Lower 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 Lower Lockyer Valley Water Supply Scheme is located west of Lowood in the Lockyer Valley in South East Queensland and centres around Atkinson Dam. The Scheme was designed to supply surface water for irrigation.

The Scheme is regulated under the Moreton Water Management Protocol and managed under the Lower Lockyer Valley Water Supply Scheme Operations Manual.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Lower Lockyer 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
• Atkinson Dam	• Buaraba Creek Diversion Weir • Brightview Weir • Sippels Weir • Potters Weir • O'Reillys Weir	• Gauging stations • Buaraba Creek Diversion Channel • Buaraba Creek Supply Channel • Seven Mile Lagoon Diversion Channel • Atkinson Pump Station • Atkinson Low Level Pump Station • Brightview Weir Supply Channel • Customer water meters

Source: Seqwater (2020)

2.3 Customers and water entitlements serviced

The following table sets out the ownership of water allocations by class of owner.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)
Irrigation	141	11,110
Seqwater	5	1,510
Totals	**146**	**12,620**

Source: 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 the current year plus the historical position for the previous ten years.

Table 3: Announced allocations history

Year	MP %	Year	MP %	Year	MP %
2007-08	0–16	2013-14	100	2019-20	0
2008-09	13–63	2014-15	81	2020-21	0
2009-10	27–100	2015-16	31		
2010-11	100	2016-17	0–10		
2011-12	100	2017-18	0–17		
2012-13	100	2018-19	0		

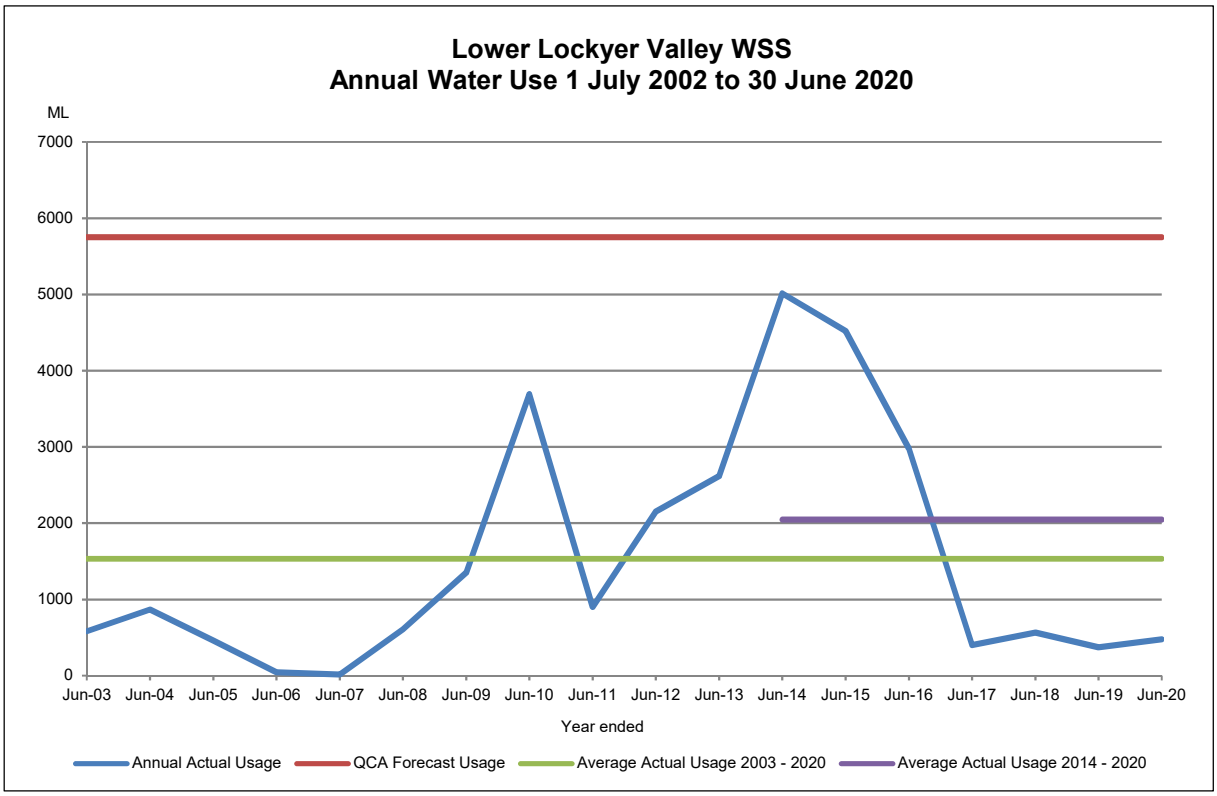
Source: Seqwater (2020)

