Central Lockyer Valley WSS

Scheme Performance Report 2021-22

Contents

Introduction

The Scheme Performance Report (SPR, formerly known as the Network Service Plan) is a key component of Seqwater's consultation with its customers and is intended to provide useful and helpful information. It provides a wholistic overview of scheme performance including historical water usage, budgeted and actual operational expenditure, forecasting operational expenditure, renewals and annuity fund balances.

Seqwater encourages comments and suggestions on the content of this SPR as this forms a valuable part of the scheme's operations and planning process. Customers may provide feedback via phone, email or post:

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Our Scheme

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.

The Scheme consists of two tariff groups, "Central Lockyer Valley" and "Morton Vale Pipeline".

Our Customers

The following table sets out the distribution of water allocations amongst classes of customers.

Table 1: Ownership of water allocations

Customer type	Number of customers	Medium priority (ML)	Low Priority (ML)	Medium priority (ML)	Morton Vale Pipeline MP (ML)	High priority (ML)
Irrigation – Ground water	198	-	18,630	9,284	-	-
Non-Irrigation – Ground water	14	-	241	125	-	-
Irrigation – Surface water	80	5,220				
Non-Irrigation – Surface water	6	71				
Lockyer Valley Regional Council	1	13 SW	30	85 GW	-	-
Seqwater	–	-	-	-	3,507*	185
Totals	**299**	**5,304**	**18,901**	**9,494**	**3,507**	**185**

* 3420ML is contracted to 41 customers on the Morton Vale Pipeline

Source: Seqwater (2021)

Working Together

Seqwater is committed to customer engagement and working with our customers in understanding their needs to improve customer satisfaction. This past year we have increased our communications by providing more regular information especially on forecast announced allocations which assists our customers with planning for the new water year. We are now using text (SMS) messaging and email communications more and more as this type of communication is timelier and more cost effective than postage.

We have continued to work through what our customers have told us in the 2020 survey and some improvements that our customers would have already noticed include:

- Receiving invoices at more consistent intervals as we have improved our internal process and implemented a billing KPI
- Shortening of time between the end of quarter and when we issue water statement (showing your water balance (ML)) as we have implemented a KPI for the issuing of water statements
- Introduced "Customer Connect" online trading forum in March 2021.

The Customer Connect initiative came from listening to our customers and their need to be able to connect to other customers when they were wanting to buy or sell water, permanently or temporarily. Customer Connect is simple to use and free to our customers.

We are planning now for the 2021 customer survey which will be held later in the year, so we are looking forward to hearing from you then.

Once again due to Covid-19 we have not been able to hold the customer forums safely during the 2020-21 year, however, we are planning to bring the forums to you in October 2021, where we can catch up with our customers face to face.

We will continue to engage with our customers in many ways, including customer reference group meetings, customer forums, information bulletins, surveys, web-based information and listening to our customers.

Our Service Targets

Service Targets help Seqwater better understand how our services meet our customers water needs. These have been based on consultation with our customers to develop these water supply arrangements to deliver water as efficiently as possible for our customers in the Central Lockyer Valley Water Supply Scheme. The table below shows the performance against the agreed Service Targets for the last two years.

Table 2: Service Targets 2019-20 and 2020-21

Notification		Target	Performance	
			2019-20	2020-21
Planned	Shutdowns planned to exceed 2 weeks	8 weeks	Nil	Nil
	Shutdown to exceed 3 days < 2 weeks	2 weeks	Nil	Nil
	Shutdown < 3 days	5 days	Nil	Nil
Unplanned	Shutdowns will be fixed so at least partial supply can be resumed	48 hours	Nil	Nil
	Interruptions greater than above	> 48 hours	Nil	Nil
	Interruption to supply	Earlier of 24 hrs & end of 1st business day	Nil	Nil
Planned & Unplanned	Interruptions to supply per water year	6 events	Nil	Nil
Meter Repairs	Faults causing restriction to supply after Seqwater has been notified	1 working day	Nil	Nil
Complaints	Initial response to complaints via post, email, or telephone.	5 working days	Nil	1
	Resolution or response to compliant on why it has not been or cannot be resolved within period of receiving complaint	21 days	Nil	1

Source: Seqwater (2021)

Our Water

The announced allocation determines the percentage of nominal water allocation volume that is available in each water year. Historical announced allocations determined under the Interim Resource Operations Licence can be found in the 2019-20 Network Service Plan for this scheme.

Prior to the Water Plan, the water year was from 1 July to 30 June, however, the Water Plan changes the water year to now run from 1 January to 31 December.

