QCA Submission

Central Lockyer Valley Water Supply Scheme

Scheme submission to QCA

2025-2029

Contents

1. Introduction

1.1. Review context

Under a Referral Notice issued on the 10th of March 2023 by Treasurer and Minister for Trade and Investment, the Queensland Competition Authority (QCA) has been directed to recommend irrigation prices for the Central Lockyer Valley Water Supply Scheme (the Scheme) for the four-year regulatory period from 1 July 2025 to 30 June 2029. Prices are to recover the efficient operating, maintenance and administration costs, an annuity to recover renewals expenditure and if relevant, prudent and efficient augmentation capital expenditure.

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 management of the Scheme was updated in 2020 under the *Water Plan (Moreton) (Supply Scheme Arrangements) Amendment Plan 2019*. This amendment allowed for the granting of volumetric allocations from the existing water licences, and introduction of a framework for management of the water resource. This new framework is implemented through several new planning instruments, including a Resource Operations Licence, and Operations Manual.

The water year has run from 1 January to 31 December since 2020.

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
• Bill Gunn Dam (Lake Dyer), • Clarendon Dam (Lake Clarendon)	• Kentville Weir • Jordan I & II Weirs • Wilson Weir • Clarendon Weir • Glenore Grove Weir • Laidley Creek Diversion Weir • Showgrounds Weir • Crowley Vale Weir	• Redbank Creek Pump Station • Clarendon Pump Station • Clarendon Diversion Channels • Gauging stations	• Morton Vale Pipeline • Customer water meters

2.3. Customer service standards

Service standards for the Central Lockyer Valley Water Supply Scheme are attached in Appendix 1.

Seqwater publishes an annual Scheme Performance Report (SPR) for each scheme, including the Central Lockyer WSS. This was previously known as the Network Service Report (NPR). Current and prior year SPRs and NPRs are published on Seqwater's website, with a separate webpage for each scheme. A report against the service standards has been included in the SPR (and formerly the NPR) since 2020-21. Prior years' service target reports are published on the Central Lockyer Valley WSS scheme page in the Service Targets section.

2.4. Customers and water entitlements serviced

Existing interim water allocations or water licences were converted to water allocations in the Central Lockyer Valley WSS in March 2020 under the Moreton Water Plan Amendment 2019.

The following table sets out the ownership of water allocations by class of owner.

Table 2 Ownership of water allocations (ML)

Customer type	Number of customers	Medium priority	Low Priority	Medium priority	Morton Vale Pipeline MP	High priority
Irrigation – Ground water	107	-	18,871	9,260	-	-
Non-Irrigation – Ground water	13	-	-	149	-	-
Irrigation – Surface water	82	5,057	-	-	-	-
Non-Irrigation – Surface water	3	234	-	-	-	-
Lockyer Valley Regional Council	1	13 SW(2)	30	85 GW (3)	-	-
Seqwater	–	-	-	-	3,507(1)	185
Totals	**206**	**5304**	**18,901**	**9,494**	**3,507**	**185**

(1) 3420ML is contracted to 39 customers on the Morton Vale Pipeline
(2) Surface Water
(3) Groundwater

2.5. Water availability and use

2.5.1. Water availability

The announced allocation determines the percentage of nominal water allocation volume that is available in each water year and are calculated for each priority group as per the rules set out in the Operations Manual.

Historically announced allocations were determined under a different set of rules as per the Interim Resource Operations Licence (iROL). Under these rules not all sources had an announced allocation. The historical announced allocation determinations can be found in the 2019-20 SPR (previously known as Network Service Plan) for this scheme, which is published on our website.

The following table sets out the announced allocations using the water sharing rules in the Operations Manual since the ROL was granted in March 2020.

Table 3 Announced allocations since March 2020

Year	Groundwater		Surface Water MP% (all zones)	MP % (Morton Vale Pipeline)
	LP	MP		
2020	60	80	0	0
2021	60	80	0	0
2022	100	100	100	100
2023	100	100	100	100

2.5.2. Water use

Figures 1 and 2 below show the actual water usage per year from the 2002-03 water year to the 2022-23 water year for the Central Lockyer Valley and Morton Vale Pipeline tariff groups respectively.

2.5.2.1. Central Lockyer Valley tariff group

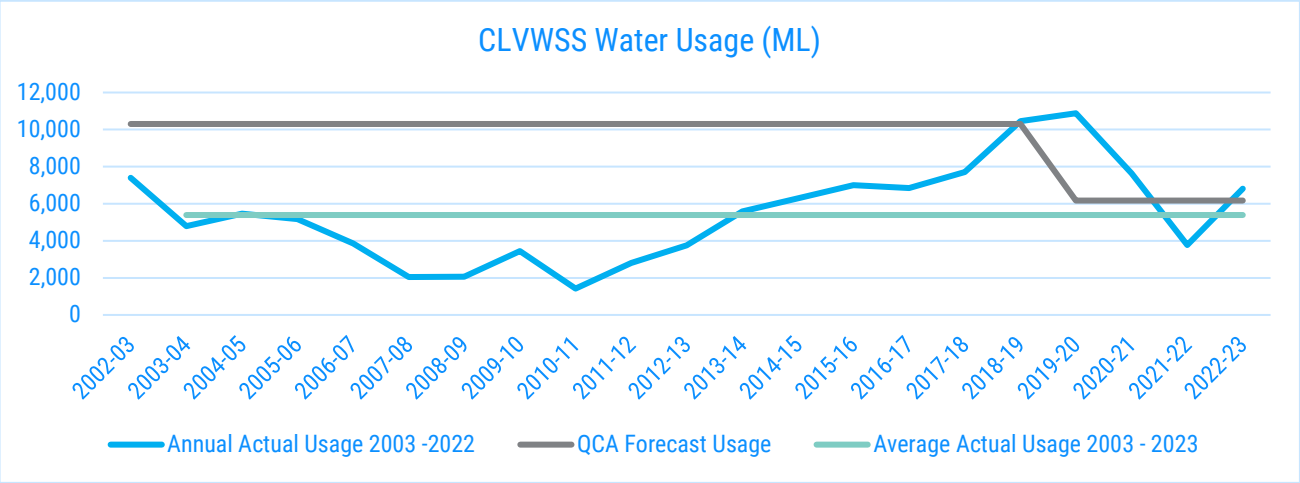
Also shown in Figure 1 is the usage assumption adopted by the QCA for the 2013-17 (now extended to 2019) and the 2020-24 price path periods, which was 10,303ML and 6,170ML respectively for the Central Lockyer Valley tariff group. The QCA's usage assumption has been extrapolated to prior years for comparison purposes only.

