

Warrill 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 Warrill 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 Warrill Valley Water Supply Scheme was established following the construction of Moogerah Dam in 1961. The Scheme provides water for the irrigation of about 8,000 ha of farms as well as for urban and industrial water users. The Scheme is regulated under the Moreton Water Management Protocol and managed under the Warrill Valley Water Supply Scheme Operations Manual.

The water year runs from 1 July to 30 June.

The Scheme consists of one tariff group, "Warrill Valley".

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	Other bulk water assets
<ul style="list-style-type: none"> Moogerah Dam 	<ul style="list-style-type: none"> Upper Warrill Diversion Weir Kents Lagoon Diversion Weir Aratula Weir Warrill Creek Diversion Weir Waroolaba Creek Diversion Weir West Branch Warrill Diversion Weir Churchbank Weir Railway Weir 	<ul style="list-style-type: none"> Gauging stations Customer water meters Upper Warrill Creek Diversion Channel

2.3. Customer service standards

The current service standards for the Scheme are attached in Appendix 1.

Seqwater publishes an annual Scheme Performance Report (SPR) for each scheme, including the Warrill 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 Warrill 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 volume (ML)	High priority volume (ML)
Irrigation	267	19,478	200
Non-Irrigation	10	681	204
Urban	1	0	250
Seqwater (losses)	0	3,714	0
Seqwater	0	11	5,296
Totals	278	23,885	5,950

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.

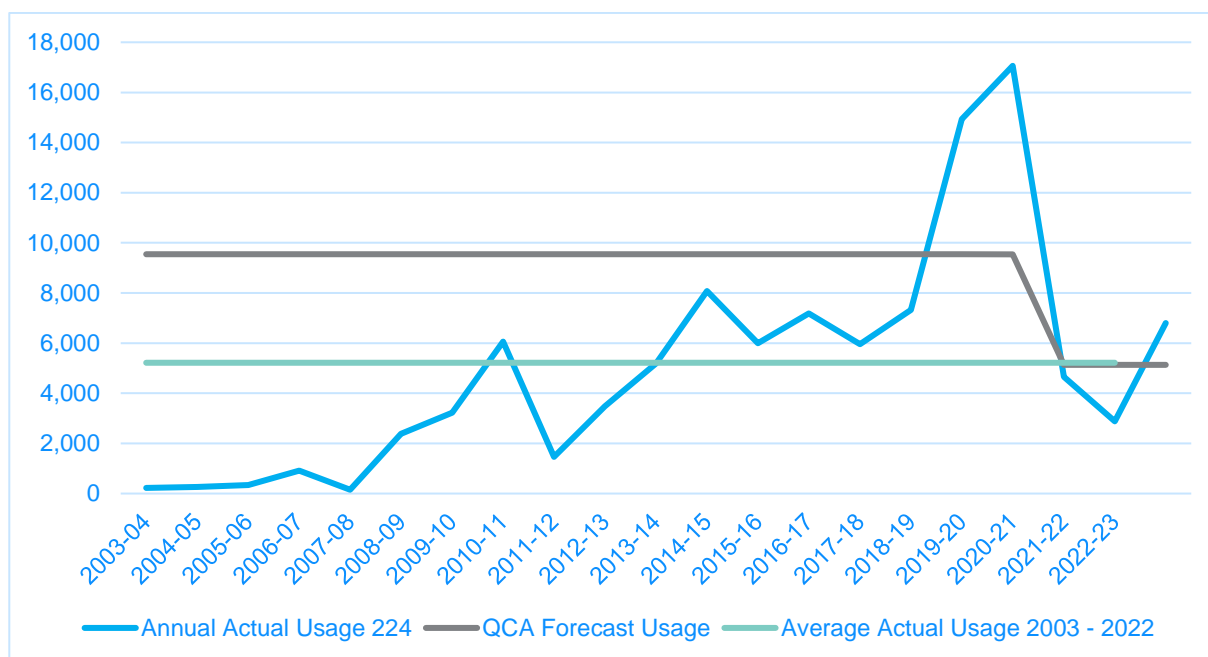
Table 3 Announced allocations history

Year	HP%	MP%	Year	HP%	MP%	Year	HP%	MP%
2007-08	100	0	2013-14	100	100	2019-20	100	100
2008-09	100	5-71	2014-15	100	100	2020-21	100	19-96
2009-10	100	30-72	2015-16	100	100	2021-22	100	77-100
2010-11	100	56-100	2016-17	100	100	2022-23	100	100
2011-12	100	100	2017-18	100	100	2023-24	100	100
2012-13	100	100	2018-19	100	100			

