Logan River 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 Scheme is located in the Logan River Basin and supplies bulk raw water to water allocation holders in the nine zones that comprise the Scheme. The scheme stretches along a 101.4 km length of the Logan River and along 27 km of Burnett Creek. It was designed to supplement natural flows for the fertile alluvial areas along Burnett Creek and the Logan River.

The Scheme is regulated under the Logan Basin Resource Operations Plan (ROP) first issued in December 2009. The ROP was amended to include Wyaralong Dam as part of the Scheme in December 2012. Note that the operational costs of Wyaralong Dam were not included in scheme costs but will be reviewed in the price review. A further amendment in March 2014 included Christmas Creek and Running Creek under the ROP. However, these two creeks, which are not supplemented by Seqwater's infrastructure, do not form part of the Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Logan 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
• Maroon Dam • Wyaralong Dam*	• Cedar Grove Weir • Bromelton Weir • South Maclean Weir	• Bromelton Off-Stream Storage	• Gauging stations • Customer water meters

Source: Seqwater (2018)

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 volume (ML)	High priority volume (ML)
Irrigation	131	13,552	-
MP Industrial	1	2.5	-
HP Industrial	5	-	936
Seqwater	7	-	8,920
Totals	**145**	**13,554.5**	**9,856**

Source: Moreton Resource Operations Plan June 2014; 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 for both medium priority and high priority water allocations for the current year plus the historical position for the previous ten years.

Table 3: Announced allocations history

Year	MP %	HP %	Year	MP %	HP %
2007-08	0 - 90	0 - 100	2013-14	100	100
2008-09	95 - 100	100	2014-15	100	100
2009-10	100	100	2015-16	100	100
2010-11	100	100	2016-17	100	100
2011-12	100	100	2017-18	100	100
2012-13	100	100	2018-19	100	100

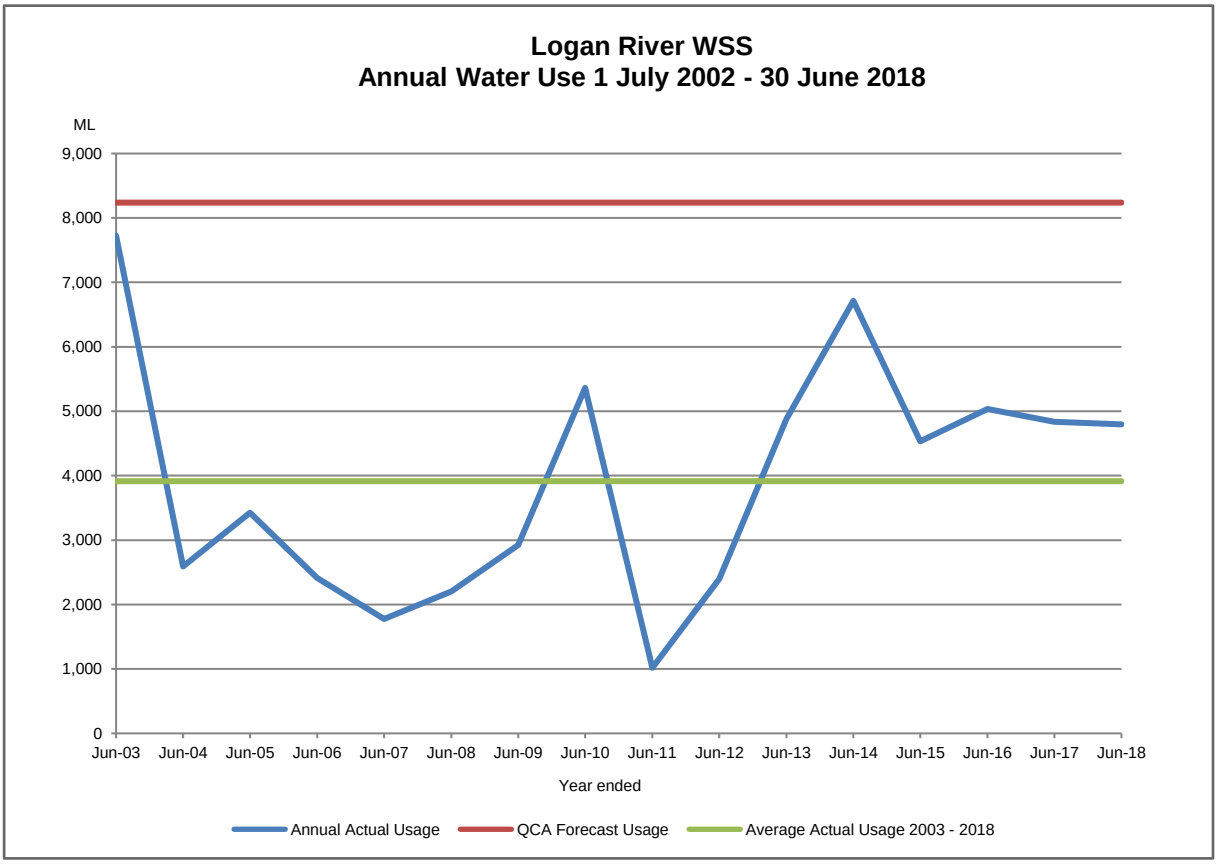
Source: Seqwater (2018)

