



Lower Lockyer 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 Lower Lockyer Water Supply Scheme is located west of Lowood in the Lockyer Valley in South East Queensland and centres round Atkinson Dam. The Scheme was designed to supply surface water for irrigation.

The Scheme is regulated under the Moreton Resource Operations Plan (ROP) which was amended in June 2014 to include the Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Lower Lockyer Valley".

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	Other bulk water assets
<ul style="list-style-type: none"> • Atkinson Dam 	<ul style="list-style-type: none"> • Buaraba Creek Diversion Weir • Brightview Weir • Sippels Weir • Potters Weir • O'Reillys Weir 	<ul style="list-style-type: none"> • Gauging stations • Buaraba Creek Pipeline • Buaraba Creek Supply Channel • Seven Mile Lagoon Diversion Channel • Atkinson Pump Station • Atkinson Low Level Pump Station • BR1 Supply Channel • Customer 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 volume (ML)
Irrigation	141	11,110
Seqwater	7	1,510
Totals	148	12,620

Source: Moreton Resource Operations Plan June 2014; 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 2006-07.

Table 3: Announced allocations history

Year	MP %	Year	MP %	Year	MP %
2006-07	0%	2010-11	100%	2014-15	81%
2007-08	0-16%	2011-12	100%	2015-16	31%
2008-09	13-63%	2012-13	100%		
2009-10	27-100%	2013-14	100%		

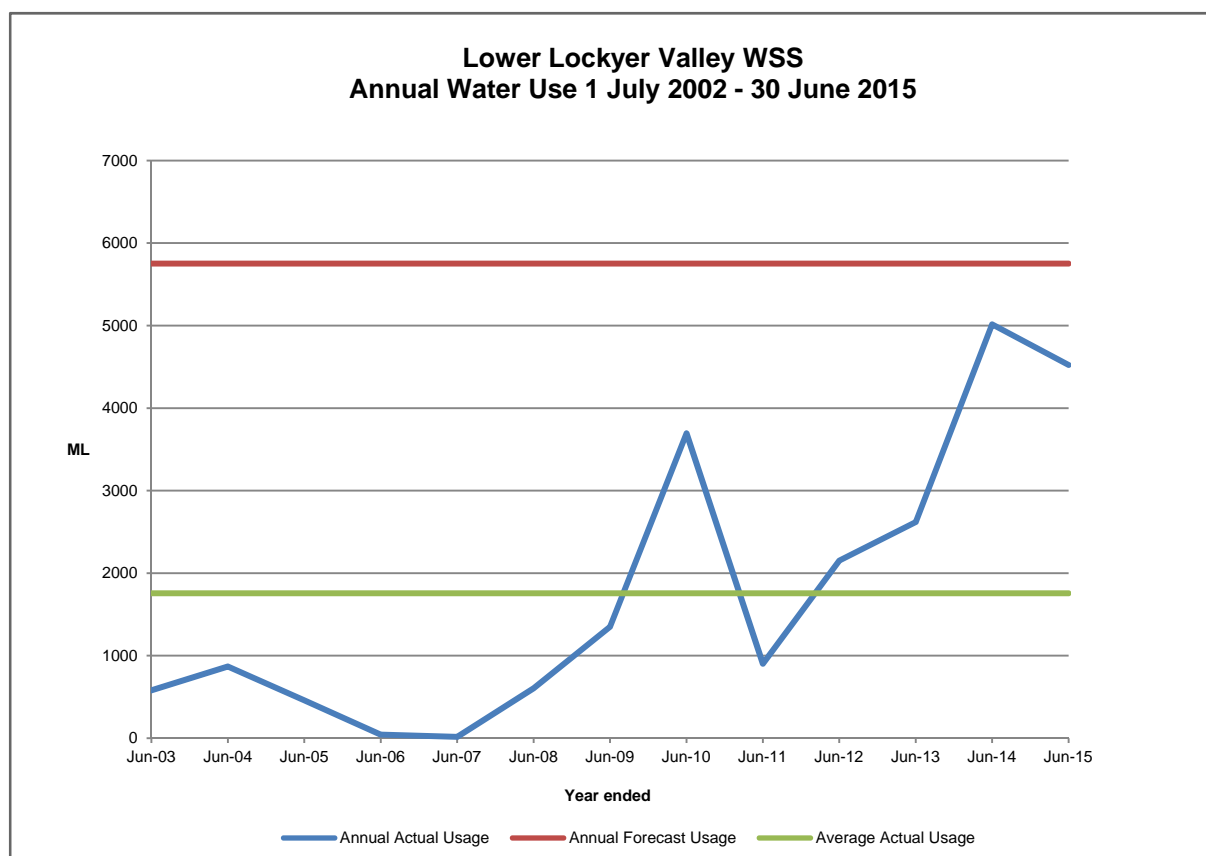
Source: Seqwater (2015)

2.4.2 Water use

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

Also shown is the usage assumption for the current approved price path for 2013-17 which is 5,750 ML or 47% 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 35% of the nominal WAE.

