



# Mary Valley 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](mailto: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"> <li>Borumba Dam</li> </ul>	<ul style="list-style-type: none"> <li>Imbil Weir</li> </ul>	<ul style="list-style-type: none"> <li>Pie Creek Pump Station</li> <li>Gauging stations</li> <li>Measuring weirs</li> </ul>

		<ul style="list-style-type: none"> <li>• Channels</li> <li>• Pipelines</li> <li>• Water meters</li> </ul>
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Source: Seqwater (2014)

## 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
<b>Totals</b>		<b>21,829</b>	<b>10,264</b>

Source: Mary Basin ROP; Seqwater (2014)

## 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 since the commencement of the 2006-13 price path.

**Table 3:** Announced allocations history

Year	MP %	HP %
2006-07	82-100%	100%
2007-08	14-100%	100%
2008-09	100%	100%
2009-10	100%	100%
2010-11	100%	100%
2011-12	100%	100%

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

Year	MP %	HP %
2012-13	100%	100%
2013-14	100%	100%
2014-15	100%	100%

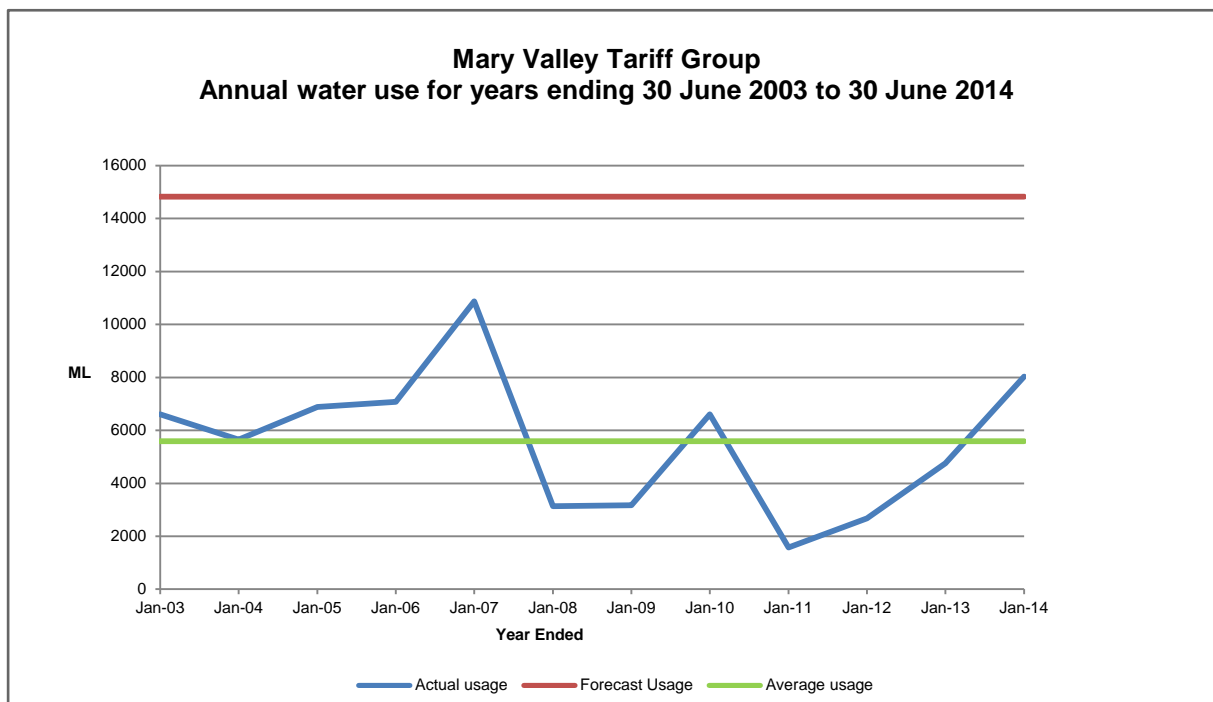
Source: Seqwater (2014)

## 2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2013-14 for the Mary Valley tariff group. Also included is the usage assumption for the current approved price path for 2013-17 which is 14,823 ML or 85% 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 7,011 ML or 40% of the nominal WAE. Average annual usage of 5,587 ML/annum for Mary Valley for the period is also shown.

