seqwater
WATER FOR LIFE

Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2020-21

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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. 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 was regulated under the Interim Resource Operations Licence for the Central Lockyer Valley Water Supply Scheme until 31 March 2020 at which time the scheme transitioned to a Resource Operations Licence.

The *Water Plan (Moreton) (Supply Scheme Arrangements) Amendment Plan 2019* for the Central Lockyer Valley Water Supply Scheme was released on 13 December 2019. On 6 March 2020 the final water entitlement notice, water management protocol, operations manual and resource operations licence, which together implement the Water Plan were released.

Prior to the Water Plan the water year was from 1 July to 30 June, however, the Water Plan changes the water year to run from 1 January to 31 December. As the documents were released in March 2020, this meant the 2019-20 water year ended on 31 March 2020, whilst the new water year (2020) commenced 1 April 2020 and will end on the 31 December 2020.

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 (2020)

2.3 Customers and water entitlements serviced

The following table sets out the distribution of water allocations amongst classes of customers as per the Department of Natural Resources, Mines and Energy's Water Entitlement Notice released March 2020.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority WA (ML)	Low Priority WA (ML)	Medium priority WA (ML)	Morton Vale Pipeline MP WA (ML)	High priority WA (ML)
Irrigation - groundwater	122	-	18,901	9,430	-	–
Irrigation – surface water	112	5,244	-	-	-	–
Laidley Golf Club	1	60	128	64	-	–
Seqwater	–	-	-	-	3,507*	185
Totals	**235**	**5,304**	**18,773**	**9,494**	**3,507**	**185**

Source: Water Entitlement Notice Central Lockyer Valley Water Supply

* 3420ML is contracted to 43 customers on the Morton Vale Pipeline

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 and are calculated as per the rules set out in the Central Lockyer Valley Water Supply Scheme Operations Manual.

The following table sets out the announced allocations for the 2020 year (current). Historical announced allocations determined under the Interim Resource Operations Licence can be found in the 2019-20 Network Service Plan for this scheme.

The following table sets out the announced allocations effective 1 April 2020.

Table 3: Announced allocations as at 1 April 2020

Year	Groundwater		Surface Water MP% (all zones)	MP % (Morton Vale Pipeline)
	LP%	MP%		
2020	60	80	0	0

Source: Seqwater (2020)

