Cedar Pocket Water Supply Scheme

Annual Network Service Plan

2015-16

Published: September 2015

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: NSP Comments
Seqwater
PO Box 16146
City East QLD 4002

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 (2015)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 11 irrigation customers who hold 495 ML of medium priority water access entitlements (WAE).

2.4 Water availability and use

2.4.1 Water availability

The announced allocation determines the percentage of nominal WAE 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 since 2006-07.

Table 2: Announced allocations history

Year	MP %
2006-07	64-71
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

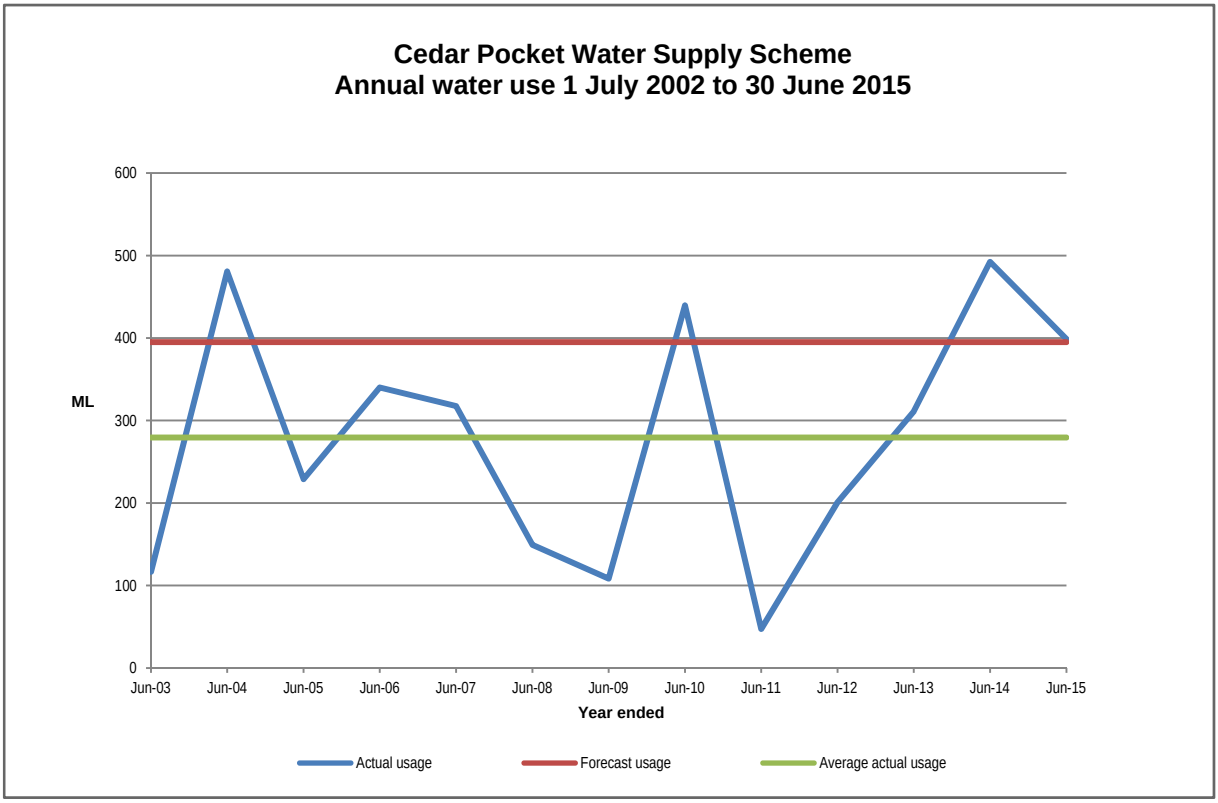
Source: Seqwater (2015)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2014-15.

Also shown is the usage assumption for the current approved price path for 2015-16 which is 395 ML or 80% of the nominal WAE. The current usage assumption has been extrapolated to prior years for comparison purposes only. The previous 2006-11 irrigation price path (extended to 31 December 2013) adopted a usage forecast of 198 ML or 40% of the nominal WAE.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2015



Source: Seqwater (2015)

2.5 Water trading

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

Table 3: Temporary transfers 2008-15

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)	2014-15 (ML)
Medium	10	10	10	15	10	50	34

Source: Seqwater (2015)

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.

On 3 June 2015, Seqwater held a scheme information forum at Cedar Pocket. The 2014-15 renewals and the future renewals programs were discussed. Also presented and discussed were the scheme's operational rules. The meeting summary has been published on the Cedar Pocket WSS page on Seqwater's website.

The next customer forum ("forum") is to be held in May/June 2016 unless matters arise that require consultation prior to that date. Seqwater will be holding forums at least annually for the purpose of consulting on the NSP and customer service standards as well as other

Scheme issues that may arise from time to time. Attendance at forums is open to all irrigation customers of the Scheme and other stakeholders.

