Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2015-16

Published: September 2015

Contents

Section	Title	Page
1.	Introduction	3
2.	Scheme Details	3
2.1	Scheme background and context	3
2.2	Infrastructure details	3
2.3	Customers and water entitlements serviced	4
2.4	Water availability and use	4
2.4.1	Water availability	4
2.4.2	Water use	5
2.5	Water trading	7
2.6	Irrigation Customer Consultation	7
2.7	Customer service standards	7
3.	Financial Performance	8
3.1	Tariffs	8
3.2	Operating expenditure	8
3.3	Renewals	10
3.3.1	Asset Restoration Reserve	10
3.3.2	Renewals expenditure	11
3.3.2.1	2014-15 renewals	11
3.3.2.2	2015-16 forecast renewals	12
3.3.2.3	Asset management plan	12
3.3.2.4	Material planning period renewals	12

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 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 (2015)

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 (2015)
***** 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 since 2006-07

Year	MP % (Morton Vale Pipeline)	Risk A (Crowley Vale Water Board)
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
2015-16	100	100

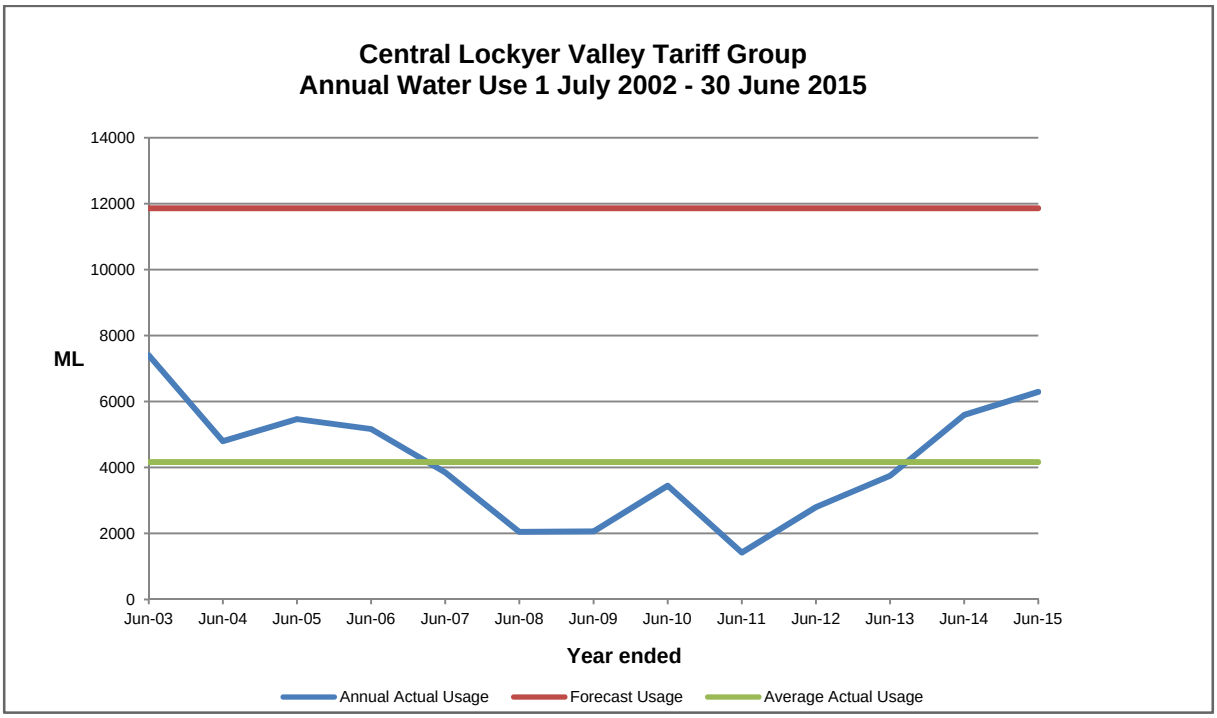
Source: Seqwater (2015)

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 2014-15 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

