seqwater
WATER FOR LIFE

Central Brisbane River Water Supply Scheme

Annual Network Service Plan

2019-20

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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: Seqwater
PO Box 328
IPSWICH QLD 4305

2. Scheme Details

2.1 Scheme background and context

The Central Brisbane River Water Supply Scheme (the Scheme) is located along the Brisbane River from Mt Crosby Weir up to and including Wivenhoe Dam. The Scheme was established in 1980 to enable irrigation of up to 1,000 ha within the area.

The Scheme is regulated under the Moreton Water Management Protocol and managed under the Central Brisbane River Water Supply Scheme Operations Manual.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Central Brisbane River".

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	Off-stream storages	Other bulk water assets
Wivenhoe Dam, Somerset Dam	Mount Crosby Weir*	Nil	Wivenhoe Tail Water Weir Gauging stations

Source: Seqwater (2019)

* Although Mount Crosby Weir marks the end of the scheme, no costs associated with the weir are included for irrigation pricing purposes.

2.3 Customers and water entitlements serviced

Within the Scheme, Seqwater supplies raw water to 127 customers holding medium priority water allocations and one customer holding a high priority water allocation. Seqwater also holds an allocation which it uses for supply into its water treatment plants to provide treated water to its customers. The following table sets out the ownership of water allocations in the Scheme.

Table 2: Schedule of ownership of water allocations

Customer type	Number of customers	Medium priority volume (ML)	High priority volume (ML)
Irrigation	123	7,074	-
Ipswich City Council	1	65	-
Somerset Regional Council	1	15	-
Lowood and District Golf Club	1	40	-
Glamorgan Vale Water Board	1	-	250
Seqwater	-	-	278,617
Total	**127**	**7,194**	**278,867**

Source: Seqwater (2019)

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 since 2013-14.

Table 3: Announced allocations history

Priority	2013-14 %	2014-15 %	2015-16 %	2016-17 %	2017-18 %	2018-19 %	2019-20 %
Medium	100	100	100	100	100	100	85

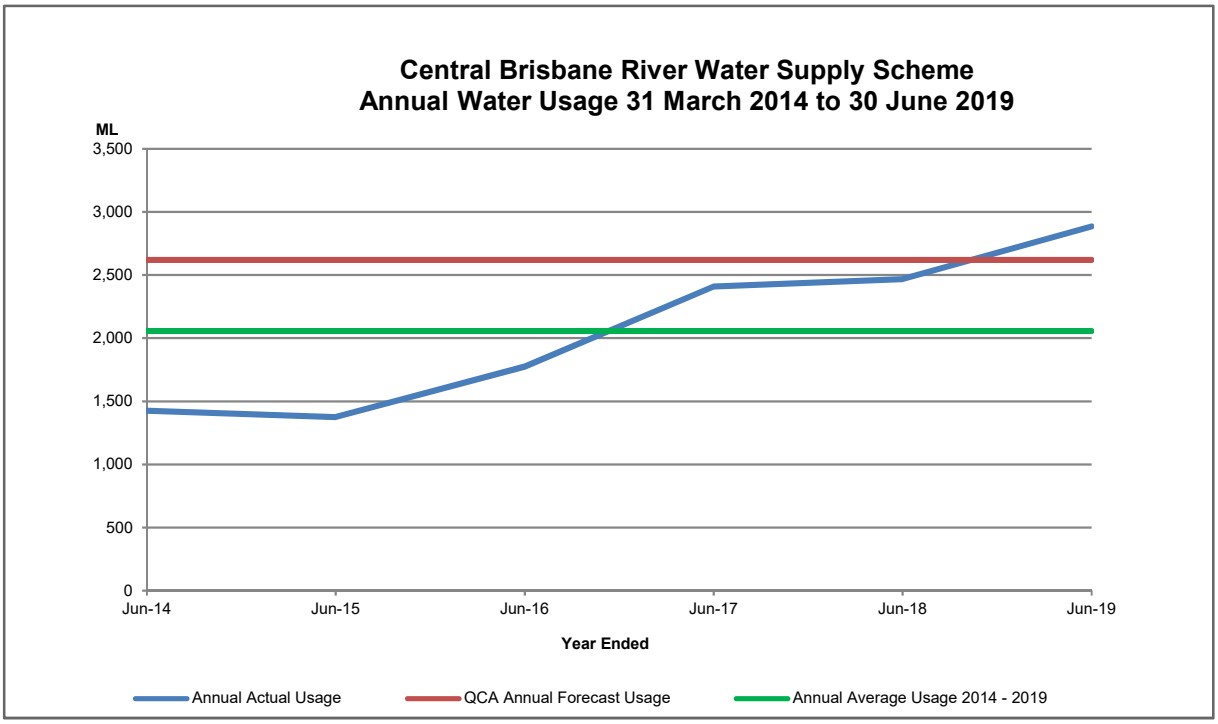
Source: Seqwater (2019)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2014 to 2019.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 2,620 ML per annum. Average water usage over the period has also been included for comparison purposes.

