



Logan River Water Supply Scheme

Annual Network Service Plan

2019-20

Published: September 2019



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	4
2.5	Water trading	5
2.6	Customer Consultation	6
2.7	Customer service standards	6
3.	Financial Performance	6
3.1	Tariffs	6
3.2	Operating expenditure	7
3.3	Renewals	8
3.3.1	Asset Restoration Reserve	8
3.3.2	Renewals expenditure	8
3.3.2.1	2018-19 renewals	8
3.3.2.2	2019-20 forecast renewals	9
3.3.2.3	Asset management plan	9
3.3.2.4	Material renewals within the planning period	9

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 Scheme is located in the Logan River Basin and supplies bulk raw water to water allocation holders in the nine zones that comprise the Scheme. The scheme stretches along a 101.4 km length of the Logan River and along 27 km of Burnett Creek. It was designed to supplement natural flows for the fertile alluvial areas along Burnett Creek and the Logan River.

The Scheme is regulated under the Logan Basin Resource Operations Plan (ROP) first issued in December 2009. The ROP was amended to include Wyaralong Dam as part of the Scheme in December 2012. Note that the operational costs of Wyaralong Dam were not included in scheme costs but will be reviewed in the price review. A further amendment in March 2014 included Christmas Creek and Running Creek under the ROP. However, these two creeks, which are not supplemented by Seqwater’s infrastructure, do not form part of the Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, “Logan River”.

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	Off-stream storages	Other bulk water assets
<ul style="list-style-type: none"> • Maroon Dam • Wyaralong Dam* 	<ul style="list-style-type: none"> • Cedar Grove Weir • Bromelton Weir • South Maclean Weir 	<ul style="list-style-type: none"> • Bromelton Off-Stream Storage 	<ul style="list-style-type: none"> • Gauging stations • Customer water meters

Source: Seqwater (2019)

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)	High priority volume (ML)
Irrigation	131	13,552	-
MP Industrial	1	2.5	-
HP Industrial	5	-	936
Seqwater	7	-	8,920
Totals	145	13,554.5	9,856

Source: Moreton Resource Operations Plan June 2014; Seqwater (2019)

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 both medium priority and high priority water allocations for the current year plus the historical position since 2007-08.

Table 3: Announced allocations history

Year	MP %	HP %	Year	MP %	HP %	Year	MP %	HP %
2007-08	0 - 90	0 - 100	2013-14	100	100	2019-20	100%	100%
2008-09	95 - 100	100	2014-15	100	100			
2009-10	100	100	2015-16	100	100			
2010-11	100	100	2016-17	100	100			
2011-12	100	100	2017-18	100	100			
2012-13	100	100	2018-19	100	100			

