



Cedar Pocket Water Supply Scheme

Annual Network Service Plan

2020-21

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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. 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 (2020)

2.3 Customers and water entitlements serviced

The Scheme supplies water to 11 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 %	Year	MP %
2007-08	38-100	2017-18	96
2008-09	100	2018-19	100
2009-10	100	2019-20	100
2010-11	100	2020-21	84*
2011-12	100		
2012-13	100		
2013-14	100		
2014-15	99-100		
2015-16	100		
2016-17	100		

Source: Seqwater (2020)

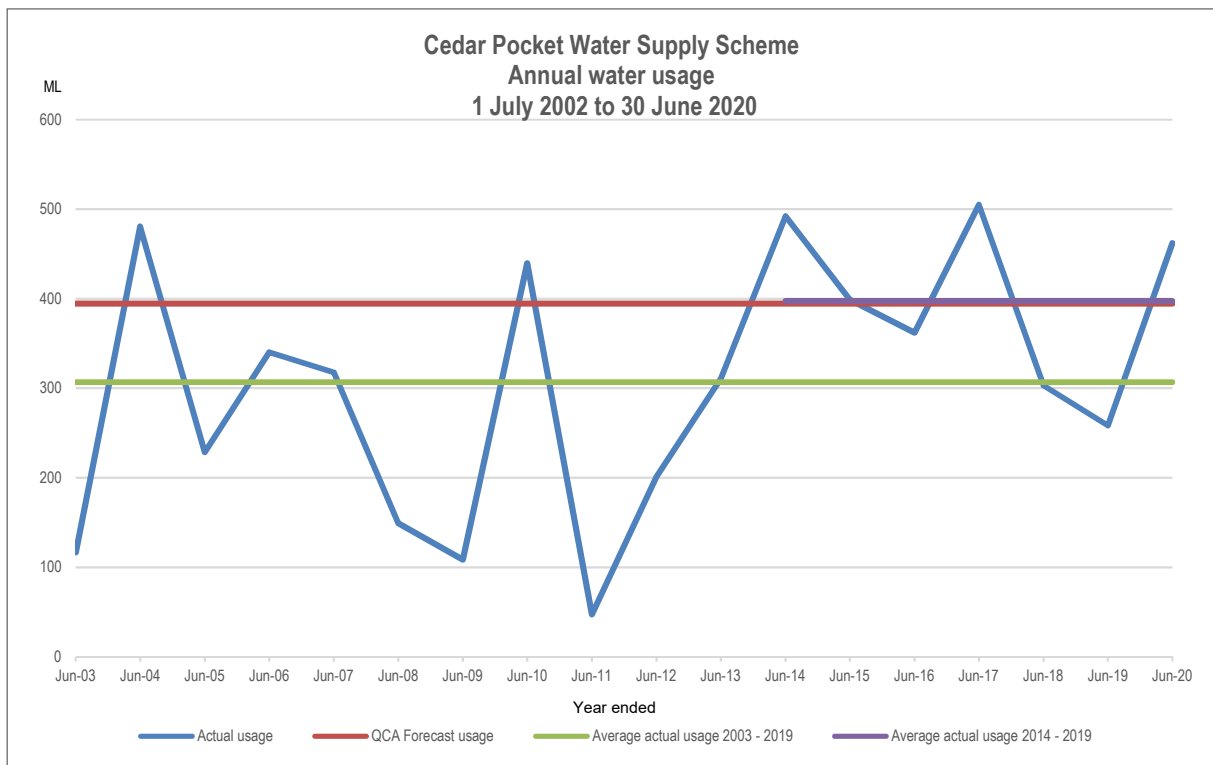
* As at 30 September 2020

2.4.2 Water use

Figure 1 below shows the actual water usage per year from 2002-03 to 2019-20.

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. This year, the average water usage from 2014-20 has been added. As can be seen in the graph below (purple line), the actual average water usage from this period is slightly more than the QCA usage assumption for the 2013-17 price path.