Figure 1: Annual irrigation water usage

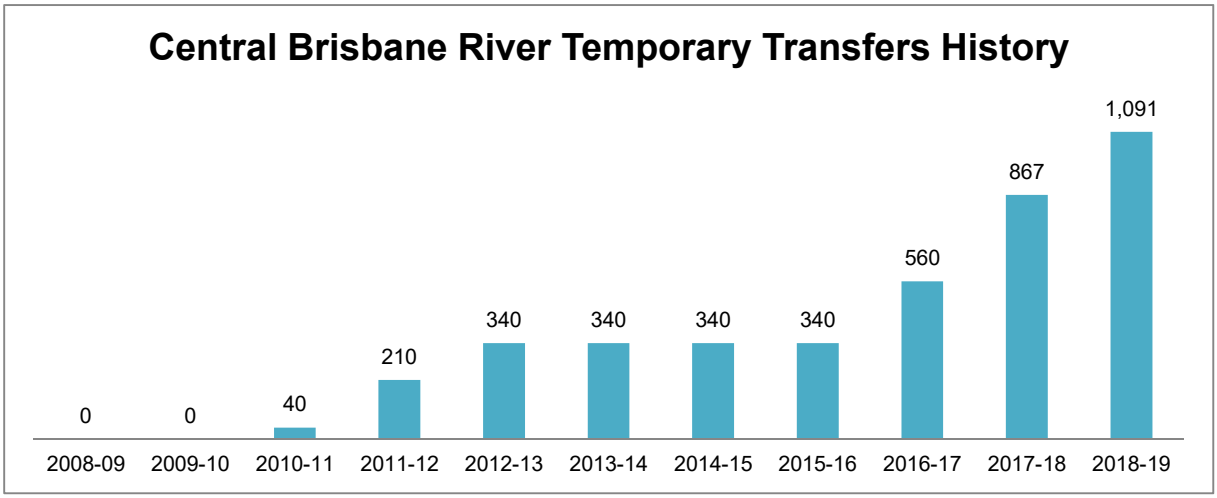


Source: Seqwater (2019)

2.5 Water trading

Figure 2 sets out the annual volumes of temporary transfers between irrigation customers from 1 July 2008.

Figure 2: Temporary transfers 2008-19



Source: Seqwater (2019)

It is important to note that, under the Protocol, where two parties wish to enter into a temporary or seasonal transfer, both parties require a water meter. The requirement may be

waived for the transferor if they are able to demonstrate that they have no ability to take water (e.g. no pumping equipment installed). However, the transferee must have a water meter installed at each location where water is taken.

2.6 Customer Consultation

Seqwater is committed to customer engagement as required under its Statement of Obligations. Customer engagement includes customer forums and web-based information. Attendance at customer forums, when held, is open to all customers of the Scheme.

In 2018-19, Seqwater consulted with customer representatives being the Mid Brisbane River Irrigators Executive Committee to assess the need to hold an information forum. On advice from the Committee, no forum was held during 2018-19. Seqwater will continue to seek advice from the customer representatives on holding future forums.

Seqwater will publish the annual network service plan on its website each year. All customer or stakeholder submissions in relation to the network service plan will be published on Seqwater's website along with Seqwater's responses and decisions.

2.7 Customer service standards

No service standards (i.e. targets) have been developed for the Scheme.

