seqwater
WATER FOR LIFE

Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

December 2013

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 can provide feedback via email or post at the following addresses:

Email: irrigators@seqwater.com.au

Post: NSP Comments
PO box 16146
City East QLD 4002

2. Scheme Details

2.1 Scheme background and context

The Central Lockyer Valley Water Supply Scheme was established to support irrigation in dairy, vegetable and forage crops sectors following construction of various weirs from the 1940s-1980s, Bill Gunn Dam and Lake Clarendon in 1988 and 1992 respectively and the Morton Vale Pipeline in 1995. Releases from the dams are made manually. The Scheme is also located in the Clarendon Sub-artesian Area which is a benefitted groundwater area.

The Scheme is regulated under the Interim Resource Operations Licence for the Central Lockyer Valley Water Supply Scheme, issued in July 2008.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, "Central Lockyer Valley" and "Morton Vale Pipeline".

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/ off-stream storages	Weirs	Other bulk water assets	Distribution assets
• Bill Gunn Dam (Lake Dyer), • Clarendon Dam (Lake	• Kentville Weir • Jordan I & II Weirs • Wilson Weir	• Redbank Creek Pump Station • Clarendon Pump Station	• Morton Vale Pipeline

Clarendon)	• Clarendon Weir • Glenore Grove Weir • Laidley Creek Diversion Weir • Showgrounds Weir • Crowley Vale Weir	• Clarendon Diversion Channels • Gauging stations	

Source: Seqwater (2013)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 250 customers holding water access entitlements (WAE). The following table sets out the ownership of WAE in the Scheme.

Table 2: Ownership of entitlements in Central Lockyer Valley WSS

Customer type	Number of customers	Medium priority* WAE (ML)	High priority WAE (ML)
Irrigation – Morton Vale	43	3,470	-
Irrigation – Risk-A & Risk-B	85	3,115	-
Irrigation - groundwater	115	9,335	-
Other	5	10	-
Laidley Golf Club	1	60	-
Crowley Vale Water Board	1	325	-
Seqwater (losses)	-	-	184
Totals	**250**	**16,315**	**184**

Source: Seqwater (2013) * includes Risk-A, Risk-B and groundwater licences

2.4 Water availability and use

The announced allocation determines the percentage of nominal WAE volume that is available in each water year. Under the IROL, announced allocation determinations are required for the Morton Vale Water Supply System (medium priority) and for the Crowley Vale Water Board (Risk-A). Announced allocation procedures have yet to be developed and implemented for other surface water and for groundwater allocation groups.

The following table sets out the announced allocations since the commencement of the 2006-13 price path.

