Lower Lockyer Valley 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 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 Water Management Protocol and managed under the Lower Lockyer Valley Water Supply Scheme Operations Manual.

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 (2019)

2.3 Customers and water entitlements serviced

The following table sets out the ownership of water allocations by class of owner.

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 (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 for the current year plus the historical position for the previous ten years.

Table 3: Announced allocations history

Year	MP %	Year	MP %	Year	MP %
2007-08	0–16	2013-14	100	2019-20	0
2008-09	13–63	2014-15	81		
2009-10	27–100	2015-16	31		
2010-11	100	2016-17	0–10		
2011-12	100	2017-18	0–17		
2012-13	100	2018-19	0		

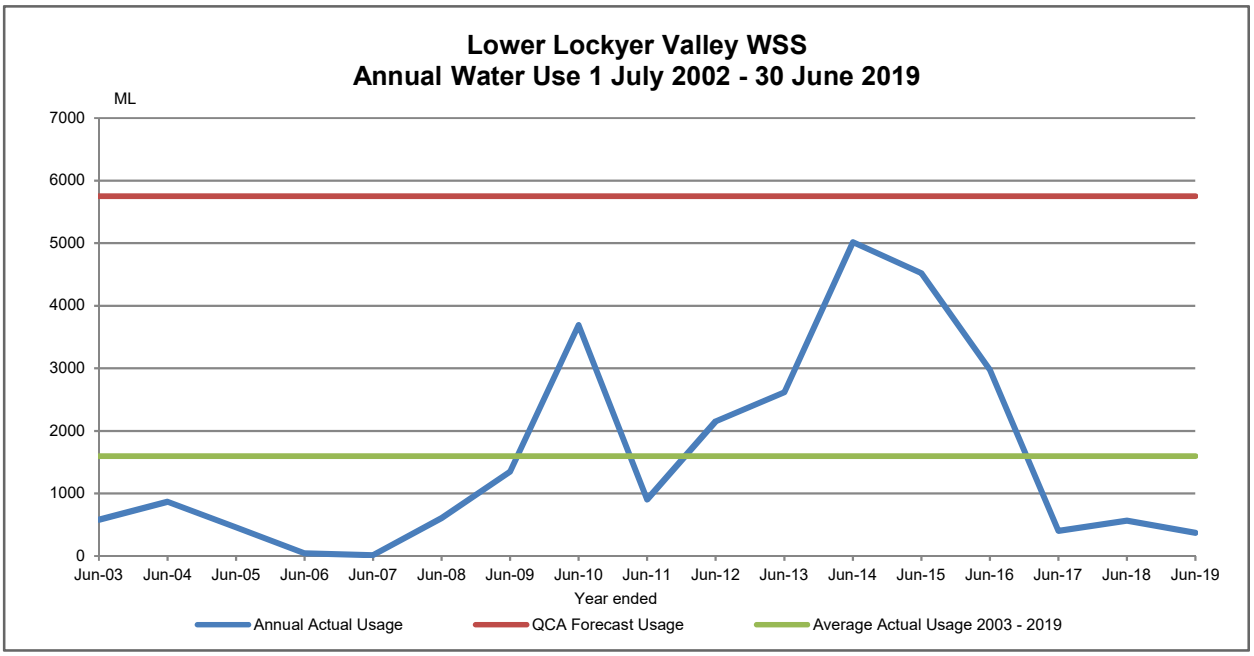
Source: Seqwater (2019)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2018-19.

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 52% of nominal water allocations. The QCA usage assumption has been extrapolated to prior years for comparison purposes only. Average water usage over the period has also been included for comparison purposes.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2019

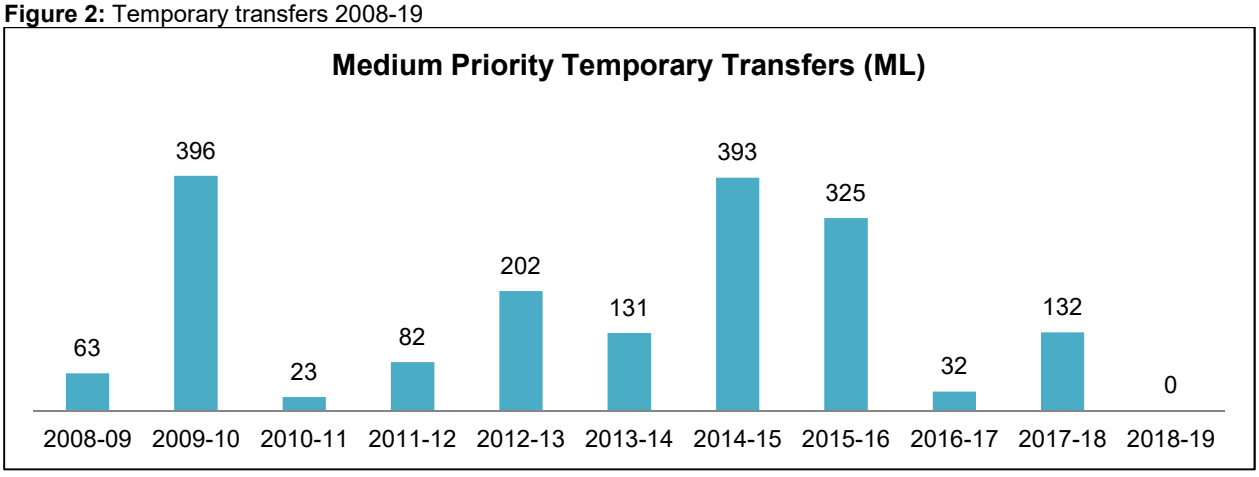


Source: Seqwater (2019)

