

Mary Valley Water Supply Scheme

Scheme submission to QCA

2025-2029

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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 Mary 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 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 Valley Water Supply Scheme Resource Operations Licence (ROL) issued on the 5 September 2011 and the Mary Valley Water Supply Scheme Operations Manual that was issued in April 2021. The process to replace the Mary Basin Water Plan 2006 has commenced with the final replacement Mary Basin Water Plan to be delivered prior to the plan expiry in May 2024.

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 Gympie Weir Measuring flume (downstream of Borumba spillway) 	<ul style="list-style-type: none"> Pie Creek Pump Station Gauging stations Measuring weirs Channels Pipelines Water meters

2.3. Customer service standards

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

As will be outlined below, Seqwater publishes an annual Scheme Performance Report (SPR) for each scheme, including the Mary Valley 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 Mary Valley WSS scheme page in the Service Targets section.

2.4. 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	127	16,053	-
Mary Valley Non-irrigators	48	1,504	-
Pie Creek irrigators	30	767	-
Pie Creek Non-irrigators	20	55	-
Gympie Regional Council	1	24	3,634
Industrial	1	-	60
Seqwater (amenities)	-	-	10
Seqwater (distribution losses)	-	426	60
Seqwater	-	3,000	-
Seqwater (urban supply)	-	-	6,500
Totals	227	21,829	10,264

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. The following table sets out the announced allocations for the current year plus the historical position for the seventeen years starting 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	2020-21	100	100
2009-10	100	100	2015-16	100	100	2021-22	100	100
2010-11	100	100	2016-17	100	100	2022-23	100	100

Year	MP %	HP %	Year	MP %	HP %	Year	MP %	HP %
2011-12	100	100	2017-18	82	100	2023-24	100	100
2012-13	100	100	2018-19	100	100			

2.5.2. Water use

2.5.2.1. Mary Valley tariff group

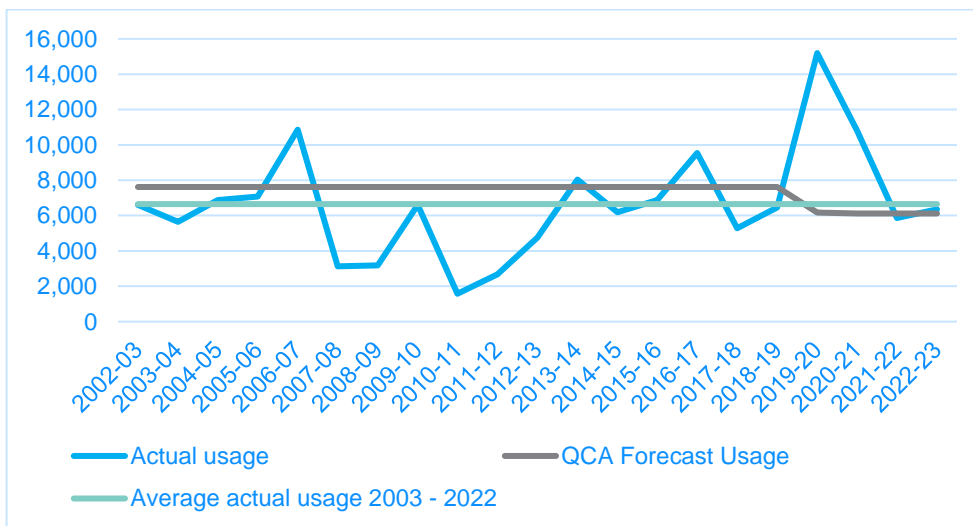
Figure 1 below shows the actual water usage per year from 2002-03 to 2022-23 for the Mary Valley tariff group.

Also shown is the usage assumption adopted by the QCA for the 2013-17 price path period (extended to 2019) and the 2020-24 price path period, which was 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.

Also shown is average actual water usage over the period 2003-04 to 2022-23 (6,650ML), which is Seqwater’s default proposed approach for determining forecast 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 Mary Valley WWS. Customers consider that the Traveston Dam buy-back scheme has impacted the historical usage of the Mary Valley WSS and therefore adjustments need to be made to historical usage data in the impacted years.

Seqwater acknowledges the likely impact of the Traveston Dam buy-back scheme on historical usage in the Mary Valley WSS between 2006 to 2011 in particular. It is proposed to exclude the impacted years from the 20-year historical average when deriving forecast usage. To derive the proposed Mary Valley WSS’s forecast usage, the historical usage was averaged for the years 2003-04 to 2006-07 and 2012-13 to 2022-23.

