seqwater
WATER FOR LIFE

Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2014-15

September 2014

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
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 Clarendon)	• Kentville Weir • Jordan I & II Weirs • Wilson Weir • Clarendon Weir • Glenore Grove Weir • Laidley Creek Diversion Weir • Showgrounds Weir • Crowley Vale Weir	• Redbank Creek Pump Station • Clarendon Pump Station • Clarendon Diversion Channels • Gauging stations	• Morton Vale Pipeline

Source: Seqwater (2014)

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 (2014)
***** includes Risk-A, Risk-B and groundwater licences

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. 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 2006-07.

Table 3: Announced allocations history

Year	MP %	Risk A
2006-07	0%	0%
2007-08	20%	0%
2008-09	81%	58%
2009-10	100%	100%
2010-11	100%	100%
2011-12	100%	100%
2012-13	100%	100%
2013-14	100%	100%
2014-15	100%	100%

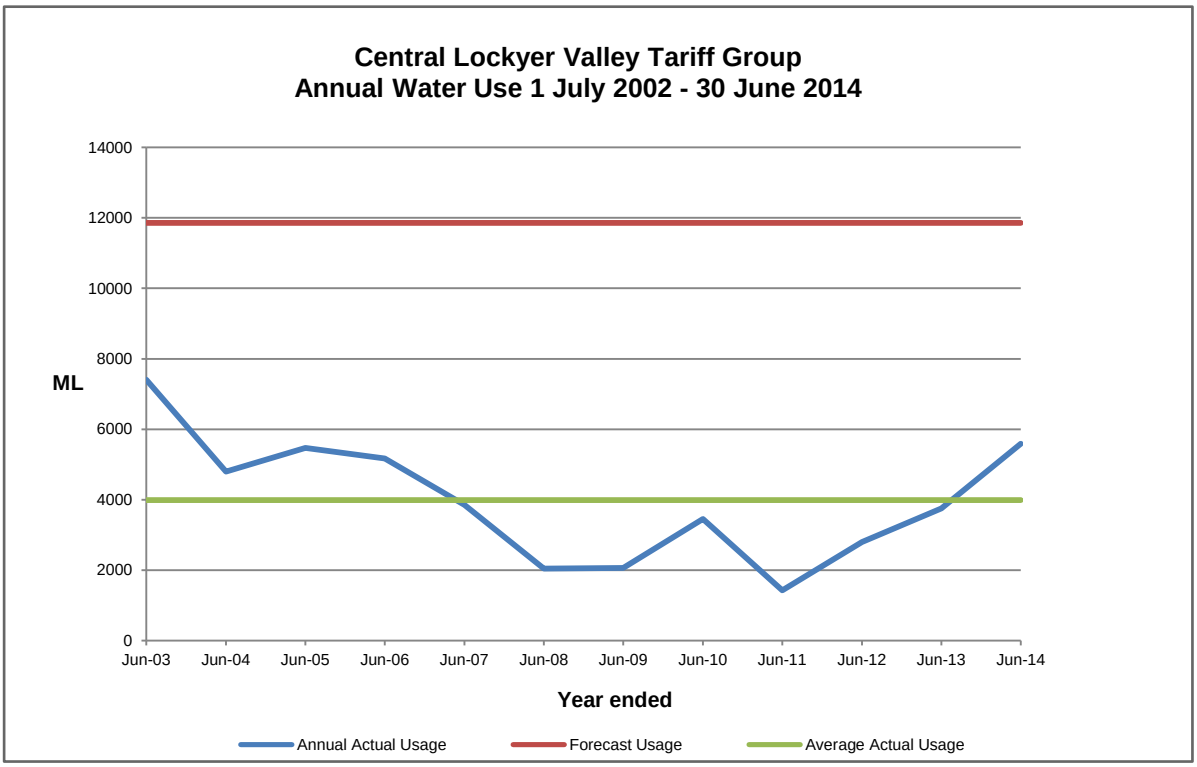
Source: Seqwater (2014)

2.4.2 Water use

Figures 1 and 2 below show the actual water usage per year from the 2002-03 water year to the 2013-14 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