2.4.2 Water use

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

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 5,750 ML or 52% of nominal water allocations. 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, the water usage from 2014-20 has been added. As you can see in the graph below (purple line) the actual average water usage from this period, is a lot lower than the QCA usage assumption from the 2013-17 price path due to ongoing drought.

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

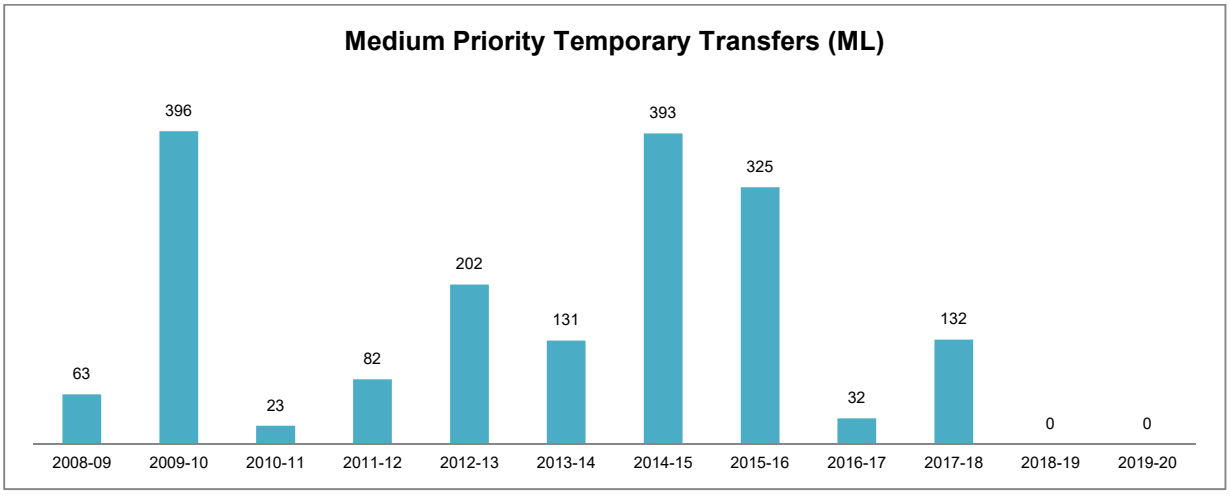


Source: Seqwater (2020)

2.5 Water trading

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

Figure 2: Temporary transfers 2008-20



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 Lower Lockyer Valley WSS web 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 ongoing drought. The performance report was published on the Lower Lockyer Valley WSS page on Seqwater's website.

2.8 Scheme operations

During 2019-20 we completed refurbishment of both Potter's and Sippel's Weirs, with both undergoing significant works to sheet pile and install concrete curtains on the upstream side of the structure.

Over the past year the Lower Lockyer has also seen desilt works on the Brightview Channel and 7 Mile Lagoon diversion channel, to ensure these continue to operate efficiently.