Figure 1 Mary Valley tariff group 20 year average water usage FY2003 to FY2023 (ML)



2.5.2.2. Pie Creek tariff group

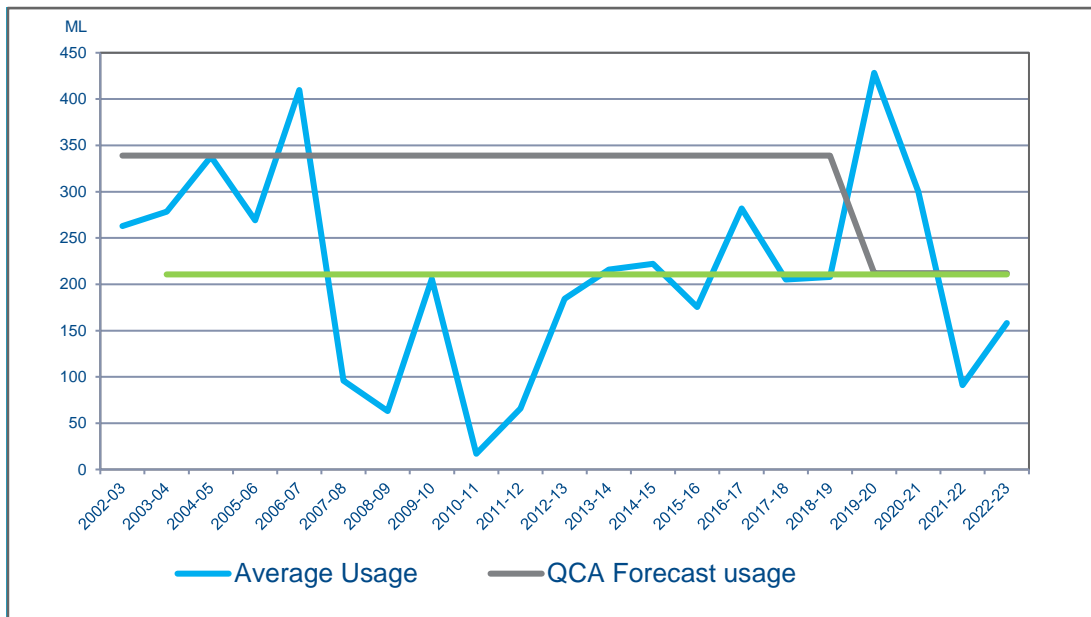
Figure 2 below shows the actual water usage per year from 2002-03 to 2022-23 for the Pie Creek tariff group.

Also shown is the usage assumption adopted by the QCA for the 2013-17 price path period (extended to 2019) and the 2020-24 price path period, which was 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.

Also shown is average actual water usage over the period 2003-04 to 2022-23 (211ML), which is Seqwater’s default proposed approach for determining forecast usage for all schemes over the 2025-29 price path period. Forecast usage is subsequently used to calculate proposed variable prices.

Figure 2 Pie Creek tariff group water usage FY2003 to FY2023 (ML)



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.

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"
- "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

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).

- 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 February 2023 where all customers were invited;
- a survey, sent to customers via email, accompanied with 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 Mary Valley WSS and Pie Creek Distribution Scheme told Seqwater that they:

- want a continuation of the Community Service Obligation (CSO);
- are concerned about water reliability due to the proposal of a Hydro scheme to be located at Borumba Dam and if allocated council rates will increase if the footprint of Borumba Dam increases;
- don’t want meters with small water allocations (5ML or less) to be replaced;
- are concerned about small allocation holders not paying their share, as the bigger allocation holders are subsidising the small allocation holders;
- were not interested in specific cost allocation and pricing methodologies;
- are interested in bottom line prices;
- want water security and efficiency;
- are keen to understand drivers for any significant repair and maintenance works;

- want capital expenditure planned for Borumba Dam be placed on hold until the pending decision of the Borumba Dam Hydro project is known;
- want the project to replace Cone Valves at Borumba Dam to be placed on hold (along with the desilting of downstream), if no risk associated with putting it on hold;
- would like an online water accounting portal to manage their water allocations; and
- are happy with current service standards.

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 look further into:

- another option for the 20-year annual water usage as members believed the usage reduced during the Traveston Dam buy back period and the 20-year rolling average should not reflect those years (as outlined above);
- key drivers of increased spend in electricity and other costs in Pie Creek;
- removing the refurbishment of the access road to Borumba Dam (\$587,000) from non-metering renewals as this project is classified as recreational; and
- confirming/validating forecast metering costs.

Seqwater provided confirmation of each of these matters. Customers also advised not to go in this much detail at the forums - they requested that Seqwater keeps the pricing session at a high level otherwise it will 'lose the audience'.

The customers in Mary 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 during October and November 2023. Seqwater provided responses and closed out the matters raised in Phase 2 with the CRG and at the Customer Forum. Seqwater shared the outcome of the investigation of each matter along with the final proposed costs and prices that will be included in its submission to the QCA to the CRG. One of the positive outcomes of our investigation into the matters raised by the CRG was the ability to reduce the overall metering spend allocated in the renewals allowance from \$1.711M to \$1.117M, by reducing the contingency. The Mary Valley 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 2022-23), Seqwater’s actual expenditure has been 24% less than the QCA’s recommended operating expenditure allowance in the Mary Valley scheme and 18% more than the QCA’s recommended operating expenditure allowance in Pie Creek. The following charts show the QCA’s recommended operating expenditure allowance compared to actual expenditure and forecast expenditure for the period 2013-14 to 2028-29 for both the Mary Valley and Pie Creek tariff groups.