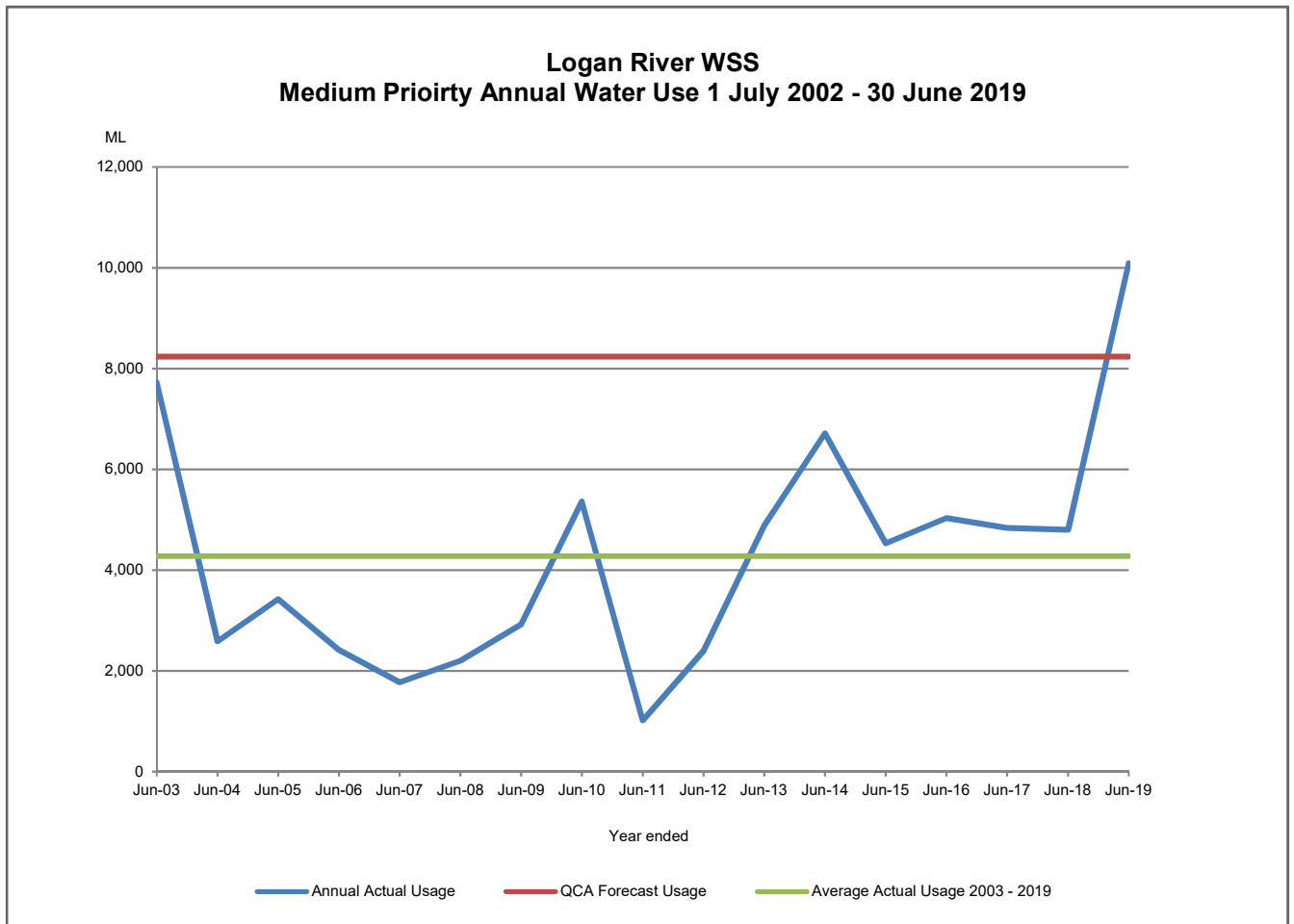
Source: Seqwater (2019)

2.4.2 Water use

Figure 1 below shows the actual medium priority water usage per year from 2002-03 to 2018-19.

Also shown is the medium priority usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 8,238 ML or 61% of the nominal water allocation volumes. The QCA usage assumption has been extrapolated to prior years for comparison purposes only. Average water usage over the period has also been included for comparison purposes.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2019

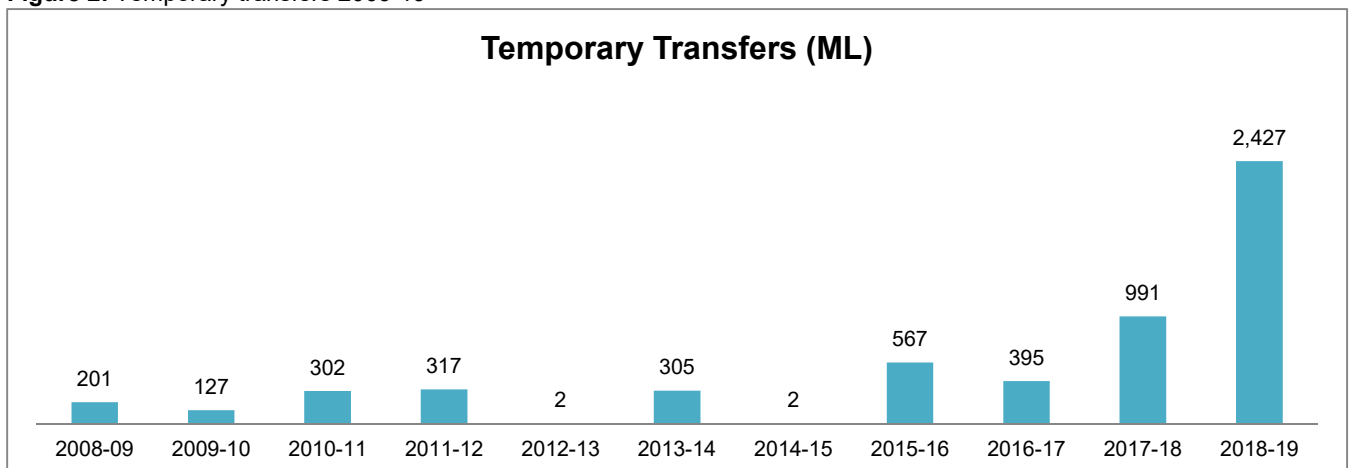


Source: Seqwater (2019)

2.5 Water trading

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

Figure 2: Temporary transfers 2009-19



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.