2.5.2. Water use

Figure 1 below shows the actual water usage per year from 2003-04. Also shown is the usage assumption adopted by the QCA for the 2013-17 (extended to 2019) and the 2020-24 price path periods, which was 9,541ML and 5,133ML (respectively). The QCA's usage assumption has been extrapolated to prior years for comparison purposes only. Also shown is average actual water usage over 2003-04 through to 2022-23 (5,217ML), which is used to derive forecast of usage over the 2025-29 price path period. The usage forecast is subsequently used to calculate Warrill Valley's proposed variable Part B prices.

Figure 1 Annual Scheme water usage 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. 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"
- "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:

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 0-6) from the percentage of promoters (scores 9-10).

- 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 Warrill Valley WSS told Seqwater that they:

- want water security and that scheme efficiencies are important to customers;
- are concerned about price variability being introduced when the 15% government discount is removed. Customers preference is for price stability;
- were not interested in specific cost allocation and pricing methodologies;
- prefer that in times when water is available, customers could pay additional revenue that could be set aside to offset prices when water is unavailable;
- would like to look at in the future if there was no water, could the Part A be kept on hold and then combined with the Part B costings;

- are interested in bottom line prices;
- are less likely to engage when water is available and when there are no issues to speak of. Customers assured Seqwater that if issues arise, they will actively engage;
- consider that the current loss allocation within the scheme is likely to be less than the actual losses;
- are keen to understand drivers for any significant repair and maintenance works;
- would like an online water accounting portal to manage their water allocations;
- suggest that Seqwater's presentation at the forums on pricing is kept simple and high level.

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:

- plan a future meeting to discuss the operational performance of the Scheme, to understand whether there is any scope to improve the Scheme performance through works on the upper catchment (noting any potential works would require a discussion with Government);
- determine a way to keep prices constant as opposed to reducing, to provide a buffer for potential drivers of price hikes in the future – they requested for Seqwater to investigate if additional revenue could be accrued within the Scheme's metering annuity as an option to keep scheme prices constant;
- remove refurbishment of the Haigh Park Access Road (\$486,000) from the forecast as this was deemed recreational;
- provide a forecast of the storage level of Moogerah Dam level for the start of next year;
- confirm whether Normandy Gully Diversion (\$240,000) is needed within the forecast;
- provide an update on the progress of the Water Plan amendment.

Seqwater provided confirmation of each of these matters.

The customers in Warrill 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 Warrill Valley CRG confirmed it was satisfied with the consultation process and had no objections to the proposed costs in the final submission.

