seqwater
WATER FOR LIFE

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

The Scheme is regulated under the Moreton Resource Operations Plan (ROP) which was amended in June 2014 to include the Scheme.

The water year runs 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<br>• Brightview Weir<br>• Sippels Weir<br>• Potters Weir<br>• O'Reillys Weir | • Gauging stations<br>• Buaraba Creek Diversion Channel<br>• Buaraba Creek Supply Channel<br>• Seven Mile Lagoon Diversion Channel<br>• Atkinson Pump Station<br>• Atkinson Low Level Pump Station |

| | | |
|---|---|---|
| | | • Brightview Weir Supply Channel<br>• Customer water meters |

Source: Seqwater (2014)

## 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 | 141 | 11,110 |
| Seqwater | 7 | 1,510 |
| **Totals** | **148** | **12,620** |

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

## 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 since 2006-07.

**Table 3:** Announced allocations history

| Priority | 2006-07 (%) | 2007-08 (%) | 2008-09 (%) | 2009-10 (%) | 2010-11 (%) | 2011-12 (%) | 2012-13 (%) | 2013-14 (%) | 2014-15 (%) |
|---|---|---|---|---|---|---|---|---|---|
| Medium | 0 | 0-16 | 13-63 | 27-100 | 100 | 100 | 100 | 100 | 81 |

Source: Seqwater (2014)

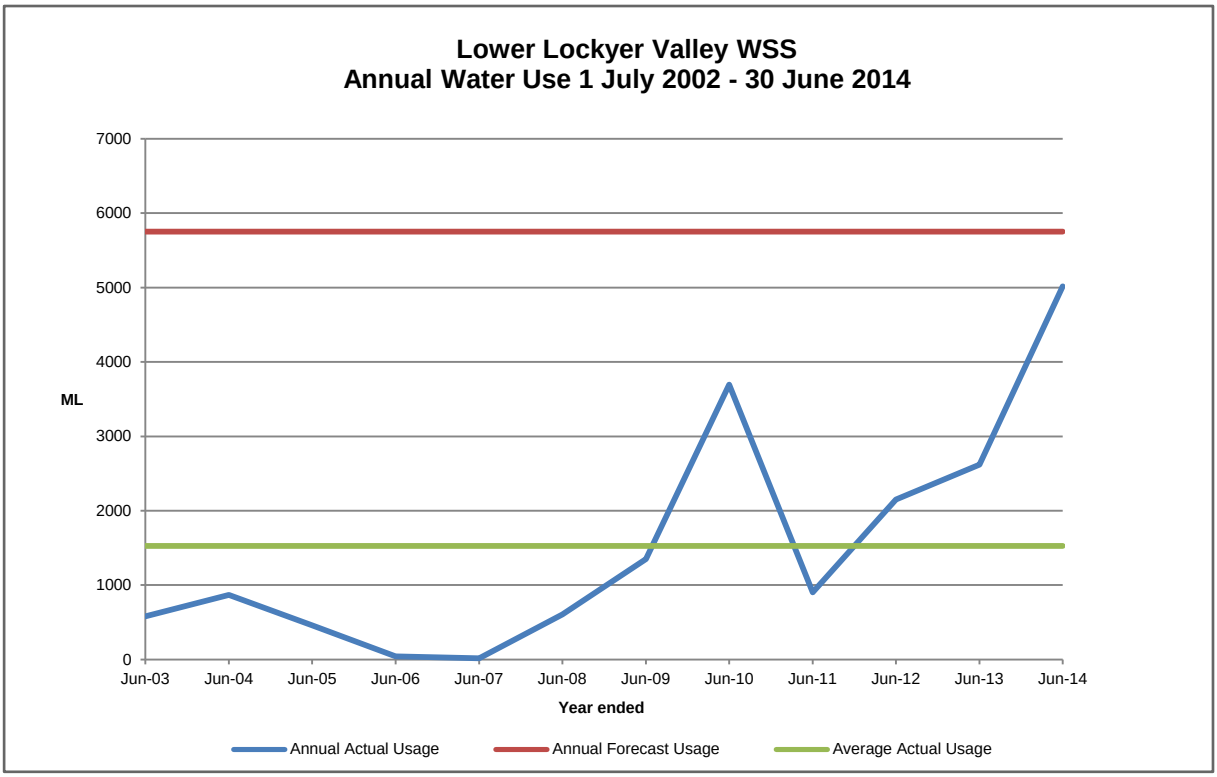
### 2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2013-14.

Also shown is the usage assumption for the current approved price path for 2013-17 which is 5,250 ML or 47% 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 35% of the nominal WAE.

Average annual usage for the period of 1,558 ML/annum is also shown.

