# Cedar Pocket Water Supply Scheme

# Annual Network Service Plan

# 2018-19

Published: November 2018

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 Cedar Pocket Water Supply Scheme was established following the construction, in 1985, of the Cedar Pocket Dam to provide irrigation water for the local dairy industry.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011. The Scheme consists of bulk water supply assets only. The Scheme has no distribution systems, with all irrigators taking their water supply directly from the natural water courses. Releases from the Dam are made manually.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Cedar Pocket Dam".

## 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 |
|---|---|---|---|
| Cedar Pocket Dam | Nil | Nil | Downstream measuring flume, customer water meters |

Source: Seqwater (2018)

## 2.3 Customers and water entitlements serviced

The Scheme supplies water to 11 irrigation customers who hold 495 ML of medium priority water allocations.

## 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. However, it should be noted that, under the ROP, in a water year in which Cedar Pocket Dam overflows, customers may take up to 200% of their nominal allocations.

The following table sets out the announced allocations for the current year plus the historical position for the previous ten years.

**Table 2:** Announced allocations history

| Year | MP % |
|---|---|
| 2007-08 | 38-100 |
| 2008-09 | 100 |
| 2009-10 | 100 |
| 2010-11 | 100 |
| 2011-12 | 100 |
| 2012-13 | 100 |
| 2013-14 | 100 |
| 2014-15 | 99-100 |
| 2015-16 | 100 |
| 2016-17 | 100 |
| 2017-18 | 96 |
| 2018-19 | 100 |

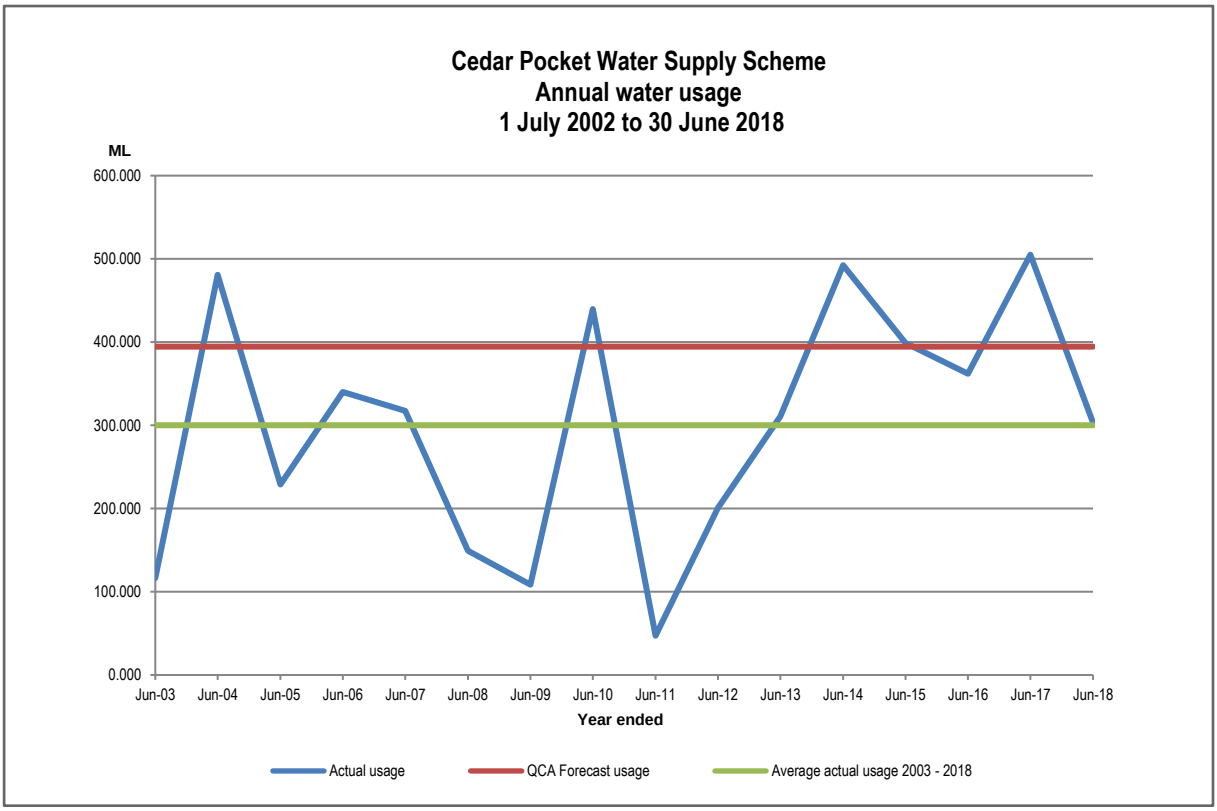
Source: Seqwater (2018)