Figure 1: Annual Scheme 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 by year from 1 July 2008 to 30 June 2014.

Table 4: Temporary transfers 2008-15

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)	2014-15 (ML)
Medium	63	396	23	82	202	131	393

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 5 May 2015, Seqwater held a scheme consultation forum for the Lower Lockyer Valley WSS. The 2014-15 renewals and the future renewals programs were discussed. Also presented and discussed were the scheme's operational rules and the requirements for water supply contracts. The meeting summary has been published on the Lower Lockyer Valley WSS web page on Seqwater's website.

The next consultation forum is expected to be held in May/June 2016 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 Lower Lockyer 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 (Nominal \$/ML)

Tariff	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Fixed (Part A)	29.98	31.76	34.65	37.67
Variable (Part B)	22.25	22.80	23.37	23.96

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

3.2 Operating expenditure

Seqwater's operating costs approved 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 6: Forecast operating costs for 2013-17

Operating cost item	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Direct operations	490,956	499,475	508,048	516,665
Repairs and maintenance	194,609	199,310	204,077	208,907
Dam safety	23,979	-	-	-
Rates	47,965	49,164	50,393	51,653
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	431,146	438,017	444,915	451,836
Total operating costs	1,195,830	1,193,321	1,214,971	1,236,788

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 2014-15 and the detailed budget for 2015-16. Explanations of material variations are set out below the table.

Table 7: Operating expenditure for 2014-15 and operating budget 2015-16 (\$Nominal)

Expenditure Item	2014-15		2015-16
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Labour	258,293	220,600 (1)	263,455
Electricity	41,256	37,484	42,288
Other	199,926	221,594 (2)	202,305
Repairs and maintenance	199,310	144,186 (3)	204,077
Dam safety	-	-	-
Rates	49,164	48,394	50,393
Consultation costs	7,354	-	7,538
Total direct operating costs	755,303	672,258	770,056
Non-direct operating costs			
Operations	336,541	316,722 (4)	341,442
Non-infrastructure	34,097	27,702 (4)	34,409
Insurance	67,381	56,482 (5)	69,064
Total non-direct costs	438,019	400,906	444,915
Total operating costs	1,193,322	1,073,164	1,214,971

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 3 below) resulting in savings in employee costs.
- (2) Costs were higher than budget mainly because additional water sampling and monitoring costs were incurred following algal blooms.
- (3) Repairs and maintenance costs were less than budget because a number of assets were renewed by flood repairs thus reducing the level of normal routine maintenance.

- (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 in Table 8 below for 2014-15.

Table 8: Lower Lockyer Valley WSS Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2014-15 (\$)
Opening Balance 1 July 2014	-813,819
Prior year adjustment to opening balance	2,967
Revenue for year	169,629
Expenditure for year	-179,097
Interest for year	-54,469
Closing Balance 30 June 2015	-874,789

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.

3.3.2 Renewals expenditure

3.3.2.1 2014-15 renewals

The following table sets out the renewals projects that were undertaken in 2014-15.

Table 9: Renewals projects 2014-15

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Water meters	Replace 24 water meters	166	91 (1)
Atkinson Dam water treatment plant	Install treated water tank and chemical shed	20	10 (2)
	Downgrade water treatment plant to non-potable	60	48 (2)
Brightview main channel	Reduce levee wall – emergent work	–	20 (3)

Source: Seqwater (2015)

- (1) This project was not completed in 2014-15 with the balance of costs to be incurred in 2015-16.
- (2) These projects were not completed in 2014-15 and have been carried over to 2015-16.
- (3) This was unplanned work that needed to be carried out to rectify unintended impacts on an adjoining landholder. Consequently, no budget was forecast for this work.

3.3.2.2 2015-16 forecast renewals

Forecast renewals expenditure for 2015-16 is provided in table 10 below.

Table 10: Renewals by project for 2015-16 (\$Nominal)

Asset	Project scope	Forecast (\$'000)
Customer water meters	Replace 24 water meters carried over from 2014-15	75
Customer water meters	Replace 24 water meters	198
Atkinson Dam	Repaint pumps	36
Atkinson Dam water treatment plant	Downgrade water treatment plant to non-potable	60
	Install treated water tank and chemical shed	20

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 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 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) are set out in table 11 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 \$128,998.

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

Asset	Project scope	Year	Forecast (\$'000)
Water meters	Replace customer water meters	2017-37	404
Brightview Weir	Replace protection works*	2022-23	297

Source: Seqwater (2015)

* The timing of this project may be reviewed to take into account the repairs carried out on the protection works since the 2011 and 2013 floods.