



Cedar Pocket Water Supply Scheme

Annual Network Service Plan

2019-20

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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: Seqwater
PO Box 328
IPSWICH QLD 4305

2. Scheme Details

2.1 Scheme background and context

The Cedar Pocket Water Supply Scheme was established following the construction, in 1985, of the Cedar Pocket Dam to provide irrigation water for the local dairy industry.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011. The Scheme consists of bulk water supply assets only. The Scheme has no distribution systems, with all irrigators taking their water supply directly from the natural water courses. Releases from the Dam are made manually.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, “Cedar Pocket Dam”.

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
Cedar Pocket Dam	Nil	Nil	Downstream measuring flume, customer water meters

Source: Seqwater (2019)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 11 irrigation customers who hold 495 ML of medium priority water allocations.

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. However, it should be noted that, under the ROP, in a water year in which Cedar Pocket Dam overflows, customers may take up to 200% of their nominal allocations.

The following table sets out the announced allocations for the current year plus the historical position since 2007-08.

Table 2: Announced allocations history

Year	MP %
2007-08	38-100
2008-09	100
2009-10	100
2010-11	100
2011-12	100
2012-13	100
2013-14	100
2014-15	99-100
2015-16	100
2016-17	100
2017-18	96
2018-19	100
2019-20	100

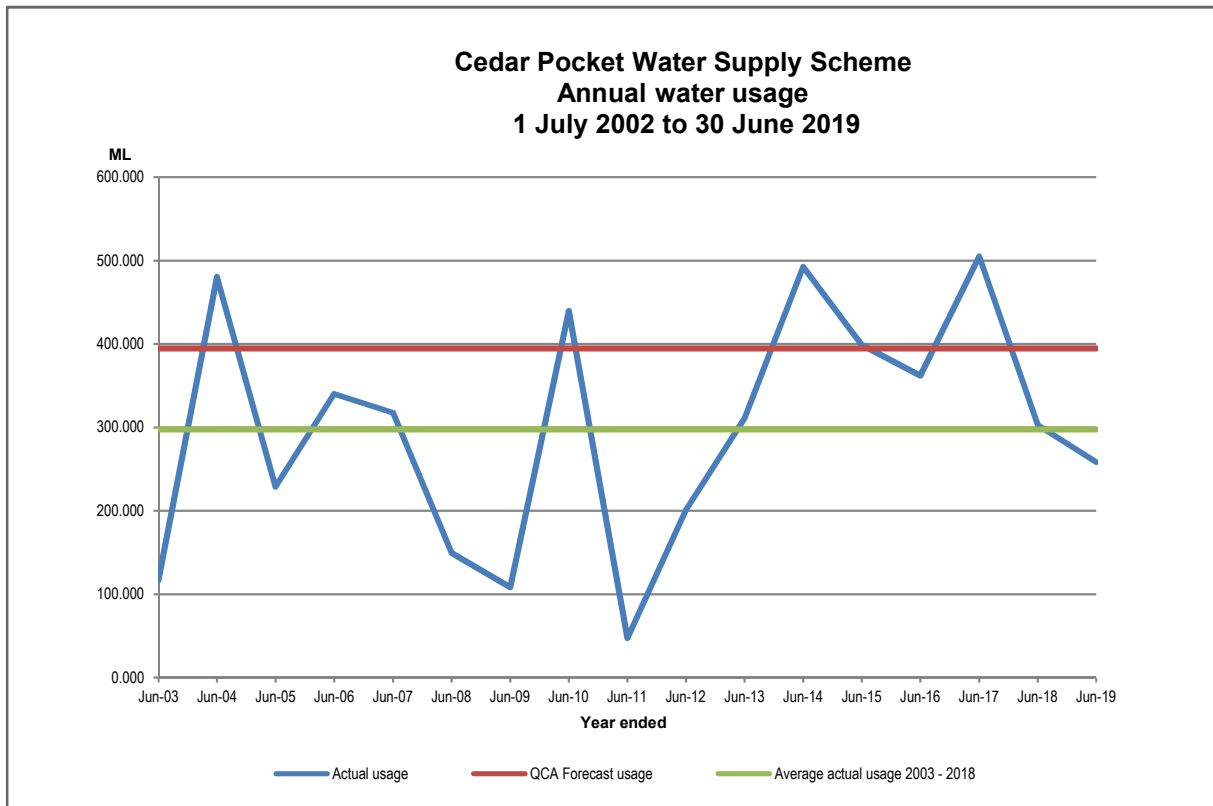
Source: Seqwater (2019)

2.4.2 Water use

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

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 395 ML or 80% of nominal water allocations. The QCA's 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

