Cedar Pocket Water Supply Scheme

Annual Network Service Plan

2016-17

Published: September 2016

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: 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 (2016)

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 %
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
2016-17	100

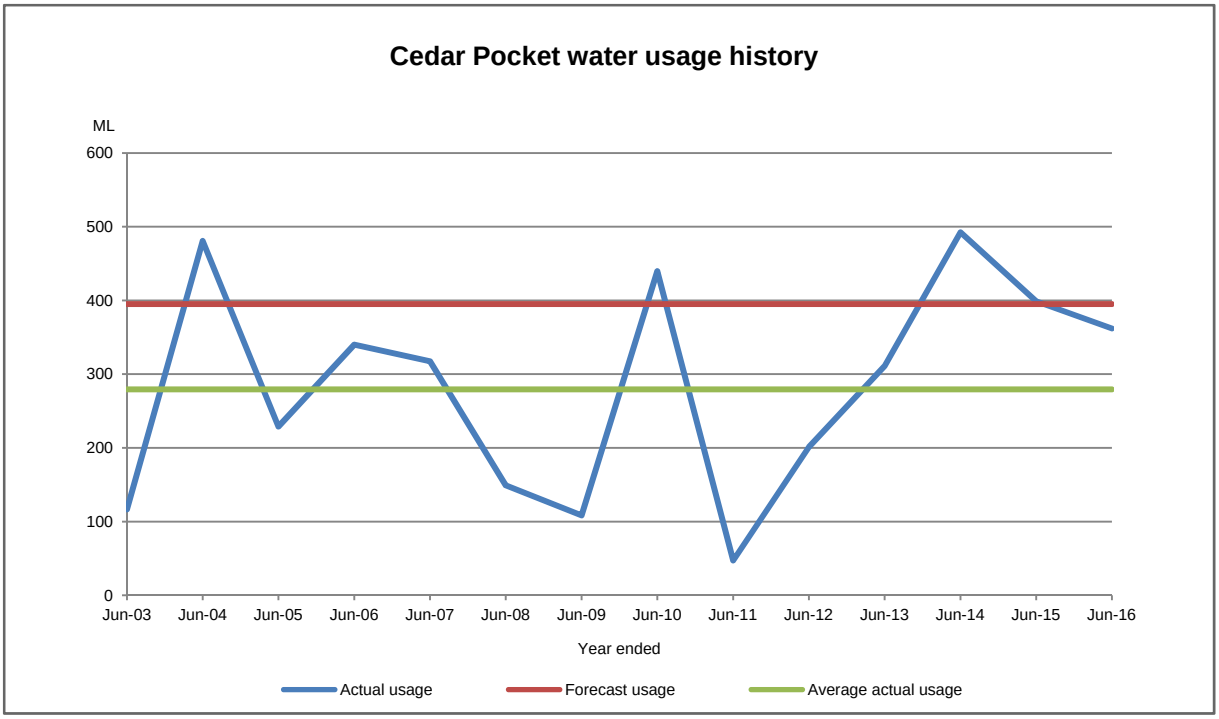
Source: Seqwater (2016)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2015-16.

Also shown is the usage assumption for the current approved price path which is 395 ML or 80% of nominal water allocations. 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 nominal water allocations.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2016

