Warrill 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 post or email at the following addresses:

Post: NSP Comments
Seqwater
PO Box 16146
City East QLD 4002

Email: irrigators@seqwater.com.au

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 • West Branch Warrill Diversion Weir • Churchbank Weir • Railway Weir	• Gauging stations • Customer water meters • Upper Warrill Creek Diversion Channel

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)	High priority volume (ML)
Irrigation	275	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 (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 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 Class C %*
2007-08	0	N/A
2008-09	5-71	N/A
2009-10	30-72	N/A
2010-11	56-100	N/A
2011-12	100	N/A
2012-13	100	N/A
2013-14	100	N/A
2014-15	100	100
2015-16	100	100
2016-17	100	100
2017-18	100	100

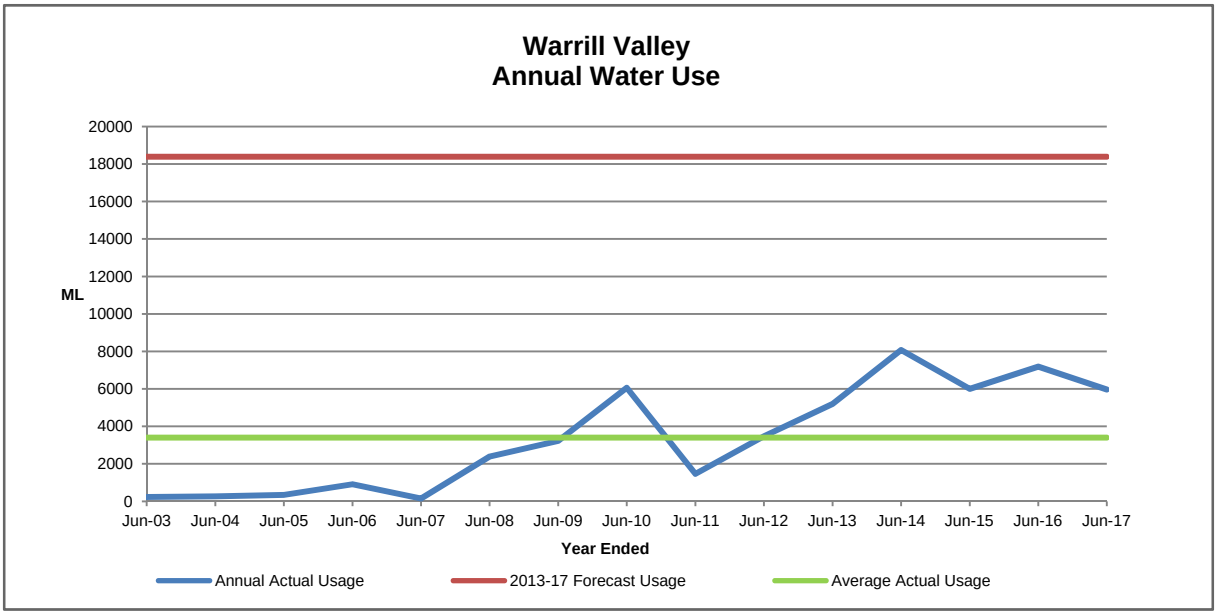
Source: Seqwater (2017)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2014-15.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 18,383 ML or 91% of the nominal volume. 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 2017

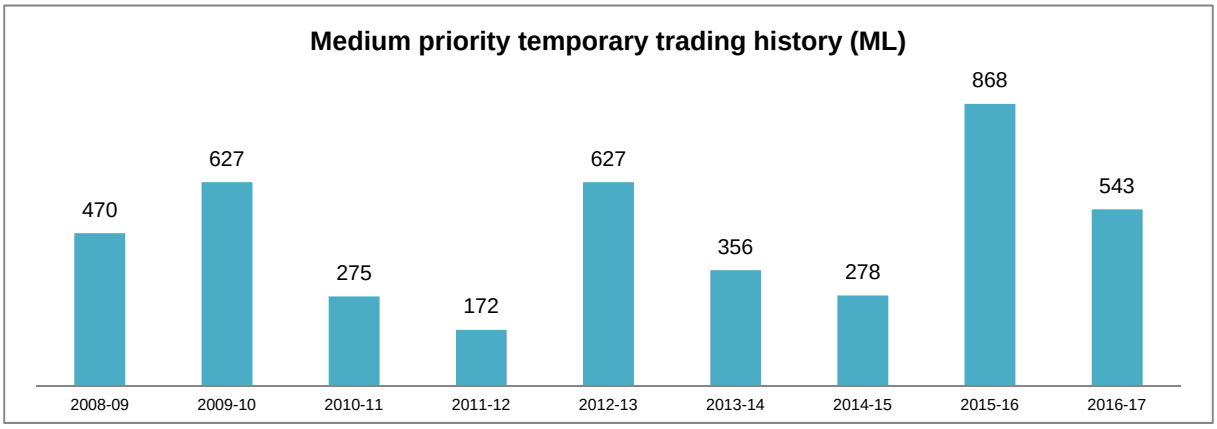


Source: Seqwater (2017)

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 2008-17



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 10 April 2017, Seqwater held a scheme consultation forum for the Warrill Valley WSS. The 2016-17 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 2018 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.

