



Logan River Water Supply Scheme

Annual Network Service Plan

2017-18

Published: September 2017

Contents

Section	Title	Page
1.	Introduction	3
2.	Scheme Details.....	3
2.1	Scheme background and context	3
2.2	Infrastructure details	3
2.3	Customers and water entitlements serviced	4
2.4	Water availability and use	4
2.4.1	Water availability.....	4
2.4.2	Water use.....	5
2.5	Water trading	5
2.6	Irrigation Customer Consultation	6
2.7	Customer service standards	6
3.	Financial Performance	7
3.1	Tariffs.....	7
3.2	Operating expenditure	7
3.3	Renewals	8
3.3.1	Asset Restoration Reserve	8
3.3.2	Renewals expenditure	9
3.3.2.1	2016-17 renewals.....	9
3.3.2.2	2017-18 forecast renewals.....	10
3.3.2.3	Asset management plan	10
3.3.2.4	Material planning period renewals	10

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 is located in the Logan River Basin and supplies bulk raw water to water allocation holders in the nine zones that comprise the Scheme. The scheme stretches along a 101.4 km length of the Logan River and along 27 km of Burnett Creek. It was designed to supplement natural flows for the fertile alluvial areas along Burnett Creek and the Logan River.

The Scheme is regulated under the Logan Basin Resource Operations Plan (ROP) first issued in December 2009. The ROP was amended to include Wyaralong Dam as part of the Scheme in December, 2012. A further amendment in March 2014 included Christmas Creek and Running Creek under the ROP. However, these two creeks, which are not supplemented by Seqwater's infrastructure, do not form part of the Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Logan 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
<ul style="list-style-type: none"> • Maroon Dam • Wyaralong Dam 	<ul style="list-style-type: none"> • Cedar Grove Weir • Bromelton Weir • South Maclean Weir 	<ul style="list-style-type: none"> • Bromelton Off-Stream Storage 	<ul style="list-style-type: none"> • Gauging stations • Customer water meters

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	131	13,552	-
MP Industrial	1	2.5	-
HP Industrial	5	-	936
Seqwater	7	-	8,920
Totals	145	13,554.5	9,856

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 history

Year	MP %	HP %
2007-08	0 - 90	0 - 100
2008-09	95 - 100	100
2009-10	100	100
2010-11	100	100
2011-12	100	100
2012-13	100	100

Table 3: Announced allocations history – (continued)

Year	MP %	HP %
2013-14	100	100
2014-15	100	100
2015-16	100	100
2016-17	100	100
2017-18	100	100

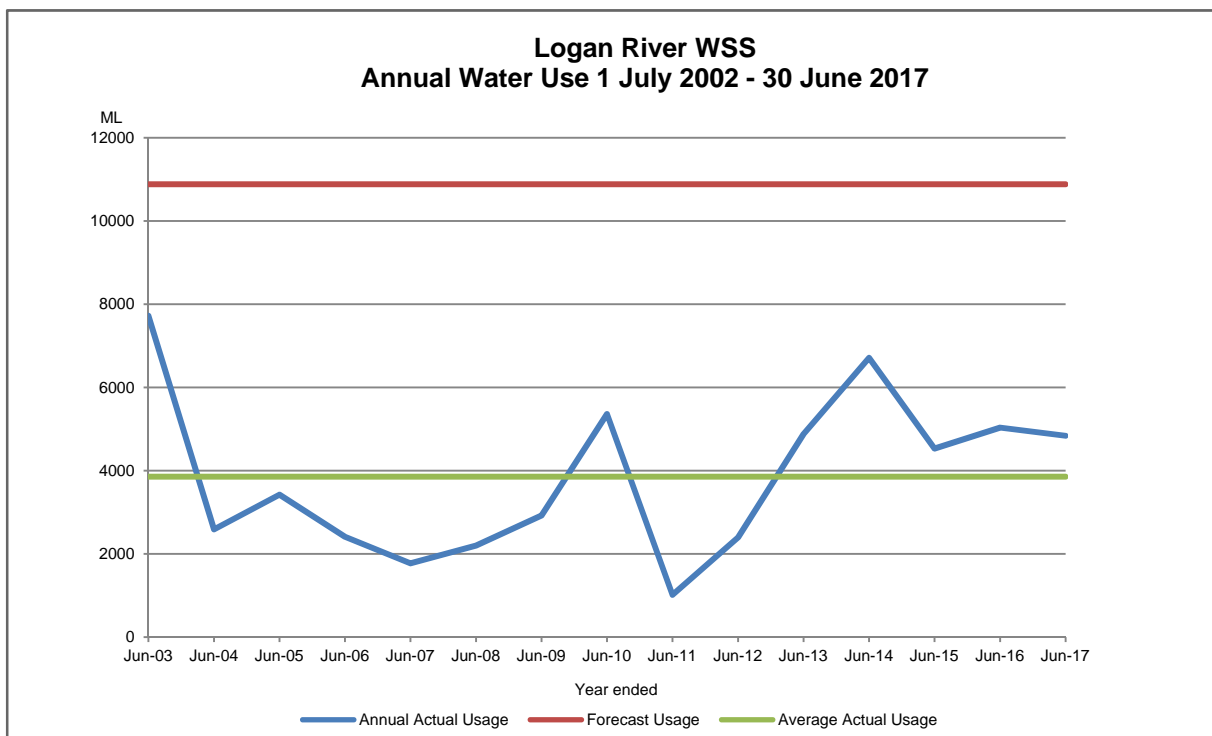
Source: Seqwater (2017)