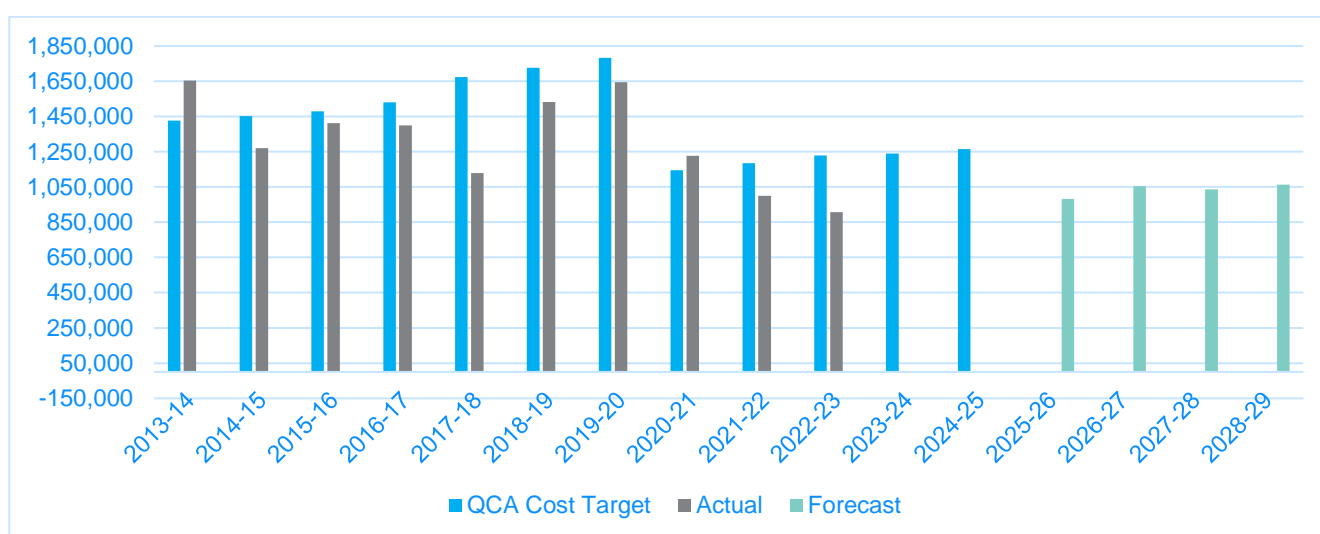
4. Financial Performance

4.1. Operating expenditure

4.1.1. Overview

Over the current price path (2020-21 to 2023-24), Seqwater’s actual expenditure (2020-21 to 2022-23) has been 12% less than the QCA’s recommended operating expenditure allowance in the Warrill Valley scheme. This cost reduction was primarily due to less than forecast spend on repairs and maintenance and other costs.

Figure 2 Warrill Valley operating expenditure - actual and forecast: FY2014-FY2029 (\$ nominal)



4.1.2. 2020-2023 price path cost/QCA cost target comparison to actual

Table 4 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 2020-24 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	271,714	441,061	278,507	328,894	286,166	246,747
Electricity Fixed	8,817	9,033	8,955	9,146	9,099	5,220
Repairs & maintenance	237,220	139,729	242,701	109,885	248,992	142,674
Other	94,956	111,787	97,058	79,914	99,496	76,111
Local government rates	104,903	108,466	107,211	110,524	109,891	118,133
Dam safety inspection	0	7,334	7,334	7,334	27,180	4,195
Insurance	44,304	45,097	45,279	46,666	46,411	46,666
Total Direct Costs	761,915	862,507	787,045	692,363	827,234	639,746
Indirect Costs						

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
Operations	369,615	341,160	377,746	283,643	387,190	251,528
Non- infrastructure	13,242	22,903	13,533	23,220	13,871	15,011
Total Indirect Costs	382,857	364,063	391,279	306,863	401,061	266,539
Total Operating Costs	1,144,771	1,226,570	1,178,324	999,225	1,228,296	906,285

Variances between budget and actual expenditure have been explained to customers and are contained in the annual SPR. A summary of the variances is as follows:

- Additional internal labour was used to undertake maintenance resulting in a shift of costs between cost categories for the first two years, and 2022-23 was a wet year which meant repairs and maintenance and other activities couldn't be carried out as usual.
- As per (1) above, maintenance was mainly undertaken by internal staff resulting in a shift of costs between cost categories which is a more efficient use of resources.
- Other costs were lower than budget as water quality monitoring costs were not included in actual costs for 2020-21 and 2021-22. Improvements to cost allocations have occurred (see below).
- Fleet costs were lower than expected.
- Lower direct operating costs attracts a lower share of indirect operating costs

Seqwater has found additional costs that were not costed correctly to the Scheme and consequently, were not included in the reporting of the actuals. Seqwater is continually looking at ways to improve its costing processes and has taken a review of all work orders linked to irrigation in this Scheme. These issues should be resolved moving forward.

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 prudence 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. Table 5 details the proposed 2023-24 base year expenditure as allocated to the Scheme.

