Logan River Water Supply Scheme

Annual Network Service Plan

2020-21

Published: September 2020

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 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
• Maroon Dam • Wyaralong Dam*	• Cedar Grove Weir • Bromelton Weir • South Maclean Weir	• Bromelton Off-Stream Storage	• Gauging stations • Customer water meters

Source: Seqwater (2020)

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: Logan Resource Operations Plan June 2014; Seqwater (2020)

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	2020-21	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 (2020)

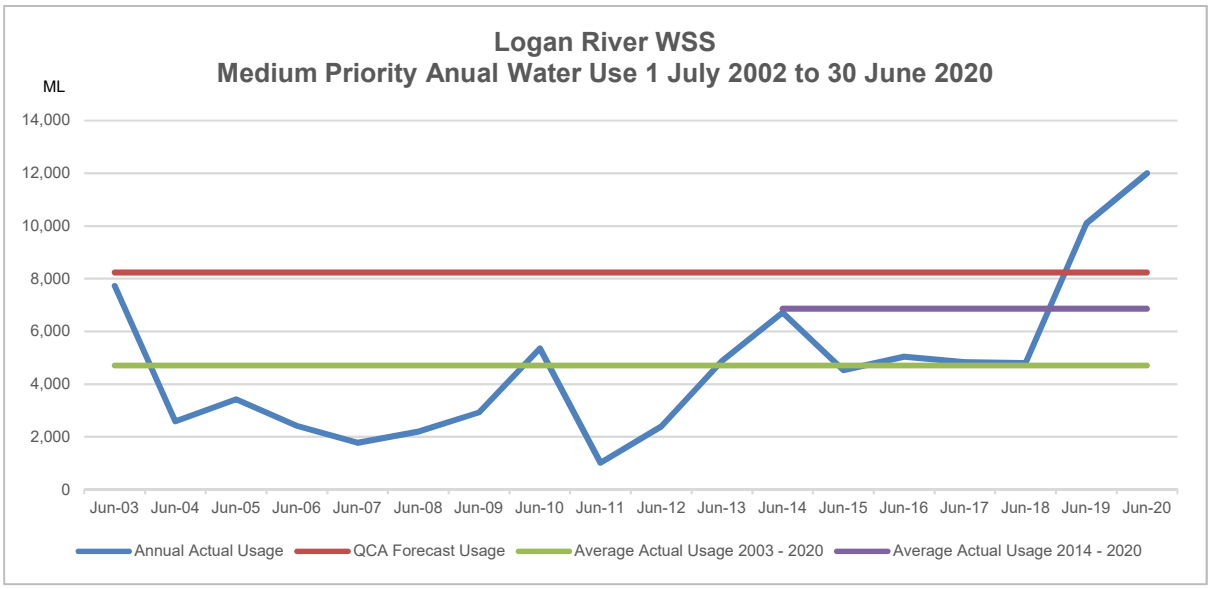
2.4.2 Water use

Figure 1 below shows the actual medium priority water usage per year from 2002-03 to 2019-20.

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.

This year we have also included the average water usage from 2014 - 20. You will see in the graph below (purple line) that the actual average water usage from this period, is lower than the QCA usage assumption from the 2013 – 2017 price path.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2020

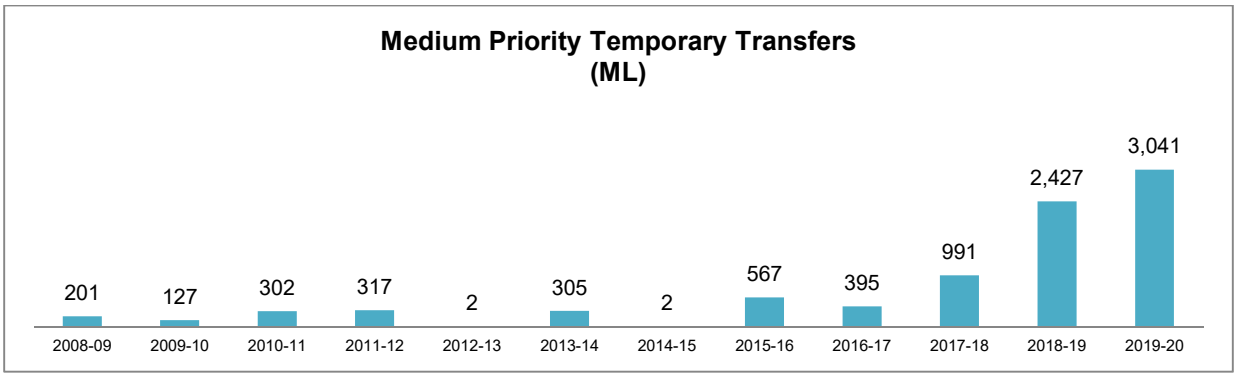


Source: Seqwater (2020)

2.5 Water trading

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

Figure 2: Temporary transfers 2009-20



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 Logan River WSS web page on Seqwater's website.

In 2019-20 Seqwater met its service targets. The performance report was published on the Logan River WSS page on Seqwater's website.