Also shown is average actual water usage over the period 2003-04 to 2022-23 (5,391ML), which is Seqwater's default proposed approach for determining forecast of usage for all schemes over the 2025-29 price path period. Forecast usage is subsequently used to calculate proposed variable prices.

However, Seqwater proposes a further adjustment for the Central Lockyer Valley WWS. Customers consider that faulty meters have impacted the historical usage of the Central Lockyer Valley WSS and therefore adjustments need to be made to historical usage data in the impacted years. Seqwater acknowledges meters were faulty, whilst also acknowledging that the impact on usage measurement is also uncertain (i.e. meters could have either understated or overstated usage measurement by an amount unknown). Despite this, it proposes to absorb the risk associated with the faulty meters by increasing Central Lockyer Valley's forecast usage by 10 per cent over the 20-year historical average.

Seqwater therefore proposes to derive the Central Lockyer Valley WSS forecast usage by averaging the historical usage for years 2003-04 to 2022-23 and adding 10 per cent, resulting in forecast usage of 5,929ML for the 2025-29 price path period.

Figure 1 **Central Lockyer Valley annual water usage for FY2003 to FY2023**

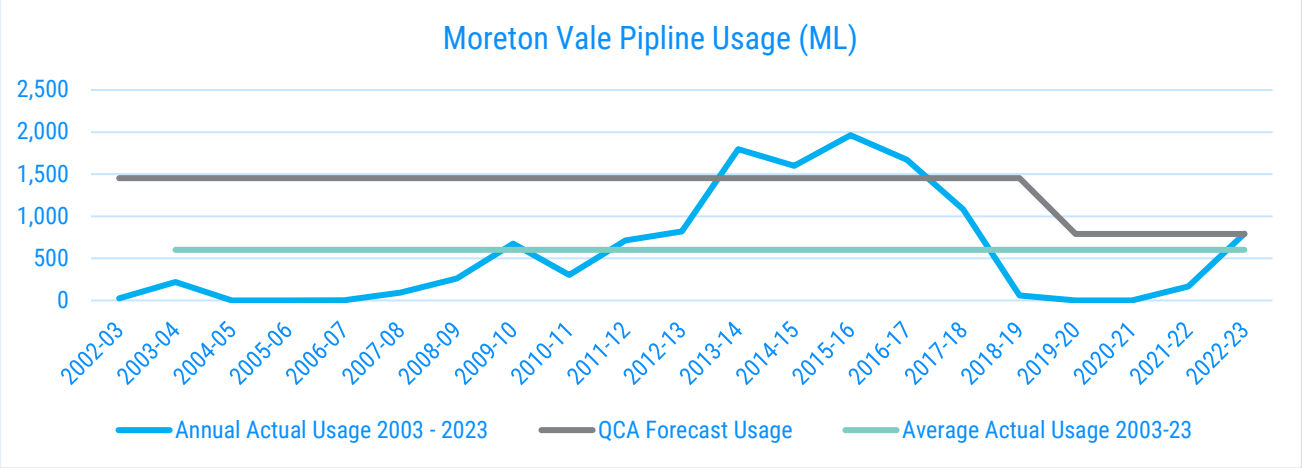


2.5.2.2. Morton Vale Pipeline tariff group

Figure 2 includes the usage assumption adopted by the QCA for the 2013-17 (extended to 2019) and the 2020-24 price path periods, which was 1,453ML and 790ML respectively for the Morton Vale Pipeline tariff group. The QCA's usage assumption has been extrapolated to prior years for comparison purposes only.

Also shown is average actual water usage over the period 2003-04 to 2022-23 (601ML), which is Seqwater's proposed approach for determining its forecast of usage for the Morton Vale Pipeline WSS over the 2025-29 price path period. Forecast usage is subsequently used to calculate the Morton Vale Pipeline WSS's variable Part D price.

Figure 2 **Morton Vale Pipeline annual water usage for years FY2003 to FY2023**



3. Irrigation Customer Consultation

Seqwater is committed to putting its customers first and providing quality experiences. Seqwater partners with its customers to deliver innovative and sustainable outcomes, creating value for customers and Southeast Queensland.

Seqwater recognises the importance of effective customer engagement across all aspects of providing irrigation services. It has sought to embed this into business-as-usual activities, which also means that a more targeted, meaningful engagement has been undertaken as part of this QCA price review.

For many years, Seqwater has held annual customer forums, where all customers are invited to hear about how Seqwater is managing the irrigation schemes, and to ask questions and provide feedback.

Since the last price review, Seqwater has also formally established Customer Reference Groups (CRGs) for each of its water supply schemes to provide a more formal framework building on the collaborative partnership that had already been established. The membership consists of a broad cross-section of customers within the scheme with the membership and functions of the CRG governed by the Terms of Reference[1]. The CRG provides a forum for Seqwater to regularly consult with the small group with whom it can share matters of detail and seek feedback from the members on what matters most to them and how best to share information with the wider scheme customers.

3.1. Regular irrigation customer surveys

Seqwater has been inviting customers to participate in annual surveys since 2019. Over this time, it has seen an increase in engagement with more customers participating in the survey each year. It has also observed an increase in its Net Promoter Score (NPS)[1] as well as Satisfaction and Trust scores. Since 2020, Irrigation NPS has formed part of Seqwater's organisational Key Performance Indicators.

Across all schemes, the NPS for the current year, 2023, was 6, which is a significant increase from the first year (2019) when it was -81.

Over the years Seqwater has asked specific questions relating to pricing and satisfaction with current service levels. In 2020, following the 2020-24 price review customers were asked if they have any suggestions for Seqwater to improve ongoing engagement. The question asked was:

"During the last price path period, Seqwater engaged and connected with our customers through forums, information bulletins (email & post) and held meetings with our Customer Information Working Groups in the various schemes.

The Qld Competition Authority recommended in their Final Report for the 2020-24 Irrigation Price Review that Seqwater look at improving our ongoing engagement with customers. Do you have any further suggestions for us?"

Across all schemes, out of 36 responses received in total to this question, 11 customers responded "No suggestions" and the remainder of customers provided this feedback:

- "Keep up the communication"

[1] The Net Promoter Score is based on responses to the question "Taking everything into account, on a scale from 0 to 10 (0 being highly dissatisfied and 10 being highly satisfied), how likely are you to speak positively about Seqwater?" NPS is calculated by subtracting the percentage of detractors (scores 1-6) from the percentage of promoters (scores 9-10).