Figure 3 Mary Valley operating expenditure comparison FY2014 – FY2029(\$ nominal)

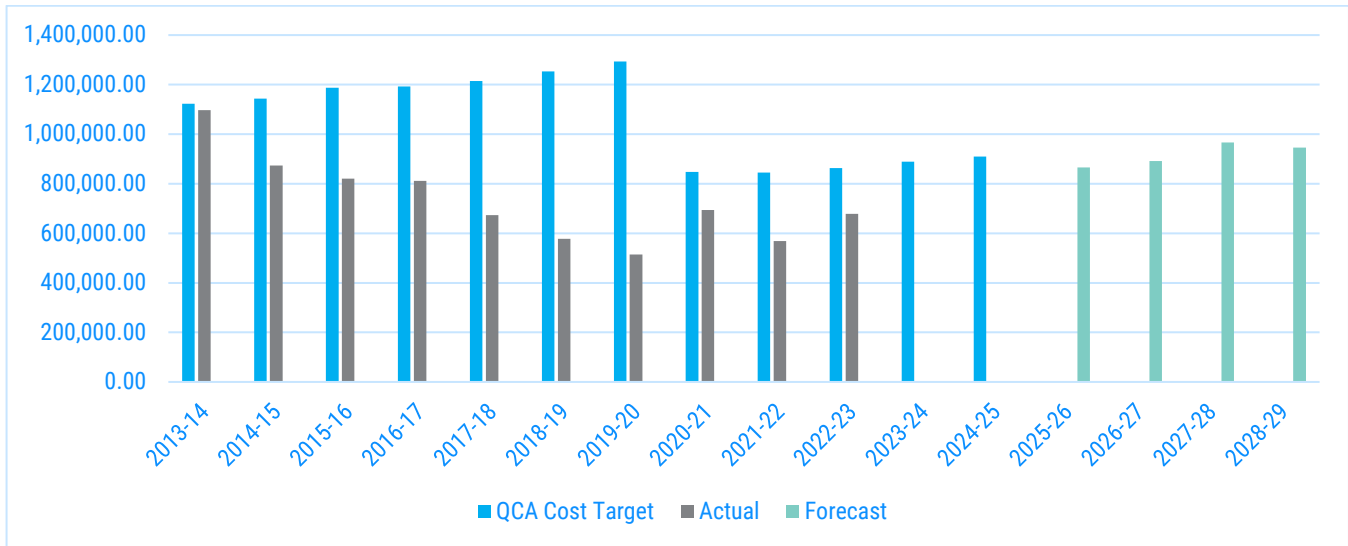
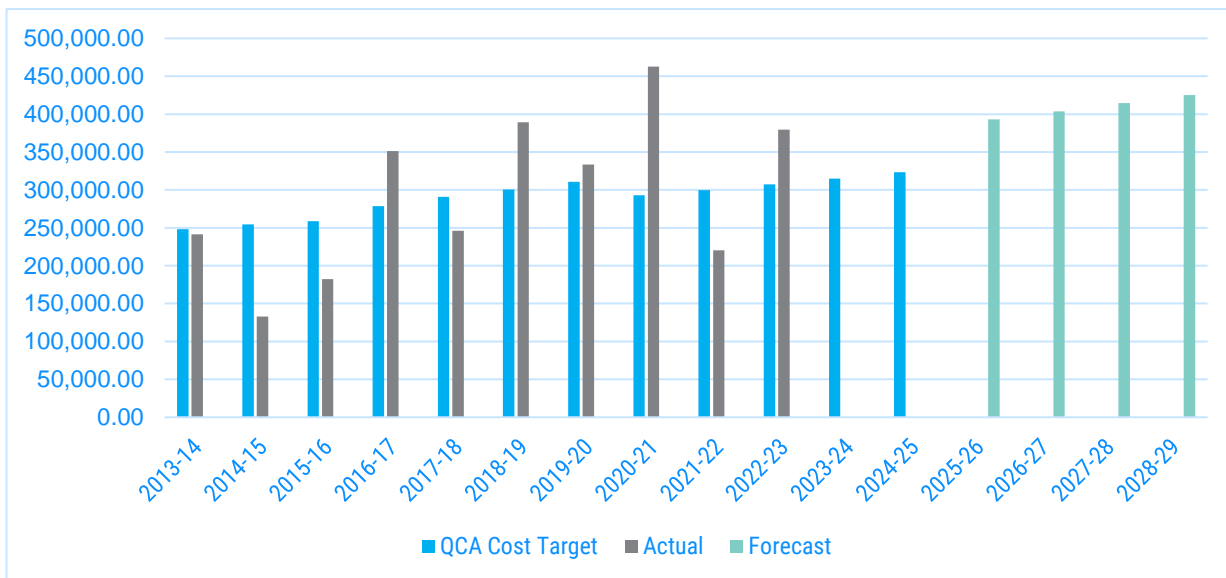


Figure 4 Pie Creek operating expenditure comparison FY2014 – FY2029 (\$ nominal)



The next section provides more detail on differences between actual and forecast expenditure between 2020-21 and 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 forecast operating costs recommended as a cost target by the QCA for the 2020-24 price path period.