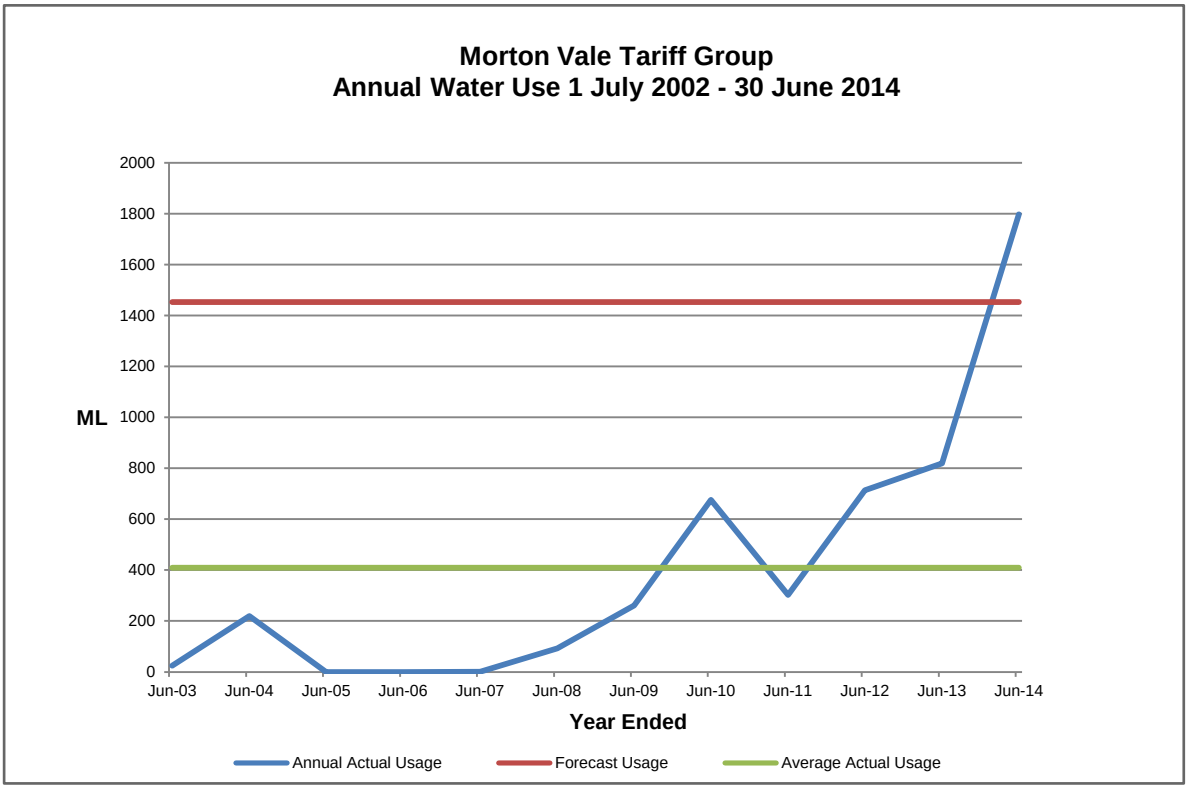
Also shown is the usage assumption for the current approved price path for 2013-17 which is 11,857ML or 92% of the nominal WAE for Central Lockyer Valley tariff group and 1,453ML or 42% for Morton Vale Pipeline tariff group. The current usage assumptions have been extrapolated to prior years for comparison purposes only. The previous irrigation price path adopted a usage forecast of 65% of nominal WAE for Central Lockyer Valley tariff group and 25% of nominal WAE for the Morton Vale Pipeline tariff group.

Figure 1: Annual Central Lockyer Valley water usage for years ending 30 June 2003 to 30 June 2014



Source: Seqwater (2014)

Figure 2: Annual Morton Vale Pipeline water usage for years ending 30 June 2003 to 30 June 2014



Source: Seqwater (2014)

2.5 Water trading

The following table sets out the annual volumes of temporary transfers between irrigation customers from 1July 2008 to 30 June 2014.

Table 4: Morton Vale temporary transfers 2008-14

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)	2013-14 (ML)
Medium	0	6.14	0	0	15	0

Source: Seqwater (2014)

2.6 Irrigation Customer Consultation

Seqwater is committed to consulting with its customers as required under its Statement of Obligations.

On 16 June 2014, Seqwater held a scheme consultation forum for the Central Lockyer Valley WSS. The 2013-14 NSP was presented. The changes expected to appear in the 2014-15 NSP were highlighted and discussed with particular attention being paid to the 2014-15 renewals program and the customer service standards. The meeting summary has been published on the Central Lockyer Valley WSS web page on Seqwater's website.