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

Table 5 Proposed 2023-24 base year operating expenditure compared to the QCA's recommended cost target 2023-24 – Warrill Valley WSS (\$Nominal)

Cost category	QCA cost target	Seqwater base year	Rationale for base year forecast
Direct costs			
Labour	293,979	262,189	Based on actual time allocation budget for 2023-24
Electricity	9,225	5,403	2022-23 actual plus 3.5%
Repairs & maintenance	255,427	147,668	2022-23 actual plus 3.5%.
Other	101,994	77,912	2022-23 actual plus 3.5%.
Rates	112,639	121,086	2022-23 actual plus 2.5%
Dam safety	7,705	5,259	Based on dam safety program
Insurance	47,571	68,534	Seqwater allocates the overall insurance premium depending on the asset replacement costs.
Total direct costs	828,539	688,050	
Indirect costs			
Water Accounting System		6,431	Scheme share of annual licence fee for new water accounting system and customer online portal (<i>total \$25,000</i>)
Operations	396,870	214,410	Indirect costs based on the indirect allocators.
Non-infrastructure	14,218	16,256	
Total indirect costs	411,218	237,096	
Total proposed operating expenditure	1,239,627	925,146	

4.1.4. Step changes

The key step change that is proposed for the 2025-29 price path period is the forecast \$42,231 (real 2024 dollars) in costs associated with a five-yearly dam safety inspection, which is scheduled to occur in 2028-29.

4.1.5. 2025-29 operating expenditure 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.

Table 6 sets out the forecast operating costs for the scheme for 2025-26 to 2028-29.

Table 6 Operating costs budget for 2025-26 to 2028-29 – Warrill Valley WSS (whole scheme, \$Nominal)

Operating costs	2025-26	2026-27	2027-28	2028-29
Direct Costs				
Labour	275,757	282,265	288,926	295,745
Electricity Fixed	5,654	5,784	5,917	6,053
Repairs & maintenance	155,903	159,907	163,897	167,866
Other	82,602	84,912	87,156	89,326
Local government rates	128,460	132,100	135,623	139,013
Dam safety inspection	5,579	51,810	5,890	6,038
Insurance	75,559	79,337	83,304	87,469
Total Direct Costs	729,514	796,115	770,713	791,510
Indirect Costs				
Water Accounting System	6,822	7,016	7,203	7,383
Operations	227,467	233,912	240,150	246,154
Non- infrastructure	17,246	17,734	18,207	18,662
Total Indirect Costs	251,535	258,662	265,560	272,199
Total Operating Costs	981,050	1,054,777	1,036,273	1,063,708

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 MP HUF of 10% was calculated for the Moogerah Dam headworks in the 2020-24 irrigation price review.

In preparation for the 2025-29 irrigation price review, Seqwater commissioned an independent review of the HUF inputs and calculations for the Warrill Valley scheme. Results of the review has found a reduction of the MP HUF of 1%. The reduction in the MP HUF is attributable to the inclusion of a new MP cut off rule plus a change to the HP reserve term in the water sharing rules. The MP headworks cost share is now 9%.

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 ARRs for the medium priority share only. This is provided in the table below.

Table 7 Warrill 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	-859,499	-1,308,295	-1,192,435	-1,217,102	-2,321,125	-2,453,213
Interest for year	-53,289	-57,201	-52,136	-53,214	-101,484	-107,259
Revenue for year	72,830	73,641	73,523	80,929	80,800	83,224
Revenue contribution above Cost reflective price		116,401	40,842	29,133	0	0
Expenditure for year - non-metering	-33,971	-14,803	-1,990	-9,760	-6,904	0
Expenditure for year - metering	-434,367	-2,178	-84,905	-1,151,112	--104,500	0
Closing Balance 30 June	-1,308,295	-1,192,435	-1,217,102	-2,321,125	-2,453,213	-2,477,249

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

(2) The irrigation share of non-metering renewals expenditure was apportioned by the HUF percentage of 10% and thereafter by the revised HUF percentage of 9%.

(3) Includes development costs of new water accounting system

4.3.2. Renewals expenditure

4.3.2.1. 2014-18 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 budgets for the Scheme⁴.

⁴ Sourced from the QCA pricing model.

