Mary 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 Mary Valley Water Supply Scheme was established to support irrigation in the sugar, dairy and horticulture sectors following construction of Borumba Dam in 1963. Water is released from Borumba Dam to supplement flows in the Mary River. The Pie Creek system is supplemented by channels and pipes distributing water diverted from the Mary River.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, "Mary Valley" and "Pie Creek".

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
• Borumba Dam	• Imbil Weir	• Pie Creek Pump Station • Gauging stations • Measuring weirs • Channels • Pipelines • 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 (ML)	High priority (ML)
Mary Valley irrigators	184	17,145	-
Pie Creek irrigators	50	1,218	-
Gympie Regional Council	1	-	3,524
Seqwater (amenities)	-	-	120
Seqwater (distribution losses)	-	426	60
Seqwater	-	3,000	-
Seqwater (urban supply)	1	-	6,500
Industrial	2	40	60
Totals	**266**	**21,829**	**10,264**

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

Table 3: Announced allocations history

Year	MP %	HP %	Year	MP %	HP %	Year	MP %	HP %
2007-08	14-100	100	2013-14	100	100	2019-20	100	100
2008-09	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	82	100			
2012-13	100	100	2018-19	100	100			

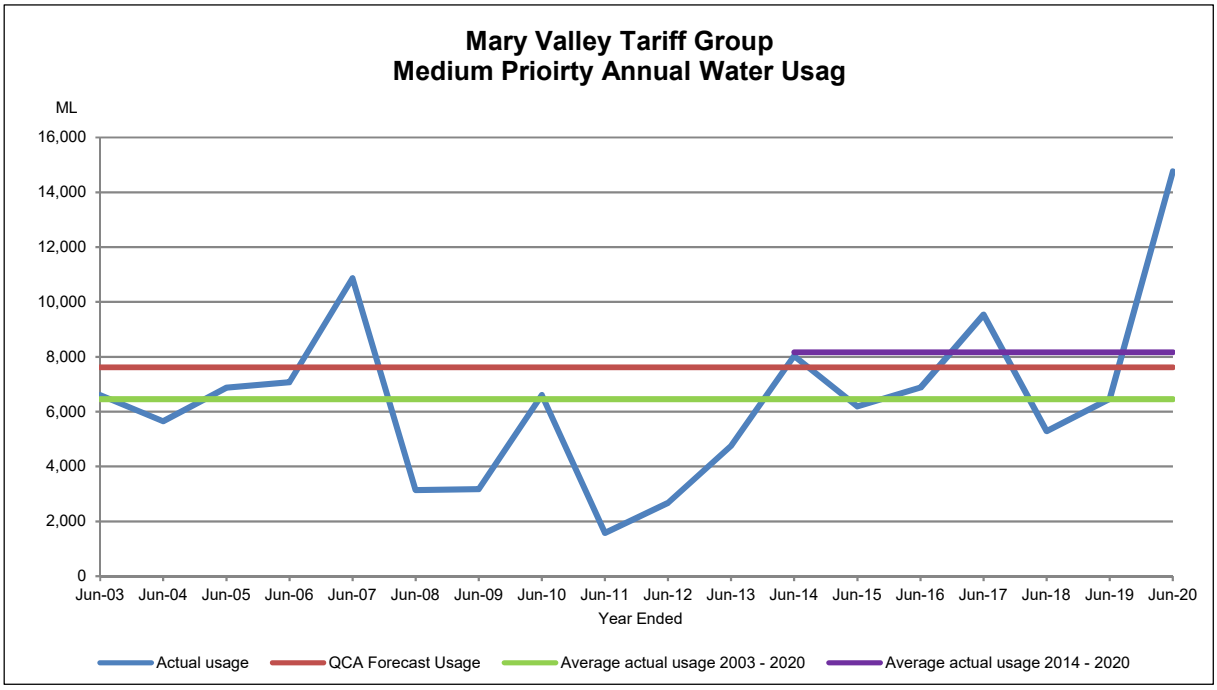
Source: Seqwater (2020)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2019-20 for the Mary Valley tariff group.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 7,618 ML or 44% of the nominal volume. The QCA's 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 average water usage from 2014 – 20 has been added. As can be seen on the graph below (purple line), the actual average water usage from this period is more than the QCA usage assumption for the 2013 – 2017 price path.

