seqwater
WATER FOR LIFE

Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2019-20

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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: Seqwater
PO Box 328
IPSWICH QLD 4305

2. Scheme Details

2.1 Scheme background and context

The Central Lockyer Valley Water Supply Scheme was established to support irrigation in dairy, vegetable and forage crops sectors following construction of various weirs from the 1940s to 1980s, Bill Gunn Dam and Lake Clarendon in 1988 and 1992 respectively and the Morton Vale Pipeline in 1995. Releases from the dams are made manually. The Scheme is also located in the Clarendon Sub-artesian Area which is a benefitted groundwater area.

The Scheme is regulated under the Interim Resource Operations Licence for the Central Lockyer Valley Water Supply Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, "Central Lockyer Valley" and "Morton Vale Pipeline".

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	Distribution assets
• Bill Gunn Dam (Lake Dyer), • Clarendon Dam (Lake Clarendon)	• Kentville Weir • Jordan I & II Weirs • Wilson Weir • Clarendon Weir • Glenore Grove Weir • Laidley Creek Diversion Weir • Showgrounds Weir • Crowley Vale Weir	• Redbank Creek Pump Station • Clarendon Pump Station • Clarendon Diversion Channels • Gauging stations • Customer water meters	• Morton Vale Pipeline

Source: Seqwater (2019)

2.3 Customers and water entitlements serviced

The Scheme supplies water to around 250 customers holding interim water allocations or licences. The following table sets out the current ownership of water allocations as they stand at the time of publication of this NSP. Subject to the outcomes of the draft *Water Plan (Moreton) (Supply Scheme Arrangements) Amendment Plan 2019* consultation process, a final plan amendment would pave the way for volumetric water allocations to be granted in early 2020. At that time, the information in this table will no longer be current.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority* water allocations (ML)	High priority water allocations (ML)
Irrigation – Morton Vale	43	3,420	–
Irrigation – Risk-A & Risk-B	82	3,115	–
Irrigation - groundwater	106	9,340	–
Other	5	10	–
Laidley Golf Club	1	60	–
Crowley Vale Water Board	1	325	–
Seqwater	–	87	184
Totals	**250**	**16,357**	**184**

Source: Seqwater (2019)

* includes Risk-A, Risk-B and groundwater licences

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. Under the IROL, announced allocation determinations are required for the Morton Vale Water Supply System (medium priority) and for the Crowley Vale Water Board (Risk-A). Announced allocation procedures have yet to be developed and implemented for other surface water and for groundwater allocation groups. This will be an outcome following approval of a final *Water Plan (Moreton) (Supply Scheme Arrangements) Amendment Plan 2019*.

The following table sets out the announced allocations since 2006-07.

Table 3: Announced allocations history

Year	MP % (Morton Vale Pipeline)	Risk A % (Crowley Vale Water Board)
2007-08	20	0
2008-09	81	58
2009-10	100	100
2010-11	100	100
2011-12	100	100
2012-13	100	100
2013-14	100	100
2014-15	100	100
2015-16	100	100
2016-17	73	0
2017-18	23	0
2018-19	0	0
2019-20	0	0

