



Mary Valley Water Supply Scheme

Annual Network Service Plan

2015-16

Published: September 2015

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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
Seqwater
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 Channels Pipelines Water meters

Source: Seqwater (2015)

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	266	21,829	10,264

Source: Mary Basin ROP; Seqwater (2015)

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 from 2006-07

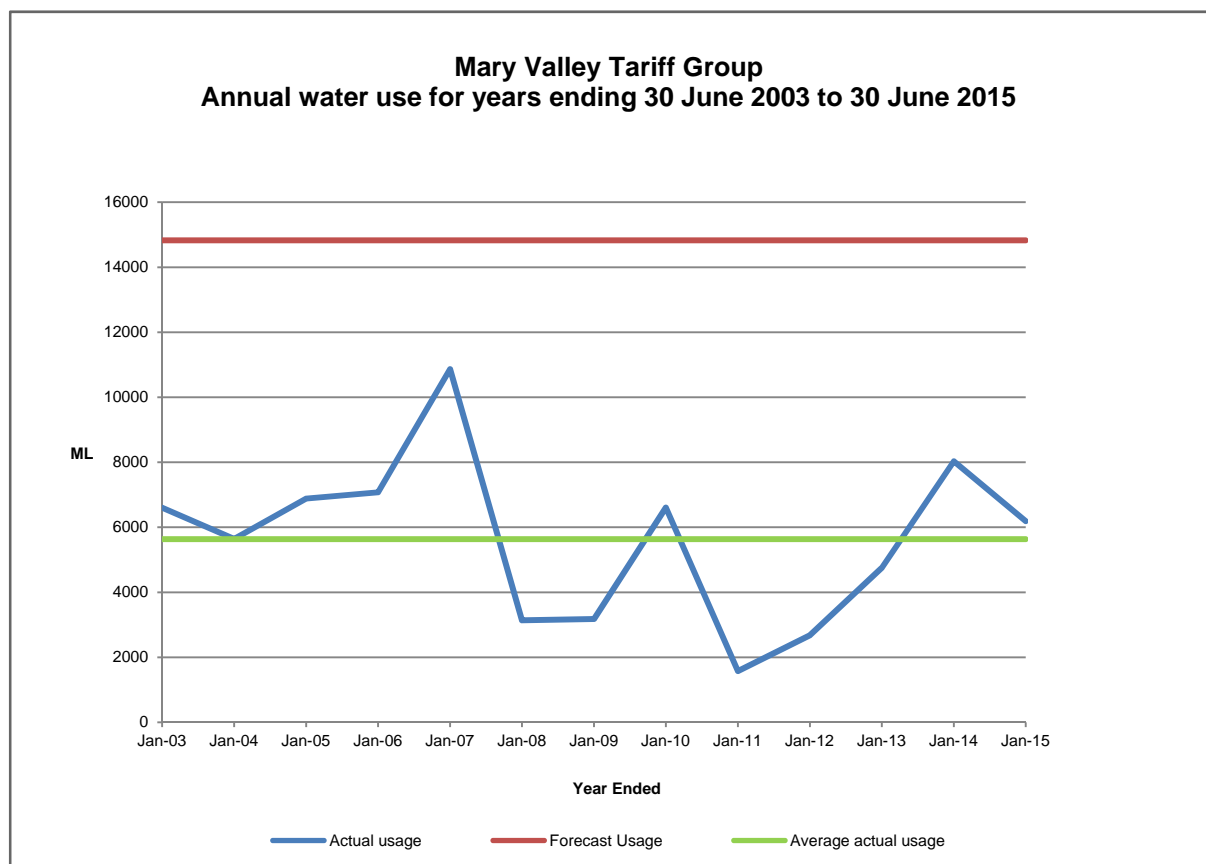
Year	MP %	HP %	Year	MP %	HP %
2006-07	82-100	100	2011-12	100	100
2007-08	14-100	100	2012-13	100	100
2008-09	100	100	2013-14	100	100
2009-10	100	100	2014-15	100	100
2010-11	100	100	2015-16	100	100

Source: Seqwater (2015)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2014-15 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.

