Logan River Water Supply Scheme

Annual Network Service Plan

2015-16

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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 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 (ROP) first issued in December 2009. The ROP was amended to include Wyaralong Dam as part of the Scheme in December, 2012. A further amendment in March 2014 to included Christmas Creek and Running Creek under the ROP. However, these two creeks, which are not supplemented by Seqwater's infrastructure, do not form part of the Scheme.

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 (2015)

2.3 Customers and water entitlements serviced

The following table sets out the distribution of water access entitlements (WAE) amongst classes of customers.

Table 2: Ownership of WAE

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	-	8,920
Totals	**145**	**13,554.5**	**9,856**

Source: Moreton Resource Operations Plan June 2014; Seqwater (2015)

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. The following table sets out the announced allocations for both medium priority and high priority water allocations since 2006-07.

Table 3: Announced allocations history

Year	MP %	HP %	Year	MP %	HP %
2006-07	0%	0%	2011-12	100%	100%
2007-08	0-90%	0-100%	2012-13	100%	100%
2008-09	95-100%	100%	2013-14	100%	100%
2009-10	100%	100%	2014-15	100%	100%
2010-11	100%	100%	2015-16	100%	100%

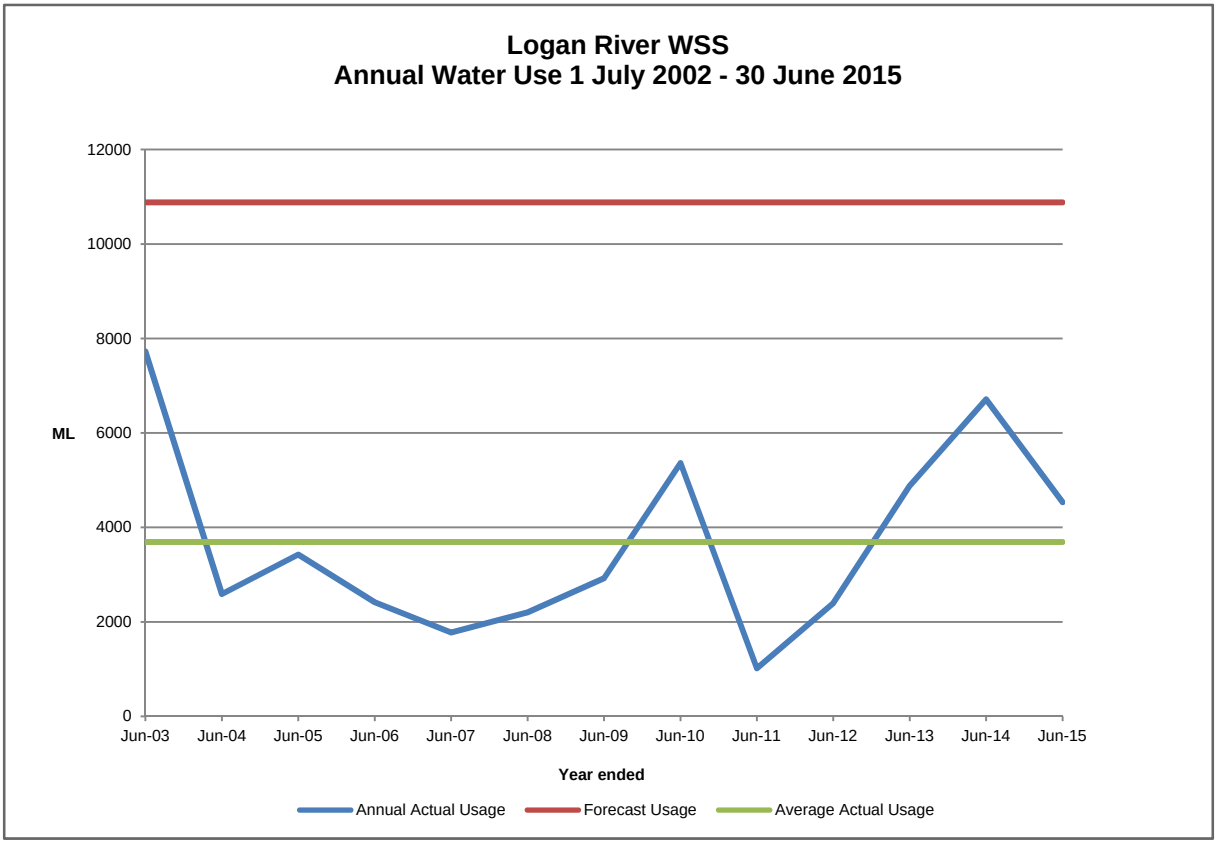
Source: Seqwater (2015)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2014-15.

