



Central Lockyer Valley Water Supply Scheme

Annual Network Service Plan

2016-17

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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 Central Lockyer Valley Water Supply Scheme was established to support irrigation in dairy, vegetable and forage crops sectors following construction of various weirs from the 1940s to 1980s, Bill Gunn Dam and Lake Clarendon in 1988 and 1992 respectively and the Morton Vale Pipeline in 1995. Releases from the dams are made manually. The Scheme is also located in the Clarendon Sub-artesian Area which is a benefitted groundwater area.

The Scheme is regulated under the Interim Resource Operations Licence for the Central Lockyer Valley Water Supply Scheme.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, "Central Lockyer Valley" and "Morton Vale Pipeline".

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/ off-stream storages	Weirs	Other bulk water assets	Distribution assets
<ul style="list-style-type: none"> • Bill Gunn Dam (Lake Dyer), • Clarendon Dam (Lake Clarendon) 	<ul style="list-style-type: none"> • Kentville Weir • Jordan I & II Weirs • Wilson Weir • Clarendon Weir • Glenore Grove Weir • Laidley Creek Diversion Weir • Showgrounds Weir • Crowley Vale Weir 	<ul style="list-style-type: none"> • Redbank Creek Pump Station • Clarendon Pump Station • Clarendon Diversion Channels • Gauging stations 	<ul style="list-style-type: none"> • Morton Vale Pipeline • Customer water meters

Source: Seqwater (2015)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 250 customers holding water allocations. The following table sets out the ownership of water allocations in the Scheme.

Table 2: Ownership of water allocations

Customer type	Number of customers	Medium priority* water allocations (ML)	High priority water allocations (ML)
Irrigation – Morton Vale	43	3,420	-
Irrigation – Risk-A & Risk-B	85	3,115	-
Irrigation - groundwater	115	9,340	-
Other	5	10	-
Laidley Golf Club	1	60	-
Crowley Vale Water Board	1	325	-
Seqwater	-	87	184
Totals	250	16,357	184

Source: Seqwater (2016)

* includes Risk-A, Risk-B and groundwater licences

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. Under the IROL, announced allocation determinations are required for the Morton Vale Water Supply System (medium priority) and for the Crowley

Vale Water Board (Risk-A). Announced allocation procedures have yet to be developed and implemented for other surface water and for groundwater allocation groups.

The following table sets out the announced allocations since 2006-07.

Table 3: Announced allocations history since 2006-07

Year	MP % (Morton Vale Pipeline)	Risk A % (Crowley Vale Water Board)
2006-07	0	0
2007-08	20	0
2008-09	81	58
2009-10	100	100
2010-11	100	100
2011-12	100	100
2012-13	100	100
2013-14	100	100
2014-15	100	100
2015-16	100	100
2016-17	73	0

