Warrill Valley Water Supply Scheme

Annual Network Service Plan

2014-15

September 2014

SOURCE STORE SUPPLY

Contents

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
PO box 16146
City East QLD 4002

2. Scheme Details

2.1 Scheme background and context

The Scheme was established following the construction of Moogerah Dam in 1961. The Scheme provides water for the irrigation of about 8,000ha of farms as well as for urban and industrial users.

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, "Warrill 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
• Moogerah Dam	• Upper Warrill Diversion Weir • Kents Lagoon Diversion Weir • Aratula Weir • Warrill Creek Diversion Weir • Warroolaba Creek Diversion Weir • West Branch Warrill Diversion Weir	• Gauging stations • Customer water meters • Upper Warrill Creek Diversion Channel

Dams	Weirs	Other bulk water assets
	• Churchbank Weir • Railway Weir	

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 volume (ML)	High priority volume (ML)
Irrigation	279	20,158.5	-
Urban	2	-	254
Seqwater	7	3,725	5,696
Totals	**288**	**23,883.5**	**5,950**

Source: Moreton Resource Operations Plan June 2014; 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 history from 2006-07 to 2013-14, the period during which the Scheme was regulated under an Interim Resource Operations Licence.

Table 3: Announced allocations history 2006-07 to 2013-14

Year	MP %	High A %*	High B %*	High Class C %*
2006-07	0	100%	20-70%	N/A
2007-08	0	100%	15%	N/A
2008-09	5-71%	51-100%	0-100%	N/A
2009-10	30-72%	100%	100%	N/A
2010-11	56-100%	100%	100%	N/A
2011-12	100%	100%	100%	N/A
2012-13	100%	100%	100%	N/A
2013-14	100%	100%	100%	N/A
2014-15	100%	N/A	N/A	100%

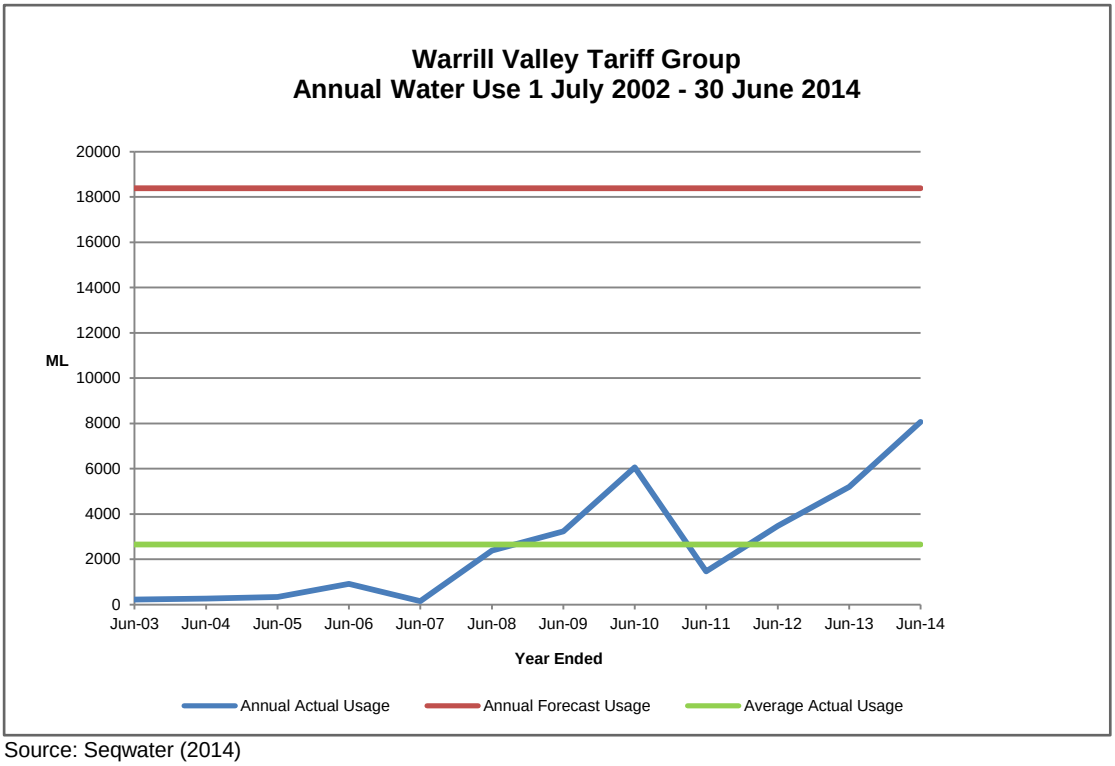
Source: Seqwater (2013)

* Under the ROP, High A and High B were replaced by High Class C water allocations.

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2013-14. Also included is the usage assumption for the current approved price path for 2013-17 which is 18,383 ML or 91% 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 40% of the nominal WAE. Average annual usage of 2,847 ML/annum is also shown.

Figure 1: Annual Scheme 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 annual volumes of temporary transfers between irrigation customers from 1July 2008 to 30 June 2014.