Also shown is the usage assumption for the current approved price path for 2013-17 which is 10,881ML or 80% of the nominal WAE. 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 5,421 ML or 40% of the nominal WAE.

Figure 1: Annual Scheme 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 by year from 1July 2008.

Table 4: Temporary transfers 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	201	127	302	317	2	305	2

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 18 May 2015, Seqwater held a scheme consultation forum for the Logan River WSS. The 2014-15 renewals and the future renewals programs were discussed. Also presented and discussed were the scheme's operational rules. The meeting summary has been published on the Logan River 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 Logan River WSS web 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.

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 operating costs approved 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 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	-	-	-	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	453,619	461,655	469,769
Total operating costs	**1,065,551**	**1,085,963**	**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 budget and actual expenditure for 2014-15 and the budget for 2015-16. Explanations of material variations are set out below the table.

Table 7: Operating expenditure for 2014-15 and operating budget 2015-16 ($Nominal)

Expenditure Item	2014-15		2015-16
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	318,711	323,861	325,079
Electricity	7,655	18,258 (1)	7,846
Other	133,261	125,972	135,083
Repairs and maintenance	106,300	90,292	108,843
Dam safety	–	–	–
Rates	59,063	31,109 (2)	60,540
Consultation costs	7,354	–	7,538
Total direct operating costs	**632,344**	**589,492**	**644,929**
Non-direct operating costs			
Operations	274,414	277,728	278,411
Non-infrastructure	27,803	24,292	28,057
Insurance	151,402	135,269 (3)	155,187
Total non-direct costs	**453,619**	**437,289**	**461,655**
Total operating costs	**1,085,963**	**1,026,781**	**1,106,584**

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

(1) Higher electricity costs were incurred at the water treatment plant.

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

(3) 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 8 below for 2014-15.

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

Asset Restoration Reserve	2014-15 ($)
Opening Balance 1 July 2014	-1,086,216
Adjustment to opening balance	1,062
Revenue – irrigation	39,835
Revenue - other	79,191
Expenditure for year	-353,738
Interest for year*	-87,639
Closing Balance 30 June 2015	-1,407,505

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.

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 9: Renewals projects for 2014-15

Asset	Project scope	Budget ($'000)	Actual ($'000)
Maroon Dam	Install water level sensors and rain gauge hut	90	89
Water meters	Replace 10 water meters	74	55 (1)
Maroon Dam water treatment plant	Replace clarifier – final costs carried over	–	1
	Upgrade programmable logic controller	108	124 (2)
	Operational improvements implementation	8	13 (2)
	SCADA improvements project – final costs	–	1
	Replace clearwater tank platform and upgrade access ladders	60	71 (3)

Source: Seqwater (2015)

(1) This project was not completed in 2014-15. Consequently, the balance of costs will be incurred in 2015-16.

(2) These projects are part of an integrated scope of work for the upgrade of the water treatment plant. Increased costs arose as a result of an expansion of the scope of works required to ensure long-term efficiency.

(3) An inspection found the clearwater tank and associated works were not in a condition to be removed from the platform and reinstalled resulting in additional costs to replace the tank. This project has been carried over to be finalised in 2015-16.

3.3.2.2 2015-16 forecast renewals

Forecast renewals expenditure for 2015-16 is provided in table 10 below.

Table 10: Renewals by project for 2015-16 ($Nominal)

Asset	Project scope	Forecast ($'000)
Customer water meters	Replace 10 customer water meters – carried over from 2014-15	19
	Replace 10 customer water meters	84
Maroon water treatment plant	Replace clearwater tank	12
	Replace filter 2 media	36
	Install shading for clarifier	54
	Replace filter feed valves and install actuators	48
	Install level sensors	30

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 assets. 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 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 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, in present value terms, is $75,391. Projects exceeding the 10% threshold are set out in table 11 below showing their cost in nominal terms in the year.

Table 11: Major renewals projects 2017-37 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace water meters	2017-37	339
Maroon Dam	Replace rip rap at outlet works	2020-21	150

Source: Seqwater (2015)