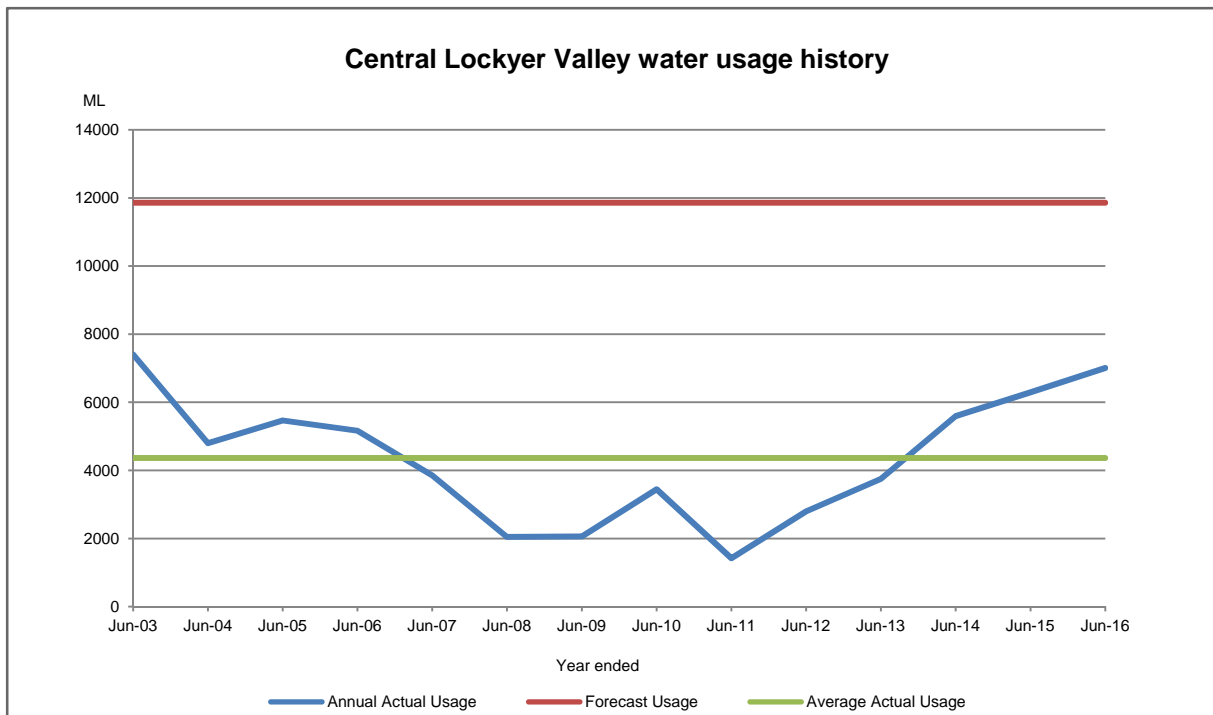
Source: Seqwater (2016)

2.4.2 Water use

Figures 1 and 2 below show the actual water usage per year from the 2002-03 water year to the 2015-16 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

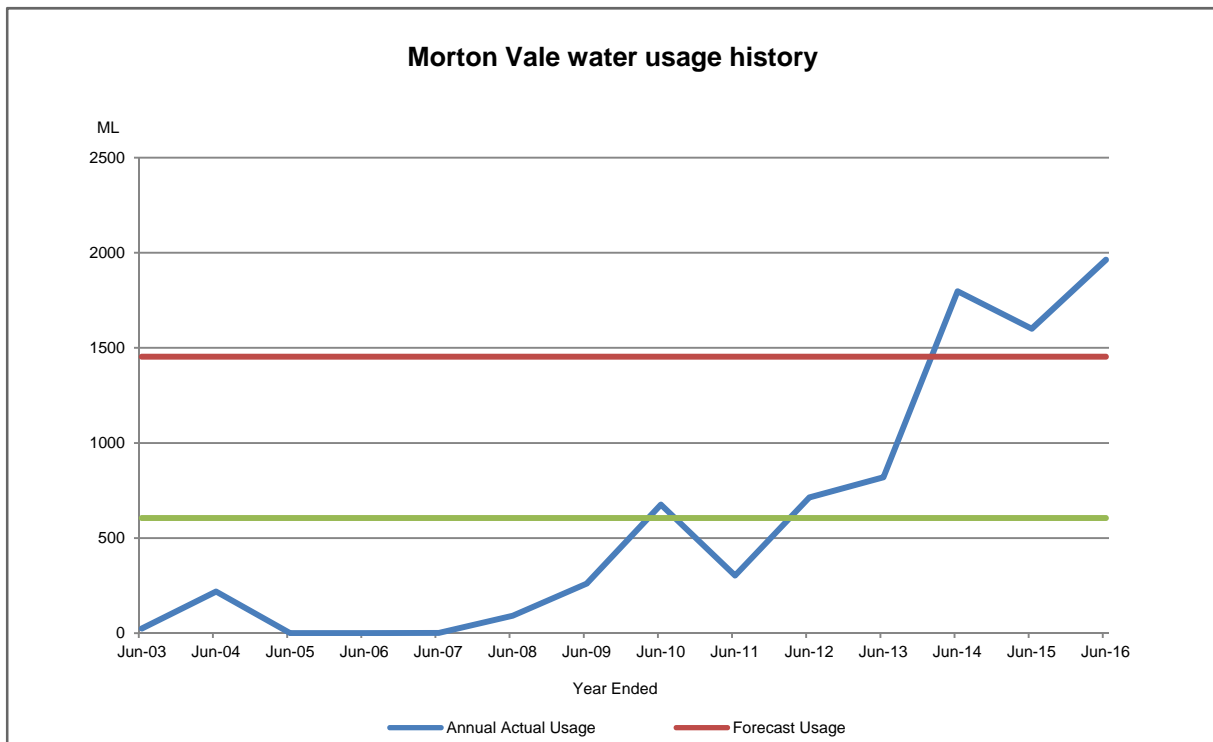
Also shown is the usage assumption for the current approved price path for 2013-17 which is 11,857ML or 92% of the nominal WAE for Central Lockyer Valley tariff group and 1,453ML or 42% for Morton Vale Pipeline tariff group. The current usage assumptions have been extrapolated to prior years for comparison purposes only. The previous irrigation price path adopted a usage forecast of 65% of nominal WAE for Central Lockyer Valley tariff group and 25% of nominal WAE for the Morton Vale Pipeline tariff group.

