



# Central Lockyer Valley Water Supply Scheme

## Annual Network Service Plan

2017-18

Published: September 2017

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

Source: Seqwater (2017)

## 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	82	3,115	–
Irrigation - groundwater	106	9,340	–
Other	5	10	–
Laidley Golf Club	1	60	–
Crowley Vale Water Board	1	325	–
Seqwater	–	87	184
<b>Totals</b>	<b>250</b>	<b>16,357</b>	<b>184</b>

Source: Seqwater (2017)

\* 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

Year	MP % (Morton Vale Pipeline)	Risk A % (Crowley Vale Water Board)
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
2017-18	23	0

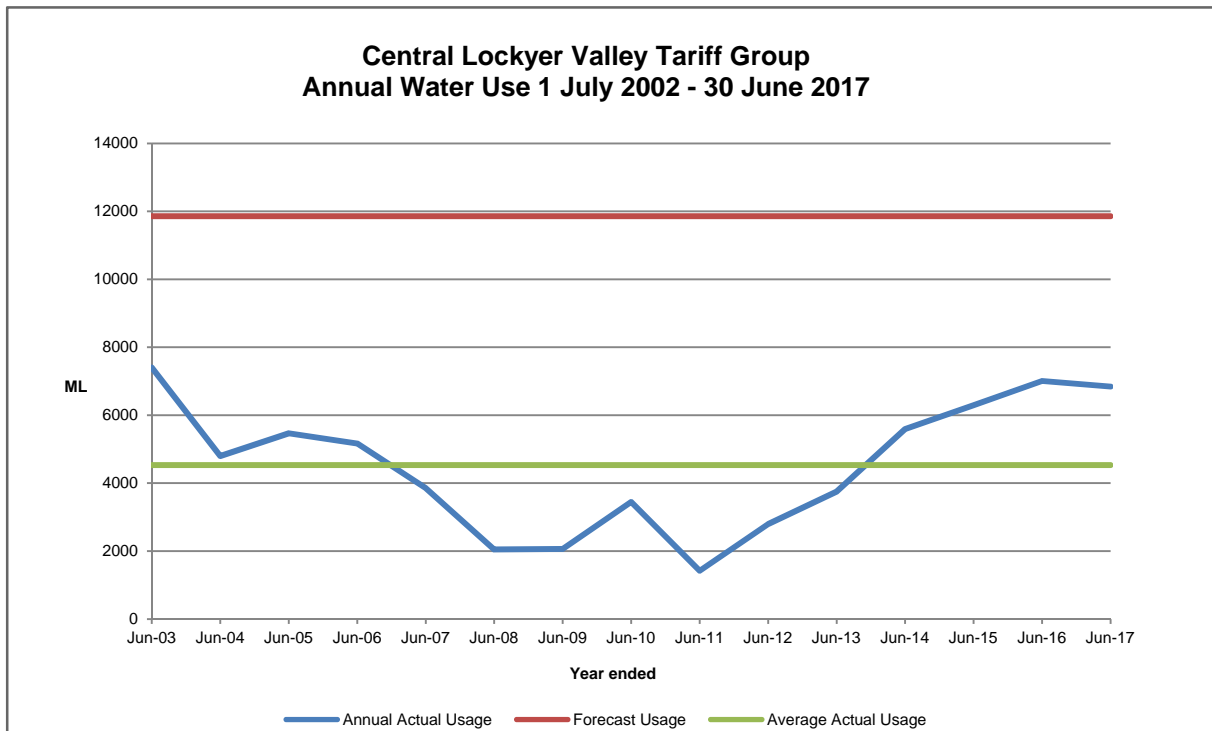
Source: Seqwater (2017)

