seqwater
WATER FOR LIFE

Lower 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 Lower Lockyer Water Supply Scheme is located west of Lowood in the Lockyer Valley in South East Queensland. The Scheme was designed to supply surface water for irrigation.

The Scheme is currently regulated under the authority of the Interim Resource Operations Licence (IROL) for the Lower Lockyer Valley Water Supply Scheme, issued in July 2008. The Moreton Resource Operations Plan (ROP) is being amended to include the Scheme. When finalised, the amended plan will replace the IROL and interim water allocations will be converted to water allocations that are separate from land and may be traded on a seasonal or permanent basis.

The water year runs from 1 April to 31 March. When the amended ROP is released, the water year will run from 1 July to 30 June.

The Scheme consists of one tariff group, "Lower Lockyer Valley".

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	Other bulk water assets
• Atkinson Dam	• Buaraba Creek Diversion Weir • Brightview Weir	• Gauging stations • Buaraba Creek Diversion Channel • Buaraba Creek Supply Channel

	• Sippels Weir • Potters Weir • O'Reillys Weir	• Seven Mile Lagoon Diversion Channel • Atkinson Pump Station • Atkinson Low Level Pump Station • Brightview Weir Supply Channel • Customer water meters

Source: Seqwater (2013)

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 volume (ML)
Irrigation	150	11,268
Seqwater	7	1,510
Totals	**157**	**12,778**

Source: IROL July 2008; Seqwater(2013)

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.