- "Keep up the good work of servicing our few concerns"
- "Keep doing what you are doing"
- "Keep customer reference group meetings - twice per year"
- "Encourage more customers to attend yearly meetings of irrigators"
- "It's all working well"
- "Communications have improved over the last years".

Seqwater used this feedback to build on the foundations that it had already started to build and continued listening to customers and ensuring all communications are targeted, based on what customers need to know to make it easier for them to do business. This included ensuring the agendas for the annual forums include the information that the customers want, for example, temporary transfers, forecast storage balances and announced allocations, weather forecasts, usage statistics, capital projects and day to day operational challenges and successes. Customer feedback at these forums has been exceptional with customers saying they are informative sessions that are 'hitting the mark' based on what they are interested in hearing.

This feedback also confirmed that the level of consultation with customers regarding past price reviews was meeting their expectations.

How has Seqwater used feedback to improve customer experience?

The addition of surveys and regular meetings with the CRGs to the Annual Forums ensures that Seqwater has multiple avenues to receive feedback from customers on how to improve customer experience. Improvements implemented since the last irrigation price review include:

- Customer Connect – a free online marketplace for buyers and sellers to interact
- Water Accounting Statements
- Self-Executing Contracts
- New Water Accounting System with Online Customer Portal (in development)
- Regular customer newsletters
- Agent Forum (Act as an Authority)
- SMS messaging
- Implemented a suite of proactive messaging in relation to invoicing – look out for your invoice it has just been sent by email, reminder that your invoice is due

3.2. Customer consultation to support the submission to the QCA

In developing its submission Seqwater has worked collaboratively with its irrigation customers with a view to securing customer endorsement of proposed cost targets and price outcomes in accordance with the Referral Notice and policy constraints.

To achieve this outcome, Seqwater undertook a transparent and comprehensive three phase consultation process from which agreed actions from the engagement were directly fed into the development of the pricing proposal. The CRG has played a central role in this price review, and Seqwater has been grateful for the active participation of customers whose input has allowed it to test its pricing proposals, leading to a robust price submission. Many customers have expressed their appreciation for Seqwater's proactive approach and its commitment to keeping them informed and involved.

Phase 1: Listen and Learn (March – May 2023)

The first phase of the engagement process included:

- a customer forum held in March 2023 where all customers were invited.
- a survey, sent to customers via email, preceded by an SMS inviting them to participate in the survey; and
- a CRG meeting.

At the customer forum, Seqwater outlined how irrigation prices are set, how the pricing proposal was being developed and where customers could provide value and influence in the proposal. It also sought feedback from customers on the current level of service and what they wanted out of the price review.

During this first phase, customers in the Central Lockyer Valley WSS told Seqwater that they:

- want a continuation of the Community Service Obligation (CSO);
- are unhappy about having to pay for water when there are no allocations;
- suggested basing fixed charge on the average yield of dam storage over an historical period of time (e.g. 10 years);
- were not interested in specific cost allocation and pricing methodologies;
- are amenable to paying additional money when water is available to cover under-recovery during times when water is not available - we discussed the idea of implementing payment plans during times when water is unavailable to mitigate the impact on customers;
- are interested in bottom line prices;
- want water security and efficiency;
- are keen to understand drivers for any divergence in proposed prices from current prices;
- would like an online water accounting portal to manage their water allocations;
- were not interested in engaging on guaranteed service levels outlined in their agreements.

Phase Two: Draft Costs and Prices (September 2023)

Phase 2 of the engagement was sharing Seqwater's first draft of its proposed costs and prices. A key part of this engagement was sharing this information with customers in a simple, clear and accessible way, clearly articulating the key cost drivers, to ensure they were well equipped to provide meaningful feedback.

Seqwater met with the CRG first in September 2023, where it went through in detail all the components that make up the costs, including operational expenditure, historical water usage, capital expenditure, key cost drivers and the proposed prices, as well as reviewing actual expenditure in the current price path period to date.

The CRG asked for Seqwater to:

- recast usage input considering the impact of faulty meters and remove years where no water allocation was available;
- absorb the projected $135k costs associated with RWBS gauging station/flow meter for Jordan's Weir;
- confirm if there was capital expenditure included for the screen for the inlet rack at Lake Dyer and expenditure included for desilting works;
- validate costs of the new regulatory requirement associated with the management of the groundwater observation bores ($157k p.a.);

- not go in this much detail at the customer forums - Seqwater needs to keep the pricing session at a high level otherwise it will lose the audience.

Seqwater provided confirmation of each of these matters.

The customers in Central Lockyer Valley had no objections to the draft proposed costs and prices.

Phase 3: Respond to customer feedback and confirm final costs and prices

The final phase of this price review was undertaken in November 2023. Seqwater provided responses to questions raised in Phase 2 to a combined CRG and Customer Forum meeting and presented the final proposed costs and prices that will be included in its submission to the QCA. The Central Lockyer CRG confirmed it was satisfied with the consultation process and had no objections to the proposed costs in the final submission.

4. Financial Performance

4.1. Operating expenditure

4.1.1. Overview

Over the current price path (2020-21 to 2023-24), Seqwater's actual expenditure (2020-21 to 2022-23) has been broadly in line with the QCA's cost targets.

The following charts show the QCA's recommended operating expenditure allowance compared to actual expenditure (for the period 2013-14 to 2022-23) and forecast expenditure (for the period 2025-26 to 2028-29) for both the Central Lockyer and Morton Vale Pipeline tariff groups.