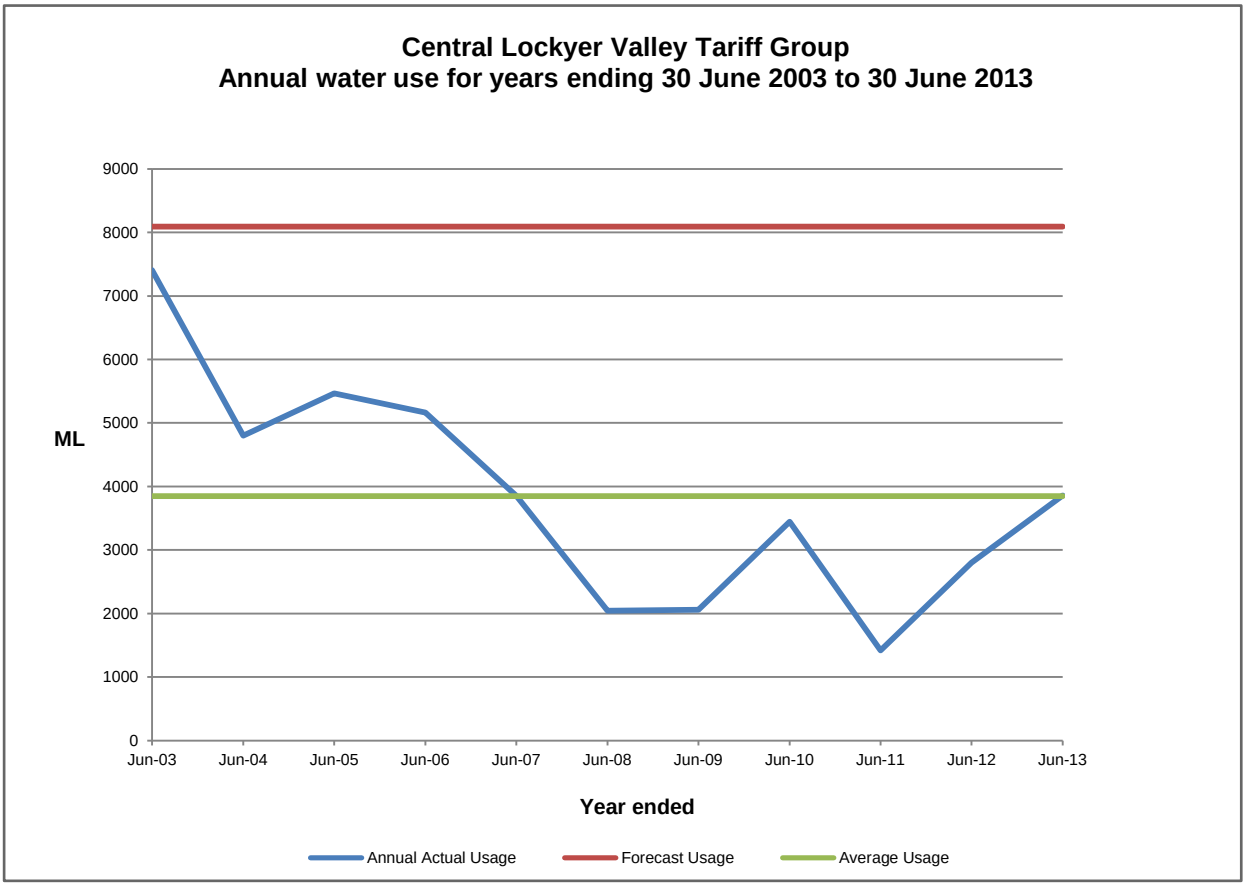
Table 3: Announced allocations history

Priority	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
Medium	0	20	81	100	100	100	100	100
Risk-A	0	0	58	100	100	100	100	100

Source: Seqwater (2013)

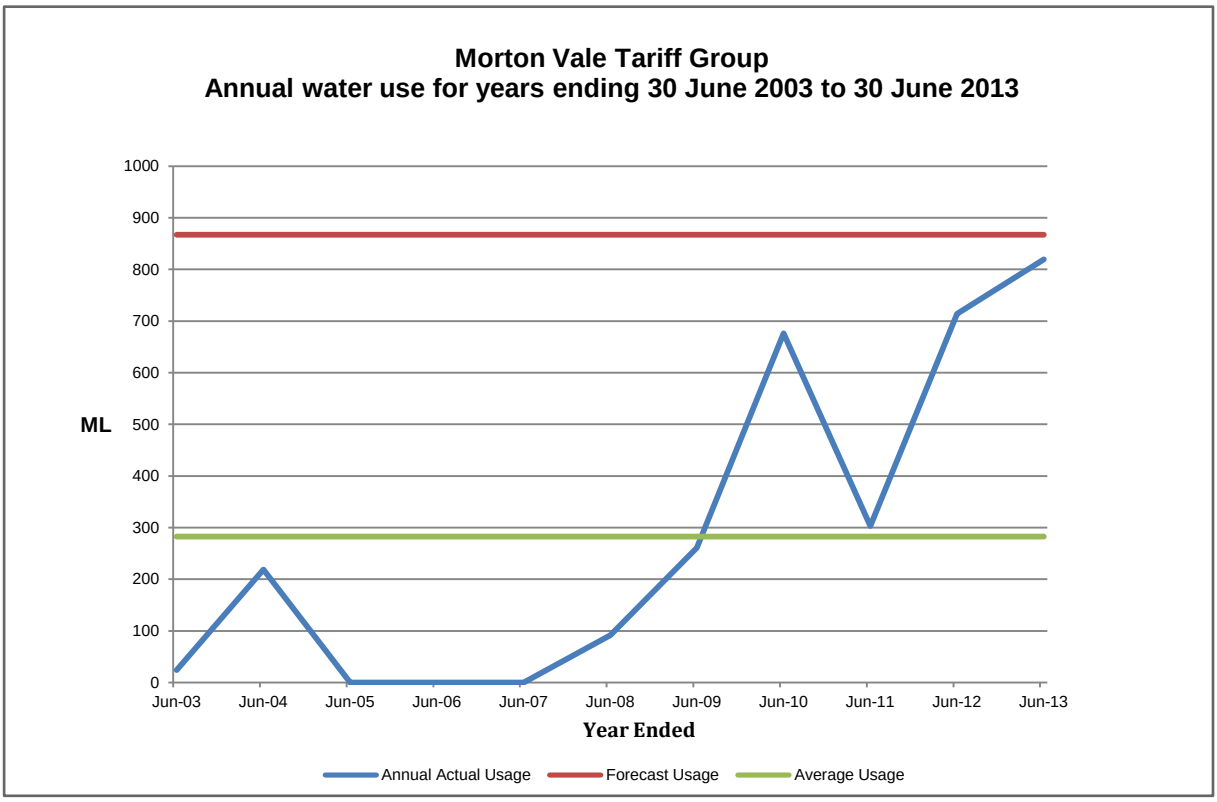
The previous irrigation price path adopted a use forecast at 65% of nominal WAE for Central Lockyer Valley tariff group and 25% of nominal WAE for the Morton Vale Pipeline tariff group. The following charts compare actual, forecast and average use on an annual basis from July 2002 to June 2013 for the two tariff groups.