The next consultation forum is expected to be held in May/June 2015 unless matters arise that require consultation prior to that date. Seqwater will be holding customer consultation 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 customer consultation 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

Following a review of the service standards by Seqwater, amended service standards were presented and agreed to at the customer consultation forum held on 16 June 2014.

The service standards are attached in Appendix 1 and are also published on the Central Lockyer Valley WSS web page on Seqwater's website.

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
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)

The following table sets out Seqwater's detailed budget and actual expenditure for 2013-14 and the detailed budget for 2014-15. Explanations of material variations are set out in the table below.

Table 9: Central Lockyer tariff group operating expenditure for 2013-14 and operating budget 2014-15 ($Nominal)

Expenditure Item	2013-14		2014-15
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	123,931	151,914 (1)	126,438
Electricity	110,343	34,054 (2)	113,101
Other direct operating	12,770	24,819	13,074
Repairs and maintenance	157,020	136,098 (3)	160,814
Dam safety	-	-	24,204
Rates	-	-	-
Consultation costs	7,175	- (4)	7,354
Total direct operating costs	**411,239**	**346,885**	**444,985**
Non-direct operating costs			
Operations	169,792	191,340 (5)	172,305
Non-infrastructure	17,295	17,091 (5)	17,458
Insurance	146,289	171,593 (5)	149,946
Total non-direct costs	**333,376**	**380,024**	**339,709**
Total operating costs	**744,615**	**733,707**	**784,694**

Source: Seqwater (2014); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

(1) Labour costs were higher than budget due to increased surveillance and inspection activities.

(2) Electricity costs were lower than budget because of reduced pumping requirements into and out of Clarendon Dam.

(3) Repairs and maintenance costs were below budget because the focus of work was on flood damage repairs which do not form part of scheme costs.

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

(5) Following the merger of Seqwater and LinkWater in 2013, the indirect cost base and the distribution of indirect costs resulted in a higher allocation of indirect costs to the Scheme.

Table 10: Morton Vale Pipeline tariff group operating expenditure for 2013-14 and operating budget 2014-15 ($Nominal)

Expenditure Item	2013-14		2014-15
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	36,756	10,669 (1)	37,499
Contractors and materials	-		-
Electricity	-		-
Other	-		-
Repairs and maintenance	10,219	180 (2)	10,466
Total direct operating costs	**46,975**	**10,849**	**47,965**
Non-direct operating costs			
Operations	22,590	5,984 (3)	22,924
Non-infrastructure	2,301	534 (3)	2,323
Insurance	2,498	2,931 (4)	2,561
Total non-direct costs	**27,389**	**9,449**	**27,808**
Total operating costs	**74,364**	**20,298**	**75,773**

Source: Seqwater (2014); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

(1) Lower labour costs resulted from limited requirements for staff to attend the pipeline during the year.

(2) Inspection of the pipeline found that no planned maintenance was required and also no unplanned maintenance was required to be carried out.

(3) Lower direct operating costs incurred resulted in less indirect costs being allocated to the Scheme.

(4) Higher insurance costs resulted from increases in insurance renewal premiums.

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	138,398	64,983	-46,602
Revenue – irrigation	124,926	213,122	213,530	213,403
Revenue – other	1,346	1,376	1,375	1,369
Expenditure for year	-223,469	-287,913	-326,490	-238,621
Interest for 2013-14	8,617	-	-	-
Closing Balance 30 June	138,398	64,983	-46,602	-70,451

Source: Seqwater (2014); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

* 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 2014.

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	435,159	383,706	347,861
Revenue for year	-9,238	-20,659	-20,307	-19,956
Expenditure for year	-	-30,794	-15,538	-15,926
Interest for 2013-14	27,095	-	-	-
Closing Balance 30 June	435,159	383,706	347,861	311,979

Source: Seqwater (2014); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

* 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 2014.

3.3.2 Renewals expenditure

3.3.2.1 Prior year renewals

The following table sets out the renewals projects that were undertaken, or scheduled to be undertaken, in 2013-14.

Table 13: Central Lockyer Valley tariff group renewals projects 2013-14

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace water meters	135	110 (1)
Lake Dyer Diversion	Refurbish butterfly valve	13	- (2)
Clarendon Dam	Replenish/replace rip rap	53	- (3)
Redbank Creek pump station and Clarendon Dam pump station	Replace SCADA and control equipment	23	114 (4)

Source: Seqwater (2014)

(1) Program was to replace 20 water meters. 8 water meters were replaced in 2012-13 and 12 were replaced in 2013-14. The project achieved savings of $24,885 against the expected budget.

