seqwater
WATER FOR LIFE

Lower Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2017-18

Published: September 2017

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
Seqwater
PO Box 16146
City East QLD 4002

2. Scheme Details

2.1 Scheme background and context

The Lower Lockyer Valley Water Supply Scheme is located west of Lowood in the Lockyer Valley in South East Queensland and centres around 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 • Brightview Weir • Sippels Weir • Potters Weir • O'Reillys Weir	• Gauging stations • Buaraba Creek Diversion Channel • Buaraba Creek Supply Channel • Seven Mile Lagoon Diversion Channel • Atkinson Pump Station • Atkinson Low Level Pump Station • Brightview Weir Supply Channel • Customer water meters

Source: Seqwater (2017)

2.3 Customers and water entitlements serviced

The following table sets out the distribution of water allocations amongst classes of customers.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)
Irrigation	144	11,110
Seqwater	5	1,510
Totals	**148**	**12,620**

Source: Moreton Resource Operations Plan June 2014; Seqwater (2017)

2.4 Water availability and use

2.4.1 Water availability

The announced allocation determines the percentage of nominal water allocation volume that is available in each water year. The following table sets out the announced allocations for the current year plus the historical position for the previous ten years.

Table 3: Announced allocations history

Year	MP %
2007-08	0-16
2008-09	13-63
2009-10	27-100
2010-11	100
2011-12	100

Table 3: Announced allocations history – (*continued)*

Year	MP %
2012-13	100
2013-14	100
2014-15	81
2015-16	31
2016-17	0

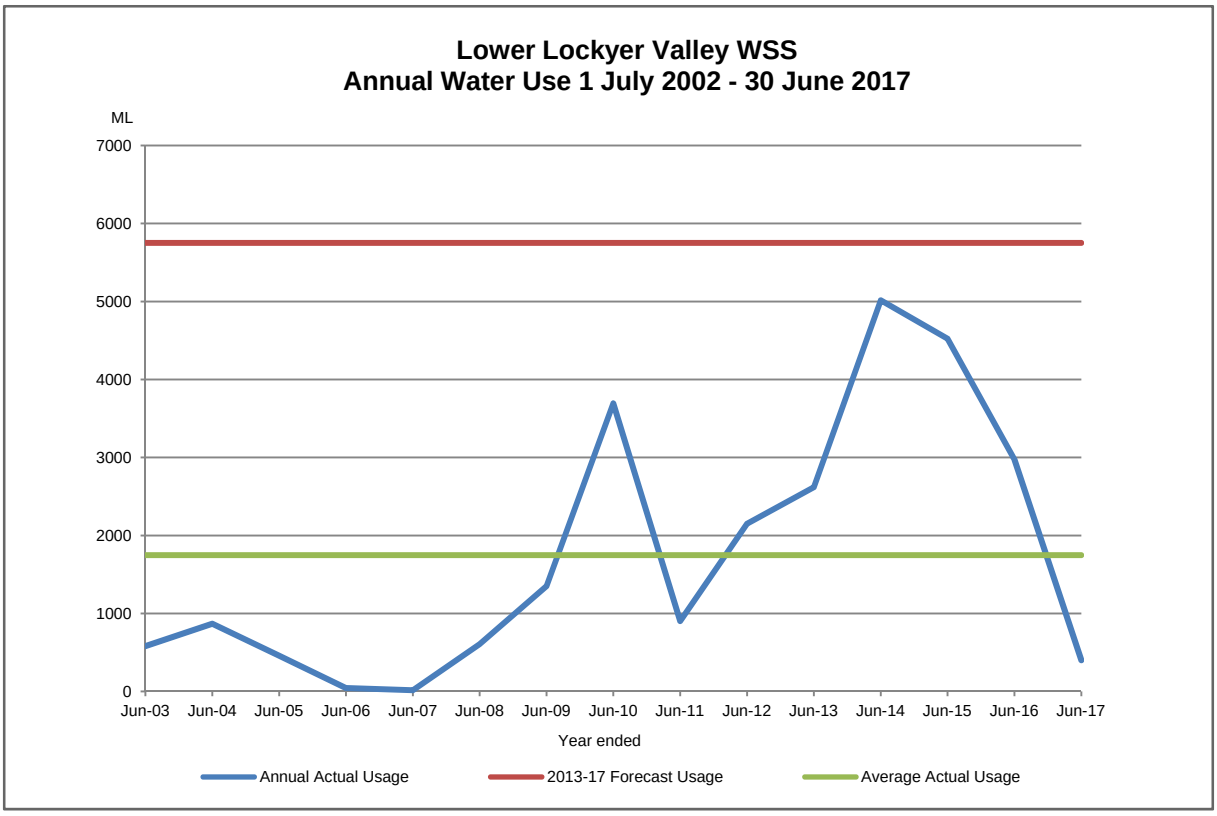
Source: Seqwater (2017)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2016-17.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 5,750 ML or 47% of nominal water allocations. 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 nominal water allocations.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2017