Figure 1: Annual Central Lockyer Valley water usage for years ending 30 June 2003 to 30 June 2013



Source: Seqwater (2013)

Figure 2: Annual Morton Vale Pipeline water usage for years ending 30 June 2003 to 30 June 2013



Source: Seqwater (2013)

2.5 Water trading

The following table sets out the annual volumes of temporary transfers between irrigation customers from 1July 2008 to 30 June 2013.

Table 4: Morton Vale temporary transfers 2008-13

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)
Medium	0	6.14	0	0	15

Source: Seqwater (2013)

2.6 Irrigation Customer Consultation

Seqwater is committed to consulting with its customers as required under its Statement of Obligations. Seqwater will publish the Scheme's annual network service plan on its website by 30 September of each year. Seqwater will hold customer consultation forums at least annually to consult on the network service plan and customer service standards as well as other Scheme issues that may arise from time to time. Attendance at customer consultation forums will be open to all irrigation customers of the Scheme and other stakeholders. Seqwater will convene additional consultation meetings at the request of the majority of attending customers.

After consulting on the basis of the network service plan and through customer consultation forums, Seqwater will publish on its website any customer or stakeholder submissions along with Seqwater's responses and decisions.

2.7 Customer service standards

No service standards have been developed for the Scheme. Seqwater intends to develop customer service standards in consultation with customers during 2013-14.

3. Financial Performance

3.1 Tariffs

The approved tariffs for the tariff groups for the 2013-17 regulatory period are set out in Table 5 and Table 6.

Table 5: Central Lockyer Valley tariff group water prices 2013-17 (Nominal $/ML)

Tariff Group	Tariff	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Central Lockyer Valley	Fixed (Part A)	0.00	0.00	0.00	26.43
	Variable (Part B)	9.89	10.13	10.39	10.65

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

Table 6: Morton Vale Pipeline tariff group water prices 2013-17 (Nominal $/ML)

Tariff Group	Tariff	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Central Lockyer Valley	Fixed (Part A)	18.55	21.06	23.69	26.43
	Variable (Part B)	4.94	5.06	5.19	5.32
Morton Vale Pipeline	Fixed (Part C)	8.91	9.14	9.36	9.60
	Variable (Part D)	8.17	8.37	8.58	8.79
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	27.46	30.20	33.05	36.03
	Variable (Part B + Part D)	13.10	13.43	13.77	14.11

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 7: Forecast operating costs – Central Lockyer Valley tariff group for 2013-17