## 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 2016-17 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

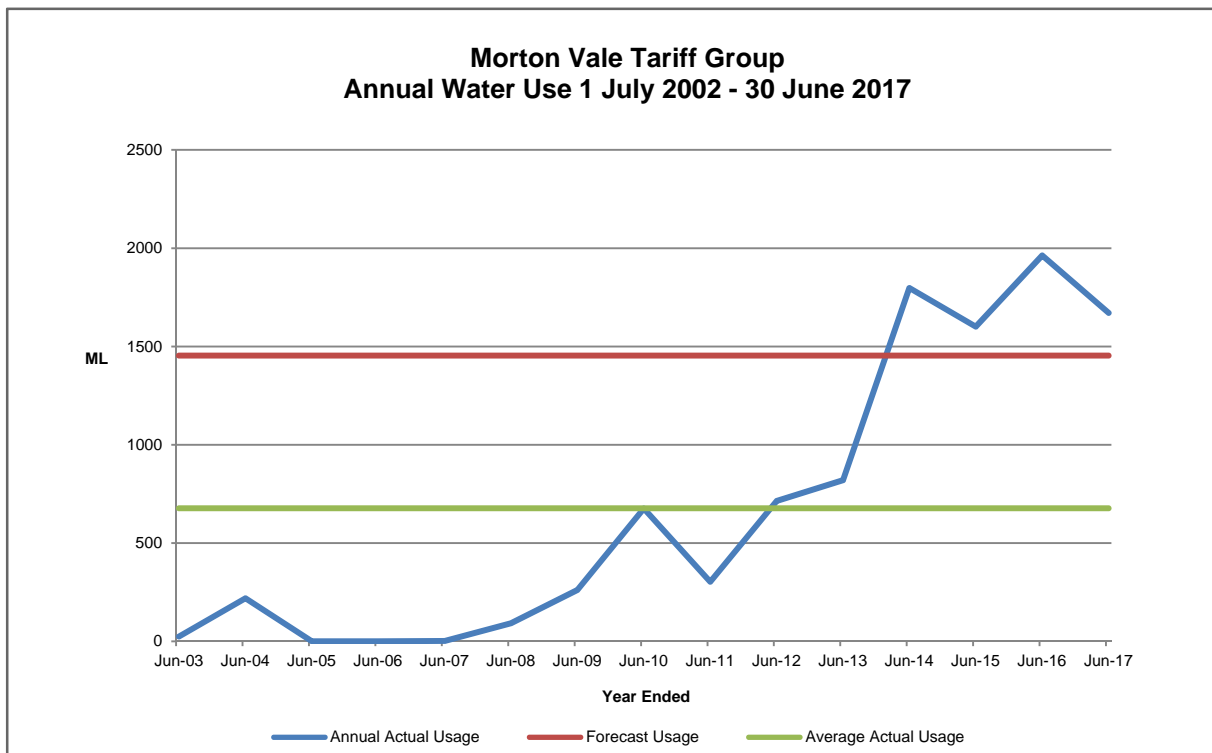
Also shown is the usage assumption for the current approved price path for 2013-17 (now extended to 2019) which is 11,857ML or 92% of the nominal volume for Central Lockyer Valley tariff group and 1,453ML or 42% for Morton Vale Pipeline tariff group. The current usage assumptions have been extrapolated to prior years for comparison purposes only. The previous irrigation price path adopted a usage forecast of 65% of nominal volume for Central Lockyer Valley tariff group and 25% of nominal volume for the Morton Vale Pipeline tariff group.

**Figure 1:** Central Lockyer Valley annual water usage for years ending 30 June 2003 to 30 June 2017



Source: Seqwater (2017)