Figure 1: Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2016



Source: Seqwater (2016)

Figure 2: Morton Vale Pipeline annual water usage for years ending 30 June 2003 to 30 June 2016

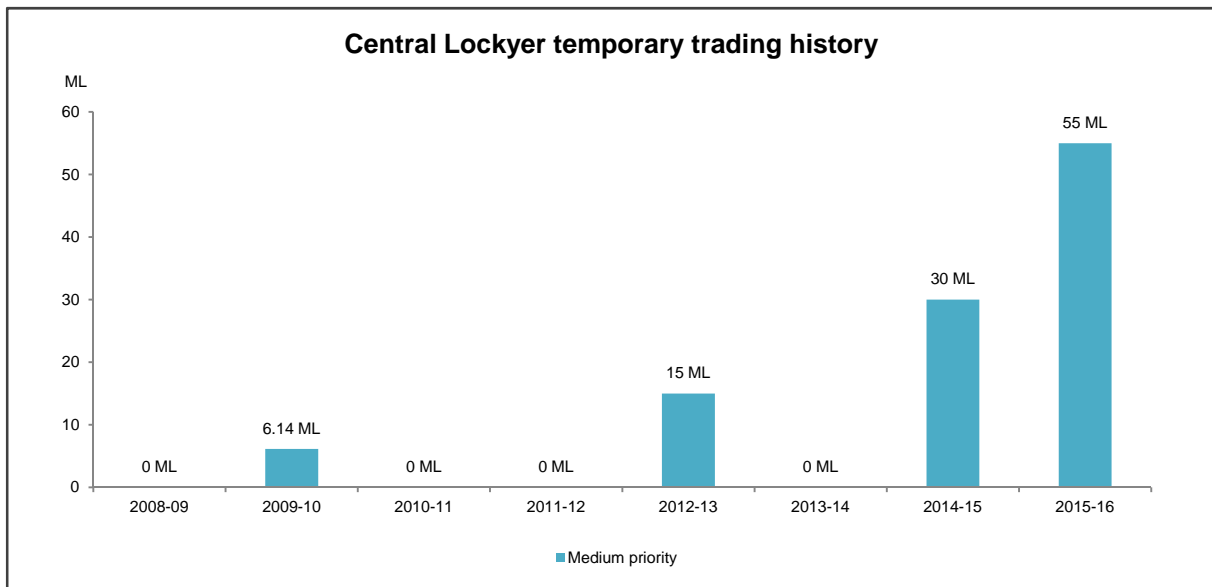


Source: Seqwater (2016)

2.5 Water trading

The following chart sets out the volumes of temporary transfers and leases by year from 1 July 2008.

Figure 3: Temporary trading 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 23 May 2016, Seqwater held a scheme forum for the Central Lockyer Valley WSS. The 2015-16 renewals and the future renewals programs were discussed. The meeting summary has been published on the Central Lockyer 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 continue to hold customer forums at least annually for the purpose of consulting on the NSP as well as 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 Central Lockyer 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 each of the following tables.