Operating cost item	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Direct operations	247,044	252,613	258,275	264,030
Repairs and maintenance	157,020	160,814	164,661	168,557
Dam safety	-	24,204	-	24,643
Rates	-	-	-	-
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	333,376	339,709	346,126	352,628
Total operating costs	**744,615**	**784,694**	**776,600**	**817,585**

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

Table 8: Forecast operating costs – Morton Vale Pipeline tariff group for 2013-17

Operating cost item	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Direct operations	39,576	37,499	38,248	39,003
Repairs and maintenance	10,219	10,466	10,715	10,970
Non-direct costs	27,389	29,808	28,228	28,646
Total operating costs	**74,364**	**75,773**	**77,191**	**78,619**

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

Seqwater's detailed budgets and actual expenditure for 2012-13 as well as the detailed budgets for 2013-14 are set out in Table 9 below and in Table 10 below.

Table 9: Central Lockyer tariff group operating expenditure for 2012-13 and operating budget 2013-14 ($Nominal)

Expenditure Item	2012-13		2013-14
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Operations			
Labour	127,838	131,658	123,931
Contractors and materials	12,126	8,198	12,479
Electricity	103,000	60,396 (1)	110,343
Other	1,000	13,496 (2)	291
Repairs and maintenance			
Planned	121,091	117,328	124,046
Unplanned	32,189	17,446 (3)	32,974
Dam safety	-	-	-
Rates	-	-	-
Consultation costs	-	-	7,175
Total direct operating costs	**397,244**	**348,522**	**411,239**

Table 9 Central Lockyer tariff group operating expenditure for 2012-13 and operating budget 2013-14 ($Nominal) – *continued*

Expenditure Item	2012-13		2013-14
	Budget ($)	Actual ($)	Budget ($)
Non-direct operating costs			
Operations	171,145	210,504 (4)	169,792
Non-infrastructure	19,572	19,572	17,295
Insurance	142,721	172,207 (5)	146,289
Total non-direct costs	**333,438**	**402,283**	**333,376**
Total operating costs	**730,682**	**750,805**	**744,615**

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

(1) Due to the prevailing conditions, water levels in Clarendon Dam resulted in reduced pumping costs both for releases to Lockyer Creek and intake back to the dam from Redbank Creek.

(2) The primary reason that costs exceeded budget was due to a write-off of bad debts.

(3) The number and cost of breakdown events during 2012-13 was less than the budget estimate.

(4) Increased systems costs were incurred subsequent to the merger of Seqwater with LinkWater.

(5) Insurance premium renewal costs were higher than anticipated.

Table 10: Morton Vale Pipeline tariff group operating expenditure for 2012-13 and operating budget 2013-14 ($Nominal)

Expenditure Item	2012-13		2013-14
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Operations			
Labour	42,917	30,080 (1)	36,756
Contractors and materials	-	-	-
Electricity	-	-	-
Other	-	-	-
Repairs and maintenance			
Planned	8,295	1,139	8,073
Unplanned	2,205	19,345 (2)	2,146
Total direct operating costs	**53,417**	**50,564**	**46,975**
Non-direct operating costs			
Operations	23,013	28,306 (3)	22,590
Non-infrastructure	2,632	2,632	2,301
Insurance	2,437	2,941 (4)	2,498
Total non-direct costs	**28,082**	**33,879**	**27,389**
Total operating costs	**81,499**	**84,443**	**74,364**

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

(1) Expenditure is less than budget because prevailing conditions during the year resulted in employees spending less time attending the pipeline for normal operations than expected.

(2) Unplanned repairs and maintenance expenditure was incurred following a significant breakage in the Morton Vale pipeline.

(3) Increased systems costs were incurred subsequent to the merger of Seqwater with LinkWater.

(4) Insurance premium renewal costs were higher than anticipated.

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 summarized the ARR into four components being the opening balance, revenue, expenditure and closing balance. This has been reported in Table 11 below for Central Lockyer Valley tariff group and in Table 12 below for the Morton Vale Pipeline tariff group. The tables set out the estimated ARRs for the years 2013-14 to 2016-17.