**Figure 2:** Morton Vale Pipeline annual water usage for years ending 30 June 2003 to 30 June 2017

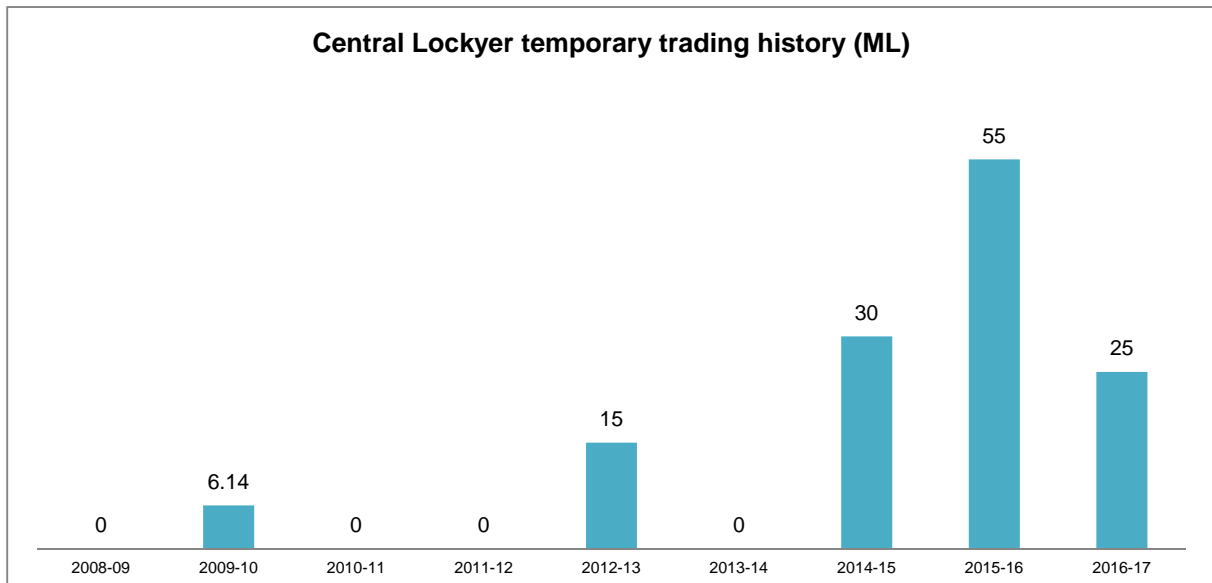


Source: Seqwater (2017)

## 2.5 Water trading

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

**Figure 3:** Temporary trading 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 13 June 2017, Seqwater held a scheme forum for the Central Lockyer Valley WSS. The 2016-17 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 2018 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.

In 2016-17 Seqwater met all of its service targets, noting that the scheme was largely without surface water during the year. The performance report was published on the Central Lockyer 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.

The tariffs that are directed to apply are set out in the tables below. It should be noted that the Part A tariffs apply only to volumetric interim water allocations and volumetric water allocations. The Part A tariffs will not apply to irrigators who have not yet been issued with volumetric water allocations.

**Table 4:** Central Lockyer Valley tariff group water prices 2017-19 (Nominal \$/ML)

Tariff Group	Tariff	2017-18 (\$)	2018-19 (\$)
Central Lockyer Valley	Fixed (Part A)	29.30	32.29
	Variable (Part B)	10.91	11.18

Source: Seqwater (2017)

**Table 5:** Morton Vale Pipeline tariff group water prices 2017-19 (Nominal \$/ML)

Tariff Group	Tariff	2017-18 (\$)	2018-19 (\$)
Central Lockyer Valley	Fixed (Part A)	29.30	32.29
	Variable (Part B)	5.45	5.58
Morton Vale Pipeline	Fixed (Part C)	9.84	10.09
	Variable (Part D)	9.01	9.24
Morton Vale Pipeline (Bundled)	Fixed (Part A + Part C)	39.14	42.38
	Variable (Part B + Part D)	14.46	14.82

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 amendments have been explained by way of notes in tables 8 and 9 below. These costs include both fixed and variable operating costs.