Figure 1: Mary Valley tariff group water usage for years ending 30 June 2003 to 30 June 2015

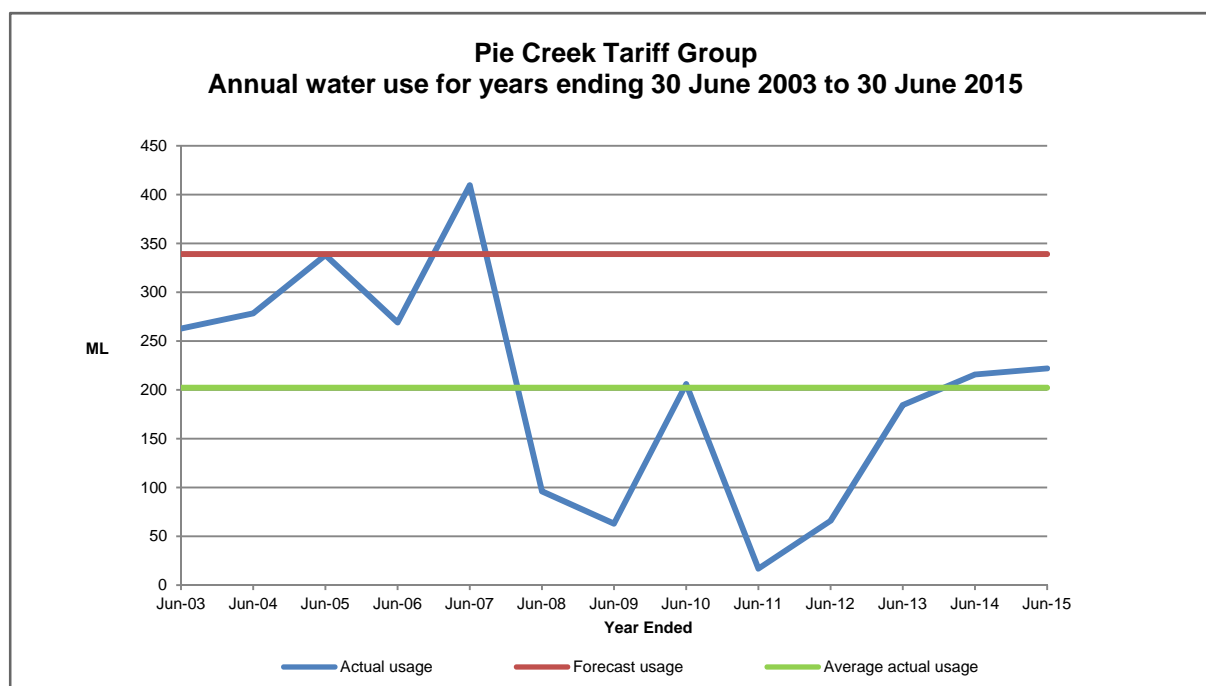


Source: Seqwater (2015)

Figure 2 below shows the actual water usage per year from 2002-03 to 2014-15 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.

Figure 2: Pie Creek tariff group water usage for years ending 30 June 2003 to 30 June 2015



Source: Seqwater (2015)

2.5 Water trading

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

Table 4: Temporary trading 2008-15

Type of transfer	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)	2014-15 (ML)
Temporary transfers	338	1,549	677	352	520	1,173	1,445
Leased WAE	256	246	214	314	214	214	214

Source: Seqwater (2015)

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 2 June 2015, Seqwater held a scheme consultation forum for the Mary Valley WSS. The 2014-15 renewals and the future renewals programs were discussed. Also presented and

discussed were the scheme's operational rules. 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

The service standards are published on the Mary Valley WSS 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
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 2014-15 as well as the detailed budgets for both tariff groups for 2015-16. Explanations of material variations are set out below each table.

Table 8: Mary Valley tariff group operating expenditure for 2014-15 and budget 2015-16 (\$Nominal)

Expenditure Item	2014-15		2015-16
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Labour	233,722	216,926 ⁽¹⁾	238,391
Electricity	27,956	7,500	28,655
Other	196,034	181,503	198,205
Repairs and maintenance	202,752	103,509 ⁽²⁾	207,602
Dam safety	-	-	24,425
Rates	-	-	-
Consultation costs	7,354	-	7,538
Total direct operating costs	667,818	509,438	704,816

Table 8: Mary Valley tariff group operating expenditure for 2014-15 and budget 2015-16 (\$Nominal) (continued)

Expenditure Item	2014-15		2015-16
	Budget (\$)	Actual (\$)	Budget (\$)
Non-direct operating costs			
Operations	319,048	240,012 (3)	323,695
Non-infrastructure	32,325	20,993 (3)	32,621
Insurance	123,761	102,944 (4)	126,855
Total non-direct costs	475,134	363,949	483,171
Total operating costs	1,142,952	873,387	1,187,987

Source: Seqwater (2015); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

- (1) Labour costs were less than budget mainly because reduced levels of routine maintenance were carried out (see note 2 below) resulting in savings in employee costs.
- (2) Lower costs for repairs and maintenance resulted from improved planning processes aimed at increasing efficiency by better scheduling of works to reduce travel times and frequency of visits.
- (3) Lower direct operating costs resulted in a lower allocation of non-direct operating costs.
- (4) The overall value of Seqwater's asset portfolio has increased. Consequently, the allocation of the portfolio insurance premium to scheme assets is lower.