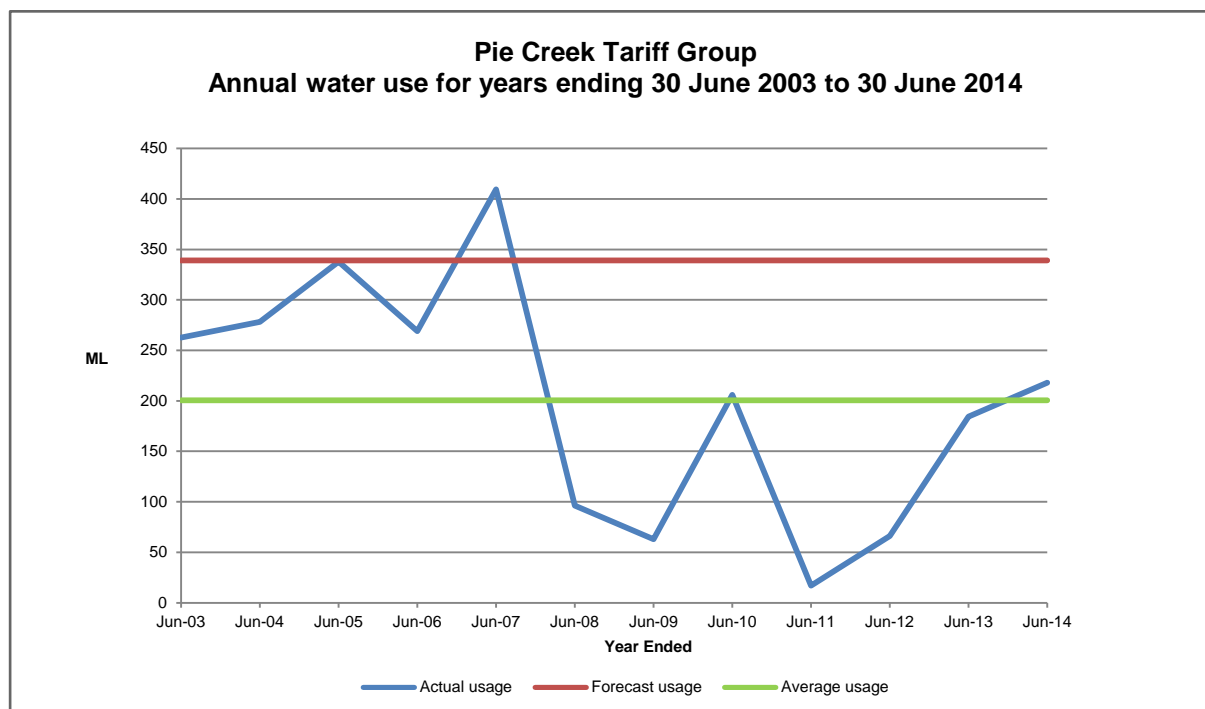
Figure 2 below shows the actual water usage per year from 2002-03 to 2013-14 for the Pie Creek tariff group. Also included is the usage assumption for the current approved price path for 2013-17 which is 339 ML or 41% of the nominal WAE. The current usage assumption has been extrapolated to prior years for comparison purposes only. The previous 2006-11 irrigation price path (extended to 31 December 2013) adopted a usage forecast of 292 ML or 35% of the nominal WAE. Average annual usage of 201 ML/annum for Pie Creek for the period is also shown.

**Figure 1:** Mary Valley tariff group water usage for years ending 30 June 2003 to 30 June 2014



Source: Seqwater (2014)

**Figure 2:** Pie Creek tariff group 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 volumes of temporary transfers and leases by year from 1 July 2008 to 30 June 2014.

**Table 4:** Temporary trading 2008-13

Type of transfer	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)
Temporary transfers	338	1,549	677	352	520	1,173
Leased WAE	256	246	214	314	214	214

Source: Seqwater (2014)

## 2.6 Irrigation Customer Consultation

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

On 13 May 2014, Seqwater held a scheme consultation forum for the Mary Valley 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 Mary Valley 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 on 13 May 2014.

The service standards are attached in Appendix 1 and are also published on the Mary Valley 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 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
<b>Total operating costs</b>	<b>1,122,510</b>	<b>1,142,952</b>	<b>1,187,987</b>	<b>1,184,327</b>

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
<b>Total operating costs</b>	<b>248,381</b>	<b>253,468</b>	<b>258,609</b>	<b>263,805</b>

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 2013-14 as well as the detailed budgets for both tariff groups for 2014-15. Explanations of material variations are set out below each table.

**Table 8:** Mary Valley tariff group operating expenditure for 2013-14 and operating budget 2014-15 (\$Nominal)

Expenditure Item	2013-14		2014-15
	Budget (\$)	Actual (\$)	Budget (\$)
<b>Direct operating costs</b>			
Labour	229,089	224,521	233,722
Electricity	27,274	3,935 (1)	27,956
Other	193,844	215,248 (2)	196,034
Repairs and maintenance	197,969	149,418 (3)	202,752
Dam safety	-	-	-
Rates	-	5,323 (4)	-
Consultation costs	7,175	- (5)	7,354
<b>Total direct operating costs</b>	<b>655,351</b>	<b>598,445</b>	<b>667,818</b>



**Table 8:** Mary Valley tariff group operating expenditure for 2013-14 and operating budget 2014-15 (\$Nominal)  
(continued)