**Table 6:** Forecast operating costs – Central Lockyer Valley tariff group for 2017-19 (\$Nominal)



Operating cost item	2017-18 (\$)	2018-19 (\$)
Direct operations	283,918	292,723
Repairs and maintenance	175,299	182,311
Dam safety	–	–
Consultation costs	7,920	8,118
Rates	673	690
Non-direct costs	362,420	372,485
<b>Total operating costs</b>	<b>830,230</b>	<b>856,327</b>

Source: Seqwater (2017)

**Table 7:** Forecast operating costs – Morton Vale Pipeline tariff group for 2017-19 (\$Nominal)

Operating cost item	2017-18 (\$)	2018-19 (\$)
Direct operations	43,058	44,579
Repairs and maintenance	11,408	11,864
Non-direct costs	29,493	30,364
<b>Total operating costs</b>	<b>83,959</b>	<b>86,807</b>

Source: Seqwater (2017)

The following tables set 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 each table.

**Table 8:** Central Lockyer Valley tariff group operating expenditure for 2016-17 and operating budget 2017-18 (\$Nominal)

Operating cost item	2016-17		2017-18
	QCA Budget (\$)	Actual (\$)	Extended QCA Budget (\$)
<b>Direct operating costs</b>			
Labour	131,508	118,230	136,242
Electricity	118,827	26,197 (1)	121,798
Other direct operating	13,695	26,045 (2)	25,878 (7)
Repairs and maintenance	168,557	70,819 (3)	175,299
Dam safety	24,643	5,763 (4)	–
Rates	–	657	673 (8)
Consultation costs	7,727	– (5)	7,920
<b>Total direct operating costs</b>	<b>464,957</b>	<b>247,711</b>	<b>467,810</b>

**Table 8:** Central Lockyer Valley tariff group operating expenditure for 2016-17 and operating budget 2017-18 (\$Nominal) – (continued)

Expenditure Item	2016-17		2017-18
	QCA Budget (\$)	Actual (\$)	QCA Budget (extended) (\$)
<b>Non-direct costs (indicative)</b>			
Operations	177,317	169,422	182,726
Non-infrastructure	17,774	14,906	18,218
Insurance	157,537	86,230 <sup>(6)</sup>	161,476
<b>Total non-direct costs</b>	<b>352,628</b>	<b>270,558</b>	<b>362,420</b>
<b>Total operating costs</b>	<b>817,585</b>	<b>518,269</b>	<b>830,230</b>

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

**Notes:**

- (1) The continuing dry weather and low water levels in Clarendon Dam resulted in limited opportunities to pump water.
- (2) Costs includes the costs of vehicles and plant used for scheme operations but not previously costed to the scheme.
- (3) Repairs and maintenance costs were less than budget because continuing low water levels has reduced operational wear and tear on the assets thus reducing normal levels of repairs and maintenance.
- (4) 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 process required fewer resources than expected.
- (5) Consultation costs are included in non-direct operations and are not accounted for separately.
- (6) Seqwater negotiated lower insurance premiums in 2016-17 resulting in savings in insurance costs for the Scheme.
- (7) The QCA's forecast budget has been increased by \$11,640 to include the costs of Seqwater's vehicles and mobile plant used in the management of the Scheme.
- (8) The QCA's forecast budget has been increased by \$673 for local authority rates not previously included.

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

Expenditure Item	2016-17		2017-18
	QCA Budget (\$)	Actual (\$)	QCA Budget (extended) (\$)
<b>Direct operating costs</b>			
Labour	39,003	1,396 <sup>(1)</sup>	40,407
Electricity	–	–	–
Other	–	2,586 <sup>(2)</sup>	2,651 <sup>(6)</sup>
Repairs and maintenance	10,970	– <sup>(3)</sup>	11,408
<b>Total direct operating costs</b>	<b>49,973</b>	<b>3,982</b>	<b>54,466</b>
<b>Non-direct costs (indicative)</b>			
Operations	23,591	2,724 <sup>(4)</sup>	24,311
Non-infrastructure	2,365	240 <sup>(4)</sup>	2,424
Insurance	2,690	1,180 <sup>(5)</sup>	2,758
<b>Total non-direct costs</b>	<b>28,646</b>	<b>4,144</b>	<b>29,493</b>
<b>Total operating costs</b>	<b>78,619</b>	<b>8,126</b>	<b>83,959</b>

Source: Seqwater (2017); 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 reading water meters.
- (2) The Morton Vale pipeline share of vehicle expenses was previously costed to Clarendon Dam.