### 2.4.2 Water use

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

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 395 ML or 80% of nominal water allocations. 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.

**Figure 1:** Annual Scheme water usage

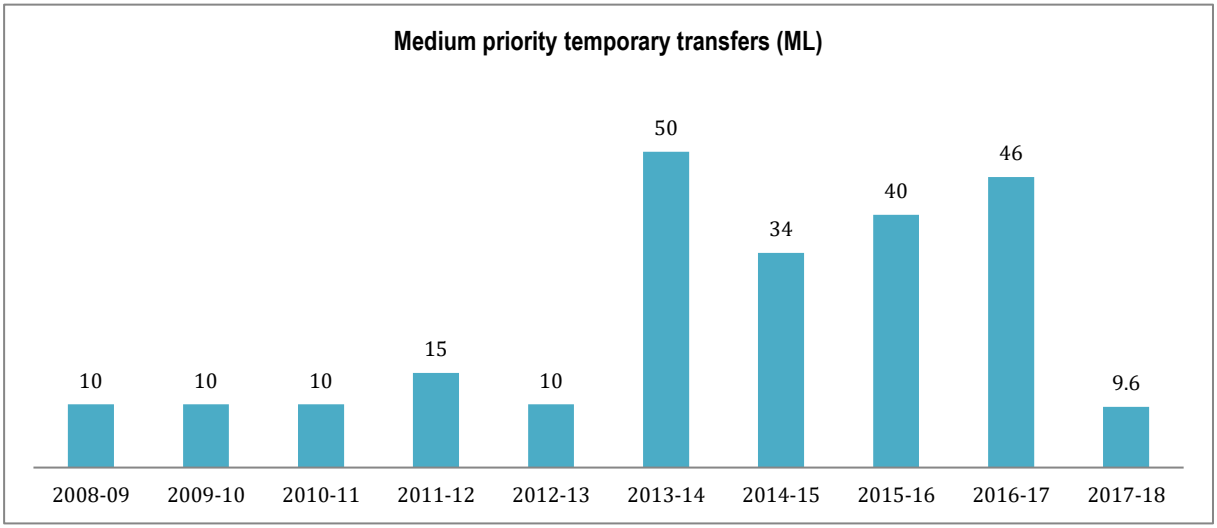



Source: Seqwater (2018)

## 2.5 Water trading

The following chart sets out the annual volumes of temporary transfers between irrigation customers from 1 July 2008.

**Figure 2:** Temporary transfer (seasonal assignment) history




Source: Seqwater (2018)

## 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.

Attendance at forums is open to all irrigation customers of the Scheme and other stakeholders. Seqwater held a forum on 25th September 2018 at which information relating to the irrigation price review was presented.

All customer or stakeholder submissions in relation to this NSP will be published on Seqwater's website along with Seqwater's responses and decisions.

## 2.7 Customer service standards

Service standards are published on the Cedar Pocket WSS page on Seqwater's website.

In 2017-18 Seqwater met all service targets. The performance report was published on the Cedar Pocket WSS page on Seqwater's website.

# 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 3:** Water prices (Nominal $/ML)

| Tariff | 2017-18 ($) | 2018-19 ($) |
|---|---|---|
| Fixed (Part A) | 16.87 | 19.55 |
| Variable (Part B) | 40.77 | 41.80 |

Source: Seqwater (2018)

## 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 forecast operating costs. 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 has amended the 2016-17 forecast base costs before applying the QCA's escalation rates through to 2018-19. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2017-18 NSP.