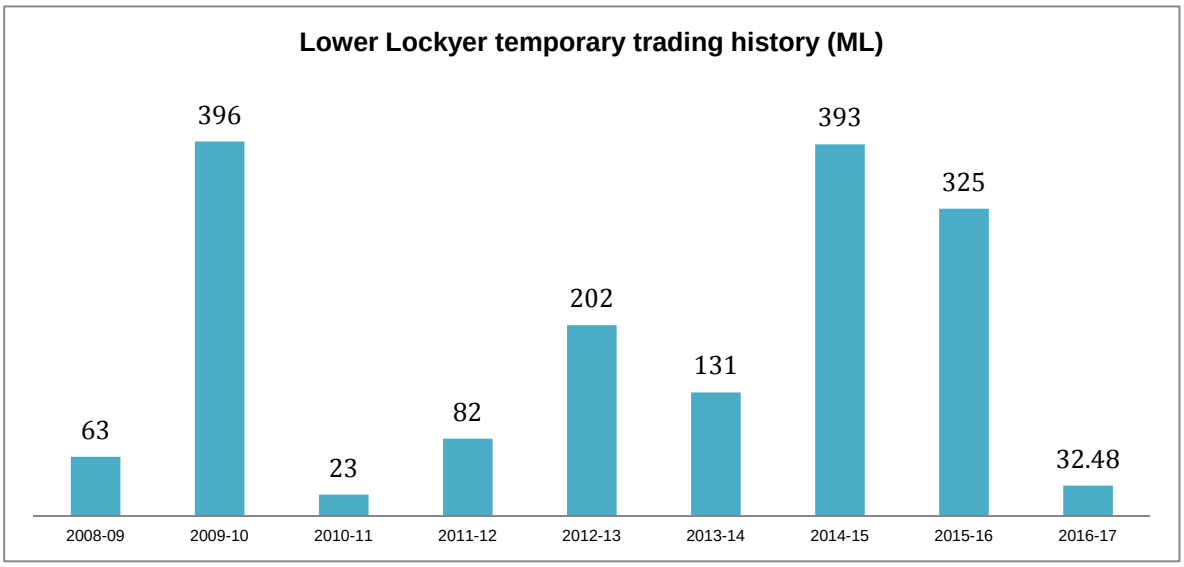


Source: Seqwater (2017)

2.5 Water trading

Figure 2 sets out the volumes of temporary transfers by year from 1July 2008.

Figure 2: Temporary transfers 2008-17



Source: Seqwater (2017)

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 3 April 2017, Seqwater held a customer forum for the Lower Lockyer Valley WSS. The 2016-17 renewals and the future renewals programs were discussed. The meeting summary has been published on the Lower Lockyer Valley WSS web page on Seqwater's website.

The next customer forum is expected to be held in May/June 2018 unless matters arise that require consultation prior to that date. Seqwater will be holding customer forums at least annually for the purpose of consulting on the NSP and 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 Lower Lockyer Valley WSS web page on Seqwater's website.

In 2016-17 Seqwater met all of its service targets, noting that the scheme was largely without surface water during the year. The performance report was published on the Lower Lockyer Valley WSS page on Seqwater's website.

3. Financial Performance

3.1 Tariffs

In June, 2017, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2017* which extends the 2013-17 irrigation water price path by two years to 2019. The Direction Notice was published in the Queensland Government Gazette on 9 June 2017.

Table 4: Water prices 2017-19 (Nominal $/ML)

Tariff	2017-18 ($)	2018-19 ($)
Fixed (Part A)	40.82	44.11
Variable (Part B)	24.56	25.17

Source: Seqwater (2017)

3.2 Operating expenditure

The forecast operating costs set as a target by the QCA for the 2013-17 regulatory period have been extended for the additional two years of the price path and are set out in the tables below. These costs include both fixed and variable operating costs.

