Warrill Valley 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 post or email at the following addresses:

Post: Seqwater
PO Box 328
IPSWICH QLD 4305

Email: irrigators@seqwater.com.au

2. Scheme Details

2.1 Scheme background and context

The Scheme was established following the construction of Moogerah Dam in 1961. The Scheme provides water for the irrigation of about 8,000 ha of farms as well as for urban and industrial water users.

The Scheme is regulated under the Moreton Water Management Protocol and managed under the Warrill Valley Water Supply Scheme Operations Manual.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Warrill Valley".

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	Other bulk water assets
• Moogerah Dam	• Upper Warrill Diversion Weir • Kents Lagoon Diversion Weir • Aratula Weir • Warrill Creek Diversion Weir • Warroolaba Creek Diversion Weir • West Branch Warrill Diversion Weir • Churchbank Weir • Railway Weir	• Gauging stations • Customer water meters • Upper Warrill Creek Diversion Channel

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	275	20,158.5	–
Urban	2	–	254
Seqwater	7	3,725	5,696
Totals	**288**	**23,883.5**	**5,950**

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 the current year plus the historical position for the twelve years starting 2007-08.

Table 3: Announced allocations

Year	MP %	High Class C %	Year	MP %	High Class C %
2007-08	0	N/A	2013-14	100	N/A
2008-09	5-71	N/A	2014-15	100	100
2009-10	30-72	N/A	2015-16	100	100
2010-11	56-100	N/A	2016-17	100	100
2011-12	100	N/A	2017-18	100	100
2012-13	100	N/A	2018-19	100	100

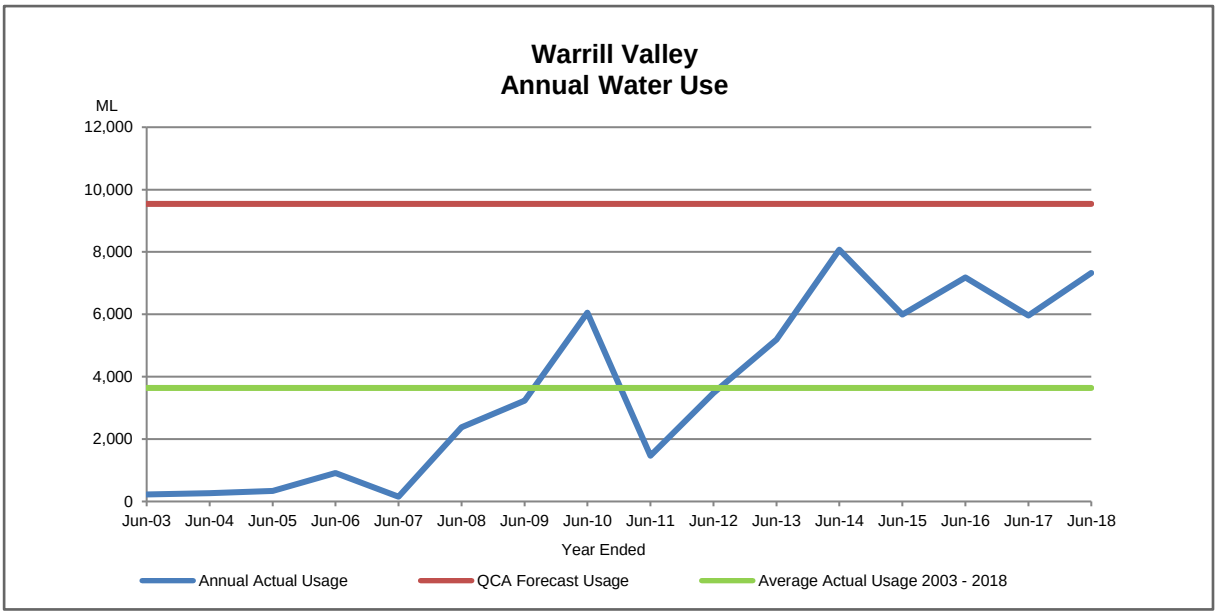
Source: Seqwater (2018)

2.4.2 Water use

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

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 9,541 ML or 47% of the nominal volume. 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



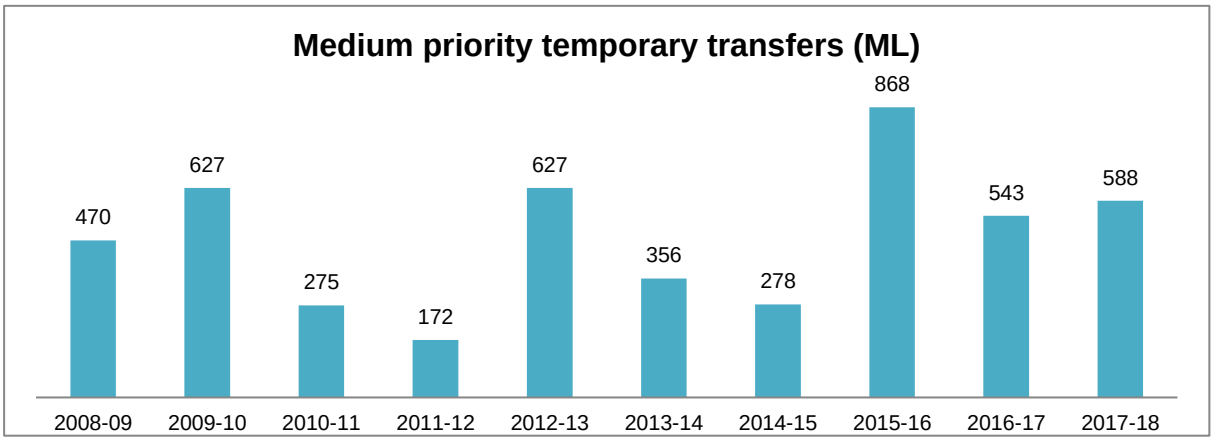
Source: Seqwater (2018)