**Table 4:** Forecast QCA budget operating costs to end of 2019-20 ($Nominal)

| Operating cost item | 2018-19 ($) | 2019-20 ($) |
|---|---|---|
| Direct operations | 78,792 (1) | 81,500 |
| Repairs and maintenance | 15,819 | 16,452 |
| Dam safety | – | – |
| Consultation costs | 8,118 | 8,321 |
| Rates | 6,826 (2) | 6,997 |
| Non-direct costs | 57,608 | 59,284 |
| **Total operating costs** | **167,163** | **172,554** |

Source: Seqwater (2018)

(1) $250 was added for electricity costs not previously included.
(2) Rates estimate was reduced by $859 following updated rates estimates.

The following table sets out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2017-18 and the detailed QCA budget for 2018-19. Explanations of material variations are set out below the table.

**Table 5:** Operating costs budget and actuals for 2017-18 and operating costs budget 2018-19 ($Nominal)

| Operating cost Item | 2017-18 | | 2018-19 |
|---|---|---|---|
| | Extended QCA Budget ($) | Actual ($) | Extended QCA Budget ($) |
| **Direct operating costs** | | | |
| Labour | 60,313 | 60,811 | 62,484 |
| Electricity | 371 | 214 | 380 |
| Other | 15,492 | 14,614 | 15,928 |
| Repairs and maintenance | 15,211 | 2,096 (1) | 15,819 |
| Rates | 6,660 | 6,563 | 6,826 |
| Consultation costs | 7,920 | – (2) | 8,118 |
| **Total direct operating costs** | **105,967** | **84,298** | **109,555** |
| **Non-direct operating costs** | | | |
| Operations | 41,711 | 34,522 (3) | 42,983 |
| Non-infrastructure | 4,159 | 1,291 | 4,263 |
| Insurance | 10,109 | 2,284 (4) | 10,361 |
| **Total non-direct costs** | **55,979** | **38,097** | **57,607** |
| **Total operating costs** | **161,946** | **122,395** | **167,163** |

Source: Seqwater (2018)

**Notes:**

(1) Repairs and maintenance costs were lower than budget because no major maintenance projects were required to be undertaken.

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

(3) Corporate operating cost share was less than budget because lower direct costs attracted a

(4) 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

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 is presented below.

**Table 6:** Cedar Pocket WSS ARR ($Nominal)

| Asset Restoration Reserve | 2013-14 ($) | 2014-15 ($) | 2015-16 ($) | 2016-17 ($) | 2017-18 ($) |
|---|---|---|---|---|---|
| Opening Balance 1 July | 15,593 | 33,348 | 34,050 | 51,979 | 64,548 |
| Interest for year* | 967 | 2,068 | 2,111 | 3,223 | 4,002 |
| Revenue for year | 16,788 | 12,311 | 12,178 | 12,046 | 12,347 |
| Expenditure for year | – | -13,676 | 3,639 | -2,699 | – |
| Closing Balance 30 June | 33,348 | 34,050 | 51,979 | 64,548 | 80,897 |

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

No renewals projects were undertaken in 2017-18.

**Table 7:** Renewals projects 2017-18

| Asset | Project scope | Budget ($'000) | Cost ($'000) |
|---|---|---|---|
| Nil | Nil | Nil | Nil |

Source: Seqwater (2018)

#### 3.3.2.2 2018-19 forecast renewals

There are no renewals scheduled for Cedar Pocket in 2018-19.

#### 3.3.2.3 Asset planning

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

During the extended price path, Seqwater will adopt a rolling 20-year planning horizon until a new planning time frame is settled for the upcoming price review. Material renewals projects that fall in the rolling renewals planning time frame, which is 2019-39 for this network service plan, are set out below. A material renewal project is defined as one which accounts for 10% or more in present value terms of the total forecast renewals expenditure for the 20 year planning period. The 10% threshold is $14,786.

**Table 8:** Material renewals projects 2019-39 ($Real)

| Asset | Project scope | Year | Forecast cost $'000 |
|---|---|---|---|
| Cedar Pocket Dam | Replace trash screens at outlet works | 2024-25 | 20 |
| Cedar Pocket Dam | Refurbish rip-rap | 2036-37 | 75 |

Source: Seqwater (2018)