



Lower Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2016-17

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Contents

Section	Title	Page
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
2.4.1	Water availability.....	4
2.4.2	Water use.....	5
2.5	Water trading	6
2.6	Irrigation Customer Consultation	6
2.7	Customer service standards	6
3.	Financial Performance	7
3.1	Tariffs.....	7
3.2	Operating expenditure	7
3.3	Renewals	8
3.3.1	Asset Restoration Reserve	8
3.3.2	Renewals expenditure	9
3.3.2.1	2014-15 renewals.....	9
3.3.2.2	2015-16 forecast renewals.....	10
3.3.2.3	Asset management plan	10
3.3.2.4	Material planning period renewals	10

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 Valley Water Supply Scheme is located west of Lowood in the Lockyer Valley in South East Queensland and centres around 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 Diversion Channel • Buaraba Creek Supply Channel • Seven Mile Lagoon Diversion Channel • Atkinson Pump Station • Atkinson Low Level Pump Station • Brightview Weir Supply Channel • 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)
Irrigation	141	11,110
Seqwater	7	1,510
Totals	148	12,620

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 the current year plus the historical position for the previous ten years.

Table 3: Announced allocations history

Year	MP %
2006-07	0
2007-08	0-16
2008-09	13-63

Table 3: Announced allocations history – (continued)

Year	MP %
2009-10	27-100
2010-11	100
2011-12	100
2012-13	100
2013-14	100
2014-15	81
2015-16	31
2016-17	0

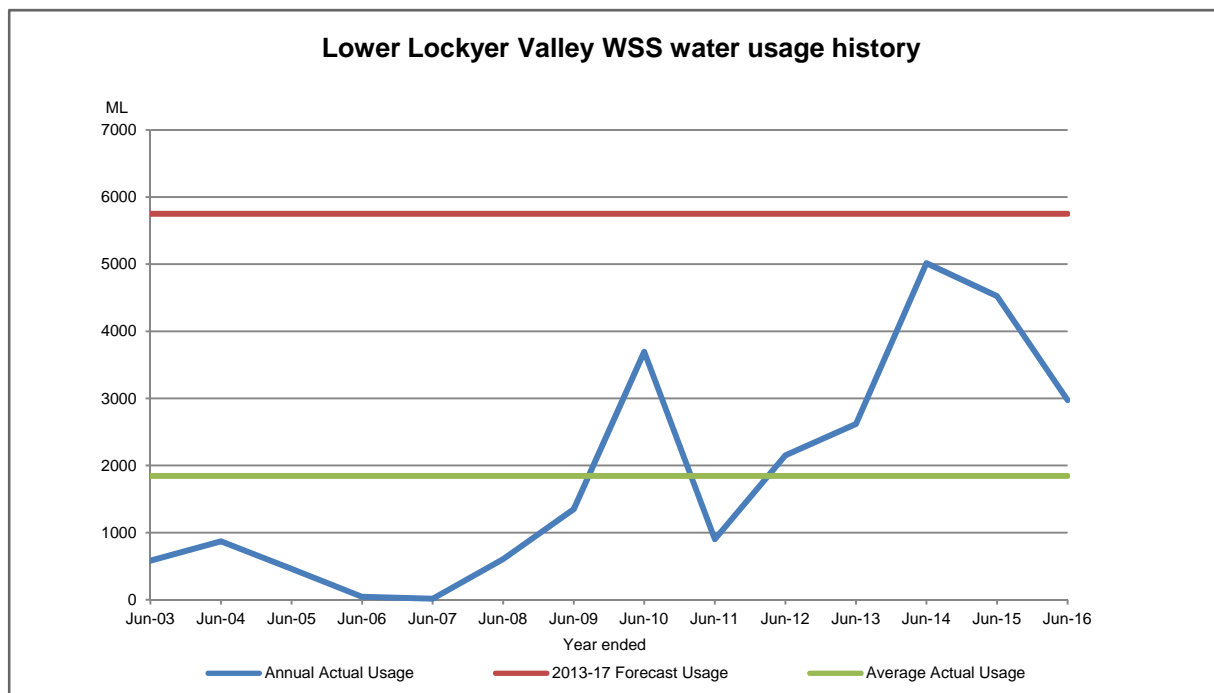
Source: Seqwater (2016)

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 which is 5,750 ML or 47% of nominal water allocations. 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 nominal water allocations.

