Warrill Valley Water Supply Scheme

Annual Network Service Plan

2016-17

Published: September 2016

SOURCE STORE SUPPLY

Contents

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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 was established following the construction of Moogerah Dam in 1961. The Scheme provides water for the irrigation of about 8,000 ha 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

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Table 1: Bulk water assets *(continued)*

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

Source: Seqwater (2016)

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)	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 (2016)

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 both medium priority and high priority water allocations for the current year plus the historical position for the previous ten years.

Table 3: Announced allocations

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

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Table 3: Announced allocations history *(continued)*

Year	MP %	High A* %	High B* %	High Class C* %
2011-12	100	100	100	N/A
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

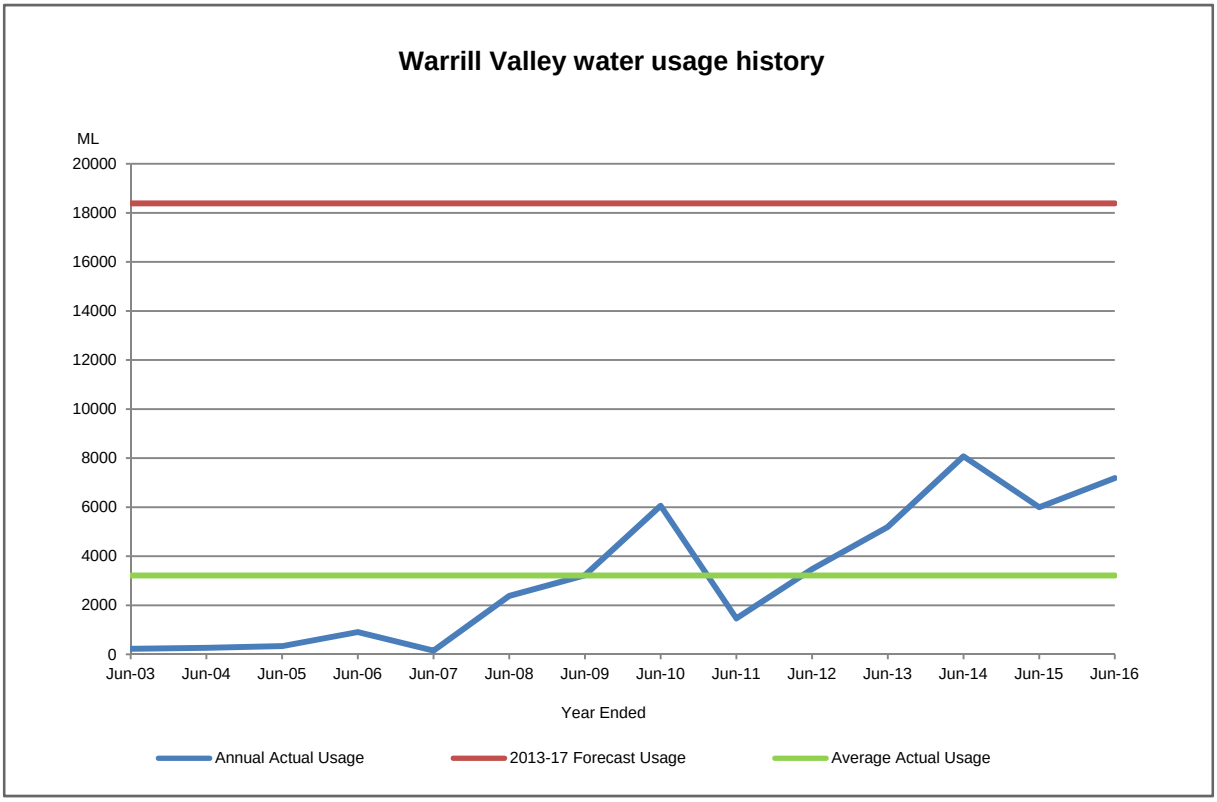
Source: Seqwater (2016)

* 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 water allocation volumes.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2016



Source: Seqwater (2016)