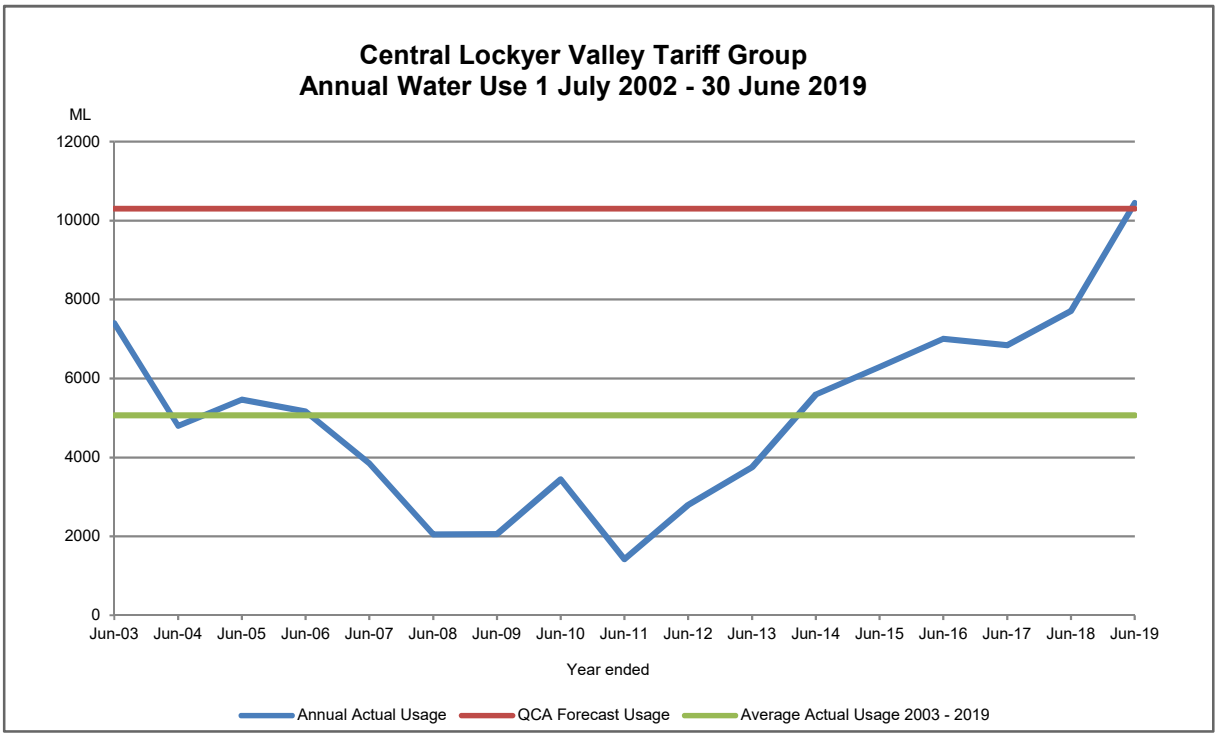
Source: Seqwater (2019)

2.4.2 Water use

Figures 1 and 2 below show the actual water usage per year from the 2002-03 water year to the 2018-19 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