**Figure 1:** Annual Scheme 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 volumes of temporary transfers by year from 1July 2008 to 30 June 2014.

**Table 4:** Temporary transfers 2008-14

| Priority | 2008-09 (ML) | 2009-10 (ML) | 2010-11 (ML) | 2011-12 (ML) | 2012-13 (ML) | 2013-14 (ML) |
|---|---|---|---|---|---|---|
| Medium | 63 | 396 | 23 | 82 | 202 | 131 |

Source: Seqwater (2014)

## 2.6 Irrigation Customer Consultation

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

On 1 May 2014, Seqwater held a scheme consultation forum for the Lower 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 Lower 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 1 May 2014.

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

# 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 2013-14 and the detailed budget for 2014-15.

**Table 7:** Operating expenditure for 2013-14 and operating budget 2014-15 ($Nominal)

| Expenditure Item | 2013-14 | | 2014-15 |
|---|---|---|---|
| | Budget ($) | Actual ($) | Budget ($) |
| **Direct operating costs** | | | |
| Labour | 253,173 | 258,592 | 258,293 |
| Electricity | 40,250 | 11,408 (1) | 41,256 |
| Other | 197,533 | 329,968 (2) | 199,926 |
| Repairs and maintenance | 194,609 | 76,609 (3) | 199,310 |
| Dam safety | 23,979 | 17,427 | - |
| Rates | 47,965 | 46,476 | 49,164 |
| Consultation costs | 7,175 | - (4) | 7,354 |
| **Total direct operating costs** | **764,684** | **740,480** | **755,303** |
| **Non-direct operating costs** | | | |
| Operations | 331,630 | 382,808 (5) | 336,541 |
| Non-infrastructure | 33,780 | 34,194 (5) | 34,097 |
| Insurance | 65,736 | 77,107 (6) | 67,381 |
| **Total non-direct costs** | **431,146** | **494,109** | **438,019** |
| **Total operating costs** | **1,195,830** | **1,234,589** | **1,193,322** |

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

(1) Electricity costs were below budget because pumping requirements were less than expected.

(2) Additional costs mainly due to additional water sampling and monitoring costs following algal blooms

(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 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.

(6) 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 | -813,819 | -831,201 | -683,564 |
| Revenue for year | 140,305 | 169,629 | 168,429 | 167,614 |
| Expenditure for year | -385,318 | -187,011 | -20,792 | -84,765 |
| Interest for 2013-14 | -50,673 | - | - | - |
| Closing Balance 30 June | -813,819 | -831,201 | -683,564 | -600,715 |

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 9:** Renewals projects 2013-14

| Asset | Project scope | Budget ($'000) | Cost ($'000) |
|---|---|---|---|
| Water meters | Replace water meters | 162 | 51 (1) |
| Potters Weir | Repair scour valve | - | 9 (2) |
| Sippels Weir | Replace stairs | - | 13 (2) |
| Atkinson Dam water treatment plant | Install tank and chemicals shed | - | 69 (2) |
| Atkinson Dam | Refurbish sluice gate 1 assembly | 15 | - (3) |
| Atkinson Dam | Refurbish sluice gate 2 assembly | 15 | - (3) |
| Brightview Channel | Refurbish fencing | 42 | - (3) |
| Potters Weir | Repair scour bypass | 54 | - (3) |
| Sippel's Weir | Repair scour bypass | 64 | - (3) |

**Table 9:** Renewals projects 2013-14 (*continued*)

| Asset | Project scope | Budget ($'000) | Cost ($'000) |
|---|---|---|---|
| Seven Mile Lagoon Diversion Channel | Desilt channel | 18 | - (3) |

Source: Seqwater (2014)

(1) Program was to replace 24 water meters. 17 water meters were replaced in 2012-13 and 7 were replaced in 2013-14.

(2) These projects were carried over from 2012-13 and were completed in 2013-14.

(3) These projects have been deferred following asset condition assessments which showed the work was not required to be undertaken immediately. Further assessments will be undertaken to determine when the projects will be undertaken.

### 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 2014-17 ($Nominal)

| Asset | Project scope | Year | Forecast ($'000) |
|---|---|---|---|
| Customer water meters | Replace water meters | 2014-17 | 208 |
| Atkinson Dam | Refurbish rock protection for discharge channel | 2016-17 | 20 |
| Brightview Channel | Refurbish channel banks | 2016-17 | 63 |

Source: Seqwater (2014)

### 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 11 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 2017-37 ($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 (2014)

* The timing of this project may be reviewed to take into account the repairs carried out on the protection works since the 2011 and 2013 floods.

Appendix 1

# Lower 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.