Table 4 Mary 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	204,754	215,858	209,872	173,692	215,643	193,173
Electricity fixed	7,642	5,041	7,762	5,483	7,887	15,052
Repairs & maintenance	121,977	53,412	124,865	29,861	128,162	74,024
Other	107,852	87,985	110,379	54,975	113,269	54,451
Local government rates	9,893	29,096	10,110	29,186	10,363	28,136
Dam safety inspection	25,946	25,427	3,712	20,887	0	13,125
Insurance	108,917	101,727	111,313	105,267	114,096	130,268
Total Direct Costs	586,982	518,545	578,014	419,351	589,420	508,229
Indirect Costs						
Operations	251,857	164,861	257,398	137,971	263,833	160,340
Non- infrastructure	9,023	11,066	9,222	11,295	9,452	9,566
Total Indirect Costs	260,880	175,927	266,620	149,266	273,285	169,906
Total Operating Costs	847,862	694,472	844,634	568,617	862,705	678,135

Table 5 Pie Creek 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	61,613	125,242	63,153	79,270	64,890	87,157
Electricity fixed	19,760	29,932	20,070	12,145	20,392	12,864
Repairs & maintenance	84,529	108,327	86,530	20,428	88,815	94,595
Other	18,986	40,888	19,404	22,329	19,889	57,473
Local government rates	3,271	8,094	3,343	8,182	3,427	8,045
Dam safety inspection	0	0	0	0	0	0
Insurance	5,488	10,025	5,609	10,374	5,749	10,374
Total Direct Costs	193,646	322,507	198,109	152,728	203,161	270,507
Indirect Costs						
Operations	95,898	131,918	98,008	62,534	100,458	110,324
Non- infrastructure	3,436	8,818	3,511	5,119	3,599	6,584
Total Indirect Costs	99,334	140,736	101,519	67,653	104,057	116,908
Total Operating Costs	292,980	463,243	299,628	220,381	307,218	387,415

Variances between budget and actual expenditure have been explained to customers and are contained in the annual SPR. The material variances in the Mary Valley relate to:

- labour costs were less than budget due to lower than forecast operational requirements in the Scheme;
- electricity costs have been higher in the current price path period (2020-24) due to increased electricity charges;
- repairs and maintenance costs and other costs were less than budget because fewer maintenance projects were required to be undertaken;
- there has been an increase in local government results due to the differential rate classification by council (this is beyond Seqwater's control);
- dam safety inspection costs were higher than anticipated due to Seqwater implementing an improved processes to track internal costs for dam safety inspections, compared to previous years.

The material variances in Pie Creek relate to:

- increased labour costs due to increase in operational requirements;
- increases in other costs due to an increase in minor materials and consumables due to pipe breaks;
- increase in local government results due to the differential rate classification by council (beyond Seqwater's control);
- increase in insurance due to updated asset valuations post last price review;
- higher direct operating costs results in an increase to indirect costs due to a higher allocation of this share across all schemes.

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 review². 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 cent³, 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. and Table 9 details the proposed 2023-24 base year expenditure as allocated to the Mary Valley and Pie Creek Schemes.

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

Operating cost category	QCA Cost Target	Seqwater	Rationale for base year forecast
	Target	Base Year	
Direct costs			
Labour	221,529	252,619	Based on actual time allocation budget for 2023-24
Electricity	7,996	15,579	2022-23 actual plus 3.5%

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

Operating cost category	QCA Cost Target	Seqwater	Rationale for base year forecast
	Target	Base Year	
Repairs & maintenance	131,531	76,615	Based on 2022-23 actual plus 3.5%
Other	116,225	62,241	Based on 2022-23 actual plus 3.5%
Rates	10,622	28,840	Based on 2022-23 actual plus 2.5%
Dam safety	3,900	46,757	Based on dam safety program
Insurance	116,949	155,816	Asset valuations updated since previous price review, increase in insurance costs
Total direct costs	608,752	638,242	
Indirect costs			
Water Accounting System System		3,059	Scheme share of annual licence fee for new water accounting system and customer online portal (total \$25,000/annum)
Operations	270,429	198,889	Indirect costs based on the indirect allocators.
Non-infrastructure	9,688	15,079	
Total indirect costs	280,117	217,0026	
Total proposed operating expenditure	888,869	855,268	

Table 7 Proposed 2023-24 base year operating expenditure compared to the QCA's recommended cost target 2023-24 - Pie Creek (\$Nominal)