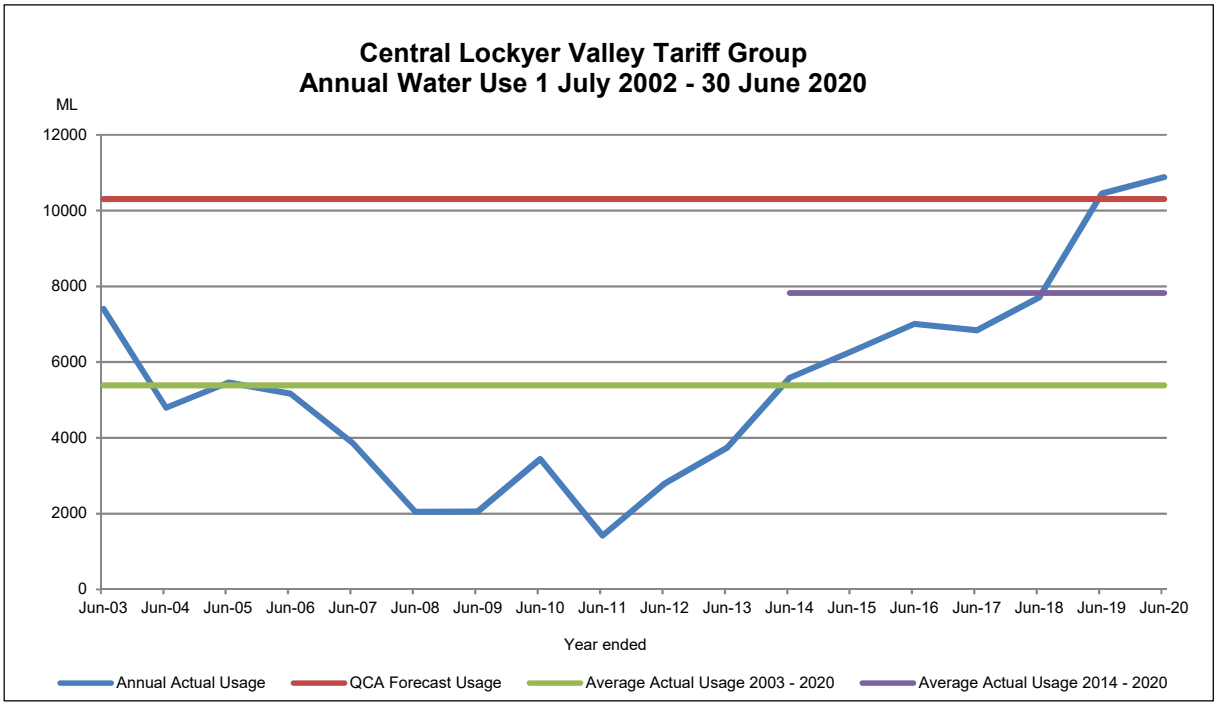
2.4.2 Water use

Figures 1 and 2 below show the actual water usage per year from the 2002-03 water year to the 2019-20 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.

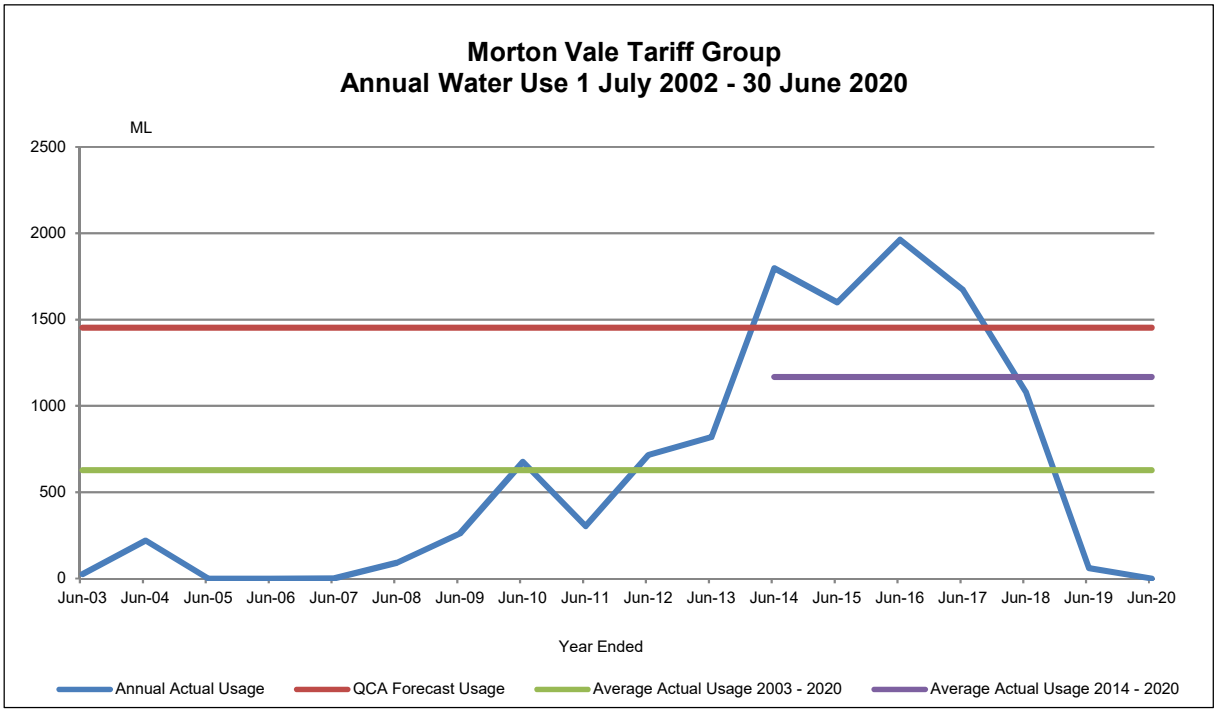
This year, the average water usage from 2014-20 has been added. As can be seen on the graphs below (purple line), the actual average water usage for this period is below the QCA usage assumption for the 2013 – 2017 price path reflecting the reduced availability of water for both tariff groups.