Figure 3 Central Lockyer operating expenditure comparison FY2014 – FY2029($ nominal)

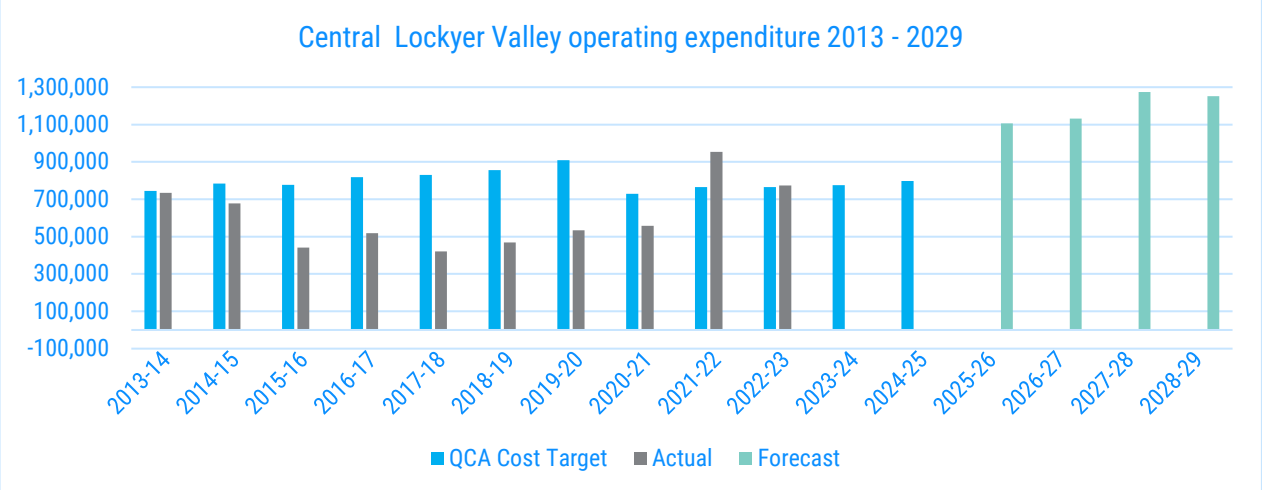
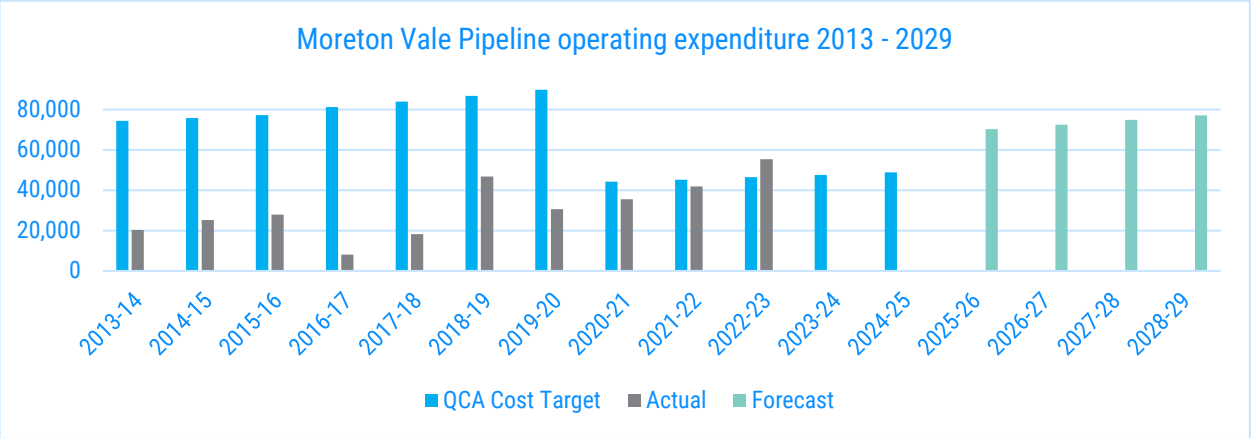


Figure 4 Morton Vale operating expenditure comparison FY2014 – FY2029($ nominal)



The next section provides more detail on differences between actual and forecast expenditure between 2020-21 to 2022-23, before presenting forecast expenditure for the 2025-29 price path period.

4.1.2. 2020-23 price path cost/QCA cost target comparison to actual

Table 4 and Table 5 compares actual costs against the operating target costs set as a cost target by the QCA for the 2020-24 price path period.

Table 4 Central Lockyer Valley FY2020-FY2023 operating expenditure QCA cost targets and actual costs (whole scheme, $Nominal)

Operating Cost Category	2020-21 QCA Cost Target	2020-21 Actual	2021-22 QCA Cost Target	2021-22 Actual	2022-23 QCA Cost Target	2022-23 Actual
Direct Costs						
Labour	124,213	152,531	127,318	199,046	130,820	152,674
Electricity Fixed	11,122	2,884	11,296	165,893	11,477	20,668
Repairs & maintenance	174,015	100,935	178,136	112,822	182,839	166,665
Other	42,281	32,860	43,244	56,934	44,353	60,389
Local government rates	572	577	584	586	599	600
Dam safety inspection	8,226	8,061	26,517	25,987	8,617	40,129
Insurance	146,211	136,855	149,427	141,618	153,163	202,071
Total Direct Costs	**506,639**	**434,703**	**536,523**	**702,885**	**531,867**	**643,196**
Indirect Costs						
Operations	215,272	122,042	220,008	239,324	225,508	187,083
Non- infrastructure	7,712	8,193	7,882	19,249	8,079	11,165
Total Indirect Costs	**222,984**	**130,235**	**227,890**	**258,573**	**233,587**	**198,248**
Total Operating Costs	**729,623**	**564,938**	**764,413**	**961,458**	**765,455**	**841,444**

Table 5 Morton Vale Pipeline FY2020-FY2023 operating expenditure QCA cost targets and actual costs (whole scheme, $Nominal)

Operating Cost Category	2020-21 QCA Cost Target	2020-21 Actual	2021-22 QCA Cost Target	2021-22 Actual	2022-23 QCA Cost Target	2022-23 Actual
Direct Costs						
Labour	12,421	8,158	12,732	7,458	13,082	10,963
Electricity Fixed	0	0	0	0	0	0
Repairs & maintenance	5,218	1,659	5,341	785	5,482	9,373
Other	9,597	7,014	9,809	12,347	10,054	10,018
Local government rates	0	0	0	0	0	0
Dam safety inspection	0	0	0	0	0	0
Insurance	2,310	11,042	2,361	11,426	2,420	13,927
Total Direct Costs	**29,547**	**27,873**	**32,017**	**32,017**	**31,038**	**44,281**
Indirect Costs						
Operations	14,161	7,208	14,473	9,206	14,835	12,873
Non- infrastructure	507	476	519	740	531	768
Total Indirect Costs	**14,669**	**7,684**	**14,992**	**9,946**	**15,366**	**13,641**
Total Operating Costs	**44,215**	**35,557**	**45,234**	**41,963**	**46,404**	**57,922**

Variances between QCA cost target and actual expenditure have been explained to customers and are contained in the annual SPR. Material variances relate to:

For the Central Lockyer Valley WSS during the current price path period (2020-24) Seqwater's actual expenditure (2020-21 to 2022-23) has been broadly in line with the QCA cost targets, with Seqwater spending 5% over the QCA's recommended cost target. A summary of the variances during the current price path (2020-24) for the Central Lockyer Tariff group is as follows:

- Additional internal labour was used due to wet weather events and to undertake maintenance which resulted in a shift of costs between cost categories
- Clarendon Dam is an off-stream storage. Larger electricity costs are incurred during a flow event, when water is available to be pumped into the dam. As there was water available to pump, electricity costs were higher ($155,550) than the cost target
- Scheduled repairs and maintenance were lower with fewer unscheduled repairs required due to wet weather and flood repairs. As per the first dot point above, any maintenance was mainly undertaken by internal staff resulting in a shift of costs between cost categories
- Other costs were slightly higher, however, as mentioned above this is a mainly due to a shift of costs between cost categories
- Generally, there has been a shift of costs between cost categories

For Morton Vale tariff group, during the current price path period (2020-24) Seqwater's actual expenditure (2020-21 to 2022-23) has been in line with the QCA's recommended cost targets. This was a result of the following:

- Lower labour costs than budget because no repair and maintenance was carried out and staff were required only for reading water meters and surveillance
- The start of this period was dry and there was no water to deliver as a result repairs and maintenance were lower due to the reduced need to undertake these activities

- Insurance costs were higher due to asset valuations being updated
- Generally, there has been a shift of costs between cost categories

4.1.3. 2023-24 base year

Seqwater has adopted a base-step-trend approach to derive its proposed operating expenditure for the 2025-29 price path period. This is consistent with past practice and the QCA's Guideline for this review[2]. Also consistent with the approach applied in previous QCA price reviews, and as required under the terms of the Referral Notice, the QCA is to have regard to the findings of its most recent prudency and efficiency assessment of Seqwater's bulk water prices (the 2022-26 bulk water price review).

Seqwater's base year operating expenditure is 2023-24, derived by escalating actual 2022-23 operating expenditure by the RBA's forecast inflation rate for 2023-24, which is 3.5 per cent[3], except for labour costs, which are based on the 2023-24 corporate budget. It has excluded costs for recreation activities as required by the Referral Notice.

Error! Reference source not found. details the proposed 2023-24 base year expenditure as allocated to the Scheme.

Table 6 Proposed 2023-24 base year operating expenditure compared to the QCA's recommended cost target – Central Lockyer Valley WSS ($Nominal)

Cost category	QCA cost target	Seqwater Base year	Rationale for Base year forecast
Direct costs			
Labour	134,391	136,558	Based on actual time allocation budget for 2023-24
Electricity	11,636	22,119	2022-23 actual plus 3.5% (increased electricity costs). Electricity costs depend on the amount of water available to pump opportunistic events when the creek is flowing. In the last review QCA considered electricity from an event will be claimed as a review event. Seqwater consider it appropriate to maintain this approach.
Repair & Maintenance	187,645	172,498	Based on 2022-23 actual plus 3.5%
Other	45,489	178,591	Based on 2022-23 actual plus 3.5% plus new costs for management of groundwater observation bores ($92,000) and telemetry on customers flow meters ($27,905)
Rates	614	615	Based on 2022-23 actual plus 2.5%
Dam safety	40,129	51,774	Based on dam safety program (previously completed internally)
Insurance	156,992	241,700	Asset valuations updated since previous price review, increase in insurance costs
Total direct costs	**536,766**	**803,856**	

[2] Queensland Competition Authority (2023). Guidelines for Pricing Proposals: Rural Irrigation Price Review 2025-29, March.

[3] RBA, *Statement on Monetary Policy*, August 2023, Chapter 5 Economic Outlook

Cost category	QCA cost target	Seqwater Base year	Rationale for Base year forecast
Indirect costs			
Water Accounting System		4,552	Scheme share of annual licence fee for new water accounting system and customer online portal *(total $25,000)*
Operations	231,146	250,497	Indirect costs based on the indirect allocators.
Non-infrastructure	8,281	18,992	
Total indirect costs	**239,427**	**274,041**	
Total proposed operating expenditure	**776,193**	**1,077,896**	

Table 7: Morton Vale Pipeline forecast operating costs 2018-19 and 2019-20 ($Nominal)

Cost category	QCA cost target	Seqwater Base year	Rationale for Base year forecast
Direct costs			
Labour	13,439	18,518	Based on actual time allocation budget for 2023-24
Electricity	0	0	
Repairs & Maintenance	5,627	9,701	Based on 2022-23 actual plus 3.5%
Other	10,305	3,647	Based on 2022-23 actual plus 3.5%
Rates	0	0	
Dam safety	0	0	
Insurance	2,480	16,658	Asset valuations updated since previous price review, increase in insurance costs
Total direct costs	**31,851**	**48,524**	
Indirect costs			
Water Accounting System		939	Scheme share of annual licence fee for new water accounting system and customer online portal *(total $25,000)*
Operations	15,206	15,121	Indirect costs based on the indirect allocators.
Non-infrastructure	545	1,146	
Total indirect costs	**15,750**	**17,207**	
Total proposed operating expenditure	**47,602**	**65,731**	

4.1.4. 2025-29 operating budget forecast

In preparing these operating cost forecasts, Seqwater derived base year operating expenditure for 2023-24 in accordance with approach set out above. These costs were then escalated by CPI and projected forward to 2025-26 through to 2028-29. Consistent with the Referral Notice, costs associated with the management of recreation activities were removed.

The following tables set out the forecast operating costs for the scheme for 2025-26 to 2028-29.

Table 7 Central Lockyer Valley forecast operating costs budget for 2025-26 to 2028-29 (whole scheme, $Nominal)

Operating cost category	2025-26 Budget	2026-27 Budget	2027-28 Budget	2029-30 Budget
Direct				
Labour	143,625	147,014	150,484	154,035
Electricity	23,148	23,681	24,225	24,782
Repairs & Maintenance	182,119	186,796	191,457	196,093
Other	189,344	194,641	199,786	204,760
Local government rates	652	670	688	706
Dam safety inspection	10,833	-	106,039	48,483
Insurance	266,475	279,798	293,788	308,478
Total direct	**816,195**	**832,601**	**966,467**	**937,337**
Indirect				
Water Accounting System	4,829	4,966	5,098	5,226
Operations	265,725	273,282	280,570	287,584
Non-infrastructure	20,148	20,719	21,271	21,803
Total indirect	**290,730**	**298,967**	**306,940**	**314,613**
Total operating	**1,106,925**	**1,131,568**	**1,273,407**	**1,251,950**

Table 11: Morton Vale Pipeline forecast operating costs budget for 2025-26 to 2028-29 (whole scheme, $Nominal)