2.8 Scheme Operations

Maroon Dam Storage Level:

Maroon Dam started the 2019-20 water year with a volume of 33,265ML. By mid-January 2020, after a hot dry summer, Maroon Dam reached a low of 20,773ML. This raised concerns about the capability of the dam to supply demand for the remainder of the water year. However, February rains brought inflows of approximately 6,460ML into Maroon Dam. This event secured supply for the remainder of the 2019-20 water year.

The year that was from your Operations Team:

Your Operations Team were kept busy during 2019-20 with routine maintenance works such as erosion repair works at both Bromelton & Cedar Grove Weirs. They also welcomed a new Trainee Dam & Irrigation Operator to the Scenic Rim team in April 2020.

The works at Bromelton Weir will be carried over for completion in 2020-21 but has already been delayed due to a rain event in August 2020.

1. Bromelton Weir overtopping August 2020

Source: Seqwater 2020

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 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 out 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 prices are shown in Table 4 below. For comparison purposes, the cost-reflective prices recommended by the QCA have also been shown. The cost-reflective prices represent the price required to recover the annual costs assessed as efficient by the QCA. Because the regulated prices for 2020-21 are higher than the cost-reflective prices, Seqwater has undertaken to transfer the surplus revenue into the Asset Revaluation Reserve (ARR) at the end of the financial year. This will be reported in the ARR account in the next NSP.

Table 4: Water prices 2020-21 (Nominal $/ML)

Tariff Type	2020-21 Regulated Prices $/ML	2020-21 Cost reflective prices $/ML
Part A – Fixed (based on water allocation entitlement)	26.80	18.78
Part B – Volumetric (based on usage)	11.58	18.41

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 5: Recommended forecast operating costs for 2020-21 to 2023-24 ($Nominal)

Operating cost item	2020-21 ($)	2021-22 ($)	2022-23 ($)	2023-24 ($)
Direct operations	395,699	405,307	416,172	427,238
Repairs and maintenance	299,639	306,734	314,832	323,108
Dam safety	–	49,147	–	23,775
Rates	589,065	602,024	617,075	632,501
Non-direct costs	1,079,566	1,103,317	1,130,900	1,159,172
Total operating costs	**2,363,969**	**2,466,529**	**2,478,979**	**2,565,795**

Source: Seqwater (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 over the page.

Table 6: 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	368,597	282,644 (1)	314,355
Electricity	8,661	9,156	10,500
Other	165,557	63,439 (2)	70,844
Repairs and maintenance	125,331	146,957 (3)	299,639
Rates	41,635	45,164	589,065 (7)
Dam safety inspections	–	8,033 (4)	–
Consultation costs	8,321	– (5)	–
Total direct operating costs	**718,102**	**555,393**	**1,284,403**
Non-direct operating costs			
Operations	309,032	237,121	722,478
Non-infrastructure	30,483	14,666	25,884
Insurance	171,297	113,986 (5)	331,205
Total non-direct costs	**510,812**	**365,773**	**1,079,567**
Total operating costs	**1,228,914**	**921,166**	**2,363,970**

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

Notes:

(1) Labour costs were less than budgeted due to operational efficiencies (change to rosters to reduce on call)

(2) Operational costs were less than budget as it was dry which means less mowing and ground maintenance. Diving inspections as part of dam safety were not carried out due to COVID19.

Notes: ***(from table 6 continued)***

(3) Repairs and maintenance costs were more than budgeted as a power pole was replaced at the office.

(4) Dam safety inspection was carried over and was completed internally.

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

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

(6) Wyaralong Dam now included.

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 2019-20 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	2019-20 ($)
Opening Balance 1 July	-360,810
Interest for year*	-22,370
Revenue – irrigation	42,940
Expenditure for year	-11,794
Closing Balance 30 June	-352,034

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 8: Renewals projects for 2019-20

Asset	Project scope	Budget ($'000)	Actual ($'000)
Customer water meters	Replace water meters	297	302
Bromelton Weir	Repair riverbank erosion (carryover)	95	90
Cedar Grove Weir	Repair erosion works (carryover)	103	132
	Fishway Level Sensor Upgrade	–	65 (1)

Source: Seqwater (2020)

Notes:

(1) Additional project.

3.3.2.2 2020-21 forecast renewals

Forecast renewals expenditure for 2020-21 is provided in table 9 below.

Table 9: Renewals by project for 2020-21 ($Nominal)

Asset	Project scope	Forecast ($'000)
Customer water meters	Replace water meters	100
Bromelton Weir	Repair riverbank erosion (carryover)	885

Source: Seqwater (2020)

3.3.2.3 Asset management plan

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

Listed below are the renewal projects forecast for the next 5 years. This forecast is updated each year.

Table 10: Rolling 5-year renewals forecast ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Logan River	Replace fencing	2021-22	60
Maroon Dam	Access and Grid Mesh Repairs	2021-22	126
	Renew Building Repair Work	2021-22	96
	Outlet Works Riparian Valve	2021-22	180
Wyaralong Dam	Recoat Dewatering Valve and Assemble	2022-23	120
	Refurbish Baulks	2023-24	84
	Office Building – Replace	2025-26	300

Source: Seqwater (2020)