At Atkinson Dam, work focussed on the spillway where there was significant clearing of vegetation from in and around the spillway itself, complementing the fuel reduction works that were undertaken in the area last season. The pumps at Atkinson Dam also underwent removal and refurbishment through 2019, to ensure these are ready for releases.

While there was one rain event which saw diversion of water in to Atkinson Dam, this was short lived and only resulted in a small increase in water level which did not pass the minimum operating level.

The operational team continued to focus on ongoing maintenance of the scheme, including Dam Surveillance activities, continued 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 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 regulated irrigation water prices and the cost per megalitre are shown below. The Lower Lockyer Valley Water Supply Scheme is not expected to fully recover the costs to run the scheme in 2020-21.

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

Tariff Type	2020-21 Regulated Prices $/ML	2020-21 Cost reflective prices $/ML
Part A – Fixed (based on water allocation entitlement)	47.53	100.65
Part B – Volumetric (based on usage)	25.80	33.24

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	313,420	320,611	328,713	336,883
Repairs and maintenance	107,662	110,156	113,016	115,942
Dam safety	3,679	–	3,854	27,859
Rates	52,858	54,021	55,371	56,755
Non-direct costs	336,837	344,247	352,853	361,674
Total operating costs	**814,456**	**829,034**	**853,808**	**899,114**

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 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	298,722	156,434 (1)	158,372
Electricity	46,678	9,491 (2)	44,618
Other	233,904	68,159 (3)	110,430
Repairs and maintenance	234,992	147,330 (4)	107,662
Rates	55,625	60,452	52,858
Consultation costs	8,321	– (5)	–
Dam safety inspection	–	–	3,679
Total direct operating costs	**878,242**	**441,866**	**477,619**
Non-direct operating costs (indicative)			
Operations	378,995	191,420 (6)	267,481
Non-infrastructure	37,385	11,840 (6)	9,583
Insurance	76,234	47,041 (7)	59,773
Total non-direct costs	**492,614**	**250,301**	**336,837**
Total operating costs	**1,370,856**	**692,167**	**814,456**

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

Notes:

(1) Labour costs were less than budget because staff were diverted to other priorities away from the scheme.

(2) Electricity costs were lower because the pump could not function when the water level fell below the intake.

(3) Other costs were less because activity on the scheme was reduced with staff being diverted to other priorities away from the scheme.

(4) Repairs and maintenance costs were less than budget because scheduled maintenance tasks were lower during the year and there were less unscheduled repairs undertaken.

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

(6) Lower direct operating costs attracted a lower share of indirect costs.

(7) Seqwater negotiated lower insurance premiums in 2017-18 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 account for 2019-20 for this scheme is presented below.

Table 7: Lower Lockyer Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2019-20 ($)
Opening Balance 1 July	-738,157
Interest for year*	-45,766
Revenue for year	178,485
Expenditure for year	-412,051
Closing Balance 30 June	-1,017,488

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 2019-20

Asset	Project scope	Budget ($'000)	Cost ($'000)
Customer water meters	Replace 10 flow meters	150	15 (1)
Potters & Sippels Weir	Refurbishment works at Potters & Sippels Weir	-	96 (2)
Atkinson Dam	Replace ladder, walkway and handrail on intake tower	224	177
	Carry-over of office and amenities upgrade	175	108
	Install Flow Meter on DN1050	-	16 (2)

Source: Seqwater (2020)

Notes:

(1) This project carried-forward from 2018-19

(2) These projects were added and completed in 2019-20.

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)
Atkinson Dam	Safety Improvements – intake structure platform	114

Source: Seqwater (2020)

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

A rolling 5-year renewals forecast is set out in the table below. This forecast is updated each year.

Table 10: 5-year rolling renewals projects forecast 2021-25 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Brightview Weir	Replace fencing	2021-22	60
Scheme	Replace fencing	2021-22	60
	Upgrade 4 flow meters	2021-22	68
Customer water meters	Replace water meters	2021-22	240

Source: Seqwater (2020)