Figure 1: Mary Valley tariff group water usage for years ending 30 June 2003 to 30 June 2020

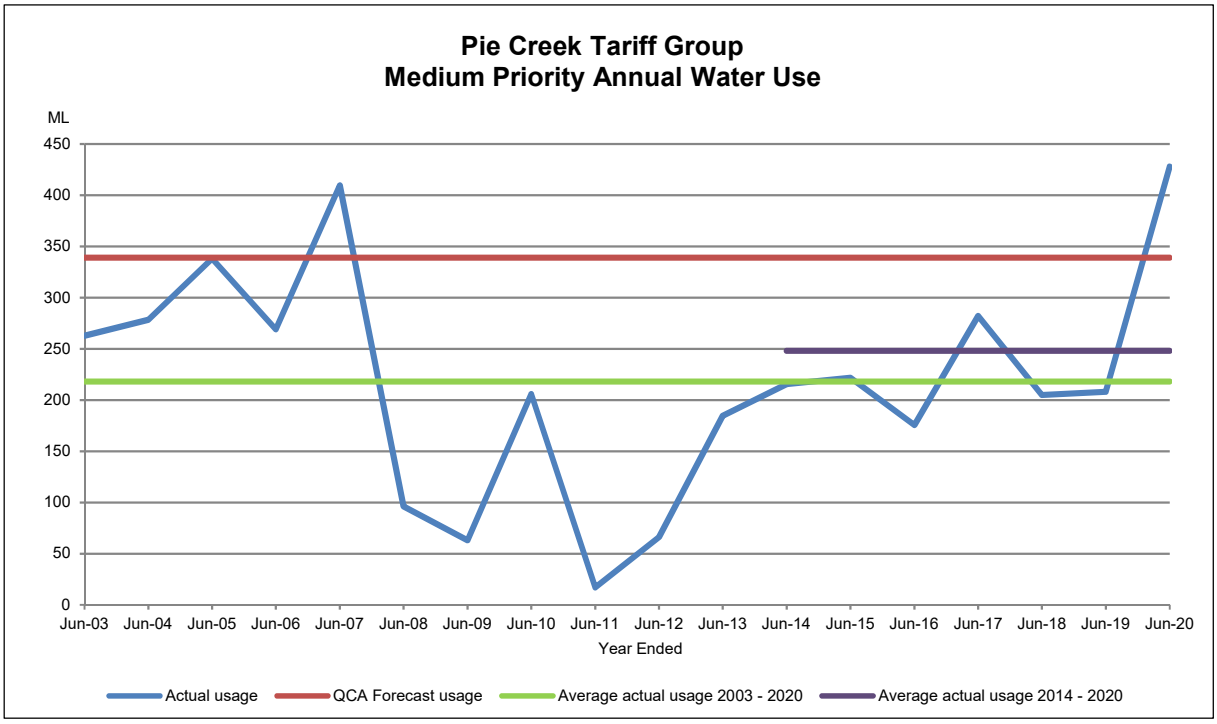


Source: Seqwater (2020)

Figure 2 below shows the water usage per year from 2002-03 to 2019-20 for the Pie Creek tariff group.

As per Figure 1 above, also included is usage assumption for the current approved price path for 2013-17 which is 339 ML or 41% of the nominal volume. The QCA's 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 average water usage from 2014 – 20 has been added. As can be seen on the graph below (purple line), the actual average water usage from this period is lower than the QCA usage assumption for the 2013 – 2017 price path.

Figure 2: Pie Creek tariff group water usage for years ending 30 June 2003 to 30 June 2020