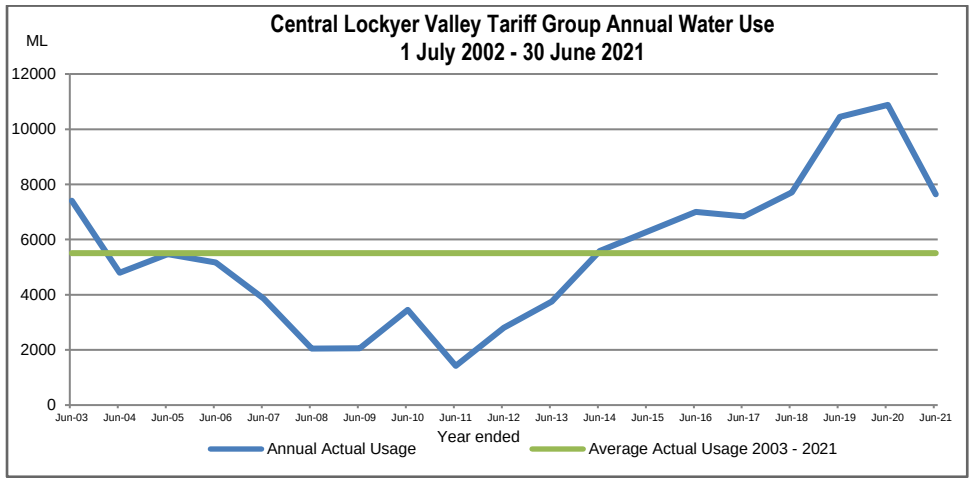
Table 3: Announced allocations

Year	Groundwater		Surface Water MP% (all zones)	MP % (Morton Vale Pipeline)
	LP%	MP%		
2020	60	80	0	0
2021	60	80	0	0

Source: Seqwater (2021)

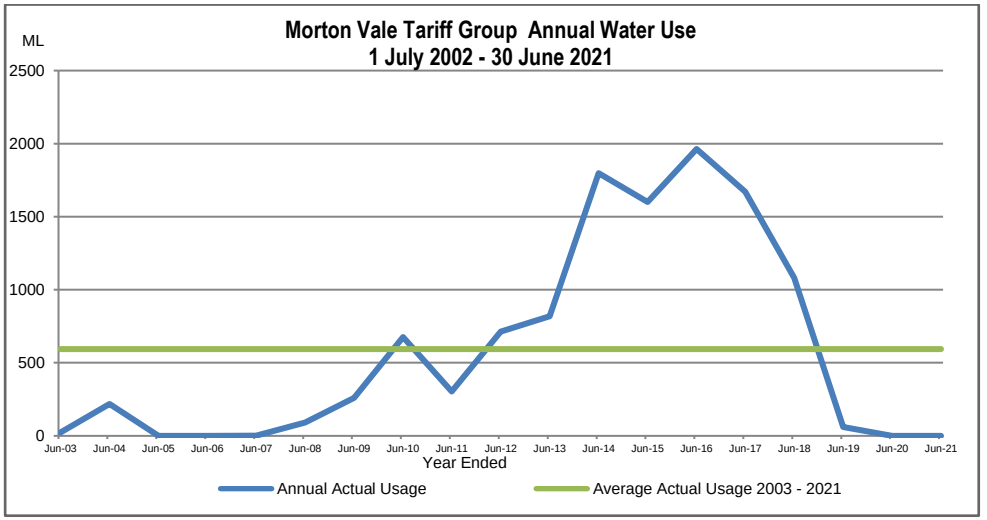
Figures 1 and 2 below show the actual water usage per year from the 2002-03 to the 30 June 2021 for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively. The 18-year average is also shown in both graphs.

Figure 1: Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2021 (includes usage to 30 June of the 2021 water year).



Source: Seqwater (2021)

Figure 2: Morton Vale Pipeline annual water usage for years ending 30 June 2003 to 30 June 2021 (includes usage to 30 June of the 2021 water year).



