Refurbish control structure	2014-15	55
Borumba Dam	Refurbish spillway	2014-15	91
Borumba Dam	Refurbish discharge channel	2014-15	46
Borumba Dam	Upgrade telemetry	2014-15	46
Borumba Dam	Upgrade valve house	2015-16	28
Borumba Dam	Refurbish cone valve	2016-17	96

Source: Seqwater (2013)

Table 15: Pie Creek tariff group renewals – 2013-17 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Customer water meters	Replace customer water meters	2013-17	61
Pie Creek Main Channel	Replace end works	2013-14	18
Pie Creek Main Channel	Refurbish boundary fence	2013-14	47
Pie Creek Pump Station	Replace electrical cable	2013-14	56
Pie Creek Pump Station	Replace control equipment	2031-14	126

Source: Seqwater (2013)

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) for the Mary Valley tariff group are set out in table 16 below. No material renewals projects are currently planned for Pie Creek. 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 for the Mary Valley tariff group is \$53,000 and for Pie Creek tariff group is \$67,000 with the base year being 2017-18.

Table 16: Mary Valley tariff group major renewals projects 2017-36 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Customer water meters	Replace customer water meters	2017-37	604
Gauging stations	Replace Mary River gauging stations	2022-23	90
Gauging stations	Replace Mary River gauging stations	2032-33	115
Borumba Dam	Replace trash racks	2034-35	166

Source: Seqwater (2013)

Seqwater will consult with irrigators to establish whether there is a need for, and the nature of:

- any detailed options analysis for projects in the table above scheduled between 2017-18 and 2021-22; and
- any high level options analysis for projects in the table above scheduled after 2021-22.