Table 11: Central Lockyer Valley tariff group asset restoration reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Opening Balance 1 July	226,978	203,447	130,032	18,447
Revenue – irrigation	210,094	213,122	213,530	213,403
Revenue – other	1,346	1,376	1,375	1,369
Expenditure	-234,971	-287,913	-326,490	-238,621
Closing Balance 30 June	203,447	130,032	18,447	-5,402

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

Table 12: Morton Vale Pipeline tariff group asset restoration reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Opening Balance 1 July	417,301	396,290	344,837	308,992
Revenue – irrigation	-21,011	-20,659	-20,307	-19,956
Expenditure	-	-30,794	-15,538	-15,926
Closing Balance 30 June	396,290	344,837	308,992	273,110

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

3.3.2 Renewals expenditure

3.3.2.1 Prior year renewals

The following renewals projects were undertaken in 2012-13.

Table 13: Central Lockyer Valley tariff group renewals projects 2012-13

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace water meters	160	74 (1)
Bill Gunn Dam	Replace outlet works hoist	23	22
Clarendon Dam	Repair minor slips on embankment and concrete joints	80	77

Asset	Project scope	Budget ($'000)	Cost ($'000)
Clarendon Dam	Repair minor slips on embankment and concrete joints	80	77
Clarendon Dam	Replace outlet works hoist	23	22
Clarendon Dam	Access track to embankment toe	149	148

Source: Seqwater (2013)

(1) Wet conditions during 2012-13 impeded the progress of this program of works. The unfinished portion has been carried over and forms part of the 2013-14 program.

No renewals projects were undertaken in the Morton Vale Pipeline tariff group in 2012-13.

3.3.2.2 Regulatory period renewals

Forecast significant renewals projects (>$20,000) for the regulatory period (2013-17) for the Central Lockyer Valley tariff group is provided in table 14 below and for the Morton Vale Pipeline tariff group, in table 15 below. All forecasts are nominal amounts assuming an average inflation rate of 2.5%.

Table 14: Central Lockyer Valley tariff group significant renewals projects for 2013-17 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Water meters	Replace customer water meters	2013-17	585
Clarendon Dam	Replenish/replace rip rap	2013-17	221
Clarendon diversion	Refurbish control equipment	2013-14	23
Bill Gunn Dam	Replenish/replace rip rap	2014-15	23
Bill Gunn Dam	Replace butterfly valve	2015-16	28
Bill Gunn Dam	Replenish/replace rip rap	2015-16	23
Bill Gunn Dam	Repair pumping hut seepage	2015-16	28
Bill Gunn Dam	Replenish/replace rip rap	2016-17	24

Source: Seqwater (2013)

Table 15: Morton Vale Pipeline tariff group renewals – 2013-17 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Morton Vale outlet works	Refurbish inlet baulk	2014-15	12
Morton Vale outlet works	Refurbish trash screen	2014-15	19
Water meters	Replace water meters	2015-16	16
Water meters	Replace water meters	2016-17	16

Source: Seqwater (2013)

3.3.2.3 Material planning period renewals

Material renewals projects for the Central Lockyer Valley tariff group expected to be undertaken in the outer years of the renewals planning time frame (2017-37) are set out in Table 16 below and for the Morton Vale Pipeline tariff group, in table 17 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 $258,000 with the base year being 2017-18.

Table 16: Central Lockyer Valley tariff group major projects 2017-36 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Water meters	Replace water meters	2017-36	1,389

Source: Seqwater (2013)

Material renewals projects for the Morton Vale Pipeline tariff group expected to be undertaken in the outer years of the renewals planning time frame (2017-37) are set out in Table 17 below. The 10% threshold is $9,000 with the base year being 2017-18.

Table 17: Morton Vale Pipeline tariff group major renewals projects 2017-36 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Water meters	Replace water meters	2017-37	135

Source: Seqwater (2013)

Seqwater will consult with irrigators to establish whether there is a need for, and the nature of:

- any detailed options analysis for projects in the table above scheduled between 2017-18 and 2021-22; and
- any high level options analysis for projects in the table above scheduled after 2021-22.