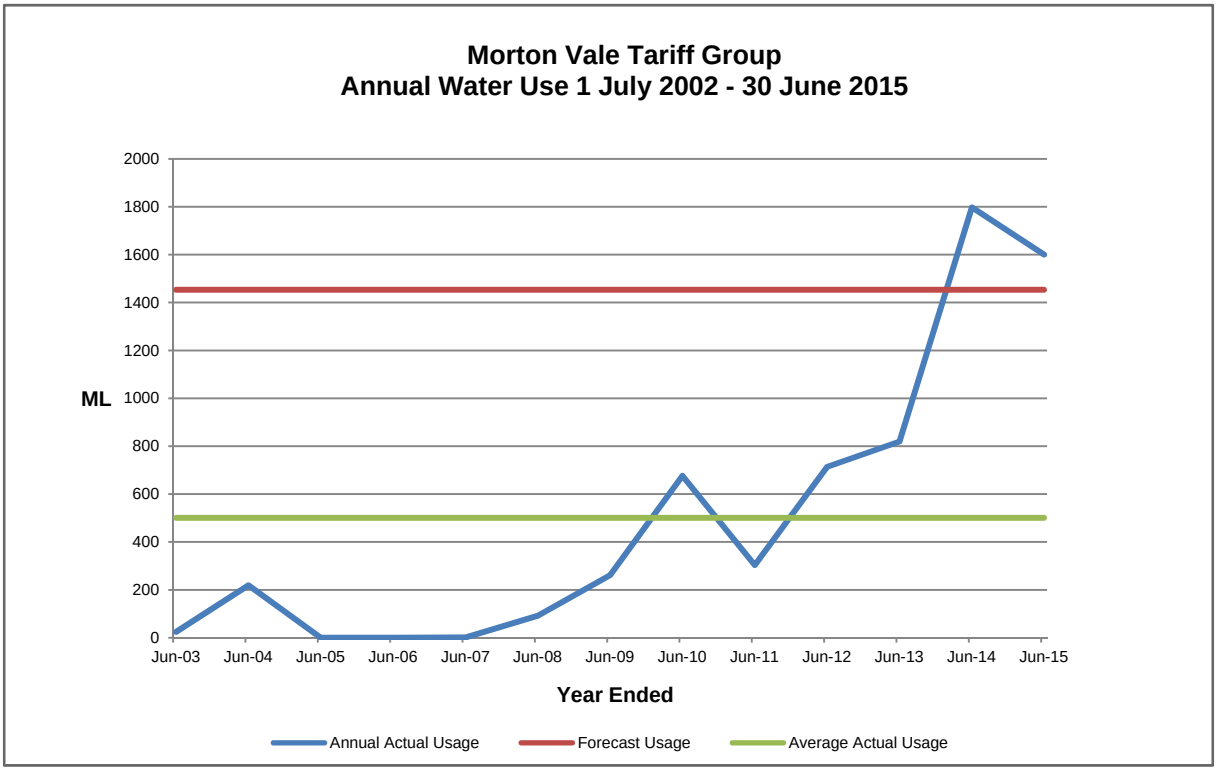
Also shown is the usage assumption for the current approved price path for 2013-17 which is 11,857ML or 92% of the nominal WAE for Central Lockyer Valley tariff group and 1,453ML or 42% for Morton Vale Pipeline tariff group. The current usage assumptions have been extrapolated to prior years for comparison 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: Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2015



Source: Seqwater (2015)

Figure 2: Morton Vale Pipeline annual 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 volumes of temporary transfers and leases by year from 1 July 2008.

Table 4: Temporary trading 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	0	6.14	0	0	15	0	30

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 25 May 2015, Seqwater held a scheme consultation forum for the Central Lockyer Valley WSS. The 2014-15 renewals and the future renewals programs were discussed. Seqwater explained that the *Water Act 2000* requires that holders of a water allocation within a Seqwater water supply scheme must enter into a water supply contract with Seqwater. Seqwater advised it intends to send water supply contracts to all allocation holders before the scheme becomes part of the Morton Resource Operations Plan. The meeting summary has been published on the Central Lockyer Valley WSS page on Seqwater's website.

The next consultation forum is expected to be held in May/June 2016 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

The service standards are published on the Central Lockyer Valley 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 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 tables 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 tables set out Seqwater's detailed budget and actual expenditure for both tariff groups for 2014-15 as well as the detailed budgets for both tariff groups for 2015-16. Explanations of material variations are set out below each table.