Figure 1: Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2020 (includes first quarter usage (1 April to 30 June) of the 2020 water year.



Source: Seqwater (2020)

Figure 2: Morton Vale Pipeline annual water usage for years ending 30 June 2003 to 30 June 2020 (includes first quarter usage (1 April to 30 June) of the 2020 water year.

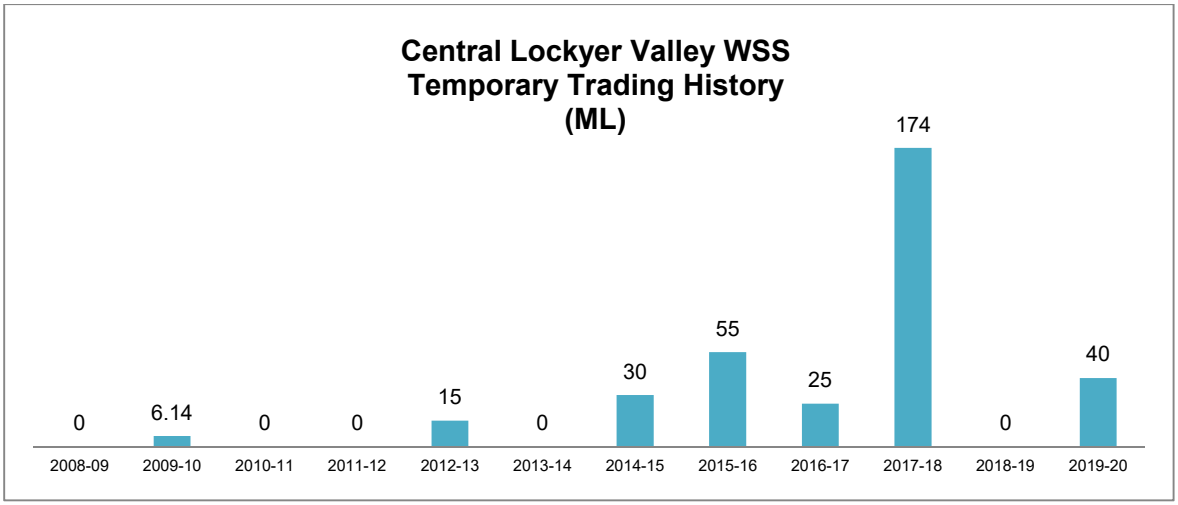


Source: Seqwater (2020)

2.5 Water trading

The following chart sets out the volumes of temporary transfers by year from 1 July 2008 to 30 June 2020. Please note this includes part of the 2020 water year (1 April to 30 June 2020).

Figure 3: Central Lockyer Valley Temporary trading history



Source: Seqwater (2020)

2.6 Customer Consultation

Seqwater is committed to customer engagement and working with our customers in understanding their needs to improve customer satisfaction. Customer engagement at Seqwater occurs in many ways, and includes customer reference group meetings, customer forums, information bulletins, surveys, web-based information and listening to our customers. Unfortunately, this year, the customer forums didn't go ahead as a result of the Covid-19 restrictions. However, additional information bulletins were sent in place of the forums and we intend to bring the forums back as soon as it is deemed safe to do so.

Our second annual customer survey was completed in July. The survey helps us understand our customers' experience and what we can do to improve this experience.