(Note: Previous NSPs reported the QCA estimated annual usage as 18,383ML which was reported as the "Authority's Estimate of Typical Water Use" on page 86 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Warrill Valley Water Supply Scheme*, April 2013. It has since been determined that the annual usage estimate should have been 9,541ML.)

2.5 Water trading

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

Figure 2: Warrill Valley temporary transfers 2008-18



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 17th 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 Warrill Valley WSS page on Seqwater's website.

In 2017-18 Seqwater met all its service targets. The performance report was published on the Warrill Valley 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: Warrill Valley water prices 2017-19 (Nominal $/ML)

Tariff	2017-18 ($)	2018-19 ($)
Fixed (Part A)	24.18	24.79
Variable (Part B)	8.07	8.28

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 tables 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 for operating costs for 2017-19 ($Nominal)

Operating cost item	2018-19 ($)	2019-20 ($)
Direct operations	723,983	746,915
Repairs and maintenance	343,962	357,720
Dam safety	–	–
Rates	92,625	94,940
Consultation costs	8,118	8,321
Non-direct costs	558,403	574,940
Total operating costs	**1,727,091**	**1,782,836**

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 budget 2018-19 ($Nominal)

Expenditure Item	2017-18		2018-19
	QCA Budget (extended) ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	359,501	420,529 (1)	372,443
Electricity	12,891	8,123	13,214
Other	329,382	154,157 (2)	338,327
Repairs and maintenance	330,733	88,050 (3)	343,962
Dam safety	–	–	–
Rates	90,365	99,378	92,625
Consultation costs	7,920	– (4)	8,118
Total direct operating costs	**1,130,792**	**770,237**	**1,168,689**
Non-direct operating costs			
Operations	454,687	331,079	468,555
Non-infrastructure	45,334	12,381	46,467
Insurance	42,322	14,440 (5)	43,380
Total non-direct costs	**542,343**	**357,900**	**558,402**
Total operating costs	**1,673,135**	**1,128,137**	**1,727,091**

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

Notes:

(1) Additional internal labour was used to undertake maintenance resulting in a shift of costs between cost categories.

(2) Further efficiency savings has driven down costs.

(3) As per (1) above, maintenance was mainly undertaken by internal staff resulting in a shift of costs between cost categories.

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

(5) 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 is presented below.

Table 7: Warrill Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)	2017-18 ($)
Opening Balance 1 July	-568,965	-738,933	-863,882	-997,663	-962,223
Interest for year*	-35,276	-45,814	-53,561	-61,855	-59,658
Revenue – irrigation	51,125	66,939	67,379	67,630	69,321
Revenue – other	204,326	101,142	102,025	100,919	103,442
Expenditure for year	-263,096	-247,217	-249,624	-71,254	-124,914
Flood costs not claimable	-127,047	0	0	0	0
Closing Balance 30 June	-738,933	-863,882	-997,663	-962,223	-974,032

Source: Seqwater (2017)

* 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% (previously 6.22%).

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 ($'000)	Cost ($'000)
Water meters	Replacement of water meters carried over	–	2
	Installation of gratings	–	1
Moogerah Dam	Replace reticulation pipework	84	8 (1)
Moogerah Dam WTP	Reinstate secondary raw water reticulation main	240	– (2)
	Embankment Safety Barrier	11	12 (3)

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

Asset	Project scope	Budget ($'000)	Cost ($'000)
Warrill Creek Diversion Weir	Clay lining Replacement	1	1
Aratula Weir	Install safe access to weir	83	101 (4)

Source: Seqwater (2018)

Notes:

(1) Project is expected to be completed in 2018-19
(2) Project has been postponed
(3) This project was undertaken to address a safety issue.
(4) The cost exceeded budget because additional work was required by divers that was not originally anticipated and market quotes were higher than expected.

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)
Water meters	Replace 30 flow meters	297
Norman Gully Diversion	Restore channel alignment due to bank erosion	36
Moogerah Dam	Outlet works - control of water release	12
	Refurbish roof of pavilion	24
	Rehabilitate bitumen access road	24
Moogerah Dam WTP	Reinstate secondary raw water reticulation main	150
	Renew treated water reservoir	72
	Repair erosion around rising main	84

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 $136,565.

Table 10: Material renewals projects 2017-37 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Moogerah Dam	Replace 660mm cone valve 1	2032-33	158
	Replace 660mm cone valve 2	2032-33	158
Warrill Creek Diversion Weir	Replace control equipment	2033-34	165

Source: Seqwater (2018)