Table 9: Central Lockyer tariff group operating expenditure for 2014-15 and operating budget 2015-16 ($Nominal)

Expenditure Item	2014-15		2015-16
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	126,438	144,399 (1)	128,964
Electricity	113,101	117,468	115,929
Other direct operating	13,074	19,415	13,382
Repairs and maintenance	160,814	84,067 (2)	164,661
Dam safety	24,204	–	–
Rates	–	–	–
Consultation costs	7,354	– (3)	7,538
Total direct operating costs	**444,985**	**365,349**	**430,474**
Non-direct operating costs			
Operations	172,305	172,127	174,814
Non-infrastructure	17,458	15,055	17,617
Insurance	149,946	134,056 (4)	153,695
Total non-direct costs	**339,709**	**321,239**	**346,126**
Total operating costs	**784,694**	**677,522**	**776,600**

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

(1) Labour costs were higher than budget due to increased management of recreation activities at Lake Dyer and Lake Clarendon.

(2) Repairs and maintenance costs were less than budget because a number of assets were renewed by flood repairs thus reducing the level of normal routine maintenance.

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

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

Table 10: Morton Vale Pipeline tariff group operating expenditure for 2014-15 and budget for 2015-16 ($Nominal)

Expenditure Item	2014-15		2015-16
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	37,499	8,009 (1)	38,248
Contractors and materials	–	–	–
Electricity	–	–	–
Other	–	–	–
Repairs and maintenance	10,466	7,438 (2)	10,715
Total direct operating costs	**47,965**	**15,447**	**48,963**
Non-direct operating costs			
Operations	22,924	7,278 (3)	23,259
Non-infrastructure	2,323	637 (3)	2,344
Insurance	2,561	1,657 (4)	2,625
Total non-direct costs	**27,808**	**9,572**	**28,228**
Total operating costs	**75,773**	**25,199**	**77,191**

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

(1) Labour costs were less than budget because, with the exception of two occasions when leaks were repaired, staff time was required only for surveillance activities and reading water meters.

(2) Repairs and maintenance costs were less than budget because no planned maintenance was required and fewer unplanned repairs were carried out.

(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 11 below for the Central Lockyer Valley tariff group and in Table 12 below for the Morton Vale Pipeline tariff group.

Table 11: Central Lockyer Valley tariff group asset restoration reserve for 2014-15 ($Nominal)

Asset Restoration Reserve	2014-15 ($)
Opening Balance 1 July 2014	138,398
Adjustment to opening balance	20,179
Revenue – irrigation	213,122
Expenditure for year	-265,206
Interest for year*	7,071
Closing Balance 30 June 2015	113,564

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.

Table 12: Morton Vale Pipeline tariff group asset restoration reserve for 2014-15 ($Nominal)

Asset Restoration Reserve	2014-15 ($)
Opening Balance 1 July 2014	435,158
Adjustment to opening balance	41,082
Revenue for year	-20,659
Expenditure for year	-
Interest for year*	30,251
Closing Balance 30 June 2015	485,832

Source: Seqwater (2015); 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 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 13: Central Lockyer Valley tariff group renewals projects 2014-15

Asset	Project scope	Budget ($'000)	Actual ($'000)
Water meters	Replace 20 water meter installations	145,000	128,331 (1)
Clarendon Dam	Refurbish pump	82,000	68,484 (2)
	Replace pump station programmable logic controller	72,000	68,391

Source: Seqwater (2015)

(1) Costs were lower than budget because more efficient methods were developed for prefabricating the components and installing the meters.
(2) This project will be completed in 2015-16.

No renewals projects were undertaken in the Morton Vale Pipeline tariff group in 2014-15.

3.3.2.2 2015-16 forecast renewals

Forecast renewals expenditure for 2015-16 for the Central Lockyer Valley tariff group is provided in table 14 below. There are no renewals projects for the Morton Vale Pipeline tariff group, in 2015-16.

Table 14: Central Lockyer Valley tariff group renewals projects for 2015-16 ($Nominal)

Asset	Project description	Forecast cost ($'000)
Clarendon Dam	Refurbish pump	30
Water meters	Replace 20 customer water meters	163

Source: Seqwater (2015)

3.3.2.3 Asset management plan

In June 2014, Seqwater finalised a ten year asset management plan for the Scheme's dams. 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 dams 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 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 for the Central Lockyer Valley tariff group in present value terms is $253,042 and for the Morton Vale Pipeline tariff group is $9,666.

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 (2015)

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 (2015)