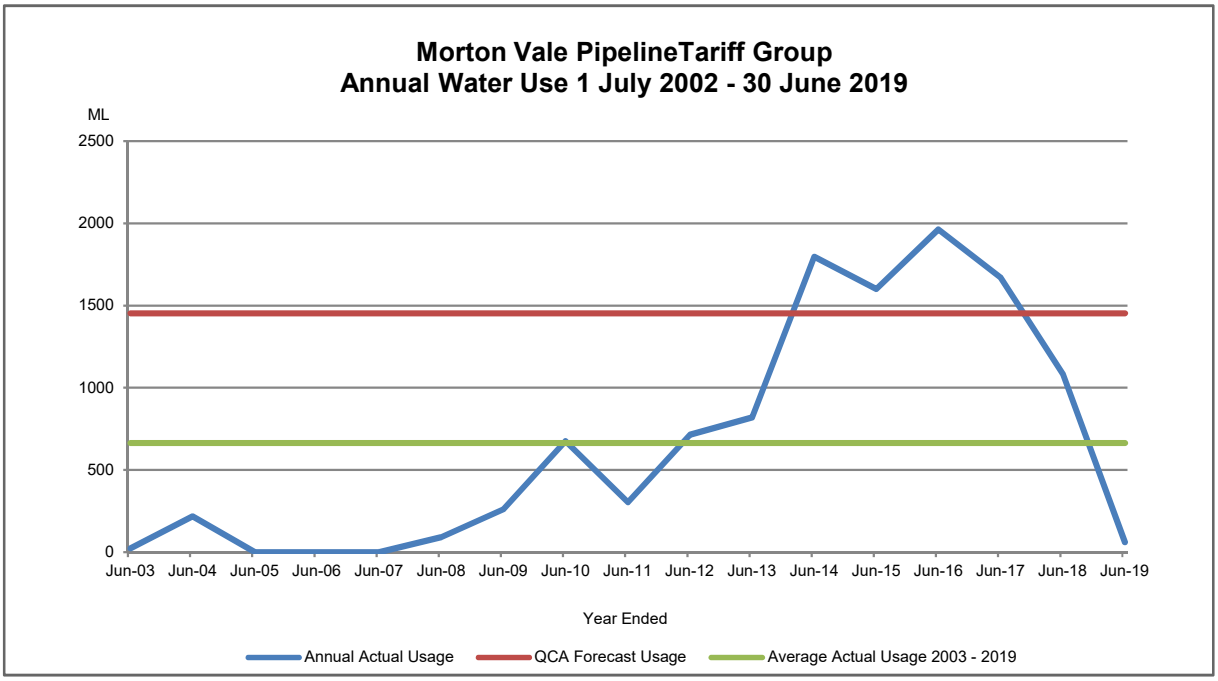
Also shown is the usage assumption for the current approved price path for 2013-17 (now extended to 2019-20) which is 10,303ML or 81% of the nominal volume for Central Lockyer Valley tariff group and 1,453ML or 42% for Morton Vale Pipeline tariff group. The QCA usage assumptions have been extrapolated to prior years for comparison purposes only. Average water usage over the period has also been included for comparison purposes.

Figure 1: Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2019



Source: Seqwater (2019)

Figure 2: Morton Vale Pipeline annual water usage for years ending 30 June 2003 to 30 June 2019