Operating cost category	QCA Cost Target	Seqwater	Rationale for base year forecast
		Base Year	
Direct costs			
Labour	66,661	75,829	Based on actual time allocation budget for 2023-2022-23 actual plus 3.5%
Electricity	490	14,566	
Electricity variable	20,183	13,800	
Repairs & maintenance	91,150	97,906	Based on 2022-23 actual plus 3.5%
Other	20,386	52,340	Based on 2022-23 actual plus 3.5%
Rates	3,513	8,246	Based on 2022-23 actual plus 2.5%
Dam safety	-	-	Based on dam safety program
Insurance	5,893	15,166	Asset valuations updated since previous price
Total direct costs	208,275	277,852	
Indirect costs			
Water Accounting System		723	Scheme share of annual licence fee for new water accounting system and customer online portal (total \$25,000/annum)
Operations	102,970	86,584	Indirect costs based on the indirect allocators.
Non-infrastructure	3,689	6,564	

Operating cost category	QCA Cost Target	Seqwater	Rationale for base year forecast
		Base Year	
Total indirect costs	106,659	93,8711	
Total proposed operating expenditure	314,933	371,723	

4.1.4. Step changes

The key step change that is proposed for the 2025-29 price path period for the Mary Valley scheme is the forecast \$42,231 (real24\$) costs associated with a five-yearly dam safety inspection, scheduled to occur in 2027-28.

4.1.5. 2025-29 operating budget forecast

In preparing these operating cost forecasts, Seqwater derived base year operating expenditure for 2023-24 in accordance with the 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 8 Mary Valley operating costs budget for 2025-26 to 2028-29 (whole scheme, \$Nominal)

Operating cost category	2025-26 Budget	2026-27 Budget	2027-28 Budget	2028-29 Budget
Direct costs				
Labour	265,692	271,962	278,380	284,950
Electricity	16,304	16,679	17,062	17,455
Repairs & Maintenance	80,888	82,965	85,035	87,094
Other	65,701	67,512	69,279	70,996
Local government rates	30,596	31,463	32,302	33,109
Dam safety inspection	4,802	4,938	52,370	5,196
Insurance	171,787	180,377	189,395	198,865
Total direct costs	635,770	655,896	723,823	697,665
Indirect costs				
Water Accounting System	3,245	3,337	3,426	3,512
Operations	211,001	216,979	222,766	228,335
Non-infrastructure	15,997	16,450	16,889	17,311
Total indirect costs	230,243	236,767	243,081	248,158
Total proposed operating expenditure	866,013	892,662	966,905	946,823

Table 9 Pie Creek operating costs budget for 2025-26 to 2028-29 (whole scheme, \$Nominal)

Operating cost category	2025-26 Budget	2026-27 Budget	2027-28 Budget	2028-29 Budget
Direct costs				
Labour	79,753	81,635	83,562	85,534

Electricity	15,244	15,594	15,953	16,320
Repairs & Maintenance	103,366	106,021	108,666	111,298
Other	55,472	57,013	58,514	59,967
Local government rates	8,748	8,996	9,236	9,466
Dam safety inspection	0	0	0	0
Insurance	16,720	17,556	18,434	19,356
Electricity Variable (Pie Creek only)	14,442	14,774	15,114	15,462
Total direct costs	293,745	301,589	309,479	317,402
Indirect costs				
Water Accounting System	767	788	809	830
Operations	91,857	94,460	96,979	99,403
Non-infrastructure	6,964	7,162	7,352	7,536
Total indirect costs	99,588	102,410	105,140	107,769
Total proposed operating expenditure	393,333	404,000	414,619	425,171

4.2. Headworks utilisation factor

The headworks utilisation factor (HUF) is a calculation that seeks to apportion the share of headworks costs of water supply schemes between high priority (HP) and medium priority (MP) water allocation holders. The HUF is effectively an allocation of costs between the irrigation and urban sectors. A HUF of 11% was calculated for the Borumba Dam headworks in the 2020-24 irrigation price review.

In preparation for the irrigation price review, Seqwater commissioned an independent review of the HUF inputs and calculations for the Mary Valley scheme. As there were no changes to rules or data inputs since 2020 the HUF of 11% remains unchanged for the 2025-29 irrigation price review.

4.3. Renewals

4.3.1. 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.

A 2017 quality assurance review by Indec of Seqwater's ARR methodology found that for customers in schemes that supplied both high priority urban and medium priority irrigation users, Seqwater's ARR balances had been confusing to interpret. For the 2025-29 price path period, Seqwater has continued the similar approach to 2020-24 to calculate and report the ARR for the irrigation share only. This is provided in the table below.