Figure 1: Annual Scheme water usage

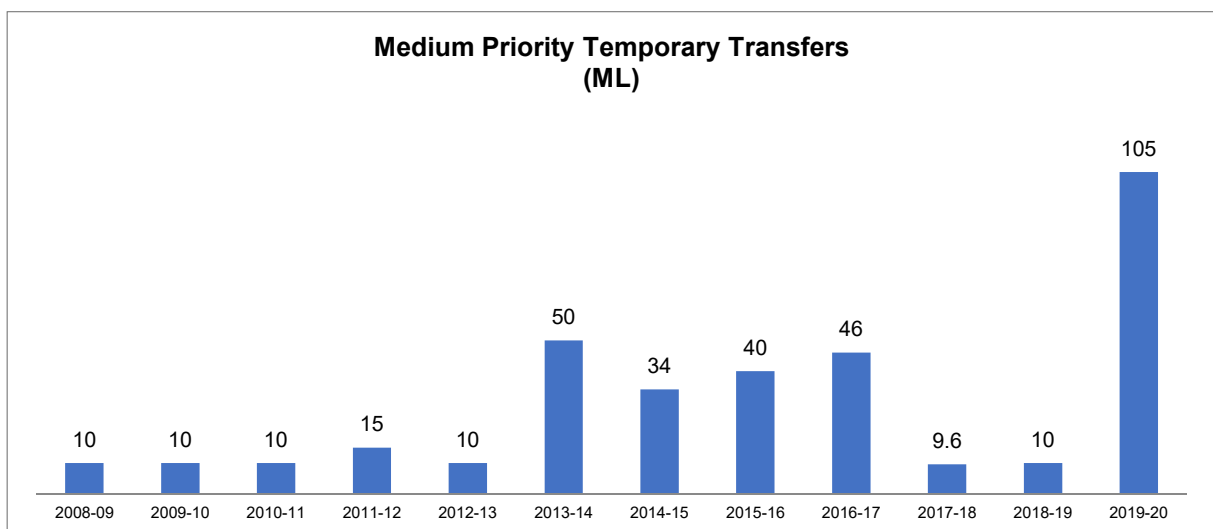


Source: Seqwater (2020)

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 (2020)

2.6 Customer Consultation

Seqwater is committed to customer engagement and working with our customers in understanding their needs to improve customer satisfaction. Customer engagement at Seqwater occurs in many ways, and includes customer reference group meetings, customer forums, information bulletins, surveys, web-based information and listening to our customers. Unfortunately, this year, the customer forums didn't go ahead as a result of the Covid-19 restrictions. However, additional information bulletins were sent in place of the forums and we intend to bring the forums back as soon as it is deemed safe to do so.

Our second annual customer survey was completed in July. The survey helps us understand our customers' experience and what we can do to improve this experience.

The 2020 survey feedback showed a definite improvement with customer satisfaction; however, we still have a lot of work to do. The survey also confirmed support for the initiatives on which we are already working, which we hope will translate to ongoing improvements in customer satisfaction. These include:

- Quarterly water account statements showing customers water balance (ML) after quarterly meter reads and includes any temporary transfers that have occurred during the previous quarter.
- A formalised Customer Reference Group (CRG) to provide input and advice on scheme operations for each Scheme, will be established by December 2020. Ideally, every CRG will have representation from each scheme zone and across the various industry types in the scheme.
- Customer Connect which is an on-line virtual forum where potential buyers and sellers of temporary and permanent water are able to list their offers to sell or interest to buy water. Once connected, the buyer and seller will complete the temporary trade or permanent trade offline in the usual manner.

2.7 Customer service standards

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

In 2019-20 Seqwater met all service targets. The performance report is published on the Cedar Pocket WSS page on Seqwater's website.

2.8 Scheme Operations

Cedar Pocket Dam started the 2019-20 water year with 100% (735ML) in storage. By mid-January 2020, after a hot dry summer, Cedar Pocket was at a low of 30% (220ML). This raised concerns that releases from the dam could have ceased from as early as mid-February. However, February rains brought inflows and the dam was at 100% by mid-February. This event secured supply for the remainder of the 2019-20 water year.

There were no planned or unplanned shutdowns during 2019-20.