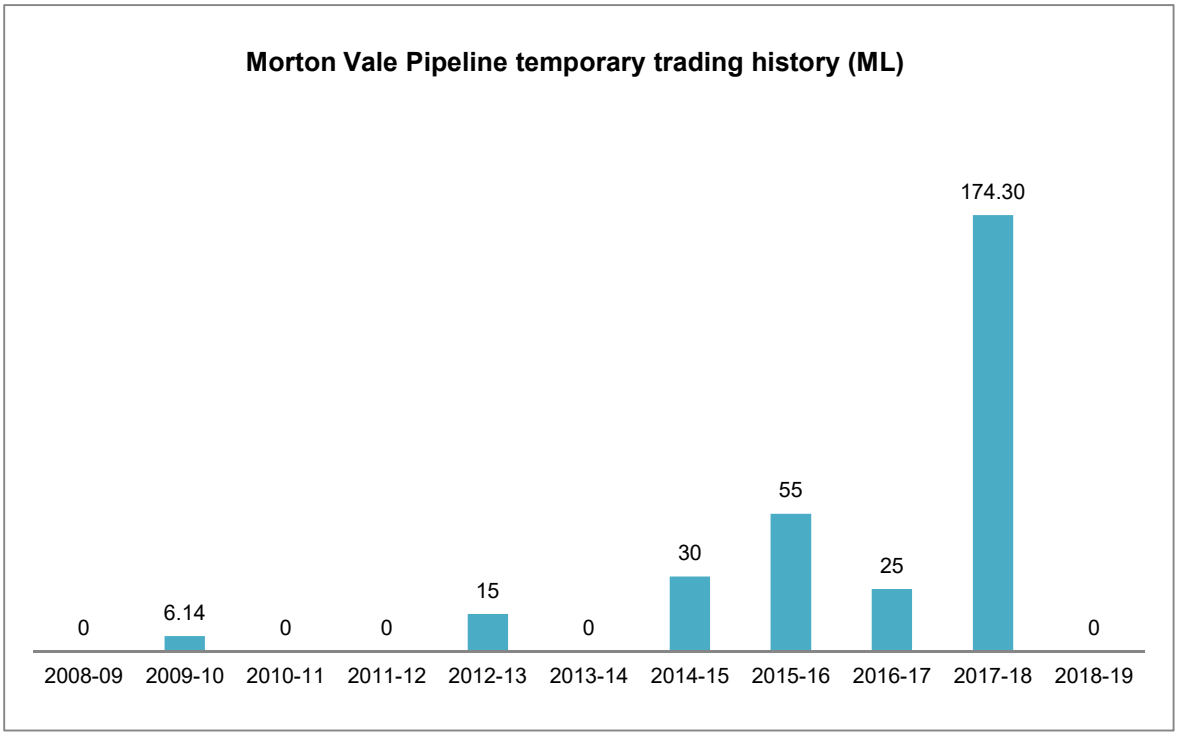


Source: Seqwater (2019)

2.5 Water trading

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

Figure 3: Temporary trading 2008-19



Source: Seqwater (2019)

2.6 Customer Consultation

Seqwater is committed to customer engagement as required under its Statement of Obligations. Customer engagement includes customer forums and web-based information.

At customers' request, Seqwater has postponed the 2019 forum until a later time to be agreed with customer representatives. Attendance at forums is open to all customers of the Scheme.

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 Central Lockyer Valley WSS page on Seqwater's website.

In 2018-19, Seqwater met its service targets, noting that the scheme was largely without surface water during the year. The performance report was published on the Central Lockyer Valley WSS page on Seqwater's website.

3. Financial Performance

3.1 Tariffs

In June 2019, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2019* which extends the 2013-17 irrigation water price path to 2019-20.

The tariffs for 2019-20 are set out in the tables below. It should be noted that, in relation to the Central Lockyer Valley tariff group, the Part A tariffs apply only to volumetric interim water allocations and volumetric water allocations. Part A and Part C tariffs apply to customers of the Morton Vale Pipeline.

The implications for irrigation water prices in the 2019-20 financial year resulting from the proposed granting of volumetric water allocations was explained in Information Bulletin No 2 of 2019-20 which Seqwater sent to all irrigators in the scheme and was published on Seqwater's website.

Table 4: Central Lockyer Valley tariff group water prices 2019-20 (Nominal $/ML)

Tariff Group	Tariff	2019-20 ($)
Central Lockyer Valley	Fixed (Part A)	35.42
	Volumetric (Part B)	11.46

Source: Seqwater (2019)

Table 5: Morton Vale Pipeline tariff group water prices 2019-20 (Nominal $/ML)

Tariff Group	Tariff	2019-20 ($)
Morton Vale Pipeline	Fixed (Part A)	35.42
	Volumetric (Part B)	5.72
	Fixed (Part C)	10.34
	Volumetric (Part D)	9.47
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	45.76
	Volumetric (Part B + Part D)	15.19

Source: Seqwater (2019)

3.2 Operating expenditure

The forecast operating costs set as a target by the QCA for the 2013-17 regulatory period have been extended for the additional three years of the price path and are set out in the tables below. The 2018-19 forecast costs were calculated by applying the QCA's escalation rates to the 2017-18 forecast operating costs. The 2019-20 forecast operating costs were calculated by applying the QCA's escalation rates to the 2018-19 forecast costs. Some base

costs have changed since the cost estimates were initially compiled for the QCA review in 2012. In these cases, Seqwater has amended the 2016-17 forecast base costs before applying the QCA's escalation rates through to 2019-20. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2017-18 NSP.

Table 6: Forecast QCA budget for operating costs – Central Lockyer Valley tariff group for 2019-20 ($Nominal)

Operating cost item	2019-20 ($)
Direct operations	301,811
Repairs and maintenance	189,604
Dam safety	26,537
Consultation costs	8,321
Rates	707
Non-direct costs	382,833
Total operating costs	**909,813**

Source: Seqwater (2019)

Table 7: Forecast QCA budget for operating costs – Morton Vale Pipeline tariff group for 2019-20 ($Nominal)

Operating cost item	2019-20 ($)
Direct operations	46,154
Repairs and maintenance	12,339
Non-direct costs	31,261
Total operating costs	**89,754**

Source: Seqwater (2019)

The following tables set out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2018-19 and the detailed QCA budget for 2019-20. Explanations of material variations are set out below each table.