Table 10 Mary Valley WSS Asset Restoration Reserve 2019-20 to 2024-25 medium priority (\$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	80,295	129,771	383,180	573,416	1,035,528	1,047,296

Interest for year	4,978	5,674	16,753	25,071	45,275	45,790
Revenue for year	117,694	74,956	74,837	74,718	74,936	77,184
Revenue above cost reflective price		174,480	99,168	90,015	0	0
Revenue contribution-HUF change	126,442					
Expenditure for year - non-metering	-909	-19	-521	-6,244	-4,480	0
Expenditure for year - metering	-198,729	-1,682	0	278,551	-103,962	-498,542
Closing Balance 30 June	129,771	383,180	573,416	1,035,528	1,047,296	671,728

Notes:

- (1) The irrigation share of the whole-of-scheme opening balance was apportioned according to the amended HUF percentage of 11%.
- (2) The interest rate is the Queensland Competition Authority's recommended weighted average cost of capital (WACC) of 4.37% post-tax nominal.
- (3) The irrigation share of non-metering renewals expenditure was apportioned by the amended HUF percentage of 11%.

Table 11 Pie Creek Tariff Group Asset Restoration Reserve (\$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	333,973	263,928	298,766	318,381	290,746	321,573
Interest for year	20,706	11,539	13,063	13,920	12,712	14,060
Revenue for year	0	30,048	30,208	30,370	30,532	31,448
Expenditure for year - non-metering	-48,725	-6,749	-23,656	-71,925	-12,417	0
Expenditure for year - metering	-42,025		0	0	0	0
Closing Balance 30 June	263,928	298,766	318,381	290,746	321,573	367,082

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

4.3.2. Renewals expenditure

4.3.2.1. 2018-2023 renewals

The following tables set out the renewals projects that were undertaken from 2018-2023. Actual expenditure is shown against QCA's recommended renewals allowance for the Scheme in Table 12 and Table 11 below⁴.

Table 12 Mary Valley renewals expenditure compared to QCA's allowance (ALW) 2018-19 to 2022-23 (whole scheme, \$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
864,000	320,410	110,000	206,995	108,455	1,857	20,683	4,738	-	335,313

In total, Seqwater's actual expenditure was \$233,826 less than the QCA's recommended allowance in the Mary Valley WSS. As Seqwater's expenditure was within the QCA's recommended allowance, which was assessed as prudent and efficient, this actual expenditure should therefore be prudent and efficient.

Table 13 Pie Creek renewals expenditure compared to QCA's allowance (ALW) 2018-19 to 2022-23 (whole scheme, \$Nominal)

2018-19	2019-20	2020-21	2021-22	2022-23
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⁴ Sourced from the QCA pricing model.

QCA ALW	Actual	QCA ALW	Actual	QCA ALW	Actual	QCA ALW	Actual	QCA ALW	Actual
-	6,200	67,000	90,750	152,564	6,749	-	23,656	674,934	71,925

In total, Seqwater's actual expenditure was \$695,218 less than the QCA's recommended allowance in the Pie Creek WSS. As Seqwater's expenditure was within the QCA's recommended allowance, which was assessed as prudent and efficient, this actual expenditure should therefore be prudent and efficient.

Details of the renewals expenditure including explanations of variances from Seqwater's budget are set out in the annual SPR for each year.

4.3.2.2. 2023 to 2025 forecast renewals

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

Table 14 Mary Valley forecast renewals expenditure for 2023-24 and 2024-25 (whole scheme, \$Nominal)

2023-24 renewals budget		2024-25 renewals budget	
Metering	Non-metering	Metering	Non-metering
103,962	40,728	498,542	-

Table 15 Pie Creek forecast renewals expenditure for 2023-24 and 2024-25 (whole scheme, \$Nominal)

2023-24 renewals budget		2024-25 renewals budget	
Metering	Non-metering	Metering	Non-metering
-	12,417	-	-

4.3.2.3. 2025 to 2029 forecast renewals

Forecast renewals expenditure for the next price path period of 2025-26 to 2028-29 is set out in the tables below.

Table 16 Mary Valley forecast renewals expenditure for 2025-26 to 2028-29 (whole scheme, \$Nominal)

2025-26		2026-27		2027-28		2028-29	
Metering	Non-metering	Metering	Non-metering	Metering	Non-metering	Metering	Non-metering
545,828	-	-	392,745	-	56,003	-	183,688

Table 17 Pie Creek forecast renewals expenditure for 2025-26 to 2028-29 (whole scheme, \$Nominal)

2025-26		2026-27		2027-28		2028-29	
Metering	Non-metering	Metering	Non-metering	Metering	Non-metering	Metering	Non-metering
-	-	-	681,849	-	896,041	-	149,247

Seqwater is proposing a 30-year rolling annuity. Each year, the 30-year forecast rolls forward one year so that there is constantly a 30-year forecast of costs in the annuity calculation.

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 2025-26 to 2057-58 for the Mary Valley and Pie Creek schemes are shown in Figure 5 and Figure 6 below.

The following capital projects totalling \$1.2 million are due to be commissioned for Mary Valley WSS from 2025-26 through to 2032-33:

- replacement of the switchboards to improve reliability and reduce work health safety risk at Borumba Dam (\$392,745);
- replacement of the two cone valves with new type of valve designed to release when submerged at Borumba Dam (\$239,691); *(Customers asked for this to be placed on hold, however, this was not possible as it has safety implications. This was closed out with customers).*
- metering spend (\$545,828).