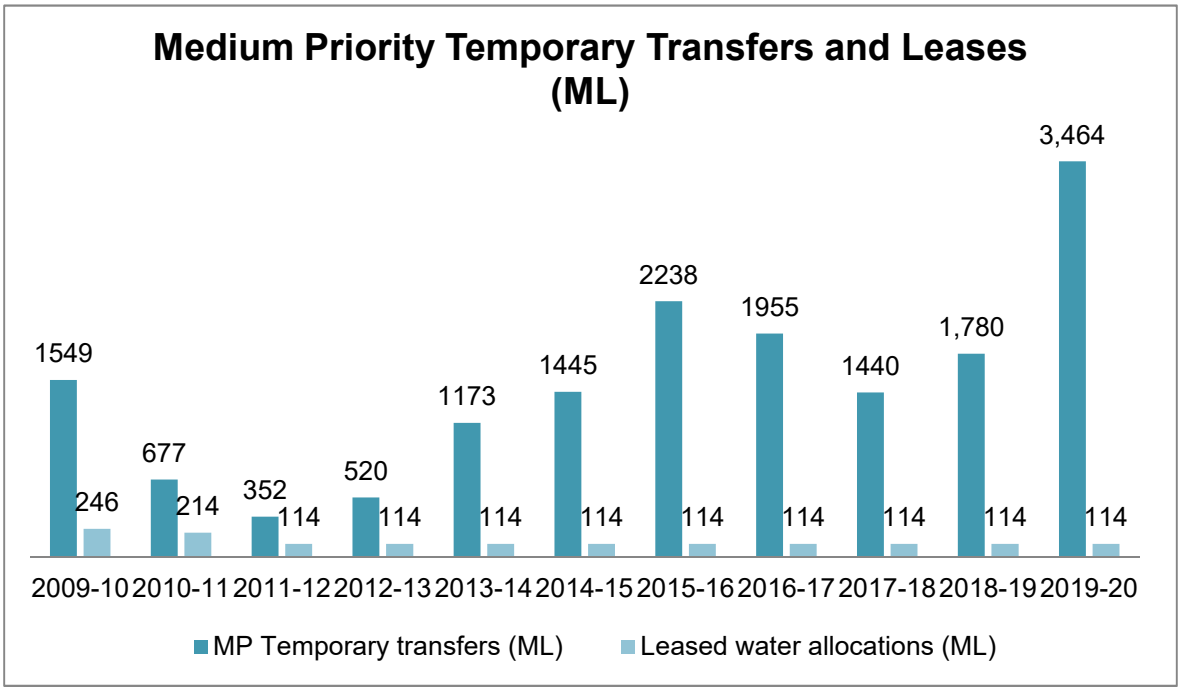


Source: Seqwater (2020)

2.5 Water trading

Figure 3 sets out the volumes of temporary transfers and leases by year from 1July 2009.

Figure 3: Temporary trading 2009-20 (Mary Valley and Pie Creek)



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 Mary Valley WSS page on Seqwater's website.

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

2.8 Scheme Operations

Borumba Dam started the 2019-20 water year with a volume of 44,001ML (96%). By February 2020, after a hot dry summer, Borumba Dam reached a low of 28,947ML (63%). Much needed inflows were received during February which seen Borumba Dam reach 100% capacity (46,000ML). Borumba Dam ended the year with a similar volume as it started with at 43,353ML (94%).

Due to the dry hot summer, peak releases of 130ML/day continued for approximately one month over December 2019 and January 2020.

Your Operations Team were kept busy during 2019-20 with routine maintenance works. Seventeen meters were upgraded in the Mary Valley Scheme and 4 meters were upgraded in Pie Creek. There were no unplanned shutdowns during the year with one planned shutdown on a section of pipeline in the Pie Creek Scheme.

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 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 for the Mary Valley tariff group, 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. However, this is different for Pie Creek where the regulated prices for 2020-21 are lower than the cost-reflective prices. As such, there will be no surplus revenue to transfer to Pie Creek's ARR.

Table 4: Water prices (Nominal $/ML)

Tariff Group	Product	2020-21 Regulated Prices $/ML	2020-21 Cost reflective prices $/ML
Mary Valley	Part A – Fixed (based on water allocation entitlement)	24.13	14.20
	Part B – Volumetric (based on usage)	7.98	7.98
Pie Creek	Part A – Fixed (based on water allocation entitlement)	14.20	14.20
	Part B – Volumetric (based on usage)	7.98	7.98
	Part C – Fixed (based on entitlement)	32.71	395.60
	Part D – Volumetric (based on usage)	81.95	249.54
	Termination Fee	480.70	4,472.70

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 tables below set out the forecast efficient costs as recommended by the QCA for both the Mary Valley and Pie Creek tariff groups.

Table 5: Forecast QCA budget Mary Valley tariff group operating costs for 2020-21 to 2023-24 ($Nominal)

Operating cost item	2020-21 ($)	2021-22 ($)	2022-23 ($)	2023-24 ($)
Direct operations	320,248	328,013	336,799	345,750
Repairs and maintenance	121,977	124,865	128,162	131,531
Dam safety	25,946	3,712	–	3,900
Rates	9,893	10,110	10,363	10,622
Non-direct costs	369,797	377,933	387,381	397,066
Total operating costs	**847,862**	**844,634**	**862,705**	**888,869**

Source: Queensland Competition Authority, Final Report, Rural irrigation price review 2020–24 Part C: Seqwater, January 2020

Table 6: Forecast QCA budget Pie Creek tariff group operating costs for 2020-21 to 2023-24 ($Nominal)

Operating cost item	2020-21 ($)	2021-22 ($)	2022-23 ($)	2023-24 ($)
Direct operations	81,066	83,032	85,261	87,537
Repairs and maintenance	84,529	86,530	88,815	91,150
Rates	3,271	3,343	3,427	3,513
Non-direct costs	19,291	19,594	19,908	20,183
Total operating costs	**292,800**	**299,627**	**307,217**	**314,933**

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

The following tables set out, for both the Mary Valley and Pie Creek tariff groups, 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 7: Mary Valley tariff group operating expenditure for 2019-20 and budget 2020-21 ($Nominal)

Operating cost item	2019-20		2020-21
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	270,304	189,969 (1)	204,754
Electricity	841	4,755	7,642
Other	231,215	38,431 (2)	107,852
Repairs and maintenance	239,050	54,295 (3)	121,977
Rates	8,948	11,335	9,893
Dam safety inspection	–	8,033 (4)	25,946
Consultation costs	8,321	– (5)	–
Total direct operating costs	**758,679**	**306,819**	**478,064**
Non-direct operating costs (indicative)			
Operations	359,296	129,436 (6)	251,857
Non-infrastructure	35,442	8,006 (6)	9,023
Insurance	140,024	77,690 (7)	108,917
Total non-direct costs	**534,762**	**215,132**	**369,797**
Total operating costs	**1,293,441**	**521,951**	**847,861**

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

Notes:

(1) Labour costs were less than budget because less staff time was required to operate the scheme as operational efficiencies have been implemented.