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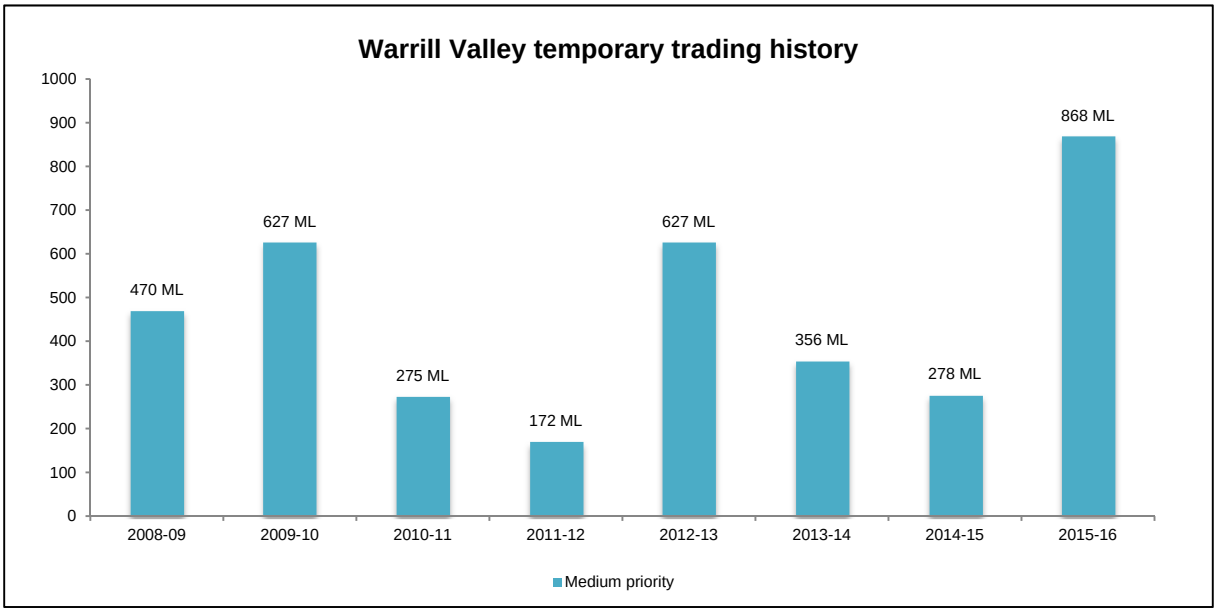
2.5 Water trading

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

Figure 2: Warrill Valley temporary transfers 2008-16



Source: Seqwater (2016)

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 9 May 2016, Seqwater held a scheme consultation forum for the Warrill Valley WSS. The 2015-16 renewals and the future renewals programs were discussed along with other scheme matters. 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 2017 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.

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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 tariffs recommended to the government by the Queensland Competition Authority (QCA) for the scheme and approved under the *Rural Water Pricing Direction Notice (No 1) 2013* are set out in the following table.

Table 4: 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

Forecast operating costs set as a target 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 5: 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 actual expenditure compared to the QCA's target budget for 2015-16 and the detailed QCA budget for 2016-17. Explanations of material variations are set out below the table.

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Table 6: Operating expenditure for 2015-16 and budget 2016-17 ($Nominal)

Expenditure Item	2015-16		2016-17
	QCA Budget ($)	Actual ($)	QCA Budget ($)
Direct operating costs			
Labour	340,295	347,258	347,009
Electricity	12,270	7,406	12,577
Other	241,950	241,517	244,758
Repairs and maintenance	310,660	125,773 (1)	318,012
Dam safety	-	-	24,643
Rates	47,221	77,505 (2)	48,402
Consultation costs	7,538	- (3)	7,727
Total direct operating costs	**959,934**	**799,459**	**1,003,128**
Non-direct operating costs			
Operations	435,003	530,232 (4)	441,230
Non-infrastructure	43,838	53,272 (4)	44,228
Insurance	40,283	29,146 (5)	41,290
Total non-direct costs	**519,124**	**612,650**	**526,748**
Total operating costs	**1,479,058**	**1,412,109**	**1,529,876**

Source: Seqwater (2016); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

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

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

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

(4) Implementation of a more regionally focussed structure resulted in a greater share of indirect costs.

(5) Seqwater negotiated lower insurance premiums in 2015-16 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 2015-16.

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

Asset Restoration Reserve	2015-16 ($)
Opening Balance 1 July 2014	-858,595
Prior year adjustment	-933
Revenue – irrigation	67,588
Revenue – other	102,025
Expenditure for year	-249,624
Interest for year	-62,385
Closing Balance 30 June 2016	-1,001,924

Source: Seqwater (2016)

* 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% (previously 6.22%). Interest has been applied to the balance at 30 June 2016 and adjustments were applied to prior years.

3.3.2 Renewals expenditure

3.3.2.1 2015-16 renewals

The following table sets out the renewals projects that were undertaken in 2015-16.

Table 8: Renewals projects 2015-16

Asset	Project scope	Budget ($'000)	Cost ($'000)
Water meters	Replacement of water meters carried over from 2014-15	-	12
	Replace 22 water meters	174	196 (1)
Moogerah Dam	Electrical safety switch compliance program	-	5
Water treatment plant	Electrical safety switch compliance program	-	2
	Replace filter 2 media	36	33
Warrill Creek Diversion Weir	Electrical safety switch compliance program	-	1

Source: Seqwater (2016)

Notes:

(1) Expenditure exceeded budget because one installation required additional work including an ultra-sonic meter as the lowest cost option due to the configuration of the existing pipework.

3.3.2.2 2016-17 forecast renewals

Forecast renewals expenditure for 2016-17 is provided in table 9 below.

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Table 9: Renewals by project for 2016-17 ($Nominal)

Asset	Project scope	Forecast ($'000)
Water meters	Carry-over of replacement of meters from 2015-16	65
Aratula Weir	Install safe access	100

Source: Seqwater (2016)

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 twenty year asset management plan has been finalised at which time all future renewals estimates will then be based on a rolling 20 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 is $119,228.

Table 10: Material renewals projects 2017-37 ($Nominal)

Asset	Project scope	Year	Forecast ($'000)
Customer water meters	Replace customer water meters	2017-37	836
Moogerah Dam	Replace assembly and actuator for regulating valves 1 and 2	2018-19	170

Source: Seqwater (2016)

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