seqwater
WATER FOR LIFE

Central Brisbane River Water Supply Scheme

Annual Network Service Plan

2018-19

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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. All submissions will be published on the Seqwater website along with Seqwater's responses. 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 Brisbane River Water Supply Scheme (the Scheme) is located along the Brisbane River from Mt Crosby Weir up to and including Wivenhoe Dam. The Scheme was established in 1980 to enable irrigation of up to 1,000 ha within the area.

The Scheme is regulated under the Moreton Water Management Protocol and managed under the Central Brisbane River Water Supply Scheme Operations Manual.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Central Brisbane 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
Wivenhoe Dam, Somerset Dam	Mount Crosby Weir*	Nil	Wivenhoe Tail Water Weir Gauging stations

Source: Seqwater (2018)

* Although Mount Crosby Weir marks the end of the scheme, no costs associated with the weir are included for irrigation pricing purposes.

2.3 Customers and water entitlements serviced

Within the Scheme, Seqwater supplies raw water to 127 customers holding medium priority water allocations and one customer holding a high priority water allocation. Seqwater also holds an allocation which it uses for supply into its water treatment plants to provide treated water to its customers. The following table sets out the ownership of water allocations in the Scheme.

Table 2: Schedule of ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)	High priority volume (ML)
Irrigation	123	7,074	-
Ipswich City Council	1	65	-
Somerset Regional Council	1	15	-
Lowood and District Golf Club	1	40	-
Glamorgan Vale Water Board	1	-	250
Seqwater	-	-	278,617
Total	**127**	**7,194**	**278,867**

Source: Seqwater (2018)

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 since 2013-14.

Table 3: Announced allocations history

Priority	2013-14 %	2014-15 %	2015-16 %	2016-17 %	2017-18 %	2018-19 %
Medium	100	100	100	100	100	100

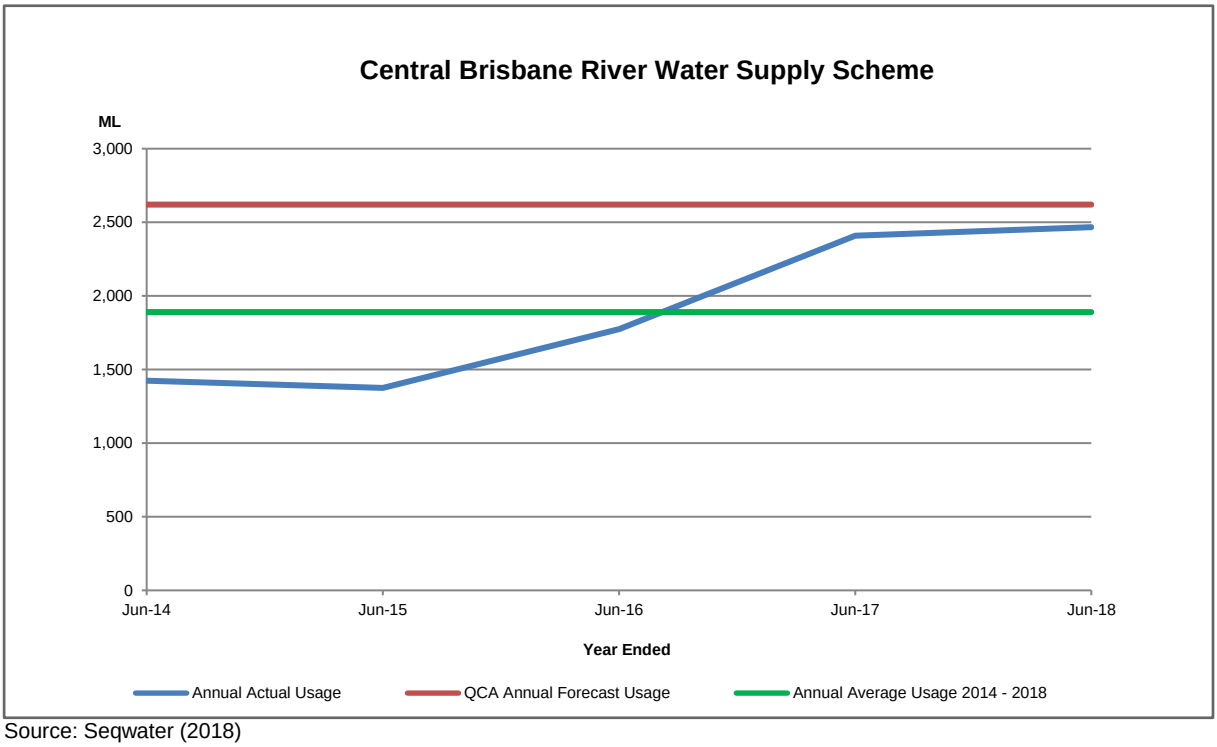
Source: Seqwater (2018)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2014 to 2018.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 2,620 ML per annum. Average water usage over the period has also been included for comparison purposes.

