



Mary Valley 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 Mary Valley Water Supply Scheme was established to support irrigation in the sugar, dairy and horticulture sectors following construction of Borumba Dam in 1963. Water is released from Borumba Dam to supplement flows in the Mary River. The Pie Creek system is supplemented by channels and pipes distributing water diverted from the Mary River.

The Scheme is regulated under the Mary Basin Resource Operations Plan (ROP) issued in September 2011.

The water year runs from 1 July to 30 June.

The Scheme consists of two tariff groups, “Mary Valley” and “Pie Creek”.

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
<ul style="list-style-type: none"> Borumba Dam 	<ul style="list-style-type: none"> Imbil Weir 	<ul style="list-style-type: none"> Pie Creek Pump Station Gauging stations Measuring weirs Channels Pipelines Water meters

Source: Seqwater (2019)

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 (ML)	High priority (ML)
Mary Valley irrigators	184	17,598	-
Pie Creek irrigators	50	765	-
Gympie Regional Council	1	-	3,524
Seqwater (amenities)	-	-	120
Seqwater (distribution losses)	-	426	60
Seqwater	-	3,000	-
Seqwater (urban supply)	1	-	6,500
Industrial	2	40	60
Totals	266	21,829	10,264

Source: Mary Basin ROP; 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 both medium priority and high priority water allocations for the current year plus the historical position from 2007-08.

Table 3: Announced allocations history

Year	MP %	HP %	Year	MP %	HP%	Year	MP %	HP%
2007-08	14-100	100	2013-14	100	100	2019-20	100	100
2008-09	100	100	2014-15	100	100			
2009-10	100	100	2015-16	100	100			
2010-11	100	100	2016-17	100	100			
2011-12	100	100	2017-18	82	100			
2012-13	100	100	2018-19	100	100			

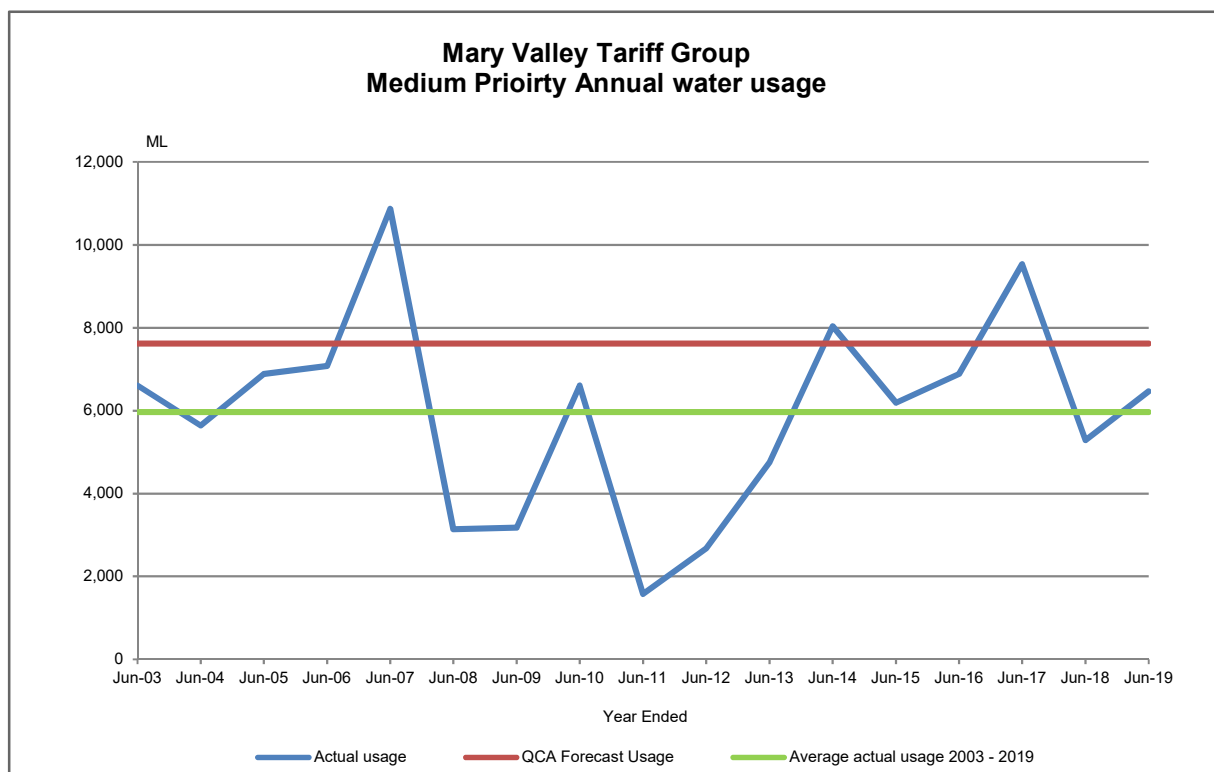
Source: Seqwater (2019)

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2018-19 for the Mary Valley tariff group.