Table 8: Central Lockyer Valley tariff group operating expenditure for 2018-19 and operating budget 2019-20 ($Nominal)

Operating cost Item	2018-19		2019-20
	Extended QCA Budget ($)	Actual ($)	Extended QCA Budget ($)
Direct operating costs			
Labour	141,147	166,732	146,228
Electricity	124,843	2,608 (1)	127,964
Other direct operating	26,734	30,949	27,619
Repairs and maintenance	182,311	79,829 (2)	189,604
Rates	690	559	707
Dam safety	–	–	26,537
Consultation costs	8,118	– (3)	8,321
Total direct operating costs	**483,843**	**280,677**	**526,980**

Table 8: Central Lockyer Valley tariff group operating expenditure for 2018-19 and operating budget 2019-20 ($Nominal) – (*continued*)

Expenditure Item	2018-19		2019-20
	Extended QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Non-direct costs (indicative)			
Operations	188,299	109,395 (4)	194,042
Non-infrastructure	18,674	6,093	19,141
Insurance	165,513	72,997 (5)	169,650
Total non-direct costs	**372,486**	**188,485**	**382,833**
Total operating costs	**856,329**	**469,162**	**909,813**

Source: Seqwater (2019)

Notes:

(1) Due to continuing dry weather, no pumping took place during the year.

(2) Scheduled repairs and maintenance was lower and fewer unscheduled repairs were required.

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

(4) Lower direct operating costs resulted in a lower allocation of indirect costs.

(5) Seqwater negotiated lower insurance premiums in 2017-18 resulting in savings in insurance costs for the Scheme.

Table 9: Morton Vale Pipeline tariff group operating expenditure for 2018-19 and operating budget 2019-20 ($Nominal)

Expenditure Item	2018-19		2019-20
	QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	41,862	24,703 (1)	43,369
Other	2,717	1,290	2,785
Repairs and maintenance	11,864	3,666 (2)	12,339
Total direct operating costs	**56,443**	**29,659**	**58,493**
Non-direct costs (indicative)			
Operations	25,053	11,560 (3)	25,817
Non-infrastructure	2,484	644 (3)	2,547
Insurance	2,827	4,980 (4)	2,897
Total non-direct costs	**30,364**	**17,184**	**31,261**
Total operating costs	**86,807**	**46,843**	**89,754**

Source: Seqwater (2019)

Notes:

(1) Labour costs were less than budget because no repair and maintenance was carried out and staff were required only for reading water meters and surveillance.

(2) No repairs and maintenance were required to be carried out.

(3) Lower direct operating costs resulted in a lower allocation of indirect costs.

(4) Seqwater negotiated lower insurance premiums in 2018-19 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 is recorded in the Asset Restoration Reserve (ARR). The ARR accounts for 2018-19 for Central Lockyer and for Morton Vale Pipeline are presented below.

Table 10: Central Lockyer Valley tariff group ARR for 2018-19 ($Nominal)

Asset Restoration Reserve	2018-19 ($)
Opening Balance 1 July	-1,471,889
Interest for year*	-91,257
Revenue – irrigation	223,659
Expenditure for year	-231,508
Closing Balance 30 June	-1,570,995

Source: Seqwater (2019)

* 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%.

Table 11: Morton Vale Pipeline tariff group ARR for 2018-19 ($Nominal)

Asset Restoration Reserve	2018-19 ($)
Opening Balance 1 July	512,963
Interest for year*	31,804
Revenue for year	-20,967
Expenditure for year	–
Closing Balance 30 June	523,800

Source: Seqwater (2019)

* 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%.