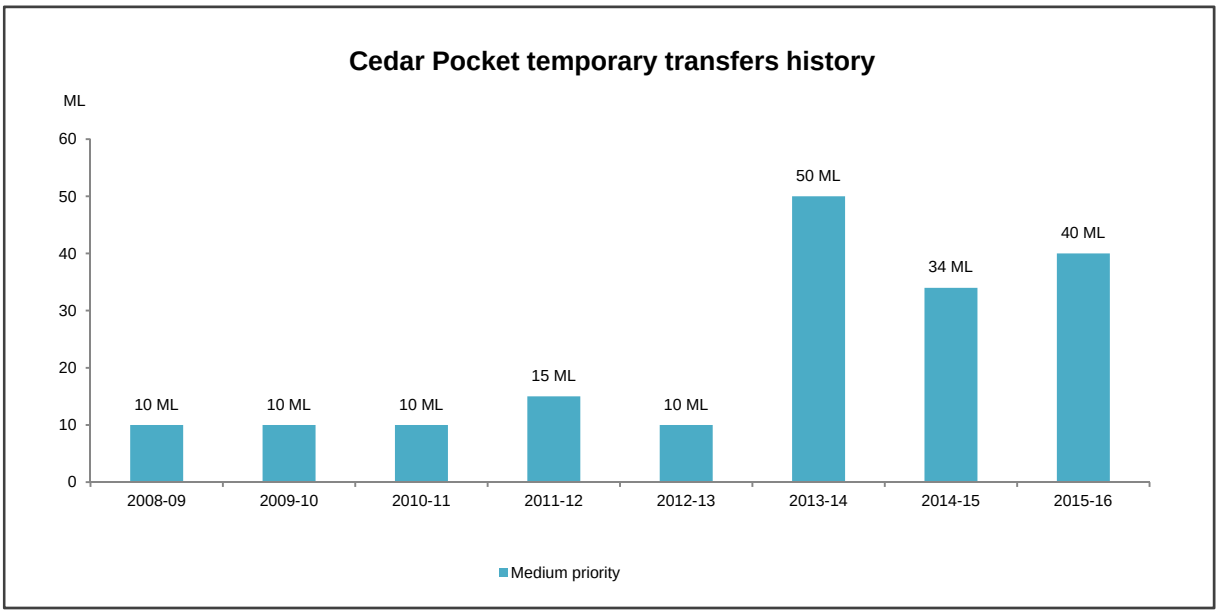


Source: Seqwater (2016)

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 transfers 2008-16



Source: Seqwater (2016)

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 8 June 2016, Seqwater held a scheme information forum at Cedar Pocket. The 2015-16 renewals and the future renewals programs were discussed. The meeting summary has been published on the Cedar Pocket WSS page on Seqwater's website.

The next customer forum is to be held in May/June 2017 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 tariffs recommended to the government by the Queensland Competition Authority (QCA) for the scheme and approved under the *Rural Water Pricing Direction Notice (No 1) 2013* are set out in the following table.

Table 3: 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

Forecast operating costs set as a target by the QCA for the 2013-17 regulatory period are set out in the table below. These costs include both fixed and variable operating costs.

Table 4: 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 actual expenditure compared to the QCA's target budget for 2015-16 and the detailed QCA budget for 2016-17. Explanations of material variations are set out below the table.

Table 5: Operating expenditure for 2015-16 and operating budget 2016-17 ($Nominal)

Expenditure Item	2015-16		2016-17
	QCA Budget ($)	Actual ($)	QCA Budget ($)
Direct operating costs			
Labour	57,091	16,849 (1)	58,217
Electricity	121	512	124
Other	5,016	- (2)	5,105
Repairs and maintenance	14,287	1,818 (3)	14,625
Rates	-	6,660 (4)	-
Dam safety	-	-	24,643
Consultation costs	7,538	- (5)	7,727
Total direct operating costs	**84,053**	**25,839**	**110,441**
Non-direct operating costs			
Operations	39,905	17,137 (6)	40,477
Non-infrastructure	4,022	1,722 (6)	4,057
Insurance	9,622	5,288 (7)	9,862
Total non-direct costs	**53,549**	**24,147**	**54,396**
Total operating costs	**137,602**	**49,986**	**164,837**

Source: Seqwater (2016); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

(1) Intermittent rain events through the year and an overflow event at Cedar Pocket Dam reduced the need for staff to attend the Dam for water releases. Also, the ability to remotely monitor flows at the measuring flume has contributed to lower labour costs because there is no longer a need for staff to take manual readings.

(2) No other costs were incurred during the year.

(3) No significant repairs or large maintenance tasks were required to be undertaken in 2015-16 resulting in lower than expected costs.

(4) Rates were previously accounted for in indirect costs.

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

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

(7) Seqwater negotiated lower insurance premiums in 2015-16 resulting in savings in insurance costs for the Scheme.

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 for 2015-16 below.

Table 6: Cedar Pocket WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2015-16 Actual ($)
Opening Balance 1 July 2015	36,068
Revenue for year	12,178
Expenditure for year	3,639
Interest for year*	3,445
Closing Balance 30 June 2016	55,330

Source: Seqwater (2016)

* 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 2016.

3.3.2 Renewals expenditure

3.3.2.1 2015-16 renewals

The following table sets out the renewals projects that were undertaken in 2015-16.

Table 7: Renewals projects 2015-16

Asset	Project scope	Budget ($'000)	Cost ($'000)	
Water meters	Replace flow meters carried over from 2014-15	-	-10	(1)
Water meters	Replace two (2) flow meters in 2015-16	12	6	(2)

Source: Seqwater (2016)

Notes:

(1) Negative costs arose as a result of the reversal of costs from 2014-15.

(2) Two flow meters were replaced at a lower cost than budgeted due to the development of more efficient installation practices.

3.3.2.2 2016-17 forecast renewals

There are no renewals scheduled for Cedar Pocket in 2016-17.

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 twenty year asset management plan has been finalised at which time all future renewals estimates will then be based on a rolling 20 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 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 8: Material renewals projects 2017-37 ($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 (2016)