Attendance at forums is open to all customers of the Scheme. Seqwater held a forum on 30th July 2019 at which a review of the scheme operations and meter upgrade program was presented. Seqwater also explained how the announced allocation process works and the changes to the water planning instruments. A financial summary was also presented.

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 Logan River WSS web page on Seqwater’s website.

In 2018-19 Seqwater met its service targets. The performance report was published on the Logan River 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 Part A prices have been reduced by \$3.97 per megalitre compared to 2018-19 prices. This was the overall impact resulting from changing the allocation of costs to medium priority irrigation customers as a result of additional high priority allocations following the addition of Wyaralong Dam and Bromelton Offstream Storage to the Scheme. A fact sheet from the Department of Natural Resources, Mines and Energy setting out the changes was sent to all irrigation customers in the scheme.

The tariffs for 2019-20 are set out in the table below.

Table 4: Water prices (Nominal \$/ML)

Tariff	2019-20 (\$)
Fixed (Part A)	26.80
Volumetric (Part B)	11.58

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 two years of the price path and are set out in the table below. The 2018-19 forecast costs were calculated by applying the QCA's escalation rates to the 2016-17 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 5: Forecast QCA budget operating costs for 2019-20 (\$Nominal)

Operating cost item	2019-20 (\$)
Direct operations	542,815
Repairs and maintenance	125,331
Dam safety	–
Rates	41,635
Consultation costs	8,321
Non-direct costs	510,811
Total operating costs	1,228,913

Source: Seqwater (2019)

The following table sets 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 the table.

Table 6: Operating expenditure for 2018-19 and operating budget 2019-20 (\$Nominal)

Operating cost item	2018-19		2019-20
	QCA Budget (\$)	Actual (\$)	Extended QCA Budget (\$)
Direct operating costs			
Labour	355,789	327,777 (1)	368,597
Electricity	8,450	9,239	8,661
Other	160,845	134,342 (2)	165,557
Repairs and maintenance	120,511	144,689	125,331
Dam safety	–	5,763 (3)	–
Rates	40,620	45,164	41,635
Consultation costs	8,118	– (4)	8,321
Total direct operating costs	694,333	661,211	718,102
Non-direct costs			
Operations	299,885	257,711	309,032
Non-infrastructure	29,740	14,354	30,483
Insurance	167,119	66,698 (5)	171,297
Total non-direct costs	496,744	338,763	510,812
Total operating costs	1,191,077	999,974	1,228,914

Source: Seqwater (2019); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

- (1) Labour costs were less than budget because less staff time was required to operate the scheme.
- (2) Costs were less than budget mainly because water quality monitoring costs were lower than expected and the provision for doubtful debts improved.
- (3) Dam safety inspection was brought forward to 2018-19.
- (4) Consultation costs are included in non-direct operations and are not accounted for separately.
- (5) 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) which for 2018-19 for this scheme, prepared on an irrigation-only basis, is presented below.

Table 7: Logan River WSS Asset Restoration Reserve – Irrigation only (\$Nominal)

Asset Restoration Reserve – Irrigation only	2018-19 (\$)
Opening Balance 1 July	-295,396
Interest for year*	-18,315
Revenue – irrigation	41,893
Expenditure for year	-88,992
Closing Balance 30 June	-360,810

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 8: Renewals projects for 2018-19

Asset	Project scope	Budget (\$'000)	Actual (\$'000)
Customer water meters	Replace 10 customer water meters	131	85 (1)
Bromelton Weir	Handrails and grid mesh replacement	45	44
	Repair riverbank erosion	166	71 (1)
Cedar Grove Weir	Fishway level sensor upgrade	107	71 (1)
	Repair erosion works	129	26 (1)

Source: Seqwater (2019)

Notes:

- (1) This project will carry forward for completion in 2019-20.

3.3.2.2 2019-20 forecast renewals

Forecast renewals expenditure for 2019-20 is provided in table 9 below.

Table 9: Renewals by project for 2019-20 (\$Nominal)

Asset	Project scope	Forecast (\$'000)
Customer water meters	Replace water meters	297
Maroon Dam	Safe mooring for barge	60
Bromelton Weir	Repair riverbank erosion (carryover)	95
Cedar Grove Weir	Repair erosion works (carryover)	103

Source: Seqwater (2019)

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 is \$67,013.

Table 10: Material renewals projects 2019-39 (\$Real)

Asset	Project scope	Year	Forecast (\$'000)
Maroon Dam	Replace cables and cableways	2032-33	150
Gauging stations	Replace	2032-33	85

Source: Seqwater (2019)