The 2020 survey feedback showed a definite improvement with customer satisfaction; however, we still have a lot of work to do. The survey also confirmed support for the initiatives on which we are already working, which we hope will translate to ongoing improvements in customer satisfaction. These include:

- Quarterly water account statements showing customers water balance (ML) after quarterly meter reads and includes any temporary transfers that have occurred during the previous quarter.
- A formalised Customer Reference Group (CRG) to provide input and advice on scheme operations for each Scheme, will be established by December 2020. Ideally, every CRG will have representation from each scheme zone and across the various industry types in the scheme.

- Customer Connect which is an on-line virtual forum where potential buyers and sellers of temporary and permanent water are able to list their offers to sell or interest to buy water. Once connected, the buyer and seller will complete the temporary trade or permanent trade offline in the usual manner.

2.7 Customer service standards

The service standards are published on the Central Lockyer Valley WSS page on Seqwater's website.

In 2019-20, Seqwater met its service targets, noting that the scheme was largely without surface water during the year due to drought. The performance report was published on the Central Lockyer Valley WSS page on Seqwater's website.

2.8 Scheme Operations

In the Central Lockyer, Seqwater undertook maintenance works in 2019 to remove a build-up of material in the diversion between Jordan I and Jordan II. We also took the opportunity to remove silt and material build-up back up to Redbank Pump Station. We are further looking at maintenance options for work at Jordan I weir, but at this stage while there is some silt build up, there are also significant costs associated with major desilting works.

Following the Australian Government's announcement of a dollar-for-dollar matching grant to modernise the metering in the scheme, a key focus for the year has been the meter upgrade program. Seqwater has also been testing and trialling telemetry options for the scheme.

While there was one rain event which saw some diversion of water into both Clarendon Dam and Lake Dyer, this was short lived and resulted only in a small increase in water levels which did not pass the minimum operating levels.

The operational team continued to focus on ongoing maintenance of the scheme, including dam surveillance activities, maintenance and upkeep of channels, and weed mitigation programs.

3. Financial Performance

3.1 Irrigation charges for 2020-21

Due to the State-wide impacts of long-running drought and the COVID-19 pandemic, the Queensland Government announced a freeze on irrigation water prices for the 2020-21 year except in areas were the Queensland Competition Authority (QCA) recommended price decreases.

Following this announcement, in June 2020, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2020* which sets the rural irrigation water prices and associated fees Seqwater must charge from 1 July 2020 to 30 June 2021.

No prices have been set beyond the 2020-21 year as government continues to monitor conditions during the year.

The 2020-21 regulated irrigation water prices and the cost per megalitre are shown below. The Central Lockyer Valley Water Supply Scheme (both tariff groups) is not expected to fully recover the costs to run the scheme in 2020-21.

Table 4: 2020-21 Central Lockyer Valley tariff group irrigation regulated prices and cost reflective prices (Nominal $/ML)

Tariff Group	Tariff	2020-21 Regulated Prices $/ML	2020-21 Cost reflective prices $/ML
Central Lockyer Valley	Fixed (Part A)	35.42 (1)	59.57
	Volumetric (Part B)	11.01	11.01

Source: Seqwater Rural Water Pricing Direction Notice (No. 1) 2020 and Queensland Competition Authority, Final Report, Rural irrigation price review 2020–24 Part C: Seqwater, January 2020

(1) Applies to medium priority groundwater and surface water only

Table 5: 2020-21 Morton Vale Pipeline tariff group irrigation regulated prices cost reflective prices (Nominal $/ML)

Tariff Group	Tariff	2020-21 Regulated Prices $/ML	2020-21 Cost reflective prices $/ML
Morton Vale Pipeline	Fixed (Part A)	35.42	59.57
	Volumetric (Part B)	5.72	11.01
	Fixed (Part C)	10.34	9.69
	Volumetric (Part D)	7.51	7.51
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	45.76	69.26
	Volumetric (Part B + Part D)	13.23	18.52

Source: Seqwater Rural Water Pricing Direction Notice (No. 1) 2020 and Queensland Competition Authority, Final Report, Rural irrigation price review 2020–24 Part C: Seqwater, January 2020

3.2 Operating expenditure

Seqwater's costs are subject to review by the QCA at the end of each price-path. The 2019-20 year was the final year of the previous extended price-path. The new price-path commenced on 1 July 2020 for four years to 2024. The table below sets out the forecast efficient costs as recommended by the QCA.