Also shown is the usage assumption adopted by the Queensland Competition Authority (QCA) for the 2013-17 price path (extended to 2019) which is 7,618 ML or 44% of the nominal volume. 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.

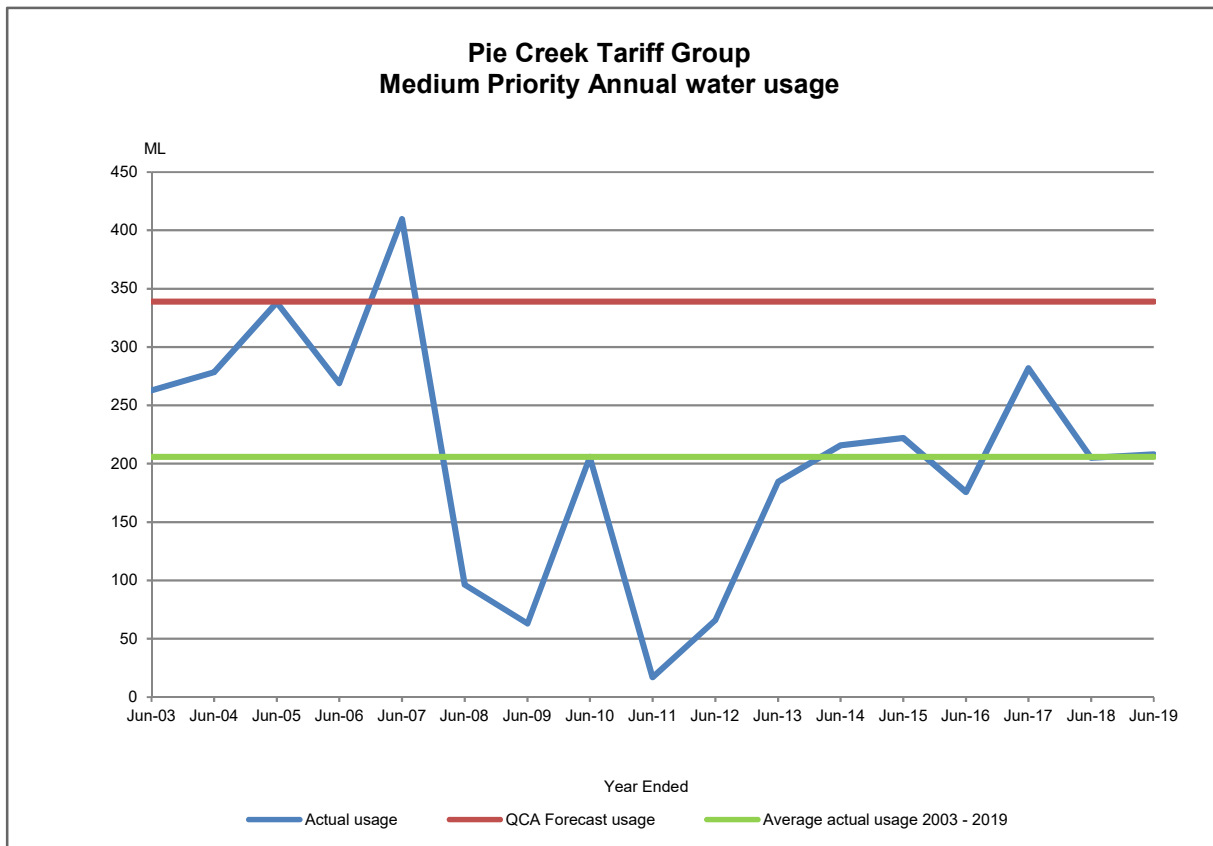
Figure 1: Mary Valley tariff group water usage for years ending 30 June 2003 to 30 June 2019



Source: Seqwater (2019)

Figure 2 below shows the actual water usage per year from 2002-03 to 2016-17 for the Pie Creek tariff group. Also included is the usage assumption for the current approved price path for 2013-17 which is 339 ML or 41% of the nominal WAE. 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 2: Pie Creek tariff group water usage for years ending 30 June 2003 to 30 June 2019