3. Financial Performance

3.1 Tariffs

In June 2019, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2019* which extends the 2013-17 irrigation water price path to 2019.

The tariffs for 2019-20 are set out in the table below.

Table 4: Water prices 2019-20 (Nominal $/ML)

Tariff	2019-20 ($)
Fixed (Part A)	24.48
Volumetric (Part B)	11.76

Source: Seqwater (2019)

The fixed Part A tariff continues to be charged quarterly in advance and the variable Part B tariff is charged on actual usage at the end of each quarter. Customers who have not yet installed water meters are required to continue to advise water usage by means of recording self-assessed usage on log sheets during each quarter and to submit the log sheets to Seqwater at the end of each quarter. Seqwater will continue engaging with customers with regard to the requirements for meter installations which are required for most customers.

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 table below. The 2018-19 forecast costs were calculated by applying the QCA's escalation rates to the QCA's 2016-17 operating costs forecast. The 2018-19 forecast operating costs were calculated by applying the QCA's escalation rates to the 2018-19 forecast costs. Some base costs have changed since the cost estimates were initially compiled for the QCA review in 2012. In these cases, Seqwater amended the 2016-17 forecast base costs before applying the QCA's escalation rates. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2017-18 NSP.

Table 5: Forecast QCA budget operating costs to end of 2019-20 ($Nominal)

Operating cost item	2019-20 Whole of Scheme ($)	2019-20 Irrigation share ($)
Direct operations	6,024,043	101,856
Repairs and maintenance	2,253,725	17,575
Dam safety	–	–
Rates	1,127,208	7,936
Consultation costs	8,321	8,321
Non-direct costs	5,055,949	73,531
Total operating costs	**14,469,246**	**209,219**

Source: Seqwater (2019)

* Rates expense has been amended to include additional rates not previously included.

The following table sets out Seqwater's actual expenditure for 2018-19 compared with the QCA target. The irrigation share of scheme costs, calculated in accordance with the QCA's *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Brisbane River Water Supply Scheme*, have also been set out.

Table 6: Operating expenditure for 2018-19 and operating budget 2018-19 ($Nominal)

Operating cost item	2018-19			2019-20	
	Scheme budget (QCA) ($)	Actual expenditure		Scheme budget (QCA)	
		Scheme ($)	Irrigation ($)	Scheme ($)	Irrigation ($)
Direct					
Electricity	203,661	196,559	1,384	208,753	63,315
Labour	3,448,313	1,725,744 (1)	30,585	3,572,453	1,470
Other direct operations	2,172,900	1,012,076 (2)	15,061	2,242,837	37,071
Repairs and maintenance	2,167,043	722,860 (3)	5,153	2,253,725	17,575
Dam safety	–	5,763	92	–	–
Rates	1,099,715	1,102,040	7,758	1,127,208	7,936
Consultation costs	8,118	–	–	8,321	8,321
Total direct costs	**9,099,750**	**4,765,042**	**60,033**	**9,413,297**	**135,688**

Table 6: Operating expenditure for 2018-19 and operating budget 2018-19 ($Nominal) (*continued*)

Operating cost item	2018-19			2019-20	
	Scheme budget (QCA) ($)	Actual expenditure		Scheme budget (QCA)	
		Scheme ($)	Irrigation ($)	Scheme ($)	Irrigation ($)
Non-direct (indicative)					
Operations	3,739,840	1,855,216 (4)	29,680	3,853,905	61,662
Non-infrastructure	370,885	103,318	1,653	380,157	6,083
Insurance	801,841	254,678 (5)	1,794	821,887	5,786
Total non-direct costs	**4,912,566**	**2,213,212**	**33,127**	**5,055,949**	**73,531**
Total operating costs	**14,012,316**	**6,978,254**	**93,160**	**14,469,246**	**209,219**

Source: Seqwater (2019)

Notes:

(1) Labour costs were below budget mainly because more efficient operating practices has reduced the labour costs previously required to operate the scheme.

(2) Costs are lower because of more efficient operating practices.

(3) Repairs and maintenance costs were less than budget because no major repairs or maintenance work was required to be undertaken during the year.

(4) Lower direct operating costs attracted a lower share of indirect operating costs.