Table 4: Central Lockyer Valley tariff group water prices 2013-17 (Nominal \$/ML)

Tariff Group	Tariff	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Central Lockyer Valley	Fixed (Part A)	0.00	0.00	0.00	26.43
	Variable (Part B)	9.89	10.13	10.39	10.65

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

Table 5: Morton Vale Pipeline tariff group water prices 2013-17 (Nominal \$/ML)

Tariff Group	Tariff	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Central Lockyer Valley	Fixed (Part A)	18.55	21.06	23.69	26.43
	Variable (Part B)	4.94	5.06	5.19	5.32
Morton Vale Pipeline	Fixed (Part C)	8.91	9.14	9.36	9.60
	Variable (Part D)	8.17	8.37	8.58	8.79
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	27.46	30.20	33.05	36.03
	Variable (Part B + Part D)	13.10	13.43	13.77	14.11

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 tables below. These costs include both fixed and variable operating costs.

Table 6: Forecast operating costs – Central Lockyer Valley tariff group for 2013-17

Operating cost item	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Direct operations	247,044	252,613	258,275	264,030
Repairs and maintenance	157,020	160,814	164,661	168,557
Dam safety	-	24,204	-	24,643
Consultation costs	7,175	7,354	7,538	7,727
Non-direct costs	333,376	339,709	346,126	352,628
Total operating costs	744,615	784,694	776,600	817,585

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

Table 7: Forecast operating costs – Morton Vale Pipeline tariff group for 2013-17

Operating cost item	2013-14 (\$)	2014-15 (\$)	2015-16 (\$)	2016-17 (\$)
Direct operations	39,576	37,499	38,248	39,003
Repairs and maintenance	10,219	10,466	10,715	10,970
Non-direct costs	27,389	29,808	28,228	28,646
Total operating costs	74,364	75,773	77,191	78,619

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

The following tables set 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 each table.

Table 8: Central Lockyer Valley tariff group operating expenditure for 2015-16 and operating budget 2016-17 (\$Nominal)

Expenditure Item	2015-16		2016-17
	QCA Budget (\$)	Actual (\$)	QCA Budget (\$)
Direct operating costs			
Labour	128,964	120,521	131,508
Electricity	115,929	-8,619 (1)	118,827
Other direct operating	13,382	19,197	13,695
Repairs and maintenance	164,661	66,317 (2)	168,557
Dam safety	-	-	24,643
Rates	-	-	-
Consultation costs	7,538	- (3)	7,727
Total direct operating costs	430,474	197,416	464,957

Table 8: Central Lockyer Valley tariff group operating expenditure for 2015-16 and operating budget 2016-17 (\$Nominal) – (continued)

Expenditure Item	2015-16		2016-17
	QCA Budget (\$)	Actual (\$)	QCA Budget (\$)
Non-direct operating costs			
Operations	174,814	130,934 (4)	177,317
Non-infrastructure	17,617	13,155	17,774
Insurance	153,695	99,048 (5)	157,537
Total non-direct costs	346,126	243,137	352,628
Total operating costs	776,600	440,553	817,585

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

Notes:

- (1) The correction of an over accrual of electricity at Clarendon Dam in 2014-15 resulted in negative expenditure in 2015-16. The invoiced cost of electricity in 2015-16 was \$22,836. Overall, electricity costs were less than budget in 2015-16 because there was no pumping for inflows during the year and release pumping ceased in early October, 2015 due to low water levels in the dam.
- (2) Repairs and maintenance costs were less than budget mainly because assets renewed in recent years following flood events did not require the same level of normal routine maintenance.
- (3) Consultation costs are included in non-direct operations and are not accounted for separately.
- (4) Lower direct operating costs resulted in a lower allocation of non-direct operating costs.
- (5) Seqwater negotiated lower insurance premiums in 2015-16 resulting in savings in insurance costs for the Scheme.