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

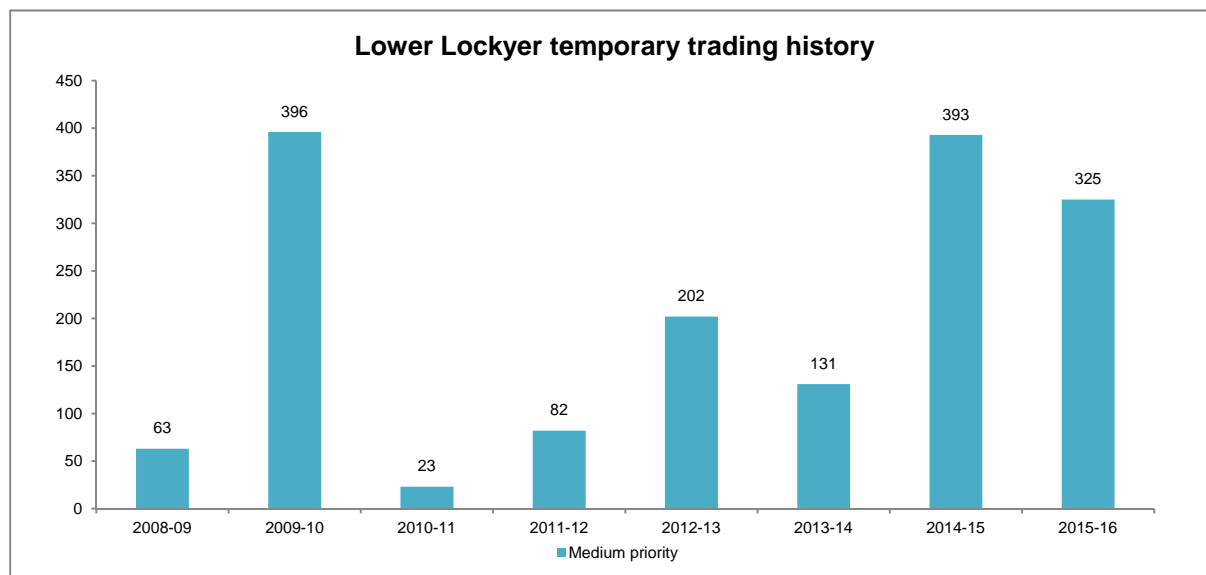


Source: Seqwater (2016)

2.5 Water trading

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

Figure 2: Temporary transfers 2008-16



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 3 May 2016, Seqwater held a customer forum for the Lower Lockyer Valley WSS. The 2015-16 renewals and the future renewals programs were discussed. The meeting summary has been published on the Lower Lockyer Valley WSS web 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 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 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)	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

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

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 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	263,455	265,770	268,651
Electricity	42,288	41,525	43,345
Other	202,305	157,269 (1)	204,669
Repairs and maintenance	204,077	136,685 (2)	208,907
Dam safety	-	-	-
Rates	50,393	46,778	51,653
Consultation costs	7,538	- (3)	7,727
Total direct operating costs	770,056	648,027	784,952
Non-direct operating costs			
Operations	341,442	429,798 (4)	346,330
Non-infrastructure	34,409	43,182 (4)	34,715
Insurance	69,064	41,831 (5)	70,791
Total non-direct costs	444,915	514,811	451,836
Total operating costs	1,214,971	1,162,838	1,236,788

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

Notes:

- (1) Other costs were mainly lower than budget because water quality testing was reduced due to low water levels in Atkinson Dam.
- (2) 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.
- (3) Consultation costs are included in non-direct operations and are not accounted for separately.
- (4) Implementation of a more regionally focussed structure resulted in a greater share of indirect costs.
- (5) 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 \$274,876 has been applied to the opening balance following a review which found expenditure incorrectly applied in prior years.

Table 7: Lower Lockyer Valley WSS Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2015-16 (\$)
Opening Balance 1 July 2015	-874,789
Adjustment	274,876
Revenue for year	168,429
Expenditure for year	-282,006
Interest for year	-47,376
Closing Balance 30 June 2016	-760,866

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%. Interest has been applied to the balance at 30 June 2016.

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 2015-16

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Customer water meters	Replace 24 water meters carried over from 2014-15	75	115 (1)
	Replace 24 water meters in 2015-16	198	139 (2)
Atkinson Dam water treatment plant	Downgrade water treatment plant to non-potable	60	23 (3)
	Install treated water tank and chemical shed	20	- (4)
Brightview channel	Reduce levee wall	-	5

Source: Seqwater (2016)

Notes:

- (1) Expenditure includes costs carried over from 2014-15.
- (2) Costs were lower than budget because more efficient methods were developed for prefabricating the components and installing the meters.
- (3) This project was not completed in 2015-16 and has been carried forward to 2016-17.
- (4) This project will not commence until the downgrade of the plant has been completed.

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)
Atkinson Dam water treatment plant	Downgrade water treatment plant to non-potable	90
	Construct treated water tank and chemical shed	15
Customer water meters	Minor finalisation works of water meters replaced in 2015-16	*

Source: Seqwater (2016)

* less than \$500

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 \$141,792.

Table 10: Material 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 (2016)

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