Warrill Valley Water Supply Scheme

Annual Network Service Plan

2015-16

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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 Scheme was established following the construction of Moogerah Dam in 1961. The Scheme provides water for the irrigation of about 8,000ha of farms as well as for urban and industrial users.

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, "Warrill 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
• Moogerah Dam	• Upper Warrill Diversion Weir • Kents Lagoon Diversion Weir • Aratula Weir • Warrill Creek Diversion Weir • Warroolaba Creek Diversion Weir	• Gauging stations • Customer water meters • Upper Warrill Creek Diversion Channel

Table 1: Bulk water assets *(continued)*

Dams	Weirs	Other bulk water assets
	• West Branch Warrill Diversion Weir • Churchbank Weir • Railway Weir	

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 volume (ML)	High priority volume (ML)
Irrigation	279	20,158.5	-
Urban	2	-	254
Seqwater	7	3,725	5,696
Totals	**288**	**23,883.5**	**5,950**

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 history from 2006-07.

Table 3: Announced allocations history from 2006-07

Year	MP %	High A %*	High B %*	High Class C %*
2006-07	0	100	20-70	N/A
2007-08	0	100	15	N/A
2008-09	5-71	51-100	0-100	N/A
2009-10	30-72	100	100	N/A
2010-11	56-100	100	100	N/A
2011-12	100	100	100	N/A

Table 3: Announced allocations history from 2006-07 *(continued)*

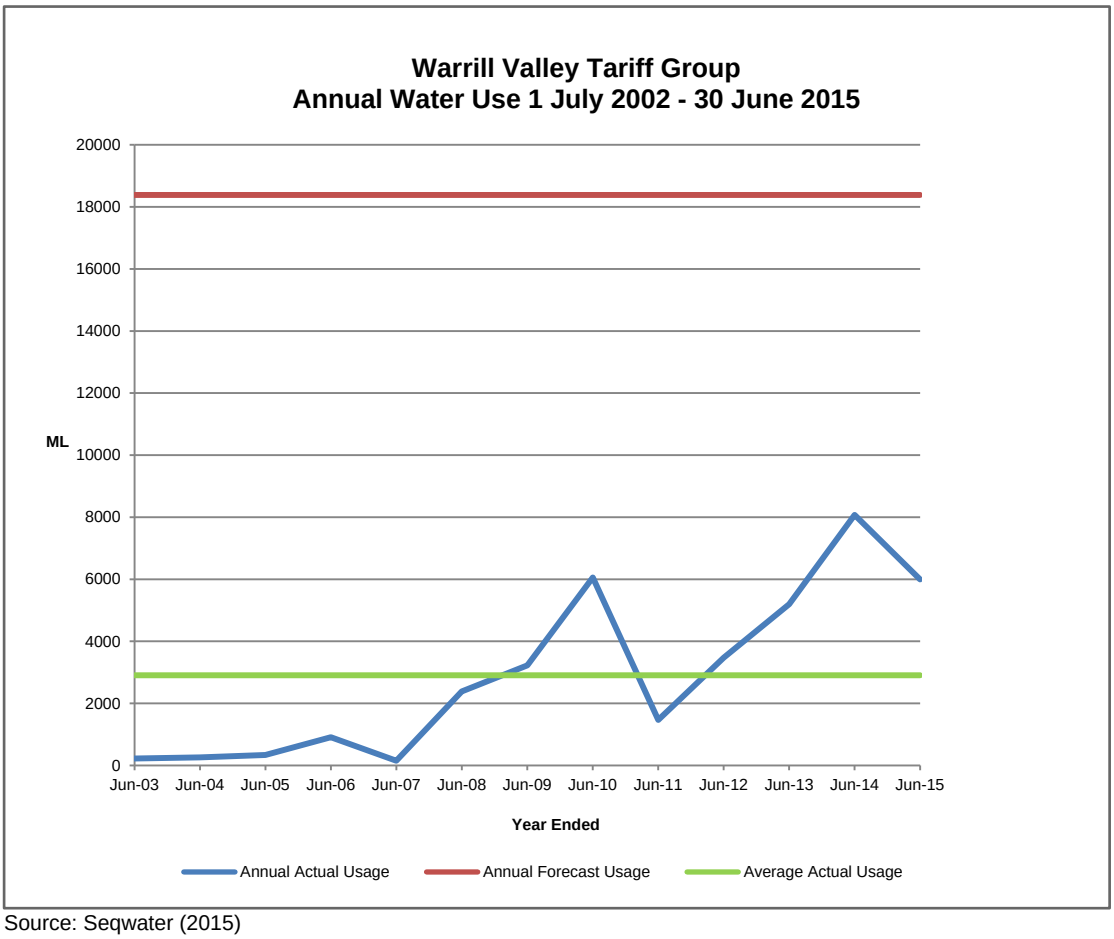
Year	MP %	High A* %	High B* %	High Class C* %
2012-13	100	100	100	N/A
2013-14	100	100	100	N/A
2014-15	100	N/A	N/A	100
2015-16	100	N/A	N/A	100

Source: Seqwater (2015)
* Under the ROP, High A and High B were replaced by High Class C water allocations.