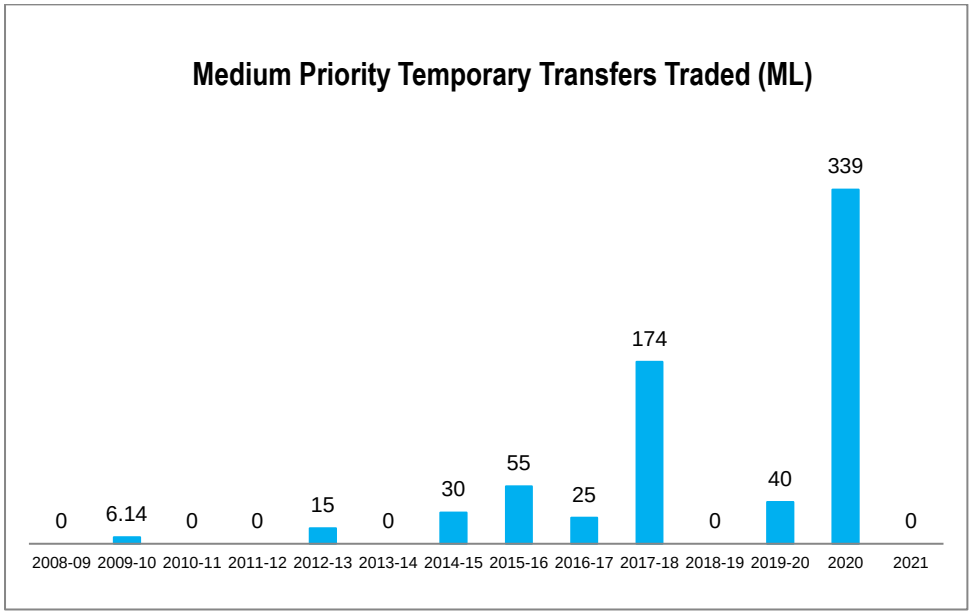
Source: Seqwater (2021)

Redbank Pump Station

The following chart sets out the volumes of temporary transfers by year from 1 July 2008 to 30 June 2020. Noting that the water years changed, the 2019-20 water year ended on 31 March 2020 and the new water year 2020 commenced 1 April 2020 and ends on the 31 December 2020. The temporary trades are shown in the changes in water years respectively below. Included in the graph below is January to June 2021 of the 2021 water year, however there has been no temporary transfers for this period.

All temporary transfers traded in the 2020 water year have been $0 trades, as they have either between the same account holders or the buyer and seller have been related or are associated. As per the Resource Operations Licence, the temporary transfers are made public and published on Seqwater's website.

Figure 3: Central Lockyer Valley Temporary trading history



Source: Seqwater (2021)

Our Infrastructure

The table below sets out the bulk water assets, owned and operated by Seqwater, that comprise the scheme.

Table 4: 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 (2021)

The water year 2020-21 saw the continuing work from last year's Australian's Government's announcement of the dollar-for-dollar matching grant to modernise the metering in the scheme. This was still a key focus for the water year by working and supporting together with the Minor Works team for the scoping and works around meter replacement. We also have been involved in a trial of telemetry options, which continue to be tested across the scheme and the business case is being finalised for reading of bores.

The rain event in March, saw water move into Lake Dyer and a small amount into Atkinson Dam. Subsequent releases were possible for a short period from Dyer, however there were no releases made from Atkinson Dam.

The key focus was to continue maintenance at Clarendon Dam and the berm drains to ensure improved drainage and lower siltation of the channel. The berm drains are at the top of the channels and prevents runoff over the channel bank from washing out and depositing silt into the channel.

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

Figure 4: Clarendon Channel Berm Maintenance

Source: Seqwater (2021)

Central Lockyer Groundwater Irrigation Modernisation Project

The Central Lockyer Groundwater Irrigation Modernisation (CLGIM) Project was a collaboration of the Lockyer Water Users Forum (FWUF), the Department of Natural Resources Mine & Energy (now known as Department of Regional Development Manufacturing and Water) and Seqwater. The project will modernise the scheme to support the sustainable management of the water resource.

The Commonwealth Government has agreed to provide funding for 49% of project costs up to $2.5M. The project includes the upgrading of all groundwater and surface water meters, equip the monitoring bores in the scheme with depth and water quality sensors (where required) and a telemetry system to collect data from the water meters and monitoring bores.

The upgrade of 263 meters has been completed at the end of June 2021, the remainder 82 meters will be upgraded by December 2021. Business cases are currently being finalised for the equipment on the monitoring bores and the telemetry system. The project will be completed by December 2022.

Our Water Prices

Irrigation charges for 2021-22

Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2021* which sets out the rural irrigation water prices and associated fees Seqwater must charge from 1 July 2021 to 30 June 2024. The 2021-22 base price for Part A & B fees is the 2020-21 QCA (Queensland Competition Authority) recommended price with a 15% discount applied.