Figure 1: Annual irrigation water usage

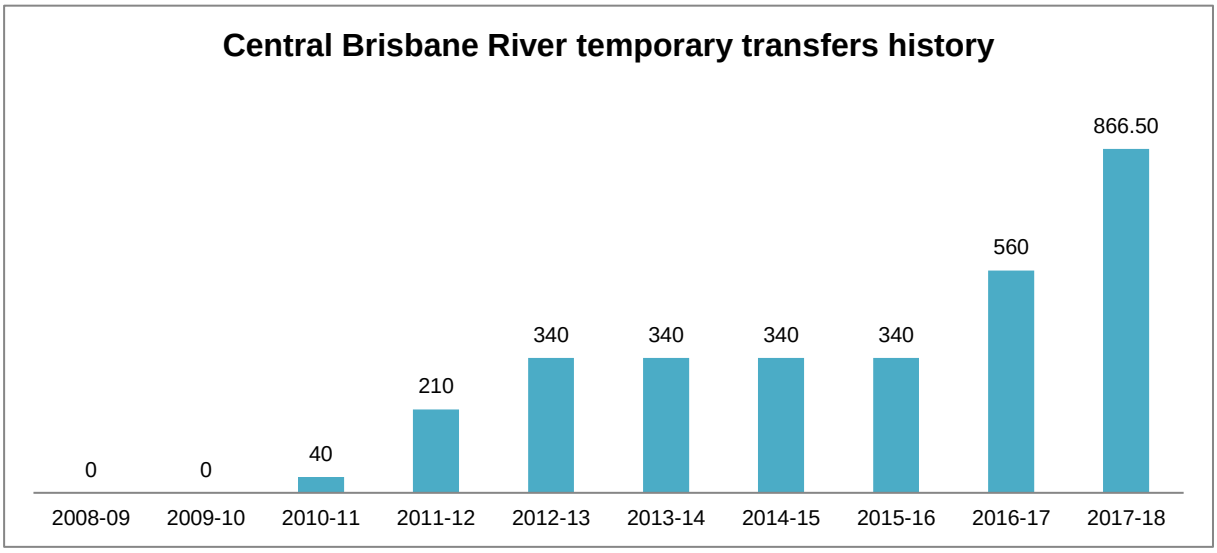


Source: Seqwater (2018)

2.5 Water trading

Figure 2 sets out the annual volumes of temporary transfers between irrigation customers from 1 July 2008.

Figure 2: Temporary transfers 2008-17



Source: Seqwater (2018)

It is important to note that, under the Protocol, where two parties wish to enter into a temporary or seasonal transfer, both parties require a water meter. The requirement may be waived for the transferor if they are able to demonstrate that they have no ability to take

water (e.g. no pumping equipment installed). However, the transferee must have a water meter installed at each location where water is taken.

2.6 Irrigation Customer Consultation

Seqwater is committed to customer engagement as required under its Statement of Obligations. Customer engagement includes customer forums and web-based information.

Customer engagement for 2018-19 will focus on the Government's irrigation price review which will lead to a new regulated price path from 1 July 2020 until 30 June 2024.

Seqwater consults with customer representatives (e.g. Mid Brisbane River Irrigators Executive Committee) to assess the need to hold an information forum. Attendance at customer forums is open to all irrigation customers of the Scheme as well as other stakeholders. On advice, no forum was held during 2017-18.

Seqwater will publish the annual network service plan on its website each year. All customer or stakeholder submissions in relation to the network service plan will be published on Seqwater's website along with Seqwater's responses and decisions.

2.7 Customer service standards

No service standards (i.e. targets) have been developed for the Scheme.

3. Financial Performance

3.1 Tariffs

In June 2017, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2017* which extends the 2013-17 irrigation water price path by two years to 2019. The Direction Notice was published in the Queensland Government Gazette on 9 June 2017.

The tariffs for the two-year extension are set out in the table below. Seqwater expects that the government will extend the tariffs to 2019-20. Customers will be notified of prices for 2019-20 when Seqwater receives another pricing direction notice.

Table 4: Water prices 2017-19 (Nominal $/ML)

Tariff	2017-18 ($)	2018-19 ($)
Fixed (Part A)	23.30	23.88
Variable (Part B)	11.19	11.47

Source: Seqwater (2018)

The fixed Part A tariff continues to be charged quarterly in advance and the variable Part B tariff is charged on actual usage at the end of each quarter. Customers who have not installed water meters are required to advise water usage by means of recording self-

assessed usage on log sheets during each quarter and to submit the log sheets to Seqwater at the end of each quarter.