Table 4: Temporary transfers 2008-13

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)
Medium	470	627	275	172	627	356

Source: Seqwater (2014)

2.6 Irrigation Customer Consultation

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

On 6 May 2014, Seqwater held a scheme consultation forum for the Warrill 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 Lower Lockyer 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 6 May 2014.

The service standards are attached in Appendix 1 and are also published on the Warrill 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: Warrill Valley water prices (Nominal $/ML)

Tariff	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Fixed (Part A)	21.91	22.46	23.02	23.59
Variable (Part B)	7.31	7.5	7.68	7.88

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: Forecast operating costs for 2013-17 ($Nominal)

Operating cost item	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Direct operations	574,967	584,719	594,505	604,344
Repairs and maintenance	296,246	303,405	310,660	318,012
Dam safety	-	-	-	24,643
Rates	44,946	46,069	47,221	48,402
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	503,881	511,500	519,124	526,748
Total operating costs	**1,427,215**	**1,453,047**	**1,479,058**	**1,529,876**

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 2013-14 and the detailed budget for 2014-15. Explanations of material variations are set out below the table.

Table 7: Operating expenditure for 2013-14 and operating budget 2014-15 ($Nominal)

Expenditure Item	2013-14		2014-15
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	327,016	337,092	333,630
Electricity	11,679	7,677	11,971
Other	236,272	332,734 (1)	239,118
Repairs and maintenance	296,246	284,695	303,405
Dam safety	-	-	-
Rates	44,946	67,724 (2)	46,069
Consultation costs	7,175	- (3)	7,354
Total direct operating costs	**923,334**	**1,029,922**	**941,547**
Non-direct operating costs			
Operations	422,502	530,743 (4)	428,759
Non-infrastructure	43,036	47,408 (4)	43,440
Insurance	38,343	44,974 (5)	39,301
Total non-direct costs	**503,881**	**623,125**	**511,500**
Total operating costs	**1,427,215**	**1,653,047**	**1,453,047**

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

(1) Additional costs of $109,094 were incurred as a result of prolonged water sampling and testing following a water quality incident in September and October, 2013 in which Moogerah Dam was closed.

(2) Includes rates previously accounted for in indirect costs but which are now being reported separately.

(3) Consultation costs are included in non-direct operations and are not accounted for separately.

(4) 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.

(5) 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 8 below where the estimated ARRs for the years 2013-14 to 2016-17 are set out.

Table 8: Warrill Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Opening Balance 1 July	-568,965	-734,757	-793,032	-769,081
Revenue – irrigation	46,247	66,961	67,401	67,652
Revenue – other	96,807	101,142	102,025	100,652
Expenditure for year	-263,096	-226,378	-145,475	-84,101
Interest for 2013-14	-45,750	-	-	-
Closing Balance 30 June	-734,757	-793,032	-769,081	-684,878

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.

Table 9: Renewals projects 2013-14

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace water meters	149	112 (1)
Moogerah Dam	Replace access ladders	89	- (2)
	Repair concrete wall	18	- (2)
	New storage facility for baulks and screens	-	19 (3)
Water treatment plant	Replace clarifier	-	55 (4)
West Branch Warrill Diversion Weir	Renew Kent's Lagoon diversion gates	-	50 (5)
	Renew valve	-	11 (5)

Source: Seqwater (2014)

(1) Program was to replace 22 water meters. 7 water meters were replaced in 2012-13 and 15 were replaced in 2013-14.

(2) These projects will be undertaken as part of the Moogerah Dam upgrade project and will not form part of the renewals program.

(3) This project was not included in the renewals program reviewed by the Queensland Competition Authority but was included by Seqwater and undertaken following inspection of the asset.

(4) The clarifier was replaced following an unexpected failure.

(5) These projects were included in the renewals program following an asset condition assessment.

3.3.2.2 Regulatory period renewals

Forecast significant (>$10,000) renewals expenditure for the regulatory period (2013-17) is provided in table 10 below. All forecasts are nominal amounts assuming an average inflation rate of 2.5%.

Table 10: Renewals by project for 2013-17 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace customer water meters	2014-17	299
Upper Warrill Creek Diversion Channel	De-silt channel	2014-15	19
	Refurbish scour valves (2741m, 3103m, 3459m)	2014-15	33
	Refurbish scour valve at 122m	2014-15	11
	Replace trash screens	2015-16	17
	Refurbish scour valve at 5072m	2015-16	11
	Refurbish scour valves (6122m, 5860m)	2015-16	22
	Refurbish scour valve at 6850m	2015-16	11
	Refurbish scour valve at 9961m	2015-16	11

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) 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 is $132,000 with the base year being 2017-18. One renewal project exceeded the 10% threshold and appears in table 11 below. One project exceeded the threshold. Seqwater will consult with irrigators to establish whether there is a need for, and the nature of, any high level options analysis for this project.

Table 11: Material renewals projects 2017-36 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace customer water meters	2017-36	836

Source: Seqwater (2014)

Appendix 1

Warrill 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.