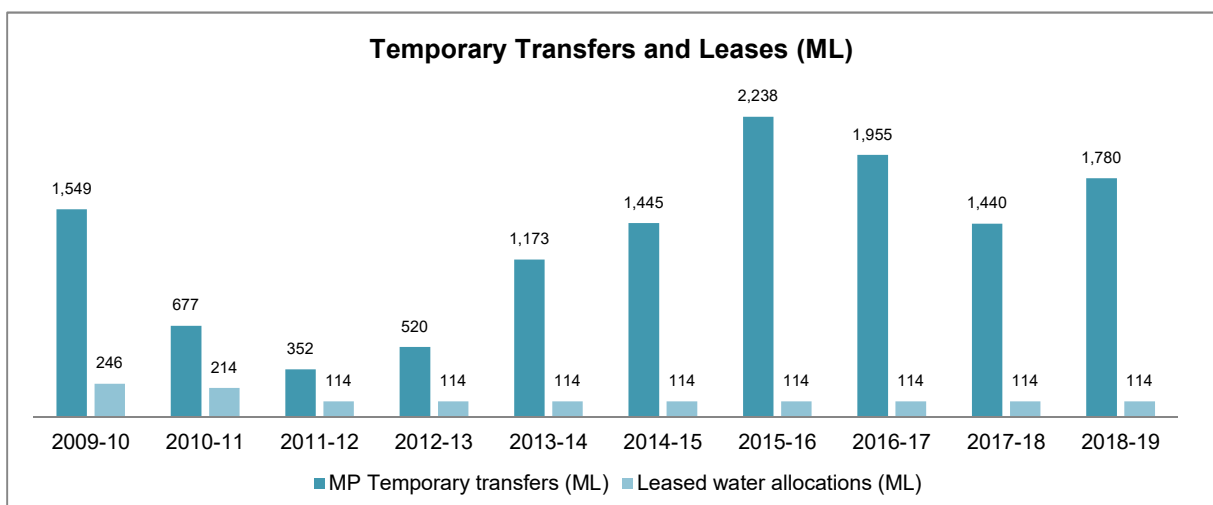


Source: Seqwater (2019)

2.5 Water trading

Figure 3 sets out the volumes of temporary transfers and leases by year from 1 July 2009.

Figure 3: Temporary trading 2009-19 (Mary Valley and Pie Creek)



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 5 August 2019 at which a review of the scheme operations and meter upgrade program was presented. Seqwater also explained how the announced allocation process works and the changes to the water planning instruments. A financial summary was also 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 Mary Valley WSS page on Seqwater's website.

In 2018-19 Seqwater met its service targets. The performance report was published on the Mary 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. However, Part A prices for Mary Valley in 2019-20 have been reduced by \$4.66 per megalitre compared to 2018-19 prices. This was the overall impact resulting from the finding that the 2012 analysis of the cost share to irrigators did not take into account the medium priority cut-off rule that applies to water supplied from Borumba Dam. Correctly including the cut-off rule reduces the cost share for medium priority irrigation customers. For Pie Creek customers, the reduction in the Part A charge was offset by a corresponding increase in the Part C charge so that overall charges simply continue in line with the existing price path. A fact sheet from the Department of Natural Resources, Mines and Energy setting out the changes was sent to all customers in the scheme. The tariffs for 2019-20 are set out in the table below.

Table 4: Water prices (Nominal \$/ML)

Tariff Group	Tariff	2019-20 (\$)
Mary Valley	Fixed (Part A)	24.13
	Volumetric (Part B)	9.63
Pie Creek	Fixed (Part A)	21.59
	Volumetric (Part B)	9.62
	Fixed (Part C)	32.71
	Volumetric (Part D)	81.95
	Fixed (Parts A + C)	54.30
	Volumetric (Parts B + D)	91.57
	Termination fee	359.81

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 tables below. These costs include both fixed and variable 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 Mary Valley tariff group operating costs for 2019-20 (\$Nominal)

Operating cost item	2019-20 (\$)
Direct operations	502,360
Repairs and maintenance	239,050
Dam safety	–
Rates	8,948
Consultation costs	8,321
Non-direct costs	534,762
Total operating costs	1,293,441

Source: Seqwater (2019)

Table 6: Forecast QCA budget Pie Creek tariff group operating costs for 2019-20 (\$Nominal)

Operating cost item	2019-20 (\$)
Direct operations	123,244
Repairs and maintenance	87,825
Rates	3,660
Non-direct costs	96,115
Total operating costs	310,844

Source: Seqwater (2019)

The following tables set 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 each table.

Table 7: Mary Valley tariff group operating expenditure for 2018-19 and budget 2019-20 (\$Nominal)

Operating cost item	2018-19		2019-20
	QCA Budget (extended) (\$)	Actual (\$)	QCA Budget (extended) (\$)
Direct operating costs			
Labour	260,911	134,875 (1)	270,304
Electricity	820	9,075	841
Other	225,152	110,087 (2)	231,215
Repairs and maintenance	229,855	57,398 (3)	239,050
Rates	8,730	10,507	8,948
Consultation costs	8,118	- (4)	8,321
Total direct operating costs	733,586	321,942	758,679
Non-direct operating costs (indicative)			
Operations	348,662	125,478 (5)	359,296
Non-infrastructure	34,577	6,989 (5)	35,442
Insurance	136,609	45,460 (6)	140,024
Total non-direct costs	519,848	177,927	534,762
Total operating costs	1,253,434	499,869	1,293,441