3.2 Operating expenditure

The forecast operating costs set as a target by the QCA for the 2013-17 regulatory period have been extended for the additional two years of the price path and are set out in the table below. The 2017-18 forecast costs were calculated by applying the QCA's escalation rates to the QCA's 2016-17 operating costs forecast. The 2018-19 forecast operating costs were calculated by applying the QCA's escalation rates to the 2017-18 forecast costs. Some base costs have changed since the cost estimates were initially compiled for the QCA review in 2012. In these cases, Seqwater amended the 2016-17 forecast base costs before applying the QCA's escalation rates. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2017-18 NSP.

Table 5: Forecast QCA budget operating costs to end of 2019-20 ($Nominal)

Operating cost item	2018-19 Whole of Scheme ($)	2018-19 Irrigation share ($)	2019-20 Whole of Scheme ($)	2019-20 Irrigation share ($)
Direct operations	5,824,874	98,446	6,024,043	101,856
Repairs and maintenance	2,167,043	16,899	2,253,725	17,575
Dam safety	–	–	–	–
Rates	1,099,715*	7,742	1,127,208	7,936
Consultation costs	8,118	8,118	8,321	8,321
Non-direct costs	4,912,566	71,417	5,055,949	73,531
Total operating costs	**14,012,316**	**202,622**	**14,469,246**	**209,219**

Source: Seqwater (2018)

* Rates expense has been amended to include additional rates not previously included.

The following table sets out Seqwater's actual expenditure for 2016-17 compared with the QCA target. The irrigation share of scheme costs, calculated in accordance with the QCA's *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Brisbane River Water Supply Scheme*, have also been set out.

Table 6: Operating expenditure for 2017-18 and operating budget 2018-19 ($Nominal)

Operating cost item	2017-18			2018-19	
	Scheme budget (QCA) ($)	Actual expenditure		Scheme budget (QCA)	
		Scheme ($)	Irrigation ($)	Scheme ($)	Irrigation ($)
Direct					
Electricity	198,694	181,095	1,275	203,661	1,434
Labour	3,328,488	1,956,987 (1)	34,684	3,448,313	61,115
Other direct operations	2,105,222	1,458,732 (2)	21,702	2,172,900	35,897
Repairs and maintenance	2,083,695	784,885 (3)	5,596	2,167,043	16,899
Dam safety	–	–	–	–	–
Rates	1,072,893	1,074,991	7,568	1,099,715	7,742
Consultation costs	7,920	– (4)	–	8,118	8,118
Total direct costs	**8,796,912**	**5,456,690**	**70,825**	**9,099,750**	**131,205**
Non-direct (indicative)					
Operations	3,629,151	2,346,935	37,551	3,739,840	59,837
Non-infrastructure	361,839	93,771	1,500	370,885	5,934
Insurance	782,283	266,762 (5)	1,878	801,841	5,645
Total non-direct costs	**4,773,273**	**2,707,468**	**40,929**	**4,912,566**	**71,416**
Total operating costs	**13,570,185**	**8,146,158**	**111,754**	**14,012,316**	**202,621**

Source: Seqwater (2018)

Notes:

(1) Labour costs were below budget mainly because more efficient operating practices has reduced the labour costs previously required to operate the scheme.

(2) Costs are lower because of more efficient operating practices.

(3) Repairs and maintenance costs were less than budget because no major repairs or maintenance work was required to be undertaken during the year.

(4) The irrigator forum for 2017-18 was postponed.

(5) 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

Prior to 1 July 2013, the Scheme did not have an Asset Restoration Reserve (ARR). Consequently, the opening balance as at 1 July 2013 is nil. The actual balances on an irrigation share only basis, are set out in Table 7 below. In calculating the expenditure for each year, renewals expenditure was reduced by 56% for the flood mitigation component of the dams in accordance with the QCA's recommendation on page 51 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Brisbane River Water Supply Scheme*. The head works utilization factor of 1.6% was then applied to the reduced amount.

In September 2017, Seqwater engaged Indec Consulting to undertake an independent review of the Asset Restoration Reserves (ARR) for each of Seqwater's irrigation schemes. On the recommendation of the consultant, Seqwater has recast the ARR for this scheme and the updated account for 2017-18 is presented below.

Table 7: Asset Restoration Reserve – irrigation share only ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)	2017-18 ($)
Opening Balance 1 July	–	2,896	3,220	1,050	-5,507
Interest for year*	–	180	200	65	-341
Revenue – irrigation	3,560	7,048	7,627	10,584	10,849
Expenditure for year	-664	-6,904	-9,997	-17,206	-5,326
Closing Balance 30 June	2,896	3,220	1,050	-5,507	-325

Source: Seqwater (2018)

* The interest rate is based on the QCA'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 2017-18 renewals

The following table sets out the renewals projects that were undertaken in 2017-18.