Operating cost category	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget
Direct				
Labour	19,476	19,936	20,406	20,888
Electricity	-	-	-	-
Repairs & Maintenance	10,242	10,505	10,767	11,028
Other	3,870	3,979	4,085	4,187
Local government rates	-	-	-	-
Dam safety inspection	-	-	-	-
Insurance	18,365	19,283	20,248	21,260

Operating cost category	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget
Total direct	51,953	53,703	55,506	57,363
Indirect				
Water Accounting System	997	1,025	1,052	1,078
Operations	16,042	16,496	16,936	17,360
Non-infrastructure	1,216	1,251	1,284	1,316
Total indirect	18,255	18,772	19,272	19,754
Total operating	**70,207**	**72,475**	**74,779**	**77,117**

4.2. Renewals

4.2.1. Asset Restoration Reserve

The renewals annuity includes the calculation of an Asset Restoration Reserve (ARR), which acts like a notional bank account for the Scheme based on:

- actual renewals expenditure for the Scheme, compared to
- revenue received from the Scheme for the renewals annuity allowance that was used to set prices.

For the 2025-29 price path period, Seqwater has continued the similar approach to 2020-24 to calculate and report the ARRs. This is based on the findings of an independent review of the ARR's that was undertaken in September 2017. The ARR's for Central Lockyer and Morton Vale Pipeline are provided in the table 8 and 9 below.

Table 8 Central Lockyer Valley tariff group ARR 2019-20 to 2024-25 ($Nominal)

Asset Restoration Reserve	2019-20 Actual	2020-21 Actual	2021-22 Actual	2022-23 Actual	2023-24 Estimate	2024-25 Estimate
Opening Balance 1 July	**-1,569,557**	**-2,705,257**	**-4,047,158**	**-5,452,467**	**-5,105,954**	**-4,089,338**
Interest for year[a]	-97,313	-118,279	-176,950	-238,393	-223,242	-178,794
Revenue for year	230,725	328,550	328,708	328,184	330,918	340,845
Revenue - Other (Federal Grant)				1,250,000	1,250,000	
Expenditure for year - non-metering	-4,483	-45,888	-1,109,417	-840,354	-341,060	-468,000
Expenditure for year - metering	-1,264,6290	-1,506,284	-447,650	-152,924		
Closing Balance 30 June	**-2,705,257**	**-4,047,158**	**-5,452,467**	**-5,105,954**	**-4,089,338**	**-4,395,287**

a The interest rate is based on the QCA's recommended weighted average cost of capital (WACC) of 4.37% post-tax nominal.

Table 9 Morton Vale Pipeline tariff group ARR for 2019-20 to 2024-25 ($Nominal)

Asset Restoration Reserve	2019-20 Actual	2020-21 Actual	2021-22 Actual	2022-23 Actual	2023-24 Estimate	2024-25 Estimate
Opening Balance 1 July	**523,800**	**534,785**	**563,662**	**592,664**	**615,421**	**638,110**

Interest for year[a]	32,476	23,370	24,632	25,899	26,894	27,885
Revenue for year	-21,491	5,507	5,498	5,489	5,480	5,645
Expenditure for year - non-metering			-1,127	-8,632	-9,685	
Expenditure for year - metering						
Closing Balance 30 June	**534,785**	**563,662**	**592,664**	**615,421**	**638,110**	**671,640**

* The interest rate is based on the QCA's recommended weighted average cost of capital (WACC) of 4.37% post-tax nominal.

4.2.2. Renewals expenditure

4.2.2.1. 2018-2023 renewals

The following tables set out the renewals projects that were undertaken from 2018-2023. Total expenditure is shown (not just the amount allocated to irrigators). Actual expenditure is shown against QCA's recommended renewals allowance for the scheme[4].

Table 10 Central Lockyer Valley renewals expenditure compared to QCA's allowance (ALW) 2018-19 to 2022-23 ($Nominal)

2018-19		2019-20		2020-21		2021-22		2022-23	
QCA ALW $	Actual $	QCA ALW $	Actual $	QCA ALW $	Actual $	QCA ALW $	Actual $	QCA ALW $	Actual $
446,000	231,508	730,597	1,269,112	407,200	1,552,172	1,108,413	1,557,067	67,406	993,278

In total, Seqwater spent $2.8 million more than the QCA's recommended allowance. Non-metering spend was $0.8 million greater and metering spend was $2.1 million higher. This was due to the modernisation program that was undertaken in this scheme, which included the upgrade of customer meters, installation of monitoring equipment on 67 groundwater observation bores and the installation of telemetry on customer meters. This program also received Federal Government funding of $2,500,000. This funding is shown in the ARR for the Central Lockyer. Details of the renewals expenditure, including explanations of variances from Seqwater's budget are set out in the annual SPR's for each year which are published on Seqwater's website.

Table 11 Morton Vale Pipeline renewals expenditure compared to QCA's allowance (ALW) 2018-19 to 2022-23 ($Nominal)

2018-19		2019-20		2020-21		2021-22		2022-23	
QCA ALW $	Actual $	QCA ALW $	Actual $	QCA ALW $	Actual $	QCA ALW $	Actual $	QCA ALW $	Actual $
60,000	0	60,000	0	0	0	0	1,127	0	8,632

In Morton Vale, Seqwater did not undertake any renewals projects as planned. The expenditure shown in the table above is Morton Vale's share of development costs of the new water accounting system.

4.2.2.2. 2023 to 2025 forecast renewals

Forecast renewals expenditure for 2023-24 and 2024-25 is set out in the tables below.

[4] Sourced from the QCA pricing model.

Table 12 Central Lockyer Valley forecast renewals expenditure for 2023-24 and 2024-25 ($Nominal)

2023-24 renewals budget		2024-25 renewals budget	
Metering	Non-metering	Metering	Non-metering
0	341,060	0	468,000

Table 13 Morton Vale Pipeline forecast renewals expenditure for 2023-24 and 2024-25 ($Nominal)

2023-24 renewals budget		2024-25 renewals budget	
Metering	Non-metering	Metering	Non-metering
0	9,685	0	0

4.2.2.3. 2025 to 2029 forecast renewals expenditure

Forecast renewals expenditure for the 2025-29 price path period is set out in the tables below.