(2) Other costs were less than budget because water quality testing costs were lower and water treatment costs are no longer incurred.

(3) Repairs and maintenance costs were less than budget because no major maintenance projects were required to be undertaken during the year and because of ongoing efforts to reduce these costs overall.

(4) Dam safety inspection at Borumba Dam was brought forward to 2019-20.

(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 resulting in savings in insurance costs for the Scheme.

Table 8: Pie Creek tariff group operating expenditure for 2019-20 and budget 2020-21 ($Nominal)

Operating cost item	2019-20		2020-21
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	63,774	103,017 (1)	61,613
Electricity	31,630	37,177 (2)	19,759
Other	27,840	24,087	18,986
Repairs and maintenance	87,825	54,564 (3)	84,529
Rates	3,660	4,174	3,271
Total direct operating costs	**214,729**	**223,018**	**188,158**

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

Operating cost item	2019-20		2020-21
	Budget ($)	Actual ($)	Budget ($)
Non-direct operating costs (indicative)			
Operations	76,937	96,613	95,898
Non-infrastructure	7,589	5,976	3,436
Insurance	11,589	7,731 (4)	5,488
Total non-direct costs	**96,115**	**110,320**	**104,822**
Total operating costs	**310,844**	**333,338**	**292,980**

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

Notes:

(1) Additional labour costs were incurred because a new trainee has been stationed at the scheme. In addition, increased water demand resulted in increased staff time.

(2) Increased demand for water resulted in higher electricity costs for pumping.

(3) Repairs and maintenance costs were less than budget because no major maintenance projects were required to be undertaken during the year and because of ongoing efforts to reduce these costs overall.

(4) Seqwater negotiated lower insurance premiums 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, prepared on an irrigation-only basis, is presented below.

Table 9: Mary Valley Tariff Group Asset Restoration Reserve (irrigation only)

Asset Restoration Reserve	2019-20 ($)
Opening Balance 1 July	80,295
Interest for year*	4,978
Revenue – irrigation	117,694
Revenue – tariff adjustment	126,442
Expenditure for year	199,639
Closing Balance 30 June	129,771

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 10: Pie Creek Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2019-20 ($)
Opening Balance 1 July	402,035
Interest for year*	24,926
Revenue – irrigation	69,764
Expenditure for year	-90,750
Closing Balance 30 June	405,974

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 11: Mary Valley tariff group renewals projects 2019-20

Asset	Project scope	2019-20 Budget ($'000)	2019-20 Cost ($'000)
Borumba Dam	Replace outlet valves	–	6 (1)
	Renew power poles (carryover)	–	2 (2)
Customer water meters	Upgrade 20 flow meters	245	199

Source: Seqwater (2020)

Notes:

(1) Additional project.

(2) This project was carried over from 2018-19

Asset	Project scope	2019-20 Budget ($'000)	2019-20 Cost ($'000)
Pie Creek Pump Station	Upgrade pumping system	–	3 (1)
	Replace switchboard	–	3 (1)
	Replace water pump cables	–	2 (1)
Pie Creek Pipeline	Repair broken irrigation main	–	41 (2)
Customer water meters	Upgrade water meters	50	42

Source: Seqwater (2020)

Notes:

(1) Additional projects.
(2) Emergent repair

3.3.2.2 2020-21 forecast renewals

There are no renewals scheduled for the Mary Valley and Pie Creek tariff groups 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

At this time there are no renewal projects forecast for the next 5 years for the Mary Valley Tariff group. This forecast is updated each year.

The renewal projects forecast for the next 5 years for the Pie Creek Tariff group are shown below. This forecast is updated each year.

Table 14: Pie Creek tariff group rolling 5-year renewals forecast projects 2021-26 ($Nominal)

Asset	Project scope	Year	Forecast cost $'000
Pie Creek Pump Station	Replace switchboard	2022-23	960
	Upgrade pumping system	2021-22	180
	Raw water pump cables – damage by vermin	2021-22	60
Pie Creek Pipeline	Refurbish Calico Creek Pipeline scour outlet	2021-22	60
	Fencing	2021-22	60

Source: Seqwater (2020)