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2014-15. Also included is the usage assumption for the current approved price path for 2013-17 which is 18,383 ML or 91% 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 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 annual volumes of temporary transfers and leases 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	470	627	275	172	627	356	278

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 11 May 2015, Seqwater held a scheme consultation forum for the Warrill Valley WSS. The 2014-15 renewals and the future renewals programs were discussed. Also presented and discussed were the scheme's operational rules and the requirements for water supply contracts. The meeting summary has been published on the Warrill Valley 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 Warrill Valley WSS 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: Warrill Valley water prices (Nominal $/ML)

Tariff	2013-14 ($)	2014-15 ($)	2015-16 ($)	2016-17 ($)
Fixed (Part A)	21.91	22.46	23.02	23.59
Variable (Part B)	7.31	7.5	7.68	7.88

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	574,967	584,719	594,505	604,344
Repairs and maintenance	296,246	303,405	310,660	318,012
Dam safety	-	-	-	24,643
Rates	44,946	46,069	47,221	48,402
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	503,881	511,500	519,124	526,748
Total operating costs	**1,427,215**	**1,453,047**	**1,479,058**	**1,529,876**

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 2014-15 and the detailed budget for 2015-16. Explanations of material variations are set out below the table.

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

Expenditure Item	2014-15		2015-16
	Budget ($)	Actual ($)	Budget ($)
Direct operating costs			
Labour	333,630	353,939 (1)	340,295
Electricity	11,971	11,580	12,270
Other	239,118	268,839 (2)	241,950
Repairs and maintenance	303,405	109,092 (3)	310,660
Dam safety	–	–	–
Rates	46,069	71,006 (4)	47,221
Consultation costs	7,354	– (5)	7,538
Total direct operating costs	**941,547**	**814,456**	**959,934**

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

Expenditure Item	2014-15		2015-16
	Budget ($)	Actual ($)	Budget ($)
Non-direct operating costs			
Operations	428,759	383,715 (6)	435,003
Non-infrastructure	43,440	33,562 (6)	43,838
Insurance	39,301	39,359	40,283
Total non-direct costs	**511,500**	**456,636**	**519,124**
Total operating costs	**1,453,047**	**1,271,092**	**1,479,058**

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

(1) Labour costs were higher than budget because of increased management of recreation activities at Moogerah Dam.

(2) Other costs were higher than budget mainly due to higher than expected water quality testing costs and bad debts written off.

(3) Repairs and maintenance costs were lower than budget because planned maintenance works were less than expected and fewer unplanned maintenance works were required.

(4) Rates that were previously included in indirect costs are now accounted for separately against the rates budget.

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

(6) Lower direct operating costs resulted in a lower allocation of non-direct operating costs.

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: Warrill Valley WSS Asset Restoration Reserve ($Nominal)

Asset Restoration Reserve	2014-15 ($)
Opening Balance 1 July 2014	-734,757
Prior year adjustment to opening balance	7,671
Revenue – irrigation	68,027
Revenue – other	101,142
Expenditure for year	-247,217
Interest for year	-50,079
Closing Balance 30 June 2015	-855,213

Source: Seqwater (2015)

* The interest rate is based on the recommended weighted average cost of capital (WACC) of 5.72% post-tax nominal provided by PWC. Seqwater has adopted the equivalent pre-tax nominal WACC rate of 6.22%. 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 2014-15

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replace 22 water meters	153	181 (1)
Moogerah Dam	Install asset security	–	7
	Replace access ladders and upgrade safety handrails	60	56
	New storage facility for baulks and screens – costs carried over from 2013-14	–	2
Water treatment plant	Replace clarifier – costs carried over from 2013-14	–	1

Source: Seqwater (2015)

(1) Expenditure was higher than budget because the competitive tenders for the supply, fabrication and installation of the meters were higher than expected.

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	Year	Forecast ($'000)
Customer water meters	Replace 22 customer water meters	2015-16	174
Moogerah Dam water treatment plant	Replace filter number 2 media	2015-16	36

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 dam. 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 for the dam 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 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 $163,798.

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

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace customer water meters	2017-36	836
Moogerah Dam	Replace assembly and actuator for regulating valves 1 and 2	2018-19	170

Source: Seqwater (2015)