(5) Seqwater negotiated lower insurance premiums in 2018-19 resulting in savings in insurance costs for the Scheme.

3.3 Renewals

3.3.1 Asset Restoration Reserve

Prior to 1 July 2013, the Scheme did not have an Asset Restoration Reserve (ARR). Consequently, the opening balance as at 1 July 2013 is nil. The actual balances on an irrigation share only basis, are set out in Table 7 below. In calculating the expenditure for each year, renewals expenditure was reduced by 56% for the flood mitigation component of the dams in accordance with the QCA's recommendation on page 51 of the *Final Report, Seqwater Irrigation Price Review 2013-17, Volume 2, Central Brisbane River Water Supply Scheme*. The headworks utilization factor of 1.6% was then applied to the reduced amount.

In September 2017, Seqwater engaged Indec Consulting to undertake an independent review of the Asset Restoration Reserves (ARR) for each of Seqwater's irrigation schemes. On the recommendation of the consultant, Seqwater has recast the ARR for this scheme and the updated account for 2018-19 is presented below.

Table 7: Asset Restoration Reserve – irrigation share only ($Nominal)

Asset Restoration Reserve	2018-19 ($)
Opening Balance 1 July	-325
Interest for year*	-20
Revenue – irrigation	11,120
Expenditure for year	-1,678
Closing Balance 30 June	9,098

Source: Seqwater (2019)

* The interest rate is based on the QCA'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%.

3.3.2 Renewals expenditure

3.3.2.1 2018-19 renewals

The following table sets out the renewals projects that were undertaken in 2018-19.

Table 8: Renewals projects 2018-19

Asset	Project scope	Budget 2018-19 ($)	Actual 2018-19 ($)	Irrigation share ($)
Wivenhoe Dam	Replace main switch board	122,942	8,034 (1)	57
	Replace gantry crane hydraulic switchgears	458,362	38,415 (2)	270
	New fuel storage facility	388,500	2,993 (3)	21
Somerset Dam	Replace main switch board & data boards 1 & 2	728,650	138,671 (4)	976
	Sluice gate safety hatch improvement	–	17,676 (5)	124
	Dissipator baffle wall sealing	169,000	29,501 (6)	208
	Refurbish coaster gate	164,000	3,870 (7)	27

Source: Seqwater (2019)

Notes:

(1) Further preliminary works carried out in 2018-19 with main works scheduled for 2019-20.
(2) Minor design work was carried out in 2018-19 with construction work to commence in 2019-20.
(3) Minor design works continued in 2018-19 with the main works scheduled to commence in 2019-20.
(4) Design works nearing completion with works to commence in 2019-20.
(5) Preliminary costs ahead of project design commencing in 2019-20.
(6) Project now completed with minor defects corrected in 2018-19.
(7) Main works expected to commence in 2019-20.

3.3.2.2 2019-20 forecast renewals

Renewals projects scheduled for delivery in 2019-20 are provided in the table below.

Table 9: Renewals projects for 2019-20 ($Nominal)

Asset	Project scope	Budget 2019-20 ($'000)	Irrigation share ($)
Wivenhoe Dam	Replace gantry crane hydraulic motor switchgears	349	2,457
	Decommission old and install new fuel storage facility	335	2,360
	Replace main switch board	56	2,661
	Baulk gate chain renewal	45	317
	Replace outlet works switchboard	56	394
	Baulk control panels replacement	48	338
Somerset Dam	Refurbish coaster gate	155	1,091
	Replace main switch board & data boards 1 & 2	230	1,619
	Winch compliance	416	2,929
	Install safety improvements to the sluice gate shaft hatches	525	3,696

Source: Seqwater (2019)

3.3.2.3 Asset management plan

Seqwater has developed an Asset Portfolio Master Plan (APMP). The APMP is considered leading practice within the water industry. All 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 renewals within the planning period

Material future projects are set out in the table below.

Table 10: Projects with a present value exceeding $2M for 2019-39 ($Nominal)

Asset	Project scope	Year	Forecast cost ($'000)	Irrigation share ($'000)
Somerset Dam	Replace steel superstructure of gantry crane	2025-26	3,579	25
Somerset Dam	Replace outlet works	2025-26	4,482	32

Source: Seqwater (2019)