seqwater
WATER FOR LIFE

Logan River 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 Scheme is located in the Logan River Basin and supplies bulk raw water to WAE in the nine zones that comprise the Scheme. The scheme stretches along a 101.4 km length of the Logan River and along 27 km of Burnett Creek. It was designed to supplement natural flows for the fertile alluvial areas along Burnett Creek and the Logan River.

The Scheme is regulated under the Logan Basin Resource Operations Plan issued in December 2009.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Logan River".

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
• Maroon Dam • Wyaralong Dam	• Cedar Grove Weir • Bromelton Weir • South Maclean Weir	• Bromelton Off-Stream Storage	• Gauging stations • Customer water meters

Source: Seqwater (2013)

2.3 Customers and water entitlements serviced

The Scheme supplies water to:

- Irrigation users, comprising 136 customers who hold 13,552 ML of medium priority water access entitlements (WAE);
- One industrial user who holds 2.5 ML of medium priority WAE; and
- Five other industrial users who together hold 936 ML of high priority WAE.

Seqwater holds 8,920 ML of high priority WAE.

The following charts and table sets out the distribution of WAE amongst classes of customers.

Table 2: Ownership of entitlements

Customer type	Number of customers	Medium priority WAE (ML)	High priority WAE (ML)
Irrigation	132	13,552	-
MP Industrial	1	2.5	-
HP Industrial	5	-	936
Seqwater	7	-	10
Seqwater	-	-	8,910
Totals	**145**	**13,554.5**	**9,856**

Source: Logan Basin Resource Operations Plan

2.4 Water availability and use

The announced allocation determines the percentage of nominal WAE volume that is available in each water year.

The following table sets out the announced allocations since 2006-07, the commencement of the previous price path.

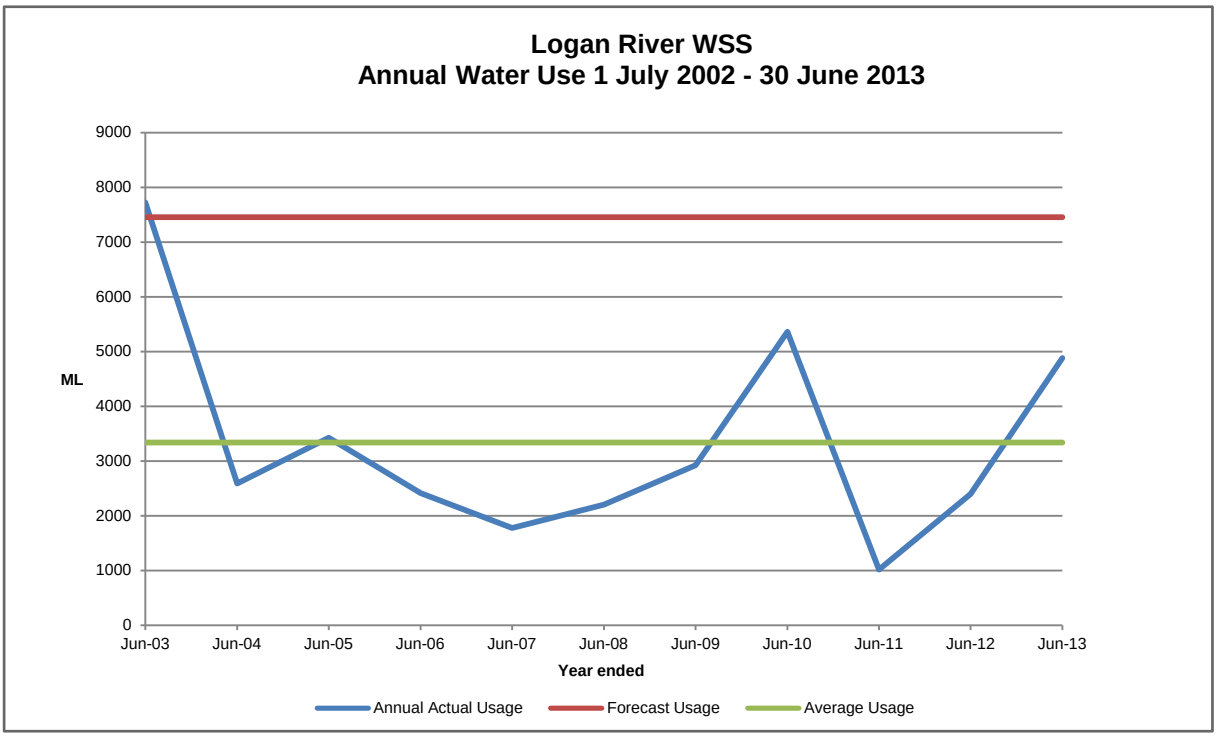
Table 3: Announced allocations history

Priority	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
High	0	0-100	100	100	100	100	100	100
Medium	0	0-90	95-100	100	100	100	100	100

Source: Seqwater (2013)

The previous irrigation price path adopted a usage forecast of 55% of the nominal WAE, equivalent to 198ML/annum or 50ML/quarter. The comparison of estimated to actual use on an annual basis for the period 1 July 2002 to 30 June 2013 is set out in Figure 1 below. Average annual usage for the period of 248ML is also shown.