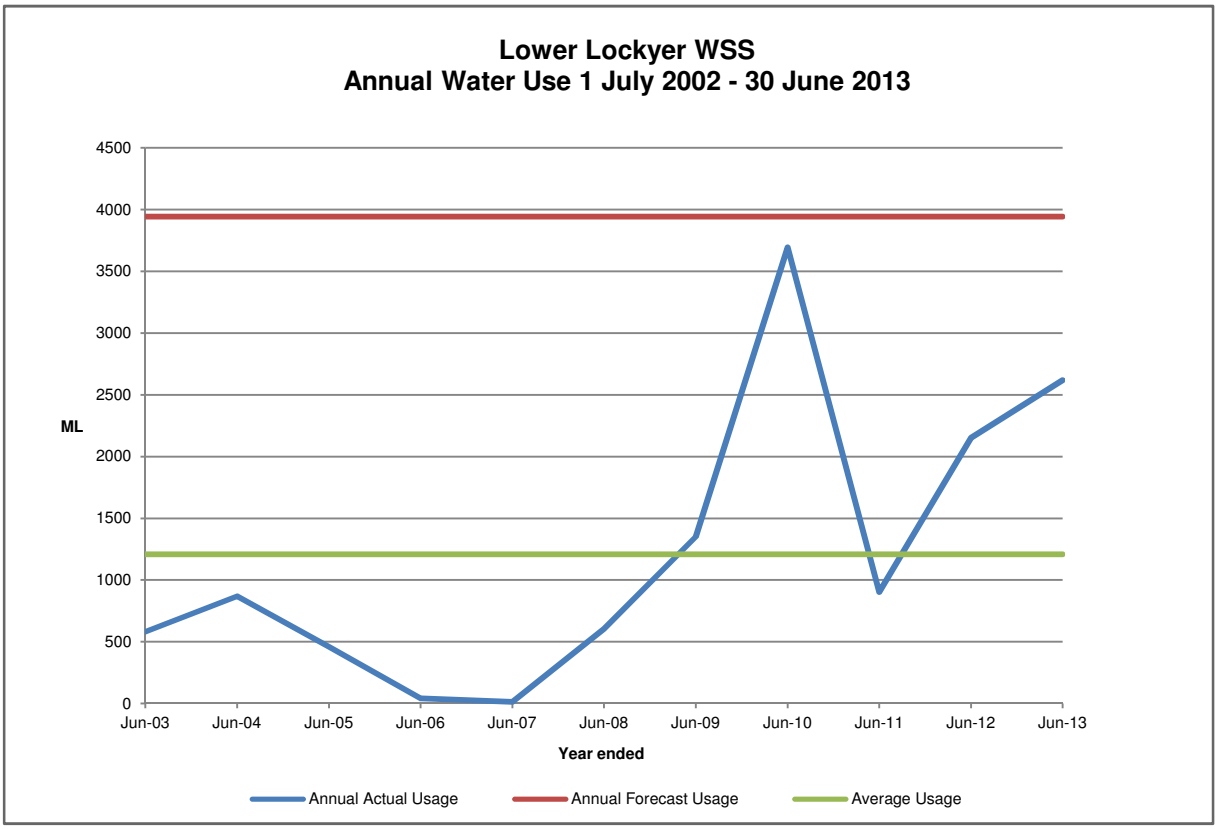
Table 3: Announced allocations history

Priority	2006-07 (%)	2007-08 (%)	2008-09 (%)	2009-10 (%)	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
Medium	0	0-16	13-63	27-100	100	100	100	100

Source: Seqwater (2013)

The previous irrigation price paths adopted a usage forecast of 35% of the nominal WAE, equivalent to 3,891 ML/annum. 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 1,208 ML/annum 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 volumes of temporary transfers by year 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	62.8	396.26	22.9	82	202

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 2012-13 and 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)	29.98	31.76	34.65	37.67
Variable (Part B)	22.25	22.80	23.37	23.96

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

Operating cost item	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Direct operations	490,956	499,475	508,048	516,665
Repairs and maintenance	194,609	199,310	204,077	208,907
Dam safety	23,979	-	-	-
Rates	47,965	49,164	50,393	51,653
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	431,146	438,017	444,915	451,836
Total operating costs	**1,195,830**	**1,193,321**	**1,214,971**	**1,236,788**

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.

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	249,605	267,957	253,173
Contractors and materials	35,261	31,336	36,386
Electricity	35,588	791 (1)	40,250
Other	159,281	179,158 (2)	161,147
Repairs and maintenance			
Planned	141,980	94,613 (3)	153,741
Unplanned	57,992	7,318 (3)	40,868
Dam safety	-	-	23,979
Rates	47,795	43,734	47,965
Consultation costs	-	-	7,175
Total direct operating costs	**726,502**	**624,907**	**764,684**
Non-direct operating costs			
Operations	326,327	360,184 (4)	331,630
Non-infrastructure	33,489	33,489	33,780
Insurance	64,133	77,383 (5)	65,736
Total non-direct costs	**423,949**	**471,056**	**431,146**
Total operating costs	**1,150,451**	**1,095,963**	**1,195,830**

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

(1) Due to the continuing high water levels in the Scheme, the requirement to pump water from Atkinson Dam was minimal which resulted in minimal consumption of electricity.

(2) Expenditure was higher than budget mainly because there were a number of algal bloom events that negatively impacted on water quality and required an increased level of water quality monitoring resulting in higher costs being incurred.

(3) The level of expenditure on repairs and maintenance was less than budget because the continuing high water levels and stream flows limited access to carry out work in certain areas of the Scheme resulting in lower than expected costs.

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

(5) 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: Lower Lockyer Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Opening Balance 1 July	-518,133	-734,408	-751,790	-604,153
Revenue – irrigation	169,043	169,629	168,429	167,614
Expenditure	-385,318	-187,011	-20,792	-84,765
Closing Balance 30 June	-734,408	-751,790	-604,153	-521,304

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	191	144 (1)
Aktinson Dam	Replace hoist attachment at inlet tower	25	23

Source: Seqwater (2013)

(1) Wet conditions during 2012-13 impeded the progress of this program of works. The unfinished portion will be carried over to 2013-14.

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 water meters	2013-17	370
Atkinson Dam	Refurbish sluice gate 1 assembly	2013-14	15
Atkinson Dam	Refurbish sluice gate 2 assembly	2013-14	15
Brightview Channel	Refurbish fencing	2013-14	42
Potters Weir	Repair scour bypass	2013-14	54
Sippel's Weir	Repair scour bypass	2013-14	64
Seven Mile Lagoon Diversion Channel	Desilt channel	2013-14	18
Atkinson Dam	Refurbish rock protection for discharge channel	2014-15	21

Brightview Channel	Refurbish channel banks	2016-17	63

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 $142,000 with the base year being 2017-18.

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

Asset	Project scope	Year	Forecast ($'000)
Water meters	Replace customer water meters	2017-37	404
Brightview Weir	Replace protection works	2022-23	297

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.