Capital projects to rebuild a submersible pump, replace a switchboard and replace leaking valves at the Calico Creek pipeline outlets (totalling \$1.7 million) are due to be commissioned for Pie Creek WSS from 2025-26 through to 2032-33.

A provision of \$9.3 million and \$67,700 has been allowed for capital projects between 2033-34 through to 2057-58 for Mary Valley and Pie Creek schemes respectively.

Figure 5 Mary Valley renewals expenditure 2026-58 (\$ nominal)

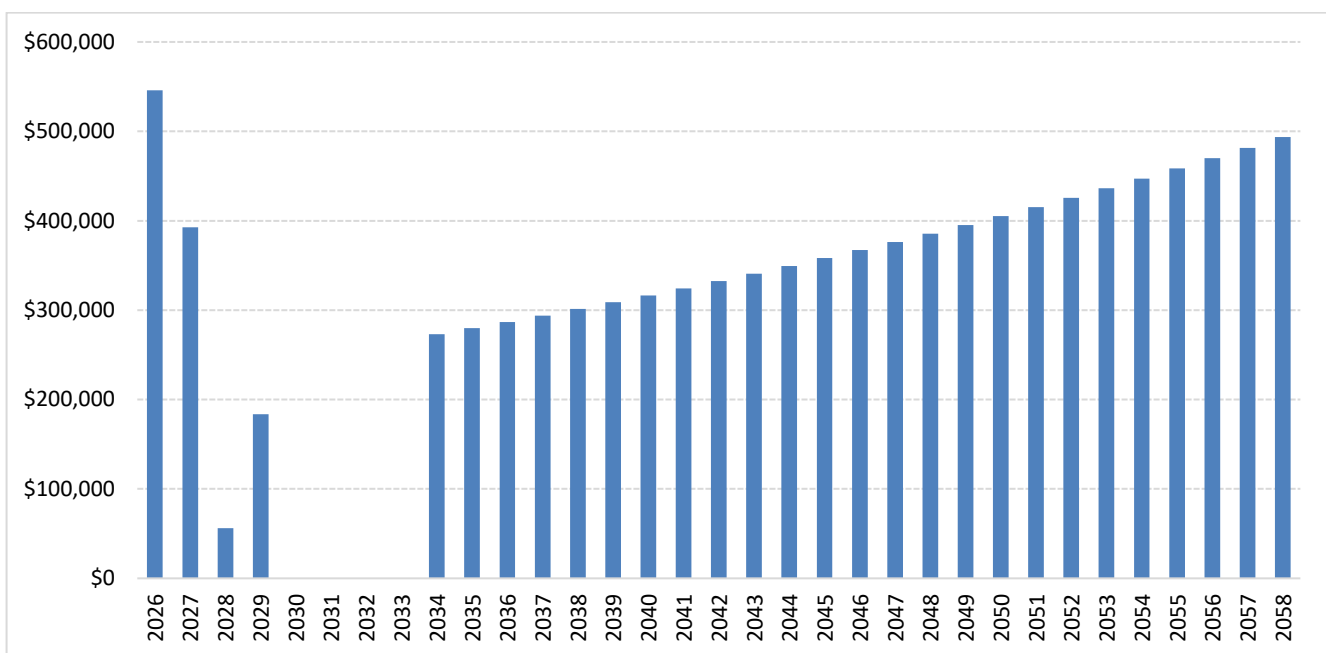
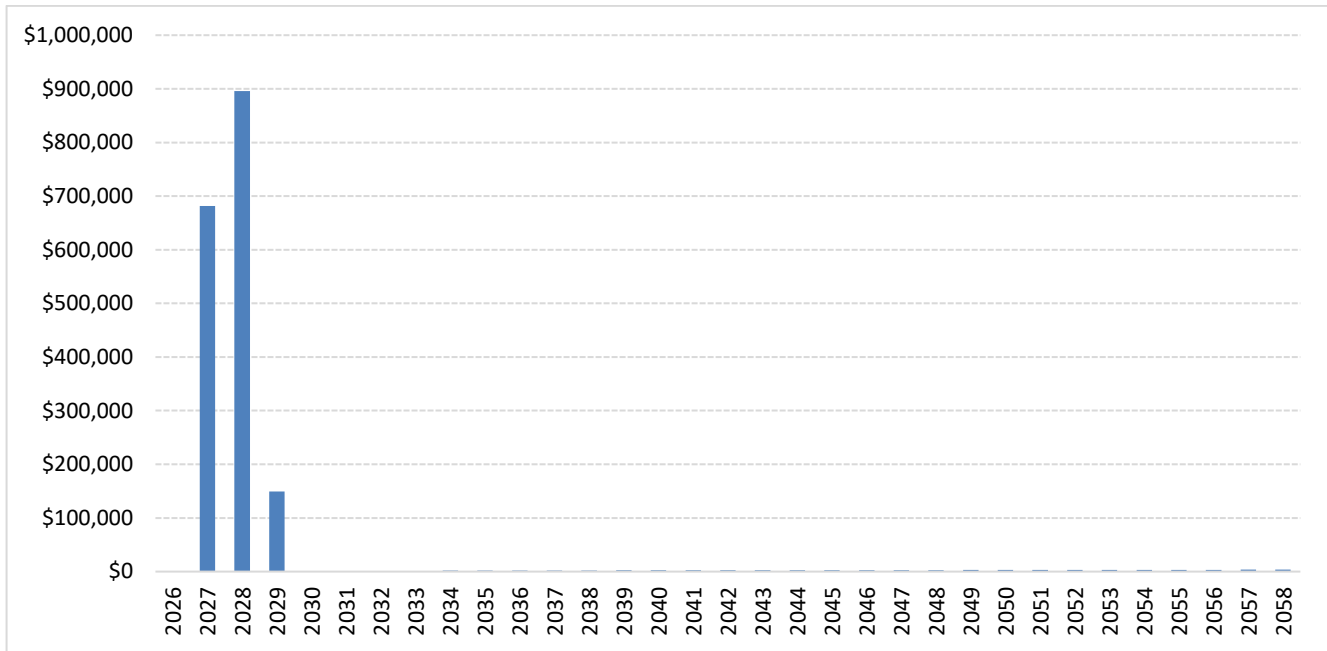