2.4.2 Water use

Figure 1 below shows the actual medium priority water usage per year from 2002-03 to 2016-17.

Also shown is the medium priority usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 10,881ML or 80% 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 5,421 ML or 40% of the nominal water allocation volumes.

Figure 1: Annual Scheme water usage for years ending 30 June 2003 to 30 June 2017

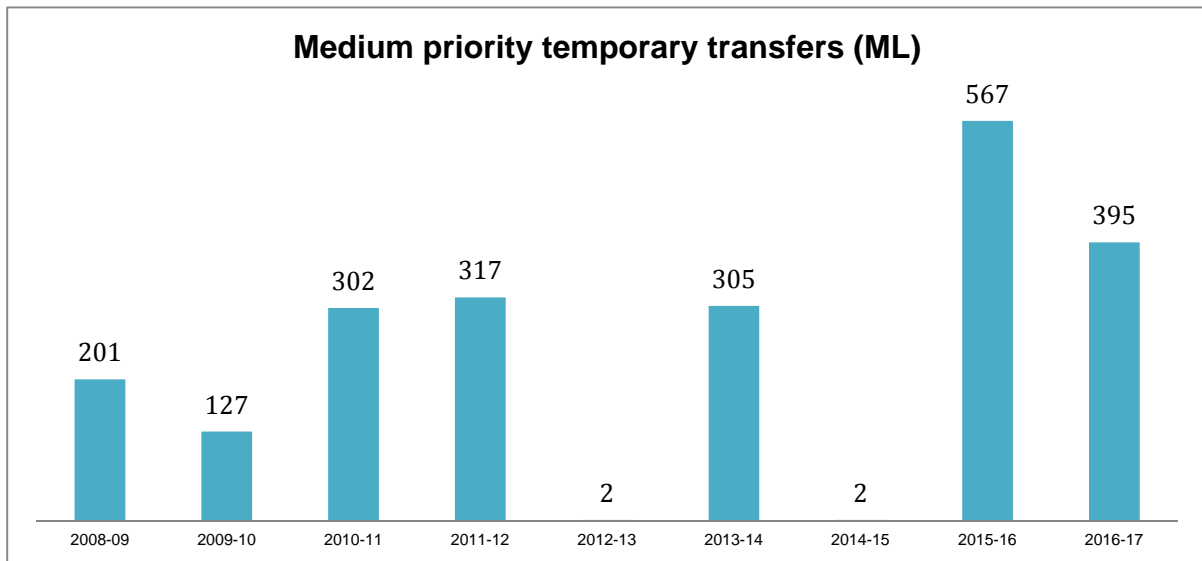


Source: Seqwater (2017)

2.5 Water trading

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

Figure 2: Temporary transfers 2009-17



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 5 June 2017, Seqwater held a scheme consultation forum for the Logan River WSS. The 2016-17 renewals and the future renewals programs were discussed. The meeting summary has been published on the Logan River WSS page on Seqwater's website.

The next customer 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 forums at least annually for the purpose of consulting on the NSP and other Scheme issues that may arise from time to time. Attendance at customer 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 Logan River WSS web page on Seqwater's website.