(2) This project was not required to be undertaken following the lowering of Bill Gunn Dam and is not anticipated to be required for the foreseeable future.

(3) This project has been deferred to 2014-15.

(4) The SCADA and control equipment at Redbank Creek pump station was replaced following an unexpected equipment failure. The control equipment at the Clarendon Dam pump station which was due for replacement (estimated cost of $23,000) was replaced as part of the same project.

No renewals projects were undertaken in the Morton Vale Pipeline tariff group in 2013-14.

3.3.2.2 Regulatory period renewals

Forecast significant renewals projects (>$20,000) for the balance of the regulatory period (2014-17) 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 2014-17 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Water meters	Replace customer water meters	2014-17	450

Source: Seqwater (2014)

Table 15: Morton Vale Pipeline tariff group renewals – 2014-17 ($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 (2014)

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 2017-37 ($Nominal)

Asset	Project description	Year	Forecast cost ($'000)
Water meters	Replace water meters	2017-37	1,389

Source: Seqwater (2014)

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 2017-37 ($Nominal)

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

Source: Seqwater (2014)

Appendix 1

Central Lockyer Valley Water Supply Scheme service targets

Planned shutdowns

Definition: A planned shutdown occurs when customers' supply is interrupted or restricted due to the performance of work by Seqwater that is planned in advance.

In managing planned shutdowns, Seqwater recognises that the following are important service issues:

- That you will be notified about a shutdown so that you can plan ahead;
- The timing of the shutdown should suit most customers;
- The duration of the shutdown should minimise the impact on customers while enabling Seqwater to perform maintenance on the Scheme.

Planned shutdowns – timing target

The timing of all planned shutdowns will be set following consultation with the Irrigation Consultation Forum (for a shutdown affecting a large part of the scheme) or customer groups or individuals (for shutdowns effecting small areas).

Planned shutdowns – duration target

Seqwater will complete all planned shutdowns within the period notified to customers unless later varied by agreement with the groups originally consulted, or unless circumstances arise that are beyond Seqwater's control, such as adverse weather conditions.

Planned shutdowns – notice target

For shutdowns planned to exceed 2 weeks, 8 weeks written notice will be provided to each customer affected by the shutdown. A reminder notice will be sent 2 weeks before the commencement of the shutdown.

For shutdowns planned to exceed 3 days but are less than 2 weeks, at least 2 weeks written notice by letter, fax, telephone, text, email or verbal advice will be provided to each customer affected by the shutdown unless the shutdown is opportunistic in which case less than 2 weeks' notice may be given.

For shutdowns planned to be less than 3 days, at least 5 days' notice will be provided at least verbally to each customer affected.

Each notice will state the start date, and anticipated shutdown duration.

Note: A courtesy reminder may be placed in the local newspaper one week before the planned shutdowns commence.

Unplanned shutdowns

Definition: An unplanned shutdown is an unforeseen or unplanned failure of Seqwater's water delivery infrastructure that stops or restricts the supply of water to a customer for more than 2 hours (including emergency repairs). It does not include events that are beyond Seqwater's control (e.g. power failure, or storm) and does not include interruptions to supply caused by errors in estimating water demand and releases, or the taking of water without authorisation.

Unplanned shutdown – duration targets

- Unplanned Shutdowns will be fixed so that at least partial supply can be resumed to those customers requiring water within 48 hours of Seqwater being notified of the event.
- Some events may interrupt supply greater than the above standard and are excluded from these targets. Seqwater will publish these events from time to time.

Unplanned shutdown – notice target

Seqwater will notify all affected customers requiring water verbally or by email, text, telephone, radio announcement or fax of the likely duration of the interruption to supply within 24 hours of learning of the event, or by the end of the first business day following the event, whichever is the earlier.

Unplanned shutdown – meter repairs target

Faults causing restrictions to supply will be repaired within one working day of Seqwater being notified.

Frequency of interruptions to supply

No customer will experience more than 6 planned or unplanned interruptions per water year (as defined above).

Complaints

Seqwater will provide an initial response to all complaints in writing, including email, or by telephone within 5 working days of receiving a complaint by the customer:

Seqwater will either resolve a customer's complaint, or provide a written response providing reasons why the complaint has not or cannot be resolved within 21 days of receiving the complaint.