Table 6: Recommended forecast operating costs Central Lockyer tariff group for 2020-21 to 2023-24 ($Nominal)

Operating cost item	2020-21	2021-22	2022-23	2023-24
	($)	($)	($)	($)
Direct operations	177,616	181,858	186,650	191,515
Repairs and maintenance	174,015	178,136	182,839	187,645
Dam safety	8,226	26,517	8,617	–
Rates	572	584	599	614
Non-direct costs	369,195	377,317	386,750	396,419
Total operating costs	**729,623**	**764,413**	**765,455**	**776,193**

Source: QCA Final Report, Seqwater Irrigation Price Review 2020-24 (February 2020)

Table 7: Recommended forecast operating costs Morton Vale Pipeline for 2020-21 to 2023-24 ($Nominal)

Operating cost item	2020-21	2021-22	2022-23	2023-24
	($)	($)	($)	($)
Direct operations	22,019	22,540	23,136	23,744
Repairs and maintenance	5,218	5,341	5,482	5,627
Non-direct costs	16,979	17,352	17,786	18,231
Total operating costs	**44,215**	**45,234**	**46,404**	**47,602**

Source: QCA Final Report, Seqwater Irrigation Price Review 2020-24 (February 2020)

The following table sets out Seqwater's detailed actual expenditure compared to the 2019-20 target budget which was extrapolated from the budgets recommended by the QCA in the 2013-17 price review. Also shown is the detailed budget recommended by the QCA for 2020-21. Explanations of material variations are set out in the table below.

Table 8: Central Lockyer Valley tariff group operating expenditure for 2019-20 and operating budget 2020-21 ($Nominal)

Operating cost Item	2019-20		2020-21
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	146,228	170,188 (1)	124,213
Electricity	127,964	6,385 (2)	11,122
Other direct operating	27,619	32,390 (3)	42,281
Repairs and maintenance	189,604	70,131 (4)	174,015
Rates	707	569	572
Dam safety inspections	26,537	8,033	8,226
Consultation costs	8,321	– (5)	–
Total direct operating costs	**492,122**	**287,696**	**360,429**

Table 8: Central Lockyer Valley tariff group operating expenditure for 2019-20 and operating budget 2020-21 ($Nominal) *(continued)*

Operating cost Item	2019-20		2020-21
	Budget ($)	Actual ($)	Budget ($)
Non-direct costs (indicative)			
Operations	194,042	121,152 (6)	215,272
Non-infrastructure	19,141	7,494	7,712
Insurance	169,650	124,746 (7)	146,211
Total non-direct costs	**382,833**	**253,391**	**369,195**
Total operating costs	**874,955**	**541,087**	**729,624**

Source: Seqwater (2020); QCA Final Report, Seqwater Irrigation Price Review 2020-24 (February 2020)

Notes:

(1) Additional internal labour was used to undertake maintenance resulting in a shift of costs between cost categories.

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

(3) A shift of costs between cost categories.

(4) Scheduled repairs and maintenance were lower and fewer unscheduled repairs were required. And as per (1) above, any maintenance was mainly undertaken by internal staff resulting in a shift of costs between cost categories.

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

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

(7) Seqwater negotiated lower insurance premiums resulting in savings in insurance costs for the Scheme.