In 2016-17 Seqwater met all of its service targets. The performance report was published on the Logan River 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: Water prices (Nominal \$/ML)

Tariff	2017-18 (\$)	2018-19 (\$)
Fixed (Part A)	30.02	30.77
Variable (Part B)	11.02	11.29

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 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	492,635	509,394
Repairs and maintenance	115,875	120,511
Dam safety	–	–
Rates	39,629	40,620
Consultation costs	7,920	8,118
Non-direct costs	483,065	496,744
Total operating costs	1,139,124	1,175,387

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 operating budget 2017-18 (\$Nominal)

Operating cost item	2016-17		2017-16
	QCA Budget (\$)	Actual (\$)	Extended QCA Budget (\$)
Direct operating costs			
Labour	331,492	242,615 (1)	343,426
Electricity	8,043	4,276	8,244
Other	136,903	98,064 (2)	140,966
Repairs and maintenance	111,419	153,406 (3)	115,875
Dam safety	24,643	– (4)	–
Rates	62,053	38,662 (5)	39,629 (9)
Consultation costs	7,727	– (6)	7,920
Total direct operating costs	682,280	537,023	656,060
Non-direct costs (indicative)			
Operations	282,395	367,296 (7)	291,009
Non-infrastructure	28,306	32,315 (7)	29,015
Insurance	159,066	89,264 (8)	163,043
Total non-direct costs	469,767	488,875	483,067
Total operating costs	1,152,047	1,025,898	1,139,127

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

Notes:

- (1) Labour costs were less than budget because less staff time was required to operate the scheme.
- (2) Costs were less than budget mainly because water quality monitoring costs were much lower than expected.
- (3) Repairs and maintenance costs were higher than budget because additional costs were incurred to repair damage following ex-tropical cyclone "Debbie".
- (4) The planning work for the dam safety upgrade at Maroon Dam included the elements of the scheduled dam safety inspection and obviated the need for the inspection.
- (5) The budgeted costs for rates included property associated with Wyaralong Dam which does not form part of the scheme cost base.
- (6) Consultation costs are included in non-direct operations and are not accounted for separately.
- (7) Higher corporate and indirect operating costs resulted in a higher indicative allocation of costs to the scheme.
- (8) Seqwater negotiated lower insurance premiums in 2016-17 resulting in savings in insurance costs for the Scheme.
- (9) The QCA's forecast rates budget has been reduced by \$23,976 to account for rates not associated with 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 2016-17.

Table 7: Logan River WSS Asset Restoration Reserve (\$Nominal)

Asset Restoration Reserve	2016-17 (\$)
Opening Balance 1 July 2016	-1,134,099 (1)
Revenue – irrigation	41,506
Revenue – other	77,484
Expenditure for year	-66,834
Interest for year*	-71,841
Closing Balance 30 June 2017	-1,153,783

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 \$219,825 was applied to the published 2015-16 closing balance of -\$1,353,924 to account for the flood repairs costs incurred in 2013-14 that were not reimbursed under Seqwater's insurance policies amounting to -\$111,192 offset by other adjustments to interest, revenue and expenditure of \$331,018.

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 for 2016-17

Asset	Project scope	Budget (\$'000)	Actual (\$'000)
Customer water meters	Replace 10 customer water meters carried over from 2015-16	20	23
Maroon Dam	Public toilet amenity renewal	–	1
	Replace exposed section of main inlet chamber lid	20	–
Maroon Dam water treatment plant	Replace treated water pump no. 2	29	* (1)
	Install shading for clarifier – carried over from 2015-16	11	13
Cedar Grove Weir	Install safe access to fishway entrance	29	29

Source: Seqwater (2017)

* Expenditure less than \$500

Notes:

(1) Project commenced in 2016-17 and will be finalised in 2017-18.

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)
Customer water meters	Replace minimum 10 flow meters	180
Maroon Dam	Replace reticulation pipework	84
Maroon Dam water treatment plant	Replace treated water pump no. 2	29

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 \$406,586.

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

Asset	Project scope	Year	Forecast (\$'000)
Maroon Dam Water Treatment Plant	Top up filter media	2025-26	611
	Complete refurbish of filter media	2035-36	967

Source: Seqwater (2017)