3.3.2 Renewals expenditure

3.3.2.1 2018-19 renewals

The following table sets out the renewals projects that were undertaken in 2018-19.

Table 12: Central Lockyer Valley tariff group renewals projects 2018-19

Asset	Project scope	Budget ($'000)	Actual ($'000)
Water meters	Prefabrication of meter installations	360	140 (1)
Clarendon Dam	Refurbish 6.4 km of main channel	–	5
Bill Gunn Dam	Crest seal on dam embankment	–	2
Clarendon Weir	New Hydraulic system and Valve	73	84

Source: Seqwater (2019)

Notes:

(1) Mainly prefabrication costs. Meter installation is scheduled for 2019-20.

No renewals projects were undertaken for the Morton Vale Pipeline in 2018-19.

3.3.2.2 2019-20 forecast renewals

Seqwater, working with irrigators and the Department of Natural Resources, Mines and Energy (DNRME) has received a commitment from the Commonwealth Government to be granted $2.5 million in funding (approx. 50% of the initial estimated project cost) to undertake an upgrade of monitoring and measurement in the scheme. The project, known as the Central Lockyer Groundwater Irrigation Modernisation (CLGIM) Project involves modernising existing infrastructure by:

- Equipping up to 380 surface water irrigation outlets and production bores with meters meeting metering standards and departmental policies.
- Equipping up to 101 monitoring bores with depth and water quality sensors to assist Scheme and on-farm decision making to optimise productive capacity.
- Installing telemetry systems that allow automated, real-time collection of metering data.

Subject to receiving the funding from the Commonwealth, the project will then be delivered over the next two to three years with priority given to installing the meters as soon as possible.

Seqwater has commenced detailed planning in consultation with the Lockyer Water Users Forum and Department of Natural Resources Mines and Energy (DNRME).

Forecast renewals expenditure for 2019-20 for the Central Lockyer Valley tariff group is provided below.

Table 13: Central Lockyer Valley tariff group renewals projects for 2019-20 ($Nominal)

Asset	Project description	Forecast cost ($'000)
Water meters	Repair embankment slips	52
Clarendon Dam	Refurbish outlets works baulk protective coating	36
	Refurbish outlets works trash screen protective coating	36
Water meters	Replace flow meters under CLGIM project	2,500*

Source: Seqwater (2019)

* This project is still in the early planning stages. Seqwater's contribution to the total proposed cost of $5m will be up to $2.5m.

There are no renewals projects for the Morton Vale Pipeline in 2019-20.

3.3.2.3 Asset management plan

Seqwater has developed an Asset Portfolio Master Plan (APMP). The APMP is considered leading practice within the water industry. All Seqwater's future capital expenditure is considered within the APMP framework. The long-term renewals program developed for the Scheme's assets by Seqwater's Asset Lifecycle Planning Team using the Asset Lifecycle Management Plan is included in the APMP.

3.3.2.4 Material renewals within the planning period

During the extended price path, Seqwater will adopt a rolling 20-year planning horizon until a new planning time frame is settled for the upcoming price review. Material renewals projects that fall in the rolling renewals planning time frame, which is 2019-39 for this network service plan, are set out 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 for the Central Lockyer Valley tariff group in present value terms is $473,838 and for the Morton Vale Pipeline tariff group is $8,319.

Table 14: Central Lockyer Valley tariff group major projects 2019-39 ($Real)

Asset	Project description	Year	Forecast cost ($'000)
Bill Gunn Dam	Replace diversion pipeline	2037-38	7,731
	Replace outlet pipe to Laidley Creek	2037-38	625

Source: Seqwater (2019)

Table 15: Morton Vale Pipeline tariff group major renewals projects 2019-39 ($Real)

Asset	Project description	Year	Forecast cost ($'000)
Pipeline	Replace isolating valve	2037-38	75

Source: Seqwater (2019)