Table 14 Central Lockyer Valley forecast renewals expenditure for 2025-26 to 2028-29 ($Nominal)

2025-26		2026-27		2027-28		2028-29	
Metering $	Non-metering $	Metering $	Non-metering $	Metering $	Non-metering $	Metering $	Non-metering $
-	31,827	-	-	-	431,220	-	553,361

Table 15 Morton Vale Pipeline forecast renewals expenditure for 2025-26 to 2028-29 ($Nominal)

2025-26		2026-27		2027-28		2028-29	
Metering $	Non-metering $	Metering $	Non-metering $	Metering $	Non-metering $	Metering $	Non-metering $
–	–	654,575	–	–	–	–	–

Seqwater considers that its proposed renewals expenditure is prudent and efficient as it has been developed under the same framework that is applied in planning and delivering its entire capital program, which was recently assessed by the QCA as prudent and efficient in the 2022-26 bulk water price review. Seqwater's approach is consistent with the terms of the Referral Notice and the QCA's Guideline and where appropriate, has also involved consultation with relevant customers in each scheme.

Proposed expenditure over the period 2020-21 to 2053-54 for the Central Lockyer Valley and Morton Vale Pipeline WSSs are shown in

Figure 5 and **Figure 6** below. Costs associated with the following capital projects (totalling $1 million) are forecast to be incurred for Central Lockyer Valley WSS from 2025-26 through to 2032-33:

- Laidley Weir valve replacement
- Refurbishment of inlet bulkhead gate at Clarendon Weir to rectify corrosion issues
- Recoat outlet works baulk at Clarendon Dam with a protective coating
- Recoat outlet works trash rack Clarendon Dam with a protective coating.

Metering spends totalling $654,575 are forecast to be incurred for Morton Vale Pipeline WSS from 2025-26 through to 2032-33.

A provision of $8.2 million and $2.5 million has been allowed for capital projects between 2033-34 through to 2057-58 for Central Lockyer Valley and Morton Vale Pipeline schemes respectively.

Figure 5 Central Lockyer Valley renewals expenditure 2026-58 ($ nominal)

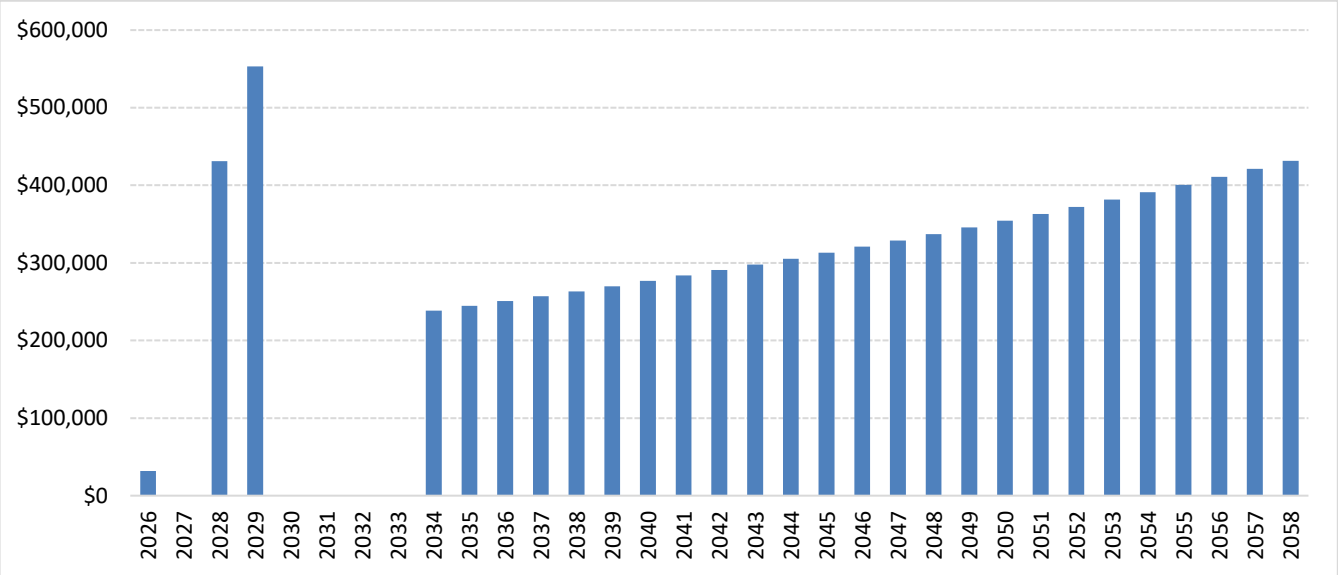
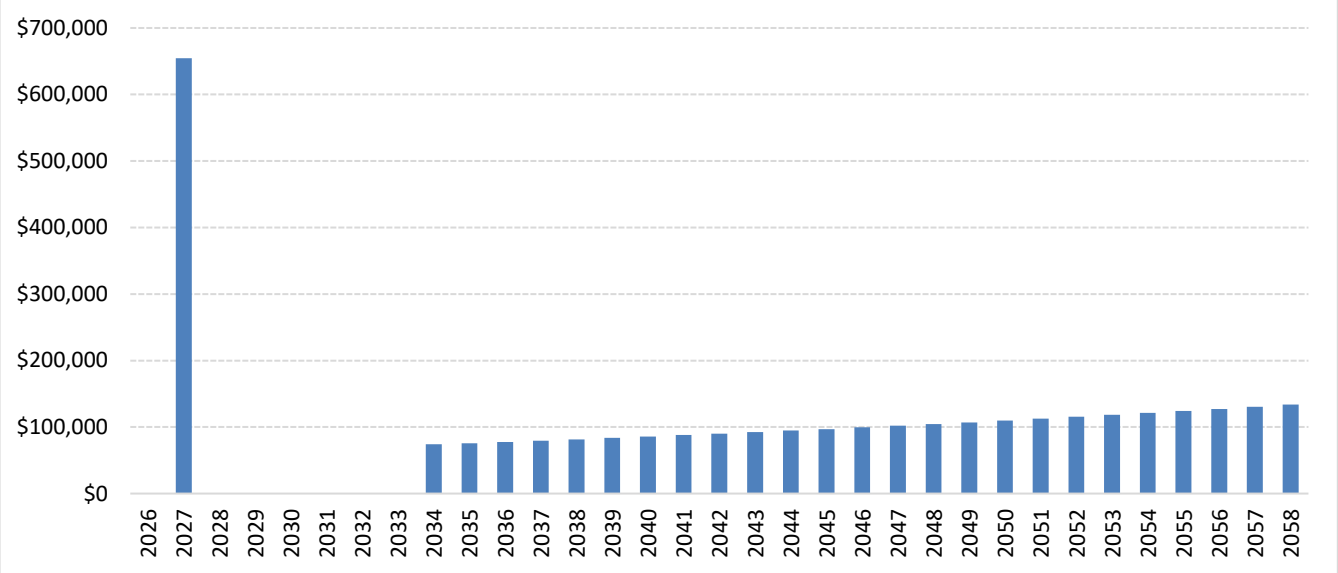


Figure 6 Morton Vale Pipeline renewals expenditure 2026-58 ($ nominal)



5. Total costs and proposed prices

The cost recovery target for irrigation prices includes the components of a lower bound cost target such as the costs of operations, administration, maintenance, and renewals. Each of these components have been discussed in the sections above. Together they form the cost recovery target for irrigation prices.