The tables below show the discounted price that irrigators are paying (includes 15% discount), the QCA recommended price (excluding discount), the cost reflective prices and the percentage the scheme is subsidised by the Queensland Government.

The cost-reflective prices represent the price required to recover the annual costs assessed as efficient by the QCA. The Central Lockyer Valley Water Supply Scheme is not expected to fully recover the costs to run the scheme in 2021-22. The difference is covered by a Community Service Obligation (CSO) payment made by the Queensland Government

Table 5: Central Lockyer Valley tariff group irrigation water prices (Nominal $/ML)

Tariff Group	Tariff	Your Price 2021-22 ($/ML)	QCA Recommended 2021-22 ($/ML)	Cost Reflective Price 2021-22 ($/ML)	Subsidised 2021-22 (%)
Central Lockyer Valley	Fixed (Part A)	32.80	38.59[1]	60.90	46
	Volumetric (Part B)	9.36	11.01	11.26	2

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 6: 2020-21 Morton Vale Pipeline tariff group water prices (Nominal $/ML)

Tariff Group	Tariff	Your Price 2021-22 ($/ML)	QCA Recommended 2021-22 ($/ML)	Cost Reflective Price 2021-22 ($/ML)	Subsidised 2021-22 (%)
Morton Vale Pipeline	Fixed (Part A)	32.80	38.59		
	Volumetric (Part B)	6.82	8.02		
	Fixed (Part C)	8.99	10.58		
	Volumetric (Part D)	6.38	7.51		
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	41.79	49.17	70.81	30
	Volumetric (Part B + Part D)	13.20	15.53	18.97	18

Source: Seqwater Rural Water Pricing Direction Notice (No. 1) 2021 and Queensland Competition Authority, Final Report, Rural irrigation price review 2020–24 Part C: Seqwater, January 2020

Non-Irrigation water charges for 2021-22

Seqwater sets the non-irrigation water prices using the costs adopted by the QCA in their 2020-24 irrigation price review adding a return of capital and return on capital values.

Table 7: Non-irrigation prices 2021-22 (Nominal $/ML)

Tariff Group	Tariff Type	Medium Priority 2021-22 $/ML
Central Lockyer Valley	Fixed (Part A)	363.15
	Volumetric (Part B)	11.26
Morton Vale Pipeline	Fixed Bundle (Part A & Part C)	383.49
	Volumetric Bundle (Part B & D)	18.94

Source: Seqwater (2021)

Our Expenditure

Seqwater's costs are subject to review by the QCA at the end of each price-path which commenced on 1 July 2020 for four years to 2024. The following table sets out Seqwater's detailed actual expenditure compared to the 2020-21 target budget which was extrapolated from the budgets recommended by the QCA in the 2020-24 price review. Also shown is the detailed budget recommended by the QCA for 2021-22. Explanations of material variations are set out in the table below.

Table 8: Central Lockyer Valley tariff group operating expenditure for 2020-21 and operating budget 2021-22 ($Nominal)

Operating cost Item	2020-21 Budget ($)	2020-21 Actual ($)	2021-22 Budget ($)
Direct operating costs			
Labour	124,213	152,530 (1)	127,318
Electricity	11,122	2,884 (2)	11,296
Other	42,281	32,859 (3)	43,244
Repairs and maintenance	174,015	100,935 (4)	178,136
Rates	572	577	584
Dam safety inspections	8,226	8,061	26,517
Total direct operating costs	**360,429**	**297,846**	**387,095**
Non-direct costs (indicative)			
Operations	215,272	122,042 (5)	220,008
Non-infrastructure	7,712	8,193	7,882
Insurance	146,211	136,855 (5)	149,427
Total non-direct costs	**369,195**	**267,090**	**377,317**
Total operating costs	**729,624**	**564,935**	**764,413**

Source: Seqwater (2021); 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) Lower direct operating costs resulted in a lower allocation of indirect costs.

Table 9: Morton Vale Pipeline tariff group operating expenditure for 2020-21 and operating budget 2021-22 ($Nominal)

Expenditure Item	2020-21		2021-22
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	12,421	8,160 (1)	12,732
Other	9,597	7,015	9,809
Repairs and maintenance	5,218	1,659 (2)	5,341
Total direct operating costs	**27,236**	**16,834**	**27,882**
Non-direct costs (indicative)			
Operations	14,161	7,208 (3)	14,473
Non-infrastructure	507	476	519
Insurance	2,310	11,042 (4)	2,361
Total non-direct costs	**16,978**	**18,725**	**17,352**
Total operating costs	**44,214**	**35,559**	**45,234**

Source: Seqwater (2021); 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) Minimal 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.