<b>Non-direct operating costs</b>			
Operations	314,393	327,162 <sup>(6)</sup>	319,048
Non-infrastructure	32,024	29,223 <sup>(6)</sup>	32,325
Insurance	120,742	141,628 <sup>(7)</sup>	123,761
<b>Total non-direct costs</b>	<b>467,159</b>	<b>498,013</b>	<b>475,134</b>
<b>Total operating costs</b>	<b>1,122,510</b>	<b>1,096,458</b>	<b>1,142,952</b>

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

- (1) The budget for electricity includes costs for the Pie Creek pump station whereas actual electricity expense relates to Borumba Dam only.
- (2) Costs include additional expenditure of \$23,277 for additional sampling and water quality testing due to water quality issues in Borumba Dam.
- (3) Fewer breakdowns resulted in less expenditure on unscheduled maintenance.
- (4) Rates for Lake Borumba were previously included in indirect costs and are now being reported separately.
- (5) Consultation costs are included in non-direct operations and are not accounted for separately.
- (6) 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.
- (7) Higher insurance costs resulted from increases in insurance renewal premiums.

**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 (\$)
<b>Direct operating costs</b>			
Labour	54,049	44,774	55,142
Electricity	24,443	13,986 <sup>(1)</sup>	17,619
Other	12,984	12,814	13,298
Repairs and maintenance	72,733	69,968	74,490
Rates	-	3,167 <sup>(2)</sup>	-
<b>Total direct operating costs</b>	<b>164,209</b>	<b>144,709</b>	<b>160,549</b>
<b>Non-direct operating costs</b>			
Operations	67,322	78,074 <sup>(3)</sup>	76,315
Non-infrastructure	6,857	6,974 <sup>(3)</sup>	7,736
Insurance	9,993	11,722 <sup>(4)</sup>	9,936
<b>Total non-direct costs</b>	<b>84,172</b>	<b>96,770</b>	<b>93,987</b>
<b>Total operating costs</b>	<b>248,381</b>	<b>241,479</b>	<b>254,536</b>

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

- (1) Electricity costs were lower because of reduced requirement for pumping.
- (2) Rates for the Pie Creek depot were previously included in indirect costs and are now being reported separately.
- (3) 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.
- (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 10 below for Mary Valley tariff group and in Table 11 below for the Pie Creek tariff group. The tables set out the estimated ARRs for the years 2013-14 to 2016-17.

**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	-3,608,737	-3,610,640	-3,339,760
Revenue – irrigation	85,868	120,037	120,445	120,471
Revenue - other	231,371	228,864	229,248	228,504
Expenditure for year	-22,883	-350,804	-78,813	-148,245
Interest for 2013-14	-224,700	-	-	-
Closing Balance 30 June	-3,608,737	-3,610,640	-3,339,760	-3,139,030

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.

**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	51,799	96,733	152,347
Revenue – irrigation	77,734	65,947	65,360	64,783
Expenditure for year	-1,158	-21,013	-9,746	-10,042
Interest for 2013-14	3,225	-	-	-
Closing Balance 30 June	51,799	96,733	152,347	207,088

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 in the Mary Valley tariff group.

**Table 12:** Mary Valley tariff group renewals projects 2013-14

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Water meters	Replace customer water meters	101	8 (1)
Borumba Dam	Replace pipework	-	15 (2)
Borumba Dam	Refurbish embankment face joints	205	- (3)

Source: Seqwater (2014)

- (1) Expenditure relates to the finalisation of 16 water meters which were replaced under this project in 2012-13.
- (2) Failure in conduit drain pipe resulted in replacement of pipework.
- (3) This project has been deferred until the water level recedes further to give access to the face joints.

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

**Table 13:** Pie Creek tariff group renewals projects 2013-14

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Water meters	Replace customer water meters	21	1 (1)

Source: Seqwater (2014)

- (1) Expenditure relates to the finalisation of 3 water meters which were replaced under this project in 2012-13.

### 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 – 2014-17 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Customer water meters	Replace customer water meters	2014-17	207
Borumba Dam	Refurbish control structure	2014-15	55
	Refurbish spillway	2014-15	91
	Refurbish discharge channel	2014-15	46
	Upgrade telemetry	2014-15	46
	In protection works, seal joint below full supply water level when water decreases	2015-16	80
	Refurbish cone valve	2016-17	96

Source: Seqwater (2014)

**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	41
Pie Creek Main Channel	Replace end works	2013-14	18
	Refurbish boundary fence	2013-14	47
Pie Creek Pump Station	Replace electrical cable	2013-14	56
	Replace control equipment	2013-14	126

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) 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
Borumba Dam	Cone Valve to be refurbished on Regulating Valve 1 and 2	2020-21	200
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 (2014)

There are no qualifying projects for Pie Creek.

# Mary Valley 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.