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

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

3. Financial Performance

3.1 Tariffs

The approved tariffs or water prices for the Scheme for the 2013-17 regulatory period are set out in Table 4.

Table 4: Water prices (Nominal $/ML)

Tariff	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Fixed (Part A)	7.28	9.51	11.85	14.30
Variable (Part B)	36.94	37.87	38.81	39.78

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

3.2 Operating expenditure

Seqwater's forecast operating costs for the 2013-17 regulatory period are set out in the table below. These costs include both fixed and variable operating costs.

Table 5: Forecast operating costs for 2013-17 ($Nominal)

Operating cost item	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Direct operations	59,816	61,017	62,228	63,446
Repairs and maintenance	13,624	13,953	14,287	14,625
Dam safety	–	–	–	24,643
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	51,865	52,705	53,549	54,396
Total operating costs	**132,480**	**135,029**	**137,602**	**164,837**

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

The following table sets out Seqwater's detailed budget and actual expenditure for 2014-15 and the detailed budget for 2015-16. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2014-15 and operating budget 2015-16 ($Nominal)

Expenditure Item	2014-15		2015-16
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	55,973	19,632 (1)	57,091
Electricity	118	-	121
Other	4,926	1,571	5,016
Repairs and maintenance	13,953	11,900	14,287
Dam safety	-	-	-
Consultation costs	7,354	- (2)	7,538
Total direct operating costs	**82,324**	**33,103**	**84,053**
Non-direct operating costs			
Operations	39,333	15,596 (3)	39,905
Non-infrastructure	3,985	1,364 (3)	4,022
Insurance	9,387	7,140 (4)	9,622
Total non-direct costs	**52,705**	**24,100**	**53,549**
Total operating costs	**135,029**	**57,203**	**137,602**

Source: Seqwater (2015); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

(1) Two factors contributed to lower labour costs during 2014-15. Prolonged overflow events at Cedar Pocket Dam reducing the need for staff to attend the Dam to release water manually and the ability to remotely monitor water flows at the measuring flume have contributed to lower labour costs.

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

(3) Lower direct operating costs resulted in a lower allocation of non-direct operating costs.

(4) The overall value of Seqwater's asset portfolio has increased. Consequently the allocation of the portfolio insurance premium to scheme assets is lower.

3.3 Renewals

3.3.1 Asset Restoration Reserve

The balance of the renewal annuity funds are recorded in the Asset Restoration Reserve (ARR). Seqwater has reported the ARR in Table 7 below for 2014-15.

Table 7: Cedar Pocket WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2014-15 Actual ($)
Opening Balance 1 July 2014	35,382
Adjustment to opening balance	-194
Revenue for year	12,311
Expenditure for year	-13,676
Interest for year*	2,246
Closing Balance 30 June 2015	36,068

Source: Seqwater (2015)

* 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%. Interest has been applied to the balance at 30 June 2015.

3.3.2 Renewals expenditure

3.3.2.1 2014-15 renewals

The following table sets out the renewals projects that were undertaken in 2014-15.

Table 8: Renewals projects 2014-15

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace three (3) customer water meters	18	14

Source: Seqwater (2015)

3.3.2.2 2015-16 forecast renewals

Renewals projects scheduled for delivery in 2015-16 are provided in the table below.

Table 9: Renewals projects for 2015-16 ($Nominal)

Asset	Project scope	Budget ($'000)
Water meters	Replace two (2) customer water meters	12

Source: Seqwater (2015)

3.3.2.3 Asset management plan

In June 2014, Seqwater finalised a ten year asset management plan for Cedar Pocket Dam. An expanded thirty year asset management plan is expected to be finalised in 2016. For the purposes of this network service plan, renewals estimates for the period of the ten year asset management plan ending in June 2024 have been used to replace the estimates previously provided to the Queensland Competition Authority (QCA) in April, 2012 for its review of the 2013-17 irrigation prices. Renewals estimates from July 2024 to June 2037 previously provided to the QCA have been retained until the thirty year asset management plan has been finalised at which time all future renewals estimates will then be based on a rolling 30 year plan.

3.3.2.4 Material planning period renewals

Material renewals projects expected to be undertaken in the outer years of the renewals planning time frame (2017-37) are set out in table 10 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 $14,467.

Table 10: Renewals projects 2017-36 ($Nominal)

Asset	Project scope	Year	Forecast cost $'000
Water meters	Replace customer water meters	2017-36	120
Cedar Pocket Dam	Renewal of electricity supply assets	2025-26	36
Cedar Pocket Dam	Replacement of telemetry assets	2030-31	53

Source: Seqwater (2015)