Our Cost Outlook

The table below sets out the forecast efficient costs as recommended by the QCA.

Table 10: Recommended forecast operating costs Central Lockyer tariff group for 2020-21 to 2023-24 ($Nominal)

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

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

Table 11: Recommended forecast operating costs Morton Vale Pipeline for 2020-21 to 2023-24 ($Nominal)

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

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

Our Annuity

The balance of the renewal annuity funds is recorded in the Asset Restoration Reserve (ARR). The ARR account for 2020-21 for Central Lockyer and Morton Vale Pipeline are presented below.

Table 12: Central Lockyer Valley tariff group ARR for 2020-21 ($Nominal)

Asset Restoration Reserve	2020-21 ($)
Opening Balance 1 July	-2,708,259
Interest for year*	-118,351
Revenue – irrigation	325,649
Expenditure for year – non-metering	-95,197
Expenditure for year – metering	-1,530,755
Closing Balance 30 June	-4,126,913

Source: Seqwater (2021)

* The interest rate is based on the Queensland Competition Authority's recommended weighted average cost of capital (WACC) of 4.37% post-tax nominal.

Table 13: Morton Vale Pipeline tariff group ARR for 2020-21 ($Nominal)

Asset Restoration Reserve	2020-21 ($)
Opening Balance 1 July	534,785
Interest for year*	23,370
Revenue for year	5,507
Expenditure for year	0
Closing Balance 30 June	563,662

Source: Seqwater (2021)

* The interest rate is based on the Queensland Competition Authority's recommended weighted average cost of capital (WACC) of 4.37% post-tax nominal.

Our Renewals

2020-21 renewals

The renewals expenditure for 2020-21 for the Central Lockyer Valley tariff group are provided below. The irrigation share of renewals excluding meters is 98.9%.

Table 14: Central Lockyer Valley tariff group renewals projects for 2020-21 ($Nominal)

Asset	Project Scope	Budget ($'000)	Actual ($'000)	
Clarendon Weir	Refurbish inlet bulkhead	448	3	(1)
	Hydrometric Monitoring Network	-	5	(2)
Clarendon Dam	Refurbish outlets works baulk protective Coating	149	4	(1)
	Renew outlet works trash rack paint	269	5	(1)
Water meters	Replace flow meters under CLGIM project	1,483*	1,531	(3)
Kentville Weir	Hydrometric Monitoring Network	-	2	(1)
Redbank Creek WPS	Upgrade RWPS Flow Measurement	-	3	(1)
Scheme	Irrigation & Bore Hole Telemetry (CLGIM Project)	-	75	(2)

Source: Seqwater (2021)
* Seqwater's contribution to the total proposed cost of $5m will be up to $2.5m

Notes:
(1) Some planning work carried out, but project was delayed.
(2) Additional project.
(3) CLGIM = Central Lockyer Groundwater Irrigation Modernisation Project

There are no renewals projects for the Morton Vale Pipeline in 2020-21.

2021-22 renewals

Forecast renewals expenditure for 2021-22 for the Central Lockyer Valley tariff group are provided below.

Table 15: Central Lockyer Valley tariff group renewals projects for 2021-22 ($Nominal)

Asset	Project description	Forecast cost ($'000)
Meters	Upgrade Flow Meters under CLGIM project	750
Kentville Weir	Upgrade hydrometric monitoring network	255
Clarendon Weir	Upgrade hydrometric monitoring network	308

Source: Seqwater (2021)

There are no renewals projects for the Morton Vale Pipeline in 2021-22.

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 were found to be prudent and efficient.

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 16: Central Lockyer Valley tariff group rolling 5-year renewals forecast 2022-2027 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Scheme	Groundwater irrigation modernisation project	2022-23	2,626
Clarendon Weir	Renew Outlet Works Baulk Paint	2023-24	104
	Renew Outlet Works Trash Rack Paint	2023-24	62
	Replace Crane Hoist	2023-24	32
	Refurb Inlet Bulkhead Gate	2023-24	105
	Crest Seal Embankment	2026-27	370
Laidley Creek Diversion	Weir valve replacement	2022-23	103
Redbank Creek WPS	Upgrade RWPS Flow Measurement	2024-25	121
Bill Gunn Dam	Replace Crane Hoist	2023-24	32
	Provide Crest Seal	2026-27	600

Source: Seqwater (2021)

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