Table 8 Renewals expenditure compared to budget 2013-14 to 2017-18

2018-19		2019-20		2020-21		2021-22		2022-23	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
549,000	861,021	381,000	774,072	377,777	150,207	-	104,805	26,093	1,248,709

In total, Seqwater's actual expenditure was \$1.8 million more than the QCA's recommended allowance. Non-metering spend was \$525,00 million greater and metering spend was \$1.1 million higher. Seqwater's annual SPR contains details of the renewals expenditure, including explanations of variances from Seqwater's budget. This is published on Seqwater's website.

4.3.2.2. 2023 to 2025 forecast renewals

Forecast renewals expenditure for 2023-24 and 2024-25 is set out in Table 9.

Table 9 Warrill 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
104,500	69,040	-	-

4.3.2.3. 2025-29 forecast renewal expenditure

Forecast renewals expenditure for the 2025-29 price path period is set out in Table 10.

Table 10 Warrill 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
79,568	-	81,822	-	84,004	56,003	-	355,896

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.

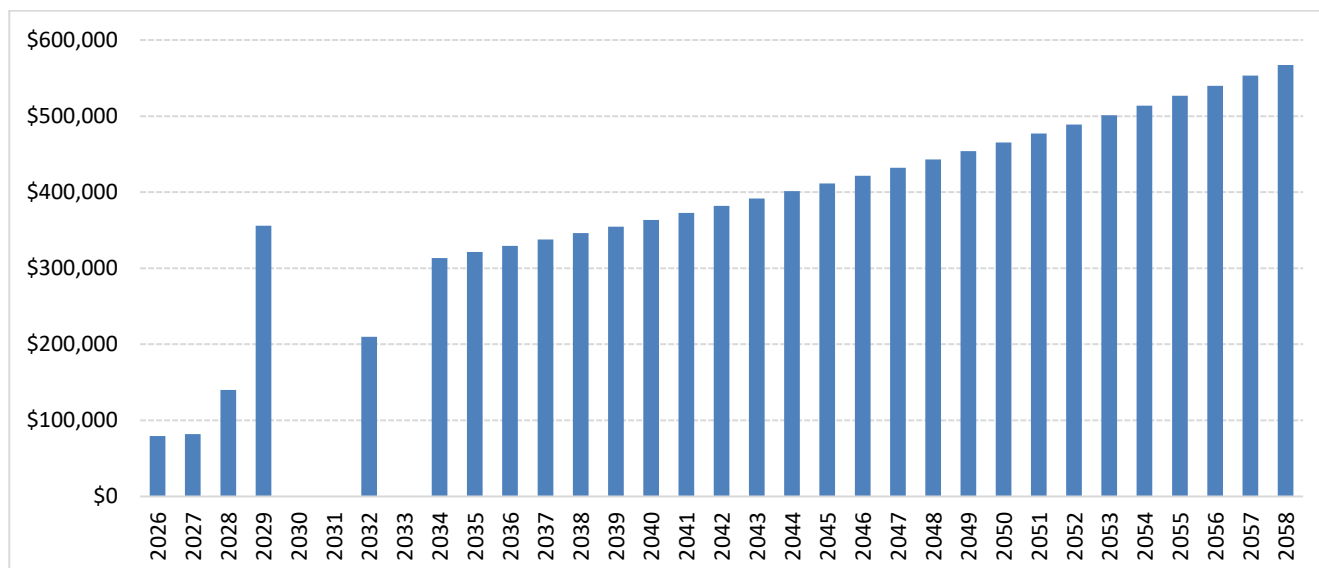
Seqwater considers that its proposed renewals expenditure is prudent and efficient as it has been developed under the same framework that is applied in planning and delivering its entire capital program, which was recently assessed by the QCA as prudent and efficient in the 2022-26 bulk water price review. 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 Warrill Valley WSS are shown in Figure 3 below. Costs of \$866,979 associated with the following capital projects are forecast to be incurred for the Warrill Valley WSS from 2025-26 through to 2032-33:

- installation of hydraulic actuator to Railway Weir and Junction Weir (\$411,899);
- fencing replacement (\$209,687); and
- metering spends totalling (\$245,393).

A provision of \$10.7 million has been allowed for capital projects between 2033-34 through to 2057-58.