3. Financial Performance

3.1 Irrigation charges for 2020-21

Due to the State-wide impacts of long-running drought and the COVID-19 pandemic, the Queensland Government announced a freeze on irrigation water prices for the 2020-21 year except in areas where the Queensland Competition Authority (QCA) recommended price decreases. Following this announcement, in June 2020, Seqwater's responsible Ministers issued the *Seqwater Rural Water Pricing Direction Notice (No. 1) 2020* which sets the rural irrigation water prices and associated fees Seqwater must charge from 1 July 2020 to 30 June 2021. No prices have been set beyond the 2020-21 year as government continues to monitor conditions during the year.

The 2020-21 regulated irrigation water prices and the cost per megalitre are shown below. The Cedar Pocket Water Supply Scheme is not expected to fully recover the costs to run the scheme in 2020-21.

Table 3: Cedar Pocket WSS irrigation regulated prices and cost reflective prices 2020-21 (Nominal \$/ML)

Tariff Type	2020-21 Regulated Prices-irrigation \$/ML	2020-21 Cost reflective prices \$/ML
Part A – Fixed (based on water allocation entitlement)	22.36	343.34
Part B – Volumetric (based on usage)	42.84	71.13

Source: Seqwater Rural Water Pricing Direction Notice (No. 1) 2020 and Queensland Competition Authority, Final Report, Rural irrigation price review 2020–24 Part C: Seqwater, January 2020

3.2 Operating expenditure

Seqwater's costs are subject to review by the QCA at the end of each price-path. The 2019-20 year was the final year of the previous extended price-path. The new price-path commenced on 1 July 2020 for four years to 2024. The table below sets out the forecast efficient costs as recommended by the QCA.

Table 5: Recommended forecast operating costs for 2020-21 to 2023-24 (\$Nominal)

Operating cost item	2020-21	2021-22	2022-23	2023-24
	(\$)	(\$)	(\$)	(\$)
Direct operations	90,767	92,973	95,474	98,027
Repairs and maintenance	15,115	15,473	15,882	16,299
Dam safety	-	29,169	-	2,786
Rates	6,928	7,080	7,257	7,439
Non-direct costs	67,062	68,538	70,251	72,008
Total operating costs	179,872	213,233	188,864	196,559

Source: Seqwater (2020); QCA Final Report, Seqwater Irrigation Price Review 2020-24 (February 2020)

The following table sets out Seqwater's detailed actual expenditure compared to the 2019-20 target budget which was extrapolated from the budgets recommended by the QCA in the 2013-17 price review. Also shown is the detailed budget recommended by the QCA for 2020-21. Explanations of material variations are set out in the table below.

Table 5: Operating costs budget and actuals for 2019-20 and operating costs budget 2020-21 (\$Nominal)

Operating cost Item	2019-20		2020-21
	Budget (\$)	Actual (\$)	Budget (\$)
Direct operating costs			
Labour	64,734	61,635	63,733
Electricity	389	183	376
Other	16,377	16,442	26,658
Repairs and maintenance	16,452	7,437 (1)	15,115
Rates	6,997	7,990	6,928
Consultation costs	8,321	- (2)	-
Total direct operating costs	113,270	93,687	112,810
Non-direct operating costs			
Operations	44,295	40,586 (3)	57,977
Non-infrastructure	4,369	2,510	2,077
Insurance	10,620	5,242 (4)	7,008
Total non-direct costs	59,284	48,338	67,062
Total operating costs	172,554	142,025	179,872

Source: Seqwater (2020); QCA Final Report, Seqwater Irrigation Price Review 2020-24 (February 2020)

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 2019-20 for this scheme is presented below.

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

Asset Restoration Reserve	2019-20 (\$)
Opening Balance 1 July	89,261
Interest for year*	5,534
Revenue for year- irrigation	12,972
Expenditure for year	-
Closing Balance 30 June	107,766

Source: Seqwater (2020)

* 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 2019-20 renewals

There were no renewals projects undertaken in 2019-20.

3.3.2.2 2020-21 forecast renewals

There are no renewals scheduled for Cedar Pocket Water Supply Scheme in 2020-21.

3.3.2.3 Asset planning

Seqwater has an Asset Portfolio Master Plan (APMP). The renewals projects for irrigation schemes in the APMP were reviewed by the QCA during the 2020-24 price review and found to be prudent and efficient.

3.3.2.4 Rolling 5-year renewals forecast

At this time there are no renewal projects forecast for the next 5 years. This forecast is updated each year.