- (3) No repairs and maintenance were required to be carried out.
- (4) Higher corporate and indirect operating costs resulted in a higher indicative allocation of costs.
- (5) Seqwater negotiated lower insurance premiums in 2016-17 resulting in savings in insurance costs for the Scheme.
- (6) The QCA's forecast budget has been increased by \$2,651 to include the costs of Seqwater's vehicles and mobile plant used in the management of 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 ARR for 2016-17 (\$Nominal)

Asset Restoration Reserve	2016-17 (\$)
Opening Balance 1 July 2016	-897,050 (1)
Revenue – irrigation	313,965
Expenditure for year	-713,773
Interest for year*	-86,111
Closing Balance 30 June 2017	-1,382,969

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

- (1) An adjustment of -\$1,028,261 was applied to the published 2015-16 closing balance of \$131,211 to account for the scheme's share of flood repairs costs incurred in 2013-14 that were not reimbursed under Seqwater's insurance policies amounting to -\$849,749 plus related accumulated interest adjustments of -\$179,359 less other adjustments of \$846.

**Table 11:** Morton Vale Pipeline tariff group ARR for 2016-17 (\$Nominal)

Asset Restoration Reserve	2016-17 (\$)
Opening Balance 1 July 2015	496,313 (1)
Revenue for year	-19,956
Expenditure for year	–
Interest for year*	31,630
Closing Balance 30 June 2016	507,987

Source: Seqwater (2017); 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.

- (1) An adjustment of -\$123 was applied to the published 2015-16 closing balance of \$496,436 to account for revenue and interest adjustments.

### 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 12:** Central Lockyer Valley tariff group renewals projects 2016-17

Asset	Project scope	Budget (\$'000)	Actual (\$'000)
Water meters	Replacement of 20 flow meters 2015-16	–	4
	Replacement of 24 flow meters 2016-17	208	173 (1)
	Replacement of 40 flow meters 2017-18	–	4
Clarendon Dam	Refurbish 6.4 km of main channel	354	514 (2)
	Upgrade surge protection system	–	-3
	Replace boundary fence at Lake Clarendon	–	16
Showgrounds Weir	Repair damaged walkway	25	6

Source: Seqwater (2017)

**Notes:**

- (1) Costs were lower than budget because more efficient methods were developed for prefabricating the components and installing the meters.
- (2) Additional costs were incurred repairing eroded sections that threatened the integrity of the channel embankments.

No renewals projects were undertaken in the Morton Vale Pipeline tariff group in 2016-17.

#### 3.3.2.2 2017-18 forecast renewals

Forecast renewals expenditure for 2017-18 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 2017-18.

**Table 13:** Central Lockyer Valley tariff group renewals projects for 2017-18 (\$Nominal)

Asset	Project description	Forecast cost (\$'000)
Clarendon Dam	Crest seal on dam embankment	390
Bill Gunn Dam	Crest seal on dam embankment	77
	Walking train implementation	30
Clarendon Weir	New hydraulic system and valve	48
Water meters	Replace 40 flow meters	467

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 for the Central Lockyer Valley tariff group in present value terms is \$207,962 and for the Morton Vale Pipeline tariff group is \$9.

**Table 14:** Central Lockyer Valley tariff group major projects 2019-39 (\$Real)

Asset	Project description	Year	Forecast cost (\$'000)
Clarendon Dam	Replace electrical switchboard	2021-22	360

Source: Seqwater (2017)

**Table 15:** Morton Vale Pipeline tariff group major renewals projects 2019-39 (\$Real)

Asset	Project description	Year	Forecast cost (\$'000)
Water meters	Replace water meters	2019-39	108

Source: Seqwater (2017)