Table 9: Morton Vale Pipeline tariff group operating expenditure for 2019-20 and operating budget 2020-21 ($Nominal)

Expenditure Item	2019-20		2020-21
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	43,369	11,725 (1)	12,421
Other	2,785	3,358	9,597
Repairs and maintenance	12,339	– (2)	5,218
Total direct operating costs	**58,493**	**15,083**	**27,236**
Non-direct costs (indicative)			
Operations	25,817	6,534 (3)	14,161
Non-infrastructure	2,547	404 (3)	507
Insurance	2,897	8,515 (4)	2,310
Total non-direct costs	**31,261**	**15,454**	**16,978**
Total operating costs	**89,754**	**30,537**	**44,214**

Source: Seqwater (2020); QCA Final Report, Seqwater Irrigation Price Review 2020-24 (February 2020)

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) Change in methodology for calculation of insurance premiums apportionment resulted in higher allocation to the pipeline.

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 account for 2019-20 for Central Lockyer and Morton Vale Pipeline are presented below.

Table 10: Central Lockyer Valley tariff group ARR for 2019-20 ($Nominal)

Asset Restoration Reserve	2019-20 ($)
Opening Balance 1 July	-1,570,995
Interest for year*	-97,402
Revenue – irrigation	229,250
Expenditure for year	-1,269,112
Closing Balance 30 June	-2,708,259

Source: Seqwater (2020)

* 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 2019-20 ($Nominal)

Asset Restoration Reserve	2019-20 ($)
Opening Balance 1 July	523,800
Interest for year*	32,476
Revenue for year	-21,491
Expenditure for year	0
Closing Balance 30 June	534,785

Source: Seqwater (2020)

* 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 2019-20 renewals

The following table sets out the renewals projects that were undertaken in 2019-20.

Table 12: Central Lockyer Valley tariff group renewals projects 2019-20

Asset	Project scope	Budget ($'000)	Actual ($'000)
Water meters	Water meter replacement (carried over)	-	249
Water meters	Water meter replacement Central Lockyer Groundwater Irrigation Modernisation (CLGIM) project	2,500	1,016 (1)
Redbank Creek	Upgrade RWPS Flow Measurement	–	4 (2)

Source: Seqwater (2020)

Notes:

(1) Seqwater's contribution to the total proposed cost of $5m will be up to $2.5m This project will be carried over to 2020-21.

(2) Additional project.

No renewals projects were undertaken for the Morton Vale Pipeline in 2019-20.

3.3.2.2 2020-21 forecast renewals

Forecast renewals expenditure for 2020-21 for the Central Lockyer Valley tariff group is provided below.

Table 13: Central Lockyer Valley tariff group renewals projects for 2020-21 ($Nominal)

Asset	Project description	Forecast cost ($'000)
Clarendon Weir	Refurb inlet bulkhead gate	448
Clarendon Dam	Refurbish outlets works baulk protective coating	149
	Renew outlet works trash rack paint	269
	Refurbish outlets works trash screen protective coating	36
Water meters	Replace flow meters under CLGIM project	1,483*

Source: Seqwater (2020) * 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 2020-21.

3.3.2.3 Asset planning

Seqwater has an Asset Portfolio Master Plan (APMP). The renewals projects for irrigation schemes in the APMP were reviewed by the QCA during the 2020-24 price review and found to be prudent and efficient.

3.3.2.4 Rolling 5-year renewals forecast

The renewal projects forecast for the next 5 years for the Central Lockyer Valley tariff group are shown in the tables below. This forecast is updated each year.

Table 14: Central Lockyer Valley tariff group rolling 5-year renewals forecast 2021-2026 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Bill Gunn Dam	Replace crane hoist	2022-23	12
Central Lockyer	Replace fencing	2021-22	60
Clarendon Dam	Renew outlet works baulk paint	2021-22	36
	Renew Outlet Works Trash Rack Paint	2021-22	36
	Replace Crane Hoist	2022-23	12
Clarendon Diversion Channel	Refurb inlet bulkhead gate	2021-22	48

Source: Seqwater (2020)

At this time there are no renewal projects forecast for the next 5 years for the Morton Vale Pipeline.