Table 9: Pie Creek tariff group operating expenditure for 2014-15 and operating budget 2015-16 (\$Nominal)

Expenditure Item	2014-15		2015-16
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Labour	55,142	35,798 (1)	56,244
Electricity	25,054	32,393 (2)	25,680
Other	13,298	7,714	13,616
Repairs and maintenance	74,490	36,853 (3)	76,271
Rates	–	–	–
Total direct operating costs	167,984	112,758	171,811
Non-direct operating costs			
Operations	68,319	15,261 (4)	69,314
Non-infrastructure	6,922	1,335 (4)	6,985
Insurance	10,243	3,474 (5)	10,499
Total non-direct costs	85,484	20,070	86,798
Total operating costs	253,468	132,828	258,609

Source: Seqwater (2015); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

- (1) Labour costs were lower than budget because favourable weather conditions and improved work planning reduced the amount of time staff were required to attend the scheme.
- (2) Electricity costs exceeded budget because prolonged dry spells increased the amount of pumping required.
- (3) Lower costs for repairs and maintenance resulted from improved planning processes aimed at increasing efficiency by better scheduling of works to reduce travel times and frequency of visits.
- (4) Lower direct operating costs resulted in a lower allocation of non-direct operating costs.
- (5) The overall value of Seqwater's asset portfolio has increased. Consequently, the allocation of the portfolio insurance premium to scheme assets is lower.

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 for 2014-15 in Table 10 below for Mary Valley tariff group and in Table 11 below for the Pie Creek tariff group.

Table 10: Mary Valley Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2014-15 (\$)
Opening Balance 1 July 2014	-3,608,737
Prior year adjustment to opening balance	2,967
Revenue – irrigation	120,037
Revenue - other	228,864
Expenditure for year	-96,490
Interest for year	-222,721
Closing Balance 30 June 2015	-3,576,950

Source: Seqwater (2015)

* 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 2015.

Table 11: Pie Creek Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2014-15 (\$)
Opening Balance 1 July	51,799
Prior year adjustment to opening balance	-4,353
Revenue – irrigation	68,036
Expenditure for year	–
Interest for year	7,668
Closing Balance 30 June	123,150

Source: Seqwater (2015); 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 2015.

3.3.2 Renewals expenditure

3.3.2.1 2014-15 renewals

The following table sets out the renewals projects that were undertaken, or scheduled to be undertaken, in 2014-15 in the Mary Valley tariff group.

Table 12: Mary Valley tariff group renewals projects 2014-15

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Water meters	Replace 15 customer water meters	122	96 (1)

Source: Seqwater (2015)

(1) Expenditure was less than budget because the project was not completed in 2014-15 with the balance of costs to be incurred in 2015-16.

3.3.2.2 2015-16 forecast renewals

Forecast renewals expenditure for 2015-16 for the Mary Valley tariff group is provided in table 14 below and for the Pie Creek tariff group is in table 15 below.

Table 14: Mary Valley tariff group renewals – 2015-16 (\$Nominal)

Asset	Project description	Forecast (\$'000)
Customer water meters	Replace 15 customer water meters carried over from 2014-15	26
Customer water meters	Replace 16 customer water meters	144

Source: Seqwater (2015)

Table 15: Pie Creek tariff group renewals – 2015-16 (\$Nominal)

Asset	Project description	Forecast (\$'000)
Customer water meters	Replace 3 customer water meters	27

Source: Seqwater (2015)

3.3.2.3 Asset management plan

In June 2014, Seqwater finalised a ten year asset management plan for the Scheme's dam. 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 for the dam 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 thirty year asset management plan has been finalised at which time all future renewals estimates will then be based on a rolling 30 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) for the Mary Valley tariff group and for the Pie Creek tariff group are set out in tables 16 and 17 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 \$77,685 and for Pie Creek tariff group is \$71,922.

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

Source: Seqwater (2015)

Table 17: Pie Creek tariff group major renewals projects 2017-36 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Customer water meters	Replace customer water meters	2017-37	111
Pie Creek main channel	Replace 15 scour outlets	2022-23	335
	Replace 14 air valves in pipeline sections	2022-23	150

Source: Seqwater (2015)