The total maximum allowable revenue (MAR) is shown below.

Table 16 Central Lockyer Valley total forecast Maximum Allowable Revenue (Irrigation share only, $Nominal)

Cost type	2025-26	2026-27	2027-28	2028-29
Direct operating costs	809,051	825,315	957,956	929,105
Indirect operating costs	288,090	296,252	304,152	311,756
Rolling annuity	418,235	424,787	431,475	438,302
Revenue offset	(583)	(600)	(616)	(631)
Maximum Allowable Revenue	**1,514,791**	**1,545,754**	**1,692,967**	**1,678,531**

Table 17 Morton Vale Pipeline total forecast Maximum Allowable Revenue ($Nominal)

Cost type	2025-26	2026-27	2027-28	2028-29
Direct operating costs	51,953	53,703	55,506	57,363
Indirect operating costs	18,255	18,772	19,272	19,754
Rolling annuity	31,235	32,568	33,938	35,347
Revenue offset	(241)	(248)	(254)	(261)
Maximum Allowable Revenue	**101,202**	**104,796**	**108,463**	**112,204**

Most of Seqwater's costs do not vary with water use and consequently the majority of costs are recovered through the fixed charge. Seqwater has calculated the prices needed to recover these costs over the price path period, assuming price smoothing to avoid unnecessary price volatility.

Table 18 and Table 19 below sets out Central Lockyer Valley and Morton Vale Pipeline prevailing prices for 2024–25 (reflecting the continuation of the current price path) compared to our proposed cost-reflective prices and proposed prices in accordance with the terms of the Referral Notice for 2025–26.

Table 18 Central Lockyer Valley proposed prices 2025-29 (Nominal $/ML)

	Actual price	Proposed cost reflective price	Proposed prices			
Tariff	2024-25	2025-26	2025-26	2025-27	2027-28	2028-29
Part A - MP	48.88	79.66	52.83	56.97	61.29	65.81
Part B - MP	11.77	17.23	12.09	12.43	12.77	13.12

Table 19 Morton Vale Pipeline proposed prices 2025-29 (Nominal $/ML)

	Actual price	Proposed cost reflective price	Proposed prices			
Tariff	2024-25	2025-26	2025-26	2025-27	2027-28	2028-29
Part A - MP	48.88	79.66	52.83	56.97	61.29	65.81
Part B - MP	8.57	17.23	8.81	9.05	9.30	9.55
Part C - MP	11.29	20.21	11.60	11.92	12.25	12.58
Part D - MP	8.03	12.06	8.25	8.48	8.71	8.95

Appendix 1: Central Lockyer Valley WSS service targets

These service targets were agreed at the Central Lockyer Valley Water Supply Scheme consultation forum held on 16 June 2014.

Planned shutdowns

Definition: A planned shutdown occurs when customers' supply is interrupted or restricted due to the performance of work by Seqwater that is planned in advance.

In managing planned shutdowns, Seqwater recognises that the following are important service issues:

- That you will be notified about a shutdown so that you can plan ahead;
- The timing of the shutdown should suit most customers;
- The duration of the shutdown should minimise the impact on customers while enabling Seqwater to perform maintenance on the Scheme.

Planned shutdowns – timing target

The timing of all planned shutdowns will be set following consultation with the Irrigation Consultation Forum (for a shutdown affecting a large part of the scheme) or customer groups or individuals (for shutdowns effecting small areas).

Planned shutdowns – duration target

Seqwater will complete all planned shutdowns within the period notified to customers unless later varied by agreement with the groups originally consulted, or unless circumstances arise that are beyond Seqwater's control, such as adverse weather conditions.

Planned shutdowns – notice target

For shutdowns planned to exceed 2 weeks, 8 weeks written notice will be provided to each customer affected by the shutdown. A reminder notice will be sent 2 weeks before the commencement of the shutdown.

For shutdowns planned to exceed 3 days but are less than 2 weeks, at least 2 weeks written notice by letter, fax, telephone, text, email or verbal advice will be provided to each customer affected by the shutdown unless the shutdown is opportunistic in which case less than 2 weeks' notice may be given.

For shutdowns planned to be less than 3 days, at least 5 days' notice will be provided at least verbally to each customer affected.

Each notice will state the start date, and anticipated shutdown duration.

Note: A courtesy reminder may be placed in the local newspaper one week before the planned shutdowns commence.

Unplanned shutdowns

Definition: An unplanned shutdown is an unforeseen or unplanned failure of Seqwater's water delivery infrastructure that stops or restricts the supply of water to a customer for more than 2 hours (including emergency repairs). It does not include events that are beyond Seqwater's control (e.g. power failure, or storm) and

does not include interruptions to supply caused by errors in estimating water demand and releases, or the taking of water without authorisation.

Unplanned shutdown – duration targets

- Unplanned Shutdowns will be fixed so that at least partial supply can be resumed to those customers requiring water within 48 hours of Seqwater being notified of the event.
- Some events may interrupt supply greater than the above standard and are excluded from these targets. Seqwater will publish these events from time to time.

Unplanned shutdown – notice target

Seqwater will notify all affected customers requiring water verbally or by email, text, telephone, radio announcement or fax of the likely duration of the interruption to supply within 24 hours of learning of the event, or by the end of the first business day following the event, whichever is the earlier.

Unplanned shutdown – meter repairs target

Faults causing restrictions to supply will be repaired within one working day of Seqwater being notified.

Frequency of interruptions to supply

No customer will experience more than 6 planned or unplanned interruptions per water year (as defined above).

Complaints

Seqwater will provide an initial response to all complaints in writing, including email, or by telephone within 5 working days of receiving a complaint by the customer:

Seqwater will either resolve a customer's complaint or provide a written response providing reasons why the complaint has not or cannot be resolved within 21 days of receiving the complaint.