Table 5: Forecast operating costs for 2017-19 (Nominal)

Operating cost item	2017-18 ($)	2018-19 ($)
Direct operations	533,123	550,122
Repairs and maintenance	217,263	225,954
Dam safety	25,259	–
Rates	52,945	54,268
Consultation costs	7,920	8,118
Non-direct costs	465,037	478,625
Total operating costs	**1,301,547**	**1,317,087**

Source: Seqwater (2017)

The following table sets out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2016-17 and the detailed QCA budget for 2017-18. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2016-17 and operating budget 2017-18 ($Nominal)

Operating cost item	2016-17		2017-18
	QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	268,651	208,760	278,322
Electricity	43,345	22,313	44,429
Other	204,669	147,585 (1)	210,372
Repairs and maintenance	208,907	49,580 (2)	217,263
Dam safety	–	–	25,259
Rates	51,653	48,566	52,945
Consultation costs	7,727	– (3)	7,920
Total direct operating costs	**784,952**	**476,804**	**836,510**
Non-direct operating costs (indicative)			
Operations	346,330	326,109	356,893
Non-infrastructure	34,715	28,691	35,583
Insurance	70,791	34,402 (4)	72,560
Total non-direct costs	**451,836**	**389,202**	**465,036**
Total operating costs	**1,236,788**	**866,006**	**1,301,546**

Source: Seqwater (2017); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

(1) Other costs were mainly lower than budget because water quality testing was minimal due to low water levels in Atkinson Dam.

(2) Repairs and maintenance costs were less than budget because the assets are not operating under the continuing dry conditions.

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

(4) Seqwater negotiated lower insurance premiums in 2016-17 resulting in savings in insurance costs for the Scheme.

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 7 below for 2016-17.

Table 7: Lower Lockyer Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2016-17 ($)
Opening Balance 1 July 2016	-802,454 (1)
Revenue for year	167,614
Expenditure for year	-39,729
Interest for year	-44,791
Closing Balance 30 June 2017	-719,360

Source: Seqwater (2017)

* 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 2016.

(1) A net adjustment of -$41,588 was applied to the published 2015-16 closing balance of -$760,866 to account for the flood repairs costs incurred in 2013-14, 2014-15 and 2015-16 that were not reimbursed under Seqwater's insurance policies amounting to a total of $34,807 plus other adjustments to interest, revenue and expenditure of $6,780.

3.3.2 Renewals expenditure

3.3.2.1 2016-17 renewals

The following table sets out the renewals projects that were undertaken in 2016-17.

Table 8: Renewals projects 2016-17

Asset	Project scope	Budget ($'000)	Cost ($'000)
Customer water meters	Minor finalisation works of water meters replaced in 2015-16	*	* (1)
Atkinson Dam water treatment plant	Downgrade water treatment plant to non-potable	90	187 (2)
	Install treated water tank and chemical shed	15	6

Source: Seqwater (2017)

Notes:

(1) Amount spent was $247.

(2) Expenditure exceeded budget due to unexpected additional expenditure incurred in ceasing supply to landholders.

3.3.2.2 2017-18 forecast renewals

Forecast renewals expenditure for 2017-18 is provided in table 9 below.

Table 9: Renewals by project for 2017-18 ($Nominal)

Asset	Project scope	Forecast ($'000)
Potters Weir	Investigate and repair piping	180
Sippels Weir	Investigate and repair piping	180
Customer water meters	Replace 10 flow meters	131

Source: Seqwater (2017)

3.3.2.3 Asset management plan

Seqwater has developed an Asset Portfolio Master Plan (APMP). The APMP is considered to be leading practice within the water industry. All of Seqwater's future capital expenditure is considered within the APMP framework. The long-term renewals program developed for the Scheme's assets by Seqwater's Asset Capability Team using the Asset Lifecycle Management Plan is included in the APMP.

3.3.2.4 Material planning period renewals

During the extended price path, Seqwater will adopt a rolling 20 year planning horizon until a new planning time frame is settled for the upcoming price review. Material renewals projects that fall in the rolling renewals planning time frame, which is 2019-39 for this network service

plan, are set out 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 $101,658.

Table 10: Material renewals projects 2019-39 ($Real)

Asset	Project scope	Year	Forecast ($'000)
Atkinson Dam	Replace sluice gates 1 and 2 assembly for the Brightview Channel outlet works	2028-29	400

Source: Seqwater (2017)

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