2.4.2 Water use

Figure 1 below shows the actual medium priority water usage per year from 2002-03 to 2017-18.

Also shown is the medium priority usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 8,238 ML or 61% of the nominal water allocation volumes. 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.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2018



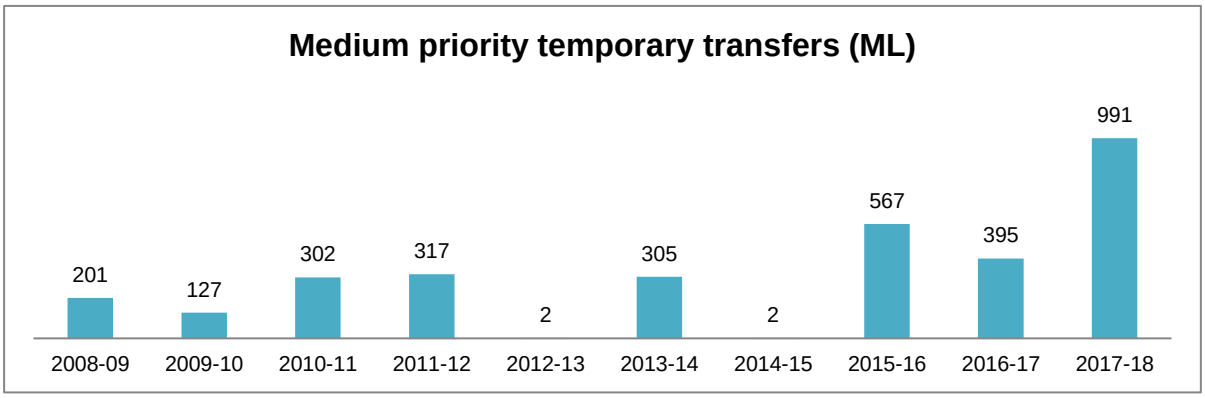
Source: Seqwater (2018)

(Note: Previous NSPs reported the QCA estimated annual usage as 10,881ML which was reported as the "Authority's Estimate of Typical Water Use" on page 80 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Logan River Water Supply Scheme*, April 2013. It has since been determined that the annual usage estimate should have been 8,238ML.)

2.5 Water trading

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

Figure 2: Temporary transfers 2009-18



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 26th September 2018 at which information relating to the irrigation price review was presented.

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

2.7 Customer service standards

The service standards are published on the Logan River WSS web page on Seqwater's website.