Figure 3 Warrill Valley 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 11 Total forecast medium priority Maximum Allowable Revenue (Irrigation share only, \$Nominal)

Cost type	2025-26	2026-27	2027-28	2028-29
Direct operating costs	216,875	226,007	228,239	233,919
Indirect operating costs	94,641	97,322	99,917	102,415
Rolling Annuity	143,732	145,118	146,523	147,946
Revenue Offset	(15,012)	(15,437)	(15,849)	(16,245)
Additional revenue (price stabilisation)	16,479	5,528	-	-
Maximum Allowable Revenue	456,715	458,538	458,831	468,036

Note the consensus feedback received from customers in the Warrill Valley WSS was a preference for a constant (or relatively stable) price over time. That is, customers in this Scheme are willing for Seqwater to be able to over-recover revenue in order keep prices constant as opposed to decreasing in line with cost reflective prices with a view to allowing it to 'bank' that additional revenue to apply to any future increases in costs. This would therefore reduce the need for significant price increases in the future.

It is recognised that this is not consistent with the Government's updated Pricing Principles, which now require Seqwater to immediately adjust any fixed prices that are above the relevant Price Target (to that Price Target). The approach that would be applied in the Warrill Valley WSS is more consistent with the concept in the Pricing Principles that applied in the 2020-24 price path period, whereby surplus revenue resulting from fixed prices being maintained in nominal terms above the Price Target was reinvested into the metering ARR of impacted schemes. The QCA submitted that its final decision did not prevent Seqwater from returning the surplus revenue above the cost target to the relevant schemes and that such an approach was consistent with the principle in the Referral Notice that prices were to be based on all tariff groups transitioning to the lower bound cost target.⁵

Seqwater has determined the additional revenue that would be contributed by keeping Warrill Valley's fixed price constant in nominal terms from 2024-25 through to 2026-27, at which time the proposed cost reflective fixed price would breach the constantly held price (see Table 12). The additional revenue contribution is proposed to be captured within Warrill Valley's metering ARR consistent with the approach adopted in the current price period.

Table 12 Proposed price stabilisation with associated revenue contribution

	Actual price 2024-25 \$/ML	2025-26 \$/ML	2026-27 \$/ML	2027-28 \$/ML	2028-29 \$/ML
Part A MP (\$/ML) proposed cost reflective	20.56	19.74	20.29	20.84	21.42
Part A MP (\$/ML) proposed stabilisation	20.56	20.56	20.56	20.84	21.42
Variance		-0.82	-0.27	0	0
WAE (ML)		20,170	20,170	20,170	20,170
Additional revenue contributed (\$)		16,487	5,528	0	0

Note totals may not add correctly due to rounding.

The primary reason that Seqwater is proposing to apply this approach in the Warrill Valley WSS is because it is in response to a clear preference expressed by customers in that scheme. It is also considered appropriate because:

- apart from allowing Seqwater to retain (for a period of time) any over-recovered revenue from fixed prices, the overall approach still otherwise complies with the Pricing Principles and terms of the Referral Notice;
- over-recovery of revenue was previously permitted under the former Pricing Principles;
- Seqwater will be accountable to demonstrate that any over-recovery of revenue can only be applied to reduce the revenue required to compensate it for future increases in Allowable Costs in that Scheme (which by definition, must be assessed as prudent and efficient by the QCA); and

⁵ Queensland Competition Authority (2020). p. 29.

- it will not impact any customers outside of the Warrill Valley WSS.

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.

The table below sets out Warrill Valley's actual part A fixed price 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 13 Warrill Valley proposed cost reflective water 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	20.56	19.74	20.56 (a)	20.56 (a)	20.84	21.42
Part B - MP	11.81	9.94	9.94	10.21	10.49	10.78
Part A - HP	169.53	137.54	137.54	141.32	145.21	149.20
Part B - HP	7.93	16.91	9.94	10.21	10.49	10.78

(a) This price does not reflect government policy, instead it has been held constant to the actual FY25 price in accordance with preference of Warrill Valley customers.

Appendix 1: Warrill Valley WSS service targets

These service targets were agreed at the Warrill Valley Water Supply Scheme consultation forum held on 6 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.