Source: Seqwater (2019); 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 as operational efficiencies have been implemented.
- (2) Other costs were less than budget because water quality testing costs were lower and water treatment costs are no longer incurred.
- (3) Repairs and maintenance costs were less than budget because no major maintenance projects were required to be undertaken during the year and because of ongoing efforts to reduce these costs overall.
- (4) Consultation costs are included in non-direct operations and are not accounted for separately.
- (5) Lower direct operating costs attracted a lower share of indirect costs.
- (6) Seqwater negotiated lower insurance premiums resulting in savings in insurance costs for the Scheme.

Table 8: Pie Creek tariff group operating expenditure for 2018-19 and extended budget 2019-20 (\$Nominal)

Operating cost item	2018-19		2019-20
	QCA Budget (extended) (\$)	Actual (\$)	QCA Budget (extended) (\$)
Direct operating costs			
Labour	61,557	131,561 (1)	63,774
Electricity	30,859	16,700 (2)	31,630
Other	26,941	35,560 (3)	27,840
Repairs and maintenance	84,447	83,567	87,825
Rates	3,571	3,269	3,660
Total direct operating costs	207,375	270,657	214,729
Non-direct operating costs (indicative)			
Operations	74,660	107,907	76,937
Non-infrastructure	7,404	6,010	7,589
Insurance	11,307	4,544 (4)	11,589
Total non-direct costs	93,371	118,461	96,115
Total operating costs	300,746	389,118	310,844

Source: Seqwater (2019); QCA Final Report, Seqwater Irrigation Price Review 2013-17 (April 2013)

Notes:

- (1) Additional labour costs were incurred because a new trainee has been stationed at the scheme.
- (2) Reduced demand for water resulted in lower electricity costs for pumping.
- (3) Additional materials costs were incurred for pump motor repairs and to replace the grid mesh on the submersible pump.
- (4) 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 Asset Restoration Reserve (ARR) account for 2018-19 for this scheme, prepared on an irrigation-only basis, is presented below. Seqwater back calculated the revenue charged due to the impact of the cut-off rule not being taken into account (see 3.1 above) and has added it as revenue to the ARR account as set out below.

Table 9: Mary Valley Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2018-19 (\$)
Opening Balance 1 July	87,643
Interest for year*	5,434
Revenue – irrigation	114,823
Revenue – tariff adjustment	123,358
Expenditure for year	-250,962
Closing Balance 30 June	80,295

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%.

Table 10: Pie Creek Tariff Group Asset Restoration Reserve

Asset Restoration Reserve	2018-19 (\$)
Opening Balance 1 July	320,313
Interest for year*	19,859
Revenue – irrigation	68,063
Expenditure for year	-6,200
Closing Balance 30 June	402,035

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, or scheduled to be undertaken, in 2018-19 in the Mary Valley tariff group. There were no renewal projects completed in 2018-19 for Pie Creek.

Table 11: Mary Valley tariff group renewals projects 2018-19

Asset	Project scope	2018-19	
		Budget (\$'000)	Cost (\$'000)
Borumba Dam	Campground upgrades	-	1
	Renew power poles	-	77 (1)
Customer water meters	Upgrade 20 flow meters	240	242

Source: Seqwater (2019)

Notes:

(1) This project was added to the renewals program following a condition assessment.

An amount of \$6,200 was spent in Pie Creek for the purchase of 2 valves for replacement of non-functioning valves on the Pie Creek pipeline. This work is expected to be undertaken in 2019-20 when weather conditions are favourable.

3.3.2.2 2019-20 forecast renewals

Forecast renewals expenditure for 2019-20 for the Mary Valley tariff group is provided in the table below.

Table 12: Mary Valley tariff group renewals – 2019-20 (\$Nominal)

Asset	Project description	2019-20 Forecast (\$'000)
Scheme	Replace 20 or more customer flow meters	245

Source: Seqwater (2019)

In Pie Creek, two valves will be replaced on the Pie Creek pipeline when weather conditions are favourable. The replacement valves were purchased in 2018-19 (see above). The additional costs to complete the work is expected to be around \$14,000.

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 for Mary Valley is \$48,880 and for Pie Creek is \$79,405.

Table 14: Mary Valley tariff group major renewals projects 2019-39 (\$Nominal)

Asset	Project scope	Year	Forecast cost \$'000
Mary River Gauging Stations	Replace	2022-23	90
	Replace	2032-33	115
Borumba Dam	Replace Trashracks	2034-35	166

Source: Seqwater (2019)

No forecast renewals project for Pie Creek exceeds the 10% threshold in present value terms.