In 2017-18 Seqwater met its service targets. The performance report was published on the Logan River 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 4: Water prices (Nominal $/ML)

Tariff	2017-18 ($)	2018-19 ($)
Fixed (Part A)	30.02	30.77
Variable (Part B)	11.02	11.29

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 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 5: Forecast QCA budget operating costs for 2017-19 ($Nominal)

Operating cost item	2018-19 ($)	2019-20 ($)
Direct operations	525,084	542,815
Repairs and maintenance	120,511	125,331
Dam safety	–	–
Rates	40,620	41,635
Consultation costs	8,118	8,321
Non-direct costs	496,744	510,811
Total operating costs	**1,191,077**	**1,228,913**

Source: Seqwater (2018)

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

Operating cost item	2017-18		2018-19
	QCA Budget ($)	Actual ($)	Extended QCA Budget ($)
Direct operating costs			
Labour	343,426	264,561 (1)	355,789
Electricity	8,244	16,258	8,450
Other	156,272	102,621 (2)	160,845
Repairs and maintenance	115,875	130,384	120,511
Dam safety	–	–	–
Rates	39,629	42,947	40,620
Consultation costs	7,920	– (3)	8,118
Total direct operating costs	**671,366**	**556,771**	**694,333**
Non-direct costs (indicative)			
Operations	291,009	252,643	299,885
Non-infrastructure	29,015	9,448	29,740
Insurance	163,043	107,950 (4)	167,119
Total non-direct costs	**483,067**	**370,041**	**496,744**
Total operating costs	**1,154,433**	**926,813**	**1,191,077**

Source: Seqwater (2018); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

(1) Labour costs were less than budget because less staff time was required to operate the scheme.

(2) Costs were less than budget mainly because water quality monitoring costs were much lower than expected.

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

(4) Seqwater negotiated lower insurance premiums in 2016-17 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 for 2017-18 is presented below.

Table 7: Logan River WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)	2017-18 ($)
Opening Balance 1 July	-700,646	-698,511	-975,068	-1,176,875	-1,199,317
Interest for year*	-43,440	-43,308	-60,454	-72,966	-74,358
Revenue – irrigation	30,910	39,832	39,848	39,874	40,871
Revenue – other	294,545	79,191	78,333	77,484	79,421
Expenditure for year	-168,687	-352,273	-259,534	-66,834	-306,181
Flood costs not claimable	-111,192	–	–	–	–
Closing Balance 30 June	-698,511	-975,068	-1,176,875	-1,199,317	-1,459,564

Source: Seqwater (2018)

* 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 2017-18 renewals

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

Table 8: Renewals projects for 2017-18

Asset	Project scope	Budget ($'000)	Actual ($'000)
Customer water meters	Replace 10 customer water meters	180	24 (1)
Maroon Dam	Replace reticulation pipework	84	53
	Public toilet amenity renewal	248	123 (2)
	ESSC program	–	7
	Recreational area BBQ renewal	–	13 (3)
Maroon Dam water treatment plant	Replace treated water pump no. 2	29	10 (4)
Bromelton Weir	Handrails and grid mesh replacement	–	10
Cedar Grove Weir	Install safe access to fishway entrance	–	66 (5)

Source: Seqwater (2017)

* Expenditure less than $500

Notes:

(1) Project commenced in 2017-18 and will be finalised in 2018-19.

(2) Due to age and condition, the public toilet amenity was renewed.

(3) Due to age and condition, the public BBQs were renewed.

(4) This project will be completed in 2018-19.

(5) Safe access to the fishway entrance was installed to meet an assessed safety risk.

3.3.2.2 2018-19 forecast renewals

Forecast renewals expenditure for 2018-19 is provided in table 9 below.

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

Asset	Project scope	Forecast ($'000)
Customer water meters	Replace minimum 20 flow meters	263
	Replace 10 customer meters carried over	131
Maroon Dam	Flood mooring for boat	60
Bromelton Weir	Safe access to actuate valve	40
Cedar Grove Weir	Upgrade fishway water level sensor	80

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

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 $66,644.

Table 10: Material renewals projects 2019-39 ($Real)

Asset	Project scope	Year	Forecast ($'000)
Maroon Dam	Replace cables and cableways	2032-33	150
Gauging stations	Replace	2022-23	67
	Replace	2032-33	85

Source: Seqwater (2018)