In 2016-17 Seqwater met all of its service targets. The performance report was published on the Warrill 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: Warrill Valley water prices 2017-19 (Nominal $/ML)

Tariff	2017-18 ($)	2018-19 ($)
Fixed (Part A)	24.18	24.79
Variable (Part B)	8.07	8.28

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. The 2017-18 forecast costs were calculated by applying the QCA's escalation rates to the QCA's 2016-17 forecast operating costs. The 2018-19 forecast operating costs were calculated by applying the QCA's escalation rates to the 2017-18 forecast costs. Some base costs have changed since the cost estimates were initially compiled for the QCA review in 2012. In these cases, Seqwater has amended the 2016-17 forecast base costs before applying the QCA's escalation rates. Any adjustments have been explained by way of notes in table 6 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	623,951	644,214
Repairs and maintenance	330,733	343,962
Dam safety	–	–
Rates	90,365	92,625
Consultation costs	7,920	8,118
Non-direct costs	542,344	558,403
Total operating costs	**1,595,313**	**1,647,322**

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 budget 2017-18 ($Nominal)

Expenditure Item	2016-17		2017-18
	QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	347,009	353,023	359,501
Electricity	12,577	8,852	12,891
Other	244,758	195,541 (1)	251,560
Repairs and maintenance	318,012	136,295 (2)	330,733
Dam safety	24,643	5,763 (3)	–
Rates	48,402	88,161 (4)	90,365 (8)
Consultation costs	7,727	– (5)	7,920
Total direct operating costs	**1,003,128**	**787,635**	**1,052,970**
Non-direct operating costs (indicative)			
Operations	441,230	538,703 (6)	454,687
Non-infrastructure	44,228	47,395	45,334
Insurance	41,290	25,822 (7)	42,322
Total non-direct costs	**526,748**	**611,920**	**542,343**

Total operating costs	**1,529,876**	**1,399,555**	**1,595,313**

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

Notes:

(1) Savings are mainly attributable to the rationalisation of the vehicle fleet resulting in reduced costs.

(2) Lower costs reflects a combination of Seqwater's focus on driving costs down and some works were either cancelled or postponed following ex tropical cyclone "Debbie".

(3) Costs are the estimated direct costs of Seqwater staff carrying out the dam safety inspection. Costs are less than the budget estimate because the inspection required fewer resources than expected.

(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) The Schemes direct costs as a proportion of the total indirect cost pool resulted in a higher share of costs in 2016-17.

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

(8) The QCA's forecast budget has been increased by $40,754 for additional local authority rates not previously accounted for in 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 7 below for 2016-17.

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

Asset Restoration Reserve	2016-17 ($)
Opening Balance 1 July 2016	-1,010,291 (1)
Revenue – irrigation	54,605
Revenue – other	100,919
Expenditure for year	-71,254
Interest for year	-61,488
Closing Balance 30 June 2017	-987,510

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

(1) A net adjustment of -$8,367 was applied to the published 2015-16 closing balance of -$1,001,924 to account for the flood repairs costs incurred in 2013-14 that were not claimable under Seqwater's insurance policies amounting to a total of $127,047,285 offset by adjustments to interest and revenue of $118,680.

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)
Water meters	Replacement of 22 water meters carried over from 2015-16	65	51
	Replace 22 water meters in 2017-18	–	3
Aratula Weir	Install safe access to weir	100	17 (1)

Source: Seqwater (2017)

Notes:

(1) Budget was for installation of a safe walkway for the operation of the weir however an alternative approach was taken to install a hydraulically actuated valve thus resulting in significant savings.

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)
Water meters	Replace 30 flow meters	300
Moogerah Dam	Replace reticulation pipework	84
Moogerah Dam WTP	Reinstate secondary raw water reticulation main	240
Aratula Weir	Install safe access (carried over from 2016-17)	83

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 $112,588.

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

Asset	Project scope	Year	Forecast ($'000)
Moogerah Dam Water Treatment Plant	Replace filtration backwash water supply tank	2025-26	270
	Replace raw water tank 1	2025-26	270
	Replace settled water balance tank	2029-30	270

Source: Seqwater (2017)