Table 9: Morton Vale Pipeline tariff group operating expenditure for 2015-16 and budget for 2016-17 (\$Nominal)

Expenditure Item	2015-16		2016-17
	QCA Budget (\$)	Actual (\$)	QCA Budget (\$)
Direct operating costs			
Labour	38,248	13,776 (1)	39,003
Electricity	-	-	-
Other	-	1,549 (2)	-
Repairs and maintenance	10,715	- (3)	10,970
Total direct operating costs	48,963	15,325	49,973
Non-direct operating costs			
Operations	23,259	10,164 (4)	23,591
Non-infrastructure	2,344	1,021 (4)	2,365
Insurance	2,625	1,457 (5)	2,690
Total non-direct costs	28,228	12,642	28,646
Total operating costs	77,191	27,967	78,619

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

Notes:

- (1) Labour costs were less than budget because staff were required only for surveillance activities and reading water meters.
- (2) The Morton Vale pipeline share of vehicle expenses were previously costed to Clarendon Dam.
- (3) No repairs and maintenance were required to be carried out.
- (4) Lower direct operating costs resulted in a lower allocation of non-direct operating 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 10 below for the Central Lockyer Valley tariff group and in table 11 below for the Morton Vale Pipeline tariff group.

Table 10: Central Lockyer Valley tariff group asset restoration reserve for 2015-16 (\$Nominal)

Asset Restoration Reserve	2015-16 (\$)
Opening Balance 1 July 2015	113,564
Revenue – irrigation	213,530
Expenditure for year	-204,053
Interest for year*	8,170
Closing Balance 30 June 2016	131,211

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%. Interest has been applied to the balance at 30 June 2016.

Table 11: Morton Vale Pipeline tariff group asset restoration reserve for 2015-16 (\$Nominal)

Asset Restoration Reserve	2015-16 (\$)
Opening Balance 1 July 2015	485,832
Revenue for year	-20,307
Expenditure for year	-
Interest for year*	30,911
Closing Balance 30 June 2016	496,436

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

* 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%. Interest has been applied to the balance at 30 June 2016.

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 12: Central Lockyer Valley tariff group renewals projects 2015-16

Asset	Project scope	Budget (\$'000)	Actual (\$'000)
Water meters	Replacement of water flow meters 2014-15	-	-19 (1)
	Replacement of 24 water flow meters 2015-16	163	129 (2)
Clarendon Dam	Refurbish pump	30	51 (3)
	Upgrade surge protection system	-	3
Jordan 2 Weir	Replace valve	-	41 (4)

Source: Seqwater (2016)

Notes:

- (1) Reversal of costs over-accrued in 2014-15
- (2) Costs were lower than budget because more efficient methods were developed for prefabricating the components and installing the meters.
- (3) Expenditure includes costs carried over from 2014-15.
- (4) This project was not included in the original budget but was undertaken as emergent work when the valve began to leak. The valve was replaced with the hydraulic actuator.

No renewals projects were undertaken in the Morton Vale Pipeline tariff group in 2015-16.

3.3.2.2 2016-17 forecast renewals

Forecast renewals expenditure for 2016-17 for the Central Lockyer Valley tariff group is provided in table 13 below. There are no renewals projects for the Morton Vale Pipeline tariff group, in 2016-17.

Table 13: Central Lockyer Valley tariff group renewals projects for 2016-17 (\$Nominal)

Asset	Project description	Forecast cost (\$'000)
Clarendon channel	Refurbish 6.4 km of channel	354
Showgrounds Weir	Repair damaged walkway	25
Water meters	Replace 24 customer water meters	208

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 dams. 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 dams for the period of the ten year asset management plan ending in June 2024 have been used to replace the estimates 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 for the Central Lockyer Valley tariff group expected to be undertaken in the outer years of the renewals planning time frame (2017-37) are set out in table 14 below and for the Morton Vale Pipeline tariff group, in table 15 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 for the Central Lockyer Valley tariff group in present value terms is \$257,657 and for the Morton Vale Pipeline tariff group is \$9,194.

Table 14: Central Lockyer Valley tariff group major projects 2017-37 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Water meters	Replace water meters	2017-37	1,389

Source: Seqwater (2016)

Table 15: Morton Vale Pipeline tariff group major renewals projects 2017-37 (\$Nominal)

Asset	Project description	Year	Forecast cost (\$'000)
Water meters	Replace water meters	2017-37	135

Source: Seqwater (2016)