Figure 6 Pie Creek renewals expenditure 2026-58 (\$ nominal)



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) for medium priority water allocations is shown below.

Table 18 Mary Valley total forecast medium priority Maximum Allowable Revenue (irrigation share only, \$Nominal)

Cost type	2025-26	2026-27	2027-28	2028-29
Direct operating costs	195,957	201,289	211,905	212,195
Indirect operating costs	92,751	95,379	97,922	100,370
Rolling Annuity	103,971	105,169	106,387	107,625
Revenue Offset	(5,898)	(6,065)	(6,227)	(6,383)
Maximum Allowable Revenue	386,781	395,772	409,987	413,807

Table 19 Pie Creek total forecast medium priority Maximum Allowable Revenue (irrigation share only, \$Nominal)

Cost type	2025-26	2026-27	2027-28	2028-29
Direct operating costs	293,745	301,590	309,478	317,402
Indirect operating costs	99,588	102,410	105,140	107,769
Rolling Annuity	64,399	64,892	65,389	65,891
Revenue Offset	(964)	(992)	(1,018)	(1,044)

Maximum Allowable Revenue	456,768	467,900	478,990	490,019
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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 22 and Table 23 below sets out Mary Valley and Pie Creek prevailing prices for 2024–25 (reflecting the continuation of the current price path) compared to the proposed cost-reflective prices and proposed prices in accordance with the terms of the Referral Notice for 2025–26.

Table 20 Mary Valley tariff group proposed prices 2025-29 (Nominal \$/ML)

Tariff	Actual Price	Proposed cost reflective price	Proposed Prices			
	2024-25	2025-26	2025-26	2025-27	2027-28	2028-29
Part A - MP	15.51	16.09	16.09	16.54	16.99	17.46
Part B - MP	8.72	6.49	6.49	6.67	6.85	7.04

Table 21 Pie Creek tariff group proposed prices 2025-29 (Nominal \$/ML)

Tariff	Actual Price	Proposed cost reflective price	Proposed Prices			
	2024-25	2025-26	2025-26	2025-27	2027-28	2028-29
Part A - MP	15.17	16.09	16.09	16.54	16.99	17.46
Part B - MP	8.53	6.49	6.49	6.67	6.85	7.04
Part C - MP	54.34	480.18	57.94	62.21	66.68	71.34
Part D - MP	91.54	295.83	96.33	98.98	101.70	104.50

5.1. Termination fee revenue

A termination fee is applied when a distribution system water allocation is permanently transferred to the river - in this case, from Pie Creek to the Mary Valley scheme.

5.1.1. Previous review

The QCA recommended that the Pie Creek termination fee be based on 11 times the recommended (not the cost-reflective) Part C charge. Seqwater is not proposing to make any changes to the QCA’s previous recommendation.

5.1.2. Seqwater proposal

Consistent with the previous QCA review, Seqwater does not intend for remaining customers to pay higher charges as a result of exiting customers. Accordingly, it will continue to determine the cost-reflective fixed charge by dividing by the 835 ML, as per the previous review. This will mean remaining customers will be unaffected by the action of the exiting parties.

There has been 30ML transferred into Pie Creek during the current price path, as such the WAE in Pie Creek is now 822ML. Accordingly, Seqwater proposes consistency with the last price review and the Part C should continue to be calculated based on 835 ML.

Appendix 1: Mary Valley WSS service targets

These service targets were agreed at the Mary Valley Water Supply Scheme consultation forum held on 13 May 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.