Figure 1: Annual Scheme 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: Temporary transfers 2008-13

Priority	2008-09 (ML)	2009-10 (ML)	2010-11 (ML)	2011-12 (ML)	2012-13 (ML)
Medium	201	126.5	302	317	2

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

The current service standards were established in consultation with customer representatives in 2001 and were carried across to Seqwater from SunWater Limited.

As stated in 2.6 above, Seqwater intends to commence the review of the customer service standards in consultation with customers during 2013-14.

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.

Table 5: Water prices (Nominal $/ML)

Tariff	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Fixed (Part A)	23.11	25.74	28.48	29.28
Variable (Part B)	9.98	10.23	10.49	10.75

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

Operating cost item	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Direct operations	451,298	459,627	468,008	476,437
Repairs and maintenance	103,792	106,300	108,843	111,419
Dam safety	0	0	0	24,643
Rates	57,623	59,063	60,540	62,053
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	445,663	453,618	461,655	469,769
Total operating costs	**1,065,551**	**1,085,962**	**1,106,584**	**1,152,048**

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 2012-13 and the detailed budget for 2013-14. Explanations of material variations are set out below the table.

Table 7: 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	320,337	310,753	312,394
Contractors and materials	46,583	36,557	45,545
Electricity	6,494	5,754	7,468
Other	89,850	77,072 (1)	85,891
Repairs and maintenance	106,653	110,337	103,792
Dam safety	-	-	-
Rates	56,217	26,339 (2)	57,623
Consultation costs	-	-	7,175
Total direct operating costs	**626,134**	**566,812**	**619,888**
Non-direct operating costs			
Operations	273,617	302,005 (3)	270,410
Non-infrastructure	28,080	28,080	27,544
Insurance	144,106	173,879 (4)	147,709
Total non-direct costs	**445,803**	**503,964**	**445,663**
Total operating costs	**1,071,937**	**1,042,606**	**1,065,551**

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

(1) Other operations costs were less than budget mainly because wet conditions impeded activities.

(2) The budgeted costs for rates included property associated with Wyaralong Dam which does not form part of the scheme cost base.

(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 8 below where the estimated ARRs for the years 2013-14 to 2016-17 are set out.

Table 8: Logan River WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Opening Balance 1 July	-700,646	-767,081	-731,107	-643,077
Revenue – irrigation	39,391	39,835	39,850	39,877

Revenue – other	77,752	79,191	78,333	77,484
Expenditure – all sectors	-183,578	-83,052	-30,153	-30,907
Closing Balance 30 June	-767,081	-731,107	-643,077	-556,623

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 9: Renewals projects 2012-13

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace water meters	200	67 (1)
Maroon Dam	Replace mono rails	60	37 (2)
Maroon Dam WTP	Upgrade the PLC with UPS	-	50 (3)

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.

(2) Work commenced in May 2013 and was not completed at 30 June 2013. The project has been carried over into 2013-14.

(3) This project was added to the program and was funded by a re-allocation of budgets within the works program.

3.3.2.2 Regulatory period renewals

Forecast significant (>$10,000) renewals expenditure for the regulatory period (2013-17) is provided in table 10 below. All forecasts are nominal amounts assuming an average inflation rate of 2.5%.

Table 10: Renewals by project for 2013-17 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace customer water meters	2013-17	198
Maroon Dam	Replace mono rails	2013-14	23
Maroon Dam	Replace instrumentation	2013-14	13
Maroon Dam	Refurbish tunnel upper chamber	2031-14	36
Maroon Dam	Refurbish rip rap on upstream face of main wall embankment	2013-14	36
Maroon Dam	Refurbish instrumentation – water level recorders and piezometers	2013-14	18

Source: Seqwater (2013)

3.3.2.3 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 $70,000 with the base year being 2017-18. One renewal project exceeded the 10% threshold and appears in table 11 below.

Table 11: Material renewals projects 2017-36 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace water meters	2017-37	339

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.