2.5 Water trading

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

Figure 2: Temporary transfers 2008-19



Source: Seqwater (2019)

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 forums is open to all customers of the Scheme. Seqwater held a forum on 22 July 2019 at which a review of scheme operations, meter upgrade program and a financial summary was presented.

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 2018-19 Seqwater met 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 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)	47.53
Volumetric (Part B)	25.80

Source: Seqwater (2019)

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 2016-17 forecast operating costs. The 2019-20 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 has amended the 2016-17 forecast base costs before applying the QCA's escalation rates through to 2019-20. These costs include both fixed and variable operating costs. Details of the amendments made were set out in the 2018-19 NSP.

Table 5: Forecast QCA budget for operating costs for 2019-20 (Nominal)

Operating cost item	2019-20 ($)
Direct operations	579,305
Repairs and maintenance	234,992
Dam safety	25,259
Rates	55,625
Consultation costs	8,321
Non-direct costs	492,614
Total operating costs	**1,396,116**

Source: Seqwater (2019)

The following table sets out Seqwater's detailed actual expenditure compared to the QCA's target budget for 2018-19 and the detailed QCA budget for 2019-20. Explanations of material variations are set out below the table.

Table 6: Operating expenditure for 2018-19 and operating budget 2019-20 ($Nominal)

Operating cost item	2018-19		2019-20
	QCA Budget ($)	Actual ($)	QCA Budget (extended) ($)
Direct operating costs			
Labour	288,342	157,066 (1)	298,722
Electricity	45,539	11,859 (2)	46,678
Other	227,580	65,949 (3)	233,904
Repairs and maintenance	225,954	118,995 (4)	234,992
Dam safety	25,259	5,763 (5)	–
Rates	54,268	51,281	55,625
Consultation costs	8,118	- (6)	8,321
Total direct operating costs	**875,060**	**393,284**	**878,242**
Non-direct operating costs (indicative)			
Operations	367,778	157,909 (7)	378,995
Non-infrastructure	36,473	8,795 (7)	37,385
Insurance	74,374	27,526 (8)	76,234
Total non-direct costs	**478,625**	**194,231**	**492,614**
Total operating costs	**1,353,685**	**599,381**	**1,396,116**

Source: Seqwater (2019)

Notes:

(1) Labour costs were less than budget because staff were diverted to other priorities away from the scheme.

(2) Electricity costs were lower because the pump could not function when the water level fell below the intake.

(3) Other costs were less because activity on the scheme was reduced with staff being diverted to other priorities away from the scheme.

(4) Repairs and maintenance costs were less than budget because scheduled maintenance tasks were lower during the year and there were less unscheduled repairs undertaken.

(5) In-house resources were used instead of consultants thereby saving costs.

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

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

(8) Seqwater negotiated lower insurance premiums in 2017-18 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 is recorded in the Asset Restoration Reserve (ARR). The ARR account for 2018-19 for this scheme is presented below.

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

Asset Restoration Reserve	2018-19 ($)
Opening Balance 1 July	-612,341
Interest for year*	-37,965
Revenue for year	174,132
Expenditure for year	-261,983
Closing Balance 30 June	-738,157

Source: Seqwater (2019)

* 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%.

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 ($'000)	Cost ($'000)
Customer water meters	Replace 10 flow meters	150	59 (1)
Buaraba Creek supply pipeline	Install flow meter on pipeline	-	84 (2)
Atkinson Dam	Intake tower access safety upgrade	260	80 (1)
	Install amenities lunchroom at depot	215	38 (1)

Source: Seqwater (2019)

Notes:

(1) This project will carry forward for completion in 2019-20.

(2) This project was added and completed in 2018-19.

3.3.2.2 2019-20 forecast renewals

Forecast renewals expenditure for 2019-20 is provided in table 9 below.

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

Asset	Project scope	Forecast ($'000)
Atkinson Dam	Replace ladder, walkway and handrail on intake tower	224
Atkinson Dam	Carry-over of office and amenities upgrade	175
Customer water meters	Replace 10 or more flow meters - continuing	150

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 Lifecycle Planning Team using the Asset Lifecycle Management Plan is included in the APMP.

3.3.2.4 Material renewals within the planning period

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 is $153,197.

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

Asset	Project scope	Year	Forecast ($'000)
Brightview Weir	Brightview Weir Embankment	2022-23	297

Source: Seqwater (2019)