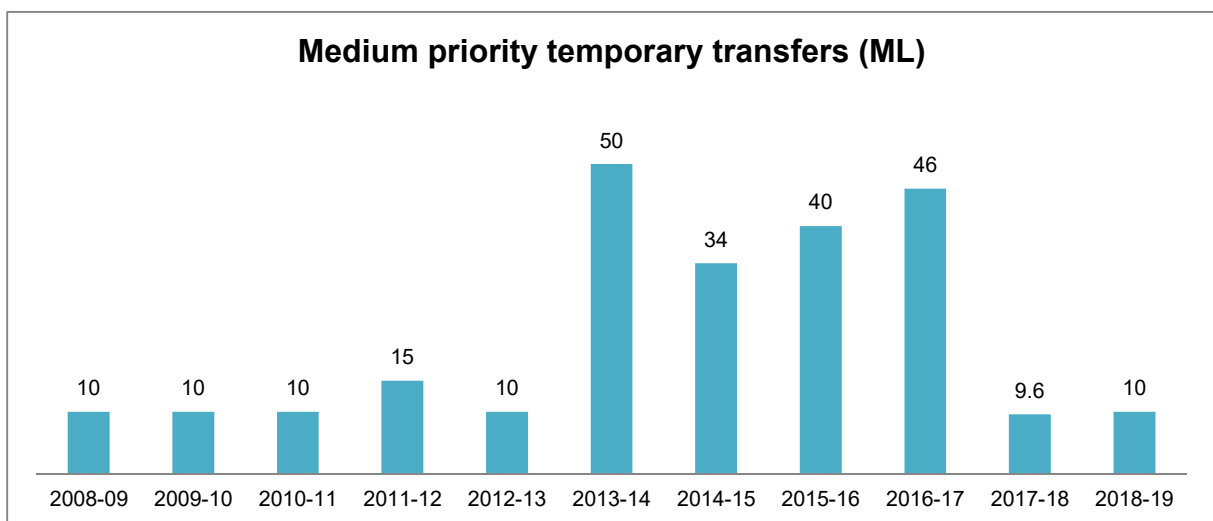


Source: Seqwater (2019)

2.5 Water trading

The following chart sets out the annual volumes of temporary transfers between irrigation customers from the 2008-09 water year.

Figure 2: Temporary transfer (seasonal assignment) history



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.

Seqwater held a forum on 6th August 2019 at which a review of scheme operations and the meter upgrade program were presented. Seqwater explained the announced allocation process and the changes to the water planning instruments. Also presented was a financial summary. Attendance at forums is open to all customers of the Scheme.

All customer or stakeholder submissions in relation to this NSP will be published on Seqwater’s website along with Seqwater’s responses and decisions.

2.7 Customer service standards

Service standards are published on the Cedar Pocket WSS page on Seqwater’s website.

In 2018-19 Seqwater met all service targets. The performance report was published on the Cedar Pocket 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 2019-20.

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

Table 3: Cedar Pocket water prices 2019-20 (Nominal \$/ML)

Tariff	2019-20 (\$)
Fixed (Part A)	22.36
Volumetric (Part B)	42.84

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 three 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 2017-18 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 2017-18 NSP.

Table 4: Forecast QCA budget operating costs to end of 2019-20 (\$Nominal)

Operating cost item	2019-20 (\$)
Direct operations	81,500
Repairs and maintenance	16,452
Dam safety	–
Consultation costs	8,321
Rates	6,997
Non-direct costs	59,284
Total operating costs	172,554

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 5: Operating costs budget and actuals for 2018-19 and operating costs budget 2019-20 (\$Nominal)

Operating cost item	2018-19		2019-20
	Extended QCA Budget (\$)	Actual Expenditure (\$)	Extended QCA Budget (\$)
Direct operating costs			
Labour	62,484	64,618	64,734
Electricity	380	265	389
Other	15,928	16,203	16,377
Repairs and maintenance	15,819	3,813 (1)	16,452
Rates	6,826	7,091	6,997
Consultation costs	8,118	- (2)	8,321
Total direct operating costs	109,555	91,990	113,270
Non-direct operating costs			
Operations	42,983	35,854 (3)	44,295
Non-infrastructure	4,263	1,997	4,369
Insurance	10,361	3,067 (4)	10,620
Total non-direct costs	57,607	40,918	59,284
Total operating costs	167,163	132,908	172,554

Source: Seqwater (2019)

Notes:

- (1) Repairs and maintenance costs were lower than budget because no major maintenance projects were required to be undertaken.
- (2) Consultation costs are included in non-direct operations and are not accounted for separately.
- (3) Corporate operating cost share was less than budget because lower direct costs attracted a lower cost share.
- (4) 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

The balance of the renewal annuity funds is recorded in the Asset Restoration Reserve (ARR). The ARR accounts for 2018-19 for this scheme is presented below.

Table 6: Cedar Pocket WSS ARR (\$Nominal)

Asset Restoration Reserve	2018-19 (\$)
Opening Balance 1 July	80,897
Interest for year*	5,016
Revenue for year	12,655
Expenditure for year	-9,307
Closing Balance 30 June	89,261

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 7: Renewals projects 2018-19

Asset	Project scope	Budget (\$'000)	Cost (\$'000)
Customer water meters	Replace 2 customer water meters	–	9,307

Source: Seqwater (2019)

3.3.2.2 2019-20 forecast renewals

There are no renewals scheduled for Cedar Pocket in 2019-20.

3.3.2.3 Asset planning

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 2021-40 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 \$16,242.

Table 8: Material renewals projects 2021-40 (\$Real)

Asset	Project scope	Year	Forecast cost \$'000
Cedar Pocket Dam	Replace trash screens at outlet works	2024-25	20
Cedar Pocket Dam	Refurbish rip-rap	2036-37	75

Source: Seqwater (2019)