Table 8: Renewals projects 2017-18

Asset	Project scope	Budget 2017-18 ($)	Actual 2017-18 ($)	Irrigation share ($)
Somerset Dam	Refurbish tunnels P and I	2,348	3,722	26
	Rock embankment stabilisation	25,368	25,518	180
	Replace main SB & DBs 1 &2	10,000	77,168 (1)	543
	Sluice gate safety hatch improvement	48,956	51,995	366
	Winch compliance	360,000	–	–
	Flood defence risk reduction	–	1,557	11
	Westvale road boat ramp	–	-10,677	-75
	Repair guardrail	57,215	57,492	405
	Resolve issue – recreation reticulation	84,000	-	
Wivenhoe Dam	Re-open Billies Bay recreation area	3,694	4,338	31
	Replace four gantry crane hydraulic motor switchgears	68,689	94,517	665
	Refurbish the bulkhead gate	16,948	18,362	129
	Recertify and paint 3.2 tonne crane	57,227	58,279	410
	Decommission and install new fuel station	60,000	150,742 (2)	1,061
	Refurb R & L Winch Gates 1, 2, 4, 5	25,000	25,703	181

Table 8: Renewals projects 2017-18 – *(continued)*

Asset	Project scope	Budget 2017-18 ($)	Actual 2017-18 ($)	Irrigation share* ($)
Wivenhoe Dam (*continued*)	Radial Gate Access Improvements	27,403	27,709	195
	Boundary Fence Construction	347	497	3
	Baulk Gate Chain Renewal	–	45,274	319
	79t Baulk Head Gate Crane Recert	–	-195	-1
	Replace main switch board	25,000	2,618	18
Wivenhoe recreation water treatment plant	Treatment plant upgrade	50,232	69,804	492
	Replace high level reservoir tank	240,000	7,810 (3)	55
Kirkleagh recreation sewerage treatment plant	Hydrochloric Acid Dosing	9,661	10,304	73
Kirkleagh recreation water treatment plant	Kirkleagh WTP upgrade	57,257	33,956	239
Total				**5,326**

Source: Seqwater (2018)

Notes:

(1) Preliminary works carried out in 2017-18 with main works scheduled for 2018-19.

(2) Some expenditure planned for 2018-19 was brought forward into 2017-18.

(3) Preliminary works were commenced in 2017-18 with the main works now scheduled for 2018-19.

3.3.2.2 2018-19 forecast renewals

Renewals projects scheduled for delivery in 2018-19 are provided in the table below.

Table 9: Renewals projects for 2018-19 ($Nominal)

Asset	Project scope	Budget 2018-19 ($'000)	Irrigation share ($'000)
Wivenhoe Dam	Replace main switch board	122,942	866
	DB6 and DB3 replacement	36,000	253
	Replace gantry crane hydraulic switchgears	458,362	3,227
	New fuel storage facility	388,500	2,735
	Boundary fence construction	5,000	35
	Improve luminaire accessibility	120,000	845
	Baulk controls and panel replacement	36,000	253

Table 9: Renewals projects for 2018-19 ($Nominal) *(continued)*

Asset	Project scope	Budget 2018-19 ($'000)	Irrigation share ($'000)
Somerset Dam	Replace main switch board & data boards 1 & 2	728,650	5,130
	Dissipator baffle wall sealing	169,000	1,190
	Refurbish coaster gate	164,000	1,155
	Flood defence risk reduction	451,000	3,175
Wivenhoe Dam recreation water treatment plant	Treatment plant upgrade	800,000	5,632
	Replace high level reservoir tank	280,000	1,971

Source: Seqwater (2018)

3.3.2.3 Asset management plan

Seqwater has developed an Asset Portfolio Master Plan (APMP). The APMP is considered leading practice within the water industry. All Seqwater's future capital expenditure is considered within the APMP framework. The long-term renewals program developed for the Scheme's assets by Seqwater's Asset Capability Team using the Asset Lifecycle Management Plan is included in the APMP.

3.3.2.4 Material planning period renewals

Material future projects are set out in the table below.

Table 10: Projects with a present value exceeding $2M for 2019-39 ($Nominal)

Asset	Project scope	Year	Forecast cost ($'000)	Irrigation share ($'000)
Wivenhoe Dam	Replace hydraulics on 79 tonne gantry crane	2034-35	4,500	32
Somerset Dam	Replace workshop	2037-38	5,375	38

Source: Seqwater (2018)